ALLSTATE CORP
Form 10-K
February 19, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015
OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 1-11840
THE ALLSTATE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-3871531
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2775 Sanders Road, Northbrook, Illinois 60062
(Address of principal executive offices) (Zip Code)
Registrant’s telephone number, including area code: (847) 402-5000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange Chicago Stock Exchange
5.10% Fixed-to-Floating Rate Subordinated Debentures due 2053	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series A	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series C	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series D	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series E	New York Stock Exchange
Depositary Shares each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series F	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes X No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer X	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2015, was approximately $25.77 billion.

As of January 29, 2016, the registrant had 378,300,428 shares of common stock outstanding.

Documents Incorporated By Reference

Portions of the following documents are incorporated herein by reference as follows:

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement for its annual stockholders meeting to be held on May 24, 2016 (the "Proxy Statement") to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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Part I

Item 1. Business

The Allstate Corporation was incorporated under the laws of the State of Delaware on November 5, 1992 to serve as the holding company for Allstate Insurance Company. Its business is conducted principally through Allstate Insurance Company, Allstate Life Insurance Company and other subsidiaries (collectively, including The Allstate Corporation, “Allstate”). Allstate is primarily engaged in the property-liability insurance and life insurance business. It offers its products in the United States and Canada.

The Allstate Corporation is the largest publicly held personal lines insurer in the United States. Allstate’s strategy is to serve distinct customer segments with differentiated offerings. The Allstate brand is widely known through the “You’re In Good Hands With Allstate®” slogan. Allstate is the 2nd largest personal property and casualty insurer in the United States on the basis of 2014 statutory direct premiums written according to A.M. Best. In addition, according to A.M. Best, it is the nation’s 19th largest issuer of life insurance business on the basis of 2014 ordinary life insurance in force and 31st largest on the basis of 2014 statutory admitted assets.

Allstate has four business segments:

• Allstate Protection	• Discontinued Lines and Coverages
• Allstate Financial	• Corporate and Other

To achieve its goals in 2016, Allstate is focused on the following priorities:

- 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.

In this annual report on Form 10-K, we occasionally refer to statutory financial information. All domestic United States insurance companies are required to prepare statutory-basis financial statements. As a result, industry data is available that enables comparisons between insurance companies, including competitors that are not subject to the requirement to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). We frequently use industry publications containing statutory financial information to assess our competitive position.

ALLSTATE PROTECTION SEGMENT

Products and Distribution

Total Allstate Protection premiums written were $30.87 billion in 2015. Our Allstate Protection segment accounted for 93% of Allstate’s 2015 consolidated insurance premiums and contract charges. In this segment, we principally sell private passenger auto, homeowners, and other property-liability insurance products through agencies and directly through contact centers and the internet. These products are underwritten under the Allstate®, Esurance® and Encompass® brand names.

Our Unique Strategy Consumer Segments

Allstate serves four different consumer segments with distinct interaction preferences (local advice and assistance versus self-directed) and brand preferences (brand-neutral versus brand-sensitive).

- Allstate brand auto and homeowners insurance products are sold primarily through Allstate exclusive agencies and serve customers who prefer local personalized advice and service and are brand-sensitive. The Allstate brand also sells specialty auto products including motorcycle, trailer, motor home and off-road vehicle insurance policies; other personal lines products including renter, condominium, landlord, boat, umbrella and manufactured home insurance policies; commercial lines products for small business owners; roadside assistance products; and service contracts and other products sold in conjunction with auto lending and vehicle sales transactions. Allstate brand sales and service are supported through contact centers and the internet. In 2015, the Allstate brand represented 91% of the Allstate Protection segment's written premium. In the U.S., we offer these Allstate brand products in approximately 10,200 locations through approximately 34,800 licensed producers including approximately 10,400 Allstate exclusive agencies and approximately 24,400 licensed sales professionals. We also offer these products through approximately 2,100 independent agencies that are primarily in rural areas in the U.S. In Canada, we offer Allstate brand products through approximately 850 employee producers working in five provinces across the country (Ontario, Quebec, Alberta, New Brunswick and Nova Scotia).
- Esurance brand auto, homeowners, renter and motorcycle insurance products are sold directly to consumers online, through contact centers and through select agents, including Answer Financial. Esurance serves self-directed, brand-sensitive customers. In 2015, the Esurance brand represented 5% of the Allstate Protection segment's written premium.
- Encompass brand auto, homeowners, umbrella and other insurance products, sold predominantly in the form of a single annual household ("package") policy, are distributed through independent agencies that serve consumers who prefer personal advice and assistance from an independent adviser and are brand neutral. Encompass targets mass affluent households, a market of approximately 35 million in the U.S., with higher average coverage needs. In 2015, the Encompass brand represented 4% of the Allstate Protection segment's written premium. Encompass brand products are distributed through approximately 2,300 independent agencies. Encompass is among the top 20 largest providers of personal property and casualty insurance products through independent agencies in the United States, based on statutory written premium information provided by A.M. Best for 2014.
- Answer Financial, a personal lines insurance agency, serves self-directed, brand-neutral consumers who want a choice between insurance carriers. It offers comparison quotes for auto and homeowners insurance from approximately 25 insurance companies through its website and over the phone and receives commissions for this service.

Through arrangements made with other companies, agencies, and brokers, the Allstate Protection segment may offer non-proprietary products to consumers when an Allstate product is not available. As of December 31, 2015, Allstate agencies had approximately $1.3 billion of non-proprietary personal insurance premiums under management, primarily related to property business in hurricane exposed areas, and approximately $200 million of non-proprietary commercial insurance premiums under management. Answer Financial had $581 million of non-proprietary premiums written in 2015.

Competition

The markets for personal private passenger auto and homeowners insurance are highly competitive. The following charts provide the market shares of our principal competitors in the U.S. by direct written premium for the year ended December 31, 2014 according to A.M. Best.

Personal Lines Insurance		Private Passenger Auto Insurance		Homeowners Insurance	
Insurer	Market Share	Insurer	Market Share	Insurer	Market Share
State Farm	18.6%	State Farm	18.2%	State Farm	19.4%
Allstate	9.6	GEICO	10.8	Allstate	8.6
GEICO	7.3	Allstate	10.1	Liberty Mutual	6.4
Progressive	6.2	Progressive	8.8	Farmers	5.7
Liberty Mutual	5.5	USAA	5.2	USAA	5.2
Farmers	5.3	Farmers	5.1	Nationwide	4.0
USAA	5.2	Liberty Mutual	5.0	Travelers	3.8

Nationwide	3.9	Nationwide	3.9

In the personal property and casualty insurance market, we compete principally using customer value propositions for each consumer segment. This includes different brands, the scope and type of distribution system, price and the breadth of product offerings, product features, customer service, claim handling, and use of technology. In addition, our proprietary database of underwriting and pricing experience enables Allstate to use sophisticated pricing algorithms to more accurately price risks and to cross sell products within our customer base. For auto insurance, risk evaluation factors can include but are not limited to vehicle make, model and year; driver age and marital status; territory; years licensed; loss history; years insured with prior carrier; prior liability limits; prior lapse in coverage; and insurance scoring utilizing certain credit report information. For property insurance, risk evaluation factors can include but are not limited to amount of insurance purchased; geographic location of the property; loss history; age, condition and construction characteristics of the property; and characteristics of the insured including insurance scoring utilizing certain credit report information.

Allstate differentiates itself from competitors by focusing on the needs of the entire household and offering a comprehensive range of innovative product options and features through distribution channels that best suit each market segment. Allstate's Your Choice Auto® insurance allows qualified customers to choose from a variety of options, such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus®, and New Car Replacement. We believe that Your Choice Auto insurance promotes increased growth and increased retention. We also offer a Claim Satisfaction Guarantee℠ feature that promises a return of premium to Allstate brand standard auto insurance customers dissatisfied with their claims experience. Allstate House and Home® insurance is our homeowners product that provides options of coverage for roof damage including graduated coverage and pricing based on roof type and age. Good Hands Rescue℠ is a service that provides pay on demand access to roadside services.

Our Allstate branded Drivewise® and our Esurance branded DriveSense® offerings are telematic-based insurance programs that use 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 them through driving challenges. Beginning in 2015, Drivewise offers Allstate Rewards®, a program that provides reward points for safe driving.

Our Esurance branded 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.

The Encompass package policy offers broad coverage options specifically tailored to the mass affluent market while simplifying the insurance experience by packaging a product into a single annual household policy with one premium, one bill, one policy deductible and one renewal date. Broad coverage options include features such as enhanced home replacement with a cash-out option should the insured decide not to rebuild, additional living expense coverage with no specific time or dollar limit, water-sewer back up coverage, an unlimited accident forgiveness feature and roadside assistance.

Geographic Markets

The Company's principal geographic markets for auto, homeowners, and other personal property and casualty products are in the United States. Through various subsidiaries, we are authorized to sell a variety of personal property and casualty insurance products in all 50 states, the District of Columbia and Puerto Rico. We also sell personal property and casualty insurance products in Canada.

The following table reflects, in percentages, the principal geographic distribution of premiums earned for the Allstate Protection segment for 2015, based on information contained in statements filed with state insurance departments. No other jurisdiction accounted for more than 5 percent of the premiums earned for the segment.

Texas	10.8	%
California	9.4	
New York	9.0	
Florida	7.2	

Additional Information

Information regarding the last three years' revenues and income from operations attributable to the Allstate Protection segment is contained in Note 19 of the consolidated financial statements. Note 19 also includes information regarding the last three years' identifiable assets attributable to our property-liability operations, which includes our Allstate Protection and Discontinued Lines and Coverages segments. Note 19 is incorporated in this Part I, Item 1 by reference.

Information regarding the amount of premium earned for Allstate Protection segment products for the last three years is set forth in Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the table regarding premiums earned by brand. That table is incorporated in this Part I, Item 1 by reference.

ALLSTATE FINANCIAL SEGMENT

Products and Distribution

Our Allstate Financial segment sells traditional, interest-sensitive and variable life insurance and voluntary accident and health insurance products. We sell Allstate Financial products through Allstate exclusive agencies and approximately 1,000 exclusive financial specialists, and 6,000 workplace enrolling independent agents. The majority of life insurance business written involves exclusive financial specialists, including referrals from exclusive agencies and licensed sales professionals. The table below lists our current distribution channels with the associated products and target customers.

Distribution Channels	Proprietary Products	Target Customers
Allstate exclusive agencies and exclusive financial specialists	Term life insurance Whole life insurance Interest-sensitive life insurance Variable life insurance	Customers who prefer local personalized advice and service and are brand-sensitive
Workplace enrolling independent agents Allstate exclusive agencies and exclusive financial specialists	Workplace life and voluntary accident and health insurance: Interest-sensitive and term life insurance Disability income insurance Cancer, accident, critical illness and heart/stroke insurance Hospital indemnity Dental insurance	Middle market consumers with family financial protection needs employed by small, medium, and large size firms

Allstate exclusive agencies and exclusive financial specialists also sell non-proprietary retirement and investment products, including mutual funds, fixed and variable annuities, disability insurance, and long-term care insurance to provide a broad suite of protection and retirement products. As of December 31, 2015, Allstate agencies had approximately $13.0 billion of non-proprietary mutual funds and fixed and variable annuity account balances under management. New and additional deposits into these non-proprietary products were $1.9 billion in 2015.

Competition

We compete on a wide variety of factors, including product offerings, brand recognition, financial strength and ratings, price, distribution and the level of customer service. The market for life insurance continues to be highly fragmented and competitive. As of December 31, 2014, there were approximately 400 groups of life insurance companies in the United States, most of which offered one or more similar products. According to A.M. Best, as of December 31, 2014, the Allstate Financial segment is the nation's 19th largest issuer of life insurance and related business on the basis of 2014 ordinary life insurance in force and 31st largest on the basis of 2014 statutory admitted assets.

The market for voluntary benefits is growing as employers seek to shift benefit costs to employees. Favorable industry and economic trends have increased competitive pressure and attracted new traditional and non-traditional entrants to the voluntary benefits market. Recent entrants, including large group medical and life insurance carriers, are leveraging core benefit capabilities by bundling and discounting to capture voluntary market share. Allstate will need to continue strengthening its value proposition and add new capabilities to maintain its strong leadership position in voluntary benefits.

Geographic Markets

We sell life insurance and voluntary accident and health insurance throughout the United States. Through subsidiaries, we are authorized to sell various types of these products in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. We also sell voluntary accident and health insurance in Canada.

The following table reflects, in percentages, the principal geographic distribution of statutory premiums and annuity considerations for the Allstate Financial segment for 2015, based on information contained in statements filed with state insurance departments. No other jurisdiction accounted for more than 5 percent of the statutory premiums and annuity considerations.

New York	10.7	%
Texas	10.3	
Florida	9.5	
California	6.6	

Additional Information

Information regarding revenues and income from operations attributable to the Allstate Financial segment for the last three years is contained in Note 19 of the consolidated financial statements. Note 19 also includes information regarding identifiable assets attributable to the Allstate Financial segment for the last three years. Note 19 is incorporated in this Part I, Item 1 by reference.

Information regarding premiums and contract charges for Allstate Financial segment products for the last three years is set forth in Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the table that summarizes premiums and contract charges by product. That table is incorporated in this Part I, Item 1 by reference.

ALLSTATE AGENCIES

Allstate exclusive agencies offer products targeted to consumers that prefer local personalized advice and branded products from both the Allstate Protection and Allstate Financial segments. They offer Allstate brand auto and homeowners insurance policies; specialty auto products including motorcycle, trailer, motor home and off-road vehicle insurance policies; other personal lines products including renter, condominium, landlord, boat, umbrella and manufactured home insurance policies; commercial lines products for small business owners; and roadside assistance products. Allstate exclusive agencies and exclusive financial specialists offer various life insurance products, as well as voluntary accident and health insurance products. In addition, arrangements made with other companies, agencies, and brokers allow Allstate exclusive agencies the ability to make available non-proprietary products to consumers when an Allstate product is not available.

In the U.S., Allstate brand products are sold in approximately 10,200 locations through approximately 34,800 licensed producers including approximately 10,400 Allstate exclusive agencies employing approximately 24,400 licensed sales professionals, who are licensed to sell our products. We also offer these products through approximately 2,100 independent agencies in primarily rural areas in the U.S. In Canada, we offer Allstate brand products through approximately 850 producers working in five provinces across the country (Ontario, Quebec, Alberta, New Brunswick and Nova Scotia). We pursue opportunities for growing Allstate brand exclusive agency distribution based on market opportunities.

We support our exclusive agencies in a variety of ways to facilitate customer service and Allstate's overall growth strategy. For example, we offer assistance with marketing, sales, service and business processes and provide education and other resources to help them acquire more business and retain more customers. Our programs support exclusive agencies and help them grow by offering financing to acquire other agencies and awarding additional resources to better performing agencies. We support our relationship with Allstate exclusive agencies through several national and regional working groups:

- The Agency Executive Council, engages exclusive agencies on our customer service and growth strategy. Membership includes approximately 20 Allstate exclusive agency owners selected on the basis of performance, thought leadership and credibility among their peer group.
- The National Advisory Board brings together Allstate's senior leadership and a cross section of Allstate exclusive agents and exclusive financial specialists from around the country to address national business issues and develop solutions.
- Regional Advisory Boards support Allstate exclusive agency owner engagement within each of Allstate's 15 regional offices in the U.S. and within Canada.

The compensation structure for Allstate exclusive agencies rewards agencies for delivering high value to our customers and achieving certain business outcomes such as product profitability, net growth and household penetration. Allstate exclusive agent remuneration comprises a base commission (Property-Liability and Allstate Financial products), variable compensation and a bonus. Variable compensation has two components: agency success factors (local presence, Allstate Financial insurance policies sold and licensed staff), which must be achieved in order to qualify for the second component, which is customer satisfaction. In addition, a bonus that is a percentage of premiums can be earned by agents who achieve a targeted loss ratio and a defined amount of Allstate Financial sales. The bonus is earned by achieving a targeted percentage of multi-category households (customers with Allstate policies in at least two of the following product categories: vehicle, personal property, or life and retirement) and increases in Allstate Protection (Allstate brand) and Allstate Financial policies in force. Other elements of exclusive agency compensation and support include start-up agency bonuses, marketing support payments, technology and data allowances, regional promotions and recognition trips based on achievement. Allstate exclusive financial specialists receive commissions for proprietary and non-proprietary sales and earn a bonus based on the volume of business produced. There are no significant changes to the compensation framework planned for 2016.

Allstate independent agent remuneration comprises a base commission (Property-Liability products) and a bonus which can be earned by agents who achieve a target loss ratio. The bonus, which is a percentage of premiums, is earned by achieving a targeted percentage of multi-category households (customers with Allstate policies in at least two of the following product categories: vehicle, personal property or life and retirement) and increased Allstate Protection (Allstate brand) net written premium above a minimum threshold. Other elements of independent agency compensation and support include marketing support payments, national and regional promotions and recognition trips based on achievement. There are no significant changes to the compensation framework planned for 2016.
Since Allstate brand customers prefer personal advice and assistance, all Allstate brand customers who purchase their policies directly through contact centers and the internet are provided an Allstate agency relationship at the time of purchase.

To better serve customers who prefer local and personalized advice, we are undergoing a focused multi-year effort to position agents, licensed sales professionals and financial specialists to serve customers as trusted advisors. This means that 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.

Allstate employs field sales leaders who are responsible for recruiting and retaining Allstate agents and helping them grow their business and profitability. The field sales leaders' compensation is aligned with agency success and includes a bonus based on the level of agent remuneration described above and agency geographic footprint.

OTHER BUSINESS SEGMENTS

Our Corporate and Other segment is comprised of holding company activities and certain non-insurance operations. Note 19 of the consolidated financial statements contains information regarding the revenues, income from operations, and identifiable assets attributable to our Corporate and Other segment over the last three years.

Our 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 presented in this segment. Note 19 of the consolidated financial statements contains information for the last three years regarding revenues, income from operations, and identifiable assets attributable to our property-liability operations, which includes both our Allstate Protection and our Discontinued Lines and Coverages segments. Note 19 is incorporated in this Part I, Item 1 by reference.

RESERVE FOR PROPERTY-LIABILITY CLAIMS AND CLAIMS EXPENSE

The following information regarding reserves applies to all of our property-liability operations, encompassing both the Allstate Protection segment and the Discontinued Lines and Coverages segment.

Reconciliation of Claims Reserves

The following tables are summary reconciliations of the beginning and ending property-liability insurance claims and claims expense reserves, displayed individually for each of the last three years. The first table presents reserves on a gross (before reinsurance) basis. The end of year gross reserve balances are reflected in the Consolidated Statements of Financial Position. The second table presents reserves on a net (after reinsurance) basis. The total net property-liability insurance claims and claims expense amounts are reflected in the Consolidated Statements of Operations.

Gross	Year ended December 31,		
($ in millions)	2015	2014	2013
Gross reserve for property-liability claims and claims expense, beginning of year	$22,923	$21,857	$21,288
Incurred claims and claims expense			
Provision attributable to the current year	21,484	19,896	18,380
Change in provision attributable to prior years [1]	152	925	1,248
Total claims and claims expense	21,636	20,821	19,628
Claim payments			
Claims and claims expense attributable to current year	13,827	13,034	11,738
Claims and claims expense attributable to prior years	6,863	6,721	7,321
Total payments	20,690	19,755	19,059
Gross reserve for property-liability claims and claims expense, end of year as shown on the Loss Reserve Reestimates table	$23,869	$22,923	$21,857

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Net	Year ended December 31, 2015	2014	2013
Net reserve for property-liability claims and claims expense, beginning of year	$17,229	$17,193	$17,278
Incurred claims and claims expense			
Provision attributable to the current year	20,953	19,512	18,032
Change in provision attributable to prior years	81	(84)	(121)
Total claims and claims expense	21,034	19,428	17,911
Claim payments			
Claims and claims expense attributable to current year	13,660	12,924	11,658
Claims and claims expense attributable to prior years	6,626	6,468	6,338
Total payments	20,286	19,392	17,996
Net reserve for property-liability claims and claims expense, end of year as shown on the Loss Reserve Reestimates table [(2)]	$17,977	$17,229	$17,193

(1) In 2015, the gross change in provision attributable to prior years, primarily relate to increases in Discontinued Lines and Coverages reserves. In 2014 and 2013, the gross change in provision attributable to prior years, primarily relate to increases for Michigan and New Jersey unlimited personal injury protection and Discontinued Lines and Coverages reserves (see the Property-Liability Claims and Claims Expense Reserves section of the MD&A for additional discussion).

(2) Reserves for claims and claims expense are net of reinsurance of $5.89 billion, $5.69 billion and $4.66 billion as of December 31, 2015, 2014 and 2013, respectively.

The year-end 2015 gross reserves of $23.87 billion for property-liability insurance claims and claims expense, as determined under GAAP, were $7.09 billion more than the net reserve balance of $16.78 billion recorded on the basis of statutory accounting practices for reports provided to state regulatory authorities. The principal differences are reinsurance recoverables from third parties totaling $5.89 billion, primarily related to the Michigan Catastrophic Claims Association ("MCCA"), that reduce reserves for statutory reporting but are recorded as assets for GAAP reporting, and a liability for the reserves of the Canadian subsidiaries for $1.06 billion. Remaining differences are due to variations in requirements between GAAP and statutory reporting.

As the tables above illustrate, Allstate's net reserve for property-liability insurance claims and claims expense at the end of 2014 increased in 2015 by $81 million, compared to reestimates of the gross reserves of an increase of $152 million. Net reserve reestimates in 2014 and 2013 of $84 million and $121 million, respectively, were more favorable than the gross reserve reestimates which increased $925 million and $1.25 billion, respectively, primarily due to Michigan personal injury protection claim reserves ceded to the MCCA.

Loss Reserve Reestimates

The following Loss Reserve Reestimates table illustrates the change over time of the net reserves established for property-liability insurance claims and claims expense at the end of the last eleven calendar years. The first section shows the reserves as originally reported at the end of the stated year. The second section, reading down, shows the cumulative amounts paid as of the end of successive years with respect to that reserve liability. The third section, reading down, shows retroactive reestimates of the original recorded reserve as of the end of each successive year which is the result of Allstate's expanded awareness of additional facts and circumstances that pertain to the unsettled claims. The last section compares the latest reestimated reserve to the reserve originally established, and indicates whether the original reserve was adequate to cover the estimated costs of unsettled claims. The table also presents the gross reestimated liability as of the end of the latest reestimation period, with separate disclosure of the related reestimated reinsurance recoverable.

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The Loss Reserve Reestimates table is cumulative and, therefore, ending balances should not be added since the amount at the end of each calendar year includes activity for both the current and prior years. Unfavorable reserve reestimates are shown in this table in parentheses.

($ in millions)	Loss Reserve Reestimates December 31,								
	2005 & prior	2006	2007	2008	2009	2010	2011	2012	2013
Gross reserves for unpaid claims and claims expense	$22,117	$18,866	$18,865	$19,456	$19,167	$19,468	$20,375	$21,288	$21,857
Reinsurance recoverable	3,186	2,256	2,205	2,274	2,139	2,072	2,588	4,010	4,664
Reserve for unpaid claims and claims expense	18,931	16,610	16,660	17,182	17,028	17,396	17,787	17,278	17,193
Paid (cumulative) as of:									
One year later	7,952	6,684	6,884	6,995	6,571	6,302	6,435	6,338	6,468
Two years later	11,293	9,957	9,852	10,069	9,491	9,396	9,513	9,511	9,686
Three years later	13,431	11,837	11,761	11,915	11,402	11,287	11,467	11,477	
Four years later	14,608	12,990	12,902	13,071	12,566	12,497	12,650		
Five years later	15,325	13,723	13,628	13,801	13,323	13,239			
Six years later	15,839	14,239	14,154	14,305	13,823				
Seven years later	16,249	14,657	14,543	14,702					
Eight years later	16,607	14,985	14,887						
Nine years later	16,906	15,283							
Ten years later	17,186								
Reserve reestimated as of:									
End of year	18,931	16,610	16,660	17,182	17,028	17,396	17,787	17,278	17,193
One year later	17,960	16,438	16,830	17,070	16,869	17,061	17,122	17,157	17,109
Two years later	17,876	16,633	17,174	17,035	16,903	16,906	17,001	16,994	17,017
Three years later	18,162	17,135	17,185	17,217	16,909	16,869	16,937	16,853	
Four years later	18,805	17,238	17,393	17,260	16,892	16,854	16,825		
Five years later	19,014	17,447	17,477	17,306	16,965	16,818			
Six years later	19,215	17,542	17,560	17,344	16,953				
Seven years later	19,300	17,671	17,619	17,392					
Eight years later	19,474	17,727	17,685						
Nine years later	19,541	17,813							
Ten years later	19,631								
Initial reserve in excess of (less than) reestimated reserve:									
Amount of reestimate	(700)	(1,203)	(1,025)	(210)	75	578	962	425	176
Percent	(3.7)%	(7.2)%	(6.2)%	(1.2)%	0.4%	3.3%	5.4%	2.5%	1.0%
Gross reestimated liability-latest	26,002	23,219	22,994	22,802	22,158	22,045	22,167	23,245	22,748
	6,371	5,406	5,309	5,410	5,205	5,227	5,342	6,392	5,731

Reestimated recoverable-latest									
Net reestimated liability-latest	19,631	17,813	17,685	17,392	16,953	16,818	16,825	16,853	17,017
Gross cumulative reestimate (increase) decrease	$(3,885)	$(4,353)	$(4,129)	$(3,346)	$(2,991)	$(2,577)	$(1,792)	$(1,957)	$(891)

($ in millions)	Amount of reestimates for each segment December 31,									
	2005 & prior	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Discontinued Lines and Coverages reestimate	$(628)	$(496)	$(449)	$(431)	$(407)	$(379)	$(358)	$(307)	$(165)	$(53)
Net Allstate Protection reestimate	(72)	(707)	(576)	221	482	957	1,320	732	341	(28)
Amount of reestimate (net)	$(700)	$(1,203)	$(1,025)	$(210)	$75	$578	$962	$425	$176	$(81)

As shown in the above table, the subsequent cumulative increase in the net reserves established up to December 31, 2005, in general, reflect additions to reserves in the Discontinued Lines and Coverages Segment, primarily for asbestos and environmental liabilities, which offset the effects of favorable severity trends experienced by Allstate Protection, as discussed more fully below. The cumulative increases in reserves established as of December 31, 2006 and 2007 are due to the shift of reserves to older accident years attributable to a reallocation of reserves related to employee postretirement benefits to more accident years, litigation settlements, reclassification of injury and non-injury reserves to older years along with reserve strengthening as discussed below.

The following table is derived from the Loss Reserve Reestimates table and summarizes the effect of reserve reestimates, net of reinsurance, on calendar year operations for the ten-year period ended December 31, 2015. The total of each column details the amount of reserve reestimates made in the indicated calendar year and shows the accident years to which the reestimates are applicable. The amounts in the total accident year column on the far right represent the cumulative reserve reestimates for the indicated accident year(s). Favorable reserve reestimates are shown in this table in parentheses. The changes in total have generally been favorable other than 2008 which was adversely impacted due to litigation filed in conjunction with a Louisiana deadline for filing suits related to Hurricane Katrina, as shown and discussed more fully below.

($ in millions)	Effect of net reserve reestimates on calendar year operations										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
BY ACCIDENT YEAR											
2005 & prior	$(971)	$(83)	$286	$643	$209	$201	$85	$174	$67	$90	$701
2006		(89)	(91)	(141)	(106)	8	10	(45)	(11)	(4)	(469)
2007			(25)	(158)	(92)	(1)	(11)	(46)	3	(20)	(350)
2008				(456)	(46)	(26)	(41)	(37)	(21)	(18)	(645)
2009					(124)	(148)	(37)	(63)	35	(60)	(397)
2010						(369)	(161)	(20)	(88)	(24)	(662)
2011							(510)	(84)	(49)	(76)	(719)
2012									(99)	(29)	(128)
2013									79	49	128
2014										173	173
TOTAL	$(971)	$(172)	$170	$(112)	$(159)	$(335)	$(665)	$(121)	$(84)	$81	$(2,368)

In 2015, unfavorable prior year reserve reestimates were primarily due to severity development for bodily injury coverage for recent years that was more than expected. The increased reserves in accident years 2005 & prior is due to reserve strengthening by the Discontinued Lines and Coverages segment and litigation settlements from older years.

In 2014, favorable prior year reserve reestimates were primarily due to auto severity development that was better than expected. The increased reserves in accident years 2004 & prior is due to reserve strengthening by the Discontinued Lines and Coverages segment.

In 2013, favorable prior year reserve reestimates were primarily due to auto severity development that was less than anticipated in previous estimates and catastrophe losses. The increased reserves in accident years 2003 & prior is due to reserve strengthening by the Discontinued Lines and Coverages segment and a reclassification of injury reserves to older years.

In 2012, favorable prior year reserve reestimates were primarily due to catastrophe losses and auto severity development that was less than anticipated in previous estimates. The increased reserves in accident years 2002 & prior is due to a reclassification of injury reserves to older years and reserve strengthening.

In 2011, favorable prior year reserve reestimates were primarily due to auto severity development that was less than anticipated in previous estimates and catastrophe losses. The increased reserves in accident years 2001 & prior is due to a reclassification of injury reserves to older years and reserve strengthening.

In 2010, favorable prior year reserve reestimates were primarily due to Allstate Protection catastrophe losses and auto severity development that was less than anticipated in previous estimates, partially offset by litigation settlements. The increased reserves in accident years 2000 & prior is due to litigation settlements of $100 million, a reclassification of injury reserves to older years and reserve strengthening.

In 2009, favorable prior year reserve reestimates were primarily due to Allstate Protection catastrophe losses that were less than anticipated in previous estimates. The shift of reserves to older accident years is attributable to a reallocation of reserves related to employee postretirement benefits to more accident years, and a reclassification of injury and 2008 non-injury reserves to older years.

In 2008, unfavorable prior year reserve reestimates were primarily due to Allstate Protection catastrophe losses that were more than anticipated in previous estimates.

In 2007, favorable prior year reserve reestimates were primarily due to Allstate Protection auto severity development that was less than what was anticipated in previous estimates. Decreased reserve reestimates for Allstate Protection more than offset increased reestimates of losses primarily related to environmental liabilities reported by the Discontinued Lines and Coverages segment.

In 2006, favorable prior year reserve reestimates were primarily due to Allstate Protection auto injury severity and late reported loss development that was less than what was anticipated in previous reserve estimates and also by catastrophe losses that were less than anticipated in previous estimates. Decreased reserve reestimates for Allstate Protection more than offset increased reestimates of losses primarily related to asbestos liabilities reported by the Discontinued Lines and Coverages segment.

For additional information regarding reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Property-Liability Claims and Claims Expense Reserves."

REGULATION

Allstate is subject to extensive regulation, primarily at the state level. The method, extent, and substance of such regulation varies by state but generally has its source in statutes that establish standards and requirements for conducting the business of insurance and that delegate regulatory authority to a state agency. These rules have a substantial effect on our business and relate to a wide variety of matters, including insurer solvency, reserve adequacy, insurance company licensing and examination, agent and adjuster licensing, policy forms, rate setting, the nature and amount of investments, claims practices, participation in shared markets and guaranty funds, transactions with affiliates, the payment of dividends, underwriting standards, statutory accounting methods, trade practices, and corporate governance. Some of these matters are discussed in more detail below. For a discussion of statutory financial information, see Note 16 of the consolidated financial statements. For a discussion of regulatory contingencies, see Note 14 of the consolidated financial statements. Notes 14 and 16 are incorporated in this Part I, Item 1 by reference.

In recent years, the state insurance regulatory framework has come under increased federal scrutiny. As part of an effort to strengthen the regulation of the financial services market, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was enacted in 2010. Some regulations required pursuant to this law must still be finalized and, until such time, we are unable to determine the impact on Allstate's operations. Dodd-Frank also created the Federal Insurance Office ("FIO") within the U.S. Department of the Treasury ("Treasury"). The FIO monitors the insurance industry, provides advice to the Financial Stability Oversight Council ("FSOC"), represents the U.S. on international insurance matters, and studies the current regulatory system. FIO submitted reports to Congress in 2013 and 2014 addressing how to improve and modernize the system of insurance regulation. In addition, state legislators and insurance regulators continue to examine the appropriate nature and scope of state insurance regulation. We cannot predict whether any specific state or federal measures will be adopted to change the nature or scope of the regulation of insurance or what effect any such measures would have on Allstate. We are working for changes in the regulatory environment to make insurance more available and affordable for consumers, encourage market innovation, improve driving safety, strengthen cybersecurity, and promote better catastrophe preparedness and loss mitigation.

Additional regulations or new requirements may emerge from activities of various regulatory entities, including the Federal Reserve Board, FIO, FSOC, the National Association of Insurance Commissioners ("NAIC"), and the International Association of Insurance Supervisors ("IAIS"), that are evaluating solvency and capital standards for insurance company groups. In addition, the NAIC has adopted amendments to its model holding company law, which have been adopted by some jurisdictions. The outcome of these actions is uncertain; however, these actions may result in an increase in the level of capital and liquidity required by insurance holding companies. Additional discussion of recent developments enabled by Dodd-Frank appear later in this section.

Agent and Broker Compensation. In recent years, several states considered new legislation or regulations regarding the compensation of agents and brokers by insurance companies. The proposals ranged in nature from new disclosure requirements to new duties on insurance agents and brokers in dealing with customers. Agents and brokers in New York are required to disclose certain information concerning compensation.

Limitations on Dividends By Insurance Subsidiaries. As a holding company with no significant business operations of its own, The Allstate Corporation relies on dividends from Allstate Insurance Company as one of the principal sources of cash to pay dividends and to meet its obligations, including the payment of principal and interest on debt. Allstate Insurance Company is regulated as an insurance company in Illinois and its ability to pay dividends is restricted by Illinois law. For additional information regarding those restrictions, see Part II, Item 5 of this report. The laws of the other jurisdictions that generally govern our other insurance subsidiaries contain similar limitations on the payment of dividends and in some jurisdictions the laws may be more restrictive.

Insurance Holding Company Regulation – Change of Control. The Allstate Corporation and Allstate Insurance Company are insurance holding companies subject to regulation in the jurisdictions in which their insurance subsidiaries do business. In the U.S., these subsidiaries are organized under the insurance codes of Florida, Illinois, Massachusetts, New York, Texas, and Wisconsin, and some of these subsidiaries are considered commercially domiciled in California and Florida. Generally, the insurance codes in these states provide that the acquisition or change of “control” of a domestic or commercially domiciled insurer or of any person that controls such an insurer cannot be consummated without the prior approval of the relevant insurance regulator. In general, a presumption of “control” arises from the ownership, control, possession with the power to vote, or possession of proxies with respect to, ten percent or more of the voting securities of an insurer or of a person that controls an insurer. In addition, certain state insurance laws require pre-acquisition notification to state agencies of a change in control with respect to a non-domestic insurance company licensed to do business in that state. While such pre-acquisition notification statutes do not authorize the state agency to disapprove the change of control, such statutes do authorize certain remedies, including the issuance of a cease and desist order with respect to the non-domestic insurer if certain conditions exist, such as undue market concentration. Thus, any transaction involving the acquisition of ten percent or more of The Allstate Corporation’s common stock would generally require prior approval by the state insurance departments in California, Florida, Illinois, Massachusetts, New York, Texas, and Wisconsin. Moreover, notification would be required in those other states that have adopted pre-acquisition notification provisions and where the insurance subsidiaries are admitted to transact business. Such approval requirements may deter, delay, or prevent certain transactions affecting the ownership of The Allstate Corporation’s common stock.

Rate Regulation. Nearly all states have insurance laws requiring personal property and casualty insurers to file rating plans, policy or coverage forms, and other information with the state’s regulatory authority. In many cases, such rating plans, policy forms, or both must be approved prior to use.

The speed with which an insurer can change rates in response to competition or in response to increasing costs depends, in part, on whether the rating laws are (i) prior approval, (ii) file-and-use, or (iii) use-and-file laws. In states having prior approval laws, the regulator must approve a rate before the insurer may use it. In states having file-and-use laws, the insurer does not have to wait for the regulator’s approval to use a rate, but the rate must be filed with the regulatory authority prior to being used. A use-and-file law requires an insurer to file rates within a certain period of time after the insurer begins using them. Eighteen states, including California and New York, have prior approval laws. Under all three types of rating laws, the regulator has the authority to disapprove a rate filing.

An insurer’s ability to adjust its rates in response to competition or to changing costs is often dependent on an insurer’s ability to demonstrate to the regulator that its rates or proposed rating plan meets the requirements of the rating laws. In those states that significantly restrict an insurer’s discretion in selecting the business that it wants to underwrite, an insurer can manage its risk of loss by charging a rate that reflects the cost and expense of providing the insurance. In those states that significantly restrict an insurer’s ability to charge a rate that reflects the cost and expense of providing the insurance, the insurer can manage its risk of loss by being more selective in the type of business it underwrites. When a state significantly restricts both underwriting and pricing, it becomes more difficult for an insurer to maintain its profitability.

From time to time, the personal lines insurance industry comes under pressure from state regulators, legislators, and special interest groups to reduce, freeze, or set rates at levels that do not correspond with our analysis of underlying costs, catastrophe loss exposure, and expenses. We expect this kind of pressure to persist. In addition, Allstate and other insurers are using increasingly sophisticated pricing models and rating plans that are reviewed by regulators and special interest groups. State regulators may interpret existing law or rely on future legislation or regulations to impose new restrictions that adversely affect profitability or growth. We cannot predict the impact on our business of possible future legislative and regulatory measures regarding rating.

Involuntary Markets. As a condition of maintaining our licenses to write personal property and casualty insurance in various states, we are required to participate in assigned risk plans, reinsurance facilities, and joint underwriting associations that provide various types of 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 our results of operations.

Michigan Catastrophic Claims Association. 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. It operates similar to a reinsurance program and is funded by participating member companies through a per vehicle annual assessment that is currently $150. This assessment is collected when we receive payment from our customers and we remit the assessment to the MCCA. The participating company 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 provides unlimited lifetime medical benefits for qualifying injuries from automobile and motorcycle accidents. Many of these injuries are catastrophic in nature, resulting in serious permanent disabilities that require attendant and residential care for periods that may span decades. The MCCA may not be funded on an actuarial basis and can accumulate unfunded claims liabilities. As required for a member company, we report covered paid and unpaid claims to the MCCA, when estimates of loss for a reported claim are expected to exceed the retention level. The MCCA reimburses members as qualifying claims are paid and billed by members to the MCCA. Because of the nature of the coverage, losses (the most significant of which are for residential and attendant care) may be paid over the lifetime of a claimant, and accordingly, significant levels of incurred claim reserves are recorded by member companies as well as offsetting reinsurance recoverables. A significant portion of the incurred claim reserves and the recoverable can be attributed to a small number of catastrophic claims. Coverage disputes can result in additional losses, which may be recoverable from the MCCA. The

MCCA currently has unfunded claims liabilities with an obligation to indemnify its members. Legislative proposals to change the MCCA operation in the future are put forth periodically, however, no changes have been enacted. We do not anticipate any material adverse financial impact from this association on Allstate.

New Jersey Property-Liability Insurance Guaranty Association. The New Jersey Property-Liability Insurance Guaranty Association ("PLIGA") 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 paid in excess of $75,000 and capped at $250,000 for policies issued or renewed from January 1, 1991 to December 31, 2004. As the statutory administrator of the Unsatisfied Claim and Judgment Fund ("UCJF"), PLIGA also 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. A significant portion of the incurred claim reserves and the recoverable can be attributed to a small number of catastrophic claims. 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. We do not anticipate any material adverse financial impact from PLIGA or the UCJF on Allstate.

Guaranty Funds. Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, in order to cover certain obligations of insolvent insurance companies. We do not anticipate any material adverse financial impact on Allstate from these assessments.

National Flood Insurance Program. We voluntarily participate as a Write Your Own carrier in the National Flood Insurance Program ("NFIP"). The NFIP is administered and regulated by the Federal Emergency Management Agency ("FEMA"). We operate in a fiduciary capacity as a fiscal agent of the federal government in the issuing and administering of the Standard Flood Insurance Policy. This involves the collection of premiums belonging to the federal government, the adjustment of claims, and the paying of covered claims and certain allocated loss adjustment expenses entirely drawn from federal funds. We receive expense allowances from the NFIP for underwriting administration, claims management, commissions, and adjusting expenses. The federal government is obligated to pay all claims and certain allocated loss adjustment expenses in accordance with the arrangement. In 2015, FEMA intervened and took direct responsibility for settling claims in litigation related to named storm Sandy, which occurred in 2012. FEMA also implemented a review process for non-litigated claims and offered to review claims that had previously been closed. These claims have been paid by directly drawing on federal funds to settle litigation and to pay additional amounts on claims reviewed by FEMA and submitted for processing. It is not known if FEMA may take similar actions on other past or future flood related claims. Allstate has not had any involvement in determining the additional payment amounts or settling these claims. Allstate did not accept any additional loss adjustment fees for the additional payments directed by FEMA. FEMA's actions may have created potential exposure that Allstate is confident it has sufficiently addressed for all Sandy claims.

Investment Regulation. Our insurance subsidiaries are subject to regulations that require investment portfolio diversification and that limit the amount of investment in certain categories. Failure to comply with these rules leads to the treatment of non-conforming investments as non-admitted assets for purposes of measuring statutory surplus. Further, in some instances, these rules require divestiture of non-conforming investments.

Exiting Geographic Markets; Canceling and Non-Renewing Policies. Most states regulate an insurer's ability to exit a market. For example, states may limit, to varying degrees, an insurer's ability to cancel and non-renew policies. Some states restrict or prohibit an insurer from withdrawing one or more types of insurance business from the state, except pursuant to a plan that is approved by the state insurance department. Regulations that limit cancellation and non-renewal and that subject withdrawal plans to prior approval requirements may restrict an insurer's ability to exit unprofitable markets.

Variable Life Insurance and Registered Fixed Annuities. The sale and administration of variable life insurance and registered fixed annuities with market value adjustment features are subject to extensive regulatory oversight at the federal and state level, including regulation and supervision by the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA").

Broker-Dealers, Investment Advisors, and Investment Companies. The Allstate entities that operate as broker-dealers, registered investment advisors, and investment companies are subject to regulation and supervision by the SEC, FINRA and/or, in some cases, state securities administrators. In April 2015, the U.S. Department of Labor issued a proposed regulation that would, if finalized in its current form, expand the range of activities that would be considered to be "investment advice" and establish a new framework for determining whether a person is a fiduciary when mutual funds or variable annuities are sold in connection with an Individual Retirement Account or an employee benefit plan covered under the Employee Retirement Income Security Act of 1974, as amended. If enacted in its current form, the proposed regulation could have an adverse impact on the products that Allstate's broker-dealer, Allstate Financial Services, LLC ("AFS"), will be able to provide and will add costs to AFS business operations to comply with these new requirements. Because we cannot predict the exact nature and extent of changes that may be made to the proposed regulation when finalized, the potential effect on AFS's business is undeterminable at this time.

Dodd-Frank. The Secretary of the Treasury (operating through FIO) and the Office of the U.S. Trade Representative ("USTR") are jointly authorized, pursuant to Dodd-Frank, to negotiate a Covered Agreement with one or more foreign governments, authorities, or regulatory entities. A Covered Agreement is a written bilateral or multilateral agreement that "relates to the recognition of prudential measures with respect to the business of insurance or reinsurance that achieves a level of protection for insurance or reinsurance consumers that is substantially equivalent to the level of protection achieved under State insurance or reinsurance regulation." A Covered Agreement would become effective 90 days after FIO and USTR jointly submit the final agreement to the House Financial Services, House Ways and Means, Senate Banking, and Senate Finance committees. The House and Senate committees are not required to vote on the Covered Agreement for it to become effective. As provided in Dodd-Frank, a Covered Agreement cannot preempt state insurance measures that govern an insurer's rates, premiums, underwriting or sales practices; any state insurance coverage requirements; the application of antitrust laws of any state to the business of insurance; or any state insurance measure governing insurer capital or solvency, except where a state insurance measure results in less favorable treatment of a non-U.S. insurer than a U.S. insurer.

In November 2015, pursuant to Dodd-Frank, Treasury and USTR notified Congress that they were formally initiating negotiations on a Covered Agreement with the European Union ("EU") addressing: permanent equivalence treatment of the U.S. regulatory system by the EU; confidential sharing of information across jurisdictions; and uniform treatment of EU-based reinsurers operating in the U.S., including with respect to reinsurance collateral. In the absence of an equivalence determination by the EU, U.S. based insurers with subsidiaries in the EU may be required to comply with European group capital and group supervision requirements for their U.S. operations. Once effective, the Covered Agreement would pre-empt state laws relating to reinsurance collateral if they "result in less favorable treatment of a non-United States insurer domiciled in a foreign jurisdiction that is subject to a covered agreement than a United States insurer domiciled, licensed, or otherwise admitted in that State."

The NAIC amended its Credit for Reinsurance Model Law and Regulation on November 6, 2011 ("Revised Reinsurance Model Law"), and statutory and regulatory enactments implementing these amendments have passed in 32 states. These amendments establish a new category of "certified reinsurers," allowing domestic insurers to receive statutory capital credit for reinsurance ceded to certified reinsurers absent the reinsurers fully collateralizing their assumed reinsurance obligations. Under the NAIC's previous regulatory scheme, which was utilized by all 50 states, and currently remains in effect in Illinois, domestic ceding companies are not allowed to take statutory capital credit for reserves ceded to unauthorized reinsurers unless the insurer withholds funds due to the reinsurer in an amount equal to the reserves, obtains a letter of credit on behalf of the unauthorized reinsurer equal to the amount of the reserves, or is the beneficiary of a credit for reinsurance trust with assets equal to the amount of the reserves.

The state insurance regulators have general authority over the business of insurance, including the determination of statutory capital credit allowed to domestic insurers utilizing reinsurance. In their November 2015 letters to Congress, Treasury and USTR indicated that they "support the integrated system of state and federal insurance regulation, including the primary role of state insurance regulators as supervisors of the business of insurance. Treasury and USTR will not enter into a Covered Agreement with the EU unless the terms of that agreement are beneficial to the United States. State insurance regulators will have a meaningful role during the Covered Agreement negotiating process."

If executed as described by the FIO and USTR, the Covered Agreement could possibly secure permanent equivalence treatment of the U.S. regulatory system by the EU and eliminate reinsurance collateral requirements for EU-based foreign reinsurers in all States.

Privacy Regulation. Federal law and the laws of many states require financial institutions to protect the security and confidentiality of customer information and to notify customers about their policies and practices relating to collection and disclosure of customer information and their policies relating to protecting the security and confidentiality of that information. Federal law and the laws of many states also regulate disclosures and disposal of customer information. Congress, state legislatures, and regulatory authorities are expected to consider additional regulation relating to privacy and other aspects of customer information.

Asbestos. Congress has considered legislation to address asbestos claims and litigation in the past and, recently, the House of Representatives passed the Furthering Asbestos Claims Transparency Act. The Act is designed to enable asbestos trust funds to pay only those who are entitled by law to compensation from the funds. Favorable action in the Senate and a presidential approval are uncertain. We cannot predict the impact on our business of possible future legislative measures regarding asbestos.

Environmental. Environmental pollution and clean-up of polluted waste sites is the subject of both federal and state regulation. The Comprehensive Environmental Response Compensation and Liability Act of 1980 ("Superfund") and comparable state statutes ("mini-Superfund") govern the clean-up and restoration of waste sites by Potentially Responsible Parties ("PRPs"). Superfund and the mini-Superfunds (Environmental Clean-up Laws or "ECLs") establish a mechanism to assign liability to PRPs or to fund the clean-up of waste sites if PRPs fail to do so. The extent of liability to be allocated to a PRP is dependent on a variety of factors. By some estimates, there are thousands of potential waste sites subject to clean-up, but the exact number is unknown. The extent of clean-up necessary and the process of assigning liability remain in dispute. The insurance industry is involved in extensive litigation regarding coverage issues arising out of the clean-up of waste sites by insured PRPs and the insured parties' alleged liability to third parties responsible for the clean-up. The insurance industry, including Allstate, has disputed and is disputing many such claims. Key coverage issues include whether Superfund response, investigation, and clean-up costs are considered damages under the policies; trigger of coverage; the applicability of several types of pollution exclusions; proper notice of claims; whether administrative liability triggers the duty to defend; appropriate allocation of liability among triggered insurers; and whether the liability in question falls within the definition of an "occurrence." Identical coverage issues exist for clean-up and waste sites not covered under Superfund. To date, courts have been inconsistent in their rulings on these issues. Allstate's exposure to liability with regard to its insureds that have been, or may be, named as PRPs is uncertain. While comprehensive Superfund reform proposals have been introduced in Congress, only modest reform measures have been enacted.

INTERNET WEBSITE

Our Internet website address is allstate.com. The Allstate Corporation's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to such reports that we file or furnish pursuant to Section 13(a) of the Securities Exchange Act of 1934 are available on the Investor Relations section of our website (www.allstateinvestors.com), free of charge, as soon as reasonably practicable after they are electronically filed or furnished to the SEC. In addition, our corporate governance guidelines, our code of ethics, and the charters of our Audit Committee, Compensation and Succession Committee, Executive Committee, Nominating and Governance Committee, and Risk and Return Committee are available on the Investor Relations section of our website and in print to any stockholder who requests copies by contacting Investor Relations, The Allstate Corporation, 2775 Sanders Road, Northbrook, Illinois 60062-6127, 1-847-402-2800. The information found on our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document filed with the SEC.

OTHER INFORMATION ABOUT ALLSTATE

As of December 31, 2015, Allstate had approximately 41,100 full-time employees and 500 part-time employees.

Allstate continues to explore and invest in innovative solutions for the consumer and to expand its use of global resources, including business process and information technology operations in India and Northern Ireland.

Information regarding revenues generated outside of the United States is incorporated in this Part I, Item 1 by reference to Note 19 of the consolidated financial statements.

Allstate's four business segments use shared services, including human resources, investment, finance, information technology and legal services, provided by Allstate Insurance Company and other affiliates.

Although the insurance business generally is not seasonal, claims and claims expense for the Allstate Protection segment tend to be higher for periods of severe or inclement weather.

"Allstate" is one of the most recognized brand names in the United States. We use the names "Allstate," "Esurance," "Encompass" and "Answer Financial" extensively in our business, along with related service marks, logos, and slogans, such as "Good Hands®." Our rights in the United States to these names, service marks, logos, and slogans continue so long as we continue to use them in commerce. Many service marks used by Allstate are the subject of renewable U.S. and/or foreign service mark registrations. We believe that these service marks are important to our business and we intend to maintain our rights to them through continued use.

Executive Officers of the Registrant

The following table sets forth the names of our executive officers, their ages as of February 1, 2016, their positions, and the years of their first election as officers. "AIC" refers to Allstate Insurance Company.

Name	Age	Position/Offices	Year First Elected Officer
Thomas J. Wilson	58	Chairman of the Board and Chief Executive Officer of The Allstate Corporation and of AIC.	1995
Don Civgin	54	President, Emerging Businesses of AIC.	2008
Judith P. Greffin	55	Executive Vice President and Chief Investment Officer of AIC.	2002
Sanjay Gupta	47	Executive Vice President, Marketing, Innovation and Corporate Relations of AIC.	2012
Suren Gupta	54	Executive Vice President, Enterprise Technology and Strategic Ventures of AIC.	2011
Harriet K. Harty	49	Executive Vice President, Human Resources of AIC.	2012
Susan L. Lees	58	Executive Vice President, General Counsel, and Secretary of The Allstate Corporation and of AIC (Chief Legal Officer).	2008
Samuel H. Pilch	69	Senior Group Vice President and Controller of The Allstate Corporation and of AIC.	1996
John M. Rhodes	44	Executive Vice President and Chief Risk Officer of AIC.	2015
Steven E. Shebik	59	Executive Vice President and Chief Financial Officer of The Allstate Corporation and of AIC.	1999
	59	President of The Allstate Corporation and of AIC.	2009

Matthew E.
Winter

Each of the officers named above may be removed from office at any time, with or without cause, by the board of directors of the relevant company.

Messrs. Wilson, Civgin, Pilch, Shebik and Winter, and Mses. Greffin, Harty and Lees have held the listed positions for at least the last five years or have served Allstate in various executive or administrative capacities for at least five years.

Prior to joining Allstate in 2012, Mr. Sanjay Gupta served as Chief Marketing Officer of Ally Financial from 2008 to 2012 and Senior Vice President of Global Consumer and Small Business Marketing at Bank of America from 2001 to 2008.

Prior to joining Allstate in 2011, Mr. Suren Gupta served as Executive Vice President of Wells Fargo from 2003 to 2011.

Prior to joining Allstate in 2015, Mr. Rhodes served as Chief Risk Officer of Lincoln Financial Group from 2012 to 2015 and as Head of Equity Risk Management from 2009 to 2012.

Forward-Looking Statements

This report contains “forward-looking statements” that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like “plans,” “seeks,” “expects,” “will,” “should,” “anticipates,” “estimates,” “intends,” “believes,” “likely,” “targets” and other words with similar meanings. These statements may address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements as a result of new information or future events or developments. In addition, forward-looking statements are subject to certain risks or uncertainties that could cause actual results to differ materially from those communicated in these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Part 1, “Item 1A. Risk Factors” and elsewhere in this report and those described from time to time in our other reports filed with the Securities and Exchange Commission.

Item 1A. 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.
Item 1B. Unresolved Staff Comments
None.

Item 2. Properties

Our home office complex is owned and located in Northbrook, Illinois. As of December 31, 2015, the home office complex consists of several buildings totaling 1.9 million square feet of office space on a 186-acre site.

We also operate from approximately 1,260 administrative, data processing, claims handling and other support facilities in North America. In addition to our home office facilities, 1.3 million square feet are owned and 6.7 million square feet are leased. Outside North America, we lease three properties in Northern Ireland comprising 166,460 square feet. We also have two leased facilities in India for 165,070 square feet and one lease in London for 1,390 square feet. Generally, only major Allstate facilities are owned. In a majority of cases, new lease terms and renewals are for five years or less.

The locations out of which the Allstate exclusive agencies operate in the U.S. are normally leased by the agencies as lessees.

Item 3. Legal Proceedings

Information required for Item 3 is incorporated by reference to the discussion under the heading “Regulation and Compliance” and under the heading “Legal and regulatory proceedings and inquiries” in Note 14 of the consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of January 29, 2016, there were 84,153 holders of record of The Allstate Corporation's common stock. The principal market for the common stock is the New York Stock Exchange but it is also listed on the Chicago Stock Exchange. Set forth below are the high and low New York Stock Exchange Composite listing prices of, and cash dividends declared for, the common stock during 2015 and 2014.

	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

The payment of dividends by Allstate Insurance Company ("AIC") to The Allstate Corporation is limited by Illinois insurance law to formula amounts based on statutory net income and statutory surplus, as well as the timing and amount of dividends paid in the preceding twelve months. In the twelve-month period ending December 31, 2015, AIC paid dividends of $2.31 billion. Based on the greater of 2015 statutory net income or 10% of statutory surplus, the maximum amount of dividends that AIC will be able to pay, without prior Illinois Department of Insurance approval, at a given point in time in 2016 is $1.71 billion, less dividends paid during the preceding twelve months measured at that point in time. Notification and approval of intercompany lending activities is also required by the Illinois Department of Insurance for those transactions that exceed formula amounts based on statutory admitted assets and statutory surplus.

Issuer Purchases of Equity Securities

Period	Total number of shares (or units) purchased [(1)]	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs [(2)]	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs [(3)]
October 1, 2015 - October 31, 2015				
Open Market Purchases	4,240,881	$60.8384	4,237,952	
November 1, 2015 - November 30, 2015				
Open Market Purchases	2,411,819	$62.9420	2,410,998	
December 1, 2015 - December 31, 2015				
Open Market Purchases	2,781,745	$62.7874	2,605,705	
Total	9,434,445	$61.9508	9,254,655	$532 million

(1) In accordance with the terms of its equity compensation plans, Allstate acquired the following shares in connection with the vesting of restricted stock units and performance stock awards and the exercise of stock options held by employees and/or directors. The shares were acquired in satisfaction of withholding taxes due upon exercise or

vesting and in payment of the exercise price of the options.
October: 2,929
November: 821
December: 176,040

(2) From time to time, repurchases under our programs are executed under the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934.

(3) On February 4, 2015, we announced the approval of a common share repurchase program for $3 billion, to be completed by July 31, 2016.

Item 6. Selected Financial Data

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.

Item 7. 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.
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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

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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^{SM}; 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.

($ in millions)	Allstate brand			Esurance brand			Encompass brand			Allstate Protection		
	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			Esurance brand			Encompass brand			Allstate Protection		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	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)			% earned after			
	2015	2014	Three months	Six months	Nine months	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.

($ in millions)	Auto		Homeowners		Other personal lines		Commercial lines		Allstate Protection (1)	
	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		Esurance brand		Encompass brand	
	2015	2014	2015	2014	2015	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

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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	(0.1)	(0.2)	(0.5)	(0.2)	0.7	(1.3)	—	—	—	—	—	—	(0.1)	0.1	(0.7)

included in prior year reserve reestimates on combined ratio															
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 Number of events		2014 Number of events		2013 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							