Building the 22nd Century Corporation

Allstate | The Allstate Corporation Notice of 2016 Annual Meeting, Proxy Statement and 2015 Annual Report

Thomas J. Wilson
Chairman and Chief Executive Officer

Dear Fellow Shareholders

Allstate exists to protect people from life's uncertainties both today and far into the future. We have the capabilities, business model, people and financial resources to deal with the surprises that affect our customers and shareholders.

Last year had its share of surprises, including an economic slowdown in China, the decision by major central banks to use negative interest rates and a stock market that declined despite lower unemployment. We also saw an increase in the number of miles driven in the United States, caused by higher employment and lower gas prices, which led to more auto accidents and required us to raise auto insurance prices.

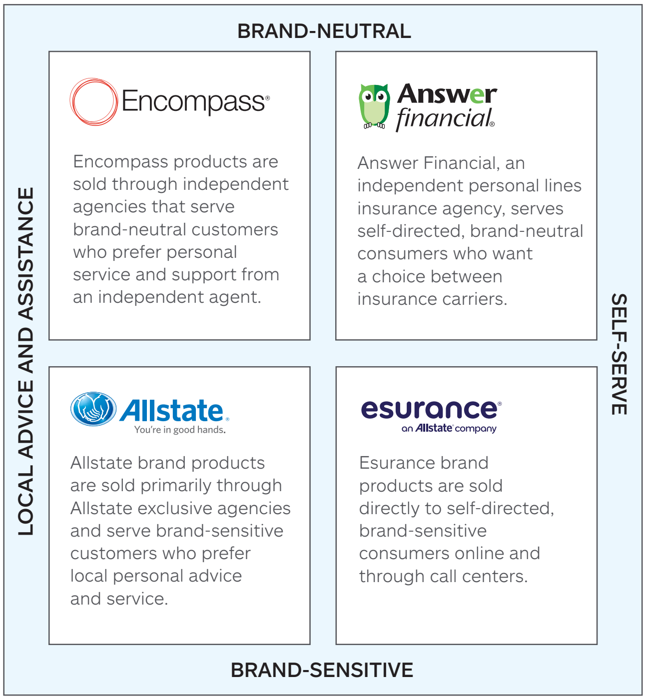
Raising auto insurance prices, however, requires approval from state insurance departments and, as a result, the additional revenue lags cost increases. This caused underwriting income* for auto insurance to decline last year by $581 million. Despite this, the strength of the homeowners insurance business and rapid execution of an auto insurance profit improvement plan resulted in an underlying combined ratio* within the range established as a target at the beginning of the year. Overall, Allstate had net income of $2.1 billion in 2015. Operating income*, which excludes capital gains and losses, was also $2.1 billion or $5.19 per diluted share in comparison to $5.40 per diluted share in 2014.

GOOD OPERATING PERFORMANCE AND PROGRESS ON OUR STRATEGY IN 2015

While building the future, we must continue to provide excellent products and services to customers and generate an appropriate return on capital for shareholders every year.

Good progress was made on the five 2015 operating priorities.

- **Grow insurance policies in force.** The strategy to deliver unique value propositions to the four segments of the personal lines market through Allstate, Esurance,



Encompass and Answer Financial, as shown above, is working. Property-liability policies in force grew by 1.3% in 2015 and net written premiums were 4.2% higher than 2014, led by increases in Allstate brand auto insurance. Allstate Benefits, our workplace distribution business, had exceptional growth of 11.1% or 332,000 policies.

- **Maintain the underlying combined ratio*.** In the first half of 2015, we designed and implemented a comprehensive auto insurance profit improvement plan which included higher pricing, tighter underwriting standards and expense reductions. When combined with the strength of the homeowners insurance business, this resulted in an underlying combined ratio* of 88.7, which was within the target range of 87 to 89 established at the beginning of the year.

- **Proactively manage investments.** Achieving attractive risk-adjusted returns on our $78 billion portfolio is critical to delivering value to customers and shareholders. Net investment income was $3.2 billion for the year. The total return on the portfolio was 1.0% in 2015, which is below the long-term target and reflects low interest rates, an increase in credit spreads on the fixed income portfolio and lackluster equity markets.

- **Modernize the operating model.** The expansion of continuous improvement programs has improved effectiveness, lowered costs and enabled employees to fully leverage their skills and capabilities. Allstate agencies are leveraging technology and building stronger relationships with 16 million households by becoming trusted advisors.

- **Build long-term growth platforms.** The Allstate Drivewise® and Esurance DriveSense® programs had more than 1 million active users at year-end 2015.

STRONG CASH RETURNS TO SHAREHOLDERS

Dividends of $483 million were paid on common stock representing an average yield of 1.8%. In addition, 10.2% of the common shares outstanding at the beginning of the year were repurchased at a cost of $2.8 billion.

Total shareholder return for the year was a disappointing negative 9.9% for 2015. In part, this reflects lower auto insurance underwriting income and a lackluster equity market as the S&P 500 return for the year was 1.4%. Over the last five years, total shareholder return has been a strong 116.3%, exceeding the S&P 500 Index return of 79.8% and the S&P Property & Casualty Index return of 108.6%.

CREATING A 22ND CENTURY CORPORATION

We also continue to build for the future and are pursuing the goal of creating a 22nd Century Corporation. Today, corporations have attributes necessary to serve their societal function, such as industrializing the global economy and competing for capital. The 22nd Century Corporation will:

- Be defined more by its **strategic platforms** than its product market share

- Have **broader and more meaningful relationships** with customers, employees and business partners

- Be a force for **positive change in society.**

BUILDING STRATEGIC PLATFORMS

A strategic platform is a system of proprietary and third-party...

- Capabilities
- Assets
- Information
- Shared intelligence

This system is integrated through technology interfaces and rules for utilizing the platform. Companies such as eBay, Apple, Google and Amazon leverage strategic platforms.

- Platforms are broad and flexible, and create multiple uses for a range of cases by customers and partners.

- They are flexible and adaptable.

*For a definition of this term, please see the definitions of non-GAAP measures on pages 79 and 84.

- Platforms integrate third parties into a company's business model.
- Platforms support a wide range of customer relationships and interactions.
- They are scalable and additional growth generates high incremental margins.
- Platforms become more valuable over time, as the information and intelligence that is part of them grow and create new learnings.
- Companies that control strategic platforms have higher inherent valuations than product-based businesses.

At Allstate, we have several highly valuable product-focused businesses, most notably our personal lines insurance business. A product-focused approach serves us well today but will not enable us to fully capture the opportunities in the years ahead, so we are building a set of Allstate platforms.

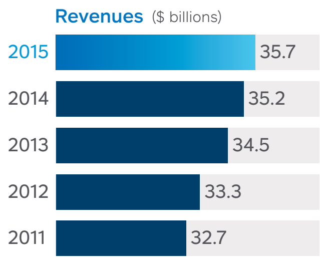
Our strategy in the connected car space is an example of improving current operations and potentially building a valuable strategic platform. Today, technologically sophisticated cars utilize computers, sensors and connectivity to assist drivers in reducing the number and severity of auto accidents. Supporting these changes is consistent with protecting our customers from life's uncertainties, but it puts downward pressure on auto insurance pricing. It also puts upward pressure on pricing, since repairing these vehicles is more expensive. This technology also creates an opportunity to provide customers with pricing based on actual driving experience, particularly if we can create a strategic platform.

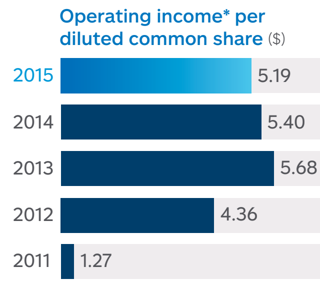
The Drivewise and DriveSense products are incorporated into today's Allstate and Esurance business models, respectively, by connecting Allstate and our customers through wireless devices. Today, we have over 1 million customers who benefit from this technology. We also provide rewards for safe driving, such as discounts with local retailers. In 2016, we will make available Allstate's Good Hands Rescue℠ technology, which enables customers to track a tow truck's arrival on the phone. Our next step will be to enhance customers' driving experiences by allowing third parties to provide services to Allstate customers through our technologies. As we do this, we expect the number of customers to grow and the frequency of their interactions through Allstate's platform to increase. This will enable us to create more value for them, and ultimately shareholders.

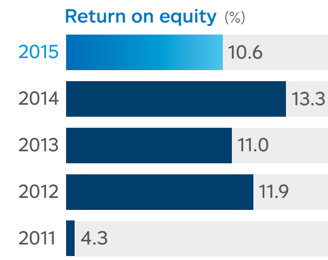
STRONGER RELATIONSHIPS

The 22nd Century Corporation will redefine its relationships with customers, employees and business partners. People will do business with companies because of "who they are" not just "what they sell."

- Customers will reward corporations that do more than provide a product for cash. Customers want to be respected and not to have to pay for every interaction or benefit. Products such as Drivewise and Good Hands Rescue are designed with this in mind.
- The 22nd Century Corporation will shift from the "company pays, and employee or business partner does" model for many of its relationships. Allstate employees and agency owners are "customers" to whom we sell job opportunities and they pay us with their talent, time and passion. One example of our approach is the Energy for Life program that helps each individual clarify his or her personal purpose and then build a plan to achieve it. To date, almost 20,000 Allstaters have been through this program and the feedback has been outstanding!







In 2016, we are raising the minimum starting compensation for U.S. corporate employees to the equivalent of $15 per hour. This is good business, not politics. It's about attracting and retaining the best people. At the same time, we have restructured U.S. employee pension and medical benefit costs to spread these benefits more evenly across employees. This keeps the overall cost structure competitive while ensuring we have the best team.

CREATING POSITIVE SOCIETAL CHANGE

The third element of a 22nd Century Corporation is to create positive societal change. Corporations have the capabilities, society has the need and it is good business.

Allstate is a proactive corporate citizen in virtually every community in America. Here are just a few examples of the good we do.

- **Empowering youth.** We participate in We Schools/WE Day to support, empower and recognize youth for volunteering and helping others. We are working to support expansion of these programs across the United States, and the number of participants increased from 400,000 to 883,000 students in 2015.
- **Helping domestic violence victims.** Money is a weapon of choice used by most perpetrators of domestic violence. In partnership with the National Network to End Domestic Violence, we have provided financial literacy and asset-building programs to nearly 800,000 survivors to empower them to start independent lives over the last 10 years.
- **Teen safe driving.** Car accidents are the number one killer of teens in America. In 2005, The Allstate Foundation set a goal of helping reduce teen traffic fatalities by 50% by 2015. Data showed a reduction of 50.5% by year-end 2014! It's time to set new goals as we continue to help save kids' lives.
- **Bringing out the good.** Allstaters are fully committed to being a force for good. More than 35% of the company's officers are in leadership positions with nonprofits. In 2015, employees and agency owners spent 230,000 hours supporting locally based organizations. Allstate agencies utilized more than 3,100 Agency Hands in the Community grants to financially support nonprofits all across the country.

A full description of these good works is in our annual corporate responsibility report (corporateresponsibility.allstate.com).

SHAPING THE FUTURE

Our push to create a 22nd Century Corporation is exciting and rewarding. Employees and agency owners are proud and passionate about this direction. The 22nd Century is still decades away, but by beginning now we will continue to lead in both the insurance industry and the broader economy. Allstate will continue to thrive and lead — today, tomorrow and into the 22nd Century.

Tom Wilson

Thomas J. Wilson
Chairman and Chief Executive Officer
April 11, 2016

*For a definition of this term, please see the definitions of non-GAAP measures on pages 79 and 84.

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 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.

OUR OPERATING PRINCIPLES

- Put the customer at the center of all our actions.
- Use consumer insights, data, technology and people 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, financial specialists and licensed sales professionals 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.

LETTER TO STOCKHOLDERS FROM YOUR BOARD OF DIRECTORS

The Allstate Corporation
2775 Sanders Road
Northbrook, IL 60062

April 11, 2016

Fellow Stockholders,

Your Board's focus, oversight and actions in 2015 reflected a changing external environment and insights obtained from proactive engagement with stockholders. This letter highlights the significant strategic, governance, compensation and capital actions taken over the last year. The entire story for Allstate is told in greater detail in the annual report and proxy statement.

Strategic Position

Allstate's strategy of serving unique customer segments with a broad range of products under the Allstate, Esurance and Encompass brands continues to strengthen its competitive position. The breadth of product offerings enabled the decline in auto insurance profitability to be offset by continued strong performance in homeowners and other insurance offerings. The strategic exit from a number of life and annuity markets and the subsequent repositioning of the investment portfolio over the last several years also served us well. A number of important initiatives are also underway to adapt the business to provide trusted advice though Allstate agencies, adapt to technologically sophisticated cars and increase the use of data and analytics.

Corporate Governance

Dialogue, transparency and responsiveness are the cornerstones of our corporate governance practices. Throughout the year, each Board committee considers feedback from conversations with stockholders representing about one-third of outstanding shares and takes appropriate action based on Allstate's circumstances.

- **Proxy Access** - Allstate's bylaws were amended to give significant long-term stockholders the right to nominate prospective Board members in the company's proxy statement beginning with next year's annual meeting.
- **Board Capabilities** - Jacques Perold, former president of Fidelity Management & Research Company, joined the Board bringing strategic, operational and leadership capabilities, as well as the perspective of a highly successful investor.
- **Service on Other Boards** - We evaluated the standards for board service outside of Allstate and concluded our standards were not impacting the Board's focus, commitment or attendance and were aligned with market practice. Nevertheless, Judy Sprieser reduced her other board commitments given the additional responsibilities arising from becoming our lead director in May 2015.
- **Succession Planning** - The development of our senior executives and succession planning remains an important area of focus. The compensation and succession committee approaches succession planning and development from both an enterprise and individual leader perspective in three meetings annually.

Executive Compensation

Annual incentive compensation for 2015 was funded at 80.8% of target as the reduction in auto insurance profitability was only partially offset by lower catastrophe losses since we cap the amount of this benefit that can flow through to compensation. The Compensation Discussion and Analysis section of the proxy statement provides additional transparency on executive compensation.

We further evaluated management's equity retention requirements since there was a stockholder proposal on this topic at last year's stockholder meeting that received support from 29% of stockholders. In our stockholder engagement conversations, we discussed equity awards, retention and stock ownership guidelines and concluded the best approach was not to change equity holding requirements but to make several changes to the equity programs beginning in 2016.

- **Reduced Stock Option Awards** - Long-term equity grants will now be comprised of 60% performance stock awards ("PSA") and 40% stock options, a 10% decrease in the allocation of stock options.
- **Additional PSA Measure** - PSA awards have been determined by average adjusted operating income return on equity over a three year period. Award payouts will now also be based on an additional measure, earned book value, to create greater alignment with the increase in performance-based assets in the investment portfolio.
- **Reduced Restricted Stock Unit Awards** - Restricted stock unit awards were eliminated for the top 16 executives several years ago but are used for a broader group of executives. To create greater alignment with stockholder returns, restricted stock unit awards will now be replaced with PSAs for all senior vice presidents which increases the number of executives receiving PSAs by almost four times.

Stockholder Return and Capital Management

Total stockholder return was a negative 9.9% in 2015, below both the average return of the competitors utilized in establishing compensation and the S&P 500 Index. Over a three-year period, total stockholder return was about equal to competitors and the market index and over a five-year period, far exceeded these comparisons.

- Annual dividends of $1.20 per common share were declared in 2015, a payout ratio of 23% of operating earnings* and a yield of 1.8% on the average share price.
- A $3.0 billion share repurchase program over an 18 month period was approved as capital generated from earnings and the 2014 sale of Lincoln Benefit Life exceeded growth needs.
- Total cash returned to stockholders was $3.3 billion in 2015, which represents 12.3% of Allstate's average market capitalization.

We want to thank Bob Beyer who will be retiring from the Board in May. We are grateful for his thoughtful and balanced approach to Board governance and his strategic and operational expertise over the last ten years.

We also want to recognize Allstate employees for striving to operate Allstate's business with the highest level of ethical conduct. We are proud that Allstate has been recognized the last two years as one of the *World's Most Ethical Companies®* by the Ethisphere Institute, the global leader in defining and advancing the standards of ethical business practices.

We are focused on helping Allstate serve customers, stockholders, employees, agency owners and the broader community of stakeholders. Together we are building a corporation that will thrive in the 22nd century.

Robert D. Beyer	Kermit R. Crawford	Michael L. Eskew
Herbert L. Henkel	Siddharth N. (Bobby) Mehta	Jacques P. Perold
Andrea Redmond	John W. Rowe	Judith A. Sprieser
Mary Alice Taylor	Thomas J. Wilson	

* Operating earning is a non-GAAP measure and is defined and reconciled to the most directly comparable GAAP measure in Appendix C.

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

When: Tuesday, May 24, 2016, at 11:00 a.m. Central time. Registration begins at 10:00 a.m.

Where: Allstate, Willow Plaza
2675 Sanders Road
Northbrook, Illinois 60062

Items of Business:

Proposal 1 – Election of 10 directors.

Proposal 2 – Say-on-pay: advisory vote on the compensation of the named executives.

Proposal 3 – Ratification of appointment of Deloitte & Touche LLP as Allstate's independent registered public accountant for 2016.

Proposals 4 and 5 – Two stockholder proposals, 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 common stock at the close of business on March 28, 2016. Each share of common stock is entitled to one vote for each director position and one vote for each of the other proposals.

Attending the Meeting: Stockholders who wish to attend the meeting in person should review pages 76-77.

Date of Mailing: On or about April 11, 2016, these proxy materials and annual report are being mailed or made available to stockholders and to participants in the Allstate 401(k) Savings Plan.

By Order of the Board,

Susan L. Lees
Secretary
April 11, 2016

HOW TO VOTE IN ADVANCE

Your vote is important. Please vote as soon as possible by one of the methods shown below. **Make sure to have your proxy card, voting instruction form, or notice of Internet availability in hand and follow the instructions.**

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.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 24, 2016

The Notice of 2016 Annual Meeting, Proxy Statement, and 2015 Annual Report and the means to vote by Internet are available at www.proxyvote.com.

PROXY SUMMARY

This summary highlights selected information about the items to be voted on at the annual meeting. 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.

MEETING AGENDA AND VOTING RECOMMENDATIONS

PROPOSAL 1

Election of 10 Directors

☑ The Board recommends a vote FOR each of the 10 director nominees.

- Diverse slate of directors with broad leadership experience.
- All candidates are highly successful executives with relevant skills and expertise.
- Balanced tenure with 9 of 10 independent of management.

See pages 11-16 for further information about our director nominees

Name	Principal Occupation	Years of Tenure	# of Other Public Company Boards	Committee Memberships[1] AC	CSC	NGC	RRC[2]	EC
Kermit R. Crawford	Former President of Pharmacy, Health and Wellness for Walgreen Company	3	1	•		•		
Michael L. Eskew	Former Chairman & CEO of United Parcel Service, Inc.	2	3	•	•			
Herbert L. Henkel	Former Chairman & CEO of Ingersoll-Rand Company	3	2		•		•	
Siddharth N. Mehta	Former President & CEO of TransUnion	2	1	•			C	
NEW **Jacques P. Perold**[3]	Former President of Fidelity Management & Research Company	<1	0					
Andrea Redmond	Former Managing Director of Russell Reynolds Associates, Inc.	6	0		•	C		•
John W. Rowe	Chairman Emeritus & Former Chairman & CEO of Exelon Corporation	4	3		C	•		•
Judith A. Sprieser Lead Independent Director	Former CEO of Transora, Inc.	17	1			•	•	•
Mary Alice Taylor	Former senior executive with several Fortune 500 companies, including Citicorp and FedEx Corporation	18	1	C			•	•
Thomas J. Wilson	Chairman & CEO of The Allstate Corporation	10	1					C

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

(1) Committee assignments for 2016 will be made after the annual election of directors.
(2) Robert D. Beyer serves as the chair of the risk and return committee and will continue to serve until the annual meeting. Mr. Mehta is expected to fill this role subsequent to the annual meeting.
(3) Consistent with past practice, committee assignments for Mr. Perold will be established during his first year of service.

Board Highlights

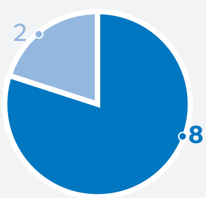
Recent Board Developments

		Further Information (pages)
New Lead Director	Ms. Sprieser became our lead director in May 2015. She has over 20 years of operational management and extensive public company board experience.	15, 19
New Director	Mr. Perold was added to Allstate's Board in December 2015. He brings strategic, operational and leadership capabilities to the Board, as well as the perspective of a highly successful investor.	14

Overview of our Director Nominees

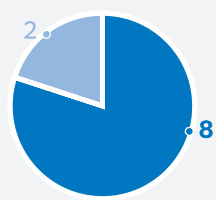
Relevant Skills and Experience

A majority of Allstate's directors bring broad corporate governance experience by serving on other public company boards



Eight of our directors have other public board experience

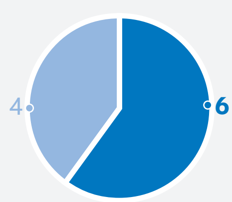
Allstate's directors have significant corporate leadership experience in a broad range of industries



Eight of our directors have served as CEO or President

Tenure

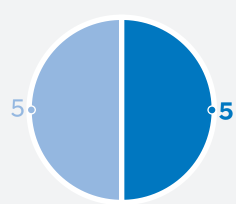
Our boardroom contains a mix of seasoned directors and fresh perspectives



Six highly qualified directors have joined the Board in the last four years

Diversity

Allstate's directors bring diversity of thought, outlook, gender and background



Three women serve on our Board, and **two** of our directors bring ethnic diversity to the Allstate boardroom

Our Board members bring extensive experience from fields relevant to our business and the expertise to oversee the Company and provide counsel to management.

Developing the Allstate Board is an ongoing process. We seek to achieve an effective balance of relevant skills, experience, diversity and perspectives. The Board's priority is to bring our directors' skills and experience together for the benefit of Allstate and our stockholders.

See "Letter to Stockholders from Your Board of Directors" for a description of the actions Allstate took during the past year related to strategy, corporate governance, executive compensation, and returns to stockholders.

Governance Highlights

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

Stockholder Rights	✓ **Annual election of all directors.**
	✓ **Majority vote standard.** Each director must be elected by a majority of votes cast in uncontested elections.
NEW	✓ **Proxy access rights.** Beginning with the 2017 annual meeting, a stockholder or group of up to 20 stockholders owning 3% or more of Allstate's outstanding common stock continuously for at least three years can nominate director candidates constituting up to 20% of the Board in the company's annual meeting proxy materials. *See page 22 for further information*
	✓ **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. *See pages 22-23 for further information*
	✓ **Board committees review and assess stockholder feedback to determine whether action is necessary.**
Independent Oversight	✓ **10 out of 11 Board members are independent.**
	✓ **Independent lead director.** *See page 19 for further information*
	✓ **Independent Board committees.** Each committee other than the executive committee is made up of independent directors. Each committee operates under a written charter and has the ability to hire third-party advisors. All four independent committees have used third-party advisors in the last two years.
Good Governance	✓ **Proactive approach to governance.** Allstate has a continuous process of reviewing emerging corporate governance issues and trends three times a year with stockholders holding approximately one-third of our outstanding shares.
	✓ **Formal director evaluation process.** Each year, the performance of each director is assessed. In addition, the Board conducts a self-evaluation at the end of each in-person committee and Board meeting.
	✓ **Comprehensive Board dialogue and interaction.** The Board utilizes a formal process to facilitate cross-committee and Board communication. Committee reports that are provided to the Board specifically address the need for further review with the entire Board.
	✓ **Annual report on corporate involvement with public policy.** Allstate's initiatives to promote sound public policy, including its political contributions, can be found at www.allstate.com/publicpolicyreport.
	✓ **Robust code of ethics.** For the last two years, Allstate has been recognized by the Ethisphere Institute, the global leader in defining and advancing the standards of ethical business practices, as one of the *World's Most Ethical Companies®*.
NEW	✓ **Director education.** The Board formalized and expanded its director development program.
	✓ **Equity ownership and retention requirements for executives.** Our executives are subject to rigorous stock ownership and retention requirements. One year holding period after vesting/exercise of equity awards strongly links the interests of senior executives with those of stockholders. *See pages 37-38 for further information*

PROPOSAL 2

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

✓ The Board recommends a vote FOR this proposal.

- Strong oversight by compensation and succession committee.
- Compensation programs are working effectively. Annual incentive compensation funding for 2015 declined to 80.8% of target, from 118.9% of target in the prior year, reflecting lower auto insurance profitability given an industry-wide increase in the frequency of auto accidents.

See pages 28-64 for further information about our executive compensation programs

Business Highlights

In 2015, Allstate delivered on its strategy to serve its four customer segments with unique value propositions. We met our near-term financial commitments and invested in long-term growth platforms. Our experienced management team rapidly adjusted to a challenging operating environment for auto insurance to mitigate the impact on current profitability. Stockholders received $3.3 billion in cash in 2015 through a combination of common stock dividends and stock repurchases. Even with a challenging external environment, our management team continued to advance all five operating priorities:

Operating Priorities*	Results*
Grow insurance policies in force	Increased total policies in force by 449,000 which helped increase property-liability net written premium by $1.3 billion.
Maintain the underlying combined ratio**	Overall profitability was lower in 2015 due to a rapid increase in the number of auto accidents. Management reacted quickly and delivered an underlying combined ratio of 88.7 within the annual outlook range by increasing auto insurance prices, tightening underwriting standards, maintaining a strong homeowners business, and reducing expenses.
Proactively manage investments to generate attractive risk-adjusted returns	Net investment income was at target. Total return on the portfolio in 2015 was 1% reflecting low interest rates, higher credit spreads and a decline in equity markets.
Modernize the operating model	Lowered expenses through continuous improvement. Invested resources to position agents, licensed sales professionals, and financial specialists as trusted advisors.
Build long-term growth platforms	Continued to expand telematics offering with over 1 million active DriveWise® and DriveSense® customers at year-end 2015.

* This is a snapshot of how our management team advanced the operating priorities in 2015. For additional detail about each priority, see page 29.

** 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 C.

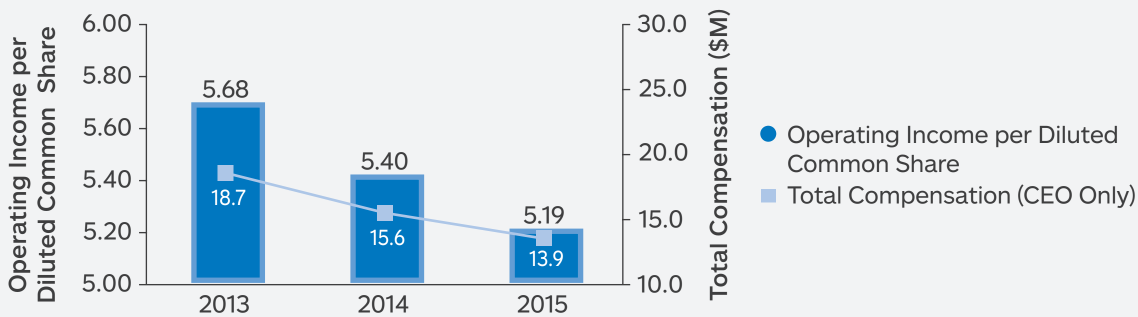
Executive Compensation Highlights

We compensated our named executives using the following elements for total target direct compensation in 2015:

	Element	Description	Further Information (pages)
Targeted at 50th percentile of peers	Salary	Provides a base level of competitive cash to attract and retain executive talent	33-34
	Annual Cash Incentive	A corporate wide funding pool for 2015 of 80.8% of target was based on the following performance measures: • Adjusted Operating Income (aligns with stockholders' expectations of current performance) • Total Premiums (captures growth and competitive position of the businesses) • Net Investment Income (a significant component of profitability) Amounts awarded to each executive were based on pool funding, established target amounts and individual performance	33-35
	Long-term Equity Incentive	The mix of equity incentives granted in 2015 was 50% performance stock awards (PSAs)/50% options • Actual PSAs are determined by Average Adjusted Operating Income Return on Equity (ROE) measured over a three-year performance period	33, 36-37

We believe our pay program is designed to deliver pay in line with corporate, business unit and individual performance as illustrated by the alignment between our Operating Income per Diluted Common Share and CEO total compensation over the last three years.

2013-2015 Operating Income per Diluted Common Share[(1)] Compared with CEO Total Compensation[(2)]



(1) The Operating Income per Diluted Common Share 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 (net income applicable to common shareholders per diluted common share) in Appendix C.

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

Other Executive Compensation Takeaways

	Further Information (pages)
Total **2015 compensation for the CEO** decreased 11% year over year.	46
The **annual incentive pool** was funded at 80.8% of target based on the weighted average of Adjusted Operating Income at 75.6% of target, Total Premiums at 82.3% of target, and Net Investment Income at 110.5% of target.	41
The 2013-2015 **performance stock award** paid out at 154.8% of target based on strong performance in 2013 and 2014 with payouts at 200% and 180%, respectively, and below target performance in 2015 with a payout at 84.3%.	42

PROPOSAL
3

Ratification of Deloitte & Touche LLP as the Independent Registered Public Accountant for 2016

✓ The Board recommends a vote FOR this proposal.

- 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 recommends retaining Deloitte & Touche LLP.

See pages 65-66 for further information about our auditors

PROPOSAL
4

Stockholder Proposal on Independent Board Chairman

☒ The Board recommends a vote AGAINST this proposal.

- The Board separated the Chairman and CEO roles in the past during a time of leadership transition and should have the flexibility to either separate or combine the roles based on Allstate's needs at that time.
- Allstate's lead director already provides meaningful independent leadership of the Board.
- The Board's existing leadership structure and composition provide effective independent oversight.

See pages 67-69 for further information about this proposal

PROPOSAL
5

Stockholder Proposal on Reporting Political Contributions

☒ The Board recommends a vote AGAINST this proposal.

- Allstate already provides stockholders with comprehensive disclosures on Allstate's involvement in the public policy arena (found at www.allstate.com/publicpolicyreport).
- Allstate's Board has strong governance and oversight practices over the company's public policy involvement.
- Allstate fully complies with all disclosure requirements pertaining to political contributions under federal, state, and local laws, as well as internal guidelines.
- An almost identical proposal at the 2014 annual meeting received less than 10% support from stockholders.

See pages 70-71 for further information about this proposal

TABLE OF CONTENTS

PROXY HIGHLIGHTS
Our Proxy Summary contains key information about the items to be voted on at the meeting.

CORPORATE GOVERNANCE HIGHLIGHTS
We have strong governance structures and processes. This section describes our structures and processes and provides information about our Board members, including the experience, skills and attributes they bring to our Board.

See information about our stockholder engagement on proxy access in 2015 on page 22

EXECUTIVE COMPENSATION HIGHLIGHTS
Our compensation and succession committee is responsible for overseeing the implementation of our pay-for-performance philosophy. This section explains how our executives are compensated, including how we set challenging performance targets and align management and stockholder interests.

See information about our compensation decisions for our named executive officers in 2015 on pages 43-45

AUDIT HIGHLIGHTS
Our audit committee is responsible for hiring, evaluating and compensating our independent auditors. The engagement process and related policies and procedures are discussed in this section.

STOCKHOLDER PROPOSALS AND OTHER INFORMATION
In addition to the required annual meeting matters, there are two stockholder proposals that will likely be considered at the stockholder meeting.

CORPORATE GOVERNANCE

PROPOSAL 1

Election of 10 Directors

✓ The Board recommends a vote FOR each of the 10 director nominees.

- ✓ Diverse slate of directors with broad leadership experience.
- ✓ All candidates are highly successful executives with relevant skills and expertise.
- ✓ 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 2016 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 array of business and leadership skills to their oversight responsibilities. Most nominees serve on other public company boards, enabling our Board to more quickly adopt best practices from other companies, but none serve on more than three other public company boards. Their diversity of experience and expertise facilitates robust and thoughtful decision-making on Allstate's Board.

Each nominee, other than Mr. Perold, was previously elected at Allstate's annual meeting of stockholders on May 19, 2015 for one-year terms. Mr. Perold was elected by the Board on December 1, 2015. 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 our 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. Mr. Beyer is not standing for re-election at the annual meeting.

Board Nominee Composition

Independent directors:	9 of 10	CEO or President experience:	8 of 10	Allstate Board Tenure:	
Public company board experience:	8 of 10	Diversity:	5 of 10	— Under five years:	6 of 10
				— Over five years:	4 of 10

Core Competencies Exhibited by All Director Nominees

ALL DIRECTORS	**Corporate Governance** Extensive service on other public company boards or other significant leadership experience overseeing the corporate governance practices at companies
ALL DIRECTORS	**Stockholder Advocacy** Experience creating long-term stockholder value and balancing the interests of the many stakeholders in a company
ALL DIRECTORS	**Leadership** Significant senior leadership experience, especially in highly competitive or regulated industries
ALL DIRECTORS	**Strategic Oversight** Substantial experience in evaluating or implementing business strategies and leading businesses to sustainable growth

DIRECTOR NOMINEES

KERMIT R. CRAWFORD

INDEPENDENT

Age: 56

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: 3 years (2013)
- Audit committee member
- Nominating and governance committee member

Relevant Capabilities
- Expertise assessing the strategies and performance of a geographically distributed and consumer-focused service business in a highly competitive industry.
- Effectively led operational change, including through the use of technology, and established strong platforms for long-term stockholder value creation.
- Extensive knowledge of analyzing consumer experience and insights.
- Effectively transformed the pharmacy experience from a model focused on pharmacy delivery to a pharmacist-patient centric model.

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.
- Significant experience overseeing the strategy and transformation of a highly competitive consumer-focused business.

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

Other Public Board Service:

• LifePoint Health	2016 – present

MICHAEL L. ESKEW

INDEPENDENT

Age: 66

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 (“3M”) since 2012.
- Former director of UPS.

Allstate Board Service
- Tenure: 2 years (2014)
- Audit committee member
- Compensation and succession committee member

Relevant Capabilities
- Effectively developed and executed a transformational strategy while managing the worldwide operations for a global, customer-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
- Experience as chair of the IBM and Eli Lilly audit committees and as a past member of the 3M audit committee.
- 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.
- Current chair of the compensation committee at 3M.

Other Public Board Service:

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

HERBERT L. HENKEL

INDEPENDENT

Age: 67

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 Visteon Corporation.

Allstate Board Service
- Tenure: 3 years (2013)
- Compensation and succession committee member
- Risk and return committee member

Relevant Capabilities
- Operating and leadership expertise as CEO of a publicly traded company for nearly a decade.
- Expertise in strategy formation, acquisitions, and divestitures, including experience in international expansion and strategically repositioning an established corporation.
- Current experience as chair of the 3M audit committee and member of the 3M finance committee.

Committee Expertise Highlights

Compensation and Succession Committee Member
- Extensive leadership responsibilities as Chairman and CEO of Ingersoll-Rand Company from 2000 to 2010.
- Prior service as lead director and current member of compensation, finance, and governance committees at C.R. Bard.

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.

Other Public Board Service:

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

SIDDHARTH N. (BOBBY) MEHTA

INDEPENDENT

Age: 57

Professional Experience
- Former President and CEO, and director of, TransUnion, 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. (2013-present) (listed on the Bombay Stock Exchange and the National Stock Exchange of India).

Allstate Board Service
- Tenure: 2 years (2014)
- Audit committee member
- Risk and return committee member

Relevant Capabilities
- Successful leadership that 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 financial services industry, including in banking and the credit markets, which 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, CEO of HSBC Finance Corporation, and Chairman and CEO of HSBC North America Holdings, Inc.
- Currently serves as member of audit committee at TransUnion.

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

Other Public Board Service:

• TransUnion	2012–present

JACQUES P. PEROLD

NEW

INDEPENDENT

Age: 57

Professional Experience

- Former President of Fidelity Management & Research Company, a privately held investment and asset management company serving clients worldwide with $1.8 trillion of assets under management.
- Former Chief Operating Officer for Fidelity Asset Management.
- Former Founder, President and Chief Investment Officer of Geode Capital Management, LLC, a global asset manager and independent institutional investment firm and sub-advisor to Fidelity.
- Current trustee of New York Life Insurance Company's MainStay Mutual Funds.

Allstate Board Service

- Elected to the Board on December 1, 2015

Relevant Capabilities

- 30 years of successful leadership of strategy and operations and investment expertise in the financial services industry.
- Effective leader of one of the world's largest asset management firms.
- Oversaw investments and operations for Fidelity's family of mutual funds with over $1.8 trillion in assets under management.

Committee Expertise Highlights

Consistent with past practice, committee assignments will be established during first year of service.

ANDREA REDMOND

INDEPENDENT

Age: 60

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: 6 years (2010)
- Compensation and succession committee member
- Nominating and governance committee chair
- Executive committee member

Relevant Capabilities

- Expert in public company succession planning, talent management, and compensation across a wide range of industries, including financial services, technology, transportation, consumer products, and healthcare.
- Effectively helped companies identify and recruit leaders capable of building high-performance organizations.
- Extensive experience in assessing required board capabilities and evaluating director candidates.

Committee Expertise Highlights

Compensation and Succession Committee Member

- Experienced in executive recruiting, succession planning, and talent management.
- 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.

Nominating and Governance Committee Chair

- Significant expertise recruiting and evaluating directors for a variety of public companies.

JOHN W. ROWE

INDEPENDENT

Age: 70

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

Relevant 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.
- Created and implemented a differentiated strategy in a highly regulated industry.
- Lead director on the board of Northern Trust Corporation and a former director of Unum Provident, providing experience in financial services and insurance.

Committee Expertise Highlights

Compensation and Succession Committee Chair
- Leadership responsibilities as former Chairman and CEO of Exelon Corporation.
- Former 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 Member
- Chair of corporate governance committee and lead director of Northern Trust Corporation.
- Chair of SunCoke Energy governance committee.
- Former director of Sunoco and member of its executive committee.

Other Public Board Service:

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

JUDITH A. SPRIESER

NEW

INDEPENDENT LEAD DIRECTOR

Age: 62

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 (2010–present) and Reckitt Benckiser Group plc (2003–present) (both listed on the London Stock Exchange).
- Former director at USG Corporation and Royal Ahold NV.

Allstate Board Service
- Tenure: 17 years (1999)
- Lead director
- Nominating and governance committee member
- Risk and return committee member
- Executive committee member

Relevant 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 Intercontinental Exchange, Inc.
- Extensive evaluation of financial statements and supervision of financial executives, including as chief financial officer of the Sara Lee Corporation.

Committee Expertise Highlights

Nominating and Governance Committee Member
- Significant experience on boards of publicly traded and international companies, and current member of nominating and governance committee at Intercontinental Exchange, Inc.
- Numerous key leadership positions, including CEO of Transora, Inc., and CFO of Sara Lee Corporation.

Risk and Return Committee Member
- Strong service as prior and current chair of the audit committees at Allstate and Intercontinental Exchange, Inc.
- Significant risk oversight and management experience.

Other Public Board Service:

Intercontinental Exchange, Inc.	2004–present

MARY ALICE TAYLOR

INDEPENDENT

Age: 66

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

Allstate Board Service
- Tenure: 18 years (1996-1998; 2000–present)
- Audit committee chair
- Risk and return committee member
- Executive committee member

Relevant Capabilities
- Held 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 financial oversight roles at Cook Industries, Northern Telecom, Homegrocer.com, Citicorp, and FedEx Corporation.
- Prior experience as a lead director at Blue Nile, Inc.
- Certified public accountant.

Committee Expertise Highlights

Audit Committee Chair
- 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.

Risk and Return Committee Member
- Significant senior management experience.
- Expertise in strategy formation, including technology-based business strategies, at both large established companies and start-ups.
- Significant tenure as an Allstate director.
- Chair of Allstate audit committee.

Other Public Board Service:
- Blue Nile, Inc. 1999–present

THOMAS J. WILSON

Age: 58

Chairman and Chief Executive Officer

Professional Experience
- Chairman of Allstate since May 2008 and CEO since January 2007.
- President from January 2005 to January 2015.
- Held senior executive roles other than CEO, leading all major operating units over a 21-year period.

Allstate Board Service
- Tenure: 10 years (2006)
- Chairman of the Board
- Executive committee chair

Relevant Capabilities
- Key leadership roles throughout Allstate over a 21-year period.
- Thorough and in-depth understanding of Allstate's business, including its employees, agencies, products, investments, customers, and investors.
- Developed Allstate's strategy to provide differentiated customer value propositions to four consumer segments.
- Created and implemented 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 former chair of the Property and Casualty CEO Roundtable and the Financial Services Roundtable, co-chair of a public-private partnership to reduce violence in Chicago, and the North American Campaign for Free the Children.

Committee Expertise Highlights

Executive Committee Chair
- Chairman and CEO of Allstate.
- Comprehensive knowledge of Allstate's business and industry with 21 years of leadership experience at the company.

Other Public Board Service:
- State Street Corporation 2012–present

BOARD COMPOSITION

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, and 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 be 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 devote the time and effort necessary to serve as an effective director and 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.

Nomination Process For Board Election

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

Allstate identifies candidates with search firm and Board input. Qualities sought in candidates include:

- **Core competencies**
- **Non-biased independent judgment**
- **Inclusive diversity**
- **Skills serving existing or future business needs**

Additional criteria may be found in Allstate's governing documents available at www.allstateinvestors.com

Consider current Board skill sets and needs	Ensure Board is strong in core competencies of strategic oversight, corporate governance, stockholder advocacy and leadership
Check conflicts of interest and references	All candidates are screened for conflicts of interests, and all directors are independent, except the CEO
Nominating and governance committee dialogue	Considered 100 candidates since 2011
Meet with qualified candidates	To ensure appropriate personal qualities such as independence of mind, being a team player and tenacity
Nominating and governance committee dialogue	To consider shortlisted candidate(s)
Board dialogue and decision	Added six highly qualified directors in the past four years

- Board nominees are identified through a retained search firm, suggestions from current directors and stockholders, and through other methods including self-nominations. Our newest director, Mr. Perold, was identified by our director search firm.

- 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.

NEW

- Beginning with the 2017 annual meeting, a stockholder or group of up to 20 stockholders owning 3% or more of Allstate's outstanding common stock continuously for at least three years can nominate director candidates constituting up to 20% of the Board in the company's annual meeting proxy materials.
- Directors evaluate all candidates for diversity of background, expertise, and perspective, as well as the criteria described in our *Corporate Governance Guidelines* on www.allstateinvestors.com. While the Board does not have a formal policy on gender, ethnic or other diversity, the Board considers diversity in the nomination of directors.
- The nominating and governance committee discusses the desired skills and perspectives. Following an 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 is responsible for naming nominees for election or appointing directors to serve until election at the next annual meeting.

Evaluation Process for Current Directors

Before 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 evolving business and strategies. In addition to considering the current directors' tenure, the committee's process includes:

- The chair of the nominating and governance committee, the lead director and the chairman conduct an annual 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, and/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 discusses with each director the director's future plans for continued Board membership so that individual circumstances can be 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.

Nominee Independence Determinations

The Board has determined that all non-employee directors who served during 2015 and all nominees, other than Mr. Wilson, are independent according to applicable law, the NYSE listing standards, and the Board's *Director Independence Standards* (which are included on www.allstateinvestors.com).

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.

BOARD LEADERSHIP STRUCTURE AND PRACTICES

Board Leadership

The Board regularly reviews Allstate's leadership structure and whether separating the roles of Chairman and CEO is in the best interests of Allstate and its stockholders.

At present, the Board has determined Allstate is well-served by having these roles performed by Mr. Wilson, who provides leadership and direction for management and the Board. This promotes a strong connection between the Board and management that is still subject to strong independent oversight by Allstate's independent lead director and the other independent directors. The Board believes it benefits from the considerable knowledge and perspective that Mr. Wilson has acquired from more than 21 years of insurance industry experience. Given his extensive company knowledge, he is uniquely qualified to lead discussions of the Board and is in the best position to facilitate the flow of business information and communications between the Board and management.

Allstate's Corporate Governance Guidelines do allow the Board the flexibility to assign the Chairman and CEO responsibilities to best meet Allstate's interests. For example, the roles of Chairman and CEO were split during a transition of leadership in 2007 and 2008.

Lead Director

NEW

Allstate has had a strong lead director role in place for over five years. Ms. Sprieser is Allstate's independent lead director and has served in that role since the 2015 annual meeting. The independent lead director responsibilities that have been in place since 2011 include:

- Works with the Chairman in developing Board meeting agendas and information provided to shape Board dialogue.
- Chairs executive sessions of independent directors at every in person Board meeting.
- Facilitates the Board's performance evaluation of the CEO in conjunction with the chair of the compensation and succession committee.
- Facilitates the evaluation of individual director performance in conjunction with the chair of the nominating and governance committee and the Chairman.
- 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.

Board Role in Risk Oversight

The Board is responsible for the oversight of Allstate's strategy, business results, and management, including risk management. Board meetings include discussions of long-term strategic initiatives and topics.

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 processes.

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:

- Assist the Board in risk and return governance and oversight.
- Review the risk and return processes, policies, and guidelines used to evaluate, monitor, and manage enterprise risk and return.
- Support the audit committee in its oversight of risk controls and management policies.
- Meet in executive session with the chief risk officer.

Cybersecurity risk oversight is provided by the audit and risk and return committees and the full Board (semi-annually).

The audit committee provides oversight and guidance on Allstate's controls related to 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 related to their respective areas of responsibility and oversight.

Risk Management and Compensation

Each year, Allstate's chief risk officer conducts a review and assessment of potential compensation-related risks arising from Allstate's compensation plans, and presents the analysis to the compensation and succession committee for further consideration and dialogue. The chief risk officer reviews the design, performance measures, and ranges in the incentive plans to ensure they are consistent with Allstate's risk and return principles. The committee plays an important role in overseeing this risk assessment and understanding any steps taken by management to manage and control compensation risks. In addition, the committee employs an independent compensation consultant each year to review and assess Allstate's executive pay levels, practices, and overall program design.

Based on this annual review, we believe our compensation policies and practices are appropriately structured and do not provide incentives for employees to take unnecessary and excessive risks. Our compensation plans provide a balanced and appropriate mix of cash and equity through annual and long-term incentives to align with short and long-term business goals. No one, regardless of eligibility, is guaranteed an award under our annual cash incentive program. We utilize multiple performance measures that correlate with long-term stockholder value creation and that diversify the risk associated with any single performance indicator. In addition, the multiple performance measures work collectively to promote accountability for net financial risk. As an example, our annual incentive program contains a funding adjustment for senior executives in the event of a net loss, which reduces the corporate pool funding for those officers by 50% of actual performance. Likewise, for our performance stock award program, the committee requires positive net income for our executives to earn awards above target. Equity awards to our executive officers made after 2009 and annual cash incentive awards made beginning in 2010 are subject to clawback in the event of certain financial restatements. Finally, our executives are subject to rigorous stock ownership and retention requirements.

Based on this analysis, we believe our compensation policies enhance Allstate's business interests and ensure appropriate levels of risk taking, while avoiding unnecessary risks that could have a material adverse effect on Allstate.

Board Role in Management Succession

The Board oversees the recruitment, development, and retention of executive talent. Management succession is discussed in compensation and succession committee, nominating and governance committee, 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 full Board typically attends these succession reviews.

The Board also has regular and direct exposure to senior leadership and high-potential officers through working and informal meetings held throughout the year.

Board Role in Setting Compensation

The compensation and succession committee reviews the executive compensation program throughout the year with the assistance of an independent compensation consultant, Compensation Advisory Partners ("CAP"). CAP benchmarks Allstate's plans and compensation payments to the market and evaluates changes to our executive compensation program. The compensation consultant also assesses Allstate's executive compensation design, peer group selection, relative pay for performance, and total direct compensation for individual senior executive positions.

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 equity awards to non-executive officers. All awards granted between compensation and succession committee meetings are reported at the next meeting.

The compensation and succession committee annually evaluates the compensation consultant's performance and independence.

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 eight compensation and succession committee meetings in 2015.

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 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, and accounting rules.
- 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.
- 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 annually 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 2015 averaged 99% 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 2015 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 2015.

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.

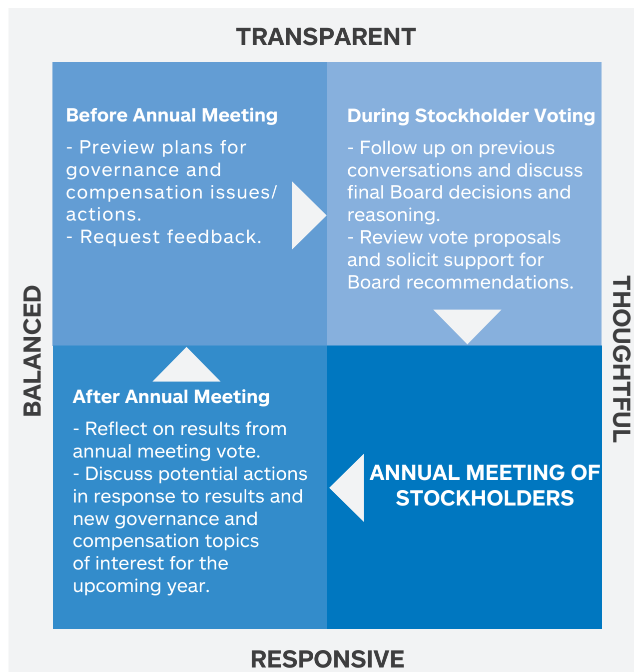
Stockholder Engagement

Allstate has an ongoing proactive practice of discussing corporate governance issues with significant stockholders throughout the year. Dialogue, transparency and responsiveness are the cornerstones of our practice. Such discussions are held before the annual meeting, during stockholder voting, and after the annual meeting and include our chairman and CEO. Such discussions may also include our lead director or committee chairs. Direct engagement typically involves stockholders representing approximately 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.

NEW

During 2015, Allstate spent a significant amount of time discussing with its stockholders the advisability of implementing a proxy access right at Allstate, including the appropriate terms and conditions for the right. After many investor meetings and several focused discussions by the nominating and governance committee and Board, the Board amended Allstate's bylaws in November 2015 to implement proxy access. The right will become available to stockholders for the 2017 annual meeting.

Stockholder Engagement Cycle



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.

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. The communication process and the methods to communicate with directors are posted on the "Corporate Governance" and "Management & Directors" sections of www.allstateinvestors.com.

The Allstate Board welcomes your input on compensation, governance and other matters.

directors@allstate.com

The Allstate Corporation
Nominating & Governance Committee
2775 Sanders Road, Suite F7
Northbrook, IL 60062-6127
c/o General Counsel

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, and *Director Independence Standards*. Allstate has adopted a comprehensive *Code of Ethics* that applies to the chief executive officer, chief financial officer, controller and other senior financial and executive officers, as well as the Board of Directors and other employees. It is also available at www.allstateinvestors.com. Each of the above 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.

BOARD MEETINGS AND COMMITTEES

The following table identifies each standing committee of the Board, its members, functions, and the number of meetings held during 2015. 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*.

The Allstate Corporation Board of Directors

Chair: Thomas J. Wilson

Independent Lead Director: Judith A. Sprieser

10 of 11 Allstate directors are independent

Meetings in 2015: 9

Key Responsibilities:
- Strategic oversight
- Corporate governance
- Stockholder advocacy
- Leadership

Audit Committee

Chair: Mary Alice Taylor

Other Members:*
- Robert D. Beyer
- Kermit R. Crawford
- Michael L. Eskew
- Siddharth N. Mehta

Meetings in 2015: 9

Key Responsibilities
- Assists the Board in its oversight of the integrity of financial statements and other financial information and disclosures and the system of internal control over accounting and financial reporting.
- Reviews the enterprise risk control assessment and guidelines (including cybersecurity risk).
- Oversees the ethics and compliance program and compliance with legal and regulatory requirements.
- Appoints, retains, and oversees the independent registered public accountant, and evaluates its qualifications, performance and independence.
- Oversees Allstate's internal audit function.

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Compensation and Succession Committee

Chair: John W. Rowe

Other Members:
- Michael L. Eskew
- Herbert L. Henkel
- Andrea Redmond

Meetings in 2015: 8

Key Responsibilities
- 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 organizational strength.

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Nominating and Governance Committee

Chair: Andrea Redmond

Other Members:
- Kermit R. Crawford
- John W. Rowe
- Judith A. Sprieser

Meetings in 2015: 6

Key Responsibilities
- 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.

Risk and Return Committee

Chair: Robert D. Beyer

Other Members:
- Herbert L. Henkel
- Siddharth N. Mehta
- Judith A. Sprieser
- Mary Alice Taylor

Meetings in 2015: 5

Key Responsibilities
- Assists the Board in risk and return governance and oversight.
- Reviews risk and return processes, 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.

Executive Committee

Chair: Thomas J. Wilson

Other Members:
- Robert D. Beyer
- Andrea Redmond
- John W. Rowe
- Judith A. Sprieser
- Mary Alice Taylor

Meetings in 2015: 0

Key Responsibilities
- 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.

* The Board determined that all members of the audit committee are independent under the New York Stock Exchange and SEC requirements, and that Mrs. Taylor and Messrs. Beyer, Eskew, and Mehta are each an audit committee financial expert as defined under those rules. Ms. Sprieser and Messrs. Henkel and Rowe also have the background and experience to qualify as audit committee financial experts but do not currently serve on the audit committee.

DIRECTOR COMPENSATION

Director Compensation Program

Allstate's non-employee director compensation is reviewed annually. The nominating and governance committee proposes changes to director compensation from time to time based on this annual review and benchmark information from peer companies and relevant compensation surveys. Beginning in January 2015, the annual cash retainer for all non-employee directors was increased from $90,000 to $105,000, and beginning in May 2015, the additional retainer for the lead director was increased from $25,000 to $50,000. These retainers were increased based on the annual benchmarking review and to account for the increased time commitments and resource demands on our directors, particularly our lead director. The following table describes each component of our non-employee director compensation program for 2015. No meeting fees or other professional fees were paid to the directors.

Role	Quarterly[1] Cash Retainer[2]	Equity
Non-Employee Director	$26,250	To create a linkage with corporate performance and stockholder interests, the Board believes that a meaningful portion of a director's compensation should be in the form of equity securities. For that reason, directors are granted restricted stock units on June 1 equal in value to $150,000 divided by the closing price of a share of Allstate common stock on such grant date, rounded to the nearest whole share.
Lead Director	$12,500	
Audit Committee Chair	$ 6,250	
Other Committee Chair (except Executive Committee)	$ 5,000	

(1) Paid in advance on the first day of January, April, July, and October.

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

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 Messrs. Eskew and Mehta, who joined the Board in 2014, and Mr. Perold, who joined the Board in 2015.

2015 Director Compensation

The following table summarizes the 2015 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 2015	Fees Earned or Paid in Cash ($)(1)(2)	Stock Awards ($)(3)(4)	All Other Compensation ($)(5)	Total ($)
Mr. Ackerman	Retired May 2015 Lead Director (January – May)	65,000	0	10,000	75,000
Mr. Beyer	Risk and Return Committee Chair	125,000	150,035	0	275,035
Mr. Crawford		105,000	150,035	0	255,035
Mr. Eskew		105,000	150,035	0	255,035
Mr. Greenberg	Retired May 2015 Compensation and Succession Committee Chair (January – May)	62,500	0	10,000	72,500
Mr. Henkel		105,000	150,035	0	255,035
Mr. Mehta		105,000	150,035	0	255,035
Mr. Perold		8,942	75,057	0	83,999
Ms. Redmond	Nominating and Governance Committee Chair (May – December)	117,363	150,035	0	267,398
Mr. Rowe	Nominating and Governance Committee Chair (January – May) Compensation and Succession Committee Chair (May – December)	125,000	150,035	0	275,035
Ms. Sprieser	Audit Committee Chair (January – May) Lead Director (May – December)	148,407	150,035	0	298,442
Mrs. Taylor	Audit Committee Chair (May – December)	120,453	150,035	0	270,488

(1) In January 2016, Mr. Perold received a prorated retainer as he joined the Board in December 2015. The amount included above is for 2015 performance.

(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 2015, Messrs. Eskew and Henkel each elected to defer his cash retainer into common share units.

(3) Grant date fair value for restricted stock units granted in 2015 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 2015.) Mr. Perold received a prorated award with a grant date fair value of $75,057, when he joined the Board in 2015. The final grant date closing price was $66.92, except with respect to the prorated award granted to Mr. Perold, which was $63.50. 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, 2015 for each director.

Outstanding Restricted Stock Units and Stock Options at Fiscal Year-End 2015

Name	Restricted Stock Units (#)	Stock Options (#)
Mr. Ackerman	8,000	12,000
Mr. Beyer	34,188	10,667
Mr. Crawford	9,058	0
Mr. Eskew	4,397	0
Mr. Greenberg	8,000	12,000
Mr. Henkel	8,737	0
Mr. Mehta	5,536	0
Mr. Perold	1,182	0
Ms. Redmond	24,530	0
Mr. Rowe	13,679	0
Ms. Sprieser	38,188	12,000
Mrs. Taylor	38,188	12,000

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, 2015.

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. Ackerman and Greenberg upon their retirements from the Board.

EXECUTIVE COMPENSATION

PROPOSAL 2

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

✓ The Board recommends that you vote FOR the resolution to approve the compensation of the named executives.

- Strong oversight by compensation and succession committee.
- Compensation programs are working effectively. Annual incentive compensation funding for 2015 declined to 80.8% of target, from 118.9% of target in the prior year, reflecting lower auto insurance profitability given an industry-wide increase in the frequency of auto accidents.

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 vote is non-binding, the Board and the compensation and succession committee (the "committee" as referenced throughout the 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 29-64 of the Notice of 2016 Annual Meeting and Proxy Statement.

Please read the following *Executive Compensation* section prior to voting on this proposal.

✓ Allstate faced a challenging operating environment for auto insurance in 2015, which impacted 2015 performance and led to lower payouts under Allstate's annual incentive plan. Total 2015 compensation, as disclosed in the *Summary Compensation Table*, for the CEO decreased 11% year over year.

✓ The annual incentive compensation plan was funded at 80.8% of target in 2015. Based on company and individual performance, the named executives received the following annual incentive payments, which for the most part were significantly lower than the prior two years' awards:

Named Executive	2013 Annual Incentive ($)	2014 Annual Incentive ($)	2015 Annual Incentive[1] ($)
Mr. Wilson	6,600,000	4,073,075	2,888,136
Mr. Shebik	2,100,000	883,619	850,000
Mr. Civgin	2,000,000	1,000,000	768,629
Ms. Greffin	1,400,000	1,000,000	500,000
Mr. Winter	3,000,000	1,500,000	1,600,000

(1) Mr. Winter's annual incentive target increased in 2015 from 150% of salary to 225% of salary due to his promotion to President.

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE OVERVIEW

Our Compensation Discussion and Analysis describes Allstate's executive compensation program, including total 2015 compensation for our named executives listed below:

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

See Appendix B for a list of Allstate's other executive officers. Effective March 31, 2016, Ms. Greffin retired from Allstate Insurance Company.

Performance Highlights

In 2015, Allstate encountered an industry-wide increase in the frequency of auto accidents causing management to shift its operating focus to implementing an auto insurance profit improvement plan. At the same time, however, Allstate continued its strategy to serve customers with unique value propositions which enabled it to deliver on near-term commitments, invest in sustainable value creation, and advance all five operating priorities in 2015:

2015 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 Protection policies in force grew by 449,000 or 1.3% in 2015 • Property-liability net written premium grew by 4.2% to $30.9 billion in 2015 • Allstate Financial policies grew by 322,000 or 6.1% in 2015 driven by growth at Allstate Benefits	• The property-liability underlying combined ratio was 88.7, within the annual outlook range, but 1.5 points higher than the prior year as a result of an industry-wide increase in the frequency of auto accidents • A multifaceted profit improvement plan was put in place to improve auto returns across underwriting brands • Allstate brand homeowner returns were strong	• Net investment income achieved target • Total return was 1.0% reflecting low interest rates, higher credit spreads and a decline in equity markets • Reduced interest rate risk • Repositioned Allstate Financial portfolio supporting long-dated liabilities to drive higher long-term returns	• Lowered expense ratio in part to address reduced auto profitability • Allstate brand exclusive agencies continue to evolve to trusted advisors • Expanded continuous improvement programs	• Esurance expanded geographic reach and product portfolio; homeowners now in 25 states • Allstate's Drivewise® and Esurance's DriveSense® telematics offerings had over 1 million active users as of year-end 2015 • Allstate Benefits grew premiums and contract charges by 6.0% and policies by 11.1% in 2015

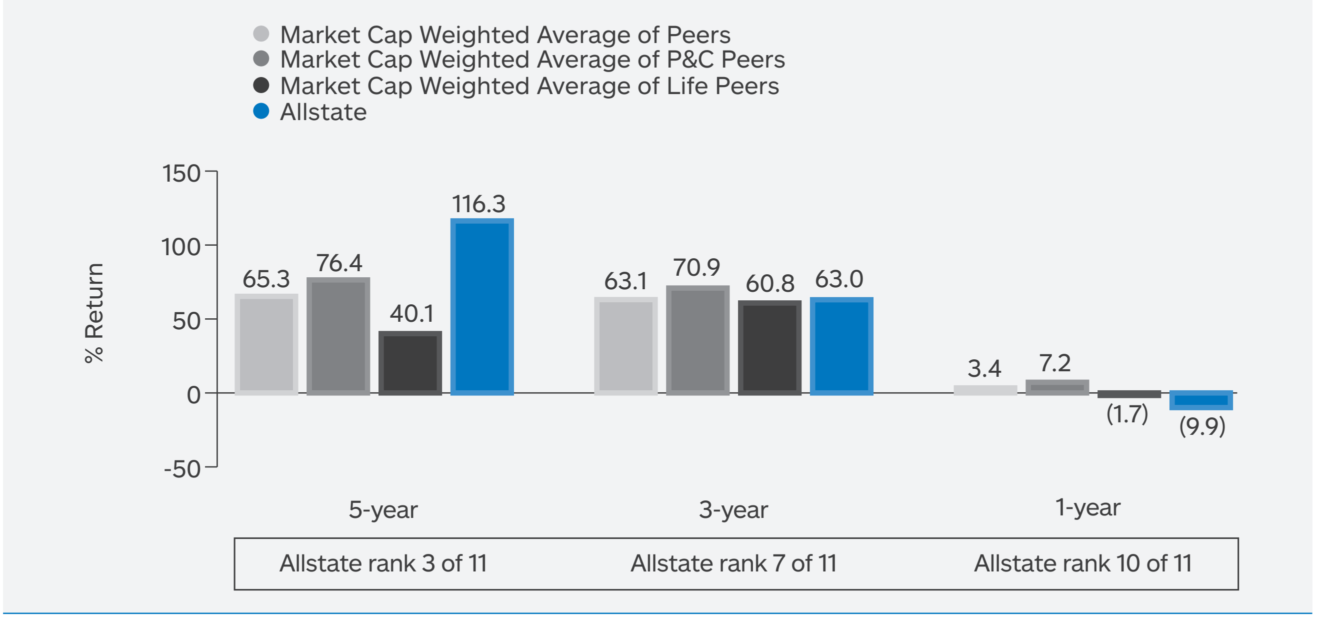
Results

• Achieved full-year 2015 underlying combined ratio outlook range by increasing auto insurance prices, tightening underwriting standards, maintaining a strong homeowners business, and reducing expenses	• Operating earnings* per share declined by 3.9% from $5.40 to $5.19	• Property-liability net written premiums increased by $1.3 billion, resulting from the additional policies in force and higher average premiums per policy	• Common shareholders received $3.3 billion in cash returns in 2015 through common stock dividends and share repurchases

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

Although Allstate advanced all five operating priorities, consistent with the challenging auto insurance environment, Allstate's one year total stockholder return was -9.9%. The following chart shows Allstate's total stockholder return over one, three and five years relative to the market cap weighted average of the peer group used for 2015 compensation benchmarking (identified on page 39).

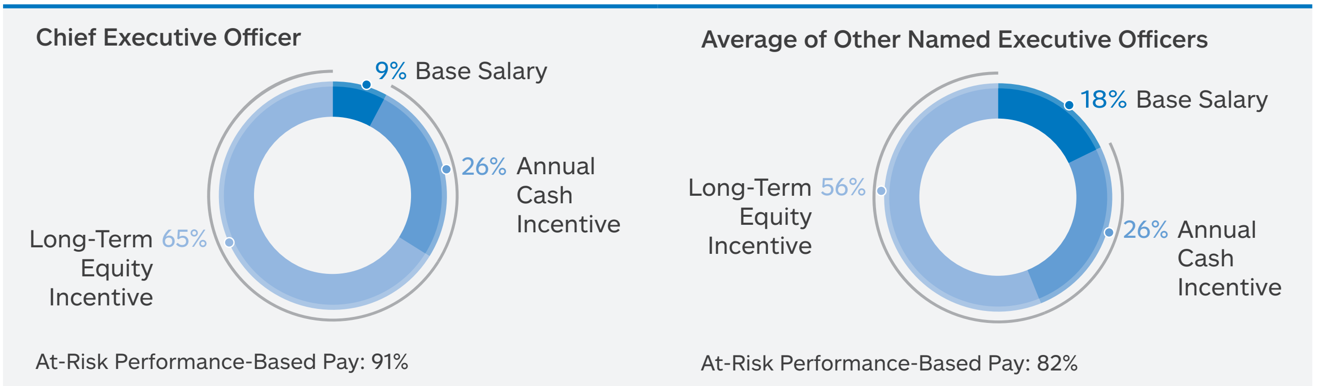
Comparison of Total Stockholder Return



2015 Compensation Program Structure and Goal-Setting Process

The committee designs 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 performance measures that correlate with long-term stockholder value creation. The mix of total direct compensation for 2015 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 2015 compensation paid to our named executives reflects strong pay for performance alignment:

- *Annual cash incentive.* For our annual cash incentive award, we set performance ranges to align with our operating plan. We also included a "collar" for the sum of catastrophe and limited partnership income components of the annual incentive plan to ensure that management is held accountable for long-term results, while at the same time limiting both the positive and negative impact of these items on annual payouts. In 2015, this collar resulted in a reduction in one of the performance measures under our annual incentive plan, thereby decreasing the annual incentive pool. The annual incentive plan was funded at 80.8% of target. This primarily reflects the decline in auto insurance profitability caused by an industry-wide increase in the frequency of auto accidents.

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	2013	2014	2015
Mr. Wilson	200.0%	118.9%	80.8%
Mr. Shebik	318.2%	118.9%	90.7%
Mr. Civgin	228.6%	114.3%	80.8%
Ms. Greffin	200.4%	136.7%	65.4%
Mr. Winter	268.2%	130.4%	89.3%

- *Long-term incentive awards.* Senior executives received equity grants in 2015 composed of 50% performance stock awards ("PSAs") and 50% stock options. The committee selected Average Adjusted Operating Income ROE as the performance measure for PSAs since that measure was best correlated to long-term stockholder value. See page 36. The 2013-2015 PSAs paid out at 154.8% of target, based on strong performance in 2013 and 2014, and below target performance in 2015 with a payout at 84.3%.

Consideration of 2015 Stockholder Vote

Stockholders approved the 2015 say-on-pay resolution with 95% of the votes cast in favor. Following the meeting, we solicited feedback about our compensation program from stockholders representing approximately one-third of our outstanding shares.

NEW

The committee, with input from the independent compensation consultant, considered the vote results, investor input, and current market practices as it evaluated whether changes to the compensation program were warranted. As a result, it made several changes to the equity programs beginning in 2016:

- *Reduced Stock Option Awards* - Long-term equity grants will now comprise 60% in PSAs and 40% in stock options.
- *Additional PSA Measure* - In addition to Average Adjusted Operating Income Return on Equity over a three year period, award payouts will now also be based on an additional measure, Earned Book Value, to create greater alignment with the increase in performance-based assets in the investment portfolio.
- *Reduced Restricted Stock Unit Awards* - To create greater alignment with stockholder returns, restricted stock unit awards will now be replaced with PSAs for all senior vice presidents, which increases the number of executives receiving PSAs by almost four times.

Allstate's Executive Compensation Principles

Allstate's executive compensation program includes industry best practices.

What We Do

- ✓ **Pay for Performance.** A significant percentage of total target direct compensation is pay at-risk and 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 other executive officers.
- ✓ **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 extended holding requirements beginning with awards granted in 2014. Senior executives must hold their equity for one additional year after vesting of the PSAs or exercise of options.
- ✓ **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, executive officers and other 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 limited benefits as required to remain competitive and to attract and retain highly talented executives.

Elements of 2015 Executive Compensation Program Design

The following table lists the elements of target direct compensation for our 2015 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.

	Fixed	Variable		
	Base Salary	**Annual Cash Incentive Awards**	**PSAs**	**Stock Options**
Percentage of Total Compensation	• CEO: 9% • Other NEOs: 18%	• CEO: 26% • Other NEOs: 26%	• CEO: 32.5% • Other NEOs: 28%	• CEO: 32.5% • Other NEOs: 28%
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 day before 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.	• 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. • Vested awards based on performance on Adjusted Operating Income Return on Equity[2] with a requirement of positive Net Income for any payout above target.	• Target awards based on job scope, market data, and individual performance.
2015 Decisions	• Four of the five named executives received salary increases in 2015. See pages 43-45.	• Except for Mr. Winter, annual cash incentive targets remained unchanged for the named executives in 2015. Mr. Winter's target compensation was increased upon his promotion to President. See pages 43-45. • Performance on the three measures resulted in corporate funding at 80.8% of target. See page 41.	• The individual long-term equity incentive targets were changed for two named executives in 2015. See pages 43-45. • For the 2013-2015 performance cycle, 84.3% of the target number of PSAs were earned for the 2015 measurement period.	• The individual long-term equity incentive targets were changed for two named executives in 2015. See pages 43-45.

(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 61-64.

Incentive Design and Goal Setting

For the annual and long-term incentive programs, the committee oversees a rigorous and comprehensive goal setting process. 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. The following timeline of key events reflects the committee's process:

Incentive Design, Payout, and Goal-Setting Process

March-April	July-October	November-January	January-February	Ongoing
• Evaluate peer group to determine if any changes are required for the next performance cycle • Compare actual compensation paid, operating results and stockholder returns from previous year to peer group as provided by the independent compensation consultant • Review feedback from stockholders and governance firms	• 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	• 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	• 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 that vested for the applicable measurement period • Review and approve salary adjustments and annual incentive and equity targets for executive officers	• 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

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 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 2015, executives earned an annual cash incentive award based on Allstate's achievement of performance measures and related assessments as described on pages 41 and 43-45.
- At the beginning of the year, the committee sets performance measure goals based on the operating plan after extensive review. Target performance is equal to operating plan. Threshold and maximum measures are informed by probability testing, historical results, and operational performance scenarios. To further test the appropriateness of the ranges, the committee's independent consultant provides advice based on peer performance, market expectations and industry trends. The chief risk officer reviews the performance measures and ranges to ensure they are consistent with Allstate's risk and return principles.
- Actual performance on the performance measures determines the overall funding level of the corporate pool and the aggregate total award budget for eligible employees. In 2015, the pool

was funded based on the collective results of three measures: Adjusted Operating Income, Total Premiums, and Net Investment Income. Funding for each measure is equal to 0% below threshold, 50% at threshold, 100% at target and 200% at maximum, and results between threshold, target and maximum are subject to interpolation.

- 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 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.
- 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 2015, the award pool is equal to 1.0% of Adjusted Operating Income (defined on page 62), and the percentage of the award pool for Mr. Wilson is 35%, Mr. Winter, 20%, 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 2015 cash incentive awards in March 2016. The following table shows how the corporate pool was funded and distributed to individual participants:

Funding–Corporate Pool	Annual Corporate Pool Distribution
Funding Calculations:[1] Adjusted Operating Income (aligns with stockholders' expectations of current performance) 50% Total Premiums (captures growth and competitive position of the businesses) 42.5% Net Investment Income (a significant component of profitability) 7.5%	**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 the 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

(1) Percentages are based on compensation of eligible employees in each area of responsibility and 2015 results for each performance measure. For treatment of catastrophe losses and limited partnership income in the funding calculation, see discussion of performance measures on pages 61-63. The committee has discretion to determine the amount of the awards paid from the corporate pool to the named executives.

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 has been 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. The PSAs have a three-year performance cycle.
- Starting in 2012, each of the named executives was awarded a target number of PSAs.
- For the 2012 and 2013 awards, the number of PSAs that became earned and vested at the end of the performance cycle was based on an annual Adjusted Operating Income ROE attained during each year of the performance cycle.
- For awards beginning in 2014, the number of PSAs that vest depends on the three-year Average Adjusted Operating Income ROE. Adjusted Operating Income ROE is defined on pages 63-64. 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. 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 and 2013 awards, 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 awards beginning in 2014, performance is measured in a single three-year measurement period. The actual number of PSAs vested 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 vested 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 vested 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. The committee does not have the discretion to adjust the performance achievement for any measurement period. PSAs will vest following the end of the three-year performance cycle if the performance conditions are met, subject to continued employment (other than in the event of death, disability, retirement, or a qualifying termination following a change in control).
- Like the previous year, the 2016-2018 PSA award will be measured in a single three-year measurement period. However, the committee added a secondary performance measure. The number of PSAs that will vest at the end of the performance cycle will depend on Average Adjusted Operating Income ROE (70% of the award) and a new performance measure, Earned Book Value (30% of the award). This additional measure was added to create greater alignment with the increase in performance-based assets in the investment portfolio. For both measures, the committee considered historical and expected performance, market expectations and industry trends when approving the ranges of performance.

NEW

For the 2016-2018 award, the Average Adjusted Operating Income ROE and Earned Book Value measures are calculated, respectively, as follows:

Adjusted Operating Income*	±	Catastrophe Losses Adjustment	÷	Adjusted Common Shareholders' Equity**	=	Average Adjusted Operating Income ROE
Average for three years in the performance cycle		Adjusted to reflect a minimum or maximum amount of catastrophe losses		Average of common shareholders' equity excluding unrealized gains and losses, after-tax, at December 2015, and at the end of each year in the performance cycle		70% of PSA Performance Measure

Common Shareholders' Equity	+	Capital Transactions	±	Catastrophe Losses Adjustment	→	Earned Book Value: Compound annual growth rate between reported common shareholders' equity at December 2015 and adjusted common shareholders' equity at December 2018***
Reported common shareholders' equity at December 2018		Adjusted to add back common share repurchases and common share dividends during the performance period		Adjusted to reflect a minimum or maximum amount of catastrophe losses		30% of PSA Performance Measure

Single Three-Year Measurement Period

* Adjusted Operating Income for the 2016-2018 PSA award is defined on pages 63-64.
** Adjusted Common Shareholders' Equity for the 2016-2018 PSA award is defined on pages 63-64.
*** Earned Book Value is defined on page 64.

2016-2018 Performance Stock Award Range of Performance

	Performance Measures		
	Threshold	Target	Maximum
Average Adjusted Operating Income ROE (70%)[1]	6.0%	13.0%	14.0%
Earned Book Value (Compound Annual Growth) (30%)	6.0%	12.0%	15.0%
Payout	0%	100%	200%

[1] 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 90 of our 189 senior executives and other officers as of December 31, 2015 and require these executives to hold 75% of net 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, 2015

Named Executive	Guideline	Actual
Mr. Wilson	6	27
Mr. Shebik	3	7
Mr. Civgin	3	7
Ms. Greffin	3	8
Mr. Winter	3	8

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

Retention Requirements

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 shares received as a result of equity compensation awards 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 all shares remaining after covering the exercise price of the shares and taxes. This retention requirement applies to senior executives who receive both PSAs and stock options, or approximately 10% of officers in 2015.

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 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.

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 or to retain or recognize executives. Prior to August 2015, the grant date for these awards was fixed as the first business day of a month following the later of committee action or the date of hire or promotion. In August, the grant date was changed to the third 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 Board Leadership Structure and 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 benchmarks executive compensation program design, executive pay, and performance against a group of peer 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. In 2015, the committee made no changes to the peer group. The following table reflects the peer group used for 2015 compensation benchmarking.

Peer 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.[2]	19.0	37.9	102.4	17.2	✓	
AFLAC Inc.	20.9	25.4	118.3	17.6		✓
American International Group, Inc.	58.3	74.0	496.9	39.4	✓	✓
The Chubb Corporation[2]	14.3	30.2	50.8	12.5	✓	
The Hartford Financial Services Group, Inc.	18.4	17.5	228.3	14.7	✓	✓
Manulife Financial Corporation	18.6	21.3	367.4	9.0		✓
MetLife, Inc.	70.0	52.9	877.9	48.1	✓	✓
The Progressive Corporation	20.8	18.6	29.8	19.9	✓	
Prudential Financial, Inc.	57.1	36.4	757.4	34.5		✓
The Travelers Companies, Inc.	26.8	33.4	100.2	23.9	✓	
Allstate	35.7	23.7	104.7	32.5	✓	✓
Allstate Ranking Relative to Peers:						
— Property and Casualty Insurance Products	3 of 8	6 of 8	4 of 8	3 of 8		
— Life Insurance and Financial Products	4 of 7	5 of 7	7 of 7	4 of 7		
— All Peer Companies	4 of 11	8 of 11	7 of 11	4 of 11		

(1) Information as of year-end 2015.
(2) In January 2016, ACE Ltd. completed its acquisition of The Chubb Corporation and they have now merged into one company.

In its executive pay discussions, the committee also considered compensation information for 19 general industry companies in the S&P 100 with fiscal year 2014 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]	▪	▪	
Tickets to Allstate Events[5]	▪	▪	▪

(1) Allstate contributed $0.80 for every dollar of matchable pre-tax or Roth 401(k) deposits made in 2015 (up to 5% of eligible pay).

(2) Including medical, dental, vision, life, accidental death and dismemberment, long-term disability, and group legal insurance. For named executives and other officers, Allstate offers an executive physical program.
(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. The committee also approved the President's usage of corporate aircraft for personal use up to 40 hours annually. In limited circumstances approved by the CEO, other 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.
(5) Tickets to Allstate sponsored events or the Allstate Arena are offered occasionally as recognition for service.

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.

Effective January 1, 2014, Allstate modified its defined benefit pension plans so that all eligible employees earn future pension benefits under a new cash balance formula.

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) eliminated 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 on pages 57-61 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 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.

Earned Annual Cash Incentive Awards

In 2015, the total corporate pool was based on three measures: Adjusted Operating Income, Total Premiums, and Net Investment Income. The 2015 annual incentive plan targets for Adjusted Operating Income and Net Investment Income were lower than actual 2014 performance to account for economic trends and certain items that are not indicative of our underlying insurance business. In addition, modest adjustments were made to the range between threshold and maximum in alignment with the operating plan and the probability of achieving the results.

The 2015 Total Premiums measure was adjusted by the committee to reflect the same Canadian foreign currency exchange rate that was presented to the committee when establishing the target at the beginning of the performance period.

The 2016 annual incentive plan targets are not included since those targets do not relate to 2015 pay, and as target performance is set at the 2016 operating plan, it is proprietary information.

For a description of how the 2015 measures are determined, see pages 61-63. The ranges of performance and 2015 actual results are shown in the following table.

2015 Annual Cash Incentive Award Ranges of Performance

Measure	Threshold	Target	Maximum	Actual Results
Adjusted Operating Income *(in millions)*	$1,800	$2,300	$2,800	$2,056
Total Premiums *(in millions)*	$32,950	$33,300	$33,650	$33,176
Net Investment Income *(in millions)*	$2,935	$3,135	$3,335	$3,156
Payout Percentages				
Named Executives[(1)]	50%[(2)]	100%	200%	80.8%

(1) Payout percentages reflect contribution to incentive compensation pool. Actual awards are fully discretionary and vary depending on individual performance.
(2) Actual performance below threshold results in a 0% payout.

Performance Stock Awards

Adjusted Operating Income ROE is the performance measure used for the PSAs noted below. For a description of how this measure is determined for each performance cycle, see pages 61-64. 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
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%	11.9%
2014-2016 PSA Performance Cycle				
(One Measurement Period)	6.0%	13.0%	14.5%	To be determined in 2017
2015-2017 PSA Performance Cycle				
(One Measurement Period)	6.0%	13.5%	14.5%	To be determined in 2018
Payout	0%	100%	200%	

$\underbrace{\text{100\% \quad 200\%}}_{\text{Subject to positive Net Income hurdle}}$

The following tables show the target number of PSAs granted to each of our named executives for the 2013-2015, 2014-2016, and 2015-2017 performance cycles, and the number of PSAs earned based on achievement of the performance measure.

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	23,717
Mr. Shebik	19,733	6,577	13,154	6,578	11,840	6,578	5,545
Mr. Civgin	23,021	7,673	15,346	7,674	13,813	7,674	6,468
Ms. Greffin	20,061	6,687	13,374	6,687	12,037	6,687	5,636
Mr. Winter	27,817	9,272	18,544	9,272	16,690	9,273	7,816

(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. For the 2015 measurement period, the named executives earned PSAs equal to 84.3% of the target number for that measurement period.

2014-2016 Performance Cycle/2015-2017 Performance Cycle[1]

	One Measurement Period	One Measurement Period	
Named Executive	Target Number of PSAs for 2014-2016 Performance Cycle	Target Number of PSAs for 2015-2017 Performance Cycle	Number of PSAs Vested
Mr. Wilson	73,783	65,054	
Mr. Shebik	17,248	15,910	To be
Mr. Civgin	20,123	16,872	determined
Ms. Greffin	18,494	14,213	in 2017/2018
Mr. Winter	25,153	21,921	

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

COMPENSATION DECISIONS FOR 2015

Chief Executive Officer

Mr. Wilson, *Chairman and Chief Executive Officer*

- 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 committee: delivering planned operating results, delivering shareholder returns, 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 2015 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 compensation peer group. Mr. Wilson's annual cash incentive target of 300% of salary remained unchanged and Mr. Wilson's long-term equity incentive target was increased to 750% of salary, effective March 2015.
  - *Salary*. In 2015, the Board approved an increase from $1,150,000 to $1,200,000 effective March 2015. Mr. Wilson's last two salary increases were in March 2014 and 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 2015.
    - Under Mr. Wilson's leadership, Allstate achieved its full year underlying combined ratio goal while proactively addressing a challenging external environment. This was accomplished by implementing a multifaceted auto profit improvement plan by increasing auto insurance prices, tightening underwriting standards, maintaining good returns in homeowners insurance and reducing expenses. Additionally, Allstate grew total policies in force in 2015 compared to the previous year despite actions taken to increase auto pricing and executing on Encompass profitability initiatives.
    - Allstate proactively managed the investment portfolio and generated risk-adjusted returns of $3.2 billion in net investment income for 2015.
    - Allstate modernized the operating model by advancing the trusted advisor model that enables agencies to more fully deliver on the customer value proposition.
    - Allstate is also focused on building long-term growth platforms. At year-end 2015, Allstate's Drivewise® program and Esurance's DriveSense® program had more than 1 million customers combined.

  - Stockholders continued to realize strong returns with $3.3 billion of dividends and share repurchases. Return on common shareholders' equity declined to 10.6% in 2015 from 13.3% in the prior year and operating income return on common shareholders' equity* declined to 11.6% in 2015 from 12.6% in the prior year.
  - The committee approved an annual cash incentive award of $2,888,136 for Mr. Wilson based on 2015 performance.
- *Equity Incentive Awards*. In February 2015, based on its assessment of Mr. Wilson's performance in delivering strong business results in 2014, the committee granted him equity awards of stock options with a grant date fair value of $4,599,996 and performance stock awards with a grant date fair value of $4,599,968, which was $1,150,000 above Mr. Wilson's target equity incentive award opportunity of 700% of salary.
- *Other*. The change in pension value for Mr. Wilson in 2015 of $532,116 was $3.8 million lower than the change would have been had management not recommended a change in pension benefits beginning in 2014, as discussed on page 55.

Other Named Executives

Mr. Wilson and the Board evaluate the performance and contributions of each member of the 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, *Executive Vice President and Chief Financial Officer*

- *Salary*. The committee did not adjust Mr. Shebik's annual salary of $750,000 during 2015.
- *Incentive Targets*. No changes were made to Mr. Shebik's incentive targets during 2015. Mr. Shebik'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 $850,000 for Mr. Shebik. This award was above pool funding based on his role as interim Chief Risk Officer in addition to his current responsibilities and the successful progress in utilizing economic capital for decision making.
- *Equity Incentive Awards*. In February 2015, based on a review of Mr. Shebik's performance during 2014, the committee granted him equity awards with a grant date fair value of $2,249,995, which is aligned with his target equity incentive award opportunity.

Mr. Civgin, *President, Emerging Businesses of Allstate Insurance Company*

- *Salary.* The committee approved an increase from $700,000 to $762,000 effective January 2015, as a result of an expanded role beginning in 2015.
- *Incentive Targets.* No changes were made to Mr. Civgin's incentive targets during 2015. 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 $768,629 for Mr. Civgin, which was at pool funding.
- *Equity Incentive Awards.* In February 2015, based on a review of Mr. Civgin's performance in 2014, the committee granted him equity awards with a grant date fair value of $2,386,012, which is $100,000 above his target equity incentive award opportunity.

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

- *Salary*. The committee approved an increase from $670,000 to $700,000 effective March 2015, based on Ms. Greffin's performance in 2014.
- *Incentive Targets*. No changes were made to Ms. Greffin's incentive targets during 2015. 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 $500,000 for Ms. Greffin, which was below pool funding.

* Operating income return on common shareholders' equity is a ratio that uses a non-GAAP measure. That measure is defined and reconciled to the most directly comparable GAAP measure in Appendix C.

- *Equity Incentive Awards*. In February 2015, based on a review of Ms. Greffin's performance in 2014, the committee granted her equity awards with a grant date fair value of $2,010,008, which is aligned with her target equity incentive award opportunity.

Mr. Winter, *President*

- *Salary*. The committee approved an increase from $770,000 to $800,000 effective January 2015, based on Mr. Winter's promotion to President, The Allstate Corporation.
- *Incentive Targets*. Mr. Winter's annual incentive target was increased to 225% of salary from 150% of salary in January 2015 and his target equity incentive opportunity was increased to 375% of salary from 350% of salary reflecting increased responsibilities as President.
- *Annual Cash Incentive Award*. The committee approved an annual cash incentive award of $1,600,000 for Mr. Winter. This award was above pool funding based on assessment of his performance related to rapid implementation of the auto profit improvement plan and his successful transition to the President role.
- *Equity Incentive Awards*. In February 2015, based on a review of Mr. Winter's performance during 2014, the committee granted him equity awards with a grant date fair value of $3,100,038, which is $100,000 above 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 29-45 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

John W. Rowe (Chair)

Michael L. Eskew   Herbert L. Henkel   Andrea Redmond

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table summarizes the compensation of the named executives for the last three fiscal years.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[2]	Option Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5]	Total ($)
Thomas J. Wilson									
Chairman and Chief Executive Officer	2015	1,191,346	—	4,599,968	4,599,996	2,888,136	532,116	62,131	13,873,693
	2014	1,141,346	—	3,849,997	3,850,001	4,073,075	2,632,215	94,751	15,641,385
	2013	1,100,000	—	3,849,986	4,350,006	6,600,000	2,720,160	53,571	18,673,723
Steven E. Shebik									
Executive Vice President and Chief Financial Officer	2015	750,000	—	1,124,996	1,124,999	850,000	185,312	28,180	4,063,487
	2014	652,500	—	900,001	899,998	883,619	827,696	26,960	4,190,774
	2013	600,000	—	900,022	900,000	2,100,000	1,070,582	34,165	5,604,769
Don Civgin									
President, Emerging Businesses	2015	760,808	—	1,193,019	1,192,993	768,629	46,822	37,195	3,999,466
	2014	700,000	—	1,050,018	1,049,996	1,000,000	135,885	26,560	3,962,459
	2013	700,000	—	1,049,988	1,049,996	2,000,000	69,422	27,902	4,897,308
Judith P. Greffin[1]									
Executive Vice President and Chief Investment Officer	2015	694,808	—	1,005,001	1,005,006	500,000	71,232	28,886	3,304,933
	2014	664,807	—	965,017	965,000	1,000,000	1,165,174	27,187	4,787,185
	2013	634,807	—	914,982	914,999	1,400,000	271,815	33,580	4,170,183
Matthew E. Winter									
President	2015	799,423	—	1,550,034	1,550,004	1,600,000	80,745	79,399	5,659,605
	2014	766,539	—	1,312,484	1,312,504	1,500,000	139,076	39,016	5,069,619
	2013	745,673	—	1,268,733	1,268,748	3,000,000	102,174	35,150	6,420,478

(1) Effective March 31, 2016, Ms. Greffin retired from Allstate Insurance Company.

(2) The aggregate grant date fair value of PSAs granted in 2015, 2014, and 2013 are computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 718 (ASC 718). The fair value of PSAs 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 2015.) 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 2015 to each named executive is provided in the *Grants of Plan-Based Awards* table on page 49. The value of the PSAs granted in 2015 at grant date share price if maximum corporate performance were to be achieved is as follows: Mr. Wilson $9,199,937, Mr. Shebik $2,249,992, Mr. Civgin $2,386,038, Ms. Greffin $2,010,002, and Mr. Winter $3,100,068.

(3) 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 2015) as set forth in the following table:

	2015	2014	2013
Weighted average expected term	6.5 years	6.5 years	8.2 years
Expected volatility	16.0-37.8%	16.8-42.2%	19.1-48.1%
Weighted average volatility	24.7%	28.3%	31.0%
Expected dividends	1.6-2.1%	1.7-2.2%	1.9-2.2%
Weighted average expected dividends	1.7%	2.1%	2.2%
Risk-free rate	0.0-2.4%	0.0-3.0%	0.0-2.9%

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 2015 to each named executive is provided in the *Grants of Plan-Based Awards* table on page 49.

(4) Amounts reflect the aggregate increase in actuarial value of the pension benefits as set forth in the *Pension Benefits* table, accrued during 2015, 2014, and 2013. 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 2015.)

The following table reflects the respective change in the actuarial value of the benefits provided to the named executives in 2015:

Name	ARP ($)	SRIP ($)
Mr. Wilson	10,178	521,938
Mr. Shebik	20,145	165,167
Mr. Civgin	7,450	39,372
Ms. Greffin	-11,118	82,350
Mr. Winter	9,620	71,125

Interest rates and other assumptions can have a significant impact on the change in pension value from one year to another.

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 actuarial value of benefits provided for each named executive in 2015 would have been as indicated in the following table under the prior formula:

Name	ARP ($)	SRIP ($)
Mr. Wilson	61,170	4,231,999
Mr. Shebik	79,316	1,417,248
Mr. Civgin	5,076	26,760
Ms. Greffin	33,113	539,829
Mr. Winter	7,035	51,638

(5) The following table describes the incremental cost of other benefits provided in 2015 that are included in the "All Other Compensation" column.

All Other Compensation for 2015 — Supplemental Table

Name	Personal Use of Aircraft(1) ($)	401(k) Match(2) ($)	Other(3) ($)	Total All Other Compensation ($)
Mr. Wilson	24,531	10,600	27,000	62,131
Mr. Shebik	—	10,600	17,580	28,180
Mr. Civgin	—	10,600	26,595	37,195
Ms. Greffin	—	10,600	18,286	28,886
Mr. Winter	40,964	10,600	27,835	79,399

(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 2015. The amount shown is the amount allocated to their accounts as employer matching contributions.

(3) "Other" consists of personal benefits and perquisites related to mobile devices, tax preparation services, financial planning, ground transportation, executive physical related items 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 2015, and therefore, no incremental cost is reflected in the table.

Grants of Plan-Based Awards at Fiscal Year-end 2015

The following table provides information about non-equity incentive plan awards and equity awards granted to our named executives during fiscal year 2015.

			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	Grant Date Fair Value ($)[5]	
Name	Grant Date	Plan Awards[1]	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	($/Shr)[4]	Stock Awards	Option Awards
Mr. Wilson	—	Annual cash incentive	1,787,877	3,575,753	10,000,000							
	02/18/2015	PSAs				0	65,054	130,108			4,599,968	
	02/18/2015	Stock options							294,494	70.71		4,599,996
Mr. Shebik	—	Annual cash incentive	468,750	937,500	4,936,500							
	02/18/2015	PSAs				0	15,910	31,820			1,124,996	
	02/18/2015	Stock options							72,023	70.71		1,124,999
Mr. Civgin	—	Annual cash incentive	475,826	951,651	4,936,500							
	02/18/2015	PSAs				0	16,872	33,744			1,193,019	
	02/18/2015	Stock options							76,376	70.71		1,192,993
Ms. Greffin	—	Annual cash incentive	382,333	764,666	4,936,500							
	02/18/2015	PSAs				0	14,213	28,426			1,005,001	
	02/18/2015	Stock options							64,341	70.71		1,005,006
Mr. Winter	—	Annual cash incentive	896,344	1,792,688	6,582,000							
	02/18/2015	PSAs				0	21,921	43,842			1,550,034	
	02/18/2015	Stock options							99,232	70.71		1,550,004

(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 *Earned Annual Cash Incentive Awards* caption on page 41. 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 35% of the pool for Mr. Wilson, 20% for Mr. Winter, and 15% of the pool for each other named executive. Adjusted Operating Income is defined on page 62. For a description of the ranges of performance established by the committee for the 2015 annual incentive, which are lower than the section 162(m) limits, see page 41.

(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 42.

(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.

(5) The aggregate grant date fair value of the PSAs was $70.71 and stock option award was $15.62, 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 2 and 3 to the *Summary Compensation Table* on pages 46-47.

Performance Stock Awards

PSAs represent our promise to transfer shares of common stock in the future if certain performance measures are met. For the awards granted in 2015, performance is measured in a single three-year measurement period, and the actual number of PSAs that vest will vary from 0% to 200% of that period's target PSAs based on Average Adjusted Operating Income ROE for the measurement period. For a definition of how that measure is calculated, see pages 61-63. Each PSA represents Allstate's promise to transfer one fully vested share in the future for each PSA that vests. 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. PSAs will vest following the end of the three-year performance cycle if the performance conditions are met, subject to continued employment (other than in the event of death, disability, retirement, or a qualifying termination following a change in control).

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 and 2015 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 change to the vesting schedule beginning in 2014 was made to reflect current market practice. For the vesting schedule for other option grants, see footnote 1 to the *Outstanding Equity Awards at Fiscal Year-end 2015* table. All of the options expire 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 2015

The following table summarizes the outstanding equity awards of the named executives as of December 31, 2015.

	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	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	447,808	0	31.74	02/22/2021					
	02/21/2012	333,045	111,015	31.56	02/21/2022					
	02/12/2013	181,704	181,705	45.61	02/12/2023	02/12/2013	130,638	8,111,313		
	02/18/2014	103,079	206,158	52.18	02/18/2024	02/18/2014			73,783	4,581,186
	02/18/2015	0	294,494	70.71	02/18/2025	02/18/2015			65,054	4,039,203
Mr. Shebik	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	20,000	0	16.83	02/27/2019					
	02/22/2010	33,616	0	31.41	02/22/2020					
	02/22/2011	35,197	0	31.74	02/22/2021					
	02/21/2012	19,834	6,612	31.56	02/21/2022	02/21/2012	1,817	112,818		
	03/06/2012	26,260	8,754	31.00	03/06/2022					
	02/12/2013	37,594	37,594	45.61	02/12/2023	02/12/2013	30,539	1,896,167		
	02/18/2014	24,096	48,193	52.18	02/18/2024	02/18/2014			17,248	1,070,928
	02/18/2015	0	72,023	70.71	02/18/2025	02/18/2015			15,910	987,852
Mr. Civgin	09/08/2008	65,000	0	46.48	09/08/2018					
	02/22/2011	28,836	0	31.74	02/22/2021					
	02/21/2012	27,393	27,394	31.56	02/21/2022					
	02/12/2013	43,859	43,860	45.61	02/12/2023	02/12/2013	35,627	2,212,080		
	02/18/2014	28,112	56,225	52.18	02/18/2024	02/18/2014			20,123	1,249,437
	02/18/2015	0	76,376	70.71	02/18/2025	02/18/2015			16,872	1,047,582

Name	Option Awards[1]					Stock Awards[2]				
	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]
Ms. Greffin	02/20/2007	21,291	0	62.24	02/20/2017					
	07/17/2007	3,660	0	60.42	07/17/2017					
	02/26/2008	30,000	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	103,810	0	31.74	02/22/2021					
	02/21/2012	77,854	25,952	31.56	02/21/2022					
	02/12/2013	38,220	38,221	45.61	02/12/2023	02/12/2013	31,047	1,927,708		
	02/18/2014	25,836	51,674	52.18	02/18/2024	02/18/2014			18,494	1,148,292
	02/18/2015	0	64,341	70.71	02/18/2025	02/18/2015			14,213	882,485
Mr. Winter	11/02/2009	8,385	0	29.64	11/02/2019					
	02/22/2011	149,269	0	31.74	02/22/2021					
	02/21/2012	108,131	36,044	31.56	02/21/2022					
	02/12/2013	52,997	52,997	45.61	02/12/2023	02/12/2013	43,050	2,672,975		
	02/18/2014	35,140	70,282	52.18	02/18/2024	02/18/2014			25,153	1,561,750
	02/18/2015	0	99,232	70.71	02/18/2025	02/18/2015			21,921	1,361,075

(1) The options granted in 2014 and 2015 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 2012 and 2013 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 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, 2015, for each of the named executives are as follows:

	Exercisable		Unexercisable	
Name	Aggregate Number (#)	Aggregate Value ($)	Aggregate Number (#)	Aggregate Value ($)
Mr. Wilson	1,821,528	45,075,516	498,878	8,426,812
Mr. Shebik	222,360	5,626,939	101,153	1,571,168
Mr. Civgin	193,200	3,727,517	127,479	2,116,341
Ms. Greffin	421,629	11,504,103	115,847	1,934,286
Mr. Winter	353,922	9,325,275	159,323	2,670,309

(4) The restricted stock unit awards granted in 2012 vest over four years: 50% on the day before the second anniversary of the grant date and 25% on each of the days before the third and fourth anniversary dates. The PSAs vest in one installment on the day before the third anniversary of the grant date. The PSAs granted in 2013 vested on February 11, 2016.

(5) Amount is based on the closing price of our common stock of $62.09 on December 31, 2015.

(6) The PSAs vest in one installment on the day before 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 42-43. The number of PSAs reflected in this column for the 2014 and 2015 awards are the number of shares that would vest 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 During 2015

The following table summarizes the options exercised by the named executives during 2015 and the restricted stock unit awards that vested during 2015.

	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	290,000	2,618,500	262,443	18,292,653
Mr. Shebik	43,179	1,222,988	21,849	1,525,329
Mr. Civgin	253,238	10,072,146	64,956	4,527,901
Ms. Greffin	96,159	1,967,706	61,314	4,273,607
Mr. Winter	0	0	85,367	5,950,501

(1) Of the options exercised in 2015 by Mr. Wilson, Mr. Shebik and Ms. Greffin, 290,000, 24,464, and 24,642 options, respectively, were due to expire in 2015 or the first quarter of 2016.

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	22.8	933,996	0
	SRIP	22.8	12,987,014	0
Mr. Shebik	ARP	27.2	1,151,428	0
	SRIP	27.2	3,311,569	0
Mr. Civgin	ARP	7.3	48,978	0
	SRIP	7.3	308,279	0
Ms. Greffin	ARP	25.3	948,844	0
	SRIP	25.3	4,563,692	0
Mr. Winter	ARP	6.2	40,041	0
	SRIP	6.2	386,312	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, 2015) 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 4.83%.

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 3.00% for the first five years, 5.25% for the next 15 years, and 6.00% for all years after 20.
- Lump sum calculations were done using the RP-2014 mortality table projected with the MP-2015 projection table, with a blend of 50% males and 50% females. The RP-2014 mortality table and MP-2015 projection table were created by the Society of Actuaries. Allstate adopted these tables for accounting on December 31, 2015 to measure retirement program obligations in the United States; however, benefits are not determined using these factors in 2015 or 2016.
- Annuity calculations were done using the RP-2014 white collar mortality table for annuitants projected with the MP-2015 projection table.

See note 17 to our audited financial statements for 2015 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, 2015, if the named executives' employment terminated on that date.

Name	Plan Name	Lump Sum Amount ($)
Mr. Wilson	SRIP	14,170,872
Mr. Shebik	SRIP	3,623,189
Mr. Civgin	SRIP	326,554
Ms. Greffin	SRIP	4,768,002
Mr. Winter	SRIP	399,521

The amount shown is based on the lump sum methodology used by the Allstate pension plans in 2016. Specifically, the interest rate for 2016 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 2016 is the 2016 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. As of January 1, 2014, all eligible participants earn benefits under a 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. Ms. Greffin and 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.

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

All named executives earned benefits under the cash balance formula in 2015. 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 27.2 and 22.8 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 assumptions 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, 2015:

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

Non-Qualified Deferred Compensation at Fiscal Year-end 2015

The following table summarizes the non-qualified deferred compensation contributions, earnings, and account balances of our named executives in 2015. 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	-16,436	0	759,904
Mr. Shebik	0	0	-4,450	0	135,332
Mr. Civgin	0	0	0	0	0
Ms. Greffin	0	0	-14,214	0	2,176,560
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 ($265,000 in 2015), 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 2015 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 generally 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 2015 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	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	Awards vest and are payable immediately	Awards vest and are payable immediately

Compensation Elements	Termination Scenarios Termination[1]	Retirement	Termination due to Change-in-Control[2]	Death	Disability
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[8]	Awards vest and are payable immediately[9]	Awards vest and are payable immediately[9]
Non-Qualified Pension Benefits[10]	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[11]	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[12]	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 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 10 years of service	Age 55 with 10 years of service
Treatment	• 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 five years of service
Treatment	• 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.

Stock option awards granted before February 22, 2011 have vested and will expire at the earlier of five years from the date of retirement or the expiration date of the option.

(8) 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.

(9) For open cycles, the payout is based on the target number of PSAs.

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

(11) See the *Non-Qualified Deferred Compensation at Fiscal Year-end 2015* section for additional information on the Deferred Compensation Plan and distribution options available.

(12) 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, 2015, 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	2,888,136	8,426,812	16,200,522	0	27,515,470
Termination due to Change in Control[4]	14,400,000	3,600,000	8,426,812	16,731,703	57,703[5]	43,216,218
Death	0	2,888,136	8,426,812	16,731,703	0	28,046,651
Disability	0	2,888,136	8,426,812	16,731,703	17,509,650[6]	45,556,301
Mr. Shebik						
Termination/Retirement[3]	0	850,000	1,571,168	3,937,873	0	6,359,041
Termination due to Change in Control[4]	3,375,000	937,500	1,571,168	4,067,765	57,703[5]	10,009,136
Death	0	850,000	1,571,168	4,067,765	0	6,488,933
Disability	0	850,000	1,571,168	4,067,765	4,197,140[6]	10,686,073
Mr. Civgin						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	3,429,000	952,500	2,116,341	4,509,100	57,703[5]	11,064,644
Death	0	768,629	2,116,341	4,509,100	0	7,394,070
Disability	0	768,629	2,116,341	4,509,100	7,682,882[6]	15,076,952
Ms. Greffin						
Termination/Retirement[3]	0	500,000	1,934,286	3,842,439	0	6,276,725
Termination due to Change in Control[4]	2,940,000	770,000	1,934,286	3,958,486	57,866[5]	9,660,638
Death	0	500,000	1,934,286	3,958,486	0	6,392,772
Disability	0	500,000	1,934,286	3,958.486	0[6]	6,392,772
Mr. Winter						
Termination/Retirement[3]	0	0	0	0	0	0
Termination due to Change in Control[4]	5,200,000	1,800,000	2,670,309	5,595,799	68,197[5]	15,334,305
Death	0	1,600,000	2,670,309	5,595,799	0	9,866,108
Disability	0	1,600,000	2,670,309	5,595,799	6,678,576[6]	16,544,684

(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 2015 annual incentive plan payment is payable to all named executives as a result of death and disability. In addition, it is payable to Messrs. Wilson and Shebik and Ms. Greffin 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, 2015, Messrs. Shebik and Wilson and Ms. Greffin 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, 2015. PSAs are paid out based on actual performance; for purposes of this table, the 2013-2015 cycle includes one year at 200%, one year at 180%, and one year at 84.3%. The 2014-2016 and 2015-2017 cycles are reflected at target. 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 2015* 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) 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 each named executive.

(6) 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 2015

The following pages contain descriptions of the performance measures used for executive incentive compensation. They were developed uniquely for incentive compensation purposes, are non-GAAP measures and are not reported 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 uniquely 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 applicable 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**	**2013-2015 Performance Cycle**	**2014-2016 Performance Cycle**[1]	**2015-2017 Performance Cycle**[1]
Net income applicable 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	✓	✓	✓	✓	✓
— **Gain (loss) on disposition of operations**	✓	✓	✓	✓	✓
— **Other significant non-recurring, infrequent or unusual items**, when the nature of the charge or gain is such that it is reasonably unlikely to recur within two years or there has been no similar charge or gain within the prior two years, including:				✓	✓
• Change in accounting for investments in qualified affordable housing projects[2]	✓	✓	✓	✓	✓
• Loss on extinguishment of debt[3]			✓		
• Post-retirement benefits curtailment gain[3]			✓		
Operating income subtotal (See Appendix C)					
— Restructuring or related charges	✓	✓	✓	✓	✓
— Underwriting results of Discontinued Lines and Coverages segment	✓	✓	✓	✓	✓
— Effects of acquiring and selling businesses			✓	✓	✓
— Adjustments to be consistent with financial reporting used in establishing the measure			✓	✓	✓
Adjusted Operating Income before adjustment for volatile items[4]					
Adjustment for after-tax volatile items	Adjusted to include minimum or maximum amount of after-tax catastrophe losses and income from limited partnerships	Exclude actual amount of after-tax catastrophe losses	Adjusted to include a minimum or maximum amount of after-tax catastrophe losses	Three-year average adjusted to include a minimum or maximum amount of after-tax catastrophe losses	Three-year average adjusted to include a minimum or maximum amount of after-tax catastrophe losses
Adjusted Operating Income					

(1) These cycles do not qualify for final measurement as of December 31, 2015; the items checked above and after-tax volatile items indicate items that by definition may impact the final measurement when the three-year cycle and final measurement is completed.
(2) 2015 only.
(3) 2013 only.
(4) Volatile items include catastrophe losses and income from limited partnerships ("LP income") depending on the measure.

Annual Cash Incentive Award Performance Measures for 2015

- *Adjusted Operating Income:* This measure is used to assess financial performance. In 2015, Adjusted Operating Income was $2,056 million compared to reported operating income of $2,113 million, a net reduction of $57 million. It was adjusted to remove the impacts of the underwriting loss of the Discontinued Lines and Coverages segment and restructuring and related charges and to include a minimum amount of catastrophe losses. A description of this measure is presented in the table on page 62.
- *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 adjusted to include a minimum or maximum amount of income from limited partnership interests if the actual amounts are less than or exceed those amounts, respectively. Net Investment Income is also 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. In 2015, no adjustments were necessary and Net Investment Income of $3,156 million was equal to reported net investment income.
- *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. No such adjustments were necessary in 2015.

  Total Premiums was $33,176 million compared to the total reported amounts of $33,029 million as it was adjusted by the committee to reflect the Canadian foreign exchange rate used in establishing the measure.

Performance Stock Award Performance Measures for 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 each year within the applicable PSA performance cycle divided by the average of adjusted common shareholders' equity at the beginning and at the end of the respective year. A description of Adjusted Operating Income is also presented in the table on page 62.

  Adjusted common shareholders' equity excludes the net effects of unrealized net capital gains and losses. It is subject to adjustments to be consistent with the financial reporting used in establishing the measure. It is also adjusted to exclude the net effects of acquiring and selling businesses.

  Annual Adjusted Operating Income Return on Equity was 11.9%, 13.2% and 13.4%, compared to our reported operating income return on equity of 11.6%, 12.6% and 14.5% for the three years ended 2015, 2014 and 2013, respectively. The primary adjustments related to removing the net effects of selling businesses in all three years and adjustments to reflect a minimum amount of catastrophe losses in 2015 and 2013.

Performance Stock Award Performance Measures for the 2014-2016 and 2015-2017 Performance Cycles

- *Three-Year Average Adjusted Operating Income Return on Equity:* This measure is used to assess financial performance. It is calculated as the ratio of the average Adjusted Operating Income for the three years in the period divided by the average of Adjusted Common Shareholders' Equity at December 31 of the year-end immediately preceding the period and at the end of each year in the three-year period. A description of Adjusted Operating Income is presented in the table on page 62.
- Adjusted Common Shareholders' Equity is equal to common shareholders' equity excluding the net effects of unrealized net capital gains and losses. It is subject to adjustments to be consistent with the financial reporting used in establishing the measure and to exclude the net effects of acquiring and selling businesses. Adjusted Common Shareholders' Equity at December 31 of the year-end immediately preceding the period is not subject to adjustment.

Performance Stock Award Performance Measures for the 2016-2018 Performance Cycle

- *Three-Year Average Adjusted Operating Income Return on Equity (measure weighted at 70%):* This measure is used to assess financial performance. It is calculated in a similar manner to the 2014-2016 and 2015-2017 Cycles as disclosed above, but it is adjusted to reflect the foreign exchange rate used in establishing the measure (in place of actual foreign currency translation) for any period if the Total Premiums measure for the Annual Incentive Plan is adjusted for foreign exchange rates (if the impact exceeds a threshold).
- *Earned Book Value (measure weighted at 30%):* This measure is used to assess financial performance. Earned book value is the increase between common shareholders' equity at December 31, 2015 and adjusted common shareholders' equity at December 31, 2018 expressed as a compound annual growth rate. Adjusted common shareholders' equity is equal to common shareholders' equity at December 31, 2018 adjusted to:
  - Add back reductions for common share repurchases and declared common shareholder dividends during the three-year period.
  - Remove the impact of other significant non-recurring, infrequent or unusual items in excess of a threshold.
  - Reflect a minimum or maximum amount of after-tax catastrophe losses if the actual after-tax catastrophe losses are more or less than +/- 20% respectively of the three years of catastrophe losses used to establish the measure.
  - Be consistent with the financial reporting used in establishing the measure.
  - Exclude the effects of acquiring and selling businesses.
  - Reflect the foreign exchange rate used in establishing the measure (in place of actual foreign currency translation) for any period if the Total Premiums measure for the Annual Incentive Plan is adjusted for foreign exchange rates (if the impact exceeds a threshold).

AUDIT COMMITTEE MATTERS

PROPOSAL
3

Ratification of the Appointment of Independent Registered Public Accountant

☑ The Board recommends that you vote FOR ratification of the appointment of Deloitte & Touche LLP as Allstate's independent registered public accountant for 2016.

- ✓ 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 recommends 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 2016. 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 approve the selection of Deloitte & Touche LLP's lead engagement partner.

The audit committee has adopted a policy regarding its pre-approval of all audit and permissible non-audit services provided by the independent registered public accountant. The policy identifies the basic principles that must be considered by the audit committee in approving services to ensure that the registered public accountant's independence is not impaired, describes the type of audit, audit-related, tax and other services that may be provided, and lists the non-audit services that may not be performed. The independent registered public accountant or management will submit to the audit committee detailed schedules with all of the proposed services within each category, together with the estimated fees, and each specific service will require approval before commencement of the service.

Prior to requesting approval from the audit committee, the registered public accountant and management consider and conclude that the services are permissible in that they do not: (1) place the registered public accountant in the position of auditing their own work, (2) result in the registered public accountant's personnel acting as management or an employee of Allstate, (3) place the registered public accountant in a position of being an advocate for Allstate, (4) create a mutual or conflicting interest between the registered public accountant and Allstate and (5) the services are not based on a contingent fee arrangement. The audit committee's policy delegates to the chair the authority to grant approvals, but the decisions of the chair must be reported to the audit committee at its next regularly scheduled meeting. All services provided by Deloitte & Touche LLP in 2014 and 2015 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, 2014 and December 31, 2015.

	2014[4]	2015
Audit fees[1]	$9,517,000	$9,729,000
Audit-related fees[2]	$726,000	$604,000
Tax fees[3]	$6,000	$611,000
All other fees	$0	$0
Total fees	$10,249,000	$10,944,000

(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 $145,000 and $165,000 for 2014 and 2015, 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.

	2014	2015
Audits and other attest services for non-consolidated entities	$365,000	$359,000
Other audit-related fees	$361,000	$245,000
Total audit-related fees	$726,000	$604,000

(3) Tax fees include income tax return preparation, compliance assistance, tax studies and research for audit support and international tax planning.

(4) Total fees for 2014 have been reallocated between audit and audit-related fees to account for certain non-recurring transactions that resulted in additional audit testing.

Representatives of Deloitte & Touche LLP will be present at the 2016 annual meeting to respond to questions and may make a statement if they choose. If stockholders fail to ratify the appointment, the audit committee will reconsider the appointment, but no assurance can be given that the audit committee will change the appointment.

AUDIT COMMITTEE REPORT

Deloitte & Touche LLP (Deloitte) was Allstate's independent registered public accountant for the year ended December 31, 2015.

The audit committee reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2015.

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 that is 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, 2015, for filing with the Securities and Exchange Commission, and furnished to stockholders with this Notice of Annual Meeting and Proxy Statement.

Mary Alice Taylor (Chair)

Robert D. Beyer

Michael L. Eskew

Kermit R. Crawford

Siddharth N. Mehta

STOCKHOLDER PROPOSALS

PROPOSAL
4

Stockholder Proposal on Independent Board Chairman

☒ The Board recommends a vote AGAINST this proposal.

- ✓ The Board separated the Chairman and CEO roles in the past during a time of leadership transition and should have the flexibility to either separate or combine the roles based on Allstate's needs at that time.
- ✓ Allstate's lead director already provides meaningful independent leadership of the Board.
- ✓ The Board's existing leadership structure and composition provide effective independent oversight.

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 November 22, 2015, intends to propose the following resolution at the annual meeting.

Proposal 4 – Independent Board Chairman

Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The Board would have the discretion to phase in this policy for the next CEO transition, implemented so it does not violate any existing agreement. If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chair. This proposal requests that all the necessary steps be taken to accomplish the above.

According to Institutional Shareholder Services 53% of the Standard & Poors 1,500 firms separate these 2 positions – "2015 Board Practices," April 12, 2015. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix.

It is the responsibility of the Board of Directors to protect shareholders' long-term interests by providing independent oversight of management. By setting agendas, priorities and procedures, the Chairman is critical in shaping the work of the Board.

A board of directors is less likely to provide rigorous independent oversight of management if the Chairman is also the CEO, as is the case with our Company. Having a board chairman who is independent of management is a practice that will promote greater management accountability to shareholders and lead to a more objective evaluation of management.

According to the Millstein Center for Corporate Governance and Performance (Yale School of Management), "The independent chair curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board."

An NACD Blue Ribbon Commission of Directors' Professionalism recommended that an independent director should be charged with "organizing the board's evaluation of the CEO and provide ongoing feedback; chairing executive sessions of the board; setting the agenda and leading the board in anticipating and responding to crises." A blue-ribbon report from The Conference Board also supported this position.

A number of institutional investors said that a strong, objective board leader can best provide the necessary oversight of management. Thus, the California Public Employees' Retirement System's Global Principles of Accountable Corporate Governance recommends that a company's board should be chaired by an independent director, as does the Council of Institutional Investors.

An independent director serving as chairman can help ensure the functioning of an effective board. Please vote to enhance shareholder value:

Independent Board Chairman – Proposal 4

BOARD OF DIRECTORS' STATEMENT IN OPPOSITION TO THE STOCKHOLDER PROPOSAL ON INDEPENDENT BOARD CHAIRMAN

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

The Board separated the Chairman and CEO roles in the past during a time of leadership transition and should have the flexibility to either separate or combine the roles based on Allstate's needs at that time.

- Allstate's *Corporate Governance Guidelines* provide the Board with the flexibility to assign the Chairman responsibilities to best meet Allstate's needs at any particular time. The interests of Allstate and its stockholders are best served when leadership choices are made by the Board on a case-by-case basis and not pursuant to a predetermined and static policy. The Board believes such flexibility helps it adapt the leadership structure to changing circumstances.
- The Board split the roles of Chairman and CEO in 2007 during a leadership transition. In January 2007, Thomas Wilson replaced Edward Liddy as CEO, and the Board determined that Mr. Liddy should remain Chairman until his retirement in 2008. During this transition period, both Mr. Liddy and Mr. Wilson attended Board and committee meetings to provide historical context and a seamless transition.
- The Board regularly examines the leadership structure of Allstate and has determined that, at this time, Allstate is well-served by having the Chairman role performed by Mr. Wilson. This structure provides unified leadership and direction for management to execute Allstate's strategy and business plans and enhances the transparency between management and the Board.
- Allstate's Board has a history of strong corporate governance. 10 of 11 of Allstate's current directors are independent of management, and the directors take proactive steps to ensure independence in the boardroom as executive sessions of the independent directors are held at every meeting.
- According to a survey by a major executive search firm in 2015, only 4% of S&P 500 companies require the separation of the roles.

Allstate's lead director already provides meaningful independent leadership of the Board.

- Allstate's independent lead director provides meaningful independent oversight over management. Allstate's lead director role was enhanced in 2011 when the role shifted from one that rotated among the independent directors to a single designated lead director.
- Our lead director has well-defined and substantive responsibilities that are consistent with the quotations from the reports cited by the proponent. Our lead director:
  - works with the Chairman in developing Board meeting agendas, schedules, and information provided to the Board;
  - facilitates and communicates the Board's performance evaluation of the CEO, in conjunction with the chair of the compensation and succession committee;
  - facilitates the evaluation of the Board and director performance;
  - serves as a liaison between the Chairman and the independent directors when necessary to provide a supplemental channel of communication;
  - presides at all Board meetings at which the Chairman is not present and at all executive sessions; and
  - communicates with significant stockholders on matters involving broad corporate policies and practices, when appropriate.

The Board's existing leadership structure and composition provide effective independent oversight.

- The Board believes it should have the flexibility to choose whether to separate the Chairman and CEO roles given the situation that exists for Allstate. Requiring a split of the roles would reduce the Board's ability to act in the best interests of the company.
- In addition to the strong lead independent director, the Board has policies and practices that support our balanced and strong governance system, including:
  - all of Allstate's Board members are independent within the meaning of applicable laws, with the exception of the CEO;
  - all members of each of the key Board committees (the audit, compensation and succession, nominating and governance, and risk and return committees) are independent;
  - each committee operates under a written charter that has been approved by the Board and that details the oversight of key matters, such as the integrity of Allstate's financial statements, executive compensation, CEO performance, nomination of directors, evaluation of the Board, and risk and return management;
  - the Board performs a formal annual evaluation of the Chairman and CEO in an executive session; and
  - all key Board committees have access to, and utilize, independent external advisors.

PROPOSAL
5

Stockholder Proposal on Reporting Political Contributions

☒ The Board recommends a vote AGAINST this proposal.

- ✓ Allstate already provides stockholders with comprehensive disclosures on Allstate's involvement in the public policy arena (found at www.allstate.com/publicpolicyreport).
- ✓ Allstate's Board has strong governance and oversight practices over the company's public policy involvement.
- ✓ Allstate fully complies with all disclosure requirements pertaining to political contributions under federal, state, and local laws, as well as internal guidelines.
- ✓ An almost identical proposal at the 2014 annual meeting received less than 10% support from stockholders.

Mr. Ken Hall, General Secretary-Treasurer of the International Brotherhood of Teamsters, 25 Louisiana Avenue, NW, Washington, DC 20001, beneficial owner of no less than 64 shares of Allstate common stock as of December 3, 2015, intends to propose the following resolution at the annual meeting.

RESOLVED, that the shareholders of **The Allstate Corp.** ("Company") hereby request that the Company provide a report, updated semi-annually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to – (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section (1) above, including:

   a. The identity of the recipient as well as the amount paid to each; and,

   b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the Board of Directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting.

Supporting Statement:

As long-term shareholders of Allstate, we support transparency and accountability in corporate spending on political activities. These include any activities considered intervention in any political campaign under the Internal Revenue Code, such as, direct and indirect contributions to political candidates, parties, or organizations; independent expenditures, or electioneering communications on behalf of federal, state or local candidates.

Disclosure is in the best interest of the Company and its shareholders and critical for compliance with federal ethics laws. Moreover, the Supreme Court's *Citizens United* decision recognized the importance of political spending disclosure for shareholders when it said, "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages." Gaps in transparency and accountability may expose the Company to reputational and business risks that could threaten long-term shareholder value.

Allstate contributed at least $7.6 million in corporate funds since the 2004 election cycle. (CQ: http://moneyline.cq.com and National Institute on Money in State Politics: http://www.followthemoney.org.)

Relying on publicly available data does not provide a complete picture of the Company's political spending. For example, the Company's payments to trade associations used for political activities are undisclosed and unknown. In some cases, even management does not know how trade associations use their Company's money politically. The proposal asks the Company to disclose all of its political spending, including payments to trade associations and other tax exempt organizations used for political purposes. This would bring our Company in line with a growing number of leading companies, including **Unum, Capitol One,** and **AFLAC,** which support political disclosure and accountability and present this information on their websites.

The Company's Board and its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets. We urge your support **FOR** this critical governance reform.

BOARD OF DIRECTORS' STATEMENT IN OPPOSITION TO THE STOCKHOLDER PROPOSAL ON REPORTING POLITICAL CONTRIBUTIONS

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

Allstate already provides stockholders with comprehensive disclosures on Allstate's involvement in the public policy arena (found at www.allstate.com/publicpolicyreport).

- Our annual public policy report includes much of the information requested by the proponent. Our report describes the Board's process for overseeing expenditures, the strategic and business rationale for expenditures, total amounts contributed by category (including non-deductible amounts for certain lobbying activities and to political candidates and organizations), those involved in the decision-making process, and the major organizations supported.
- Although the proponent seeks additional disclosure of line-item expenditures to each recipient, the proponent doesn't address the possible harm to Allstate in providing this information. This additional disclosure could be used by special interest groups to pressure Allstate to stop supporting positions or initiatives that are in the best interests of Allstate and its stockholders, employees, agencies, and customers.
- In our ongoing engagement with investors, several have indicated strong support for Allstate's political contribution disclosures, finding them to contain appropriate and meaningful detail. Some investors even commented that our report was a model for balanced disclosure.
- The proponent makes an incorrect assertion that company payments to trade associations for political activities are undisclosed. Our annual public policy report includes information about trade association payments and the amount attributed to lobbying expenses.

Allstate's Board has strong governance and oversight practices over the company's public policy involvement.

- The specific deployment of corporate resources in the public policy arena is presented formally to the Board each year. Our Corporate Governance Guidelines address the Board's annual review and our involvement in the public policy arena and can be found at www.allstateinvestors.com.

Allstate fully complies with all disclosure requirements pertaining to political contributions under federal, state, and local laws, as well as internal guidelines.

- Allstate complies with all public disclosure laws at the federal, state and local levels.
- Allstate also maintains internal guidelines and procedures to ensure that the company's public policy efforts remain consistent with the company's operating priorities while advancing positions that promote the long-term interests of our stockholders, employees, agencies, and customers.
- The proposal would impose requirements on Allstate that are not dictated by law or our own internal requirements and that are not standard among other companies.

An almost identical proposal at the 2014 annual meeting received less than 10% support from stockholders.

STOCKHOLDER PROPOSALS OR DIRECTOR NOMINATIONS FOR THE 2017 ANNUAL MEETING

Proposals that stockholders would like to include in Allstate's proxy materials for presentation at the 2017 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 12, 2016, and must otherwise comply with Securities and Exchange Commission rules in order to be eligible for inclusion in the proxy material for the 2017 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.

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 2017 annual meeting must be received by the Office of the Secretary no earlier than the close of business on January 24, 2017, and no later than the close of business on February 23, 2017. 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.

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 2017 annual meeting of stockholders by providing advance notice to Allstate that is received no earlier than the close of business on January 24, 2017, and no later than the close of business on February 23, 2017. 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.

For proxy access nominees to be considered at the 2017 annual meeting, the nomination notice must be received by the Office of the Secretary no earlier than the close of business on November 11, 2016 and no later than the close of business on December 12, 2016. Among other things, the notice must include the information and documents described in Section 20 of the company's bylaws.

NEW

A copy of the procedures and requirements described above is available upon request from the Office of the Secretary or can be found on Allstate's website, allstateinvestors.com.

STOCK OWNERSHIP INFORMATION

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table shows the Allstate common shares beneficially owned as of March 1, 2016 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. It also includes shares subject to stock options exercisable on or before April 30, 2016, and restricted stock units and performance stock awards with restrictions that expire on or before April 30, 2016. As of March 1, 2016, 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, 2016 — Included in Column (a) (b)[1]
Robert D. Beyer	60,233	10,667
Kermit R. Crawford	1,000	0
Michael L. Eskew	190	0
Herbert L. Henkel	0	0
Siddharth N. Mehta	0	0
Jacques P. Perold	0	0
Andrea Redmond	4,000	0
John W. Rowe	6,025	0
Judith A. Sprieser	13,244	12,000
Mary Alice Taylor	34,348	12,000
Thomas J. Wilson[2]	3,085,723	2,486,973
Steven E. Shebik	420,545	320,197
Don Civgin	399,791	296,094
Judith P. Greffin	614,362	515,266
Matthew E. Winter	577,794	455,047
All directors and executive officers as a group	5,932,909	4,636,425

(1) As of March 1, 2016, 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, 2016) approximately 1.6% of the common stock outstanding as of March 1, 2016.

(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 10055	22,686,831[(1)]	5.9%
Common	The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	21,577,196[(2)]	5.57%

(1) Reflects shares beneficially owned as of December 31, 2015, as set forth in a schedule 13G/A filed on February 10, 2016. Of these shares, BlackRock reported it held 19,182,409 shares with sole voting power; 29,854 shares with shared voting power; 22,656,977 shares with sole dispositive power; and 29,854 shares with shared dispositive power. BlackRock also manages approximately $3.5 billion of Allstate's investment portfolio as of December 31, 2015 under various investment management agreements and has licensed to Allstate an investment technology software system widely used by investors. The terms of these arrangements are customary and the aggregate related fees are not material.

(2) Reflects shares beneficially owned as of December 31, 2015, as set forth in a schedule 13G/A filed on February 10, 2016. Of these shares, The Vanguard Group reported it held 716,599 shares with sole voting power; 40,900 shares with shared voting power; 20,808,083 with sole dispositive power; and 769,113 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 2015.

OTHER INFORMATION

PROXY AND VOTING INFORMATION

Who is asking for my vote and why?

The Allstate Board of Directors is soliciting proxies for use at the annual meeting of stockholders to be held on May 24, 2016, 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.

Who can vote at the annual meeting?

The Allstate Board has set the close of business on March 28, 2016 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 28, 2016. On that date, there were 375,492,715 Allstate common shares outstanding and entitled to vote at the annual meeting.

Why did I receive a "Notice of Internet Availability of Proxy Materials" instead of the proxy materials?

We distribute our proxy materials to certain stockholders over the Internet using "Notice and Access" delivery, as permitted by the rules of the Securities and Exchange Commission. We elected to use this method for certain stockholders as it reduces our print and mail costs and the environmental impact of our annual stockholders' meeting.

How do I vote?

Instructions on how to vote your shares are included on the Notice on page 3. 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 pages 76-77.**

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 77.

Can I change my vote?

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.

Are the votes kept confidential?

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.

What happens if I submit a signed proxy card but do not indicate how I want to vote?

You may instruct the proxies to vote “FOR” or “AGAINST” on each proposal, or you may instruct the proxies to “ABSTAIN” from voting. 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 proposals listed on pages 4-9, 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.

What vote is needed to approve each item?

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, 4, and 5. 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.

Are broker non-votes counted at the meeting?

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 proposals. 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.

What is “householding” and how does it affect me?

Allstate has adopted the “householding” procedure approved by the SEC, 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 (866) 540-7095 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.

How do I attend 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 28, 2016. 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, voting instruction form, or notice of Internet availability 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 28, 2016, 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.

Where can I find the results of the annual meeting?

Preliminary results will be announced at the meeting and final results will be reported in a current report on Form 8-K, which is expected to be filed with the SEC within four business days after the meeting.

Who will pay the cost of this proxy solicitation?

Allstate will pay the cost of all 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 of $16,500 plus expenses.

How do I vote if I hold shares through the 401(k) Savings Plan?

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.

By order of the Board,

Susan L. Lees
Secretary

April 11, 2016

APPENDIX A – 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.

APPENDIX B – EXECUTIVE OFFICERS

The following table lists the names and titles of our executive officers as of December 31, 2015. AIC refers to Allstate Insurance Company.

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[1]	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).
Samuel H. Pilch	Senior Group Vice President and Controller of The Allstate Corporation and of AIC.
John Rhodes	Executive Vice President and Chief Risk Officer of AIC.
Steven E. Shebik	Executive Vice President and Chief Financial Officer of The Allstate Corporation and of AIC.
Matthew E. Winter	President of The Allstate Corporation and of AIC.

(1) Effective March 31, 2016, Ms. Greffin retired from Allstate Insurance Company.

APPENDIX C – 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" or "operating earnings") is net income applicable 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 applicable 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 applicable 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 applicable 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 applicable to common shareholders and does not reflect the overall profitability of our business.

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

($ in millions, except per share data)						Per diluted common share				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Operating income	$2,113	$2,367	$2,670	$2,148	$662	$5.19	$5.40	$5.68	$4.36	$1.27
Realized capital gains and losses, after-tax	19	451	385	216	324	0.05	1.03	0.82	0.44	0.62
Valuation changes on embedded derivatives that are not hedged, after-tax	(1)	(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)	(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	2	7	(7)	(33)	(35)	—	0.02	(0.01)	(0.07)	(0.07)
Business combination expenses and the amortization of purchased intangible assets, after-tax	(32)	(45)	(55)	(81)	(42)	(0.08)	(0.10)	(0.12)	(0.16)	(0.08)
Gain (loss) on disposition of operations, after-tax	2	(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	—	—
Change in accounting for investments in qualified affordable housing projects, after-tax	(45)	—	—	—	—	(0.11)	—	—	—	—
Net income applicable to common shareholders	$2,055	$2,746	$2,263	$2,306	$787	$5.05	$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 ("recorded 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,				
	2015	2014	2013	2012	2011
Combined ratio excluding the effect of catastrophes, prior year reserve reestimates and amortization of purchased intangible assets ("underlying combined ratio")	88.7	87.2	87.3	87.2	89.3
Effect of catastrophe losses	5.7	6.9	4.5	8.8	14.7
Effect of prior year non-catastrophe reserve reestimates	0.3	(0.4)	(0.1)	(1.0)	(0.8)
Effect of amortization of purchased intangible assets	0.2	0.2	0.3	0.5	0.2
Combined ratio ("recorded combined ratio")	94.9	93.9	92.0	95.5	103.4
Effect of prior year catastrophe reserve reestimates	—	0.1	(0.3)	(1.5)	(0.5)

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 applicable 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)	2015	2014	2013	2012	2011
Return on common shareholders' equity					
Numerator:					
Net income applicable to common shareholders	$2,055	$2,746	$2,263	$2,306	$787
Denominator:					
Beginning common shareholders' equity[(1)]	$20,558	$20,700	$20,580	$18,298	$18,617
Ending common shareholders' equity[(1)]	18,279	20,558	20,700	20,580	18,298
Average common shareholders' equity	$19,419	$20,629	$20,640	$19,439	$18,458
Return on common shareholders' equity	10.6%	13.3%	11.0%	11.9%	4.3%

	2015	2014	2013	2012	2011
Operating income return on common shareholders' equity					
Numerator:					
Operating income	$2,113	$2,367	$2,670	$2,148	$662
Denominator:					
Beginning common shareholders' equity	$20,558	$20,700	$20,580	$18,298	$18,617
Unrealized net capital gains and losses	1,926	1,646	2,834	1,400	948
Adjusted beginning common shareholders' equity	18,632	19,054	17,746	16,898	17,669
Ending common shareholders' equity	18,279	20,558	20,700	20,580	18,298
Unrealized net capital gains and losses	620	1,926	1,646	2,834	1,400
Adjusted ending common shareholders' equity	17,659	18,632	19,054	17,746	16,898
Average adjusted common shareholders' equity	$18,146	$18,843	$18,400	$17,322	$17,284
Operating income return on common shareholders' equity	11.6%	12.6%	14.5%	12.4%	3.8%

(1) Excludes equity related to preferred stock of $1,746 million, $1,746 million and $780 million as of December 31, 2015, 2014 and 2013.

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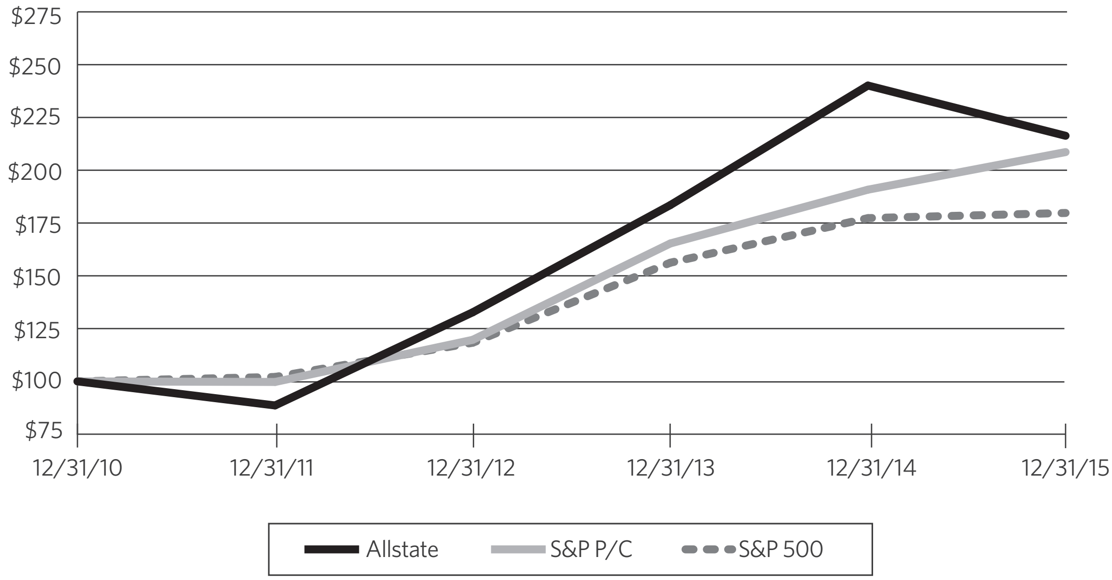
Performance Graph

The following performance graph compares the performance of Allstate common stock total return during the five-year period from December 31, 2010, through December 31, 2015, 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, 2010, 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, 2010

	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Allstate	$ 100	$ 88.61	$ 132.71	$ 183.49	$ 240.11	$ 216.32
S&P P/C	$ 100	$ 99.73	$ 119.68	$ 165.32	$ 190.79	$ 208.59
S&P 500	$ 100	$ 102.10	$ 118.30	$ 156.21	$ 177.32	$ 179.76

Definition of Additional Non-GAAP Measure used in the Chairman and CEO letter

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 measure. Our methods for calculating this measure may differ from those used by other companies and therefore comparability may be limited.

Underwriting income, a measure that is not based on GAAP and is reconciled to net income applicable 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 applicable 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 applicable to common shareholders and does not reflect the overall profitability of the business.

The following table reconciles Allstate Protection auto underwriting income to net income applicable to common shareholders for the years ended December 31.

($ in millions)	**2015**	**2014**
Underwriting income:		
Auto	$ 23	$ 604
Homeowners	1,431	1,097
Other	160	186
Allstate Protection	1,614	1,887
Discontinued Lines and Coverages	(55)	(115)
Total Property-Liability underwriting income	1,559	1,772
Net investment income	1,237	1,301
Income tax expense on operations	(952)	(1,040)
Realized capital gains and losses, after-tax	(154)	357
Gain on disposition of operations, after-tax	—	37
Property-Liability net income applicable to common shareholders	1,690	2,427
Allstate Financial net income applicable to common shareholders	663	631
Corporate and Other net income applicable to common shareholders	(298)	(312)
Consolidated net income applicable to common shareholders	$2,055	$ 2,746

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, investor and a provider of other products and financial services. These cautionary statements should be considered carefully together with other factors discussed elsewhere in this document, in our filings with the Securities and Exchange Commission ("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, 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 in the past 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.

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

Unexpected changes in the frequency or severity of claims will affect the profitability of our Allstate Protection segment. 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. Changes in auto claim frequency may result from changes in mix of business, miles driven or other macroeconomic factors. A significant increase in claim frequency could have an adverse effect on our operating results and financial condition.

Changes in bodily injury claim severity are impacted by inflation in medical costs, litigation trends and precedents, regulation and the overall safety of automobile travel. Changes in auto physical damage claim severity are driven primarily by inflation in the cost to repair vehicles, including parts and labor rates, the mix of vehicles that are declared total losses, model year mix as well as used car values. 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 short-term supply imbalances for services and supplies in areas affected by catastrophes. 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.

A regulatory environment that requires rate increases to be approved and that can dictate underwriting practices and mandate participation 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 challenge or delay our efforts to raise rates even if the property and casualty industry generally is not experiencing regulatory challenges to rate increases. Such challenges affect our ability to obtain approval for rate changes that may be required to achieve targeted levels of profitability and returns on equity. We are pursuing auto insurance rate increases in 2016. Our ability to purchase reinsurance required to reduce our catastrophe risk in designated areas may be dependent upon the ability to adjust rates for its cost. If we are unsuccessful, our operating results could be negatively impacted.

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 has allowed us to offer competitive pricing and operate 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.

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 as the reserves are reestimated.

Predicting claim costs 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 as the reserves are reestimated.

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. Mortality and morbidity may continue to improve in the future from current levels, due to medical advancements that have resulted in policyholders living longer than anticipated. 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 since 2008 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 will continue to reduce investment portfolio levels. It may also affect the settlement of contract benefits including forced sales of assets with unrealized capital losses, and affect goodwill impairment testing and insurance reserves deficiency testing. We continue to assess additional utilization of outsourcing arrangements and if we 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 provide, primarily life insurance, receive beneficial 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 beneficial 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 life insurance statutory reserving requirements, potentially resulting in a need to increase prices, reduce sales of certain life products, and/or accept a return on equity below original levels assumed in pricing

To support statutory reserves for certain life insurance products, we currently utilize reinsurance and captive reserve financing solutions for financing a portion of our statutory reserve requirements deemed to be non-economic. As we continue to underwrite certain 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 certain life products, and/or result in a return on equity below original levels assumed in pricing.

A decline in Lincoln Benefit Life Company's financial strength ratings may adversely affect our results of operations

We reinsure life insurance and payout annuity business from LBL. A decline in LBL's financial strength ratings could lead to an increase in policy lapses. This could adversely affect our results of operations by decreasing future premiums.

Risks Relating to Investments

We are subject to market risk from changes in interest rates, equity prices, currency exchange rates and declines in credit quality which may adversely affect investment income and cause realized and unrealized losses

We continually reevaluate our investment management strategies since we are subject to the risk of loss 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 would 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 amount and timing of net investment income from our performance-based long-term investments, including private equity, real estate, infrastructure, timber and agriculture-related assets, tends to be uneven as a result of the performance of the underlying investments. The timing of distributions depends on particular events, schedules for making distributions, and cash needs related to the investments. As a result, the amount of net investment income from these investments can vary substantially from quarter to quarter. Significant volatility could adversely impact net investment income and returns on these investments. In addition, the valuation of such investments may be impacted by market downturns or volatility.

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 and related life and annuity DAC, deferred sales inducement costs and 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 utilizing unique customer value propositions for each of our brands, differentiated product offerings and distinctive advertising campaigns. If we are unsuccessful in generating new business and retaining a sufficient number of customers, our ability to increase premiums written could be impacted. In addition, if we experience unexpected increases in underlying costs (such as the frequency or severity of claims costs), it could result in decreases in profitability and lead to price increases which could negatively impact our competitive position.

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. Also, telematics devices used have been identified as a potential means for an unauthorized person to connect with a vehicle's computer system resulting in theft or damage, which could affect our ability to successfully use these technologies. Other potential technological changes, such as driverless cars or technologies that facilitate ride or home sharing, could disrupt the demand for our products from current customers, create coverage issues or impact the frequency or severity of losses, and we may not be able to respond effectively.

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, they are unable to attract and retain their licensed sales professionals, 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 employer contracts are renewed 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 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, low economic growth, lower residential and commercial real estate prices, substantial increases in delinquencies on consumer debt, including defaults on home mortgages, the relatively low availability of credit and ineffective central bank monetary policies 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.

In the years since the financial crisis, the central banks of most developed countries have pursued fairly similar, and highly accommodative, monetary policies. As the U.S. Federal Reserve, through the Federal Open Market Committee, raises interest rates and as global monetary policies diverge, it may result in higher volatility and less certainty in capital markets.

General economic conditions could adversely affect us by impacting consumer behavior and pressuring investment results. Consumer behavior changes could include decreased demand for our products. For example, if consumers purchase fewer automobiles, 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 interest-sensitive life insurance and annuity products may engage in an elevated level of discretionary withdrawals of contractholder funds. Investment results could be adversely affected as deteriorating financial and business conditions affect the issuers of the securities in the investment portfolio.

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

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, if any, 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, investment companies and other types of 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 Financial Industry Regulatory Authority, the U.S. Department of Justice and the National Labor Relations Board. 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 may 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 Federal Insurance Office ("FIO") established within the U.S. Department of the Treasury.

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 Financial Stability Oversight Council ("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. In addition, the U.S. Department of Labor recently proposed fiduciary standards for financial advisors.

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 risks 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. Additionally, reinsurance placed in the catastrophe bond market may not provide the same level of coverage as reinsurance placed in the traditional market and any disruption, volatility and uncertainty in the financial markets may decrease our ability to access such market on terms favorable to us or at all. We also have exposure associated with the Michigan Catastrophic Claim Association ("MCCA"), a mandatory insurance coverage and reinsurance indemnification mechanism for personal injury protection losses and certain qualifying allocated loss adjustment expenses that provides indemnification for losses over a retention level that increases every other MCCA fiscal year, which is operating with a deficit, and the New Jersey Property-Liability Insurance Guaranty Association ("PLIGA") that provides reimbursement to insurers for certain qualifying medical benefits portion of personal injury protection coverage paid in excess of certain levels. Our reinsurance recoverable from the MCCA and PLIGA was $4.66 billion and $500 million, respectively, as of December 31, 2015. 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, 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, we are increasingly exposed to the risk that 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.

We are continually enhancing our cyber and other information security in order to remain secure against emerging threats, together with increasing our ability to detect system compromise and recover should a cyber-attack or unauthorized access occur. However, there can be no assurance that such events will not take place with adverse consequences to our business, operating results and financial condition.

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 Canada, 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 or incurrence 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 or incurrence of terrorism, within the U.S. 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 U.S., 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 assets are the stock of its subsidiaries and the holding company's directly held short-term cash portfolio, and the liabilities include debt and pension and other postretirement benefit obligations related to Allstate Insurance Company employees. 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 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 common stock. If and when dividends on preferred stock have not been declared and paid in full for at least six quarterly dividend periods, the authorized number of directors then constituting the board of directors will be increased by two additional directors, to be elected by the holders of 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 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 the 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 and weather conditions may adversely affect our financial condition, profitability or cash flows

Climate change, solar flares, eruption of volcanoes, El Niño, La Niña and other events to the extent any one of these produces changes in weather patterns, could affect the frequency or severity of weather events and wildfires, the affordability and availability of homeowners insurance, the results for our Allstate Protection segment and the value of our investment portfolio. For example, some meteorological experts have predicted El Niño patterns to be experienced in early 2016 resulting in the U.S. experiencing a pattern of tropical storms in the Southern and Western U.S. and winter weather beginning in the middle of the year in some locations.

Loss of key vendor relationships or failure of a vendor to protect our data, confidential and proprietary information, 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 U.S. and abroad. These include, for example, vendors of computer hardware and software and vendors and/or outsourcing 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, confidential and proprietary information, 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 intellectual property rights, third parties may infringe or misappropriate intellectual property. We may have to litigate to enforce and protect intellectual property and to determine its scope, validity or enforceability, which could divert significant resources and prove unsuccessful. An inability to protect 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 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)	2015	2014	2013	2012	2011
Consolidated Operating Results					
Insurance premiums and contract charges	$ 32,467	$ 31,086	$ 29,970	$ 28,978	$ 28,180
Net investment income	3,156	3,459	3,943	4,010	3,971
Realized capital gains and losses	30	694	594	327	503
Total revenues	35,653	35,239	34,507	33,315	32,654
Net income applicable to common shareholders	2,055	2,746	2,263	2,306	787
Net income applicable to common shareholders per common share:					
Net income applicable to common shareholders per common share - Basic	5.12	6.37	4.87	4.71	1.51
Net income applicable to common shareholders per common share - Diluted	5.05	6.27	4.81	4.68	1.50
Cash dividends declared per common share	1.20	1.12	1.00	0.88	0.84
Consolidated Financial Position					
Investments [(1)]	$ 77,758	$ 81,113	$ 81,155	$ 97,278	$ 95,618
Total assets [(2)]	104,656	108,479	123,460	126,893	125,513
Reserves for claims and claims expense, life-contingent contract benefits and contractholder funds[(1)]	57,411	57,832	58,547	75,502	77,113
Long-term debt [(2)]	5,124	5,140	6,141	6,003	5,858
Shareholders' equity	20,025	22,304	21,480	20,580	18,298
Shareholders' equity per diluted common share	47.34	48.24	45.31	42.39	36.18
Equity	20,025	22,304	21,480	20,580	18,326
Property-Liability Operations					
Premiums earned	$ 30,309	$ 28,929	$ 27,618	$ 26,737	$ 25,942
Net investment income	1,237	1,301	1,375	1,326	1,201
Net income applicable to common shareholders	1,690	2,427	2,754	1,968	403
Operating ratios [(3)]					
Claims and claims expense ("loss") ratio	69.4	67.2	64.9	69.1	77.7
Expense ratio	25.5	26.7	27.1	26.4	25.7
Combined ratio	94.9	93.9	92.0	95.5	103.4
Allstate Financial Operations					
Premiums and contract charges	$ 2,158	$ 2,157	$ 2,352	$ 2,241	$ 2,238
Net investment income	1,884	2,131	2,538	2,647	2,716
Net income applicable to common shareholders	663	631	95	541	590
Investments	36,792	38,809	39,105	56,999	57,373

(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 sale of Lincoln Benefit Life Company.

(2) Due to the adoption of new accounting guidance related to the presentation of debt issuance costs, long-term debt is reported net of debt issuance costs. Debt issuance costs were previously reported in other assets. All prior periods have been adjusted.

(3) 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 2016:

- better serve our customers through innovation, effectiveness and efficiency;
- achieve target economic returns on capital;
- grow insurance policies in force;
- proactively manage investments; and
- build and acquire 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, policy retention, price changes, claim frequency and severity, 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, asset allocation, 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 levels, book value per share, and return on equity.

Summary of Results:

- Consolidated net income applicable to common shareholders was $2.06 billion in 2015 compared to $2.75 billion in 2014 and $2.26 billion in 2013. The decrease in 2015 compared to 2014 was primarily due to higher Property-Liability insurance claims and claims expense and lower realized net capital gains and net investment income, partially offset by higher Property-Liability insurance premiums and decreased catastrophe losses and operating costs and expenses. The increase in 2014 compared to 2013 was primarily due to lower loss on disposition related to the Lincoln Benefit Life Company ("LBL") sale recorded in Allstate Financial and loss on extinguishment of debt charges reported in Corporate and Other, partially offset by lower net income applicable to common shareholders from Property-Liability. Net income applicable to common shareholders per diluted common share was $5.05, $6.27 and $4.81 in 2015, 2014 and 2013, respectively.
- Allstate Protection had underwriting income of $1.61 billion in 2015 compared to $1.89 billion in 2014 and $2.36 billion in 2013. The decrease in 2015 compared to 2014 was primarily due to decreases in underwriting income in auto and commercial lines, partially offset by increases in underwriting income in homeowners and other personal lines and lower catastrophe losses. 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. For a discussion on the components of the increase (decrease) in underwriting income, see the Allstate Protection segment section of the MD&A. The Allstate Protection combined ratio was 94.7, 93.5 and 91.5 in 2015, 2014 and 2013, respectively. Underwriting income, 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 applicable to common shareholders was $663 million in 2015 compared to $631 million in 2014 and $95 million in 2013. The increase in 2015 primarily relates to higher net realized capital gains and lower loss on disposition related to the LBL sale, partially offset by lower net investment income and the reduction in business due to the sale of LBL. The increase in 2014 primarily relates to lower loss on disposition related to the LBL sale, partially offset by the associated reduction in business.

2015 HIGHLIGHTS

- Consolidated net income applicable to common shareholders was $2.06 billion in 2015 compared to $2.75 billion in 2014. Net income applicable to common shareholders per diluted common share was $5.05 in 2015 compared to $6.27 in 2014.
- Property-Liability net income applicable to common shareholders was $1.69 billion in 2015 compared to $2.43 billion in 2014.
- The Property-Liability combined ratio was 94.9 in 2015 compared to 93.9 in 2014.
- Allstate Financial net income applicable to common shareholders was $663 million in 2015 compared to $631 million in 2014.
- Total revenues were $35.65 billion in 2015 compared to $35.24 billion in 2014.
- Property-Liability premiums earned totaled $30.31 billion in 2015, an increase of 4.8% from $28.93 billion in 2014.
- Investments totaled $77.76 billion as of December 31, 2015, decreasing from $81.11 billion as of December 31, 2014. Net investment income was $3.16 billion in 2015, a decrease of 8.8% from $3.46 billion in 2014.
- Net realized capital gains were $30 million in 2015 compared to $694 million in 2014.
- Book value per diluted common share (ratio of common shareholders' equity to total common shares outstanding and dilutive potential common shares outstanding) was $47.34 as of December 31, 2015, a decrease of 1.9% from $48.24 as of December 31, 2014.
- For the twelve months ended December 31, 2015, return on the average of beginning and ending period common shareholders' equity of 10.6% decreased by 2.7 points from 13.3% for the twelve months ended December 31, 2014.
- As of December 31, 2015, shareholders' equity was $20.03 billion. This total included $2.62 billion in deployable assets at the parent holding company level comprising cash and investments that are generally saleable within one quarter.

CONSOLIDATED NET INCOME

($ in millions)	2015	2014	2013
Revenues			
Property-liability insurance premiums	$ 30,309	$ 28,929	$ 27,618
Life and annuity premiums and contract charges	2,158	2,157	2,352
Net investment income	3,156	3,459	3,943
Realized capital gains and losses:			
Total other-than-temporary impairment ("OTTI") losses	(452)	(242)	(207)
OTTI losses reclassified to (from) other comprehensive income	36	(3)	(8)
Net OTTI losses recognized in earnings	(416)	(245)	(215)
Sales and other realized capital gains and losses	446	939	809
Total realized capital gains and losses	30	694	594
Total revenues	35,653	35,239	34,507
Costs and expenses			
Property-liability insurance claims and claims expense	(21,034)	(19,428)	(17,911)
Life and annuity contract benefits	(1,803)	(1,765)	(1,917)
Interest credited to contractholder funds	(761)	(919)	(1,278)
Amortization of deferred policy acquisition costs	(4,364)	(4,135)	(4,002)
Operating costs and expenses	(4,081)	(4,341)	(4,387)
Restructuring and related charges	(39)	(18)	(70)
Loss on extinguishment of debt	—	(1)	(491)
Interest expense	(292)	(322)	(367)
Total costs and expenses	(32,374)	(30,929)	(30,423)
Gain (loss) on disposition of operations	3	(74)	(688)
Income tax expense	(1,111)	(1,386)	(1,116)
Net income	2,171	2,850	2,280
Preferred stock dividends	(116)	(104)	(17)
Net income applicable to common shareholders	$ 2,055	$ 2,746	$ 2,263
Property-Liability	$ 1,690	$ 2,427	$ 2,754
Allstate Financial	663	631	95
Corporate and Other	(298)	(312)	(586)
Net income applicable to common shareholders	$ 2,055	$ 2,746	$ 2,263

IMPACT OF LOW INTEREST RATE ENVIRONMENT

In December 2015, the Federal Open Market Committee ("FOMC") began to tighten monetary policy by raising interest rates and setting the new target range for the federal funds rate at 1/4 percent to 1/2 percent and maintained their inflation target of 2 percent. This was the first change in the target federal funds rate since December 2008. The FOMC indicated that monetary policy remains accommodative after the increase, thereby supporting further improvements in labor market conditions and a return to 2 percent inflation. The path of the federal funds rate increase will depend on economic conditions and outlook. We anticipate that interest rates will continue to increase but remain below historic averages for an extended period of time and that financial markets will continue to have periods of high volatility and less liquidity.

Deferred annuity contracts and interest-sensitive life insurance policies 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 asset or operating performance. We stopped selling new fixed annuity products January 1, 2014 and structured settlement annuities March 22, 2013.

The following table summarizes the weighted average guaranteed crediting rates and weighted average current crediting rates as of December 31, 2015 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 $5.95 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	3.08%	3.09%	$ 5,771
Annuities with multi-year rate guarantees [1]:			
Resettable in next 12 months	1.53	2.89	392
Resettable after 12 months	1.35	3.27	1,536
Interest-sensitive life insurance	4.02	4.09	7,645

[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.

As of December 31, 2015, Allstate Financial has fixed income securities not subject to prepayment with an amortized cost of $22.86 billion and $4.04 billion of commercial mortgage loans, of which approximately 4.6% and 4.5%, respectively, are expected to mature in 2016. 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 $608 million in 2015. To the extent portfolio cash flows are reinvested into fixed income securities, the average pre-tax investment yield of 5.4% is expected to decline due to lower market yields. We shortened the maturity profile of the fixed income securities in Allstate Financial to make the portfolio less sensitive to rising interest rates. Proceeds from the sale of longer duration fixed income securities that were invested in shorter duration fixed income securities and public equity securities are expected to lower net investment income and portfolio yields. Over time, we will shift to performance-based investments in which a greater proportion of return is derived from idiosyncratic asset or operating performance, to more appropriately match the long-term nature of our immediate annuity liabilities and improve long-term economic results. We anticipate higher long-term returns on these investments.

As of December 31, 2015, Property-Liability has fixed income securities not subject to prepayment with an amortized cost of $28.53 billion and $296 million of commercial mortgage loans, of which approximately 9.5% and 36.3%, respectively, are expected to mature in 2016. 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 $582 million in 2015. We have maintained a shorter maturity profile of the fixed income securities in Property-Liability so the portfolio is less sensitive to rising interest rates. This approach to reducing interest rate risk resulted in realized capital gains in 2013, but contributed to lower portfolio yields as sales proceeds were invested at lower market yields. The portfolio yield will respond more quickly to changes in market interest rates as a result of its shorter maturity profile. The average pre-tax investment yield of 3.4% may decline to the extent reinvestment is at lower market yields.

In order to mitigate the unfavorable impact that the current and changing 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.
- Reducing the risk that rising interest rates will negatively impact the value of fixed income securities by reducing the Allstate Financial portfolio 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 asset or operating performance.
- Investing for 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.

PROPERTY-LIABILITY 2015 HIGHLIGHTS

- Property-Liability net income applicable to common shareholders was $1.69 billion in 2015 compared to $2.43 billion in 2014.
- Property-Liability premiums written totaled $30.87 billion in 2015, an increase of 4.2% from $29.61 billion in 2014.
- The Property-Liability loss ratio was 69.4 in 2015 compared to 67.2 in 2014.
- Catastrophe losses were $1.72 billion in 2015 compared to $1.99 billion in 2014.
- Property-Liability prior year reserve reestimates totaled $81 million unfavorable in 2015 compared to $84 million favorable in 2014.
- Property-Liability underwriting income was $1.56 billion in 2015 compared to $1.77 billion in 2014. Underwriting income, a measure not based on GAAP, is defined below.
- Property-Liability investments were $38.48 billion as of December 31, 2015, a decrease of 1.5% from $39.08 billion as of December 31, 2014. Net investment income was $1.24 billion in 2015, a decrease of 4.9% from $1.30 billion in 2014.
- Net realized capital losses were $237 million in 2015 compared to net realized capital gains of $549 million in 2014.

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 applicable 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 applicable 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 applicable 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 applicable to common shareholders, and GAAP operating ratios for our Property-Liability operations are presented in the following table.

($ in millions, except ratios)	**2015**	**2014**	**2013**
Premiums written	$ 30,871	$ 29,614	$ 28,164
Revenues			
Premiums earned	$ 30,309	$ 28,929	$ 27,618
Net investment income	1,237	1,301	1,375
Realized capital gains and losses	(237)	549	519
Total revenues	31,309	30,779	29,512
Costs and expenses			
Claims and claims expense	(21,034)	(19,428)	(17,911)
Amortization of DAC	(4,102)	(3,875)	(3,674)
Operating costs and expenses	(3,575)	(3,838)	(3,752)
Restructuring and related charges	(39)	(16)	(63)
Total costs and expenses	(28,750)	(27,157)	(25,400)
Gain (loss) on disposition of operations	—	16	(1)
Income tax expense	(869)	(1,211)	(1,357)
Net income applicable to common shareholders	$ 1,690	$ 2,427	$ 2,754
Underwriting income	$ 1,559	$ 1,772	$ 2,218
Net investment income	1,237	1,301	1,375
Income tax expense on operations	(952)	(1,040)	(1,177)
Realized capital gains and losses, after-tax	(154)	357	339
Gain (loss) on disposition of operations, after-tax	—	37	(1)
Net income applicable to common shareholders	$ 1,690	$ 2,427	$ 2,754
Catastrophe losses [(1)]	$ 1,719	$ 1,993	$ 1,251
GAAP operating ratios			
Claims and claims expense ratio	69.4	67.2	64.9
Expense ratio	25.5	26.7	27.1
Combined ratio	94.9	93.9	92.0
Effect of catastrophe losses on combined ratio [(1)]	5.7	6.9	4.5
Effect of prior year reserve reestimates on combined ratio [(1)]	0.3	(0.3)	(0.4)
Effect of amortization of purchased intangible assets on combined ratio	0.2	0.2	0.3
Effect of restructuring and related charges on combined ratio	0.1	0.1	0.2
Effect of Discontinued Lines and Coverages on combined ratio	0.2	0.4	0.5

[(1)] Prior year reserve reestimates included in catastrophe losses totaled $15 million favorable, $43 million unfavorable and $88 million favorable in 2015, 2014 and 2013, respectively. The effect of catastrophe losses included in prior year reserve reestimates on the combined ratio totaled zero, 0.1 unfavorable and 0.3 favorable in 2015, 2014 and 2013, respectively.

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 centers around 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.

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. We are undergoing a focused multi-year effort to position agents, licensed sales professionals and financial specialists as trusted advisors to better serve customers who prefer local and personalized advice. This means they have a local presence that instills confidence; know their customers and understand the unique needs of their households; help them assess the potential risks they face; provide local expertise and personalized guidance on how to protect what matters most to them by offering customized solutions; and support them when they have changes in their lives and during their times of need. To ensure agencies have the resources, capacity and support needed to serve customers at this level, we are deploying education and support focused on relationship initiation and insurance and retirement expertise and are continuing efforts to enhance agency capabilities with customer-centric technology while simplifying and automating service processes to enable agencies to focus more time in an advisory role.

Product features include Allstate Your Choice Auto® with options such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus® and New Car Replacement, 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 48 states and the District of Columbia as of December 31, 2015, uses a mobile application or an in-car device to capture driving behaviors and reward customers for driving safely. The Drivewise mobile application also provides customers with information and tools to encourage safer driving and incentivize through driving challenges. Beginning in 2015, Drivewise offers Allstate Rewards®, a program that provides reward points for safe driving. 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 or where customers do not meet our standard underwriting profile, we offer a homeowners product from North Light Specialty Insurance Company ("North Light"), our excess and surplus lines carrier that operates under different regulatory rules. 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, improve the handling of claims and reduce infrastructure costs related to supporting agencies. 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 Rescue℠; 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 homeowners products in 2015 from 14 to 25 states and renters from 19 to 20 states. Esurance continues to focus on increasing its preferred driver mix, while raising marketing effectiveness to support growth and profitability. Esurance's DriveSense® program, available in 32 states as of December 31, 2015, enables participating customers to be eligible for discounts based on driving performance as measured by a device installed in the vehicle. Esurance Pay Per Mile® usage-based insurance product was piloted in September 2015 and gives customers flexibility to customize their insurance and pay based on the number of miles they drive.

Our strategy for the Encompass brand centers around offering broad coverage options specifically tailored to the mass affluent market while simplifying the insurance experience by packaging products into a single annual household ("package") policy with one premium, one bill, one policy deductible, one renewal date and one advisor - an independent insurance agent. These features appeal to the approximately 35 million mass affluent households in the U.S., with their higher average limits and preference for professional advice regarding coverage needs and risk solutions. Package policies represent over 85% of premiums written where they are offered, 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 partnering with dedicated independent agency professionals who understand the needs of our risk sensitive consumers. We are seeking to diversify through new business writings in states where the risk return opportunities meet our requirements, while aggressively executing pricing, underwriting, and other actions to manage risk and ensure adequate profitability.

Answer Financial, a 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 customers in multiple risk segments. A combination of underwriting information, pricing and discounts are also used to achieve a more competitive position. Our pricing strategy involves marketplace pricing and underwriting decisions that are based on these risk evaluation factors and an evaluation of competitors to the extent permissible by applicable law.

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, 2015, 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.
- Allstate Protection will continue to take actions to improve auto profitability by increasing prices, evaluating underwriting standards, managing expenses, and managing loss cost through focus on claims process excellence.
- Allstate Protection will continue to grow homeowners policies without significantly increasing catastrophe exposure.
- 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 the implementation of our trusted advisor strategy, 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 and acquiring 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.

A reconciliation of premiums written to premiums earned is shown in the following table.

($ in millions)	2015	2014	2013
Premiums written:			
Allstate Protection	$ 30,871	$ 29,613	$ 28,164
Discontinued Lines and Coverages	—	1	—
Property-Liability premiums written	30,871	29,614	$ 28,164
Increase in unearned premiums	(549)	(723)	(572)
Other	(13)	38	26
Property-Liability premiums earned	$ 30,309	$ 28,929	$ 27,618
Premiums earned:			
Allstate Protection	$ 30,309	$ 28,928	$ 27,618
Discontinued Lines and Coverages	—	1	—
Property-Liability	$ 30,309	$ 28,929	$ 27,618

Premiums written by brand are shown in the following table.

	Allstate brand			Esurance brand			Encompass brand			Allstate Protection		
($ in millions)	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Auto	$ 18,445	$ 17,504	$ 16,752	$ 1,576	$ 1,499	$ 1,308	$ 641	$ 665	$ 641	$ 20,662	$ 19,668	$ 18,701
Homeowners	6,711	6,536	6,289	30	9	—	497	506	461	7,238	7,051	6,750
Other personal lines (1)	1,586	1,569	1,539	7	5	2	106	109	104	1,699	1,683	1,645
Subtotal – Personal lines	26,742	25,609	24,580	1,613	1,513	1,310	1,244	1,280	1,206	29,599	28,402	27,096
Commercial lines	516	494	466	—	—	—	—	—	—	516	494	466
Other business lines (2)	756	717	602	—	—	—	—	—	—	756	717	602
Total	$ 28,014	$ 26,820	$ 25,648	$ 1,613	$ 1,513	$ 1,310	$ 1,244	$ 1,280	$ 1,206	$ 30,871	$ 29,613	$ 28,164

(1) Other personal lines include renter, condominium, landlord and other personal lines products.
(2) Other business lines include Allstate Roadside Services, Allstate Dealer Services and other business lines.

Premiums earned by brand are shown in the following table.

($ in millions)	Allstate brand 2015	Allstate brand 2014	Allstate brand 2013	Esurance brand 2015	Esurance brand 2014	Esurance brand 2013	Encompass brand 2015	Encompass brand 2014	Encompass brand 2013	Allstate Protection 2015	Allstate Protection 2014	Allstate Protection 2013
Auto	$ 18,191	$ 17,234	$ 16,578	$ 1,562	$ 1,455	$ 1,245	$ 657	$ 655	$ 626	$ 20,410	$ 19,344	$ 18,449
Homeowners	6,613	6,415	6,183	19	3	—	504	486	430	7,136	6,904	6,613
Other personal lines	1,577	1,551	1,527	7	5	2	108	106	100	1,692	1,662	1,629
Subtotal – Personal lines	26,381	25,200	24,288	1,588	1,463	1,247	1,269	1,247	1,156	29,238	27,910	26,691
Commercial lines	510	476	456	—	—	—	—	—	—	510	476	456
Other business lines	561	542	471	—	—	—	—	—	—	561	542	471
Total	$ 27,452	$ 26,218	$ 25,215	$ 1,588	$ 1,463	$ 1,247	$ 1,269	$ 1,247	$ 1,156	$ 30,309	$ 28,928	$ 27,618

The following table shows the unearned premium balance as of December 31 and the time frame in which we expect to recognize these premiums as earned.

($ in millions)	2015	2014	% earned after Three months	% earned after Six months	% earned after Nine months	% earned after Twelve months
Allstate brand:						
Auto	$ 4,947	$ 4,766	71.0%	96.4%	99.1%	100.0%
Homeowners	3,685	3,607	43.4%	75.6%	94.2%	100.0%
Other personal lines	837	833	43.5%	75.5%	94.1%	100.0%
Commercial lines	259	254	44.2%	75.4%	93.9%	100.0%
Other business lines	837	642	18.8%	33.0%	44.9%	54.7%
Total Allstate brand	10,565	10,102	55.3%	83.1%	93.6%	97.3%
Esurance brand:						
Auto	385	371	73.7%	98.5%	99.6%	100.0%
Homeowners	17	6	43.4%	75.6%	94.2%	100.0%
Other personal lines	2	2	43.5%	75.4%	94.2%	100.0%
Total Esurance brand	404	379	73.1%	98.0%	99.5%	100.0%
Encompass brand:						
Auto	329	345	44.0%	75.7%	94.2%	100.0%
Homeowners	267	274	44.0%	76.0%	94.3%	100.0%
Other personal lines	54	57	44.1%	75.9%	94.2%	100.0%
Total Encompass brand	650	676	44.0%	75.8%	94.2%	100.0%
Allstate Protection unearned premiums	$ 11,619	$ 11,157	55.2%	83.1%	93.8%	97.5%

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 policy terms are 6 months for auto and 12 months for homeowners. Encompass brand policy terms are 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. Allstate brand includes automobiles added by existing customers when they exceed the number allowed on a policy, which in 2014 and 2015 was either four or ten depending on the state. As of 2015 year-end, all states allow ten automobiles on a policy.

Auto premiums written totaled $20.66 billion in 2015, a 5.1% increase from $19.67 billion in 2014, following a 5.2% increase in 2014 from $18.70 billion in 2013.

	Allstate brand			Esurance brand			Encompass brand		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
PIF (thousands)	20,326	19,916	19,362	1,415	1,424	1,286	723	790	774
Average premium [1]	$ 492	$ 479	$ 468	$ 516	$ 499	$ 485	$ 945	$ 895	$ 880
Renewal ratio (%)	88.6	88.9	88.6	79.5	79.5	80.7	77.3	79.7	78.7
Approved rate changes [2]:									
# of locations	50 [6]	46 [6]	39	37	38	31	30	29	29
Total brand (%) [3]	5.3	2.3	1.9	7.1	6.0	4.8	9.4	6.6	5.9
Location specific (%) [4][5]	7.6	3.2	3.2	9.3	6.9	6.5	11.1	7.9	7.0

(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 period 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) Allstate brand operates in 50 states, the District of Columbia, and 5 Canadian provinces. Esurance brand operates in 43 states and 1 Canadian province. Encompass brand operates in 40 states and the District of Columbia. Based on historical premiums written in those states and Canadian provinces, rate changes approved for auto totaled $1.11 billion, $520 million and $379 million in 2015, 2014 and 2013, respectively.

(6) 2015 and 2014 includes 5 and 4 Canadian provinces, respectively, and the District of Columbia.

Allstate brand auto premiums written totaled $18.45 billion in 2015, a 5.4% increase from $17.50 billion in 2014. Factors impacting premiums written were the following:

- 2.1% or 410 thousand increase in PIF as of December 31, 2015 compared to December 31, 2014. Allstate brand auto PIF increased in 39 states, including 8 out of our largest 10 states, as of December 31, 2015 compared to December 31, 2014.
- 2.3% decrease in new issued applications to 2,962 thousand in 2015 from 3,033 thousand in 2014. A change was implemented this year allowing a greater number of autos on a single policy, which reduced the new issued application growth rate by 3.2 points. Without this change, new issued applications would have increased 0.9% in 2015 from 2014.
- 2.7% increase in average premium in 2015 compared to 2014, primarily due to rate increases. Based on historical premiums written, rate changes approved for auto totaled $942 million in 2015 compared to $399 million in 2014. These amounts do not assume customer choices such as non-renewal or changes in policy terms which might reduce future premiums. Fluctuation in the Canadian exchange rate has reduced premiums written and average premium growth rates in 2015 by 0.7 points.
- 0.3 point decrease in the renewal ratio in 2015 compared to 2014.

We regularly monitor profitability trends and take appropriate pricing actions, underwriting actions, manage loss cost through focus on claims process excellence and targeted expense spending reductions to achieve adequate returns. Given current loss trends, we have responded with a multi-faceted approach to improve profitability.

- We increased and accelerated rate filings broadly across the country. Approximately 30% of the Allstate brand rate increases approved in 2015 were earned in 2015, with the remainder expected to be earned in 2016 and 2017. We continue to aggressively pursue rate increases to respond to higher loss trends, subject to regulatory processes and review.
- We made underwriting guideline adjustments in geographic areas and customer segments experiencing less than acceptable returns which are reducing the number of new issued applications and slowing growth. Underwriting guideline adjustments vary by geographic area and include restrictions on business with no prior insurance as well as business with prior accidents and violations. Changes in down payment requirements and coverage plan adjustments have also been implemented. These changes are intended to increase underwriting margin and can be modified as we achieve targeted underwriting results in these segments.

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.

Esurance brand auto premiums written totaled $1.58 billion in 2015, a 5.1% increase from $1.50 billion in 2014. Profit improvement actions impacting growth include rate increases, underwriting guideline adjustments, and decreased marketing in select geographies to manage risks. Factors impacting premiums written were the following:

- 0.6% or 9 thousand decrease in PIF as of December 31, 2015 compared to December 31, 2014.
- 16.1% decrease in new issued applications to 627 thousand in 2015 from 747 thousand in 2014 due to a decrease in marketing activities and an increase in rates. Quote volume declined reflecting lower advertising spend. The conversion rate (the percentage of actual issued policies to completed quotes) decreased 0.3 points in 2015 compared to 2014.
- 3.4% increase in average premium in 2015 compared to 2014.
- The renewal ratio in 2015 was comparable to 2014.

Esurance brand auto premiums written totaled $1.50 billion in 2014, a 14.6% increase from $1.31 billion in 2013. Factors impacting premiums written were the following:

- 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.
- 2.9% increase in average premium in 2014 compared to 2013.
- 1.2 point decrease in the renewal ratio in 2014 compared to 2013. 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.

Encompass brand auto premiums written totaled $641 million in 2015, a 3.6% decrease from $665 million in 2014. Profit improvement actions impacting growth include increasing rates, enhancing pricing sophistication and underwriting guideline adjustments. Factors impacting premiums written were the following:

- 8.5% or 67 thousand decrease in PIF as of December 31, 2015 compared to December 31, 2014.
- 39.3% decrease in new issued applications to 82 thousand in 2015 from 135 thousand in 2014.
- 5.6% increase in average premium in 2015 compared to 2014.
- 2.4 point decrease in the renewal ratio in 2015 compared to 2014. Encompass sells a high percentage of package policies that include both auto and homeowners; therefore, declines in one coverage can contribute to declines in the other.

Encompass brand auto premiums written totaled $665 million in 2014, a 3.7% increase from $641 million in 2013. Factors impacting premiums written were the following.

- 2.1% or 16 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013.
- 12.9% decrease in new issued applications 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.
- 1.7% increase in average premium in 2014 compared to 2013.
- 1.0 point increase in the renewal ratio 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.

Homeowners premiums written totaled $7.24 billion in 2015, a 2.7% increase from $7.05 billion in 2014, following a 4.5% increase in 2014 from $6.75 billion in 2013. Excluding the cost of catastrophe reinsurance, premiums written increased 2.3% in 2015 compared to 2014. 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		
	2015	2014	2013	2015	2014	2015	2014	2013
PIF (thousands)	6,174	6,106	6,077	32	10	338	365	356
Average premium [1]	$ 1,155	$ 1,140	$ 1,115	$ 833	$ 811	$ 1,555	$ 1,457	$ 1,374
Renewal ratio (%) [1][2]	88.5	88.4	87.7	72.7	N/A	82.5	85.6	86.6
Approved rate changes [3]:								
# of locations	36 [5]	37 [5]	41	N/A	N/A	27	23	31
Total brand (%)	2.8	1.7	3.6	N/A	N/A	6.5	4.7	7.4
Location specific (%) [4]	5.0	4.7	5.2	N/A	N/A	8.8	8.9	8.2

(1) Policy term is twelve months.
(2) Esurance's retention ratios will appear lower due to its underwriting process. Customers can enter into a policy without a physical inspection. During the underwriting review period, a number of polices may be canceled if upon inspection the condition is unsatisfactory. Esurance's retention ratio was 91.9% on policies that passed the underwriting review period.
(3) Includes rate changes approved based on our net cost of reinsurance. Rate changes for Allstate brand for 2013 exclude Canada.
(4) Allstate brand operates in 50 states, the District of Columbia, and 5 Canadian provinces. Esurance brand operates in 25 states. Encompass brand operates in 40 states and the District of Columbia. Based on historical premiums written in those states and Canadian provinces, rate changes approved for homeowners totaled $225 million, $147 million and $254 million in 2015, 2014 and 2013, respectively.
(5) Includes 4 Canadian provinces in both 2015 and 2014.
N/A reflects not applicable.

Allstate brand homeowners premiums written totaled $6.71 billion in 2015, a 2.7% increase from $6.54 billion in 2014. We continue to be disciplined in how we manage margins as we increase rates and implement other actions to maintain or improve returns where required. Growth actions planned include continuing to implement our House & Home® product, leveraging agency sales practices focused on multi-line households, increasing availability in coastal markets, improving penetration in underserved markets in the middle of the country and targeted advertising campaigns. Factors impacting premiums written were the following:

- 1.1% or 68 thousand increase in PIF as of December 31, 2015 compared to December 31, 2014 due primarily to increases in new issued applications. Allstate brand homeowners PIF increased in 32 states, including 7 out of our largest 10 states, as of December 31, 2015 compared to December 31, 2014.
- 7.7% increase in new issued applications to 781 thousand in 2015 from 725 thousand in 2014.
- 1.3% increase in average premium in 2015 compared to 2014 primarily due to rate changes and increasing insured home valuations due to inflationary costs. Fluctuation in the Canadian exchange rate has reduced premiums written and average premium growth rates in 2015 by 0.5 points.
- 0.1 point increase in the renewal ratio in 2015 compared to 2014.
- $19 million decrease in the cost of our catastrophe reinsurance program to $370 million in 2015 from $389 million in 2014. Catastrophe reinsurance premiums are recorded primarily in Allstate brand and are a reduction of premium.

Premiums written for Allstate's House and Home product, our redesigned homeowners new business offering currently available in 74% of total states, with the greatest success in Texas and several of our other top ten states, totaled $1.46 billion in 2015 compared to $934 million in 2014.

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 $6.54 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.

Esurance brand homeowners premiums written totaled $30 million in 2015 compared to $9 million in 2014. Factors impacting premiums written were the following:

- 22 thousand increase in PIF as of December 31, 2015 compared to December 31, 2014.
- New issued applications totaled 28 thousand in 2015 compared to 11 thousand in 2014.
- As of December 31, 2015, Esurance is writing homeowners insurance in 25 states with lower hurricane risk that have lower average premium.

Esurance brand homeowners premiums written totaled $9 million in 2014. Factors impacting premiums written were the following:

- New issued applications totaled 11 thousand in 2014.
- As of December 31, 2014, Esurance was writing homeowners insurance in 14 states with lower hurricane risk that have lower average premium.

Encompass brand homeowners premiums written totaled $497 million in 2015, a 1.8% decrease from $506 million in 2014. Profit improvement actions impacting growth include increasing rates, enhancing pricing sophistication and underwriting guideline adjustments. Factors impacting premiums written were the following:

- 7.4% or 27 thousand decrease in PIF as of December 31, 2015 compared to December 31, 2014.
- 31.4% decrease in new issued applications to 48 thousand in 2015 from 70 thousand in 2014.
- 6.7% increase in average premium in 2015 compared to 2014.
- 3.1 point decrease in the renewal ratio in 2015 compared to 2014. Encompass sells a high percentage of package policies that include both auto and homeowners; therefore, declines in one coverage can contribute to declines in the other.

Encompass brand homeowners premiums written totaled $506 million in 2014, a 9.8% increase from $461 million in 2013. Factors impacting premiums written were the following:

- 2.5% or 9 thousand increase in PIF as of December 31, 2014 compared to December 31, 2013.
- 11.4% decrease in new issued applications 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.
- 6.0% increase in average premium in 2014 compared to 2013.
- 1.0 point decrease in the renewal ratio in 2014 compared to 2013.

Other personal lines Allstate brand other personal lines premiums written totaled $1.59 billion in 2015, a 1.1% increase from $1.57 billion in 2014, following a 1.9% increase in 2014 from $1.54 billion in 2013. The increase in 2015 primarily relates to renters insurance and the increase in 2014 primarily relates to renter and condominium insurance.

Commercial lines premiums written totaled $516 million in 2015, a 4.5% increase from $494 million in 2014, following a 6.0% increase in 2014 from $466 million in 2013. The increase in 2015 was driven by higher renewals and increased average premiums. 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 $756 million in 2015, a 5.4% increase from $717 million in 2014, following a 19.1% increase in 2014 from $602 million in 2013. The increase in 2015 was primarily due to increased sales of vehicle service contracts, guaranteed asset protection, and other products at Allstate Dealer Services, partially offset by a decline in Allstate Roadside Services premiums. The increase in 2014 was 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 third party company's customer bases.

Underwriting results are shown in the following table.

($ in millions)	2015	2014	2013
Premiums written	$ 30,871	$ 29,613	$ 28,164
Premiums earned	$ 30,309	$ 28,928	$ 27,618
Claims and claims expense	(20,981)	(19,315)	(17,769)
Amortization of DAC	(4,102)	(3,875)	(3,674)
Other costs and expenses	(3,573)	(3,835)	(3,751)
Restructuring and related charges	(39)	(16)	(63)
Underwriting income	$ 1,614	$ 1,887	$ 2,361
Catastrophe losses	$ 1,719	$ 1,993	$ 1,251
Underwriting income (loss) by line of business			
Auto	$ 23	$ 604	$ 668
Homeowners	1,431	1,097	1,422
Other personal lines	175	150	198
Commercial lines	(40)	9	41
Other business lines	33	40	51
Answer Financial	(8)	(13)	(19)
Underwriting income	$ 1,614	$ 1,887	$ 2,361
Underwriting income (loss) by brand			
Allstate brand	$ 1,812	$ 2,235	$ 2,551
Esurance brand	(164)	(259)	(218)
Encompass brand	(26)	(76)	47
Answer Financial	(8)	(13)	(19)
Underwriting income	$ 1,614	$ 1,887	$ 2,361

The following tables summarize the differences in underwriting results from the prior year. The 2015 column presents differences in 2015 compared to 2014. The 2014 column presents differences in 2014 compared to 2013. The components of the increase (decrease) in underwriting income (loss) by line of business are shown in the following table.

	Auto		Homeowners		Other personal lines		Commercial lines		Allstate Protection [1]	
($ in millions)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Underwriting income (loss) prior period	$ 604	$ 668	$ 1,097	$ 1,422	$ 150	$ 198	$ 9	$ 41	$ 1,887	$ 2,361
Changes in underwriting income (loss) from:										
Premiums earned	1,066	895	232	291	30	33	34	20	1,381	1,310
Incurred claims and claims expense ("losses"):										
Incurred losses, excluding catastrophe losses and reserve reestimates	(1,491)	(678)	(62)	(114)	(42)	(21)	(65)	(10)	(1,658)	(868)
Catastrophe losses excluding reserve reestimates	80	(94)	128	(446)	2	(55)	6	(16)	216	(611)
Non-catastrophes reserve reestimates	(265)	59	(13)	7	18	6	(19)	(5)	(282)	64
Catastrophes reserve reestimates	(3)	(58)	66	(41)	(2)	(21)	(3)	(11)	58	(131)
Total reserve reestimates	(268)	1	53	(34)	16	(15)	(22)	(16)	(224)	(67)
Subtotal losses	(1,679)	(771)	119	(594)	(24)	(91)	(81)	(42)	(1,666)	(1,546)
Expenses	32	(188)	(17)	(22)	19	10	(2)	(10)	12	(238)
Underwriting income (loss)	$ 23	$ 604	$ 1,431	$ 1,097	$ 175	$ 150	$ (40)	$ 9	$ 1,614	$ 1,887

[1] Includes other business lines underwriting income of $33 million and $40 million in 2015 and 2014, respectively, and Answer Financial underwriting loss of $8 million and $13 million in 2015 and 2014, respectively.

The components of the increase (decrease) in underwriting income (loss) by brand are shown in the following table.

($ in millions)	Allstate brand 2015	Allstate brand 2014	Esurance brand 2015	Esurance brand 2014	Encompass brand 2015	Encompass brand 2014
Underwriting income (loss) prior period	$ 2,235	$ 2,551	$ (259)	$ (218)	$ (76)	$ 47
Changes in underwriting income (loss) from:						
Premiums earned	1,234	1,003	125	216	22	91
Incurred claims and claims expense (“losses”):						
Incurred losses, excluding catastrophe losses and reserve reestimates	(1,563)	(652)	(76)	(152)	(19)	(64)
Catastrophe losses excluding reserve reestimates	160	(509)	6	(8)	50	(94)
Non-catastrophes reserve reestimates	(264)	71	2	16	(20)	(23)
Catastrophes reserve reestimates	55	(120)	(1)	—	4	(11)
Total reserve reestimates	(209)	(49)	1	16	(16)	(34)
Subtotal losses	(1,612)	(1,210)	(69)	(144)	15	(192)
Expenses	(45)	(109)	39	(113)	13	(22)
Underwriting income (loss)	$ 1,812	$ 2,235	$ (164)	$ (259)	$ (26)	$ (76)

For more information, see the previous discussions of premiums written and the combined, loss and expense ratio discussion below.

Combined ratios by brand are shown in the following table.

	Allstate brand			Esurance brand			Encompass brand			Allstate Protection		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Loss ratio	68.7	65.8	63.6	75.1	76.8	78.5	73.5	76.0	65.4	69.2	66.8	64.4
Expense ratio	24.7	25.7	26.3	35.2	40.9	39.0	28.5	30.1	30.5	25.5	26.7	27.1
Combined ratio	93.4	91.5	89.9	110.3	117.7	117.5	102.0	106.1	95.9	94.7	93.5	91.5

Loss ratios by brand and line of business are analyzed in the following table.

	Auto			Homeowners			Other personal lines			Commercial lines			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Allstate brand															
Loss ratio [(1)]	74.5	69.2	68.5	55.6	58.7	53.4	60.9	61.7	58.6	78.4	67.0	60.7	68.7	65.8	63.6
Effect of catastrophe losses on combined ratio	1.3	1.6	1.0	18.3	21.4	15.6	8.1	8.2	3.5	5.1	6.1	0.4	5.8	6.9	4.7
Effect of prior year reserve reestimates on combined ratio	0.2	(1.2)	(1.2)	(0.3)	0.4	—	0.5	2.1	1.8	0.4	(4.2)	(7.9)	0.1	(0.7)	(0.9)
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	(0.1)	(0.1)	(0.3)	(0.1)	1.0	0.4	(0.1)	(0.2)	(1.7)	1.0	0.4	(2.0)	(0.1)	0.1	(0.3)
Esurance brand															
Loss ratio [(1)]	75.3	76.8	78.5	63.2	66.7	—	57.1	60.0	50.0	—	—	—	75.1	76.8	78.5
Effect of catastrophe losses on combined ratio	0.7	1.3	0.9	15.8	—	—	—	—	—	—	—	—	0.9	1.3	0.9
Effect of prior year reserve reestimates on combined ratio	(1.1)	(1.1)	—	—	—	—	—	—	—	—	—	—	(1.1)	(1.1)	—
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	—	—	—	—	—	—	—	—	—	—	—	—	0.1	—	—
Encompass brand															
Loss ratio [(1)]	77.0	77.1	73.5	64.9	74.7	56.3	92.6	75.5	54.0	—	—	—	73.5	76.0	65.4
Effect of catastrophe losses on combined ratio	1.1	3.2	0.3	19.3	28.2	12.6	6.5	6.6	4.0	—	—	—	8.7	13.2	5.2
Effect of prior year reserve reestimates on combined ratio	0.3	(2.0)	(4.8)	(1.0)	0.4	(1.2)	9.3	1.9	(8.0)	—	—	—	0.6	(0.7)	(3.7)
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	(0.1)	(0.2)	(0.5)	(0.2)	0.7	(1.3)	—	—	—	—	—	—	(0.1)	0.1	(0.7)
Allstate Protection															
Loss ratio [(1)]	74.7	70.1	69.3	56.3	59.9	53.5	62.9	62.6	58.2	78.4	67.0	60.7	69.2	66.8	64.4
Effect of catastrophe losses on combined ratio	1.2	1.7	0.9	18.4	21.8	15.4	7.9	8.1	3.5	5.1	6.1	0.4	5.7	6.9	4.5
Effect of prior year reserve reestimates on combined ratio	0.1	(1.2)	(1.3)	(0.4)	0.4	(0.1)	1.1	2.0	1.2	0.4	(4.2)	(7.9)	0.1	(0.7)	(1.0)
Effect of catastrophe losses included in prior year reserve reestimates on combined ratio	(0.1)	(0.1)	(0.4)	—	0.9	0.3	(0.1)	(0.3)	(1.5)	1.0	0.4	(2.0)	—	0.1	(0.3)

(1) Ratios are calculated using the premiums earned for the respective line of business.

Auto loss ratio for the Allstate brand increased 5.3 points in 2015 compared to 2014, primarily due to higher claim frequency and severity and unfavorable reserve reestimates, partially offset by increased premiums earned and decreased catastrophe losses. Auto loss ratio for the Allstate brand increased 0.7 points in 2014 compared to 2013, primarily due to increased catastrophe losses.

Gross frequency is calculated as the number of claim notices received in the period divided by the average earned policies in force of the respective insurance coverage in force. The rate of change in gross frequency is the year over year percent increase or decrease in gross frequency for the period.

Gross frequency in the bodily injury coverage increased 5.9% in 2015 compared to 2014. Approximately 90% of individual states experienced a year over year increase in their rate of bodily injury gross frequency in 2015 when compared to 2014. Gross frequency in the bodily injury coverage in 2014 was comparable to 2013.

Gross frequency in the property damage coverage increased 6.3% in 2015 compared to 2014. Approximately 95% of individual states experienced a year over year increase in their rate of property damage gross frequency in 2015 when compared to 2014. Gross frequency in the property damage coverage increased 0.5% in 2014 compared to 2013. We continue to see an increase in miles driven in part due to increased employment, which has adversely impacted property damage gross frequency in 2015. Other factors believed to be contributing to higher frequency are distracted driving and more technology in vehicles.

Paid claim severity is calculated by dividing the sum of paid losses and loss expenses by claims closed with a payment during the period. The rate of change in paid severity is the year over year percent increase or decrease in paid claim severity for the period. Bodily injury coverage paid claim severities decreased 1.6% and property damage coverage paid claim severities increased 4.4% in 2015 compared to 2014. Changes in bodily injury and property damage paid claim severity increases were consistent with historical comparisons to inflationary indices, after adjusting for normal volatility due to changes in state mix and payment timing. 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.

Esurance brand auto loss ratio decreased 1.5 points in 2015 compared to 2014, primarily due to increases in average premiums earned and lower catastrophe losses, partially offset by higher claim frequency and severity across several coverages. 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.

Encompass brand auto loss ratio decreased 0.1 points in 2015 compared to 2014, primarily due to lower catastrophe losses and increased premiums earned. 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.

Homeowners loss ratio for the Allstate brand decreased 3.1 points to 55.6 in 2015 from 58.7 in 2014, primarily due to lower catastrophe losses, decreased claim frequency excluding catastrophe losses and increased premiums earned. Claim frequency excluding catastrophe losses decreased 2.3% in 2015 compared to 2014. Paid claim severity excluding catastrophe losses increased 4.3% in 2015 compared to 2014. 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.

Encompass brand homeowners loss ratio decreased 9.8 points in 2015 compared to 2014, primarily due to lower catastrophe losses and increased premiums earned. 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 higher concentration of policyholders in 2014.

Catastrophe losses were $1.72 billion in 2015 compared to $1.99 billion in 2014 and $1.25 billion in 2013.

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 a winter weather event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms and freezes, tornadoes, hailstorms, wildfires, tropical storms, 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 2015 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	—	—%	$ —	—%	—	$ —
$101 million to $250 million	3	3.5	376	21.9	1.2	125
$50 million to $100 million	8	9.4	488	28.4	1.6	61
Less than $50 million	74	87.1	870	50.6	2.9	12
Total	85	100.0%	1,734	100.9	5.7	20
Prior year reserve reestimates			(15)	(0.9)	—	
Total catastrophe losses			$ 1,719	100.0%	5.7	

Catastrophe losses by the type of event are shown in the following table.

($ in millions)	2015		2014		2013	
	Number of events		Number of events		Number of events	
Hurricanes/Tropical storms	1	$ 21	1	$ 2	1	$ 14
Tornadoes	2	152	2	99	3	169
Wind/Hail	72	1,274	70	1,429	64	1,089
Wildfires	6	51	5	19	5	41
Other events	4	236	7	401	3	26
Prior year reserve reestimates		(15)		43		(88)
Total catastrophe losses	85	$ 1,719	85	$ 1,993	76	$ 1,251

Expense ratio for Allstate Protection decreased 1.2 points in 2015 compared to 2014. 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		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Amortization of DAC	14.0	13.7	13.6	2.5	2.7	2.7	18.4	18.8	18.3	13.6	13.4	13.3
Advertising expense	2.0	2.5	2.8	12.6	17.4	14.8	0.4	0.4	0.4	2.5	3.2	3.2
Amortization of purchased intangible assets	—	—	—	2.2	3.3	4.9	—	—	—	0.2	0.2	0.3
Other costs and expenses	8.6	9.5	9.7	17.9	17.5	16.6	9.6	10.7	11.5	9.1	9.8	10.1
Restructuring and related charges	0.1	—	0.2	—	—	—	0.1	0.2	0.3	0.1	0.1	0.2
Total expense ratio	24.7	25.7	26.3	35.2	40.9	39.0	28.5	30.1	30.5	25.5	26.7	27.1

Allstate brand expense ratio decreased 1.0 point in 2015 compared to 2014. The decrease primarily related to expense spending reductions in advertising and professional services costs, partially offset by an increase in the amortization of acquisition costs. Expense reductions were primarily related to actions that could be modified as margins return to targeted underwriting results. Amortization of DAC primarily includes agent remuneration and premium taxes. Allstate agency total incurred base commissions, variable compensation and bonuses in 2015 were higher than 2014.

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 increased in 2014 compared to 2013 and Allstate agency total incurred base commissions, variable compensation and bonus was higher than 2013.

Esurance brand expense ratio decreased 5.7 points in 2015 compared to 2014. Esurance advertising expenses decreased in 2015 compared to 2014 in conjunction with our profitability actions. 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. Other costs and expenses, including salaries of telephone sales personnel and other underwriting costs related to customer acquisition, were higher in 2015 than 2014.

Esurance brand expense ratio increased 1.9 points in 2014 compared to 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. Other costs and expenses, related to acquisition include salaries of telephone sales personnel and other underwriting costs, in 2014 were comparable to 2013.

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. Esurance continued to invest in geographic expansion and additional products and capabilities. The expenses related to expansion initiatives contributed approximately 4.0 points in 2015 compared to 5.2 points to the total expense ratio in 2014. Advertising expenses included 1.1 points in 2015 and 1.9 points in 2014 related to expansion initiatives. Other costs and expenses included 2.9 points in 2015 and 3.3 points in 2014 related to expansion initiatives. Expenses related to expansion initiatives includes costs incurred to expand beyond our initial 30 states at acquisition, adding new products such as homeowners, motorcycle, and usage based insurance and expanding into the Canadian market. 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 1.6 points in 2015 compared to 2014 primarily due to agency compensation, employee compensation and technology costs. Expense improvement actions include reductions in technology and other costs, as well as improving operating efficiency. The Encompass brand DAC amortization rate is higher on average than Allstate brand DAC amortization due to higher commission rates paid to independent agencies.

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.

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	
	2015	2014	2015	2014	2015	2014	2015	2014
Auto	$ 644	$ 609	$ 10	$ 10	$ 59	$ 62	$ 713	$ 681
Homeowners	504	491	—	—	42	43	546	534
Other personal lines	110	109	—	—	8	9	118	118
Commercial lines	33	34	—	—	—	—	33	34
Other business lines	619	453	—	—	—	—	619	453
Total DAC	$ 1,910	$ 1,696	$ 10	$ 10	$ 109	$ 114	$ 2,029	$ 1,820

Income tax expense included $28 million related to our adoption of new accounting guidance for investments in qualified affordable housing projects in first quarter 2015.

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 7.7 points. The average annual impact of catastrophes on the homeowners loss ratio for the last ten years was 31.1 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 limit or not offer new homeowners, manufactured home and landlord package policy business in certain coastal geographies.
- Increased capacity in our brokerage platform for customers not offered an Allstate policy.
- In 2015, North Light, our surplus lines company that operates under different regulatory rules, expanded operations to one new state, bringing the total to 43 states.
- In certain states, we have been ceding wind exposure related to insured property located in wind pool eligible areas.
- We ceased writing new homeowners and landlord package policy business in California in 2007; however, later in 2016 we will start to write a limited number of homeowners policies in select areas of the state. Meanwhile, we will continue to renew current policyholders and allow replacement policies for existing customers who buy a new home, or change their residence to rental property. For landlord package policies we allow replacement policies on an exception basis, and offer a small number of new landlord package policies in order to accommodate current personal umbrella policy customers.

- North Light, began writing homeowners in California in February 2013. Any earthquake coverage provided under these writings (other than fire following earthquakes) is currently ceded via quota share reinsurance.
- 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.
- 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.
- Designed a 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 37 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, landlord package policy and manufactured home 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

We do not offer earthquake coverage in most states and actions taken to reduce our exposure from earthquake losses are complete. We purchased reinsurance in the state of Kentucky and entered into arrangements in many states to make earthquake coverage available through non-proprietary insurers.

We retain approximately 30,000 PIF with earthquake coverage, primarily in Kentucky, due to regulatory and other reasons. We 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. While North Light writes property policies in California, which can include earthquake coverage, this coverage is 100% ceded via quota share reinsurance.

Fires Following Earthquakes

Under a standard homeowners policy we cover fire losses, including those caused by an earthquake. Actions taken related to our risk of loss from fires following earthquakes include restrictive underwriting guidelines in California for new business writings, purchasing reinsurance for Kentucky personal lines property risks, and purchasing nationwide occurrence reinsurance, excluding Florida and New Jersey.

Wildfires

Actions taken related to managing our risk of loss from wildfires include changing homeowners underwriting requirements in certain states and purchasing nationwide occurrence reinsurance. We also have inspection programs to identify homes that are susceptible to wildfires.

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)	2015	2014	2013
Premiums written	$ —	$ 1	$ —
Premiums earned	$ —	$ 1	$ —
Claims and claims expense	(53)	(113)	(142)
Operating costs and expenses	(2)	(3)	(1)
Underwriting loss	$ (55)	$ (115)	$ (143)

Underwriting losses of $55 million in 2015 primarily related to our annual review using established industry and actuarial best practices resulting in a $39 million unfavorable reestimate of asbestos reserves, a $1 million unfavorable reestimate of environmental reserves and a $9 million unfavorable reestimate of other exposure reserves, partially offset by a $5 million decrease in allowance for future uncollectible reinsurance. The cost of administering claims settlements totaled $10 million for 2015, $10 million for 2014, and $13 million for 2013.

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.

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.

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 the concentration 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)	2015	2014	2013
Fixed income securities	$ 885	$ 860	$ 912
Equity securities	81	95	136
Mortgage loans	15	17	20
Limited partnership interests	262	346	365
Short-term investments	5	4	3
Other	75	65	38
Investment income, before expense	1,323	1,387	1,474
Investment expense	(86)	(86)	(99)
Net investment income	$ 1,237	$ 1,301	$ 1,375

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, generally before investment expense (including dividend income in the case of equity securities) divided by the average of investment balances at the end of each quarter during the year. For the purposes of the pre-tax yield calculation, income for directly held real estate, timber and other consolidated investments is net of asset level operating expenses (direct expenses of the assets reported in investment expense). For investments carried at fair value, investment balances exclude unrealized capital gains and losses.

	2015	2014	2013
Fixed income securities: tax-exempt	2.4%	2.6%	3.4%
Fixed income securities: tax-exempt equivalent	3.5	3.8	5.0
Fixed income securities: taxable	3.1	2.9	3.2
Equity securities	2.9	2.9	3.8
Mortgage loans	4.5	4.3	4.2
Limited partnership interests	10.4	13.1	12.2
Total portfolio	3.4	3.6	4.0

Net investment income decreased 4.9% or $64 million to $1.24 billion in 2015 from $1.30 billion in 2014 after decreasing 5.4% in 2014 compared to 2013. The 2015 decrease was primarily due to lower limited partnership income, a decline in average investment balances and lower prepayment fee income and litigation proceeds, partially offset by higher taxable fixed income portfolio yields. The 2014 decrease was primarily due to lower fixed income yields and equity dividends. The decrease in fixed income yields was primarily due to reinvestment at yields lower than the overall portfolio yield.

Net realized capital gains and losses are presented in the following table.

($ in millions)	2015	2014	2013
Impairment write-downs	$ (132)	$ (21)	$ (39)
Change in intent write-downs	(156)	(169)	(124)
Net other-than-temporary impairment losses recognized in earnings	(288)	(190)	(163)
Sales and other	85	789	706
Valuation and settlements of derivative instruments	(34)	(50)	(24)
Realized capital gains and losses, pre-tax	(237)	549	519
Income tax benefit (expense)	83	(192)	(180)
Realized capital gains and losses, after-tax	$ (154)	$ 357	$ 339

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 incurred but not reported ("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, 2015, 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 $117 million in net income applicable 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 reserves net of reinsurance recoverables ("net reserves") as of December 31 by line of business.

($ in millions)	2015	2014	2013
Allstate brand	$ 14,974	$ 14,214	$ 14,225
Esurance brand	717	649	575
Encompass brand	770	754	747
Total Allstate Protection	16,461	15,617	15,547
Discontinued Lines and Coverages	1,516	1,612	1,646
Total Property-Liability	$ 17,977	$ 17,229	$ 17,193

The tables below show net reserves representing the estimated cost of outstanding claims as they were recorded at the beginning of years 2015, 2014 and 2013 and the effect of reestimates in each year.

($ in millions)	January 1 reserves		
	2015	2014	2013
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

($ in millions, except ratios)	2015		2014		2013	
	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	$ 38	0.1	$ (171)	(0.6)	$ (220)	(0.8)
Esurance brand	(17)	—	(16)	(0.1)	—	—
Encompass brand	7	—	(9)	—	(43)	(0.2)
Total Allstate Protection	28	0.1	(196)	(0.7)	(263)	(1.0)
Discontinued Lines and Coverages	53	0.2	112	0.4	142	0.6
Total Property-Liability [3]	$ 81	0.3	$ (84)	(0.3)	$ (121)	(0.4)
Reserve reestimates, after-tax	$ 53		$ (55)		$ (79)	
Consolidated net income applicable to common shareholders	$ 2,055		$ 2,746		$ 2,263	
Reserve reestimates as a % of consolidated net income applicable to common shareholders	(2.6)%		2.0%		3.5%	

[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 $15 million favorable, $43 million unfavorable and $88 million favorable in 2015, 2014 and 2013, respectively. The effect of catastrophe losses included in prior year reserve reestimates on the combined ratio totaled zero, 0.1 unfavorable and 0.3 favorable in 2015, 2014 and 2013, 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.

2015 Prior year reserve reestimates

($ in millions)	2005 & prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Allstate brand	$ 39	$ (1)	$ (17)	$ (15)	$ (58)	$ (21)	$ (74)	$ (29)	$ 42	$ 172	$ 38
Esurance brand	—	(1)	(1)	(1)	(1)	(1)	(3)	(2)	(5)	(2)	(17)
Encompass brand	(2)	(2)	(2)	(2)	(1)	(2)	1	2	12	3	7
Total Allstate Protection	37	(4)	(20)	(18)	(60)	(24)	(76)	(29)	49	173	28
Discontinued Lines and Coverages	53	—	—	—	—	—	—	—	—	—	53
Total Property-Liability	$ 90	$ (4)	$ (20)	$ (18)	$ (60)	$ (24)	$ (76)	$ (29)	$ 49	$ 173	$ 81

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)

Allstate brand prior year reserve reestimates were $38 million unfavorable in 2015, $171 million favorable in 2014 and $220 million favorable in 2013. In 2015, this was primarily due to severity development for bodily injury coverage for recent years that was more than expected and litigation settlements from older years. 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.

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)	2015	2014	2013
Reserve reestimates	$ 38	$ (171)	$ (220)
Allstate brand underwriting income	1,812	2,235	2,551
Reserve reestimates as a % of underwriting income	(2.1)%	7.7%	8.6%

Esurance brand prior year reserve reestimates were $17 million favorable in 2015 and $16 million favorable in 2014. In 2015 and 2014, this was primarily due to severity development that was better than expected for liability coverages. There were no prior year reserve reestimates for Esurance in 2013.

The impact of these reestimates on the Esurance brand underwriting loss is shown in the table below.

($ in millions)	2015	2014
Reserve reestimates	$ (17)	$ (16)
Esurance brand underwriting loss	(164)	(259)
Reserve reestimates as a % of underwriting loss	10.4%	6.2%

Encompass brand prior year reserve reestimates were $7 million unfavorable in 2015, $9 million favorable in 2014 and $43 million favorable in 2013. In 2015, this was primarily due to severity development that was more than expected for personal umbrella policies. In 2014, this was primarily due to severity development that was better than expected. In 2013, 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)	2015	2014	2013
Reserve reestimates	$ 7	$ (9)	$ (43)
Encompass brand underwriting (loss) income	(26)	(76)	47
Reserve reestimates as a % of underwriting (loss) income	(26.9)%	11.8%	91.5%

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 2015, 2014, and 2013, and the effect of reestimates in each year.

($ in millions)	January 1 reserves		
	2015	2014	2013
Auto	$ 11,698	$ 11,616	$ 11,383
Homeowners	1,849	1,821	2,008
Other personal lines	1,502	1,512	1,596
Commercial lines	549	576	627
Other business lines	19	22	27
Total Allstate Protection	$ 15,617	$ 15,547	$ 15,641

($ in millions, except ratios)	2015		2014		2013	
	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio	Reserve reestimate	Effect on combined ratio
Auto	$ 30	0.1	$ (238)	(0.8)	$ (237)	(0.9)
Homeowners	(24)	(0.1)	29	0.1	(5)	—
Other personal lines	18	0.1	34	0.1	19	—
Commercial lines	2	—	(20)	(0.1)	(36)	(0.1)
Other business lines	2	—	(1)	—	(4)	—
Total Allstate Protection	$ 28	0.1	$ (196)	(0.7)	$ (263)	(1.0)
Underwriting income	$ 1,614		$ 1,887		$ 2,361	
Reserve reestimates as a % of underwriting income	(1.7)%		10.4%		11.1%	

Auto reserve reestimates in 2015 were primarily due to claim severity development for bodily injury coverage for recent years that was more than expected and litigation settlements from older years for Allstate brand. Auto reserve reestimates in 2014 and 2013 were primarily due to claim severity development that was better than expected.

Favorable homeowners reserve reestimates in 2015 were primarily due to favorable non-catastrophe reserve reestimates. 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.

Other personal lines reserve reestimates in 2015, 2014 and 2013 were primarily the result of non-catastrophe loss development higher than anticipated in previous estimates.

Commercial lines reserve reestimates in 2015 were primarily the result of non-catastrophe loss development higher than anticipated in previous estimates. Commercial lines reserve reestimates in 2014 and 2013 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, 2015 compared to December 31, 2014 relates to auto frequency and growth. The increase in pending claims as of December 31, 2014 compared to December 31, 2013 relates to growth and auto frequency.

Number of claims	2015	2014	2013
Auto			
Pending, beginning of year	487,227	473,703	472,078
New	6,752,401	6,330,940	5,902,746
Total closed	(6,717,738)	(6,317,416)	(5,901,121)
Pending, end of year	521,890	487,227	473,703
Homeowners			
Pending, beginning of year	33,648	37,420	48,418
New	714,562	759,794	711,883
Total closed	(709,345)	(763,566)	(722,881)
Pending, end of year	38,865	33,648	37,420
Other personal lines			
Pending, beginning of year	15,494	17,004	42,969
New	307,011	204,549	197,424
Total closed	(306,670)	(206,059)	(223,389)
Pending, end of year	15,835	15,494	17,004
Commercial lines			
Pending, beginning of year	11,836	10,422	10,242
New	74,942	65,970	58,697
Total closed	(74,941)	(64,556)	(58,517)
Pending, end of year	11,837	11,836	10,422
Total Allstate Protection			
Pending, beginning of year	548,205	538,549	573,707
New	7,848,916	7,361,253	6,870,750
Total closed	(7,808,694)	(7,351,597)	(6,905,908)
Pending, end of year	588,427	548,205	538,549

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)	2015		2014		2013	
	January 1 reserves	Reserve reestimate	January 1 reserves	Reserve reestimate	January 1 reserves	Reserve reestimate
Asbestos claims	$ 1,014	$ 39	$ 1,017	$ 87	$ 1,026	$ 74
Environmental claims	203	1	208	15	193	30
Other discontinued lines	395	13	421	10	418	38
Total Discontinued Lines and Coverages	$ 1,612	$ 53	$ 1,646	$ 112	$ 1,637	$ 142
Underwriting loss		$ (55)		$ (115)		$ (143)
Reserve reestimates as a % of underwriting loss		(96.4)%		(97.4)%		(99.3)%

Reserve additions for asbestos in 2015 were primarily related to a settlement with a large insured and more reported claims than expected. 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 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.

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)	2015		2014		2013	
	Gross	Net	Gross	Net	Gross	Net
Asbestos claims						
Beginning reserves	$ 1,492	$ 1,014	$ 1,495	$ 1,017	$ 1,522	$ 1,026
Incurred claims and claims expense	51	39	124	87	84	74
Claims and claims expense paid	(125)	(93)	(127)	(90)	(111)	(83)
Ending reserves	$ 1,418	$ 960	$ 1,492	$ 1,014	$ 1,495	$ 1,017
Annual survival ratio	11.3	10.3	11.7	11.3	13.5	12.3
3-year survival ratio	11.7	10.8	12.5	12.1	14.2	14.5
Environmental claims						
Beginning reserves	$ 267	$ 203	$ 268	$ 208	$ 241	$ 193
Incurred claims and claims expense	(13)	1	22	15	44	30
Claims and claims expense paid	(32)	(25)	(23)	(20)	(17)	(15)
Ending reserves	$ 222	$ 179	$ 267	$ 203	$ 268	$ 208
Annual survival ratio	6.9	7.2	11.6	10.2	15.8	13.9
3-year survival ratio	9.3	9.0	14.1	12.7	14.9	13.9
Combined environmental and asbestos claims						
Annual survival ratio	10.4	9.7	11.7	11.1	13.8	12.5
3-year survival ratio	11.3	10.4	12.7	12.2	14.3	14.4
Percentage of IBNR in ending reserves		56.9%		56.9%		55.4%

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 2015 and 2014, the asbestos and environmental net 3-year survival ratio decreased due to increased claim payments.

Our net asbestos reserves by type of exposure and total reserve additions are shown in the following table.

($ in millions)	December 31, 2015			December 31, 2014			December 31, 2013		
	Active policy-holders	Net reserves	% of reserves	Active policy-holders	Net reserves	% of reserves	Active policy-holders	Net reserves	% of reserves
Direct policyholders:									
Primary	48	$ 10	1%	44	$ 8	1%	53	$ 7	1%
Excess	298	248	26	296	265	26	301	267	26
Total	346	258	27	340	273	27	354	274	27
Assumed reinsurance		156	16		166	16		171	17
IBNR		546	57		575	57		572	56
Total net reserves		$ 960	100%		$ 1,014	100%		$ 1,017	100%
Total reserve additions		$ 39			$ 87			$ 74	

During the last three years, 40 direct primary and excess policyholders reported new claims, and claims of 47 policyholders were closed, decreasing the number of active policyholders by 7 during the period. There was a net increase of 6 policyholders in 2015, including 15 new policyholders reporting new claims and the closing of 9 policyholders' claims. 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.

IBNR net reserves decreased $29 million as of December 31, 2015 compared to December 31, 2014. As of December 31, 2015 and 2014 IBNR represented 57% of total net asbestos reserves. 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	2015	2014	2013
Asbestos			
Pending, beginning of year	7,306	7,444	7,447
New	530	727	736
Total closed	(685)	(865)	(739)
Pending, end of year	7,151	7,306	7,444
Closed without payment	398	433	451
Environmental			
Pending, beginning of year	3,552	3,717	3,676
New	347	381	464
Total closed	(395)	(546)	(423)
Pending, end of year	3,504	3,552	3,717
Closed without payment	254	369	299

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 and certain qualifying claim expenses.

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	
		2015	2014
Industry pools and facilities			
Michigan Catastrophic Claim Association ("MCCA")	N/A	$ 4,664 [(2)]	$ 4,419 [(2)]
New Jersey Property-Liability Insurance Guaranty Association ("PLIGA")	N/A	500	508
North Carolina Reinsurance Facility	N/A	71	60
National Flood Insurance Program	N/A	27	7
Other		3	2
Subtotal		5,265	4,996
Other reinsurance			
Lloyd's of London ("Lloyd's")	A+	183	202
Westport Insurance Corporation	AA-	62	65
New England Reinsurance Corporation	N/A	32	33
Clearwater Insurance Company	N/A	28	27
R&Q Reinsurance Company	N/A	26	28
Bedivere Insurance Company	N/A	23	23
Other, including allowance for future uncollectible reinsurance recoverables		360	409
Subtotal		714	787
Total Property-Liability		$ 5,979	$ 5,783

(1) N/A reflects no rating available.

(2) As of December 31, 2015 and 2014, MCCA includes $29 million and $32 million of reinsurance recoverable on paid claims, respectively, and $4.61 billion and $4.39 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 $80 million and $95 million as of December 31, 2015 and 2014, respectively. The allowance for Discontinued Lines and Coverages represents 11.9% and 12.9% of the related reinsurance recoverable balances as of December 31, 2015 and 2014, 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 cedents, and recent trends in arbitration and litigation outcomes in disputes between cedents 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, PLIGA and Lloyd's, see Note 10 of the consolidated financial statements. As of December 31, 2015, 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)	2015	2014	2013
Ceded property-liability premiums earned	$ 1,006	$ 1,030	$ 1,069
Ceded property-liability claims and claims expense			
Industry pool and facilities			
MCCA	$ 337	$ 1,042	$ 954
National Flood Insurance Program	120	38	289
PLIGA	9	158	356
Other	78	69	63
Subtotal industry pools and facilities	544	1,307	1,662
Other	58	86	55
Ceded property-liability claims and claims expense	$ 602	$ 1,393	$ 1,717

In 2015, ceded property-liability premiums earned decreased $24 million, primarily due to decreased reinsurance premium rates and a decrease in policies written for the National Flood Insurance Program and the MCCA. In 2014, ceded property-liability premiums earned decreased $39 million, primarily due to decreased reinsurance premium rates and acquiring additional reinsurance in the capital markets. MCCA ceded premiums were $84 million, $99 million and $101 million in 2015, 2014 and 2013, respectively.

Ceded property-liability claims and claims expense decreased in 2015 primarily due to lower reserve increases for the MCCA and PLIGA programs. 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 PLIGA program.

Reserve increases in the PLIGA program in 2015 are attributable to limited personal injury protection coverage on policies written prior to 2004. Reserve increases in the PLIGA program in 2014 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.

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. As a result of continuing to originate auto policies in Michigan with unlimited personal injury protection coverage, we expect pending MCCA covered losses to increase each year.

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)	2015		2014		2013	
	Gross	Net	Gross	Net	Gross	Net
Beginning reserves	$ 4,804	$ 417	$ 3,798	$ 365	$ 2,866	$ 299
Incurred claims and claims expense-current year	526	200	420	178	417	181
Incurred claims and claims expense-prior years	37	26	819	19	731	13
Claims and claims expense paid-current year (2)	(56)	(55)	(46)	(45)	(44)	(42)
Claims and claims expense paid-prior years (2)	(190)	(102)	(187)	(100)	(172)	(86)
Ending reserves	$ 5,121 (1)	$ 486	$ 4,804 (1)	$ 417	$ 3,798 (1)	$ 365

(1) Reserves for the years ended December 31, 2015 and 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 $89 million, $88 million and $88 million in 2015, 2014 and 2013, 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 continue 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	2015	2014	2013
Pending, beginning of year	4,936	4,684	4,029
New	8,956	8,620	8,531
Total closed	(8,765)	(8,368)	(7,876)
Pending, end of year	5,127	4,936	4,684

As of December 31, 2015, approximately 1,250 of our pending claims have been reported to the MCCA, of which approximately 65% 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, 2015 which comprise approximately 40% of the gross ending reserves in the table above. As a result, significant developments with a single claimant can result in volatility in prior year incurred claims.

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 resulting from multiple perils 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 2016 catastrophe reinsurance program in the second quarter of 2016. We expect the program will be similar to our 2015 catastrophe reinsurance program. For further details of the existing 2015 program, see Note 10 of the consolidated financial statements.

ALLSTATE FINANCIAL 2015 HIGHLIGHTS

- Allstate Financial net income applicable to common shareholders was $663 million in 2015 compared to $631 million in 2014.
- Allstate Financial premiums and contract charges on underwritten products, including traditional life, interest-sensitive life and accident and health insurance, totaled $2.14 billion in 2015, an increase of 0.5% from $2.13 billion in 2014.
- Allstate Financial investments totaled $36.79 billion as of December 31, 2015, reflecting a decrease of $2.02 billion from $38.81 billion as of December 31, 2014. Net investment income decreased 11.6% to $1.88 billion in 2015 from $2.13 billion in 2014.
- Allstate Financial net realized capital gains totaled $267 million in 2015 compared to $144 million in 2014.
- Allstate Financial contractholder funds totaled $21.30 billion as of December 31, 2015, reflecting a decrease of $1.23 billion from $22.53 billion as of December 31, 2014.
- On April 1, 2014, we sold Lincoln Benefit Life Company's ("LBL") 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. Therefore, 2014 includes LBL's results for one quarter.

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 improving the economics of the Protection business through increased customer loyalty and deepened customer relationships based on cross selling Allstate Financial products to existing customers, bringing new customers to Allstate, and profitable growth. 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.

The strategy for our life insurance business centers on the continuation of 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. We are investing in new generation enrollment and administrative technology to improve our customer experience and modernize our operating model.

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. We are expanding our group life capabilities to broaden our product portfolio. 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 is partnering with other Allstate Protection Emerging Businesses to expand our small business presence and enhance small business enrollment capabilities and technology. 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. The Allstate Benefits strategy for growth also 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. Allstate Benefits new business written premiums increased 6.0% and 5.0% in 2015 and 2014, respectively. Allstate Benefits also expanded into the Canadian market in 2015.

Our in force deferred and immediate annuity business has been adversely impacted by the 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 have initiated a mortality study for our structured settlement annuities with life contingencies, which is expected to be completed in 2016, to update our mortality assumptions concerning these trends. Allstate Financial focuses on the distinct risk and return profiles of the specific products outstanding when developing investment and liability management strategies. The level of legacy deferred annuities in force has been significantly reduced and the investment portfolio and annuity crediting rates are proactively managed to improve the profitability of the business while providing appropriate levels of liquidity. The investment portfolio supporting our immediate annuities is managed 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 asset or operating performance 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 continue to assess additional utilization of outsourcing arrangements for the administration of the business.

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 on annuities due to the continuing managed reduction in contractholder funds, the low interest rate environment and investment maturity profile shortening actions.
- Allstate Financial will continue to focus on improving long-term 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 asset or operating performance, including performance-based investments. While we anticipate higher returns on these investments over time, the investment income can vary significantly between periods.
- Allstate Financial has limitations on the amount of dividends Allstate Financial companies can pay without prior insurance department approval.
- Allstate Financial continues to review strategic options to reduce 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)	2015	2014	2013
Revenues			
Life and annuity premiums and contract charges	$ 2,158	$ 2,157	$ 2,352
Net investment income	1,884	2,131	2,538
Realized capital gains and losses	267	144	74
Total revenues	4,309	4,432	4,964
Costs and expenses			
Life and annuity contract benefits	(1,803)	(1,765)	(1,917)
Interest credited to contractholder funds	(761)	(919)	(1,278)
Amortization of DAC	(262)	(260)	(328)
Operating costs and expenses	(472)	(466)	(565)
Restructuring and related charges	—	(2)	(7)
Total costs and expenses	(3,298)	(3,412)	(4,095)
Gain (loss) on disposition of operations	3	(90)	(687)
Income tax expense	(351)	(299)	(87)
Net income applicable to common shareholders	$ 663	$ 631	$ 95
Life insurance	$ 248	$ 242	$ 15
Accident and health insurance	85	105	87
Annuities and institutional products	330	284	(7)
Net income applicable to common shareholders	$ 663	$ 631	$ 95
Allstate Life	$ 229	$ 232	$ 2
Allstate Benefits	104	115	100
Allstate Annuities	330	284	(7)
Net income applicable to common shareholders	$ 663	$ 631	$ 95
Investments as of December 31	$ 36,792	$ 38,809	$ 39,105
Investments classified as held for sale as of December 31	—	—	11,983

Net income applicable to common shareholders was $663 million in 2015 compared to $631 million in 2014. The increase primarily relates to higher net realized capital gains and the loss on disposition related to the LBL sale in 2014, partially offset by lower net investment income and the reduction in business due to the sale of LBL on April 1, 2014. Net income applicable to common shareholders in 2014 included an after-tax loss on disposition of LBL totaling $60 million. Excluding the loss on disposition as well as the net income of the LBL business for first quarter 2014 of $28 million, net income applicable to common shareholders in 2015 was comparable to 2014, primarily due to higher net realized capital gains, higher life and annuity premiums and contract charges, and lower interest credited to contractholder funds offsetting lower net investment income and higher life and annuity contract benefits.

Net income applicable 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 applicable 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 applicable 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.

Analysis of revenues Total revenues decreased 2.8% or $123 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $211 million, total revenues increased 2.1% or $88 million in 2015 compared to 2014, primarily 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 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.

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)	2015	2014	2013
Underwritten products			
Traditional life insurance premiums	$ 505	$ 476	$ 455
Accident and health insurance premiums	2	8	26
Interest-sensitive life insurance contract charges	716	781	991
Subtotal — Allstate Life	1,223	1,265	1,472
Traditional life insurance premiums	37	35	36
Accident and health insurance premiums	778	736	694
Interest-sensitive life insurance contract charges	106	98	95
Subtotal — Allstate Benefits	921	869	825
Total underwritten products	2,144	2,134	2,297
Annuities			
Immediate annuities with life contingencies premiums	—	4	37
Other fixed annuity contract charges	14	19	18
Total — Allstate Annuities	14	23	55
Life and annuity premiums and contract charges (1)	$ 2,158	$ 2,157	$ 2,352

(1) Contract charges related to the cost of insurance totaled $550 million, $593 million and $725 million in 2015, 2014 and 2013, respectively.

Total premiums and contract charges increased $1 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $85 million, premiums and contract charges increased $86 million in 2015 compared to 2014, primarily due to growth in Allstate Benefits accident and health insurance business as well as increased traditional life insurance renewal premiums. The growth at Allstate Benefits primarily relates to accident, critical illness and hospital indemnity products.

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.

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)	2015	2014	2013
Contractholder funds, beginning balance	$ 22,529	$ 24,304	$ 39,319
Contractholder funds classified as held for sale, beginning balance	—	10,945	—
Total contractholder funds, including those classified as held for sale	22,529	35,249	39,319
Deposits			
Interest-sensitive life insurance	1,004	1,059	1,378
Fixed annuities	199	274	1,062
Total deposits	1,203	1,333	2,440
Interest credited	760	919	1,295
Benefits, withdrawals, maturities and other adjustments			
Benefits	(1,077)	(1,197)	(1,535)
Surrenders and partial withdrawals	(1,278)	(2,273)	(3,299)
Maturities of and interest payments on institutional products	(1)	(2)	(1,799)
Contract charges	(818)	(881)	(1,112)
Net transfers from separate accounts	7	7	12
Other adjustments [1]	(30)	36	(72)
Total benefits, withdrawals, maturities and other adjustments	(3,197)	(4,310)	(7,805)
Contractholder funds sold in LBL disposition	—	(10,662)	—
Contractholder funds classified as held for sale, ending balance	—	—	(10,945)
Contractholder funds, ending balance	$ 21,295	$ 22,529	$ 24,304

[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 is reflected as a component of the other adjustments line.

Contractholder funds decreased 5.5% and 7.3% in 2015 and 2014, respectively, primarily due to the continued runoff of our deferred fixed annuity business that we stopped offering beginning January 1, 2014.

Contractholder deposits decreased 9.8% in 2015 compared to 2014, primarily due to lower additional deposits on fixed annuities and lower deposits on interest-sensitive life insurance due to the LBL sale. 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.

Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products decreased 43.8% to $1.28 billion in 2015 from $2.27 billion in 2014, primarily due to the continued runoff of our deferred annuity business and the LBL sale. Additionally, 2014 had elevated surrenders on fixed annuities resulting from a large number of contracts reaching the 30-45 day period (typically at their 5 or 6 year anniversary) during which there is no surrender charge. 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. 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 7.1% in 2015 compared to 9.9% in 2014 and 10.2% in 2013.

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, 2015.

Net investment income for the years ended December 31 are presented in the following table.

($ in millions)	2015	2014	2013
Fixed income securities	$ 1,296	$ 1,561	$ 1,986
Equity securities	29	22	13
Mortgage loans	213	248	352
Limited partnership interests	287	267	175
Short-term investments	3	2	1
Other	114	100	114
Investment income, before expense	1,942	2,200	2,641
Investment expense	(58)	(69)	(103)
Net investment income	$ 1,884	$ 2,131	$ 2,538
Allstate Life	$ 490	$ 519	$ 622
Allstate Benefits	71	72	72
Allstate Annuities	1,323	1,540	1,844
Net investment income	$ 1,884	$ 2,131	$ 2,538

Net investment income decreased 11.6% or $247 million to $1.88 billion in 2015 from $2.13 billion in 2014. Excluding $126 million related to the LBL business for first quarter 2014, net investment income decreased $121 million in 2015 compared to 2014, primarily due to lower average investment balances, fixed income portfolio yields, and prepayment fee income and litigation proceeds, partially offset by higher limited partnership income. In 2015 we shortened the maturity profile of the fixed income securities in Allstate Financial to make the portfolio less sensitive to rising interest rates. The approximately $2 billion of proceeds from the sale of longer duration fixed income securities were invested in shorter duration fixed income securities and public equity securities that are expected to contribute lower net investment income and portfolio yields. Over time, we will shift the majority of the proceeds to performance-based investments in which a greater proportion of return is derived from idiosyncratic asset or operating performance, to more appropriately match the long-term nature of our immediate annuity liabilities and improve long-term economic results. We anticipate higher long-term returns on these investments. While the dispositions generated net realized capital gains, investment income will be impacted by lower yields on the reinvested proceeds until repositioned to performance-based investments.

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.

The average pre-tax investment yields were 5.4% for 2015, 5.6% for 2014 and 5.1% for 2013.

Net realized capital gains and losses for the years ended December 31 are presented in the following table.

($ in millions)	2015	2014	2013
Impairment write-downs	$ (63)	$ (11)	$ (33)
Change in intent write-downs	(65)	(44)	(19)
Net other-than-temporary impairment losses recognized in earnings	(128)	(55)	(52)
Sales and other	385	185	112
Valuation and settlements of derivative instruments	10	14	14
Realized capital gains and losses, pre-tax	267	144	74
Income tax expense	(94)	(50)	(28)
Realized capital gains and losses, after-tax	$ 173	$ 94	$ 46
Allstate Life	$ 1	$ 4	$ (5)
Allstate Benefits	—	1	(1)
Allstate Annuities	172	89	52
Realized capital gains and losses, after-tax	$ 173	$ 94	$ 46

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 3.3% or $114 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $168 million, total costs and expenses increased $54 million in 2015 compared to 2014, primarily due to higher life and annuity contract benefits, partially offset by lower interest credited to contractholder funds. 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.

Life and annuity contract benefits increased 2.2% or $38 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $65 million, life and annuity contract benefits increased $103 million in 2015 compared to 2014, primarily due to unfavorable life insurance mortality experience and growth at Allstate Benefits. Our 2015 annual review of assumptions resulted in a $4 million increase in reserves primarily for secondary guarantees on interest-sensitive life insurance due to higher than anticipated retention on guaranteed interest-sensitive life business.

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.

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 $511 million, $521 million and $527 million in 2015, 2014 and 2013, respectively.

The benefit spread by product group for the years ended December 31 is disclosed in the following table.

($ in millions)	2015	2014	2013
Life insurance	$ 250	$ 287	$ 301
Accident and health insurance	(10)	(8)	(18)
Subtotal — Allstate Life	240	279	283
Life insurance	24	17	21
Accident and health insurance	396	397	356
Subtotal — Allstate Benefits	420	414	377
Allstate Annuities	(80)	(85)	(77)
Total benefit spread	$ 580	$ 608	$ 583

Benefit spread decreased 4.6% or $28 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $(1) million, benefit spread decreased $29 million in 2015 compared to 2014, primarily due to unfavorable life insurance mortality experience, partially offset by higher life insurance premiums.

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.

Interest credited to contractholder funds decreased 17.2% or $158 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $90 million, interest credited to contractholder funds decreased 8.2% or $68 million in 2015 compared to 2014, primarily due to lower average contractholder funds and lower interest crediting rates. 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. Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by $2 million in 2015 compared to $22 million in 2014 and $24 million in 2013.

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)	2015	2014	2013
Life insurance	$ 130	$ 93	$ 93
Accident and health insurance	5	8	14
Net investment income on investments supporting capital	76	110	113
Subtotal — Allstate Life	211	211	220
Life insurance	10	10	12
Accident and health insurance	11	11	11
Net investment income on investments supporting capital	14	15	14
Subtotal — Allstate Benefits	35	36	37
Annuities and institutional products	238	320	342
Net investment income on investments supporting capital	130	146	158
Subtotal — Allstate Annuities	368	466	500
Investment spread before valuation changes on embedded derivatives that are not hedged	614	713	757
Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged	(2)	(22)	(24)
Total investment spread	$ 612	$ 691	$ 733

Investment spread before valuation changes on embedded derivatives that are not hedged decreased 13.9% or $99 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $46 million, investment spread before valuation changes on embedded derivatives that are not hedged decreased $53 million in 2015 compared to 2014, primarily due to lower net investment income, partially offset by lower credited interest. 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.

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. Investment spreads may vary significantly between periods due to the variability in investment income, particularly for immediate fixed annuities where the investment portfolio includes limited partnerships.

	Weighted average investment yield			Weighted average interest crediting rate			Weighted average investment spreads		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Interest-sensitive life insurance	5.2%	5.3%	5.1%	3.9%	3.9%	3.8%	1.3%	1.4%	1.3%
Deferred fixed annuities and institutional products	4.3	4.5	4.5	2.8	2.9	2.9	1.5	1.6	1.6
Immediate fixed annuities with and without life contingencies	7.0	7.3	6.9	5.9	6.0	6.0	1.1	1.3	0.9
Investments supporting capital, traditional life and other products	4.0	4.4	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 for which an investment spread is generated.

($ in millions)	2015	2014	2013
Immediate fixed annuities with life contingencies	$ 8,714	$ 8,904	$ 8,928
Other life contingent contracts and other	3,533	3,476	3,458
Reserve for life-contingent contract benefits	$ 12,247	$ 12,380	$ 12,386
Interest-sensitive life insurance	$ 7,975	$ 7,880	$ 7,777
Deferred fixed annuities	9,748	10,860	12,524
Immediate fixed annuities without life contingencies	3,226	3,450	3,675
Institutional products	85	85	85
Other	261	254	243
Contractholder funds	$ 21,295	$ 22,529	$ 24,304
Liabilities held for sale	$ —	$ —	$ 12,839

The following table summarizes reserves and contractholder funds for Allstate Life, Allstate Benefits and Allstate Annuities as of December 31.

($ in millions)	2015	2014	2013
Allstate Life	$ 2,535	$ 2,481	$ 2,509
Allstate Benefits	897	874	855
Allstate Annuities	8,815	9,025	9,022
Reserve for life-contingent contract benefits	$ 12,247	$ 12,380	$ 12,386
Allstate Life	$ 7,226	$ 7,130	$ 7,016
Allstate Benefits	942	929	919
Allstate Annuities	13,127	14,470	16,369
Contractholder funds	$ 21,295	$ 22,529	$ 24,304

Amortization of DAC The components of amortization of DAC for the years ended December 31 are summarized in the following table.

($ in millions)	2015	2014	2013
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	$ 256	$ 263	$ 298
Amortization relating to realized capital gains and losses [(1)] and valuation changes on embedded derivatives that are not hedged	5	5	7
Amortization acceleration (deceleration) for changes in assumptions (“DAC unlocking”)	1	(8)	23
Total amortization of DAC	$ 262	$ 260	$ 328
Allstate Life	$ 133	$ 140	$ 223
Allstate Benefits	124	112	102
Allstate Annuities	5	8	3
Total amortization of DAC	$ 262	$ 260	$ 328

(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 increased 0.8% or $2 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $5 million, amortization of DAC increased $7 million in 2015 compared to 2014, primarily due to amortization acceleration for changes in assumptions in 2015 compared to amortization deceleration in 2014.

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.

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 2015, the review resulted in an acceleration of DAC amortization (charge to income) of $1 million related to interest-sensitive life insurance.

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 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.

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	
	2015	2014	2015	2014	2015	2014	2015	2014
Balance, beginning of year	$ 753	$ 711	$ 905	$ 991	$ 47	$ 45	$ 1,705	$ 1,747
Classified as held for sale, beginning balance	—	13	—	700	—	30	—	743
Total, including those classified as held for sale	753	724	905	1,691	47	75	1,705	2,490
Acquisition costs deferred	178	167	107	113	—	—	285	280
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)]	(139)	(125)	(111)	(130)	(6)	(8)	(256)	(263)
Amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged [(1)]	—	—	(6)	(8)	1	3	(5)	(5)
Amortization (acceleration) deceleration for changes in assumptions ("DAC unlocking") [(1)]	—	—	(1)	10	—	(2)	(1)	8
Effect of unrealized capital gains and losses [(2)]	—	—	99	(97)	5	(1)	104	(98)
Sold in LBL disposition	—	(13)	—	(674)	—	(20)	—	(707)
Ending balance	$ 792	$ 753	$ 993	$ 905	$ 47	$ 47	$ 1,832	$ 1,705

[(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 increased 1.3% or $6 million in 2015 compared to 2014. Excluding results of the LBL business for first quarter 2014 of $8 million, operating costs and expenses increased $14 million in 2015 compared to 2014. 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.

The following table summarizes operating costs and expenses for the years ended December 31.

($ in millions)	2015	2014	2013
Non-deferrable commissions	$ 95	$ 99	$ 103
General and administrative expenses	325	314	398
Taxes and licenses	52	53	64
Total operating costs and expenses	$ 472	$ 466	$ 565
Restructuring and related charges	$ —	$ 2	$ 7
Allstate Life	$ 212	$ 232	$ 282
Allstate Benefits	222	206	199
Allstate Annuities	38	28	84
Total operating costs and expenses	$ 472	$ 466	$ 565

General and administrative expenses increased 3.5% or $11 million in 2015 compared to 2014, primarily due to increased expenses at Allstate Benefits relating to employee costs, reinsurance expense allowances paid to LBL for business reinsured to Allstate Life Insurance Company ("ALIC") after the sale, and a guaranty fund accrual release in the prior year period, partially offset by lower technology costs.

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.

Income tax expense included $17 million related to our adoption of new accounting guidance for investments in qualified affordable housing projects in first quarter 2015.

Reinsurance ceded In the normal course of business, we seek to limit aggregate and single exposure to losses on large risks by purchasing reinsurance. 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, 2015 and 2014, 21% and 23%, 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 (1)	Reinsurance recoverable on paid and unpaid benefits	
		2015	2014
Prudential Insurance Company of America	AA-	$ 1,438	$ 1,461
RGA Reinsurance Company	AA-	268	262
Swiss Re Life and Health America, Inc.	AA-	153	160
Munich American Reassurance	AA-	103	98
Scottish Re Group	N/A	94	82
Mutual of Omaha Insurance	AA-	85	92
Transamerica Life Group	AA-	83	84
Manulife Insurance Company	AA-	56	57
Triton Insurance Company	N/A	51	53
American Health & Life Insurance Co.	N/A	43	22
Lincoln National Life Insurance	AA-	34	37
Security Life of Denver	A	31	84
General Re Life Corporation	AA+	23	26
SCOR Global Life	AA-	18	17
Paul Revere Life Insurance Company	A	2	116
Other (2)		57	56
Total		$ 2,539	$ 2,707

(1) N/A reflects no Standard & Poor's ("S&P") rating available.
(2) As of December 31, 2015 and 2014, the other category includes $47 million and $44 million, respectively, of recoverables due from reinsurers with an investment grade credit rating from S&P.

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, 2015.

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 2015 HIGHLIGHTS

- Investments totaled $77.76 billion as of December 31, 2015, decreasing from $81.11 billion as of December 31, 2014.
- Unrealized net capital gains totaled $1.03 billion as of December 31, 2015, decreasing from $3.17 billion as of December 31, 2014.
- Net investment income was $3.16 billion in 2015, a decrease of 8.8% from $3.46 billion in 2014.
- Net realized capital gains were $30 million in 2015 compared to $694 million in 2014.

INVESTMENTS

Overview and strategy The return on our investment portfolios is an important component of our financial results. Investment portfolios are held for the Property-Liability, Allstate Financial and Corporate and Other operations. While taking into consideration the investment portfolio in aggregate, the management of the underlying portfolios is significantly influenced by the nature of each respective business and its corresponding liability profile. For each operation, we identify a strategic asset allocation which considers both the nature of the liabilities and the risk and return characteristics of the various asset classes in which we invest. This allocation is informed by our long-term and market expectations, as well as other considerations such as risk appetite, portfolio diversification, duration, desired liquidity and capital. Within appropriate ranges relative to strategic allocations, tactical allocations are made in consideration of prevailing and potential future market conditions. We manage risks that involve uncertainty related to interest rates, credit spreads, equity returns and currency exchange rates.

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

The Allstate Financial portfolio is comprised of assets chosen to generate returns to support corresponding liabilities, within an asset-liability framework that targets an appropriate return on capital. For longer-term immediate annuity liabilities, we invest primarily in performance-based and other equity investments. For shorter-term annuity and life insurance liabilities, we invest primarily in interest-bearing investments, such as fixed income securities and commercial mortgage loans.

The Corporate and Other portfolio balances unique liquidity needs related to the overall corporate capital structure with the pursuit of returns.

Within each segment, we utilize four high level strategies to manage risks and returns and to position our portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. As strategies and market conditions evolve, the asset allocation may change or assets may move between strategies.

Market-Based Core strategy seeks to deliver predictive earnings aligned to business needs through investments primarily in public fixed income and equity. Private fixed income assets, such as commercial mortgages, bank loans and privately placed debt are also included in this category. As of December 31, 2015, 83% of the portfolio follows this strategy with 86% in fixed income securities and mortgage loans and 7% in equity securities, including $1 billion of equity securities that we may not hold for a period of time sufficient to recover unrealized losses.

Market-Based Active strategy seeks to outperform within the public markets through tactical positioning and by taking advantage of short-term opportunities. This strategy may generate results that meaningfully deviate from those achieved by market indices, both favorably and unfavorably. The portfolio primarily includes public fixed income and equity. As of December 31, 2015, 10% of the portfolio follows this strategy with 82% in fixed income securities and 9% in equity securities, including $728 million of equity securities that we may not hold for a period of time sufficient to recover unrealized losses.

Performance-Based Long-Term ("PBLT") strategy seeks to deliver attractive risk-adjusted returns over a longer horizon. The achieved return is a function of both general market conditions and the performance of the underlying assets or businesses. The portfolio, which primarily includes private equity, real estate, infrastructure, timber and agriculture-related assets, is diversified across a number of characteristics, including managers or partners, vintage years, strategies, geographies (including international) and industry sectors or property types. These investments are generally illiquid in nature, often require specialized expertise, typically involve a third party manager, and may offer the potential to add value through transformation at the company or property level. As of December 31, 2015, 7% of the portfolio follows this strategy with 89% in limited partnership interests.

Performance-Based Opportunistic strategy seeks to earn attractive returns by making investments that involve asset dislocations or special situations, often in private markets. The portfolio primarily includes distressed and event driven assets primarily in fixed income and equity.

Investments outlook

The FOMC raised the federal funds target rate in December 2015 for the first time since December 2008, and in January 2016, the FOMC left the rate unchanged. We anticipate that interest rates will continue to increase but remain below historic averages for an extended period of time and that financial markets will continue to have periods of high volatility and less liquidity. Invested assets and income are expected to decline in line with reductions in contractholder funds for the Allstate Financial segment. Additionally, investment income will decline as a result of maturity profile shortening in 2015 to reduce the risk of rising interest rates in Allstate Financial and as we continue to invest and reinvest investment proceeds at market yields that are below the current portfolio yield. We plan to focus on the following priorities:

- Expanding our capabilities in performance-based investing to increase portfolio returns and capital creation and taking advantage of increased market volatility through higher allocation to market-based active strategies.
- Continue to shift the portfolio mix to include more performance-based investments, primarily private equity, real estate, infrastructure, timber and agriculture-related assets. A greater proportion of the return on these investments is derived from idiosyncratic asset or operating performance. While we anticipate higher returns on these investments over time, the investment income can vary significantly between periods.
- Investing for the specific needs and characteristics of Allstate's businesses, including its corresponding liability profile.

Portfolio composition by reporting segment The composition of the investment portfolios by reporting segment as of December 31, 2015 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]	$ 29,732	77.3%	$ 26,038	70.8%	$ 2,178	87.6%	$ 57,948	74.5%
Equity securities [2]	3,480	9.0	1,599	4.4	3	0.1	5,082	6.5
Mortgage loans	296	0.8	4,042	11.0	—	—	4,338	5.6
Limited partnership interests [3]	2,575	6.7	2,295	6.2	4	0.2	4,874	6.3
Short-term investments [4]	959	2.5	861	2.3	302	12.1	2,122	2.7
Other	1,437	3.7	1,957	5.3	—	—	3,394	4.4
Total	$ 38,479	100.0%	$ 36,792	100.0%	$ 2,487	100.0%	$ 77,758	100.0%

[1] Fixed income securities are carried at fair value. Amortized cost basis for these securities was $29.89 billion, $25.15 billion, $2.16 billion and $57.20 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 $3.24 billion, $1.57 billion, $3 million and $4.81 billion for Property-Liability, Allstate Financial, Corporate and Other, and in Total, respectively.
[3] We have commitments to invest in additional limited partnership interests totaling $1.28 billion, $1.27 billion and $2.55 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 $959 million, $861 million, $302 million and $2.12 billion for Property-Liability, Allstate Financial, Corporate and Other, and in Total, respectively.
[5] Balances reflect the elimination of related party investments between segments.

Investments totaled $77.76 billion as of December 31, 2015, decreasing from $81.11 billion as of December 31, 2014, primarily due to common share repurchases, a decline in fixed income valuations resulting from widening credit spreads and an increase in risk-free interest rates, net reductions in contractholder funds, dividends paid to shareholders and a decline in equity valuations.

The Property-Liability investment portfolio totaled $38.48 billion as of December 31, 2015, decreasing from $39.08 billion as of December 31, 2014, primarily due to dividends paid by Allstate Insurance Company ("AIC") to The Allstate Corporation (the "Corporation") and a decline in fixed income and equity valuations, partially offset by positive operating cash flows.

The Allstate Financial investment portfolio totaled $36.79 billion as of December 31, 2015, decreasing from $38.81 billion as of December 31, 2014, primarily due to a decline in fixed income valuations, net reductions in contractholder funds and dividends paid by ALIC to AIC.

The Corporate and Other investment portfolio totaled $2.49 billion as of December 31, 2015, decreasing from $3.22 billion as of December 31, 2014, primarily due to common share repurchases and dividends paid to shareholders, partially offset by dividends paid by AIC to the Corporation.

Portfolio composition by investment strategy The following table presents the investment portfolio by strategy as of December 31, 2015.

($ in millions)	Total	Market-Based Core	Market-Based Active	Performance-Based Long-Term	Performance-Based Opportunistic
Fixed income securities	$ 57,948	$ 51,175	$ 6,691	$ 47	$ 35
Equity securities	5,082	4,210	764	77	31
Mortgage loans	4,338	4,338	—	—	—
Limited partnership interests	4,874	364	—	4,510	—
Short-term investments	2,122	1,631	491	—	—
Other	3,394	2,783	183	415	13
Total	$ 77,758	$ 64,501	$ 8,129	$ 5,049	$ 79
% of total		83%	10%	7%	—
Property-Liability	$ 38,479	$ 28,525	$ 7,137	$ 2,764	$ 53
% of Property-Liability		74%	19%	7%	—%
Allstate Financial	$ 36,792	$ 33,490	$ 992	$ 2,284	$ 26
% of Allstate Financial		91%	3%	6%	—%
Corporate & Other	$ 2,487	$ 2,486	$ —	$ 1	$ —
% of Corporate & Other		100%	—%	—%	—%

During 2015, 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 maturity profile of our fixed income securities established in 2013. In the Allstate Financial portfolio, we reduced the portfolio's maturity profile and invested proceeds from the sale of longer duration fixed income securities in shorter duration fixed income securities and public equity securities. These actions have reduced our exposure to rising interest rates. We continue increasing our performance-based 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, performance-based and other equity investments will continue to be allocated primarily to the longer-term immediate annuity liabilities to improve returns on those products. Shorter-term 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, 2015	Percent to total investments	Fair value as of December 31, 2014	Percent to total investments
U.S. government and agencies	$ 3,922	5.0%	$ 4,328	5.3%
Municipal	7,401	9.5	8,497	10.5
Corporate	41,827	53.8	42,144	52.0
Foreign government	1,033	1.4	1,645	2.0
ABS	2,327	3.0	3,978	4.9
RMBS	947	1.2	1,207	1.5
CMBS	466	0.6	615	0.8
Redeemable preferred stock	25	—	26	—
Total fixed income securities	$ 57,948	74.5%	$ 62,440	77.0%

As of December 31, 2015, 85.1% 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. Credit ratings below these designations are considered low credit quality or below investment grade, which includes high yield bonds. Fixed income securities are rated by third party credit rating agencies, the National Association of Insurance Commissioners ("NAIC"), and/or are internally rated. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third party rating. 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 investment grade and below investment grade classifications as of December 31, 2015.

($ 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	$ 3,922	$ 86	$ —	$ —	$ 3,922	$ 86
Municipal						
Tax exempt	4,829	90	45	(4)	4,874	86
Taxable	2,461	275	66	8	2,527	283
Corporate						
Public	25,631	285	4,771	(251)	30,402	34
Privately placed	8,673	253	2,752	(134)	11,425	119
Foreign government	1,027	50	6	—	1,033	50
ABS						
Collateralized debt obligations ("CDO")	709	(14)	68	(21)	777	(35)
Consumer and other asset-backed securities ("Consumer and other ABS")	1,530	2	20	1	1,550	3
RMBS						
U.S. government sponsored entities ("U.S. Agency")	199	7	—	—	199	7
Non-agency	68	1	680	82	748	83
CMBS	235	6	231	22	466	28
Redeemable preferred stock	25	3	—	—	25	3
Total fixed income securities	$ 49,309	$ 1,044	$ 8,639	$ (297)	$ 57,948	$ 747

Municipal bonds, including tax exempt and taxable securities, totaled $7.40 billion as of December 31, 2015 with an unrealized net capital gain of $369 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 $414 million of pre-refunded bonds, as of December 31, 2015.

($ in millions) State	State general obligation	Local general obligation	Revenue [1]	Fair value	Amortized cost	Average credit rating
Texas	$ 18	$ 337	$ 289	$ 644	$ 591	Aa
New York	10	108	419	537	519	Aa
California	74	185	180	439	394	Aa
Florida	87	36	273	396	380	Aa
Washington	223	2	165	390	376	Aa
Oregon	92	191	59	342	308	Aa
Michigan	153	8	116	277	269	Aa
Pennsylvania	65	48	130	243	237	Aa
Arizona	—	68	155	223	208	A
New Jersey	101	34	87	222	206	A
All others	790	686	1,798	3,274	3,150	Aa
Total	$ 1,613	$ 1,703	$ 3,671	$ 6,987	$ 6,638	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, 2015, 99.6% of our insured municipal bond portfolio is rated investment grade.

Corporate bonds, including publicly traded and privately placed, totaled $41.83 billion as of December 31, 2015, with an unrealized net capital gain of $153 million. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form.

Our $11.43 billion portfolio of privately placed securities is diversified by issuer, industry sector and country. The portfolio is made up of 459 issuers. Privately placed corporate obligations may contain structural security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. Additionally, investments in these securities are made after due diligence of the issuer, typically including 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.

Our corporate bonds portfolio includes $7.52 billion of below investment grade bonds, $2.75 billion of which are privately placed. These securities are diversified by issuer and industry sector. The below investment grade corporate bonds portfolio is made up of 291 issuers. We employ fundamental analyses of issuers and sectors along with macro and asset class views to identify investment opportunities. This results in a portfolio with broad exposure to the high yield market, yet with an emphasis on idiosyncratic positions reflective of our views of market conditions and opportunities.

Foreign government securities totaled $1.03 billion as of December 31, 2015, with 99.4% rated investment grade and an unrealized net capital gain of $50 million. Of these securities, 59.8% are in Canadian governmental and provincial securities (53.8% of which are held by our Canadian companies), 22.3% are backed by the U.S. government and the remaining 17.9% 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 may contain fixed interest rates, variable interest rates (such as adjustable rate mortgages), or both fixed and variable rate features.

ABS, including CDO and Consumer and other ABS, totaled $2.33 billion as of December 31, 2015, with 96.2% rated investment grade and an unrealized net capital loss of $32 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 $777 million as of December 31, 2015, with 91.2% rated investment grade and an unrealized net capital loss of $35 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 $1.55 billion as of December 31, 2015, with 98.7% rated investment grade. Consumer and other ABS consists of $819 million of consumer auto, $497 million of credit card and $234 million of other ABS with unrealized net capital losses of $3 million, unrealized net capital losses of $1 million and unrealized net capital gains of $7 million, respectively.

RMBS totaled $947 million as of December 31, 2015, with 28.2% rated investment grade and an unrealized net capital gain of $90 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 $748 million as of December 31, 2015, with 9.1% rated investment grade and an unrealized net capital gain of $83 million.

CMBS totaled $466 million as of December 31, 2015, with 50.4% rated investment grade and an unrealized net capital gain of $28 million. The CMBS portfolio is subject to credit risk and has a sequential paydown structure. Of the CMBS investments, 95.7% 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 privately placed, small balance 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 $5.08 billion as of December 31, 2015, with an unrealized net capital gain of $276 million. As of December 31, 2015, equity securities that we may not hold for a period of time sufficient to recover unrealized losses totaled $1.7 billion, which is discussed further in the realized capital gains and losses section.

Mortgage loans, which are primarily held in the Allstate Financial portfolio, totaled $4.34 billion as of December 31, 2015 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 include interests in private equity funds and co-investments, real estate funds and joint ventures, and other funds. The following table presents carrying value and other information about our limited partnership interests as of December 31, 2015.

($ in millions)	Private equity	Real estate	Other	Total
Cost method of accounting ("Cost")	$ 982	$ 172	$ —	$ 1,154
Equity method of accounting ("EMA")	2,362	994	364	3,720
Total	$ 3,344	$ 1,166	$ 364	$ 4,874
Number of managers	108	37	12	157
Number of individual investments	199	80	17	296
Largest exposure to single investment	$ 147	$ 81	$ 206	$ 206

Short-term investments totaled $2.12 billion as of December 31, 2015.

Other investments primarily comprise $1.57 billion of bank loans, $905 million of policy loans, $422 million of agent loans (loans issued to exclusive Allstate agents) and $53 million of derivatives as of December 31, 2015. For further detail on our use of derivatives, see Note 7 of the consolidated financial statements.

Unrealized net capital gains totaled $1.03 billion as of December 31, 2015 compared to $3.17 billion as of December 31, 2014. The decrease for fixed income securities was primarily due to wider credit spreads, an increase in risk-free interest rates and the realization of unrealized net capital gains through sales. The decrease for equity securities was primarily due to negative equity market performance and the realization of unrealized net capital gains through sales, partially offset by the realization of unrealized net capital losses through write-downs.

The following table presents unrealized net capital gains and losses as of December 31.

($ in millions)	2015	2014
U.S. government and agencies	$ 86	$ 136
Municipal	369	620
Corporate	153	1,758
Foreign government	50	102
ABS	(32)	7
RMBS	90	99
CMBS	28	42
Redeemable preferred stock	3	4
Fixed income securities	747	2,768
Equity securities	276	412
Derivatives	6	(2)
EMA limited partnerships	(4)	(5)
Unrealized net capital gains and losses, pre-tax	$ 1,025	$ 3,173

We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security that may be other-than-temporarily impaired. The 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 we 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 our 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. All investments in an unrealized loss position as of December 31, 2015 were included in our portfolio monitoring process for determining whether declines in value were other than temporary.

The unrealized net capital gain for the fixed income portfolio totaled $747 million, comprised of $1.71 billion of gross unrealized gains and $960 million of gross unrealized losses as of December 31, 2015. This is compared to an unrealized net capital gain for the fixed income portfolio totaling $2.77 billion, comprised of $3.08 billion of gross unrealized gains and $314 million of gross unrealized losses as of December 31, 2014.

Gross unrealized gains and losses on fixed income securities by type and sector as of December 31, 2015 are provided in the following table.

($ in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Corporate:				
Energy	$ 4,549	$ 52	$ (345)	$ 4,256
Consumer goods (cyclical and non-cyclical)	12,103	210	(119)	12,194
Basic industry	1,880	28	(103)	1,805
Utilities	4,605	323	(64)	4,864
Technology	3,040	37	(57)	3,020
Communications	3,132	64	(57)	3,139
Capital goods	4,023	112	(46)	4,089
Banking	3,462	39	(42)	3,459
Transportation	1,677	73	(27)	1,723
Financial services	2,673	63	(16)	2,720
Other	530	31	(3)	558
Total corporate fixed income portfolio	41,674	1,032	(879)	41,827
U.S. government and agencies	3,836	90	(4)	3,922
Municipal	7,032	389	(20)	7,401
Foreign government	983	50	—	1,033
ABS	2,359	11	(43)	2,327
RMBS	857	100	(10)	947
CMBS	438	32	(4)	466
Redeemable preferred stock	22	3	—	25
Total fixed income securities	$ 57,201	$ 1,707	$ (960)	$ 57,948

The consumer goods, utilities, energy and capital goods sectors comprise 29%, 12%, 10% and 10%, respectively, of the carrying value of our corporate fixed income securities portfolio as of December 31, 2015. The energy, consumer goods, basic industry and utilities sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of December 31, 2015. In general, the gross unrealized losses are related to widening credit spreads or increasing risk-free interest rates since the time of initial purchase.

Global oil prices have declined significantly since September 30, 2014 and natural gas and other commodity values have also declined significantly in 2015. Among commodity exposed companies, those in the metal and mining sectors have experienced the largest decline in values of their debt. In the fixed income and equity securities tables above and below, oil and natural gas exposure is reflected within the energy sector and metals and mining exposure is reflected within the basic industry sector. Within these sectors, we continue to monitor the impact to our investment portfolio for those companies that may be adversely affected, both directly and indirectly. If oil, natural gas and commodity prices remain at depressed levels for an extended period or decline further, certain issuers and investments may come under duress and may result in an increase in other-than-temporary impairments.

Corporate fixed income and equity securities with gross unrealized losses that have direct exposure to the energy sector, have an aggregate carrying value of $3.15 billion and gross unrealized losses of $377 million as of December 31, 2015. 83% of the corporate fixed income securities with direct exposure to the energy sector were investment grade as of December 31, 2015. Of the remaining below investment grade fixed income securities with gross unrealized losses that have a direct exposure to the energy sector, $35 million had been in an unrealized loss position for twelve or more consecutive months as of December 31, 2015. Additionally, private equity limited partnership interests with exposure to energy totaled approximately $350 million as of December 31, 2015.

Corporate fixed income and equity securities with gross unrealized losses that have direct exposure to the metals and mining sectors, have an aggregate carrying value of $468 million and gross unrealized losses of $81 million as of December 31, 2015. Approximately 55% of the $437 million of corporate fixed income securities with direct exposure to the metals and mining sectors were investment grade as of December 31, 2015.

The following table summarizes the fair value and gross unrealized losses of fixed income securities by type and investment grade classification as of December 31, 2015.

($ in millions)	Investment grade		Below investment grade		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. government and agencies	$ 1,874	$ (4)	$ —	$ —	$ 1,874	$ (4)
Municipal	802	(6)	44	(14)	846	(20)
Corporate:						
Energy	2,320	(188)	676	(157)	2,996	(345)
Consumer goods (cyclical and non-cyclical)	4,028	(43)	1,657	(76)	5,685	(119)
Basic industry	768	(47)	347	(56)	1,115	(103)
Utilities	1,004	(30)	257	(34)	1,261	(64)
Technology	989	(23)	500	(34)	1,489	(57)
Communications	702	(11)	859	(46)	1,561	(57)
Capital goods	1,065	(26)	562	(20)	1,627	(46)
Banking	1,528	(34)	43	(8)	1,571	(42)
Transportation	520	(22)	71	(5)	591	(27)
Financial services	735	(7)	265	(9)	1,000	(16)
Other	43	(3)	—	—	43	(3)
Total corporate fixed income portfolio	13,702	(434)	5,237	(445)	18,939	(879)
Foreign government	42	—	2	—	44	—
ABS	1,984	(22)	73	(21)	2,057	(43)
RMBS	72	(1)	122	(9)	194	(10)
CMBS	17	—	60	(4)	77	(4)
Total fixed income securities	$ 18,493	$ (467)	$ 5,538	$ (493)	$ 24,031	$ (960)

The following table summarizes the fair value and gross unrealized losses for below investment grade corporate fixed income securities by sector and credit rating as of December 31, 2015.

($ in millions)	Less than 12 months							
	Ba		B		Caa or lower		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate:								
Energy	$ 426	$ (72)	$ 148	$ (49)	$ 3	$ (1)	$ 577	$ (122)
Consumer goods (cyclical and non-cyclical)	793	(25)	749	(29)	25	(6)	1,567	(60)
Basic industry	277	(46)	35	(1)	14	(2)	326	(49)
Utilities	95	(10)	123	(18)	17	(1)	235	(29)
Technology	273	(11)	131	(5)	21	(4)	425	(20)
Communications	467	(21)	344	(17)	28	(3)	839	(41)
Capital goods	325	(5)	202	(10)	22	(2)	549	(17)
Banking	5	—	—	—	—	—	5	—
Transportation	21	(1)	50	(4)	—	—	71	(5)
Financial services	240	(6)	10	—	11	(2)	261	(8)
Subtotal	$ 2,922	$ (197)	$ 1,792	$ (133)	$ 141	$ (21)	$ 4,855	$ (351)

($ in millions)	12 months or more							
	Ba		B		Caa or lower		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Corporate:								
Energy	$ 90	$ (24)	$ 9	$ (11)	$ —	$ —	$ 99	$ (35)
Consumer goods (cyclical and non-cyclical)	16	(3)	65	(9)	9	(4)	90	(16)
Basic industry	21	(7)	—	—	—	—	21	(7)
Utilities	8	(2)	1	(1)	13	(2)	22	(5)
Technology	13	(5)	59	(8)	3	(1)	75	(14)
Communications	6	(1)	14	(4)	—	—	20	(5)
Capital goods	—	—	11	(3)	2	—	13	(3)
Banking	38	(8)	—	—	—	—	38	(8)
Financial services	4	(1)	—	—	—	—	4	(1)
Subtotal	$ 196	$ (51)	$ 159	$ (36)	$ 27	$ (7)	$ 382	$ (94)
Total	$ 3,118	$ (248)	$ 1,951	$ (169)	$ 168	$ (28)	$ 5,237	$ (445)

Unrealized losses on below investment grade corporate fixed income securities are primarily related to widening credit spreads or increasing risk-free interest rates since the time of initial purchase. Of the unrealized losses on below investment grade corporate fixed income securities, 21.1% relate to securities that had been in an unrealized loss position for a period of twelve or more consecutive months as of December 31, 2015. Unrealized losses were concentrated in the energy, consumer goods and basic industry sectors.

The unrealized net capital gain for the equity portfolio totaled $276 million, comprised of $415 million of gross unrealized gains and $139 million of gross unrealized losses as of December 31, 2015. This is compared to an unrealized net capital gain for the equity portfolio totaling $412 million, comprised of $467 million of gross unrealized gains and $55 million of gross unrealized losses as of December 31, 2014.

Gross unrealized gains and losses on equity securities by sector as of December 31, 2015 are provided in the table below.

($ in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
Energy	$ 255	$ 12	$ (32)	$ 235
Consumer goods (cyclical and non-cyclical)	1,319	131	(22)	1,428
Banking	352	35	(17)	370
Financial services	822	53	(13)	862
Capital goods	415	25	(13)	427
Basic industry	160	9	(10)	159
Technology	500	58	(10)	548
Communications	259	15	(9)	265
Transportation	74	9	(5)	78
Utilities	114	4	(3)	115
Index-based funds	393	56	(3)	446
Real estate	121	7	(2)	126
Emerging market equity funds	22	1	—	23
Total equity securities	$ 4,806	$ 415	$ (139)	$ 5,082

Within the equity portfolio, the unrealized losses were primarily concentrated in the energy, consumer goods and banking sectors. The unrealized losses were company and sector specific.

As of December 31, 2015, we have not made the decision to sell and it is not more likely than not we will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis. As of December 31, 2015, we have the intent and ability to hold equity securities with unrealized losses for a period of time sufficient for them to recover.

Net investment income The following table presents net investment income for the years ended December 31.

($ in millions)	2015	2014	2013
Fixed income securities	$ 2,218	$2,447	$ 2,921
Equity securities	110	117	149
Mortgage loans	228	265	372
Limited partnership interests	549	614	541
Short-term investments	9	7	5
Other	192	170	161
Investment income, before expense	3,306	3,620	4,149
Investment expense	(150)	(161)	(206)
Net investment income	$ 3,156	$ 3,459	$ 3,943

Net investment income decreased 8.8% or $303 million in 2015 compared to 2014, after decreasing 12.3% or $484 million in 2014 compared to 2013. The 2015 decrease was primarily due to lower average investment balances including the sale of LBL on April 1, 2014, lower limited partnership income, lower yields due to maturity profile shortening in the Allstate Financial portfolio, and lower prepayment fee income and litigation proceeds, partially offset by an increased allocation to high yield investments and lower investment expenses. Net investment income in 2015 includes $65 million related to prepayment fee income and litigation proceeds compared to $114 million in 2014. These items may vary significantly from period to period and may not recur. 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.

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)	2015	2014	2013
Impairment write-downs	$ (195)	$ (32)	$ (72)
Change in intent write-downs	(221)	(213)	(143)
Net other-than-temporary impairment losses recognized in earnings	(416)	(245)	(215)
Sales and other	470	975	819
Valuation and settlements of derivative instruments	(24)	(36)	(10)
Realized capital gains and losses, pre-tax	30	694	594
Income tax expense	(11)	(243)	(209)
Realized capital gains and losses, after-tax	$ 19	$ 451	$ 385

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)	2015	2014	2013
Fixed income securities	$ (75)	$ (24)	$ (49)
Equity securities	(59)	(6)	(12)
Mortgage loans	4	5	11
Limited partnership interests	(51)	(7)	(18)
Other investments	(14)	—	(4)
Impairment write-downs	$ (195)	$ (32)	$ (72)

Impairment write-downs on fixed income securities in 2015 were primarily driven by corporate fixed income securities impacted by issuer specific circumstances including exposure to oil and natural gas, defaulted special assessment municipal bonds, and collateralized loan obligations that experienced deterioration in expected cash flows. 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. Limited partnership write-downs primarily related to two investments that have been impacted by the decline in natural gas prices. Impairment write-downs in the above table include $97 million and $18 million of investments with exposure to the energy sector and metals and mining exposure in the basic industry sector, respectively.

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.

Change in intent write-downs totaled $221 million, $213 million and $143 million in 2015, 2014 and 2013, respectively. The change in intent write-downs in 2015 reflect market volatility and our preference to maintain flexibility to reposition the portfolio, as well as a higher allocation to our market-based active strategy. Change in intent losses are primarily related to equity securities that we may not hold for a period of time sufficient to recover unrealized losses. As of December 31, 2015, these holdings totaled $1.7 billion and we recognized change in intent write-downs of $215 million in 2015. Unrealized gains reflect certain of our previously written-down equity securities which recovered in value. 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. As of December 31, 2015, these holdings totaled $47 million and we recognized change in intent write-downs of $6 million in 2015.

Sales and other generated $470 million, $975 million and $819 million of net realized capital gains in 2015, 2014 and 2013, respectively. Sales and other in 2015 included sales of longer duration fixed income securities in connection with the maturity profile shortening in Allstate Financial and equity securities in connection with ongoing portfolio management, as well as losses from valuation changes in public securities held in certain limited partnerships. Sales and other in 2014 primarily related to equity and fixed income securities in connection with ongoing portfolio management. Sales and other 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.

Valuation and settlements of derivative instruments generated net realized capital losses of $24 million, $36 million and $10 million in 2015, 2014, and 2013, respectively. The net realized capital losses in 2015 primarily comprised losses on foreign currency contracts due to the weakening of the Canadian Dollar. 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.

Performance-based long-term investments primarily include private equity, real estate, infrastructure, timber and agriculture-related assets and are materially reflected through our limited partnership investments.

The following table presents investment income and realized capital gains and losses for PBLT investments for the years ended December 31.

($ in millions)	Investment income		Realized capital gains and losses	
	2015	2014	2015	2014
Limited partnerships				
Private equity	$ 402	$ 391	$ (46)	$ (40)
Real estate	158	211	(4)	53
Timber and agriculture-related	(1)	—	—	—
PBLT - limited partnerships [(1)]	559	602	(50)	13
Other				
Private equity	1	—	6	—
Real estate	22	14	(3)	7
Timber and agriculture-related	7	9	1	—
PBLT - other	30	23	4	7
Total				
Private equity	403	391	(40)	(40)
Real estate	180	225	(7)	60
Timber and agriculture-related	6	9	1	—
Total PBLT	$ 589	$ 625	$ (46)	$ 20
Asset level operating expenses [(2)]	$ (19)	$ (14)		

(1) Other limited partnership interests are located in the market-based core investing strategy and are not included in the performance-based long-term table above. Investment income was $(10) million and $12 million and realized capital gains and losses were $(43) million and zero in 2015 and 2014, respectively, for these limited partnership interests.

(2) Asset level operating expenses are netted against income for directly held real estate, timber and other consolidated investments for purposes of the pre-tax yield calculations.

PBLT investments produced investment income of $589 million in 2015 compared to $625 million in 2014. The decrease primarily related to lower income on real estate investments due to modest returns compared to significant returns in 2014. Partially offsetting the decrease was higher income on private equity investments due to net returns from the diversified portfolio along with strong distributions as acquirer access to financing and an active global merger and acquisition market facilitated the sales of underlying investments, which more than offset a decline in valuations of investments with exposure to the energy sector.

Realized capital losses on PBLT investments in 2015 were $46 million compared to realized capital gains of $20 million in 2014. Included in 2015 were impairment write-downs primarily related to two energy related investments that have been impacted by a decline in natural gas prices.

Economic conditions and equity market performance are reflected in PBLT investment results and we continue to expect this income to vary significantly between periods.

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, 2015, the difference between our asset and liability duration was a (1.25) gap compared to a (1.26) gap as of December 31, 2014. 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, 2015, 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, 2015, 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 $963 million, compared to an increase of $991 million as of December 31, 2014, reflecting year to year changes in duration and the amount of assets and liabilities. 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 $9.86 billion of assets supporting them and the associated liabilities. The $9.86 billion of assets excluded from the calculation decreased from $9.91 billion as of December 31, 2014. 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 $558 million compared to a decrease of $583 million as of December 31, 2014.

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, 2015, the spread duration of Property-Liability assets was 3.38, compared to 3.24 as of December 31, 2014, and the spread duration of Allstate Financial assets was 4.91, compared to 5.81 as of December 31, 2014. Based upon the information and assumptions we use in this spread duration calculation, and spreads in effect as of December 31, 2015, 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 $2.52 billion compared to $2.91 billion as of December 31, 2014. 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, 2015, we held $4.98 billion in common stocks and exchange traded and mutual funds and $4.98 billion in other securities with equity risk (including primarily limited partnership interests and non-redeemable preferred securities), compared to $3.99 billion and $4.64 billion, respectively, as of December 31, 2014. 68.3% of the common stocks and exchange traded and mutual funds and 53.4% of the other securities with equity risk are in Property-Liability as of December 31, 2015, compared to 74.8% and 55.8%, respectively, as of December 31, 2014.

As of December 31, 2015, our portfolio of common stocks and other securities with equity risk had a cash market portfolio beta of 1.17, compared to a beta of 1.21 as of December 31, 2014. 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 11.7%, respectively. Based upon the information and assumptions we used to calculate beta as of December 31, 2015, we estimate that an immediate increase or decrease in the S&P 500 of 10% would increase or decrease the net fair value of our equity investments by $1.17 billion, compared to $1.05 billion as of December 31, 2014. The selection of a 10% immediate increase or decrease 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, 2015 and 2014, we had separate account assets related to variable annuity and variable life contracts with account values totaling $3.66 billion and $4.40 billion, respectively. 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 2015 and 2014 were $40 million and $47 million, respectively. Separate account liabilities related to variable life contracts were $69 million and $77 million as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014 we had $1.42 billion and $1.49 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.

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, limited partnership interests, 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 87% of this foreign currency risk.

As of December 31, 2015, we had $1.97 billion in foreign currency denominated equity investments, $780 million net investment in our foreign subsidiaries, primarily related to our Canadian operations, and $17 million in unhedged non-dollar fixed income securities. These amounts were $1.35 billion, $843 million, and $283 million respectively, as of December 31, 2014. 71% of the foreign currency exposure is in the Property-Liability business.

Based upon the information and assumptions used as of December 31, 2015, 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 $278 million, compared with an estimated $235 million decrease as of December 31, 2014. 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 AND OTHER POSTRETIREMENT 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. 92% 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, 2015, unrecognized pension and other postretirement benefit cost totaled $1.32 billion comprising $1.52 billion of unrecognized costs related to pension benefits and a $209 million gain related to other postretirement benefits. The unrecognized pension and other postretirement benefit cost decreased by $48 million as of December 31, 2015 from $1.36 billion as of December 31, 2014. 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 reduction in the unrecognized pension and other postretirement benefit cost is primarily related to actuarial assumptions and census data updates, including increases in the discount rate assumptions, partially offset by lump sum payments at discount rates lower than actuarial assumptions and asset returns that were less than expected.

The components of net periodic pension cost for all pension plans for the years ended December 31 are as follows:

($ in millions)	2015	2014	2013
Service cost	$ 114	$ 96	$ 140
Interest cost	258	262	265
Expected return on plan assets	(424)	(398)	(394)
Amortization of:			
Prior service credit	(56)	(58)	(28)
Net actuarial loss	190	127	235
Settlement loss	31	54	277
Net periodic cost	$ 113	$ 83	$ 495

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 $139 million as of December 31, 2015. 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 excluding 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 10 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.

An increase in the discount rate decreased the net actuarial loss by $465 million in 2015, a decrease in the discount rate increased the net actuarial loss by $576 million in 2014, and an increase in the discount rate decreased the net actuarial loss by $593 million in 2013. The difference between actual and expected returns on plan assets increased the net actuarial loss by $466 million in 2015 and decreased the loss by $144 million and $172 million in 2014, and 2013, 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 2015 were higher than 2014, in the primary employee plan, but did not exceed the settlement charge threshold. 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 2016 is estimated to be $150 million including expected settlement charges of $31 million primarily for agent lump sum payments. Expected returns on plan assets and amortization of prior service credits partially offset the other components of pension cost. The increase is primarily due to higher interest costs as a result of increases in discount rates. 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 increased in 2015 to $113 million compared to $83 million in 2014 due to higher amortization of net actuarial loss offset by a higher expected return on assets. 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 settlement charges from fewer lump sum payments. In 2015, 2014 and 2013, 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 2016, there may be an increase in employees electing retirement, which could trigger settlement charges in 2016.

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 2016 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 10 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 $33 million, pre-tax, in net periodic pension cost and a $426 million after-tax, increase in the unrecognized pension cost liability recorded as accumulated other comprehensive income as of December 31, 2015, compared to 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 as of December 31, 2014. A hypothetical increase of 100 basis points in the discount rate would decrease net periodic pension cost by $30 million, pre-tax, and would decrease the unrecognized pension cost liability recorded as accumulated other comprehensive income by $360 million, after-tax, as of December 31, 2015, compared to a decrease in net periodic pension cost of $29 million, pre-tax, and a $377 million, after-tax, decrease in the unrecognized pension cost liability recorded as accumulated other comprehensive income as of December 31, 2014. 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 $54 million in pension cost as of December 31, 2015, compared to $57 million as of December 31, 2014. 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 $54 million as of December 31, 2015, compared to $57 million as of December 31, 2014.

The primary qualified plans have unrealized net gains as of December 31, 2015 of $219 million, a decrease of $291 million from the prior year. $283 million of unrealized gains are related to equity securities as of December 31, 2015 compared to $413 million as of December 31, 2014. During 2015, the two primary qualified plans realized capital gains of $138 million. Given the Plan's exposure to an increase in interest rates, the plans continue to maintain a shortened duration 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, 2015. In 2015, we contributed $125 million to our pension plans. We expect to contribute $129 million for the 2016 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 IRC 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, 2015 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 2015, we completed our annual goodwill impairment test using information as of September 30, 2015. 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, 2015 and no reporting unit was at risk of having its carrying value including goodwill exceed its fair value.

CAPITAL RESOURCES AND LIQUIDITY 2015 HIGHLIGHTS

- Shareholders' equity as of December 31, 2015 was $20.03 billion, a decrease of 10.2% from $22.30 billion as of December 31, 2014.
- On January 2, 2015, April 1, 2015, July 1, 2015 and October 1, 2015, we paid common shareholder dividends of $0.28, $0.30, $0.30 and $0.30, respectively. On November 19, 2015, we declared a common shareholder dividend of $0.30 payable on January 4, 2016. On February 12, 2016, we declared a common shareholder dividend of $0.33 payable on April 1, 2016.
- In 2015, we returned $3.3 billion to shareholders through a combination of common stock dividends and repurchasing 10.2% of our beginning-of-year-outstanding shares. As of December 31, 2015, there was $532 million remaining on the $3 billion common share repurchase program.

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)	2015	2014	2013
Preferred stock, common stock, treasury stock, retained income and other shareholders' equity items	$ 20,780	$ 21,743	$ 20,434
Accumulated other comprehensive (loss) income	(755)	561	1,046
Total shareholders' equity	20,025	22,304	21,480
Debt [1]	5,124	5,140	6,141
Total capital resources	$ 25,149	$ 27,444	$ 27,621
Ratio of debt to shareholders' equity	25.6%	23.0%	28.6%
Ratio of debt to capital resources	20.4%	18.7%	22.2%

[1] Due to the adoption of new accounting guidance related to the presentation of debt issuance costs, long-term debt is reported net of debt issuance costs. All prior periods have been adjusted.

Shareholders' equity decreased in 2015, primarily due to common share repurchases, decreased unrealized net capital gains on investments and dividends paid to shareholders, partially offset by net income. In 2015, we paid dividends of $483 million and $116 million related to our common and preferred shares, respectively. 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.

Debt In May 2015, Federal Home Loan Bank advances of $8 million were repaid. In August 2015, we repurchased principal amounts of $11 million of Junior Subordinated Debentures. We have no debt maturities until 2018. As of December 31, 2015 and 2014, 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, 2015, capital resources includes $1.75 billion or 7.0% of preferred stock and $2.04 billion or 8.1% of subordinated debt, a total of 15.1% compared to 13.8% as of December 31, 2014 and 10.2% as of December 31, 2013. These resources increase our strategic flexibility by decreasing our debt to shareholders' equity ratio, which is one determinant of borrowing capacity.

Common share repurchases In March 2015, we commenced a $3 billion common share repurchase program that is expected to be completed by July 2016. As of December 31, 2015, there was $532 million remaining on the common share repurchase program. In February 2015, we completed a $2.5 billion common share repurchase program that commenced in February 2014. During 2015, we repurchased 42.8 million common shares for $2.80 billion in the market.

Since 1995, we have acquired 645 million shares of our common stock at a cost of $28.23 billion, primarily as part of various stock repurchase programs. We have reissued 127 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 518 million shares or 57.6%, 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, 2015.

	Moody's	Standard & Poor's	A.M. Best
The Allstate Corporation (debt)	A3	A-	a-
The Allstate Corporation (short-term issuer)	P-2	A-1	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. The preferred stock and subordinated debentures are viewed as having a common equity component by certain rating agencies and are given equity credit up to a pre-determined limit in our capital structure as determined by their respective methodologies. These respective methodologies consider the existence of certain terms and features in the instruments such as the noncumulative dividend feature in the preferred stock.

In February 2015, A.M. Best affirmed The Allstate Corporation's debt and short-term issuer ratings of a- and AMB-1, respectively, and the insurance financial strength ratings of A+ for AIC and ALIC. The outlook for the ratings remained stable. In June 2015, Moody's affirmed The Allstate Corporation's debt and short-term issuer ratings of A3 and P-2, respectively, and the insurance financial strength ratings of Aa3 for AIC and A1 for ALIC. The outlook for the ratings remained stable. In July 2015, S&P affirmed The Allstate Corporation's debt and short-term issuer ratings of A- and A-1, respectively, and the insurance financial strength ratings of AA- for AIC and A+ for ALIC. The outlook for the ratings remained stable.

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 2015, 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 October 2015. In July 2015, 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 was revised to stable from negative. Castle Key Insurance Company also has a Financial Stability Rating® of A' from Demotech, which was affirmed in October 2015.

Beginning in 2015, Allstate Financial uses a separately capitalized subsidiary, Allstate Assurance Company ("AAC"), to write certain life insurance business sold by Allstate exclusive agencies and exclusive financial specialists. As AAC launched its products throughout the nation, LBL ceased writing that type of new business for Allstate Financial. LBL life business sold through the Allstate agency channel and all LBL payout annuity business continues to be reinsured and serviced by ALIC. AAC has a financial strength rating of A from A.M. Best and A1 by Moody's as of December 31, 2015.

ALIC, AIC, AAC 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, AAC serves only as a 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. Property-Liability is comprised of 29 companies, each of which has individual company dividend limitations. As of December 31, 2015, total statutory surplus is $16.49 billion compared to $17.32 billion as of December 31, 2014. Property-Liability surplus was $13.33 billion as of December 31, 2015, compared to $14.41 billion as of December 31, 2014. Allstate Financial surplus was $3.16 billion as of December 31, 2015, compared to $2.91 billion as of December 31, 2014. In 2015, we initiated a mortality study for our structured settlement annuities with life contingencies, which is expected to be completed in 2016. The study thus far indicates that annuitants may be living longer and receiving benefits for a longer period than originally estimated. The preliminary results of the study were incorporated in the statutory reserving process and led to a $244 million increase in statutory reserves as of December 31, 2015. This decreased Allstate Financial's surplus by approximately $175 million, after-tax.

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 typically within the usual range. AIC's combined premium to surplus ratio was 1.9x as of December 31, 2015 compared to 1.7x as of December 31, 2014.

The 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.

As of December 31, 2015, we held $7.56 billion of cash, U.S. government and agencies fixed income securities, and public equity securities (excluding non-redeemable preferred stocks and foreign equities) which, under normal market conditions, we would expect to be able to liquidate within one week. In addition, we regularly estimate how much of the total portfolio, which includes high quality corporate fixed income and municipal holdings, can be reasonably liquidated within one quarter. These estimates are subject to considerable uncertainty associated with evolving market conditions. As of December 31, 2015, estimated liquidity available within one quarter without generating significant net realized capital losses was $20.91 billion. As of December 31, 2015, gross unrealized losses related to fixed income and equity securities totaled $1.10 billion.

Parent company capital capacity At the parent holding company level, we have deployable assets totaling $2.62 billion as of December 31, 2015 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 2016, AIC will have the capacity to pay dividends currently estimated at $1.71 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 2015, AIC paid dividends totaling $2.31 billion to its parent, Allstate Insurance Holdings, LLC ("AIH"), which then paid $2.30 billion of dividends to the Corporation. In 2014, AIC paid dividends totaling $2.47 billion to its parent, AIH, which 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 return of capital 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 which then paid the same amount of dividends to the Corporation. In 2015, 2014 and 2013, ALIC paid $103 million, $700 million and $700 million, respectively, of returns of capital, repayments of surplus notes and dividends to AIC. In 2015, 2014 and 2013, American Heritage Life Insurance Company paid dividends totaling $80 million, $106 million and $74 million, respectively, to Allstate Financial Insurance Holdings Corporation, which then paid zero, $42 million and $40 million, respectively, of dividends to the Corporation. There were no capital contributions paid by the Corporation to AIC in 2015, 2014 and 2013. There were no capital contributions by AIC to ALIC in 2015, 2014 or 2013.

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, 2015, 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 2015, we did not defer interest payments on the subordinated debentures.

Additional borrowings to support liquidity are as follows:

- The Corporation has access to a commercial paper facility with a borrowing limit of $1.00 billion to cover short-term cash needs. As of December 31, 2015, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance can fluctuate daily.
- The Corporation, AIC and ALIC have access to a $1.00 billion unsecured revolving credit facility that is available for short-term liquidity requirements. In April 2015, we extended the maturity date of this facility to April 2020. The facility is fully subscribed among 11 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 12.0% as of December 31, 2015. 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 2015.
- The Corporation has access to a universal shelf registration statement that was filed with the Securities and Exchange Commission on April 30, 2015. We can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 519 million shares of treasury stock as of December 31, 2015), 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 $21.30 billion as of December 31, 2015. The following table summarizes contractholder funds by their contractual withdrawal provisions as of December 31, 2015.

($ in millions)		Percent to total
Not subject to discretionary withdrawal	$ 3,424	16.1%
Subject to discretionary withdrawal with adjustments:		
Specified surrender charges [(1)]	5,630	26.4
Market value adjustments [(2)]	1,891	8.9
Subject to discretionary withdrawal without adjustments [(3)]	10,350	48.6
Total contractholder funds [(4)]	$ 21,295	100.0%

[(1)] Includes $1.86 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

[(2)] $1.28 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. $325 million of these contracts have their 30-45 day window period in 2016.

[(3)] 88% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.

[(4)] Includes $812 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 7.1% and 9.9% in 2015 and 2014, 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 ratings to non-investment grade status, a downgrade in AIC's financial strength ratings, or a downgrade in ALIC's financial strength ratings. 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		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Net cash provided by (used in):												
Operating activities	$ 3,198	$ 2,765	$ 3,058	$ 383	$ 720	$ 1,068	$ 35	$ (249)	$ 116	$ 3,616	$ 3,236	$ 4,242
Investing activities	(839)	99	(1,858)	867	2,315	3,833	714	(793)	(395)	742	1,621	1,580
Financing activities	52	(3)	38	(1,275)	(2,274)	(4,393)	(3,297)	(2,598)	(1,598)	(4,520)	(4,875)	(5,953)
Net decrease in consolidated cash										$ (162)	$ (18)	$ (131)

[(1)] Business unit cash flows reflect the elimination of intersegment dividends, contributions and borrowings.

Property-Liability Higher cash provided by operating activities in 2015 compared to 2014 was primarily due to increased premiums partially offset by higher claims payments, higher contributions to benefit plans, lower net investment income and higher income tax payments. 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.

Cash used in investing activities in 2015 compared to cash provided by investing activities in 2014 was primarily the result of decreased sales of securities, partially offset by decreased purchases of securities. 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.

Allstate Financial Lower cash provided by operating activities in 2015 compared to 2014 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 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 investing activities in 2015 compared to 2014 was the result of lower cash used in financing activities due to lower contractholder fund disbursements. 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.

Lower cash used in financing activities in 2015 compared to 2014 was primarily due to lower contractholder benefits and withdrawals on fixed annuities and interest-sensitive life insurance, partially offset by lower deposits. 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. 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 dividends to shareholders of The Allstate Corporation, common share repurchases, short-term debt, repayment of debt and proceeds from the issuance of debt and preferred stock; 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, 2015 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)]	$ 840	$ 840	$ —	$ —	$ —
Contractholder funds [(2)]	41,138	2,774	4,816	4,020	29,528
Reserve for life-contingent contract benefits [(2)]	35,912	1,311	2,517	2,372	29,712
Long-term debt [(3)]	12,258	287	745	833	10,393
Capital lease obligations [(4)]	5	5	—	—	—
Operating leases [(4)]	630	132	192	131	175
Unconditional purchase obligations [(4)]	574	225	209	134	6
Defined benefit pension plans and other postretirement benefit plans [(4)(5)]	1,035	41	111	116	767
Reserve for property-liability insurance claims and claims expense [(6)]	23,869	10,472	7,765	2,834	2,798
Other liabilities and accrued expenses [(7)(8)]	4,054	3,996	35	14	9
Net unrecognized tax benefits [(9)]	7	7	—	—	—
Total contractual cash obligations	$ 120,322	$ 20,090	$ 16,390	$ 10,454	$ 73,388

(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 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. For immediate annuities with life contingencies, the amount of future payments is uncertain since payments will continue as long as the annuitant lives. 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 $21.30 billion for contractholder funds and $12.25 billion for reserve for life-contingent contract benefits as included in the Consolidated Statements of Financial Position as of December 31, 2015. 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, 2015 because the long-term debt amount above includes interest and excludes debt issuance costs.

(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 $549 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, 2015, of $1.42 billion and $222 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 by $7 million.

(8) Balance sheet liabilities not included in the table above include unearned and advance premiums of $12.99 billion and gross deferred tax liabilities of $1.93 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 $223 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.

(9) Net unrecognized tax benefits represent our potential future obligation to the taxing authority for a tax position that was not recognized in the consolidated financial statements. We believe it is reasonably possible that the liability balance will not significantly increase within the next twelve months. The resolution of this obligation may be for an amount different than what we have accrued.

Our contractual commitments as of December 31, 2015 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	$ 135	$ 68	$ 20	$ 1	$ 46
Other commitments – unconditional	2,587	143	141	220	2,083
Total commitments	$ 2,722	$ 211	$ 161	$ 221	$ 2,129

Contractual commitments represent investment commitments such as private placements, limited partnership interests, municipal bonds 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 been appropriately 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 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 board oversight, an executive management committee structure, and chief risk officers ("CROs"). The Allstate Corporation Board of Directors ("Allstate Board") has overall responsibility for oversight of management's design and implementation of ERRM, including integration with strategy and operations. The Risk and Return Committee of the Allstate Board oversees effectiveness of the ERRM framework, governance structure and decision-making, while focusing on the Company's risk and return position. The Audit Committee oversees effectiveness of management's control framework for risks. 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, chief investment officer, enterprise and business unit chief risk officers and chief financial officers, general counsel and treasurer.

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. Various enterprise risk and return committees with CRO, senior management and cross-functional business representation govern management of key risks. 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. Potential risk events that we consider for capital evaluations include catastrophe and pandemic events and investment market shocks. We generally assess solvency on a statutory accounting basis, but also consider GAAP volatility. Current enterprise economic capital, which exceeds targeted levels, approximates a combination of total statutory surplus and deployable invested assets at the parent holding company level which were $16.49 billion and $2.62 billion, respectively, as of December 31, 2015.

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; improving auto profitability; shifting our investment portfolio mix over time to have less reliance on investments with returns that come primarily from interest payments to investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic asset or operating performance; and accelerating homeowners growth while maintaining profitability.

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, presented in the order they appear in the Consolidated Statements of Financial Position, 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 or instruments, 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, 2015 and 2014, 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, 2015 by source of fair value determination.

($ in millions)	**Fair value**	**Percent to total**
Fair value based on internal sources	$ 3,791	5.8 %
Fair value based on external sources [(1)]	61,361	94.2
Total	$ 65,152	100.0 %

[(1)] Includes $1.32 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 2015, 2014 and 2013, 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 insurance and fixed annuities 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. 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 the 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, using our experience and industry experience. 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)	**2015**	**2014**	**2013**
Investment margin	$ 2	$ 11	$ (17)
Benefit margin	1	35	15
Expense margin	(2)	(54)	25
Net acceleration (deceleration)	$ 1	$ (8)	$ 23

In 2015, DAC amortization acceleration for changes in the investment margin component of EGP related to interest-sensitive life insurance 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 a true up of actual inforce data. The deceleration related to expense margin primarily related to interest-sensitive life insurance and was due to a decrease in projected expenses.

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.

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, 2015.

($ 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	$	(58)
Decrease in future life mortality by 1%	$	14
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 the MD&A.

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 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 applicable to common shareholders were (2.6)% unfavorable in 2015, 2.0% favorable in 2014 and 3.5% favorable in 2013. The 3-year average of net reserve reestimates as a percentage of total reserves was a favorable 0.2% for Property-Liability, a favorable 0.9% for Allstate Protection and an unfavorable 6.4% 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 the MD&A.

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

($ in millions)	2015	2014	2013
Allstate Protection			
Auto	$ 12,459	$ 11,698	$ 11,616
Homeowners	1,937	1,849	1,821
Other lines	2,065	2,070	2,110
Total Allstate Protection	16,461	15,617	15,547
Discontinued Lines and Coverages			
Asbestos	960	1,014	1,017
Environmental	179	203	208
Other discontinued lines	377	395	421
Total Discontinued Lines and Coverages	1,516	1,612	1,646
Total Property-Liability	$ 17,977	$ 17,229	$ 17,193

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 IBNR. Typically, IBNR comprises about 10% of total reserves. All major components of reserves are affected by changes in claim frequency as well as claim severity.

Generally, the initial reserves for a new accident year are established based on actual claim frequency and severity assumptions for different business segments, lines and coverages based on historical relationships to relevant inflation indicators. Reserves for prior accident years are statistically determined using processes described above. Changes in auto claim frequency may result from changes in mix of business, the rate of distracted driving, miles driven or other macroeconomic factors. Changes in auto current year claim severity are generally influenced by inflation in the medical and auto repair sectors of the economy and the effectiveness and efficiency of our claim practices. 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 the Maintenance and Repair price index and the Parts and Equipment price index and other external indices. 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, other economic and environmental factors and the effectiveness and efficiency of our claim practices. 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 for most of our losses arise 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 remaining at December 31 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 a winter weather event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, winter storms and freezes, tornadoes, hailstorms, wildfires, tropical storms, 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.

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 applicable 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 the MD&A.

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 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 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 comprehensive process employed to estimate MCCA covered losses involves a number of activities including the comprehensive review and interpretation of MCCA actuarial reports, other MCCA members' reports and our personal injury protection loss trends which have increased in severity over time. 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 2015, we updated the actuarial estimate of our ultimate reserves and recoverables. 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 continue to update each comprehensive claim file case reserve estimate when there is a significant change in the status of the claimant, or once every three years if there have been no significant changes. A significant portion of incurred claim reserves can be attributed to a small number of catastrophic claims and thus a large portion of the recoverable is similarly concentrated.

We provide similar personal injury protection coverage in New Jersey for auto policies issued or renewed in New Jersey prior to 1991 that is administered by PLIGA. In 2013, we adopted similar actuarial estimating techniques as for the MCCA exposures to estimate loss reserves for unlimited personal injury protection coverage for policies covered by PLIGA. 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 personal injury protection coverage for policies covered by the PLIGA. We continue to update our estimates for these claims as the status of claimants changes. However unlimited coverage was no longer offered after 1991, therefore no new claimants are being added.

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. Claims may be subject to litigation. 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 both December 31, 2015 and 2014, IBNR was 56.9% 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)	2015	2014	2013
Other mass torts	$ 162	$ 167	$ 183
Workers' compensation	88	94	105
Commercial and other	127	134	133
Other discontinued lines	$ 377	$ 395	$ 421

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 property-liability 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 the MD&A.

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 the MD&A.

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 2015, 2014 and 2013, 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. In 2015 there was an increase in projected profit from traditional life insurance and an increase in projected losses in immediate annuities with life contingencies. We also review these policies on an aggregate basis for circumstances where projected profits would be recognized in early years followed by projected losses in later years. In 2015, 2014 and 2013, our reviews concluded that there were projected profits in each year of the projection period.

We will continue to monitor the experience of our traditional life insurance and immediate annuities. In 2015, we initiated a mortality study for our structured settlement annuities with life contingencies, which is expected to be completed in 2016. The study thus far indicates that annuitants may be living longer and receiving benefits for a longer period than originally estimated. The preliminary results of the study were considered in the premium deficiency and profits followed by losses evaluations described above. 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.

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, 2015	2014	2013
Revenues			
Property-liability insurance premiums (net of reinsurance ceded of $1,006, $1,030 and $1,069)	$ 30,309	$ 28,929	$ 27,618
Life and annuity premiums and contract charges (net of reinsurance ceded of $332, $416 and $639)	2,158	2,157	2,352
Net investment income	3,156	3,459	3,943
Realized capital gains and losses:			
Total other-than-temporary impairment (“OTTI”) losses	(452)	(242)	(207)
OTTI losses reclassified to (from) other comprehensive income	36	(3)	(8)
Net OTTI losses recognized in earnings	(416)	(245)	(215)
Sales and other realized capital gains and losses	446	939	809
Total realized capital gains and losses	30	694	594
	35,653	35,239	34,507
Costs and expenses			
Property-liability insurance claims and claims expense (net of reinsurance ceded of $602, $1,393 and $1,717)	21,034	19,428	17,911
Life and annuity contract benefits (net of reinsurance ceded of $219, $356 and $355)	1,803	1,765	1,917
Interest credited to contractholder funds (net of reinsurance ceded of $25, $26 and $27)	761	919	1,278
Amortization of deferred policy acquisition costs	4,364	4,135	4,002
Operating costs and expenses	4,081	4,341	4,387
Restructuring and related charges	39	18	70
Loss on extinguishment of debt	—	1	491
Interest expense	292	322	367
	32,374	30,929	30,423
Gain (loss) on disposition of operations	3	(74)	(688)
Income from operations before income tax expense	3,282	4,236	3,396
Income tax expense	1,111	1,386	1,116
Net income	2,171	2,850	2,280
Preferred stock dividends	116	104	17
Net income applicable to common shareholders	$ 2,055	$ 2,746	$ 2,263
Earnings per common share:			
Net income applicable to common shareholders per common share - Basic	$ 5.12	$ 6.37	$ 4.87
Weighted average common shares - Basic	401.1	431.4	464.4
Net income applicable to common shareholders per common share - Diluted	$ 5.05	$ 6.27	$ 4.81
Weighted average common shares - Diluted	406.8	438.2	470.3
Cash dividends declared per common share	$ 1.20	$ 1.12	$ 1.00

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ in millions)	Year Ended December 31,		
	2015	2014	2013
Net income	$ 2,171	$ 2,850	$ 2,280
Other comprehensive (loss) income, after-tax			
Changes in:			
Unrealized net capital gains and losses	(1,306)	280	(1,188)
Unrealized foreign currency translation adjustments	(58)	(40)	(32)
Unrecognized pension and other postretirement benefit cost	48	(725)	1,091
Other comprehensive loss, after-tax	(1,316)	(485)	(129)
Comprehensive income	$ 855	$ 2,365	$ 2,151

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ in millions, except par value data)	December 31, 2015	December 31, 2014
Assets		
Investments		
Fixed income securities, at fair value (amortized cost $57,201 and $59,672)	$ 57,948	$ 62,440
Equity securities, at fair value (cost $4,806 and $3,692)	5,082	4,104
Mortgage loans	4,338	4,188
Limited partnership interests	4,874	4,527
Short-term, at fair value (amortized cost $2,122 and $2,540)	2,122	2,540
Other	3,394	3,314
Total investments	77,758	81,113
Cash	495	657
Premium installment receivables, net	5,544	5,465
Deferred policy acquisition costs	3,861	3,525
Reinsurance recoverables, net	8,518	8,490
Accrued investment income	569	591
Property and equipment, net	1,024	1,031
Goodwill	1,219	1,219
Other assets	2,010	1,992
Separate Accounts	3,658	4,396
Total assets	$ 104,656	$ 108,479
Liabilities		
Reserve for property-liability insurance claims and claims expense	$ 23,869	$ 22,923
Reserve for life-contingent contract benefits	12,247	12,380
Contractholder funds	21,295	22,529
Unearned premiums	12,202	11,655
Claim payments outstanding	842	784
Deferred income taxes	90	715
Other liabilities and accrued expenses	5,304	5,653
Long-term debt	5,124	5,140
Separate Accounts	3,658	4,396
Total liabilities	84,631	86,175
Commitments and Contingent Liabilities (Note 7, 8 and 14)		
Shareholders' equity		
Preferred stock and additional capital paid-in, $1 par value, 25 million shares authorized, 72.2 thousand issued and outstanding, and $1,805 aggregate liquidation preference	1,746	1,746
Common stock, $.01 par value, 2.0 billion shares authorized and 900 million issued, 381 million and 418 million shares outstanding	9	9
Additional capital paid-in	3,245	3,199
Retained income	39,413	37,842
Deferred ESOP expense	(13)	(23)
Treasury stock, at cost (519 million and 482 million shares)	(23,620)	(21,030)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	56	72
Other unrealized net capital gains and losses	608	1,988
Unrealized adjustment to DAC, DSI and insurance reserves	(44)	(134)
Total unrealized net capital gains and losses	620	1,926
Unrealized foreign currency translation adjustments	(60)	(2)
Unrecognized pension and other postretirement benefit cost	(1,315)	(1,363)
Total accumulated other comprehensive (loss) income	(755)	561
Total shareholders' equity	20,025	22,304
Total liabilities and shareholders' equity	$ 104,656	$ 108,479

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($ in millions)	Year Ended December 31,		
	2015	2014	2013
Preferred stock par value	$ —	$ —	$ —
Preferred stock additional capital paid-in			
Balance, beginning of year	1,746	780	—
Preferred stock issuance	—	966	780
Balance, end of year	1,746	1,746	780
Common stock	9	9	9
Additional capital paid-in			
Balance, beginning of year	3,199	3,143	3,162
Equity incentive plans activity	46	56	(19)
Balance, end of year	3,245	3,199	3,143
Retained income			
Balance, beginning of year	37,842	35,580	33,783
Net income	2,171	2,850	2,280
Dividends on common stock	(484)	(484)	(466)
Dividends on preferred stock	(116)	(104)	(17)
Balance, end of year	39,413	37,842	35,580
Deferred ESOP expense			
Balance, beginning of year	(23)	(31)	(41)
Payments	10	8	10
Balance, end of year	(13)	(23)	(31)
Treasury stock			
Balance, beginning of year	(21,030)	(19,047)	(17,508)
Shares acquired	(2,804)	(2,306)	(1,845)
Shares reissued under equity incentive plans, net	214	323	306
Balance, end of year	(23,620)	(21,030)	(19,047)
Accumulated other comprehensive (loss) income			
Balance, beginning of year	561	1,046	1,175
Change in unrealized net capital gains and losses	(1,306)	280	(1,188)
Change in unrealized foreign currency translation adjustments	(58)	(40)	(32)
Change in unrecognized pension and other postretirement benefit cost	48	(725)	1,091
Balance, end of year	(755)	561	1,046
Total shareholders' equity	$ 20,025	$ 22,304	$ 21,480

See notes to consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	$ 2,171	$ 2,850	$ 2,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash items	371	366	368
Realized capital gains and losses	(30)	(694)	(594)
Loss on extinguishment of debt	—	1	491
(Gain) loss on disposition of operations	(3)	74	688
Interest credited to contractholder funds	761	919	1,278
Changes in:			
Policy benefits and other insurance reserves	473	541	(55)
Unearned premiums	638	766	602
Deferred policy acquisition costs	(239)	(220)	(268)
Premium installment receivables, net	(134)	(257)	(205)
Reinsurance recoverables, net	(178)	(1,068)	(729)
Income taxes	(119)	205	573
Other operating assets and liabilities	(95)	(247)	(187)
Net cash provided by operating activities	3,616	3,236	4,242
Cash flows from investing activities			
Proceeds from sales			
Fixed income securities	28,693	34,609	21,243
Equity securities	3,754	6,755	3,173
Limited partnership interests	1,101	1,473	1,045
Mortgage loans	6	10	24
Other investments	545	406	151
Investment collections			
Fixed income securities	4,432	3,736	5,908
Mortgage loans	538	1,106	1,020
Other investments	293	191	275
Investment purchases			
Fixed income securities	(30,758)	(38,759)	(24,087)
Equity securities	(4,960)	(5,443)	(3,677)
Limited partnership interests	(1,343)	(1,398)	(1,312)
Mortgage loans	(687)	(501)	(538)
Other investments	(902)	(972)	(1,084)
Change in short-term investments, net	385	272	(427)
Change in other investments, net	(52)	46	97
Purchases of property and equipment, net	(303)	(288)	(207)
Disposition (acquisition) of operations	—	378	(24)
Net cash provided by investing activities	742	1,621	1,580
Cash flows from financing activities			
Proceeds from issuance of long-term debt		—	2,271
Repayments of long-term debt	(20)	(1,006)	(2,627)
Proceeds from issuance of preferred stock	—	965	781
Contractholder fund deposits	1,052	1,184	2,174
Contractholder fund withdrawals	(2,327)	(3,446)	(6,556)
Dividends paid on common stock	(483)	(477)	(352)
Dividends paid on preferred stock	(116)	(87)	(6)
Treasury stock purchases	(2,808)	(2,301)	(1,834)
Shares reissued under equity incentive plans, net	130	266	170
Excess tax benefits on share-based payment arrangements	45	41	38
Other	7	(14)	(12)
Net cash used in financing activities	(4,520)	(4,875)	(5,953)
Net decrease in cash	(162)	(18)	(131)
Cash at beginning of year	657	675	806
Cash at end of year	$ 495	$ 657	$ 675

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 85% of Allstate's 2015 consolidated revenues. Allstate was the country's second largest personal property and casualty insurer as of December 31, 2014. 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 2015, the top geographic locations for premiums earned by the Allstate Protection segment were Texas, California, New York and Florida. 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. Voluntary accident and health insurance products are also sold in Canada. For 2015, the top geographic locations for statutory premiums and annuity considerations for the Allstate Financial segment were New York, Texas, Florida and California. 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 include interests in private equity funds and co-investments, real estate funds and joint ventures, and other funds. Where the Company's interest is so minor that it exercises virtually no influence over operating and financial policies, investments in limited partnership interests 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 $905 million and $909 million as of December 31, 2015 and 2014, 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 limited partnership interests, and income from certain derivative transactions. 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 generally recognized on a three month delay due to the availability of the related financial statements.

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 $90 million and $83 million as of December 31, 2015 and 2014, 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 and therefore are primarily classified as long-duration contracts. 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 insurance and fixed annuities, 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 and fixed annuity 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 $58 million and $66 million as of December 31, 2015 and 2014, respectively. Amortization expense of the present value of future profits was $8 million, $13 million and $16 million in 2015, 2014 and 2013, 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 disposition of certain blocks of business. The Company also participates in various reinsurance mechanisms, including industry pools and facilities, which are backed by the financial resources of the property-liability insurance company market participants. 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 both December 31, 2015 and 2014 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, 2015 or 2014.

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 $2.09 billion and $2.12 billion as of December 31, 2015 and

2014, respectively. Depreciation expense on property and equipment was $255 million, $228 million and $208 million in 2015, 2014 and 2013, 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, unearned premiums, unrealized capital gains and losses 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.

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.

Legal contingencies

The Company reviews its lawsuits, regulatory inquiries, and other legal proceedings on an ongoing basis. 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'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.

Long-term debt

Long-term debt includes senior notes, senior debentures, subordinated debentures and junior subordinated debentures issued by the Corporation. Unamortized debt issuance costs are reported in long-term debt and are amortized over the expected period the debt will remain outstanding.

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)	2015	2014	2013
Numerator:			
Net income	$ 2,171	$ 2,850	$ 2,280
Less: Preferred stock dividends	116	104	17
Net income applicable to common shareholders [1]	$ 2,055	$ 2,746	$ 2,263
Denominator:			
Weighted average common shares outstanding	401.1	431.4	464.4
Effect of dilutive potential common shares:			
Stock options	4.0	4.7	4.1
Restricted stock units (non-participating) and performance stock awards	1.7	2.1	1.8
Weighted average common and dilutive potential common shares outstanding	406.8	438.2	470.3
Earnings per common share – Basic	$ 5.12	$ 6.37	$ 4.87
Earnings per common share – Diluted	$ 5.05	$ 6.27	$ 4.81

[1] Net income applicable to common shareholders is net income less preferred stock dividends.

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 2.2 million, 3.0 million and 8.8 million Allstate common shares, with exercise prices ranging from $57.98 to $71.29, $49.96 to $67.61 and $40.49 to $62.42, were outstanding in 2015, 2014 and 2013, respectively, but were not included in the computation of diluted earnings per common share in those years.

Adopted accounting standard

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. Adoption of the new guidance in the first quarter of 2015 resulted in a one-time $45 million increase in income tax expense.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued guidance that amends the accounting for debt issuance costs. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented as a direct reduction in the carrying amount of the debt liability. The amortization of debt issuance costs should be classified as interest expense. In August 2015, the FASB expanded the guidance on debt issuance costs to address debt issuance costs associated with line-of-credit agreements. The guidance allows reporting entities to defer and present debt issuance costs associated with line-of-credit arrangements as an asset and subsequently amortize the deferred costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company adopted the new guidance on a retrospective basis in the fourth quarter of 2015. The impact of the retrospective adjustments on the previously issued December 31, 2014 consolidated statement of financial position was a $54 million decrease in both other assets and long-term debt. The adoption had no impact on the Company's results of operations.

Pending accounting standards

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, 2017 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 or 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 not 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. 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 impact the Company's results of operations or financial position.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued guidance affecting the consolidation evaluation for limited partnerships and similar entities, fees paid to a decision maker or service provider, and variable interests in a variable interest entity held by related parties of the reporting enterprise. The guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company is in the process of assessing the impact of adoption which is not expected to be material to the Company's results of operations or financial position.

Disclosures about Short-Duration Contracts

In May 2015, the FASB issued guidance requiring expanded disclosures for insurance entities that issue short-duration contracts. The expanded disclosures are designed to provide additional insight into an insurance entity's significant estimates made in measuring the liability for unpaid claims and claim adjustment expenses. The disclosures include information about incurred and paid claims development by accident year, on a net basis after reinsurance, for the number of years claims incurred typically remain outstanding, not to exceed ten years. Each period presented in the disclosure about claims development that precedes the current reporting period is considered required supplementary information. The expanded disclosures also include information about significant changes in methodologies and assumptions, a reconciliation of incurred and paid claims development to the carrying amount of the liability for unpaid claims and claim adjustment expenses, the total amount of incurred but not reported liabilities plus expected development, claims frequency information including the methodology used to determine claim frequency and claim duration. The guidance is effective for annual periods beginning after December 15, 2015, and interim periods beginning after December 15, 2016, and is to be applied retrospectively. The new guidance affects disclosures only and will have no impact on the Company's results of operations or financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued guidance requiring equity investments, including equity securities and limited partnership interests, that are not accounted for under the equity method of accounting or result in consolidation to be measured at fair value with changes in fair value recognized in net income. Equity investments without readily determinable fair values may be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When a qualitative assessment of equity investments without readily determinable fair values indicates that impairment exists, the carrying value is required to be adjusted to fair value, if lower. The guidance clarifies that an entity should evaluate the realizability of a deferred tax asset related to available-for-sale fixed income securities in combination with the entity's other deferred tax assets. The guidance also changes certain disclosure requirements. The guidance is effective for interim and annual periods beginning after December 15, 2017, and is to be applied through a cumulative-effect adjustment to beginning retained income as of the beginning of the period of adoption. The new guidance related to equity investments without readily determinable fair values is to be applied prospectively as of the date of adoption. The Company is in the process of evaluating the impact of adoption. The most significant impact is expected to be the change in accounting for equity securities and cost method limited partnership interests.

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 was $698 million, pre-tax ($521 million, after-tax), and $101 million, pre-tax ($60 million, after-tax), in 2013 and 2014, respectively. The loss on disposition in 2014 included a $22 million, pre-tax, reduction in goodwill.

4. Supplemental Cash Flow Information

Non-cash investing activities include $131 million, $120 million and $322 million related to modifications of certain mortgage loans, fixed income securities, limited partnership interests and other investments, as well as mergers completed with equity securities in 2015, 2014 and 2013, respectively, and a $89 million obligation to fund a limited partnership investment in 2015. Non-cash financing activities include $74 million, $47 million and $94 million related to the issuance of Allstate common shares for vested equity awards in 2015, 2014 and 2013, respectively.

Liabilities for collateral received in conjunction with the Company's securities lending program were $829 million, $780 million and $609 million as of December 31, 2015, 2014 and 2013, respectively, and are reported in other liabilities and accrued expenses. Obligations to return cash collateral for over-the-counter ("OTC") and cleared derivatives were $11 million, $2 million and $15 million as of December 31, 2015, 2014 and 2013, 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)	2015	2014	2013
Net change in proceeds managed			
Net change in short-term investments	$ (59)	$ (167)	$ 190
Operating cash flow (used) provided	(59)	(167)	190
Net change in cash	1	9	(6)
Net change in proceeds managed	$ (58)	$ (158)	$ 184
Net change in liabilities			
Liabilities for collateral, beginning of year	$ (782)	$ (624)	$ (808)
Liabilities for collateral, end of year	(840)	(782)	(624)
Operating cash flow provided (used)	$ 58	$ 158	$ (184)

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, 2015				
U.S. government and agencies	$ 3,836	$ 90	$ (4)	$ 3,922
Municipal	7,032	389	(20)	7,401
Corporate	41,674	1,032	(879)	41,827
Foreign government	983	50	—	1,033
ABS	2,359	11	(43)	2,327
RMBS	857	100	(10)	947
CMBS	438	32	(4)	466
Redeemable preferred stock	22	3	—	25
Total fixed income securities	$ 57,201	$ 1,707	$ (960)	$ 57,948
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

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of December 31, 2015:

($ in millions)	Amortized cost	Fair value
Due in one year or less	$ 4,030	$ 4,050
Due after one year through five years	26,999	27,337
Due after five years through ten years	16,885	16,778
Due after ten years	5,633	6,043
	53,547	54,208
ABS, RMBS and CMBS	3,654	3,740
Total	$ 57,201	$ 57,948

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)	2015	2014	2013
Fixed income securities	$ 2,218	$ 2,447	$ 2,921
Equity securities	110	117	149
Mortgage loans	228	265	372
Limited partnership interests	549	614	541
Short-term investments	9	7	5
Other	192	170	161
Investment income, before expense	3,306	3,620	4,149
Investment expense	(150)	(161)	(206)
Net investment income	$ 3,156	$ 3,459	$ 3,943

Realized capital gains and losses

Realized capital gains and losses by asset type for the years ended December 31 are as follows:

($ in millions)	2015	2014	2013
Fixed income securities	$ 212	$ 130	$ 262
Equity securities	(50)	582	327
Mortgage loans	6	2	20
Limited partnership interests	(93)	13	(5)
Derivatives	(21)	(38)	(10)
Other	(24)	5	—
Realized capital gains and losses	$ 30	$ 694	$ 594

Realized capital gains and losses by transaction type for the years ended December 31 are as follows:

($ in millions)	2015	2014	2013
Impairment write-downs	$ (195)	$ (32)	$ (72)
Change in intent write-downs	(221)	(213)	(143)
Net other-than-temporary impairment losses recognized in earnings	(416)	(245)	(215)
Sales and other	470	975	819
Valuation and settlements of derivative instruments	(24)	(36)	(10)
Realized capital gains and losses	$ 30	$ 694	$ 594

Gross gains of $915 million, $1.10 billion and $968 million and gross losses of $399 million, $169 million and $175 million were realized on sales of fixed income and equity securities during 2015, 2014 and 2013, respectively.

Other-than-temporary impairment losses by asset type for the years ended December 31 are as follows:

($ in millions)	2015			2014			2013		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:									
Municipal	$ (17)	$ 4	$ (13)	$ (10)	$ —	$ (10)	$ (24)	$ (5)	$ (29)
Corporate	(61)	11	(50)	(7)	—	(7)	—	—	—
ABS	(33)	22	(11)	(12)	1	(11)	—	(2)	(2)
RMBS	1	(1)	—	6	(4)	2	(3)	2	(1)
CMBS	(1)	—	(1)	(1)	—	(1)	(32)	(3)	(35)
Total fixed income securities	(111)	36	(75)	(24)	(3)	(27)	(59)	(8)	(67)
Equity securities	(279)	—	(279)	(196)	—	(196)	(137)	—	(137)
Mortgage loans	4	—	4	5	—	5	11	—	11
Limited partnership interests	(51)	—	(51)	(27)	—	(27)	(18)	—	(18)
Other	(15)	—	(15)	—	—	—	(4)	—	(4)
Other-than-temporary impairment losses	$ (452)	$ 36	$ (416)	$ (242)	$ (3)	$ (245)	$ (207)	$ (8)	$ (215)

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 as of both December 31, 2015 and 2014, 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, 2015	December 31, 2014
Municipal	$ (9)	$ (8)
Corporate	(7)	—
ABS	(23)	(2)
RMBS	(102)	(108)
CMBS	(6)	(5)
Total	$ (147)	$ (123)

Rollforwards of the cumulative credit losses recognized in earnings for fixed income securities held as of December 31 are as follows:

($ in millions)	2015	2014	2013
Beginning balance	$ (380)	$ (513)	$ (617)
Additional credit loss for securities previously other-than-temporarily impaired	(30)	(6)	(30)
Additional credit loss for securities not previously other-than-temporarily impaired	(45)	(18)	(19)
Reduction in credit loss for securities disposed or collected	60	95	150
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
Change in credit loss due to accretion of increase in cash flows	3	3	1
Reduction in credit loss for securities sold in LBL disposition	—	59	—
Ending balance	$ (392)	$ (380)	$ (513)

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 of underlying collateral, 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, 2015	Fair value	Gross unrealized Gains	Gross unrealized Losses	Unrealized net gains (losses)
Fixed income securities	$ 57,948	$ 1,707	$ (960)	$ 747
Equity securities	5,082	415	(139)	276
Short-term investments	2,122	—	—	—
Derivative instruments [(1)]	10	10	(4)	6
EMA limited partnerships [(2)]				(4)
Unrealized net capital gains and losses, pre-tax				1,025
Amounts recognized for:				
Insurance reserves [(3)]				—
DAC and DSI [(4)]				(67)
Amounts recognized				(67)
Deferred income taxes				(338)
Unrealized net capital gains and losses, after-tax				$ 620

(1) Included in the fair value of derivative instruments are $6 million classified as assets and $(4) 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, 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)
EMA limited partnerships				(5)
Unrealized net capital gains and losses, pre-tax				3,173
Amounts recognized for:				
Insurance reserves				(28)
DAC and DSI				(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.

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)	2015	2014	2013
Fixed income securities	$ (2,021)	$ 866	$ (3,200)
Equity securities	(136)	(212)	164
Derivative instruments	8	16	4
EMA limited partnerships	1	(2)	(10)
Investments classified as held for sale	—	(190)	190
Total	(2,148)	478	(2,852)
Amounts recognized for:			
Insurance reserves	28	(28)	771
DAC and DSI	112	(21)	254
Amounts recognized	140	(49)	1,025
Deferred income taxes	702	(149)	639
(Decrease) increase in unrealized net capital gains and losses, after-tax	$ (1,306)	$ 280	$ (1,188)

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, 2015							
Fixed income securities							
U.S. government and agencies	53	$ 1,874	$ (4)	—	$ —	$ —	$ (4)
Municipal	222	810	(6)	9	36	(14)	(20)
Corporate	1,361	17,915	(696)	111	1,024	(183)	(879)
Foreign government	9	44	—	—	—	—	—
ABS	133	1,733	(24)	20	324	(19)	(43)
RMBS	88	69	—	176	125	(10)	(10)
CMBS	13	75	(2)	1	2	(2)	(4)
Total fixed income securities	1,879	22,520	(732)	317	1,511	(228)	(960)
Equity securities	265	1,397	(107)	37	143	(32)	(139)
Total fixed income and equity securities	2,144	$ 23,917	$ (839)	354	$ 1,654	$ (260)	$ (1,099)
Investment grade fixed income securities	1,405	$ 17,521	$ (362)	225	$ 972	$ (105)	$ (467)
Below investment grade fixed income securities	474	4,999	(370)	92	539	(123)	(493)
Total fixed income securities	1,879	$ 22,520	$ (732)	317	$ 1,511	$ (228)	$ (960)
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)

As of December 31, 2015, $710 million of the $1.10 billion 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 $710 million, $338 million are related to unrealized losses on investment grade fixed income securities and $94 million are related to equity securities. Of the remaining $278 million, $227 million have been in an unrealized loss position for less than 12 months. 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. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third party rating. 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, 2015, the remaining $389 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 $129 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 $389 million, $215 million are related to below investment grade fixed income securities and $45 million are related to equity securities. Of these amounts, $16 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, 2015.

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, 2015, 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, 2015, 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, 2015 and 2014, the carrying value of equity method limited partnerships totaled $3.72 billion and $3.41 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, 2015 and 2014, the carrying value for cost method limited partnerships was $1.15 billion and $1.12 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.

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, $4.34 billion and $4.19 billion as of December 31, 2015 and 2014, 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)	2015	2014
California	21.3%	23.9%
Texas	9.7	8.0
New Jersey	8.7	8.0
Illinois	7.1	9.4
Florida	5.3	5.0
New York	4.4	5.9

The types of properties collateralizing the mortgage loans as of December 31 are as follows:

(% of mortgage loan portfolio carrying value)	2015	2014
Apartment complex	26.4%	23.3%
Office buildings	22.7	24.3
Retail	21.3	22.2
Warehouse	18.4	17.8
Other	11.2	12.4
Total	100.0%	100.0%

The contractual maturities of the mortgage loan portfolio as of December 31, 2015 are as follows:

($ in millions)	Number of loans	Carrying value	Percent
2016	31	$ 289	6.7%
2017	34	379	8.7
2018	33	392	9.0
2019	9	234	5.4
Thereafter	210	3,044	70.2
Total	317	$ 4,338	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 or present value of the loan's expected future repayment cash flows. 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, 2015.

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)	2015			2014		
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	$ 64	$ —	$ 64	$ 110	$ —	$ 110
1.0 - 1.25	382	—	382	424	—	424
1.26 - 1.50	1,219	—	1,219	1,167	1	1,168
Above 1.50	2,667	—	2,667	2,450	20	2,470
Total non-impaired mortgage loans	$ 4,332	$ —	$ 4,332	$ 4,151	$ 21	$ 4,172

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)	2015	2014
Impaired mortgage loans with a valuation allowance	$ 6	$ 16
Impaired mortgage loans without a valuation allowance	—	—
Total impaired mortgage loans	$ 6	$ 16
Valuation allowance on impaired mortgage loans	$ 3	$ 8

The average balance of impaired loans was $11 million, $27 million and $88 million during 2015, 2014 and 2013, respectively.

The rollforward of the valuation allowance on impaired mortgage loans for the years ended December 31 is as follows:

($ in millions)	2015	2014	2013
Beginning balance	$ 8	$ 21	$ 42
Net decrease in valuation allowance	(4)	(5)	(11)
Charge offs	(1)	(8)	(8)
Mortgage loans classified as held for sale	—	—	(2)
Ending balance	$ 3	$ 8	$ 21

Payments on all mortgage loans were current as of December 31, 2015 and 2014.

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)	2015	2014
Texas	9.2%	9.1%
New York	7.7	6.7
California	6.3	9.1
Florida	5.6	5.9
Washington	5.6	4.2

Concentration of credit risk

As of December 31, 2015, 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, 2015 and 2014, fixed income and equity securities with a carrying value of $798 million and $755 million, respectively, were on loan under these agreements. Interest income on collateral, net of fees, was $2 million in each of 2015, 2014 and 2013.

Other investment information

Included in fixed income securities are below investment grade assets totaling $8.64 billion and $6.69 billion as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, fixed income securities and short-term investments with a carrying value of $194 million were on deposit with regulatory authorities as required by law.

As of December 31, 2015, the carrying value of fixed income securities and other investments that were non-income producing was $26 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

Level 1 measurements

- Fixed income securities: 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.
- Equity securities: 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.
- Short-term: Comprise U.S. Treasury bills valued based on unadjusted quoted prices for identical assets in active markets that the Company can access and actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access.
- Separate account assets: 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.

Level 2 measurements

- Fixed income securities:

  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 - public: 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 - privately placed: 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 - collateralized debt obligations ("CDO") and ABS - consumer and other: 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 - CDO and ABS - consumer and other are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable.

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.

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.

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 and municipal bonds in default valued based on the present value of expected cash flows. 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 - public and Corporate - 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 - CDO, ABS - consumer and other, 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.
- 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.

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 generally valued using net asset values.

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, 2015.

($ 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, 2015
Assets					
Fixed income securities:					
U.S. government and agencies	$ 3,056	$ 861	$ 5		$ 3,922
Municipal	—	7,240	161		7,401
Corporate - public	—	30,356	46		30,402
Corporate - privately placed	—	10,923	502		11,425
Foreign government	—	1,033	—		1,033
ABS - CDO	—	716	61		777
ABS - consumer and other	—	1,500	50		1,550
RMBS	—	946	1		947
CMBS	—	446	20		466
Redeemable preferred stock	—	25	—		25
Total fixed income securities	3,056	54,046	846		57,948
Equity securities	4,786	163	133		5,082
Short-term investments	615	1,507	—		2,122
Other investments: Free-standing derivatives	—	65	1	$ (13)	53
Separate account assets	3,658	—	—		3,658
Other assets	2	—	1		3
Total recurring basis assets	12,117	55,781	981	(13)	68,866
Non-recurring basis [(1)]	—	—	55		55
Total assets at fair value	$ 12,117	$ 55,781	$ 1,036	$ (13)	$ 68,921
% of total assets at fair value	17.6%	80.9%	1.5%	—%	100.0%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (299)		$ (299)
Other liabilities: Free-standing derivatives	(1)	(23)	(8)	$ 7	(25)
Total liabilities at fair value	$ (1)	$ (23)	$ (307)	$ 7	$ (324)
% of total liabilities at fair value	0.3%	7.1%	94.8%	(2.2)%	100.0%

(1) Includes $42 million of limited partnership interests and $13 million of other investments 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, 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 - public	—	31,340	214		31,554
Corporate - privately placed	—	9,913	677		10,590
Foreign government	—	1,645	—		1,645
ABS - CDO	—	1,044	104		1,148
ABS - consumer and other	—	2,738	92		2,830
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 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, 2015					
Derivatives embedded in life and annuity contracts — Equity-indexed and forward starting options	$ (247)	Stochastic cash flow model	Projected option cost	1.0 - 2.2%	1.76%
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%

The embedded derivatives are equity-indexed and forward starting options in certain life and annuity products that provide customers with interest crediting rates based on the performance of the S&P 500. If the projected option cost increased (decreased), it would result in a higher (lower) liability fair value.

As of December 31, 2015 and 2014, Level 3 fair value measurements of fixed income securities total $846 million and $1.39 billion, respectively, and include $625 million and $1.03 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 $96 million and $169 million, respectively, of municipal fixed income securities that are not rated by third party credit rating agencies. 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, 2015.

($ in millions)	Balance as of December 31, 2014	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	$ 6	$ —	$ —	$ —	$ —
Municipal	270	(4)	(7)	3	(2)
Corporate - public	214	—	—	—	(175)
Corporate - privately placed	677	13	(20)	13	(106)
ABS - CDO	104	(1)	4	43	(52)
ABS - consumer and other	92	(1)	—	—	(98)
RMBS	1	—	—	—	—
CMBS	23	—	—	—	—
Total fixed income securities	1,387	7	(23)	59	(433)
Equity securities	83	(3)	(5)	—	—
Short-term investments	5	—	—	—	—
Free-standing derivatives, net	(7)	1	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	$ 1,469	$ 5	$ (28)	$ 59	$ (433)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (323)	$ 19	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (323)	$ 19	$ —	$ —	$ —

	Purchases	Issues	Sales	Settlements	Balance as of December 31, 2015
Assets					
Fixed income securities:					
U.S. government and agencies	$ —	$ —	$ —	$ (1)	$ 5
Municipal	—	—	(91)	(8)	161
Corporate - public	11	—	—	(4)	46
Corporate - privately placed	79	—	(74)	(80)	502
ABS - CDO	—	—	(2)	(35)	61
ABS - consumer and other	70	—	(5)	(8)	50
RMBS	—	—	—	—	1
CMBS	12	—	—	(15)	20
Total fixed income securities	172	—	(172)	(151)	846
Equity securities	69	—	(11)	—	133
Short-term investments	35	—	(40)	—	—
Free-standing derivatives, net	—	—	—	(1)	(7) [(2)]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	$ 276	$ —	$ (223)	$ (152)	$ 973
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ (2)	$ —	$ 7	$ (299)
Total recurring Level 3 liabilities	$ —	$ (2)	$ —	$ 7	$ (299)

(1) The effect to net income totals $24 million and is reported in the Consolidated Statements of Operations as follows: $(8) million in realized capital gains and losses, $13 million in net investment income, $26 million in interest credited to contractholder funds and $(7) million in life and annuity contract benefits.

(2) Comprises $1 million of assets and $8 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, 2014.

($ in millions)	Balance as of December 31, 2013	Total gains (losses) included in: Net income [(1)]	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]	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.

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 2015, 2014 or 2013.

Transfers into Level 3 during 2015, 2014 and 2013 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 2015, 2014 and 2013 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)	**2015**	**2014**	**2013**
Assets			
Fixed income securities:			
Municipal	$ (12)	$ (7)	$ (19)
Corporate	11	11	13
ABS	2	1	(1)
RMBS	—	(1)	(1)
CMBS	—	—	(2)
Total fixed income securities	1	4	(10)
Equity securities	(4)	—	—
Free-standing derivatives, net	1	5	10
Other assets	—	1	(1)
Assets held for sale	—	—	(2)
Total recurring Level 3 assets	$ (2)	$ 10	$ (3)
Liabilities			
Contractholder funds: Derivatives embedded in life and annuity contracts	$ 19	$ (8)	$ 89
Liabilities held for sale	—	17	20
Total recurring Level 3 liabilities	$ 19	$ 9	$ 109

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 $17 million in 2015 and are reported as follows: $(20) million in realized capital gains and losses, $18 million in net investment income, $26 million in interest credited to contractholder funds and $(7) million in life and annuity contract benefits. 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.

Presented below are the carrying values and fair value estimates of financial instruments not carried at fair value.

Financial assets

($ in millions)	December 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage loans	$ 4,338	$ 4,489	$ 4,188	$ 4,446
Cost method limited partnerships	1,154	1,450	1,122	1,488
Bank loans	1,565	1,527	1,663	1,638
Agent loans	422	408	368	361

The fair value of mortgage loans 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. The fair value of bank loans, which are reported in other investments, 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 and agent loans are categorized as Level 3.

Financial liabilities

($ in millions)	December 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Contractholder funds on investment contracts	$ 12,424	$ 12,874	$ 13,734	$ 14,390
Long-term debt	5,124	5,648	5,140	5,835
Liability for collateral	840	840	782	782

The fair value of contractholder funds on investment contracts is based on the terms of the underlying contracts incorporating current market-based crediting rates for similar contracts that reflect the Company's own credit risk. Deferred annuities classified in contractholder funds are valued based on discounted cash flow models that incorporate current market-based margins and reflect the Company's own credit risk. Immediate annuities without life contingencies and funding agreements are valued based on discounted cash flow models that incorporate current market-based implied interest rates and reflect the Company's own credit risk. The fair value measurement for contractholder funds on investment contracts is 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 for risk reduction and to increase investment portfolio returns through asset replication. Risk reduction activity is focused on managing the 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.

Property-Liability may use interest rate swaps, swaptions, futures and options to manage the interest rate risks of existing investments. These instruments 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. Credit default swaps are typically used to mitigate the credit risk within the Property-Liability fixed income portfolio. 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. In addition, equity futures are used to hedge the market risk related to deferred compensation liability contracts. Forward contracts are primarily used by Property-Liability to hedge foreign currency risk associated with holding foreign currency denominated investments and foreign operations.

Allstate Financial utilizes several derivative strategies to manage risk. 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. Credit default swaps are typically used to mitigate the credit risk within the Allstate Financial fixed income portfolio. Financial futures and interest rate swaps are used to hedge anticipated asset purchases and liability issuances and futures and options for hedging the equity exposure contained in Allstate Financial's equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, Allstate Financial uses equity index futures to offset valuation losses in the equity portfolio during periods of declining equity market values. Interest rate swaps are used to hedge interest rate risk inherent in funding agreements. Foreign currency swaps and forwards are primarily used by Allstate Financial to reduce the foreign currency risk associated with holding foreign currency denominated investments.

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. The Company replicates fixed income securities using a combination of a credit default swap or a foreign currency forward contract and one or more highly rated fixed income securities, primarily investment grade host bonds, to synthetically replicate the economic characteristics of one or more cash market securities. The Company replicates equity securities using futures to increase equity exposure.

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, 2015, the Company pledged $20 million of cash 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, 2015.

($ 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
<u>Asset derivatives</u>						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other investments	$ 45	n/a	$ 6	$ 6	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	42	n/a	—	—	—
Equity and index contracts						
Options and warrants [(2)]	Other investments	—	3,730	44	44	—
Financial futures contracts	Other assets	—	1,897	2	2	—
Foreign currency contracts						
Foreign currency forwards	Other investments	185	n/a	1	2	(1)
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	112	n/a	4	5	(1)
Credit default swaps — selling protection	Other investments	150	n/a	2	2	—
Other contracts						
Other contracts	Other investments	31	n/a	1	1	—
Other contracts	Other assets	3	n/a	1	1	—
Subtotal		1,523	5,627	55	57	(2)
Total asset derivatives		$ 1,568	5,627	$ 61	$ 63	$ (2)
<u>Liability derivatives</u>						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other liabilities & accrued expenses	$ 19	n/a	$ 4	$ 4	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	85	n/a	—	—	—
Interest rate cap agreements	Other liabilities & accrued expenses	72	n/a	1	1	—
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	—	4,406	(7)	—	(7)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	361	n/a	(12)	1	(13)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	481	n/a	(38)	—	(38)
Guaranteed withdrawal benefits	Contractholder funds	332	n/a	(14)	—	(14)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,781	n/a	(247)	—	(247)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	—	—	—
Credit default contracts						
Credit default swaps — buying protection	Other liabilities & accrued expenses	88	n/a	(2)	—	(2)
Credit default swaps — selling protection	Other liabilities & accrued expenses	105	n/a	(8)	—	(8)
Subtotal		3,390	4,406	(327)	2	(329)
Total liability derivatives		3,409	4,406	(323)	$ 6	$ (329)
Total derivatives		$ 4,977	10,033	$ (262)		

(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, 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	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 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, 2015						
Asset derivatives	$ 21	$ (8)	$ (5)	$ 8	$ (4)	$ 4
Liability derivatives	(25)	8	(1)	(18)	9	(9)
December 31, 2014						
Asset derivatives	$ 12	$ (22)	$ 17	$ 7	$ (4)	$ 3
Liability derivatives	(35)	22	—	(13)	8	(5)

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 gains from accumulated other comprehensive income related to cash flow hedges is expected to be a gain of $3 million during the next twelve months. There was no hedge ineffectiveness reported in realized gains and losses in 2015, 2014 or 2013.

($ in millions)	2015	2014	2013
Gain recognized in OCI on derivatives during the period	$ 10	$ 12	$ 3
Gain (loss) recognized in OCI on derivatives during the term of the hedging relationship	6	(2)	(18)
Loss reclassified from AOCI into income (net investment income)	(1)	(2)	(1)
Gain (loss) reclassified from AOCI into income (realized capital gains and losses)	3	(2)	—

The following tables present gains and losses from valuation and settlements reported on derivatives not designated as accounting hedging instruments in the Consolidated Statements of Operations. In 2015, 2014 and 2013, the Company had no derivatives used in fair value hedging relationships.

($ in millions)	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
2015						
Interest rate contracts	$ 1	$ —	$ —	$ —	$ —	$ 1
Equity and index contracts	1	—	(9)	(1)	—	(9)
Embedded derivative financial instruments	—	(7)	31	—	—	24
Foreign currency contracts	(24)	—	—	(8)	—	(32)
Credit default contracts	(2)	—	—	—	—	(2)
Other contracts	—	—	—	—	—	—
Total	$ (24)	$ (7)	$ 22	$ (9)	$ —	$ (18)
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)

($ in millions)	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
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

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, 2015, counterparties pledged $14 million in cash and securities to the Company, and the Company pledged $13 million in cash and securities to counterparties which includes $13 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position. 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)	2015				2014			
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	$ 82	$ 5	$ —	1	$ 164	$ 2	$ 1
A	5	375	9	6	3	118	3	2
A–	1	41	3	—	1	8	—	—
BBB+	2	49	—	1	1	11	—	—
BBB	—	—	—	—	1	52	—	—
Total	9	$ 547	$ 17	$ 7	7	$ 353	$ 5	$ 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 agreement or a specific trade 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. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative agreement 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)	2015	2014
Gross liability fair value of contracts containing credit-risk-contingent features	$ 21	$ 16
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(3)	(4)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(13)	(7)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	$ 5	$ 5

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, 2015						
Single name						
Corporate debt	$ 20	$ 10	$ 45	$ —	$ 75	$ 1
First-to-default Basket						
Municipal	—	—	100	—	100	(8)
Index						
Corporate debt	1	20	52	7	80	1
Total	$ 21	$ 30	$ 197	$ 7	$ 255	$ (6)
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)

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)	2015	2014
Commitments to invest in limited partnership interests	$ 2,551	$ 2,429
Commitments to extend mortgage loans	—	49
Private placement commitments	89	98
Municipal bond forward commitments	36	—
Other loan commitments	46	46

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.

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.

Municipal bond forward commitments represent purchases of newly issued debt securities with a settlement period in excess of a standard period of generally 30-60 days. The Company enters into these agreements in the normal course of business. The fair value of these commitments, which is valued based on unadjusted quoted prices less contractual amounts, is $1 million as of December 31, 2015 and is reported as a derivative financial instrument.

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)	2015	2014	2013
Balance as of January 1	$ 22,923	$ 21,857	$ 21,288
Less reinsurance recoverables	5,694	4,664	4,010
Net balance as of January 1	17,229	17,193	17,278
Incurred claims and claims expense related to:			
Current year	20,953	19,512	18,032
Prior years	81	(84)	(121)
Total incurred	21,034	19,428	17,911
Claims and claims expense paid related to:			
Current year	13,660	12,924	11,658
Prior years	6,626	6,468	6,338
Total paid	20,286	19,392	17,996
Net balance as of December 31	17,977	17,229	17,193
Plus reinsurance recoverables	5,892	5,694	4,664
Balance as of December 31	$ 23,869	$ 22,923	$ 21,857

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 $1.72 billion, $1.99 billion and $1.25 billion in 2015, 2014 and 2013, 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 2015, incurred claims and claims expense related to prior years was primarily composed of net increases in auto reserves of $30 million primarily due to claim severity development for bodily injury coverage that was more than expected and litigation settlements, net decreases in homeowners reserves of $24 million due to favorable non-catastrophe reserve reestimates, net increases in other reserves of $22 million, and net increases in Discontinued Lines and Coverages reserves of $53 million. Incurred claims and claims expense includes favorable catastrophe loss reestimates of $15 million, net of reinsurance and other recoveries.

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 non-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.

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)	2015	2014
Immediate fixed annuities:		
Structured settlement annuities	$ 6,673	$ 6,682
Other immediate fixed annuities	2,041	2,250
Traditional life insurance	2,584	2,521
Accident and health insurance	844	830
Other	105	97
Total reserve for life-contingent contract benefits	$ 12,247	$ 12,380

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 2.1% 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 is zero as of December 31, 2015.

As of December 31, contractholder funds consist of the following:

($ in millions)	2015	2014
Interest-sensitive life insurance	$ 7,975	$ 7,880
Investment contracts:		
Fixed annuities	12,974	14,310
Funding agreements backing medium-term notes	85	85
Other investment contracts	261	254
Total contractholder funds	$ 21,295	$ 22,529

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 10.5% 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 19.2% of fixed annuities are subject to market value adjustment for discretionary withdrawals
Funding agreements backing medium-term notes	Interest rate credited is a floating rate, currently 0%	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 a VIE, Allstate Life Global Funding, that issued medium-term notes. The VIE's 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)	2015	2014	2013
Balance, beginning of year	$ 22,529	$ 24,304	$ 39,319
Classified as held for sale, beginning balance	—	10,945	—
Total, including those classified as held for sale	22,529	35,249	39,319
Deposits	1,203	1,333	2,440
Interest credited	760	919	1,295
Benefits	(1,077)	(1,197)	(1,535)
Surrenders and partial withdrawals	(1,278)	(2,273)	(3,299)
Maturities of and interest payments on institutional products	(1)	(2)	(1,799)
Contract charges	(818)	(881)	(1,112)
Net transfers from separate accounts	7	7	12
Other adjustments	(30)	36	(72)
Sold in LBL disposition	—	(10,662)	—
Classified as held for sale, ending balance	—	—	(10,945)
Balance, end of year	$ 21,295	$ 22,529	$ 24,304

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 $3.22 billion and $3.82 billion of equity, fixed income and balanced mutual funds and $341 million and $467 million of money market mutual funds as of December 31, 2015 and 2014, 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,**	
	2015	**2014**
In the event of death		
Separate account value	$ 3,560	$ 4,288
Net amount at risk [(1)]	$ 675	$ 581
Average attained age of contractholders	69 years	69 years
At annuitization (includes income benefit guarantees)		
Separate account value	$ 967	$ 1,142
Net amount at risk [(2)]	$ 281	$ 238
Weighted average waiting period until annuitization options available	None	None
For cumulative periodic withdrawals		
Separate account value	$ 294	$ 382
Net amount at risk [(3)]	$ 10	$ 8
Accumulation at specified dates		
Separate account value	$ 371	$ 480
Net amount at risk [(4)]	$ 31	$ 24
Weighted average waiting period until guarantee date	4 years	4 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, 2014 (1)	$ 195	$ 95	$ 60	$ 350
Less reinsurance recoverables	98	91	45	234
Net balance as of December 31, 2014	97	4	15	116
Incurred guarantee benefits	20	—	8	28
Paid guarantee benefits	—	—	—	—
Net change	20	—	8	28
Net balance as of December 31, 2015	117	4	23	144
Plus reinsurance recoverables	106	64	52	222
Balance, December 31, 2015 (2)	$ 223	$ 68	$ 75	$ 366
Balance, December 31, 2013 (3)	$ 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 (1)	$ 195	$ 95	$ 60	$ 350

(1) 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.

(2) Included in the total liability balance as of December 31, 2015 are reserves for variable annuity death benefits of $105 million, variable annuity income benefits of $65 million, variable annuity accumulation benefits of $38 million, variable annuity withdrawal benefits of $14 million and other guarantees of $144 million.

(3) 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.

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)	2015	2014	2013
Property-liability insurance premiums written			
Direct	$ 31,924	$ 30,686	$ 29,241
Assumed	39	48	52
Ceded	(1,092)	(1,120)	(1,129)
Property-liability insurance premiums written, net of reinsurance	$ 30,871	$ 29,614	$ 28,164
Property-liability insurance premiums earned			
Direct	$ 31,274	$ 29,914	$ 28,638
Assumed	41	45	49
Ceded	(1,006)	(1,030)	(1,069)
Property-liability insurance premiums earned, net of reinsurance	$ 30,309	$ 28,929	$ 27,618
Life and annuity premiums and contract charges			
Direct	$ 1,641	$ 1,944	$ 2,909
Assumed	849	629	82
Ceded	(332)	(416)	(639)
Life and annuity premiums and contract charges, net of reinsurance	$ 2,158	$ 2,157	$ 2,352

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, 2015 and 2014 were $5.98 billion and $5.78 billion, respectively, including $86 million and $89 million, respectively, related to property-liability losses paid by the Company and billed to reinsurers, and $5.89 billion and $5.69 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 Claims Association ("MCCA"), Lloyd's of London, New Jersey Property-Liability Insurance Guaranty Association ("PLIGA") and other industry pools and facilities, the largest reinsurance recoverable balance the Company had outstanding was $62 million and $65 million from Westport Insurance Corporation as of December 31, 2015 and 2014, respectively. No other amount due or estimated to be due from any single property-liability reinsurer was in excess of $32 million and $34 million as of December 31, 2015 and 2014, respectively.

The allowance for uncollectible reinsurance was $80 million and $95 million as of December 31, 2015 and 2014, 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, 2015 and 2014 includes $4.66 billion and $4.42 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 $545 thousand per claim for the fiscal two-years ending June 30, 2017 compared to $530 thousand per claim for the fiscal two-years ending June 30, 2015. The MCCA is obligated to fund the ultimate liability for participating member companies qualifying claims and claims expenses. The MCCA operates similar to a reinsurance program and is funded by participating member companies through a per vehicle annual assessment. The MCCA has been legally authorized to assess participating member companies pursuant to enabling legislation that provides for annual determination and 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 of 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 June of 2016 to discount its liabilities for loss and loss adjustment expense. As of June 30, 2015, the date of its most recent annual financial report, the permitted practice reduced the MCCA's accumulated deficit by $50.64 billion to $691 million.

Allstate sells and administers policies as a participant in the National Flood Insurance Program ("NFIP"). The amounts recoverable as of December 31, 2015 and 2014 were $27 million and $7 million, respectively. Ceded premiums earned include $293 million, $312 million and $316 million in 2015, 2014 and 2013, respectively. Ceded losses incurred include $120 million, $38 million and $289 million in 2015, 2014 and 2013, respectively. Under the arrangement, the Federal Government pays all covered claims and certain qualifying claim expenses.

The PLIGA, as the statutory administrator of the Unsatisfied Claim and Judgment Fund ("UCJF"), provides compensation to qualified claimants for personal injury protection, bodily injury, or death caused by private passenger automobiles operated by uninsured or "hit and run" drivers. The UCJF also provides private passenger stranger pedestrian personal injury protection benefits when no other coverage is available. The fund 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, 2015 and 2014 were $500 million and $508 million, respectively.

Ceded premiums earned under the Florida Hurricane Catastrophe Fund ("FHCF") agreement were $13 million, $11 million and $16 million in 2015, 2014 and 2013, respectively. There were no ceded losses incurred in 2015, 2014 or 2013. The Company has access to reimbursement provided by the FHCF for 90% of qualifying personal property losses that exceed its current retention of $63 million for the 2 largest hurricanes and $21 million for other hurricanes, up to a maximum total of $199 million effective from June 1, 2015 to May 31, 2016. There were no amounts recoverable from the FHCF as of December 31, 2015 or 2014.

Catastrophe reinsurance

The Company has the following catastrophe reinsurance agreements in effect as of December 31, 2015:

The Nationwide Per Occurrence Excess Catastrophe Reinsurance program (the "Nationwide program") provides $4.42 billion of reinsurance coverage subject to a $500 million retention and subject to the amount of reinsurance placed in each of its ten layers. The Nationwide program comprises 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 reinsures personal lines property and automobile excess catastrophe losses caused by multiple perils in all states except Florida and New Jersey and comprises layers one through six and a portion of layer nine of the program. Coverage for each of the first through fifth layers comprises three contracts, with each contract providing one-third of 95% of the total layer limit and expiring May 31, 2016, May 31, 2017 and May 31, 2018. The sixth layer is 95% placed and comprises one contract expiring May 31, 2022. The contracts for layers one through six cover $3.07 billion in per occurrence losses subject to a $500 million retention. Coverage for a portion of layer nine is through one contract expiring May 31, 2022 that provides 29% of $446 million or $131 million in limits excess of a $3.62 billion attachment level. All contracts include one reinstatement of limits with premium required.
- The 2013-1 PCS Excess Catastrophe Reinsurance agreement reinsures 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 and comprises portions of layers seven and nine of the program. The agreement comprises two contracts that expire May 3, 2017: a Class B Excess Catastrophe Reinsurance contract provides 34% of $440 million or $150 million in limits excess of a $3.07 billion attachment level of the seventh layer, and a Class A Excess Catastrophe Reinsurance contract provides 45% of $446 million or $200 million in limits excess of a $3.62 billion attachment level of the ninth layer. The contracts do not include a reinstatement of limits.
- The 2014-1 PCS Excess Catastrophe Reinsurance agreement reinsures 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 and comprises portions of layers seven and nine and layer ten of the program. The agreement comprises three contracts: a Class D Excess Catastrophe Reinsurance contract provides 61% of $500 million or $305 million in limits excess of a $3.07 billion attachment level of the seventh layer, a Class C Excess Catastrophe Reinsurance contract provides 26% of $446 million or $115 million in limits excess of a $3.62 billion attachment level of the ninth layer, and a Class B Excess Catastrophe Reinsurance contract provides 95% of $347 million or $330 million in limits excess of a $4.07 billion attachment level of the tenth layer. The Class D contract expires May 22, 2019 and the Class C and Class B contracts expire May 22, 2018. The contracts do not include a reinstatement of limits.
- The Buffer Layer Excess Catastrophe Reinsurance agreement reinsures personal lines property and automobile excess catastrophe losses caused by multiple perils in all states except Florida and New Jersey and comprises a portion of layer seven and layer eight of the program. The agreement comprises two contracts that expire May 31, 2017: one contract provides 34% of $60 million or $20 million in limits excess of a $3.51 billion retention and one contract provides 95% of $50 million excess of a $3.57 billion retention. The contracts do not include a restatement of limits.

Losses recoverable under the Company's New Jersey, Kentucky, California 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. The contracts expire May 31, 2016, May 31, 2017 and May 31, 2018, and provide 32%, 32% and 32%, respectively, of $400 million of limits excess of a provisional $165 million retention, a $157 million retention, and 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 E&S Earthquake agreement comprises one three year term contract which reinsures personal lines property catastrophe losses in California caused by the peril of earthquake and insured by our excess and surplus lines insurer. The contract expires June 30, 2018. Unlike the contracts comprising the Nationwide Program, the E&S Earthquake agreement provides reinsurance on a 100% quota share basis with no retention. The contract allows for cession of policies providing earthquake coverage so long as the total amount of in-force building limits provided by those policies does not exceed $400 million. This cap limits the policies that are covered by the reinsurance and not the amount of loss eligible for cession which includes losses to dwellings, other structures, personal property, and additional living expenses on policies covered by this program. The agreement reinsures only shake damage resulting from earthquake peril.
- The Pennsylvania Excess Catastrophe Reinsurance agreement comprises a three-year term contract that provides coverage for Allstate Protection personal lines property excess catastrophe losses in the state for multi-perils effective June 1, 2015 through May 31, 2018. 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 reinsurance premium and retention are not subject to redetermination for exposure changes.
- 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 Class A contract, provide a one year term effective June 1, 2015 through May 31, 2016 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. The mandatory FHCF contracts include an estimated maximum provisional limit of 90% of $181 million or $163 million, in excess of a provisional retention of $66 million, and also include reimbursement of up to 5% eligible loss adjustment expenses. The limit and retention of the mandatory FHCF contracts were subject to re-measurement based on June 30, 2015 exposure data. In addition, the FHCF's retention is subject to adjustment upward or downward to an actual retention based on submitted exposures to the FHCF by all participants. For each of the two largest hurricanes, the provisional retention is $66 million and a retention equal to one-third of that amount, or approximately $22 million, is applicable to all other hurricanes for the season beginning June 1, 2015. All contracts comprising the Florida Excess Catastrophe Reinsurance agreement, including the mandatory FHCF contracts, provide an estimated provisional limit of $707 million excess of a provisional $15 million retention.

The Company ceded premiums earned of $414 million, $437 million and $471 million under catastrophe reinsurance agreements in 2015, 2014 and 2013, respectively.

Asbestos, environmental and other

Reinsurance recoverables include $183 million and $202 million from Lloyd's of London as of December 31, 2015 and 2014, 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 2015 through current	Single life: $2 million per life Joint life: no longer offered
April 2011 through March 2015	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 $1.44 billion and $1.46 billion as of December 31, 2015 and 2014, respectively, due from Prudential related to the disposal of substantially all of its variable annuity business that was effected through reinsurance agreements. In 2015, life and annuity premiums and contract charges of $94 million, contract benefits of $40 million, interest credited to contractholder funds of $21 million, and operating costs and expenses of $18 million were ceded to Prudential. 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 addition, as of December 31, 2015 and 2014, Allstate Financial had reinsurance recoverables of $148 million and $118 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.

Allstate Financial is the assuming reinsurer for LBL's life insurance business sold through the Allstate agency channel and LBL's payout annuity business in force prior to the sale of LBL on April 1, 2014. Under the terms of the reinsurance agreement, the Company is required to have a trust with assets greater than or equal to the statutory reserves ceded by LBL to the Company, measured on a monthly basis. As of December 31, 2015, the trust held $5.32 billion of investments, which are reported in the Consolidated Statement of Financial Position.

As of December 31, 2015, the gross life insurance in force was $437.13 billion of which $93.33 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)	2015	2014
Annuities	$ 1,457	$ 1,594
Life insurance	897	916
Other	185	197
Total Allstate Financial	$ 2,539	$ 2,707

As of December 31, 2015 and 2014, approximately 92% and 94%, 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)	2015		
	Allstate Financial	Property-Liability	Total
Balance, beginning of year	$ 1,705	$ 1,820	$ 3,525
Acquisition costs deferred	285	4,311	4,596
Amortization charged to income	(262)	(4,102)	(4,364)
Effect of unrealized gains and losses	104	—	104
Balance, end of year	$ 1,832	$ 2,029	$ 3,861

	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

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)	2015	2014	2013
Balance, beginning of year	$ 44	$ 42	$ 41
Classified as held for sale, beginning balance	—	28	—
Total, including those classified as held for sale	44	70	41
Sales inducements deferred	3	4	24
Amortization charged to income	(4)	(4)	(7)
Effect of unrealized gains and losses	2	(3)	12
Sold in LBL disposition	—	(23)	—
Classified as held for sale, ending balance	—	—	(28)
Balance, end of year	$ 45	$ 44	$ 42

12. Capital Structure

Debt

Total debt outstanding as of December 31 consisted of the following:

($ in millions)	2015	2014
6.75% Senior Debentures, due 2018	$ 176	$ 176
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	62
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	241	252
6.50% Junior Subordinated Debentures, due 2067	500	500
Federal Home Loan Bank ("FHLB") advances, due 2018	—	8
Long-term debt total principal	5,175	5,194
Debt issuance costs	(51)	(54)
Total long-term debt	5,124	5,140
Short-term debt [(2)]	—	—
Total debt	$ 5,124	$ 5,140

[(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, 2015 are as follows:

($ in millions)	
2016	$ —
2017	—
2018	176
2019	317
2020	—
Thereafter	4,682
Total long-term debt principal	$ 5,175

During 2015 and 2014, the Company repurchased principal debt amounts of $11 million and $10 million, respectively. The Company recognized a loss on extinguishment of $1 million, pre-tax, in 2014, 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 $241 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.

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, 2015 or 2014. The Company had no commercial paper outstanding as of December 31, 2015 or 2014.

The Company paid $289 million, $332 million and $361 million of interest on debt in 2015, 2014 and 2013, respectively.

The Company has $107 million of investment-related debt that is reported in other liabilities and accrued expenses as of December 31, 2015, including a commitment to fund a limited partnership of $89 million and $18 million of debt related to other investments. The Company has an outstanding line of credit to fund the limited partnership.

During 2015, the Company filed a universal shelf registration statement with the Securities and Exchange Commission ("SEC") that expires in 2018. 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 381 million shares were outstanding and 519 million shares were held in treasury as of December 31, 2015. In 2015, the Company reacquired 43 million shares at an average cost of $65.55 and reissued 6 million net shares under equity incentive plans.

Preferred stock

The following table summarizes the Company's outstanding preferred stock as of December 31, 2015. 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 Per Share			Aggregate Dividend Payment		
	Shares	Aggregate liquidation preference	Dividend rate	2015	2014	2013	2015	2014	2013
Series A	11,500	$ 287.5	5.625%	$ 1.41	$ 1.41	$ 0.83	$ 16	$ 16	$ 9
Series C	15,400	385.0	6.750%	1.69	1.69	0.49	26	26	8
Series D	5,400	135.0	6.625%	1.66	1.79	—	9	10	—
Series E	29,900	747.5	6.625%	1.66	1.44	—	49	43	—
Series F	10,000	250.0	6.250%	1.56	0.92	—	16	9	—
Total	72,200	$ 1,805					$ 116	$ 104	$ 17

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 primarily 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 and certain legal expenses incurred 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 $39 million, $18 million and $70 million in 2015, 2014 and 2013, respectively. Restructuring expenses in 2015 related to programs and actions designed to transform business operations within the organization.

The following table presents changes in the restructuring liability in 2015.

($ in millions)	Employee costs	Exit costs	Total liability
Balance as of December 31, 2014	$ 3	$ 1	$ 4
Expense incurred	18	10	28
Adjustments to liability	(5)	—	(5)
Payments applied against liability	(15)	(10)	(25)
Balance as of December 31, 2015	$ 1	$ 1	$ 2

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, 2015, the cumulative amount incurred to date for active programs totaled $83 million for employee costs and $60 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 $179 million, $187 million and $192 million in 2015, 2014 and 2013, 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, 2015 are as follows:

($ in millions)	Capital leases	Operating leases
2016	$ 5	$ 132
2017	—	105
2018	—	87
2019	—	73
2020	—	58
Thereafter	—	175
Total	$ 5	$ 630
Present value of minimum capital lease payments	$ 5	

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. Pursuant to an Order issued by the FL OIR, the emergency assessment is zero for all policies issued or renewed on or after July 1, 2015.

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. If the plan year deficit exceeds the amount that can be recovered through Regular Assessments, LA Citizens may fund the remaining deficit by issuing revenue assessment bonds in the capital markets. LA Citizens then declares Emergency Assessments each year to provide debt service on the bonds until they are retired. Companies writing assessable lines must surcharge their policyholders Emergency Assessments in the percentage established annually by LA Citizens and must remit amounts collected to the bond trustee on a quarterly basis.

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. Pursuant to an Order issued by the FL OIR, the emergency assessment is zero for all policies issued or renewed on or after January 1, 2015. 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 June 30, 2015, the CEA's capital balance was approximately $4.88 billion. Should losses arising from an earthquake cause a deficit in the CEA, additional $668 million would be obtained from the proceeds of revenue bonds the CEA may issue, an existing $4.11 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 $238 million, if aggregate CEA earthquake losses exceed $11.56 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 $11.56 billion as of June 30, 2015 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, 2014, the Company's market share of the CEA was 13.1%. The Company does not expect its CEA market share to materially change. At this level, the Company's maximum possible CEA assessment would be $248 million during 2016. 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 Property-Liability Insurance Guaranty Association

The PLIGA, as the statutory administrator of the UCJF, provides compensation to qualified claimants for personal injury protection, bodily injury, or death caused by private passenger automobiles operated by uninsured or "hit and run" drivers. The UCJF also provides private passenger stranger pedestrian personal injury protection benefits when no other coverage is available. The fund 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. PLIGA annually assesses all admitted property and casualty insurers writing motor vehicle liability insurance in New Jersey for direct PLIGA expenses and UCJF reimbursements and expenses. Assessments to the Company totaled $8.6 million in 2015.

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, 2015, the NCRF reported a deficit of $69.9 million in members' equity.

North Carolina Joint Underwriters Association

The North Carolina Joint Underwriters Association ("NCJUA") was created to provide property insurance for properties (other than the state's beach and coastal areas) 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, 2015, the Company has a $1.5 million receivable from the NCJUA reflecting a plan surplus of $11.9 million 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 located in the state's beach and coastal areas 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, 2015 and 2014, the liability balance included in other liabilities and accrued expenses was $13 million and $16 million, respectively. The related premium tax offsets included in other assets were $14 million and $15 million as of December 31, 2015 and 2014, respectively.

Guarantees

The Company provides residual value guarantees on Company leased automobiles. If all outstanding leases were terminated effective December 31, 2015, the Company's maximum obligation pursuant to these guarantees, assuming the automobiles have no residual value, would be $50 million as of December 31, 2015. 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 four 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, 2015. 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 agreed to indemnify Resolution Life Holdings, Inc. in connection with certain representations, warranties and covenants of ALIC, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding ALIC's maximum obligation. Management does not believe these indemnifications 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, 2015.

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 Securities and Exchange Commission, the Financial Industry Regulatory Authority, the U.S. Equal Employment Opportunity Commission, 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; changes in assigned judges; differences or developments in applicable laws and judicial interpretations; judges reconsidering prior rulings; the length of time before many of these matters might be resolved by settlement, through litigation, or otherwise; adjustments with respect to anticipated trial schedules and other proceedings; developments in similar actions against other companies; 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 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 $875 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

The Company is 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 field 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. On June 15, 2015, the Supreme Court denied Allstate's petition for a writ of certiorari. The case is scheduled for trial on September 27, 2016. 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, except auto field adjusters, 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. Notice to the class was issued in December 2015. The class members will have sixty days from the date of mailing to opt out of the class. In the Company's judgment a loss is not probable.

The Florida personal injury protection statute permits insurers to pay personal injury protection benefits for reasonable medical expenses based on certain benefit reimbursement limitations which are authorized by the personal injury protection statute (generally referred to as "fee schedules") resulting from automobile accidents. The Company is litigating one class action case in federal court in Illinois in which the plaintiffs allege that Allstate's personal injury protection policies failed to include sufficient language providing notice of Allstate's election to apply the fee schedules. This case is brought on behalf of health care providers and insureds who submitted claims for no-fault benefits under personal injury protection policies which were in effect from 2008 through 2012, and were reimbursed based on the fee schedules. They seek a declaratory judgment that Allstate could not properly apply the fee schedules and seek damages for the difference between what they allege are the reasonable medical expenses payable under the personal injury protection coverage and the fee schedule amounts Allstate actually paid. They also seek recovery of attorneys' fees and costs pursuant to Florida statutes.

In a Florida class action case, the court granted summary judgment in favor of Allstate on February 13, 2015, holding that Allstate's language provided sufficient notice of an election to apply the fee schedules. Plaintiff appealed that ruling to the 11th Circuit Court of Appeals. Plaintiff's brief was due November 8, 2015. Instead of filing a brief, the plaintiff voluntarily dismissed the case. The Illinois class action case has been stayed by the Illinois federal court pending the outcome of several Florida state court appeals.

This fee schedule issue has been the subject of thousands of individual lawsuits filed against Allstate in Florida county courts. Four of those matters are on appeal to the Florida District Courts of Appeals. On March 18, 2015, the District Court of Appeal for the First District unanimously reversed a summary judgment that had been entered against Allstate, holding that Allstate's language was clear and unambiguous and provided adequate notice of its intent to use the fee schedules. The plaintiff's appeal to the Florida Supreme Court was stayed. On August 19, 2015, the District Court of Appeal for the Fourth District issued a divided decision (three separate opinions, two against Allstate and one dissenting opinion deeming Allstate's language sufficient), holding that Allstate's language was not sufficient. The District Court of Appeal for the Fourth District has certified that its decision is in direct conflict with the District Court of Appeal for the First District's decision. Allstate's motion for rehearing of the District Court of Appeal for the Fourth District's decision was denied. Allstate's notice to the Florida Supreme Court seeking to invoke the discretionary jurisdiction of that court was accepted on January 20, 2016. Briefing has just commenced in this case. In the District Court of Appeal for the Second District, the court heard oral argument on September 22, 2015, and has taken the matter under advisement. In the District Court of Appeal for the Third District, the court heard oral argument on February 3, 2016, and has taken the matter under advisement. In the Company's judgment, a loss is not probable.

Other proceedings

The Company is 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 the former agents whose employment contracts were terminated 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 effectuating 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. Since the Court's January 7, 2015 order, a total of 459 additional individual plaintiffs have filed separate lawsuits similar to *Romero I* or sought to intervene in the *Romero I* action. Trial proceedings have commenced to determine the question of whether the releases of the original named plaintiffs in *Romero I* and *II* were knowingly and voluntarily signed. Additionally, plaintiffs asserted two equitable defenses to the release which were to be determined by the court and not the jury. As to the first trial proceeding involving ten plaintiffs, the jury reached verdicts on June 17, 2015 finding that two plaintiffs signed their releases knowingly and voluntarily and eight plaintiffs did not sign their releases knowingly and voluntarily. On January 28, 2016, the court entered its opinion and judgment finding in Allstate's favor as to all ten plaintiffs on the two equitable defenses to the release. The trial result is not yet final and may be subject to further proceedings. The remaining two trials for the original *Romero I* and *II* plaintiffs were scheduled to commence in the fourth quarter of 2015; however, these trials have been postponed. No new trial dates have been set and no other trials are currently scheduled. The Court has not yet addressed a schedule for deciding the validity of the release signed by the new plaintiffs. In the fourth quarter of 2015, the Court granted defendants' motions for partial dismissal and dismissed plaintiffs' state law claims and federal retaliation claims. Plaintiffs' other claims under the ADEA and ERISA remain. The Court's orders are subject to further proceedings. On February 1, 2016, these cases were reassigned to a new judge.

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 for any plaintiff, that would preclude any damages or other relief being awarded to that plaintiff. If the validity of the release is decided in favor of a plaintiff, further proceedings with respect to the merits of that plaintiff's claims relating to the reorganization would have to occur before there could be any determination of liability or award of damages in either *Romero I* or *Romero II*. The final resolution of these matters is subject to various uncertainties and complexities including how individual trials, post trial motions and possible appeals with respect to the validity of the release 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 $960 million and $1.01 billion, net of reinsurance recoverables of $458 million and $478 million, as of December 31, 2015 and 2014, respectively. Reserves for environmental claims were $179 million and $203 million, net of reinsurance recoverables of $43 million and $64 million, as of December 31, 2015 and 2014, respectively. Approximately 57% and 57% of the total net asbestos and environmental reserves as of December 31, 2015 and 2014, 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. Further, insurers and claims administrators acting on behalf of insurers are increasingly pursuing evolving and expanding theories of reinsurance coverage for asbestos and environmental losses. Adjudication of reinsurance coverage is predominately decided in confidential arbitration proceedings which may have limited precedential or predictive value further complicating management's ability to estimate probable loss for reinsured asbestos and environmental claims. 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 2013 and 2014 federal income tax returns. The IRS completed the audit of the Company's 2011 and 2012 federal income tax returns and issued a final Revenue Agent's Report on June 10, 2015. The Company's tax years prior to 2011 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)	2015	2014	2013
Balance – beginning of year	$ —	$ —	$ 25
Increase for tax positions taken in a prior year	4	—	1
Decrease for tax positions taken in a prior year	—	—	—
Increase for tax positions taken in the current year	3	—	—
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	$ 7	$ —	$ —

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 2015, 2014 or 2013. As of December 31, 2015 and 2014, 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)	2015	2014
Deferred assets		
Unearned premium reserves	$ 796	$ 763
Pension	236	254
Discount on loss reserves	203	210
Difference in tax bases of invested assets	202	64
Accrued compensation	189	206
Other postretirement benefits	76	138
Other assets	137	138
Total deferred assets	1,839	1,773
Deferred liabilities		
DAC	(1,157)	(1,076)
Unrealized net capital gains	(303)	(994)
Life and annuity reserves	(260)	(192)
Other liabilities	(209)	(226)
Total deferred liabilities	(1,929)	(2,488)
Net deferred liability	$ (90)	$ (715)

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, 2015, the Company has net operating loss carryforwards of $58 million which will expire at the end of 2025 through 2029.

The components of income tax expense for the years ended December 31 are as follows:

($ in millions)	2015	2014	2013
Current	$ 1,033	$ 1,123	$ 869
Deferred	78	263	247
Total income tax expense	$ 1,111	$ 1,386	$ 1,116

The Company paid income taxes of $1.07 billion, $1.07 billion and $500 million in 2015, 2014 and 2013, respectively. The Company had current income tax receivable of $59 million and current income tax payable of $158 million as of December 31, 2015 and 2014, 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:

	2015	2014	2013
Statutory federal income tax rate	35.0%	35.0%	35.0%
Tax-exempt income	(1.0)	(0.9)	(1.8)
Tax credits	(0.9)	(0.7)	(2.2)
Sale of subsidiary	—	(0.9)	2.0
Other [(1)]	0.8	0.2	(0.1)
Effective income tax rate	33.9%	32.7%	32.9%

(1) Includes $45 million of income tax expense related to the change in accounting guidance for investments in qualified affordable housing projects adopted in 2015.

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 (loss) 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 (loss)			Capital and surplus	
	2015	2014	2013	2015	2014
Amounts by major business type:					
Property-Liability [(1)]	$ 1,826	$ 2,501	$ 2,707	$ 13,332	$ 14,412
Allstate Financial	(56)	1,130	504	3,154	2,907
Amount per statutory accounting practices	$ 1,770	$ 3,631	$ 3,211	$ 16,486	$ 17,319

(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 $2.31 billion in 2015. The maximum amount of dividends AIC will be able to pay without prior IL DOI approval at a given point in time during 2016 is $1.71 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 $10.65 billion as of December 31, 2015, 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 adjusted 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 adjusted statutory capital and surplus and authorized control level RBC of AIC were $15.62 billion and $2.48 billion, respectively, as of December 31, 2015. 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 $23 billion as of December 31, 2015.

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. In 2016, the Company continues to pay life insurance premiums for certain retiree plaintiffs subject to a court order requiring it to do so until such time as their lawsuit seeking to keep their life insurance benefits intact is resolved. 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	
	2015	2014	2015	2014
Fair value of plan assets	$ 5,353	$ 5,783	$ —	$ —
Less: Benefit obligation	6,130	6,493	405	575
Funded status	$ (777)	$ (710)	$ (405)	$ (575)
Items not yet recognized as a component of net periodic cost:				
Net actuarial loss (gain)	$ 2,710	$ 2,707	$ (263)	$ (111)
Prior service credit	(365)	(422)	(61)	(83)
Unrecognized pension and other postretirement benefit cost, pre-tax	2,345	2,285	(324)	(194)
Deferred income tax	(821)	(800)	115	72
Unrecognized pension and other postretirement benefit cost	$ 1,524	$ 1,485	$ (209)	$ (122)

The $3 million increase in the pension net actuarial loss during 2015 is primarily related to lower than expected return on assets, substantially offset by an increase in the discount rate. The majority of the $2.71 billion net actuarial pension benefit losses not yet recognized in 2015 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 $152 million increase in the OPEB net actuarial gain during 2015 primarily related to changes in the persistency and participation assumptions.

The primary qualified employee plan represents 79% of the pension benefits' underfunded status as of December 31, 2015.

The change in 2015 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, 2014	$ 2,285	$ (194)
Net actuarial loss (gain) arising during the period	242	(158)
Net actuarial (loss) gain amortized to net periodic benefit cost	(221)	9
Prior service credit arising during the period	—	—
Prior service credit amortized to net periodic benefit cost	56	22
Translation adjustment and other	(17)	(3)
Items not yet recognized as a component of net periodic cost – December 31, 2015	$ 2,345	$ (324)

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 2016 are shown in the table below.

($ in millions)	Pension benefits	Postretirement benefits
Net actuarial loss (gain)	$ 174	$ (32)
Prior service credit	(56)	(21)

The accumulated benefit obligation ("ABO") for all defined benefit pension plans was $6.05 billion and $6.42 billion as of December 31, 2015 and 2014, 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 $5.81 billion, $5.74 billion and $5.02 billion, respectively, as of December 31, 2015 and $6.12 billion, $6.06 billion and $5.38 billion, respectively, as of December 31, 2014. Included in the accrued benefit cost of the pension benefits are certain unfunded non-qualified plans with accrued benefit costs of $143 million and $147 million for 2015 and 2014, respectively.

The changes in benefit obligations for all plans for the years ended December 31 are as follows:

($ in millions)	Pension benefits		Postretirement benefits	
	2015	2014	2015	2014
Benefit obligation, beginning of year	$ 6,493	$ 5,297	$ 575	$ 482
Service cost	114	96	12	10
Interest cost	258	262	23	23
Participant contributions	—	1	19	19
Actuarial (gain) loss	(225)	1,243	(158)	103
Benefits paid [(1)]	(443)	(368)	(54)	(57)
Plan amendments	—	—	—	—
Translation adjustment and other	(67)	(38)	(12)	(5)
Curtailment gain	—	—	—	—
Benefit obligation, end of year	$ 6,130	$ 6,493	$ 405	$ 575

[(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		
	2015	2014	2013	2015	2014	2013
Service cost	$ 114	$ 96	$ 140	$ 12	$ 10	$ 12
Interest cost	258	262	265	23	23	28
Expected return on plan assets	(424)	(398)	(394)	—	—	—
Amortization of:						
Prior service credit	(56)	(58)	(28)	(22)	(23)	(23)
Net actuarial loss (gain)	190	127	235	(9)	(22)	(16)
Settlement loss	31	54	277	—	—	—
Curtailment gain	—	—	—	—	—	(181)
Net periodic cost (credit)	$ 113	$ 83	$ 495	$ 4	$ (12)	$ (180)

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		
	2015	2014	2013	2015	2014	2013
Discount rate	4.10%	5.00%	4.60%	3.97%	5.11%	3.75%
Rate of increase in compensation levels	3.5	3.5	3.5	n/a	n/a	n/a
Expected long-term rate of return on plan assets	7.33	7.36	7.75	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	
	2015	2014	2015	2014
Discount rate	4.83%	4.10%	4.56%	4.15%
Rate of increase in compensation levels	3.2	3.5	n/a	n/a

The weighted average health care cost trend rate used in measuring the accumulated postretirement benefit cost is 6.3% for 2016, gradually declining to 4.5% in 2038 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 $3 million and $20 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 $17 million, respectively.

Pension plan assets

The change in pension plan assets for the years ended December 31 is as follows:

($ in millions)	2015	2014
Fair value of plan assets, beginning of year	$ 5,783	$ 5,602
Actual return on plan assets	(43)	540
Employer contribution	125	49
Benefits paid	(443)	(368)
Translation adjustment and other	(69)	(40)
Fair value of plan assets, end of year	$ 5,353	$ 5,783

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 80% of total plan assets and 86% 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, 2015 are as follows:

	Target asset allocation [(1)]	Actual percentage of plan assets	
Asset category	**2015**	**2015**	**2014**
Equity securities [(2)]	53 - 63%	60%	41%
Fixed income securities	28 - 37%	30	50
Limited partnership interests	0 - 12%	7	7
Short-term investments and other	—	3	2
Total without securities lending [(3)]		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) The actual percentage of plan assets for equity securities include private equity investments that are subject to the limited partnership interests target allocation of 2% and 1% in 2015 and 2014, respectively, fixed income mutual funds that are subject to the fixed income securities target allocation of 3% for both 2015 and 2014 as well as 9% of equity exposure created through a derivative which is not included in the actual allocations in 2014.

(3) Securities lending collateral reinvestment of $152 million and $217 million is excluded from the table above in 2015 and 2014, respectively.

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, 2015, U.S. government fixed income securities and U.S. equity securities are lent out and cash collateral is invested 5% in fixed income securities and 95% in short-term investments.

The following table presents the fair values of pension plan assets as of December 31, 2015.

($ 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, 2015
Equity securities	$ 136	$ 2,945	$ 100	$ 3,181
Fixed income securities:				
U.S. government and agencies	72	334	—	406
Municipal	—	—	7	7
Corporate	—	1,205	10	1,215
Short-term investments	112	184	—	296
Limited partnership interests:				
Real estate funds [(1)]	—	—	104	104
Private equity funds [(2)]	—	—	237	237
Hedge funds	—	—	33	33
Cash and cash equivalents	22	—	—	22
Total plan assets at fair value	$ 342	$ 4,668	$ 491	5,501
% of total plan assets at fair value	6.2%	84.9%	8.9%	100.0%
Securities lending obligation [(3)]				(167)
Other net plan assets [(4)]				19
Total reported plan assets				$ 5,353

(1) Real estate funds held by the pension plans are primarily invested in U.S. commercial real estate.

(2) Private equity investments held by the pension plans are primarily comprised of buyout and growth funds in North America and other developed markets.

(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, 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	—	—	154	154
Private equity funds	—	—	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				(234)
Other net plan assets				24
Total reported plan assets				$ 5,783

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, 2015.

($ in millions)		Actual return on plan assets:				
	Balance as of December 31, 2014	Relating to assets sold during the period	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, 2015
Equity securities	$ 75	$ 1	$ (5)	$ 29	$ —	$ 100
Fixed income securities:						
Municipal	14	—	—	(7)	—	7
Corporate	12	—	—	—	(2)	10
Limited partnership interests:						
Real estate funds	154	—	(12)	(38)	—	104
Private equity funds	218	—	(8)	27	—	237
Hedge funds	32	—	1	—	—	33
Total Level 3 plan assets	$ 505	$ 1	$ (24)	$ 11	$ (2)	$ 491

The following table presents the rollforward of Level 3 plan assets for the year ended December 31, 2014.

($ in millions)		Actual return on plan assets:				
	Balance as of December 31, 2013	Relating to assets sold during the period	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)		Actual return on plan assets:				
	Balance as of December 31, 2012	Relating to assets sold during the period	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 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 7.33% used for 2015 and 7.30% that will be used for 2016. 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 2015 measurement date, the arithmetic average of the annual actual return on plan assets for the most recent 10 and 5 years was 6.9% and 7.7%, respectively.

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, 2015. The Company currently plans to contribute $129 million to its pension plans in 2016.

The Company contributed $35 million and $38 million to the postretirement benefit plans in 2015 and 2014, respectively. Contributions by participants were $19 million and $19 million in 2015 and 2014, 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, 2015, are presented in the table below.

($ in millions)	Pension benefits	Postretirement benefits
2016	$ 341	$ 26
2017	372	26
2018	388	26
2019	436	28
2020	472	29
2021-2025	2,569	155
Total benefit payments	$ 4,578	$ 290

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 $11 million as of December 31, 2015. 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 $79 million, $75 million and $54 million in 2015, 2014 and 2013, respectively. These amounts were reduced by the ESOP benefit computed for the years ended December 31 as follows:

($ in millions)	2015	2014	2013
Interest expense recognized by ESOP	$ 1	$ 1	$ 2
Less: dividends accrued on ESOP shares	(3)	(4)	(3)
Cost of shares allocated	10	8	7
Compensation expense	8	5	6
Reduction of defined contribution due to ESOP	73	71	46
ESOP benefit	$ (65)	$ (66)	$ (40)

The Company made $2 million, $3 million and $2 million in contributions to the ESOP in 2015, 2014 and 2013, respectively. As of December 31, 2015, total committed to be released, allocated and unallocated ESOP shares were 1 million, 36 million and 2 million, respectively.

Allstate's Canadian, Esurance and Answer Financial subsidiaries sponsor defined contribution plans for their eligible employees. Expense for these plans was $10 million, $11 million and $11 million in 2015, 2014 and 2013, 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 $81 million, $88 million and $93 million and the total income tax benefits were $28 million, $30 million and $32 million for 2015, 2014 and 2013, respectively. Total cash received from the exercise of options was $187 million, $314 million and $212 million for 2015, 2014 and 2013, respectively. Total tax benefit realized on options exercised and stock unrestricted was $82 million, $73 million and $65 million for 2015, 2014 and 2013, 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, 2015, total unrecognized compensation cost related to all nonvested awards was $71 million, of which $28 million related to nonqualified stock options which are expected to be recognized over the weighted average vesting period of 1.60 years, $35 million related to restricted stock units which are expected to be recognized over the weighted average vesting period of 1.84 years and $8 million related to performance stock awards which are expected to be recognized over the weighted average vesting period of 1.49 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 prior to February 18, 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 convert in full on the third anniversary of the grant date, except for directors whose awards vest immediately and convert after leaving the board. Restricted stock units granted to employees prior to February 18, 2014 convert 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 convert 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, 2015, 25.8 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.

	2015	2014	2013
Weighted average expected term	6.5 years	6.5 years	8.2 years
Expected volatility	16.0 - 37.8%	16.8 - 42.2%	19.1 - 48.1%
Weighted average volatility	24.7%	28.3%	31.0%
Expected dividends	1.6 - 2.1%	1.7 - 2.2%	1.9 - 2.2%
Weighted average expected dividends	1.7%	2.1%	2.2%
Risk-free rate	0.0 - 2.4%	0.0 - 3.0%	0.0 - 2.9%

A summary of option activity for the year ended December 31, 2015 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, 2015	17,989	$ 42.05		
Granted	2,264	70.26		
Exercised	(4,375)	42.71		
Forfeited	(156)	54.58		
Expired	(6)	54.31		
Outstanding as of December 31, 2015	15,716	45.81	$ 274,191	5.5
Outstanding, net of expected forfeitures	15,601	45.68	273,702	5.5
Outstanding, exercisable ("vested")	10,097	40.62	217,292	4.1

The weighted average grant date fair value of options granted was $15.45, $12.50 and $11.99 during 2015, 2014 and 2013, respectively. The intrinsic value, which is the difference between the fair value and the exercise price, of options exercised was $117 million, $151 million and $92 million during 2015, 2014 and 2013, respectively.

The changes in restricted stock units are shown in the following table for the year ended December 31, 2015.

	Number (in 000s)	Weighted average grant date fair value
Nonvested as of January 1, 2015	2,280	$ 42.71
Granted	579	69.25
Vested	(891)	37.36
Forfeited	(129)	54.00
Nonvested as of December 31, 2015	1,839	52.86

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 $69.25, $52.70 and $45.78 during 2015, 2014 and 2013, respectively. The total fair value of restricted stock units vested was $63 million, $60 million and $104 million during 2015, 2014 and 2013, respectively.

The changes in performance stock awards are shown in the following table for the year ended December 31, 2015.

	Number (in 000s)	Weighted average grant date fair value
Nonvested as of January 1, 2015	1,304	$ 39.70
Granted	229	70.37
Adjustment for performance achievement	199	36.96
Vested	(802)	32.05
Nonvested as of December 31, 2015	930	53.27

The increase in PSA's comprises those initially granted in 2015 and the adjustment to previously granted PSA's 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 $70.37, $52.18 and $45.61 during 2015, 2014 and 2013, respectively. The total fair value of performance stock awards vested was $56 million during 2015. None of the performance stock awards vested during 2014 or 2013.

The tax benefit realized in 2015, 2014 and 2013 related to tax deductions from stock option exercises and included in shareholders' equity was $23 million, $23 million and $12 million, respectively. The tax benefit realized in 2015, 2014 and 2013 related to all stock-based compensation and recorded directly to shareholders' equity was $46 million, $32 million and $30 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 $1.03 billion, $1.08 billion and $1.06 billion in 2015, 2014 and 2013, 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 2015, 2014 or 2013. 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 intersegment 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 applicable to common shareholders 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 applicable 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)	2015	2014	2013
Revenues			
Property-Liability			
Property-liability insurance premiums			
Auto	$ 20,410	$ 19,344	$ 18,449
Homeowners	7,136	6,904	6,613
Other personal lines	1,692	1,662	1,629
Commercial lines	510	476	456
Other business lines	561	542	471
Allstate Protection	30,309	28,928	27,618
Discontinued Lines and Coverages	—	1	—
Total property-liability insurance premiums	30,309	28,929	27,618
Net investment income	1,237	1,301	1,375
Realized capital gains and losses	(237)	549	519
Total Property-Liability	31,309	30,779	29,512
Allstate Financial			
Life and annuity premiums and contract charges			
Life and annuity premiums			
Traditional life insurance	542	511	491
Immediate annuities with life contingencies	—	4	37
Accident and health insurance	780	744	720
Total life and annuity premiums	1,322	1,259	1,248
Contract charges			
Interest-sensitive life insurance	822	879	1,086
Fixed annuities	14	19	18
Total contract charges	836	898	1,104
Total life and annuity premiums and contract charges	2,158	2,157	2,352
Net investment income	1,884	2,131	2,538
Realized capital gains and losses	267	144	74
Total Allstate Financial	4,309	4,432	4,964
Corporate and Other			
Service fees	3	5	9
Net investment income	35	27	30
Realized capital gains and losses	—	1	1
Total Corporate and Other before reclassification of service fees	38	33	40
Reclassification of service fees [(1)]	(3)	(5)	(9)
Total Corporate and Other	35	28	31
Consolidated revenues	$ 35,653	$ 35,239	$ 34,507

[(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)	2015	2014	2013
Net income			
Property-Liability			
Underwriting income			
Allstate Protection	$ 1,614	$ 1,887	$ 2,361
Discontinued Lines and Coverages	(55)	(115)	(143)
Total underwriting income	1,559	1,772	2,218
Net investment income	1,237	1,301	1,375
Income tax expense on operations [(1)]	(952)	(1,040)	(1,177)
Realized capital gains and losses, after-tax	(154)	357	339
Gain (loss) on disposition of operations, after-tax	—	37	(1)
Property-Liability net income applicable to common shareholders	1,690	2,427	2,754
Allstate Financial			
Life and annuity premiums and contract charges	2,158	2,157	2,352
Net investment income	1,884	2,131	2,538
Periodic settlements and accruals on non-hedge derivative instruments	—	(1)	17
Contract benefits and interest credited to contractholder funds	(2,563)	(2,663)	(3,171)
Operating costs and expenses and amortization of deferred policy acquisition costs	(729)	(721)	(895)
Restructuring and related charges	—	(2)	(7)
Income tax expense on operations	(241)	(294)	(246)
Operating income	509	607	588
Realized capital gains and losses, after-tax	173	94	46
Valuation changes on embedded derivatives that are not hedged, after-tax	(1)	(15)	(16)
DAC and DSI amortization related to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(3)	(3)	(5)
DAC and DSI unlocking related to realized capital gains and losses, after-tax	—	—	7
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	—	1	(11)
Gain (loss) on disposition of operations, after-tax	2	(53)	(514)
Change in accounting for investments in qualified affordable housing projects, after-tax	(17)	—	—
Allstate Financial net income applicable to common shareholders	663	631	95
Corporate and Other			
Service fees [(2)]	3	5	9
Net investment income	35	27	30
Operating costs and expenses [(2)]	(329)	(364)	(627)
Income tax benefit on operations	109	124	220
Preferred stock dividends	(116)	(104)	(17)
Operating loss	(298)	(312)	(385)
Realized capital gains and losses, after-tax	—	—	—
Loss on extinguishment of debt, after-tax	—	—	(319)
Postretirement benefits curtailment gain, after-tax	—	—	118
Corporate and Other net loss applicable to common shareholders	(298)	(312)	(586)
Consolidated net income applicable to common shareholders	$ 2,055	$ 2,746	$ 2,263

(1) Income tax on operations for Property-Liability segment includes $28 million of expense related to the change in accounting guidance for investments in qualified affordable housing projects adopted in 2015.

(2) 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)	2015	2014	2013
Amortization of DAC			
Property-Liability	$ 4,102	$ 3,875	$ 3,674
Allstate Financial	262	260	328
Consolidated	$ 4,364	$ 4,135	$ 4,002
Income tax expense			
Property-Liability	$ 869	$ 1,211	$ 1,357
Allstate Financial	351	299	87
Corporate and Other	(109)	(124)	(328)
Consolidated	$ 1,111	$ 1,386	$ 1,116

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)	2015	2014	2013
Assets			
Property-Liability	$ 55,671	$ 55,767	$ 54,726
Allstate Financial	46,342	49,248	65,707
Corporate and Other	2,643	3,464	3,027
Consolidated	$ 104,656	$ 108,479	$ 123,460
Investments			
Property-Liability	$ 38,479	$ 39,083	$ 39,638
Allstate Financial	36,792	38,809	39,105
Corporate and Other	2,487	3,221	2,412
Consolidated	$ 77,758	$ 81,113	$ 81,155

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)	2015			2014			2013		
	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	$ (1,896)	$ 663	$ (1,233)	$ 1,026	$ (358)	$ 668	$ (1,278)	$ 447	$ (831)
Less: reclassification adjustment of realized capital gains and losses	112	(39)	73	597	(209)	388	549	(192)	357
Unrealized net capital gains and losses	(2,008)	702	(1,306)	429	(149)	280	(1,827)	639	(1,188)
Unrealized foreign currency translation adjustments	(89)	31	(58)	(62)	22	(40)	(49)	17	(32)
Unrecognized pension and other postretirement benefit cost arising during the period	(64)	25	(39)	(1,197)	421	(776)	1,231	(429)	802
Less: reclassification adjustment of net periodic cost recognized in operating costs and expenses	(134)	47	(87)	(78)	27	(51)	(445)	156	(289)
Unrecognized pension and other postretirement benefit cost	70	(22)	48	(1,119)	394	(725)	1,676	(585)	1,091
Other comprehensive loss	$ (2,027)	$ 711	$ (1,316)	$ (752)	$ 267	$ (485)	$ (200)	$ 71	$ (129)

21. Quarterly Results (unaudited)

($ in millions, except per share data)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues	$ 8,952	$ 8,684	$ 8,982	$ 8,860	$ 9,028	$ 8,936	$ 8,691	$ 8,759
Net income applicable to common shareholders	648	587	326	614	621	750	460	795
Net income applicable to common shareholders earnings per common share - Basic	1.56	1.31	0.80	1.41	1.56	1.77	1.19	1.89
Net income applicable to common shareholders earnings per common share - Diluted	1.53	1.30	0.79	1.39	1.54	1.74	1.18	1.86

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, 2015 and 2014, 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, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, 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, 2016

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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 24, 2016, 11:00 a.m. (doors open at 10:00 a.m.) at Allstate Willow Plaza
2675 Sanders Road
Northbrook, Illinois 60062

Holders of common stock of record at the close of business on March 28, 2016 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
2775 Sanders Road, Suite F7
Northbrook, IL 60062-6127

Code of Ethics
Allstate's Code of Ethics is available on the Corporate Governance section of www.allstateinvestors.com.

Corporate Responsibility
Information on Allstate's social responsibility programs is available at corporateresponsibility.allstate.com.

Common Stock and Dividend Information
(in dollars)

	High	Low	Close	Dividends Declared
2015				
First Quarter	72.87	68.38	71.17	0.30
Second Quarter	72.51	64.62	64.87	0.30
Third Quarter	69.48	54.12	58.24	0.30
Fourth Quarter	64.69	56.97	62.09	0.30
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

Stock price ranges are from the New York Stock Exchange Composite listing. As of 4:00 p.m. (EST) on January 29, 2016, the closing price of Allstate common stock as reported on the New York Stock Exchange was $60.60 and there were 84,153 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, 2015, 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.

Proxy statement designed by www.Argyle.company
Cover and annual report designed by www.Addison.com

Creating a Better Future

Allstate is working to create a 22nd Century Corporation — a company that people want to do business with because it connects with consumers, sparks social change, empowers people and is a force for good. Allstate believes that corporations should address pressing social problems and create positive change in the world, not just in the industries where they compete. We put this philosophy into practice through The Allstate Foundation and our corporate responsibility initiatives. In 2015, The Allstate Foundation, Allstate, its employees and agency owners gave $36 million to support local communities. Allstate employees and agency owners donated 230,000 hours of service across the country.

Here are two examples of how we — along with our neighbors and partners in the community — inspire the next generation of leaders and tackle one of society's toughest issues.

YOUTH EMPOWERMENT

At Allstate, we believe "bringing out the good" starts young. We all benefit when young people are empowered to solve problems in their schools, their communities and throughout the world. As a result, Allstate and The Allstate Foundation were national co-title sponsors of four "WE Day" events in 2015. At each event, 16,000 to 17,000 young leaders gathered for recognition and inspiration. Allstate agency owners and employees also supported these young people in volunteer activities through ongoing "WE Schools" programs. In addition, Allstate has a long history of supporting other youth programs, such as Junior Achievement, the YMCA, the YWCA, and Boys and Girls Clubs of America.

HELPING SURVIVORS OF DOMESTIC VIOLENCE

Since The Allstate Foundation launched its domestic violence program in 2005, it has invested nearly $50 million in programs and services to end domestic violence and helped nearly 800,000 survivors take steps toward financial independence and a life free from abuse. Signature programs include the Purple Purse Challenge, which raised nearly $3.1 million for domestic violence survivors across the country in 2015, and the *Moving Ahead Through Financial Management* curriculum, a five-part program designed to help domestic violence victims regain control of their finances after their abusers have restricted their access to cash, credit, employment and other everyday essentials.

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