UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

The registrant meets the conditions set forth in General Instructions H (1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

[ ] 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 0-31248

ALLSTATE LIFE INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

Illinois	**36-2554642**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3100 Sanders Road, Northbrook, Illinois 60062
(Address of principal executive offices) (Zip Code)

(847) 402-5000
(Registrant's telephone number, including area code)

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 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 ____	Accelerated filer ____
Non-accelerated filer _X_ (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_

As of May 7, 2015, the registrant had 23,800 common shares, $227 par value, outstanding, all of which are held by Allstate Insurance Company.

ALLSTATE LIFE INSURANCE COMPANY
INDEX TO QUARTERLY REPORT ON FORM 10-Q
March 31, 2015

PART I	**FINANCIAL INFORMATION**	**PAGE**
Item 1.	Financial Statements	
	Condensed Consolidated Statements of Operations and Comprehensive Income for the Three-Month Periods Ended March 31, 2015 and 2014 (unaudited)	1
	Condensed Consolidated Statements of Financial Position as of March 31, 2015 (unaudited) and December 31, 2014	2
	Condensed Consolidated Statements of Shareholder's Equity for the Three-Month Periods Ended March 31, 2015 and 2014 (unaudited)	3
	Condensed Consolidated Statements of Cash Flows for the Three-Month Periods Ended March 31, 2015 and 2014 (unaudited)	4
	Notes to Condensed Consolidated Financial Statements (unaudited)	5
	Report of Independent Registered Public Accounting Firm	31
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	
	Highlights	32
	Operations	32
	Investments	37
	Capital Resources and Liquidity	42
	Forward Looking Statements	44
Item 4.	Controls and Procedures	44
PART II	**OTHER INFORMATION**	
Item 1.	Legal Proceedings	45
Item 1A.	Risk Factors	45
Item 5.	Other Information	45
Item 6.	Exhibits	45

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

($ in millions)	Three months ended March 31,	
	2015	2014
	(unaudited)	
Revenues		
Premiums	$ 150	$ 156
Contract charges	195	267
Net investment income	471	626
Realized capital gains and losses:		
Total other-than-temporary impairment (“OTTI”) losses	(10)	(8)
OTTI losses reclassified to (from) other comprehensive income	—	(1)
Net OTTI losses recognized in earnings	(10)	(9)
Sales and other realized capital gains and losses	121	9
Total realized capital gains and losses	111	—
	927	1,049
Costs and expenses		
Contract benefits	358	411
Interest credited to contractholder funds	191	300
Amortization of deferred policy acquisition costs	40	45
Operating costs and expenses	80	81
Restructuring and related charges	—	2
Interest expense	4	4
	673	843
Loss on disposition of operations	(2)	(59)
Income from operations before income tax expense	252	147
Income tax expense	99	20
Net income	153	127
Other comprehensive income, after-tax		
Change in unrealized net capital gains and losses	71	325
Change in unrealized foreign currency translation adjustments	(2)	1
Other comprehensive income, after-tax	69	326
Comprehensive income	$ 222	$ 453

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ in millions, except par value data)	March 31, 2015	December 31, 2014
	(unaudited)	
Assets		
Investments		
Fixed income securities, at fair value (amortized cost $25,306 and $25,822)	$ 27,802	$ 28,117
Mortgage loans	3,795	3,686
Equity securities, at fair value (cost $1,003 and $927)	1,032	970
Limited partnership interests	2,124	2,024
Short-term, at fair value (amortized cost $820 and $857)	820	857
Policy loans	613	616
Other	1,232	1,196
Total investments	37,418	37,466
Cash	244	146
Deferred policy acquisition costs	1,240	1,271
Reinsurance recoverables	2,466	2,586
Accrued investment income	333	333
Other assets	530	537
Separate Accounts	4,303	4,396
Total assets	$ 46,534	$ 46,735
Liabilities		
Contractholder funds	$ 21,538	$ 21,816
Reserve for life-contingent contract benefits	11,498	11,566
Unearned premiums	5	6
Payable to affiliates, net	82	96
Other liabilities and accrued expenses	863	826
Deferred income taxes	1,403	1,407
Notes due to related parties	275	275
Separate Accounts	4,303	4,396
Total liabilities	39,967	40,388
Commitments and Contingent Liabilities (Note 7)		
Shareholder’s Equity		
Redeemable preferred stock - series A, $100 par value, 1,500,000 shares authorized, none issued	—	—
Redeemable preferred stock - series B, $100 par value, 1,500,000 shares authorized, none issued	—	—
Common stock, $227 par value, 23,800 shares authorized and outstanding	5	5
Additional capital paid-in	1,990	1,990
Retained income	3,124	2,973
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	49	47
Other unrealized net capital gains and losses	1,591	1,468
Unrealized adjustment to DAC, DSI and insurance reserves	(187)	(133)
Total unrealized net capital gains and losses	1,453	1,382
Unrealized foreign currency translation adjustments	(5)	(3)
Total accumulated other comprehensive income	1,448	1,379
Total shareholder’s equity	6,567	6,347
Total liabilities and shareholder’s equity	$ 46,534	$ 46,735

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

($ in millions)	Three months ended March 31,	
	2015	2014
	(unaudited)	
Common stock	$ 5	$ 5
Additional capital paid-in	1,990	2,690
Retained income		
Balance, beginning of period	2,973	2,447
Net income	153	127
Loss on sale of subsidiary	(2)	—
Balance, end of period	3,124	2,574
Accumulated other comprehensive income		
Balance, beginning of period	1,379	928
Change in unrealized net capital gains and losses	71	325
Change in unrealized foreign currency translation adjustments	(2)	1
Balance, end of period	1,448	1,254
Total shareholder's equity	$ 6,567	$ 6,523

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Three months ended March 31,	
	2015	2014
Cash flows from operating activities	(unaudited)	
Net income	$ 153	$ 127
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and other non-cash items	(21)	(17)
Realized capital gains and losses	(111)	—
Loss on disposition of operations	2	59
Interest credited to contractholder funds	191	300
Changes in:		
Policy benefits and other insurance reserves	(150)	(175)
Deferred policy acquisition costs	2	5
Reinsurance recoverables, net	6	(28)
Income taxes	(1)	17
Other operating assets and liabilities	21	(83)
Net cash provided by operating activities	92	205
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	2,082	817
Equity securities	201	68
Limited partnership interests	109	72
Mortgage loans	—	10
Other investments	5	13
Investment collections		
Fixed income securities	618	538
Mortgage loans	74	288
Other investments	13	19
Investment purchases		
Fixed income securities	(2,131)	(745)
Equity securities	(254)	(309)
Limited partnership interests	(176)	(112)
Mortgage loans	(182)	(2)
Other investments	(49)	—
Change in short-term investments, net	16	199
Change in policy loans and other investments, net	1	29
Disposition of operations	10	(2)
Net cash provided by investing activities	337	883
Cash flows from financing activities		
Contractholder fund deposits	233	371
Contractholder fund withdrawals	(564)	(1,074)
Repayment of notes due to related parties	—	(7)
Net cash used in financing activities	(331)	(710)
Cash classified as held for sale	—	(242)
Net increase in cash	98	136
Cash at beginning of period	146	93
Cash at end of period	$ 244	$ 229

See notes to condensed consolidated financial statements.

1. General

Basis of presentation

The accompanying condensed consolidated financial statements include the accounts of Allstate Life Insurance Company ("ALIC") and its wholly owned subsidiaries (collectively referred to as the "Company"). ALIC is wholly owned by Allstate Insurance Company ("AIC"), which is wholly owned by Allstate Insurance Holdings, LLC, a wholly owned subsidiary of The Allstate Corporation (the "Corporation").

The condensed consolidated financial statements and notes as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014 are unaudited. The condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year. All significant intercompany accounts and transactions have been eliminated.

Sale of subsidiary

On January 1, 2015, ALIC sold its subsidiary Allstate Assurance Company to its unconsolidated affiliate Allstate Financial Insurance Holdings Corporation. ALIC received $11 million in cash. The $2 million loss on sale was recorded as a decrease to retained income since the sale was between affiliates under common control.

Premiums and contract charges

The following table summarizes premiums and contract charges by product.

($ in millions)	Three months ended March 31,	
	2015	2014
Premiums		
Traditional life insurance	$ 129	$ 123
Immediate annuities with life contingencies	—	5
Accident and health insurance	21	28
Total premiums	150	156
Contract charges		
Interest-sensitive life insurance	192	261
Fixed annuities	3	6
Total contract charges	195	267
Total premiums and contract charges	$ 345	$ 423

Adopted accounting standard

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the Financial Accounting Standards Board ("FASB") issued guidance which allows entities that invest in certain qualified affordable housing projects through limited liability entities the option to account for these investments using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense or benefit. Adoption of the new guidance in the first quarter of 2015 resulted in a one-time $17 million increase in income tax expense.

Pending accounting standard

Amendments to the Consolidation Analysis

In February 2015, the FASB issued guidance affecting the consolidation evaluation for limited partnerships and similar entities, fees paid to a decision maker or service provider, and variable interests in a variable interest entity held by related parties of the reporting enterprise. The guidance is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied either retrospectively or using a modified retrospective approach with a cumulative-effect adjustment to equity at

the beginning of the year of adoption. The Company is in the process of assessing the impact of adoption which is not expected to be material to the Company's results of operations or financial position.

2. Supplemental Cash Flow Information

Non-cash modifications of certain mortgage loans, fixed income securities and other investments, as well as mergers completed with equity securities, totaled $8 million and $46 million for the three months ended March 31, 2015 and 2014, respectively.

Liabilities for collateral received in conjunction with the Company's securities lending program and over-the-counter ("OTC") and cleared derivatives are reported in other liabilities and accrued expenses or other investments. The accompanying cash flows are included in cash flows from operating activities in the Condensed Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, which are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Net change in proceeds managed		
Net change in short-term investments	$ 18	$ (169)
Operating cash flow provided (used)	$ 18	$ (169)
Net change in liabilities		
Liabilities for collateral, beginning of period	$ (510)	$ (328)
Liabilities for collateral, end of period	(492)	(497)
Operating cash flow (used) provided	$ (18)	$ 169

3. Investments

Fair values

The amortized cost, gross unrealized gains and losses and fair value for fixed income securities are as follows:

($ in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
March 31, 2015				
U.S. government and agencies	$ 552	$ 87	$ —	$ 639
Municipal	3,109	565	(12)	3,662
Corporate	19,039	1,834	(124)	20,749
Foreign government	505	57	—	562
Asset-backed securities ("ABS")	1,052	12	(21)	1,043
Residential mortgage-backed securities ("RMBS")	518	59	(4)	573
Commercial mortgage-backed securities ("CMBS")	518	41	(1)	558
Redeemable preferred stock	13	3	—	16
Total fixed income securities	$ 25,306	$ 2,658	$ (162)	$ 27,802
December 31, 2014				
U.S. government and agencies	$ 668	$ 102	$ —	$ 770
Municipal	3,156	520	(14)	3,662
Corporate	19,465	1,670	(150)	20,985
Foreign government	654	81	—	735
ABS	773	13	(21)	765
RMBS	554	55	(4)	605
CMBS	538	43	(2)	579
Redeemable preferred stock	14	2	—	16
Total fixed income securities	$ 25,822	$ 2,486	$ (191)	$ 28,117

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of March 31, 2015:

($ in millions)	Amortized cost	Fair value
Due in one year or less	$ 1,220	$ 1,239
Due after one year through five years	5,226	5,633
Due after five years through ten years	9,516	10,139
Due after ten years	7,256	8,617
	23,218	25,628
ABS, RMBS and CMBS	2,088	2,174
Total	$ 25,306	$ 27,802

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers. ABS, RMBS and CMBS are shown separately because of the potential for prepayment of principal prior to contractual maturity dates.

Net investment income

Net investment income is as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Fixed income securities	$ 334	$ 474
Mortgage loans	49	75
Equity securities	5	4
Limited partnership interests	72	67
Policy loans	9	11
Other	18	15
Investment income, before expense	487	646
Investment expense	(16)	(20)
Net investment income	$ 471	$ 626

Realized capital gains and losses

Realized capital gains and losses by asset type are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Fixed income securities	$ 68	$ (5)
Mortgage loans	—	3
Equity securities	32	2
Limited partnership interests	4	(5)
Derivatives	7	2
Other	—	3
Realized capital gains and losses	$ 111	$ —

Realized capital gains and losses by transaction type are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Impairment write-downs	$ (7)	$ (4)
Change in intent write-downs	(3)	(5)
Net other-than-temporary impairment losses recognized in earnings	(10)	(9)
Sales	117	7
Valuation and settlements of derivative instruments	4	2
Realized capital gains and losses	$ 111	$ —

Gross gains of $131 million and $17 million and gross losses of $23 million and $14 million were realized on sales of fixed income and equity securities during the three months ended March 31, 2015 and 2014, respectively.

Other-than-temporary impairment losses by asset type are as follows:

($ in millions)	Three months ended March 31, 2015			Three months ended March 31, 2014		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	$ —	$ —	$ —	$ (1)	$ —	$ (1)
Corporate	(3)	—	(3)	—	—	—
RMBS	—	—	—	—	(1)	(1)
Total fixed income securities	(3)	—	(3)	(1)	(1)	(2)
Mortgage loans	—	—	—	4	—	4
Equity securities	(5)	—	(5)	(4)	—	(4)
Limited partnership interests	(2)	—	(2)	(7)	—	(7)
Other-than-temporary impairment losses	$ (10)	$ —	$ (10)	$ (8)	$ (1)	$ (9)

The total amount of other-than-temporary impairment losses included in accumulated other comprehensive income at the time of impairment for fixed income securities, which were not included in earnings, are presented in the following table. The amounts exclude $140 million and $138 million as of March 31, 2015 and December 31, 2014, respectively, of net unrealized gains related to changes in valuation of the fixed income securities subsequent to the impairment measurement date.

($ in millions)	March 31, 2015	December 31, 2014
Municipal	$ (5)	$ (5)
ABS	(1)	(1)
RMBS	(53)	(55)
CMBS	(6)	(5)
Total	$ (65)	$ (66)

Rollforwards of the cumulative credit losses recognized in earnings for fixed income securities held as of the end of the period are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Beginning balance	$ (209)	$ (299)
Additional credit loss for securities previously other-than-temporarily impaired	(1)	(1)
Additional credit loss for securities not previously other-than-temporarily impaired	(2)	—
Reduction in credit loss for securities disposed or collected	4	7
Reduction in credit loss for securities the Company has made the decision to sell or more likely than not will be required to sell	—	—
Change in credit loss due to accretion of increase in cash flows	1	—
Ending balance	$ (207)	$ (293)

The Company uses its best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. The determination of cash flow estimates is inherently subjective and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable assumptions and forecasts, are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, foreign exchange rates, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a

credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. The portion of the unrealized loss related to factors other than credit remains classified in accumulated other comprehensive income. If the Company determines that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, the Company may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

Unrealized net capital gains and losses

Unrealized net capital gains and losses included in accumulated other comprehensive income are as follows:

($ in millions)		Gross unrealized		
March 31, 2015	**Fair value**	**Gains**	**Losses**	**Unrealized net gains (losses)**
Fixed income securities	$ 27,802	$ 2,658	$ (162)	$ 2,496
Equity securities	1,032	52	(23)	29
Short-term investments	820	—	—	—
Derivative instruments [1]	7	8	(1)	7
Equity method ("EMA") limited partnerships [2]				(2)
Unrealized net capital gains and losses, pre-tax				2,530
Amounts recognized for:				
Insurance reserves [3]				(79)
DAC and DSI [4]				(208)
Amounts recognized				(287)
Deferred income taxes				(790)
Unrealized net capital gains and losses, after-tax				$ 1,453

[1] Included in the fair value of derivative instruments are $7 million classified as assets and $0 million classified as liabilities.

[2] Unrealized net capital gains and losses for limited partnership interests represent the Company's share of EMA limited partnerships' other comprehensive income. Fair value and gross unrealized gains and losses are not applicable.

[3] The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. Although the Company evaluates premium deficiencies on the combined performance of life insurance and immediate annuities with life contingencies, the adjustment primarily relates to structured settlement annuities with life contingencies, in addition to annuity buy-outs and certain payout annuities with life contingencies.

[4] The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized.

($ in millions)		Gross unrealized		
December 31, 2014	**Fair value**	**Gains**	**Losses**	**Unrealized net gains (losses)**
Fixed income securities	$ 28,117	$ 2,486	$ (191)	$ 2,295
Equity securities	970	57	(14)	43
Short-term investments	857	—	—	—
Derivative instruments [1]	2	3	(1)	2
EMA limited partnerships				(2)
Unrealized net capital gains and losses, pre-tax				2,338
Amounts recognized for:				
Insurance reserves				(28)
DAC and DSI				(176)
Amounts recognized				(204)
Deferred income taxes				(752)
Unrealized net capital gains and losses, after-tax				$ 1,382

[1] Included in the fair value of derivative instruments are $3 million classified as assets and $1 million classified as liabilities.

Change in unrealized net capital gains and losses

The change in unrealized net capital gains and losses for the three months ended March 31, 2015 is as follows:

($ in millions)		
Fixed income securities	$	201
Equity securities		(14)
Derivative instruments		5
Total		192
Amounts recognized for:		
Insurance reserves		(51)
DAC and DSI		(32)
Amounts recognized		(83)
Deferred income taxes		(38)
Increase in unrealized net capital gains and losses, after-tax	$	71

Portfolio monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

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

If the Company has not made the decision to sell the fixed income security and it is not more likely than not the Company will be required to sell the fixed income security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compares this to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

For equity securities, the Company considers various factors, including whether it has the intent and ability to hold the equity security for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the equity security's decline in fair value is considered other than temporary and is recorded in earnings.

For fixed income and equity securities managed by third parties, either the Company has contractually retained its decision making authority as it pertains to selling securities that are in an unrealized loss position or it recognizes any unrealized loss at the end of the period through a charge to earnings.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed income and equity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortized cost or cost.

The following table summarizes the gross unrealized losses and fair value of fixed income and equity securities by the length of time that individual securities have been in a continuous unrealized loss position.

($ in millions)	Less than 12 months			12 months or more			Total unrealized losses
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	
March 31, 2015							
Fixed income securities							
Municipal	20	$ 39	$ (1)	5	$ 33	$ (11)	$ (12)
Corporate	231	1,449	(55)	52	551	(69)	(124)
Foreign government	1	7	—	—	—	—	—
ABS	25	292	(3)	20	174	(18)	(21)
RMBS	18	2	—	42	65	(4)	(4)
CMBS	4	11	—	2	13	(1)	(1)
Total fixed income securities	299	1,800	(59)	121	836	(103)	(162)
Equity securities	245	294	(22)	1	6	(1)	(23)
Total fixed income and equity securities	544	$ 2,094	$ (81)	122	$ 842	$ (104)	$ (185)
Investment grade fixed income securities	152	$ 1,128	$ (26)	82	$ 604	$ (65)	$ (91)
Below investment grade fixed income securities	147	672	(33)	39	232	(38)	(71)
Total fixed income securities	299	$ 1,800	$ (59)	121	$ 836	$ (103)	$ (162)
December 31, 2014							
Fixed income securities							
U.S. government and agencies	1	$ 1	$ —	—	$ —	$ —	$ —
Municipal	17	90	(1)	10	47	(13)	(14)
Corporate	281	1,780	(69)	91	875	(81)	(150)
Foreign government	—	—	—	1	15	—	—
ABS	19	168	(2)	23	217	(19)	(21)
RMBS	19	3	—	45	73	(4)	(4)
CMBS	8	33	—	3	32	(2)	(2)
Total fixed income securities	345	2,075	(72)	173	1,259	(119)	(191)
Equity securities	294	327	(13)	1	6	(1)	(14)
Total fixed income and equity securities	639	$ 2,402	$ (85)	174	$ 1,265	$ (120)	$ (205)
Investment grade fixed income securities	167	$ 1,275	$ (28)	127	$ 989	$ (79)	$ (107)
Below investment grade fixed income securities	178	800	(44)	46	270	(40)	(84)
Total fixed income securities	345	$ 2,075	$ (72)	173	$ 1,259	$ (119)	$ (191)

As of March 31, 2015, $116 million of unrealized losses are related to securities with an unrealized loss position less than 20% of amortized cost or cost, the degree of which suggests that these securities do not pose a high risk of being other-than-temporarily impaired. Of the $116 million, $52 million are related to unrealized losses on investment grade fixed income securities. Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from Standards and Poor's ("S&P"), Fitch, Dominion, Kroll or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. Unrealized losses on investment grade securities are principally related to increasing risk-free interest rates or widening credit spreads since the time of initial purchase.

As of March 31, 2015, the remaining $69 million of unrealized losses are related to securities in unrealized loss positions greater than or equal to 20% of amortized cost or cost. Investment grade fixed income securities comprising $39 million of these unrealized losses were evaluated based on factors such as discounted cash flows and the financial condition and near-term and long-term prospects of the issue or issuer and were determined to have adequate resources to fulfill contractual obligations. Of the $69 million, $28 million are related to below investment grade fixed income securities and $2 million are related to equity securities. Of these amounts, $6 million are related to below investment grade fixed income securities that had been in an unrealized loss position greater than or equal to 20% of amortized cost for a period of twelve or more consecutive months as of March 31, 2015.

ABS, RMBS and CMBS in an unrealized loss position were evaluated based on actual and projected collateral losses relative to the securities' positions in the respective securitization trusts, security specific expectations of cash flows, and credit ratings. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread, and (iii) for ABS and RMBS in an unrealized loss position, credit enhancements from reliable bond insurers, where applicable. Municipal bonds in an unrealized loss position were evaluated based on the underlying credit quality of the primary obligator, obligation type and quality of the underlying assets. Unrealized losses on equity securities are primarily related to temporary equity market fluctuations of securities that are expected to recover.

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

Limited partnerships

As of March 31, 2015 and December 31, 2014, the carrying value of equity method limited partnerships totaled $1.61 billion and $1.52 billion, respectively. The Company recognizes an impairment loss for equity method limited partnerships when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.

As of March 31, 2015 and December 31, 2014, the carrying value for cost method limited partnerships was $515 million and $508 million, respectively. To determine if an other-than-temporary impairment has occurred, the Company evaluates whether an impairment indicator has occurred in the period that may have a significant adverse effect on the carrying value of the investment. Impairment indicators may include: significantly reduced valuations of the investments held by the limited partnerships; actual recent cash flows received being significantly less than expected cash flows; reduced valuations based on financing completed at a lower value; completed sale of a material underlying investment at a price significantly lower than expected; or any other adverse events since the last financial statements received that might affect the fair value of the investee's capital. Additionally, the Company's portfolio monitoring process includes a quarterly review of all cost method limited partnerships to identify instances where the net asset value is below established thresholds for certain periods of time, as well as investments that are performing below expectations, for further impairment consideration. If a cost method limited partnership is other-than-temporarily impaired, the carrying value is written down to fair value, generally estimated to be equivalent to the reported net asset value of the underlying funds.

Mortgage loans

Mortgage loans are evaluated for impairment on a specific loan basis through a quarterly credit monitoring process and review of key credit quality indicators. Mortgage loans are considered impaired when it is probable that the Company will not collect the contractual principal and interest. Valuation allowances are established for impaired loans to reduce the carrying value to the fair value of the collateral less costs to sell or the present value of the loan's expected future repayment cash flows discounted at the loan's original effective interest rate. Impaired mortgage loans may not have a valuation allowance when the fair value of the collateral less costs to sell is higher than the carrying value. Valuation allowances are adjusted for subsequent changes in the fair value of the collateral less costs to sell. Mortgage loans are charged off against their corresponding valuation allowances when there is no reasonable expectation of recovery. The impairment evaluation is non-statistical in respect to the aggregate portfolio but considers facts and circumstances attributable to each loan. It is not considered probable that additional impairment losses, beyond those identified on a specific loan basis, have been incurred as of March 31, 2015.

Accrual of income is suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on mortgage loans on nonaccrual status are generally recorded as a reduction of carrying value.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loans are evaluated for impairment. Debt service coverage ratio represents the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. Debt service coverage ratio estimates are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process.

The following table reflects the carrying value of non-impaired fixed rate and variable rate mortgage loans summarized by debt service coverage ratio distribution.

($ in millions)	March 31, 2015			December 31, 2014		
Debt service coverage ratio distribution	Fixed rate mortgage loans	Variable rate mortgage loans	Total	Fixed rate mortgage loans	Variable rate mortgage loans	Total
Below 1.0	$ 93	$ —	$ 93	$ 110	$ —	$ 110
1.0 - 1.25	397	—	397	387	—	387
1.26 - 1.50	1,136	1	1,137	1,118	1	1,119
Above 1.50	2,152	—	2,152	2,054	—	2,054
Total non-impaired mortgage loans	$ 3,778	$ 1	$ 3,779	$ 3,669	$ 1	$ 3,670

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in cash flows from the properties is considered temporary, or there are other risk mitigating circumstances such as additional collateral, escrow balances or borrower guarantees.

The net carrying value of impaired mortgage loans is as follows:

($ in millions)	March 31, 2015	December 31, 2014
Impaired mortgage loans with a valuation allowance	$ 16	$ 16
Impaired mortgage loans without a valuation allowance	—	—
Total impaired mortgage loans	$ 16	$ 16
Valuation allowance on impaired mortgage loans	$ 8	$ 8

The average balance of impaired loans was $16 million and $46 million for the three months ended March 31, 2015 and 2014, respectively.

The rollforward of the valuation allowance on impaired mortgage loans is as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Beginning balance	$ 8	$ 21
Net decrease in valuation allowance	—	(4)
Charge offs	—	(8)
Ending balance	$ 8	$ 9

The carrying value of past due mortgage loans is as follows:

($ in millions)	March 31, 2015	December 31, 2014
Less than 90 days past due	$ 6	$ —
90 days or greater past due	—	—
Total past due	6	—
Current loans	3,789	3,686
Total mortgage loans	$ 3,795	$ 3,686

4. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Condensed Consolidated Statements of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;
(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or
(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

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

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy. The first is where specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

The second situation where the Company classifies securities in Level 3 is where quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

Certain assets are not carried at fair value on a recurring basis, including investments such as mortgage loans, limited partnership interests, bank loans and policy loans. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to remeasurement at fair value after initial recognition and the resulting remeasurement is reflected in the condensed consolidated financial statements. In addition, derivatives embedded in fixed income securities are not disclosed in the hierarchy as free-standing derivatives since they are presented with the host contracts in fixed income securities.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

Summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis

Level 1 measurements

- Fixed income securities: Comprise certain U.S. Treasury fixed income securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- Equity securities: Comprise actively traded, exchange-listed equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.
- Short-term: Comprise U.S. Treasury bills valued based on unadjusted quoted prices for identical assets in active markets that the Company can access and actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access.
- Separate account assets: Comprise actively traded mutual funds that have daily quoted net asset values for identical assets that the Company can access. Net asset values for the actively traded mutual funds in which the separate account assets are invested are obtained daily from the fund managers.

Level 2 measurements

- Fixed income securities:

  U.S. government and agencies: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Municipal: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Corporate, including privately placed: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

  Foreign government: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  ABS and RMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads. Certain ABS are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable.

  CMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, collateral performance and credit spreads.

  Redeemable preferred stock: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are not active.
- Short-term: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. For certain short-term investments, amortized cost is used as the best estimate of fair value.
- Other investments: Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

  OTC derivatives, including interest rate swaps, foreign currency swaps, foreign exchange forward contracts, certain options and certain credit default swaps, are valued using models that rely on inputs such as interest rate yield curves, currency rates, and counterparty credit spreads that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment.

Level 3 measurements

- Fixed income securities:

  Municipal: Comprise municipal bonds that are not rated by third party credit rating agencies but are rated by the National Association of Insurance Commissioners ("NAIC"). The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads. Also included are municipal bonds valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Also includes auction rate securities ("ARS") primarily backed by student loans that have become illiquid due to failures in the auction market and are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, including the anticipated date liquidity will return to the market.

  Corporate, including privately placed: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Also included are equity-indexed notes which are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, such as volatility. Other inputs include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

  ABS, RMBS and CMBS: Valued based on non-binding broker quotes received from brokers who are familiar with the investments and where the inputs have not been corroborated to be market observable.

- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.

- Other investments: Certain OTC derivatives, such as interest rate caps, certain credit default swaps and certain options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads.

- Contractholder funds: Derivatives embedded in certain life and annuity contracts are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.

Assets and liabilities measured at fair value on a non-recurring basis

Mortgage loans written-down to fair value in connection with recognizing impairments are valued based on the fair value of the underlying collateral less costs to sell. Limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments are valued using net asset values.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of March 31, 2015.

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of March 31, 2015
Assets					
Fixed income securities:					
U.S. government and agencies	$ 137	$ 502	$ —		$ 639
Municipal	—	3,556	106		3,662
Corporate	—	20,010	739		20,749
Foreign government	—	562	—		562
ABS	—	932	111		1,043
RMBS	—	573	—		573
CMBS	—	558	—		558
Redeemable preferred stock	—	16	—		16
Total fixed income securities	137	26,709	956		27,802
Equity securities	986	7	39		1,032
Short-term investments	63	757	—		820
Other investments: Free-standing derivatives	—	81	2	$ (6)	77
Separate account assets	4,303	—	—		4,303
Other assets	1	—	1		2
Total recurring basis assets	5,490	27,554	998	(6)	34,036
Non-recurring basis [(1)]	—	—	5		5
Total assets at fair value	$ 5,490	$ 27,554	$ 1,003	$ (6)	$ 34,041
% of total assets at fair value	16.1%	80.9%	3.0%	— %	100%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (326)		$ (326)
Other liabilities: Free-standing derivatives	—	(12)	(9)	$ 2	(19)
Total liabilities at fair value	$ —	$ (12)	$ (335)	$ 2	$ (345)
% of total liabilities at fair value	—%	3.5%	97.1%	(0.6)%	100%

(1) Includes $5 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2014.

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of December 31, 2014
Assets					
Fixed income securities:					
U.S. government and agencies	$ 147	$ 623	$ —		$ 770
Municipal	—	3,556	106		3,662
Corporate	—	20,193	792		20,985
Foreign government	—	735	—		735
ABS	—	636	129		765
RMBS	—	605	—		605
CMBS	—	578	1		579
Redeemable preferred stock	—	16	—		16
Total fixed income securities	147	26,942	1,028		28,117
Equity securities	927	6	37		970
Short-term investments	90	767	—		857
Other investments: Free-standing derivatives	—	90	2	$ (2)	90
Separate account assets	4,396	—	—		4,396
Other assets	1	—	1		2
Total recurring basis assets	5,561	27,805	1,068	(2)	34,432
Non-recurring basis [(1)]	—	—	9		9
Total assets at fair value	$ 5,561	$ 27,805	$ 1,077	$ (2)	$ 34,441
% of total assets at fair value	16.2%	80.7%	3.1%	— %	100.0%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (323)		$ (323)
Other liabilities: Free-standing derivatives	—	(24)	(9)	$ 2	(31)
Total liabilities at fair value	$ —	$ (24)	$ (332)	$ 2	$ (354)
% of total liabilities at fair value	—%	6.8%	93.8%	(0.6)%	100.0%

(1) Includes $6 million of mortgage loans and $3 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

The following table summarizes quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

($ in millions)	Fair value	Valuation technique	Unobservable input	Range	Weighted average
March 31, 2015					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (281)	Stochastic cash flow model	Projected option cost	1.0 - 2.2%	1.76%
December 31, 2014					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (278)	Stochastic cash flow model	Projected option cost	1.0 - 2.0%	1.76%

If the projected option cost increased (decreased), it would result in a higher (lower) liability fair value.

As of March 31, 2015 and December 31, 2014, Level 3 fair value measurements include $856 million and $914 million, respectively, of fixed income securities valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. The Company does not develop the unobservable inputs used in measuring fair value; therefore, these are not included in the table above. However, an increase (decrease) in credit spreads for fixed income securities valued based on non-binding broker quotes would result in a lower (higher) fair value.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the three months ended March 31, 2015.

($ in millions)		Total gains (losses) included in:			
	Balance as of December 31, 2014	Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 106	$ —	$ 1	$ —	$ —
Corporate	792	(2)	(9)	2	—
ABS	129	—	—	6	(21)
CMBS	1	—	(1)	—	—
Total fixed income securities	1,028	(2)	(9)	8	(21)
Equity securities	37	—	—	—	—
Free-standing derivatives, net	(7)	—	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	$ 1,059	$ (2)	$ (9)	$ 8	$ (21)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (323)	$ (4)	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (323)	$ (4)	$ —	$ —	$ —

	Purchases	Sales	Issues	Settlements	Balance as of March 31, 2015
Assets					
Fixed income securities:					
Municipal	$ —	$ (1)	$ —	$ —	$ 106
Corporate	19	(47)	—	(16)	739
ABS	—	—	—	(3)	111
CMBS	—	—	—	—	—
Total fixed income securities	19	(48)	—	(19)	956
Equity securities	2	—	—	—	39
Free-standing derivatives, net	—	—	—	—	(7) [2]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	$ 21	$ (48)	$ —	$ (19)	$ 989
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (1)	$ 2	$ (326)
Total recurring Level 3 liabilities	$ —	$ —	$ (1)	$ 2	$ (326)

[1] The effect to net income totals $(6) million and is reported in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows: $(5) million in realized capital gains and losses, $3 million in net investment income and $(4) million in interest credited to contractholder funds.

[2] Comprises $2 million of assets and $9 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the three months ended March 31, 2014.

($ in millions)	Balance as of December 31, 2013	Total gains (losses) included in: Net income [(1)]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 119	$ (1)	$ 2	$ —	$ —
Corporate	1,008	5	—	—	(25)
ABS	112	—	—	—	—
CMBS	1	—	—	—	—
Redeemable preferred stock	1	—	—	—	—
Total fixed income securities	1,241	4	2	—	(25)
Equity securities	6	—	—	—	—
Free-standing derivatives, net	(5)	(2)	—	—	—
Assets held for sale	362	(1)	2	4	(2)
Total recurring Level 3 assets	$ 1,604	$ 1	$ 4	$ 4	$ (27)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (307)	$ (2)	$ —	$ —	$ —
Liabilities held for sale	(246)	17	—	—	—
Total recurring Level 3 liabilities	$ (553)	$ 15	$ —	$ —	$ —

	Transfer from held for sale	Purchases/Issues [(2)]	Sales	Settlements	Balance as of March 31, 2014
Assets					
Fixed income securities:					
Municipal	$ —	$ —	$ (1)	$ —	$ 119
Corporate	—	2	(86)	(13)	891
ABS	—	11	—	(1)	122
CMBS	4	—	—	—	5
Redeemable preferred stock	—	—	(1)	—	—
Total fixed income securities	4	13	(88)	(14)	1,137
Equity securities	—	—	—	—	6
Free-standing derivatives, net	—	2	—	(2)	(7) [(3)]
Assets held for sale	(4)	—	(8)	(6)	347
Total recurring Level 3 assets	$ —	$ 15	$ (96)	$ (22)	$ 1,483
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ (11)	$ —	$ 1	$ (319)
Liabilities held for sale	—	(4)	—	3	(230)
Total recurring Level 3 liabilities	$ —	$ (15)	$ —	$ 4	$ (549)

(1) The effect to net income totals $16 million and is reported in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows: $3 million in realized capital gains and losses, $2 million in net investment income, $10 million in interest credited to contractholder funds, $5 million in contract benefits and $(4) million in loss on disposition of operations.

(2) Represents purchases for assets and issues for liabilities.

(3) Comprises $5 million of assets and $12 million of liabilities.

Transfers between level categorizations may occur due to changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads. Transfers between level categorizations may also occur due to changes in the valuation source. For example, in situations where a fair value quote is not provided by the Company's independent third-party valuation service provider and as a result the price is stale or has been replaced with a broker quote whose inputs have not been corroborated to be market observable, the security is transferred into Level 3. Transfers in and out of level categorizations are reported as having occurred at the beginning of the quarter in which the

transfer occurred. Therefore, for all transfers into Level 3, all realized and changes in unrealized gains and losses in the quarter of transfer are reflected in the Level 3 rollforward table.

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2015 or 2014.

Transfers into Level 3 during the three months ended March 31, 2015 and 2014 included situations where a fair value quote was not provided by the Company's independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote where the inputs had not been corroborated to be market observable resulting in the security being classified as Level 3. Transfers out of Level 3 during the three months ended March 31, 2015 and 2014 included situations where a broker quote was used in the prior period and a fair value quote became available from the Company's independent third-party valuation service provider in the current period. A quote utilizing the new pricing source was not available as of the prior period, and any gains or losses related to the change in valuation source for individual securities were not significant.

The following table provides the change in unrealized gains and losses included in net income for Level 3 assets and liabilities held as of March 31.

($ in millions)	Three months ended March 31,	
	2015	2014
Assets		
Fixed income securities:		
Municipal	$ —	$ (1)
Corporate	2	4
Total fixed income securities	2	3
Assets held for sale	—	(1)
Total recurring Level 3 assets	$ 2	$ 2
Liabilities		
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (4)	$ (2)
Liabilities held for sale	—	17
Total recurring Level 3 liabilities	$ (4)	$ 15

The amounts in the table above represent the change in unrealized gains and losses included in net income for the period of time that the asset or liability was determined to be in Level 3. These gains and losses total $(2) million for the three months ended March 31, 2015 and are reported as follows: $(1) million in realized capital gains and losses, $3 million in net investment income and $(4) million in interest credited to contractholder funds. These gains and losses total $17 million for the three months ended March 31, 2014 and are reported as follows: $1 million in realized capital gains and losses, $3 million in net investment income, $10 million in interest credited to contractholder funds, $5 million in contract benefits and $(2) million in loss on disposition of operations.

Presented below are the carrying values and fair value estimates of financial instruments not carried at fair value.

Financial assets

($ in millions)	March 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage loans	$ 3,795	$ 4,043	$ 3,686	$ 3,922
Cost method limited partnerships	515	686	508	686
Bank loans	462	462	431	427
Agent loans	386	379	368	361
Notes due from related party	275	275	275	275

The fair value of mortgage loans is based on discounted contractual cash flows or, if the loans are impaired due to credit reasons, the fair value of collateral less costs to sell. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar types of properties as collateral. The fair value of cost method limited partnerships is determined using reported net asset values of the underlying funds. The fair value of bank loans, which are reported in other investments, is based on broker quotes from brokers familiar with the loans and current market conditions. The fair value of agent loans, which are reported in other investments, is based on discounted cash flow calculations that use discount rates with a spread over U.S. Treasury rates. Assumptions used in developing estimated cash flows and discount rates consider the loan's credit and liquidity risks. The fair value of notes due from related party, which are reported in other investments, is based on discounted cash flow calculations using current interest rates for instruments with comparable terms. The fair value measurements for mortgage loans, cost method limited partnerships, bank loans, agent loans, notes due from related party and assets held for sale are categorized as Level 3.

Financial liabilities

($ in millions)	March 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Contractholder funds on investment contracts	$ 13,408	$ 14,097	$ 13,708	$ 14,364
Notes due to related parties	275	275	275	275
Liability for collateral	492	492	510	510

The fair value of contractholder funds on investment contracts is based on the terms of the underlying contracts utilizing prevailing market rates for similar contracts adjusted for the Company's own credit risk. Deferred annuities included in contractholder funds are valued using discounted cash flow models that incorporate market value margins, which are based on the cost of holding economic capital, and the Company's own credit risk. Immediate annuities without life contingencies and fixed rate funding agreements are valued at the present value of future benefits using market implied interest rates which include the Company's own credit risk. The fair value measurements for contractholder funds on investment contracts are categorized as Level 3.

The fair value of notes due to related parties is based on discounted cash flow calculations using current interest rates for instruments with comparable terms and considers the Company's own credit risk. The liability for collateral is valued at carrying value due to its short-term nature. The fair value measurements for liability for collateral are categorized as Level 2. The fair value measurements for notes due to related parties are categorized as Level 3.

5. Derivative Financial Instruments

The Company uses derivatives for risk reduction and to increase investment portfolio returns through asset replication. Risk reduction activity is focused on managing the risks with certain assets and liabilities arising from the potential adverse impacts from changes in risk-free interest rates, changes in equity market valuations, increases in credit spreads and foreign currency fluctuations.

Asset-liability management is a risk management strategy that is principally employed to balance the respective interest-rate sensitivities of the Company's assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps, swaptions and futures are utilized to change the interest rate characteristics of existing assets and liabilities to ensure the relationship is maintained within specified ranges and to reduce exposure to rising or falling interest rates. The Company uses futures and options for hedging the equity exposure contained in its equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, the Company uses interest rate swaps to hedge interest rate risk inherent in funding agreements. The Company uses foreign currency swaps and forwards primarily to reduce the foreign currency risk associated with holding foreign currency denominated investments. Credit default swaps are typically used to mitigate the credit risk within the Company's fixed income portfolio.

The Company may also use derivatives to manage the risk associated with corporate actions, including the sale of a business. During 2014, swaptions were utilized to hedge the expected proceeds from the disposition of Lincoln Benefit Life Company ("LBL").

Asset replication refers to the "synthetic" creation of assets through the use of derivatives and primarily investment grade host bonds to replicate securities that are either unavailable in the cash markets or more economical to acquire in synthetic form. The Company replicates fixed income securities using a combination of a credit default swap and one or more highly rated fixed income securities to synthetically replicate the economic characteristics of one or more cash market securities.

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of embedded derivatives reported in net income. The Company's primary embedded derivatives are equity options in life and annuity product contracts, which provide equity returns to contractholders; conversion options in fixed income securities, which provide the Company with the right to convert the instrument into a predetermined number of shares of common stock; credit default swaps in synthetic collateralized debt obligations, which provide enhanced coupon rates as a result of selling credit protection; and equity-indexed notes containing equity call options, which provide a coupon payout that is determined using one or more equity-based indices.

When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, foreign currency fair value or foreign currency cash flow hedges. The Company designates certain of its interest rate and foreign currency swap contracts and certain investment risk transfer reinsurance agreements as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of the hedged item. The Company designates certain of its foreign currency swap contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of variations in cash flows for the hedged risk that could affect net income. Amounts are reclassified to net investment income or realized capital gains and losses as the hedged item affects net income.

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements. However, the notional amounts specified in credit default swaps where the Company has sold credit protection represent the maximum amount of potential loss, assuming no recoveries.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive or pay to terminate the derivative contracts at the reporting date. The carrying value amounts for OTC derivatives are further adjusted for the effects, if any, of enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the Condensed Consolidated Statements of Financial Position. For certain exchange traded and cleared derivatives, margin deposits are required as well as daily cash settlements of margin accounts. As of March 31, 2015, the Company pledged $30 million of cash and securities as margin deposits.

For those derivatives which qualify for fair value hedge accounting, net income includes the changes in the fair value of both the derivative instrument and the hedged risk, and therefore reflects any hedging ineffectiveness. For cash flow hedges, gains and losses are amortized from accumulated other comprehensive income and are reported in net income in the same period the forecasted transactions being hedged impact net income.

Non-hedge accounting is generally used for "portfolio" level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements to permit the application of hedge accounting. For non-hedge derivatives, net income includes changes in fair value and accrued periodic settlements, when applicable. With the exception of non-hedge derivatives used for asset replication and non-hedge embedded derivatives, all of the Company's derivatives are evaluated for their ongoing effectiveness as either accounting hedge or non-hedge derivative financial instruments on at least a quarterly basis.

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Condensed Consolidated Statement of Financial Position as of March 31, 2015.

($ in millions, except number of contracts)		Volume [1]				
	Balance sheet location	Notional amount	Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other investments	$ 84	n/a	$ 8	$ 9	$ (1)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	153	n/a	1	1	—
Equity and index contracts						
Options	Other investments	—	3,070	69	69	—
Financial futures contracts	Other assets	—	1,086	1	1	—
Foreign currency contracts						
Foreign currency forwards	Other investments	56	n/a	2	2	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	32	n/a	(1)	—	(1)
Credit default swaps – selling protection	Other investments	80	n/a	2	2	—
Other contracts						
Other contracts	Other assets	3	n/a	1	1	—
Subtotal		324	4,156	75	76	(1)
Total asset derivatives		$ 408	4,156	$ 83	$ 85	$ (2)
Liability derivatives						
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	$ 85	n/a	$ —	$ —	$ —
Interest rate cap agreements	Other liabilities & accrued expenses	12	n/a	—	—	—
Financial futures contracts	Other liabilities & accrued expenses	—	214	—	—	—
Equity and index contracts						
Options	Other liabilities & accrued expenses	—	3,030	(10)	—	(10)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	45	n/a	—	—	—
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	590	n/a	(31)	—	(31)
Guaranteed withdrawal benefits	Contractholder funds	408	n/a	(14)	—	(14)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,785	n/a	(281)	—	(281)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	15	n/a	—	—	—
Credit default swaps – selling protection	Other liabilities & accrued expenses	100	n/a	(9)	—	(9)
Subtotal		3,125	3,244	(345)	—	(345)
Total liability derivatives		3,125	3,244	(345)	$ —	$ (345)
Total derivatives		$ 3,533	7,400	$ (262)		

[1] Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Consolidated Statement of Financial Position as of December 31, 2014.

($ in millions, except number of contracts)	Balance sheet location	Volume [1] Notional amount	Volume [1] Number of contracts	Fair value, net	Gross asset	Gross liability
Asset derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other investments	$ 85	n/a	$ 3	$ 3	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	163	n/a	2	2	—
Equity and index contracts						
Options	Other investments	—	3,225	83	83	—
Financial futures contracts	Other assets	—	704	1	1	—
Foreign currency contracts						
Foreign currency forwards	Other investments	57	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other investments	19	n/a	—	—	—
Credit default swaps – selling protection	Other investments	80	n/a	2	2	—
Other contracts						
Other contracts	Other assets	3	n/a	1	1	—
Subtotal		322	3,929	89	89	—
Total asset derivatives		$ 407	3,929	$ 92	$ 92	$ —
Liability derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other liabilities & accrued expenses	$ 50	n/a	$ (1)	$ —	$ (1)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	85	n/a	1	1	—
Interest rate cap agreements	Other liabilities & accrued expenses	11	n/a	—	—	—
Financial futures contract	Other liabilities & accrued expenses	—	200	—	—	—
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	—	3,131	(22)	—	(22)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	36	n/a	1	1	—
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	615	n/a	(32)	—	(32)
Guaranteed withdrawal benefits	Contractholder funds	425	n/a	(13)	—	(13)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,786	n/a	(278)	—	(278)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	—	—	—
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	49	n/a	(1)	—	(1)
Credit default swaps – selling protection	Other liabilities & accrued expenses	100	n/a	(9)	—	(9)
Subtotal		3,192	3,331	(353)	2	(355)
Total liability derivatives		3,242	3,331	(354)	$ 2	$ (356)
Total derivatives		$ 3,649	7,260	$ (262)		

[1] Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

The following table provides gross and net amounts for the Company's OTC derivatives, all of which are subject to enforceable master netting agreements.

($ in millions)		Offsets				
	Gross amount	Counter-party netting	Cash collateral (received) pledged	Net amount on balance sheet	Securities collateral (received) pledged	Net amount
March 31, 2015						
Asset derivatives	$ 13	$ (2)	$ (4)	$ 7	$ (5)	$ 2
Liability derivatives	(10)	2	—	(8)	6	(2)
December 31, 2014						
Asset derivatives	$ 7	$ (2)	$ —	$ 5	$ (4)	$ 1
Liability derivatives	(11)	2	—	(9)	7	(2)

The following table provides a summary of the impacts of the Company's foreign currency contracts in cash flow hedging relationships. Amortization of net gains from accumulated other comprehensive income related to cash flow hedges is expected to be a gain of $3 million during the next twelve months. There was no hedge ineffectiveness reported in realized gains and losses for the three months ended March 31, 2015 or 2014.

($ in millions)	Three months ended March 31,	
	2015	2014
Gain (loss) recognized in OCI on derivatives during the period	$ 8	$ (2)
Gain (loss) recognized in OCI on derivatives during the term of the hedging relationship	7	(15)
Loss reclassified from AOCI into income (net investment income)	—	—
Gain reclassified from AOCI into income (realized capital gains and losses)	3	—

The following tables present gains and losses from valuation and settlements reported on derivatives not designated as accounting hedging instruments in the Condensed Consolidated Statements of Operations and Comprehensive Income. For the three months ended March 31, 2015 and 2014, the Company had no derivatives used in fair value hedging relationships.

($ in millions)	Realized capital gains and losses	Contract benefits	Interest credited to contractholder funds	Loss on disposition of operations	Total gain (loss) recognized in net income on derivatives
Three months ended March 31, 2015					
Equity and index contracts	$ (1)	$ —	$ 4	$ —	$ 3
Embedded derivative financial instruments	—	—	(3)	—	(3)
Foreign currency contracts	5	—	—	—	5
Total	$ 4	$ —	$ 1	$ —	$ 5
Three months ended March 31, 2014					
Interest rate contracts	$ (1)	$ —	$ —	$ (4)	$ (5)
Equity and index contracts	—	—	9	—	9
Embedded derivative financial instruments	—	5	(1)	—	4
Credit default contracts	3	—	—	—	3
Total	$ 2	$ 5	$ 8	$ (4)	$ 11

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements ("MNAs") and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions that permit either party to net payments due for transactions and collateral is either pledged or obtained when certain predetermined exposure limits are exceeded. As of March 31, 2015 counterparties pledged $9 million in cash and securities to the Company, and the Company pledged $6 million in securities to counterparties which includes $6 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position. The Company has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Other derivatives, including futures and certain option contracts, are traded on organized exchanges which require margin deposits and guarantee the execution of trades, thereby mitigating any potential credit risk.

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless. This exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

The following table summarizes the counterparty credit exposure by counterparty credit rating as it relates to the Company's OTC derivatives.

($ in millions)	March 31, 2015				December 31, 2014			
Rating [1]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]	Number of counter-parties	Notional amount [2]	Credit exposure [2]	Exposure, net of collateral [2]
A+	1	$ 104	$ 4	$ —	1	$ 164	$ 2	$ 1
A	5	161	7	2	3	88	3	1
A-	1	10	—	—	1	8	—	—
BBB+	—	—	—	—	1	11	—	—
BBB	1	50	—	—	1	52	—	—
Total	8	$ 325	$ 11	$ 2	7	$ 323	$ 5	$ 2

(1) Rating is the lower of S&P or Moody's ratings.

(2) Only OTC derivatives with a net positive fair value are included for each counterparty.

Market risk is the risk that the Company will incur losses due to adverse changes in market rates and prices. Market risk exists for all of the derivative financial instruments the Company currently holds, as these instruments may become less valuable due to adverse changes in market conditions. To limit this risk, the Company's senior management has established risk control limits. In addition, changes in fair value of the derivative financial instruments that the Company uses for risk management purposes are generally offset by the change in the fair value or cash flows of the hedged risk component of the related assets, liabilities or forecasted transactions.

Certain of the Company's derivative instruments contain credit-risk-contingent termination events, cross-default provisions and credit support annex agreements. Credit-risk-contingent termination events allow the counterparties to terminate the derivative agreement or a specific trade on certain dates if AIC's, ALIC's or Allstate Life Insurance Company of New York's ("ALNY") financial strength credit ratings by Moody's or S&P fall below a certain level. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative agreement if the Company defaults by pre-determined threshold amounts on certain debt instruments. Credit-risk-contingent credit support annex agreements specify the amount of collateral the Company must post to counterparties based on AIC's, ALIC's or ALNY's financial strength credit ratings by Moody's or S&P, or in the event AIC, ALIC or ALNY are no longer rated by either Moody's or S&P.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position, as well as the fair value of assets and collateral that are netted against the liability in accordance with provisions within legally enforceable MNAs.

($ in millions)	March 31, 2015	December 31, 2014
Gross liability fair value of contracts containing credit-risk-contingent features	$ 10	$ 11
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(2)	(2)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(6)	(7)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	$ 2	$ 2

Credit derivatives - selling protection

Free-standing credit default swaps ("CDS") are utilized for selling credit protection against a specified credit event. A credit default swap is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium. In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS typically have a five-year term.

The following table shows the CDS notional amounts by credit rating and fair value of protection sold.

($ in millions)	Notional amount					
	AA	A	BBB	BB and lower	Total	Fair value
March 31, 2015						
First-to-default Basket						
Municipal	$ —	$ 100	$ —	$ —	$ 100	$ (9)
Index						
Corporate debt	1	20	52	7	80	2
Total	$ 1	$ 120	$ 52	$ 7	$ 180	$ (7)
December 31, 2014						
First-to-default Basket						
Municipal	$ —	$ 100	$ —	$ —	$ 100	$ (9)
Index						
Corporate debt	—	22	52	6	80	2
Total	$ —	$ 122	$ 52	$ 6	$ 180	$ (7)

In selling protection with CDS, the Company sells credit protection on an identified single name, a basket of names in a first-to-default ("FTD") structure or credit derivative index ("CDX") that is generally investment grade, and in return receives periodic premiums through expiration or termination of the agreement. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the reference entity's public fixed maturity cash instruments and swap rates at the time the agreement is executed. With a FTD basket, because of the additional credit risk inherent in a basket of named reference entities, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket and the correlation between the names. CDX is utilized to take a position on multiple (generally 125) reference entities. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference entities. If a credit event occurs, the Company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the Company, in exchange for cash payment at par, whereas in a cash settlement, the Company pays the difference between par and the prescribed value of the reference asset. When a credit event occurs in a single name or FTD basket (for FTD, the first credit event occurring for any one name in the basket), the contract terminates at the time of settlement. For CDX, the reference entity's name incurring the credit event is removed from the index while the contract continues until expiration. The maximum payout on a CDS is the contract notional amount. A physical settlement may afford the Company with recovery rights as the new owner of the asset.

The Company monitors risk associated with credit derivatives through individual name credit limits at both a credit derivative and a combined cash instrument/credit derivative level. The ratings of individual names for which protection has been sold are also monitored.

6. Reinsurance

The effects of reinsurance on premiums and contract charges are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Direct	$ 183	$ 521
Assumed		
Affiliate	32	33
Non-affiliate	210	16
Ceded-non-affiliate	(80)	(147)
Premiums and contract charges, net of reinsurance	$ 345	$ 423

The effects of reinsurance on contract benefits are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Direct	$ 274	$ 493
Assumed		
Affiliate	19	23
Non-affiliate	135	13
Ceded-non-affiliate	(70)	(118)
Contract benefits, net of reinsurance	$ 358	$ 411

The effects of reinsurance on interest credited to contractholder funds are as follows:

($ in millions)	Three months ended March 31,	
	2015	2014
Direct	$ 158	$ 298
Assumed		
Affiliate	3	2
Non-affiliate	36	7
Ceded-non-affiliate	(6)	(7)
Interest credited to contractholder funds, net of reinsurance	$ 191	$ 300

7. Guarantees and Contingent Liabilities

Guarantees

The Company owns certain investments that obligate the Company to exchange credit risk or to forfeit principal due, depending on the nature or occurrence of specified credit events for the reference entities. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these investments, as measured by the amount of the aggregate initial investment, was $4 million as of March 31, 2015. The obligations associated with these investments expire at various dates on or before March 11, 2018.

In the normal course of business, the Company provides standard indemnifications to contractual counterparties in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third party lawsuits. The indemnification clauses are often standard contractual terms and are entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

Related to the sale of LBL on April 1, 2014, the Company agreed to indemnify Resolution Life Holdings, Inc. in connection with certain representations, warranties and covenants of the Company, and certain liabilities specifically excluded from the transaction, subject to specific contractual limitations regarding the Company's maximum obligation. Management does not believe these indemnifications will have a material effect on results of operations, cash flows or financial position of the Company.

Related to the disposal through reinsurance of substantially all of the Company's variable annuity business to Prudential in 2006, the Company and the Corporation have agreed to indemnify Prudential for certain pre-closing contingent liabilities (including extra-contractual liabilities of the Company and liabilities specifically excluded from the transaction) that the Company has agreed to retain. In addition, the Company and the Corporation will each indemnify Prudential for certain post-closing liabilities that may arise from the acts of the Company and its agents, including certain liabilities arising from the Company's provision of transition services. The reinsurance agreements contain no limitations or indemnifications with regard to insurance risk transfer, and transferred all of the future risks and responsibilities for performance on the underlying variable annuity contracts to Prudential, including those related to benefit guarantees. Management does not believe this agreement will have a material effect on results of operations, cash flows or financial position of the Company.

The aggregate liability balance related to all guarantees was not material as of March 31, 2015.

Regulation and Compliance

The Company is subject to extensive laws, regulations and regulatory conditions. From time to time, regulatory authorities or legislative bodies seek to impose additional regulations regarding agent and broker compensation, regulate the nature of and amount of investments, impose fines and penalties for unintended errors or mistakes, and otherwise expand overall regulation of insurance products and the insurance industry. In addition, the Company is subject to laws and regulations administered and enforced by federal agencies and other organizations, including but not limited to the Securities and Exchange Commission, the Financial Industry Regulation Authority, and the U.S. Department of Justice. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

The Company is currently being examined by certain states for compliance with unclaimed property laws. It is possible that this examination may result in additional payments of abandoned funds to states and to changes in the Company's practices and procedures for the identification of escheatable funds, which could impact benefit payments and reserves, among other consequences; however, it is not likely to have a material effect on the condensed consolidated financial statements of the Company.

8. Other Comprehensive Income

The components of other comprehensive income on a pre-tax and after-tax basis are as follows:

($ in millions)	Three months ended March 31,					
	2015			2014		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 212	$ (74)	$ 138	$ 492	$ (173)	$ 319
Less: reclassification adjustment of realized capital gains and losses	103	(36)	67	(9)	3	(6)
Unrealized net capital gains and losses	109	(38)	71	501	(176)	325
Unrealized foreign currency translation adjustments	(3)	1	(2)	2	(1)	1
Other comprehensive income	$ 106	$ (37)	$ 69	$ 503	$ (177)	$ 326

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Allstate Life Insurance Company
Northbrook, Illinois 60062

We have reviewed the accompanying condensed consolidated statement of financial position of Allstate Life Insurance Company and subsidiaries (the "Company"), an affiliate of The Allstate Corporation, as of March 31, 2015, and the related condensed consolidated statements of operations and comprehensive income, shareholder's equity and cash flows for the three-month periods ended March 31, 2015 and 2014. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Allstate Life Insurance Company and subsidiaries as of December 31, 2014, and the related consolidated statements of operations and comprehensive income, shareholder's equity, and cash flows for the year then ended (not presented herein); and in our report dated March 5, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2014 is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 7, 2015

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014

OVERVIEW

The following discussion highlights significant factors influencing the consolidated financial position and results of operations of Allstate Life Insurance Company (referred to in this document as "we," "our," "us," the "Company" or "ALIC"). It should be read in conjunction with the condensed consolidated financial statements and notes thereto found under Part I. Item 1. contained herein, and with the discussion, analysis, consolidated financial statements and notes thereto in Part I. Item 1. and Part II. Item 7. and Item 8. of the Allstate Life Insurance Company Annual Report on Form 10-K for 2014. We operate as a single segment entity based on the manner in which we use financial information to evaluate business performance and to determine the allocation of resources.

HIGHLIGHTS

- Net income was $153 million in the first quarter of 2015 compared to $127 million in the first quarter of 2014.
- Premiums and contract charges on underwritten products, including traditional life, interest-sensitive life and accident and health insurance, totaled $342 million in the first quarter of 2015, a decrease of 17.0% from $412 million in the first quarter of 2014.
- Investments totaled $37.42 billion as of March 31, 2015, reflecting a decrease of $48 million from $37.47 billion as of December 31, 2014. Net investment income decreased 24.8% to $471 million in the first quarter of 2015 from $626 million in the first quarter of 2014.
- Net realized capital gains totaled $111 million in the first quarter of 2015 compared to zero in the first quarter of 2014.
- Contractholder funds totaled $21.54 billion as of March 31, 2015, reflecting a decrease of $278 million from $21.82 billion as of December 31, 2014.
- On April 1, 2014, we sold Lincoln Benefit Life Company's ("LBL") life insurance business generated through independent master brokerage agencies, and all of LBL's deferred fixed annuity and long-term care insurance business to Resolution Life Holdings, Inc.

OPERATIONS

Summary analysis Summarized financial data is presented in the following table.

($ in millions)	Three months ended March 31,	
	2015	2014
Revenues		
Premiums	$ 150	$ 156
Contract charges	195	267
Net investment income	471	626
Realized capital gains and losses	111	—
Total revenues	927	1,049
Costs and expenses		
Contract benefits	(358)	(411)
Interest credited to contractholder funds	(191)	(300)
Amortization of DAC	(40)	(45)
Operating costs and expenses	(80)	(81)
Restructuring and related charges	—	(2)
Interest expense	(4)	(4)
Total costs and expenses	(673)	(843)
Loss on disposition of operations	(2)	(59)
Income tax expense	(99)	(20)
Net income	$ 153	$ 127
Investments as of March 31	$ 37,418	$ 38,451
Investments classified as held for sale as of March 31	—	11,506

Net income was $153 million in the first quarter of 2015 compared to $127 million in the first quarter of 2014. The increase primarily relates to higher net realized capital gains and lower loss on disposition charges related to the LBL sale, partially offset by the reduction in business due to the sale of LBL on April 1, 2014. Net income in first quarter 2014 included an after-tax loss on disposition of LBL totaling $18 million. Excluding the loss on disposition as well as the net income of the LBL business for first quarter 2014 of $28 million, net income increased $36 million in the first quarter of 2015 compared to the first quarter of 2014, primarily due to higher net realized capital gains and lower interest credited to contractholder funds, partially offset by lower net investment income and higher contract benefits.

Analysis of revenues Total revenues decreased 11.6% or $122 million in the first quarter of 2015 compared to the first quarter of 2014. Excluding results of the LBL business for first quarter 2014 of $211 million, total revenues increased 10.6% or $89 million in the first quarter of 2015 compared to the first quarter of 2014, due to higher net realized capital gains and higher premiums and contract charges, partially offset by lower net investment income.

Premiums represent revenues generated from traditional life insurance, immediate annuities with life contingencies, and accident and health insurance products that have significant mortality or morbidity risk.

Contract charges are revenues generated from interest-sensitive and variable life insurance and fixed annuities for which deposits are classified as contractholder funds or separate account liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates.

The following table summarizes premiums and contract charges by product.

($ in millions)	Three months ended March 31,	
	2015	2014
Underwritten products		
Traditional life insurance premiums	$ 129	$ 123
Accident and health insurance premiums	21	28
Interest-sensitive life insurance contract charges	192	261
Subtotal	342	412
Annuities		
Immediate annuities with life contingencies premiums	—	5
Other fixed annuity contract charges	3	6
Subtotal	3	11
Premiums and contract charges [1]	$ 345	$ 423

[1] Contract charges related to the cost of insurance totaled $135 million and $185 million for the first quarter of 2015 and 2014, respectively.

Total premiums and contract charges decreased 18.4% or $78 million in the first quarter of 2015 compared to the first quarter of 2014. Excluding results of the LBL business for first quarter 2014 of $85 million, premiums and contract charges increased $7 million in the first quarter of 2015 compared to the same period of 2014, primarily due to increased traditional life insurance renewal premiums.

Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life insurance, fixed annuities and funding agreements. The balance of contractholder funds is equal to the cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals, maturities and contract charges for mortality or administrative expenses. The following table shows the changes in contractholder funds.

($ in millions)	**Three months ended March 31,**	
	2015	**2014**
Contractholder funds, beginning balance	$ 21,816	$ 23,604
Contractholder funds classified as held for sale, beginning balance	—	10,945
Total contractholder funds, including those classified as held for sale	21,816	34,549
Deposits		
Interest-sensitive life insurance	222	291
Fixed annuities	51	127
Total deposits	273	418
Interest credited	192	301
Benefits, withdrawals, maturities and other adjustments		
Benefits	(269)	(375)
Surrenders and partial withdrawals	(301)	(707)
Contract charges	(181)	(260)
Net transfers from separate accounts	1	3
Other adjustments [1]	7	18
Total benefits, withdrawals, maturities and other adjustments	(743)	(1,321)
Contractholder funds classified as held for sale, ending balance	—	(10,661)
Contractholder funds, ending balance	$ 21,538	$ 23,286

[1] The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Condensed Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Condensed Consolidated Statements of Operations and Comprehensive Income. As a result, the net change in contractholder funds associated with products reinsured to third parties is reflected as a component of the other adjustments line.

Contractholder funds decreased 1.3% in the first quarter of 2015 primarily due to the continued runoff of our deferred fixed annuity business.

Contractholder deposits decreased 34.7% in the first quarter of 2015, compared to the same period of 2014, primarily due to lower additional deposits on fixed annuities and lower deposits on interest-sensitive life insurance due to the LBL sale.

Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products decreased 57.4% to $301 million in the first quarter of 2015 from $707 million in the first quarter of 2014. The annualized surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 6.9% in the first quarter of 2015 compared to 7.9% in the same period of 2014.

Analysis of costs and expenses Total costs and expenses decreased 20.2% or $170 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $168 million, total costs and expenses decreased $2 million in the first quarter of 2015 compared to the same period of 2014, primarily due to lower interest credited to contractholder funds, partially offset higher contract benefits and higher operating costs and expenses.

Contract benefits decreased 12.9% or $53 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $65 million, contract benefits in the first quarter of 2015 increased $12 million compared to the same period of 2014, primarily due to worse life insurance mortality experience.

We analyze our mortality and morbidity results using the difference between premiums and contract charges earned for the cost of insurance and contract benefits excluding the portion related to the implied interest on immediate annuities with life contingencies (“benefit spread”). This implied interest totaled $129 million and $130 million in the first quarter of 2015 and 2014, respectively.

The benefit spread by product group is disclosed in the following table.

($ in millions)	Three months ended March 31,	
	2015	2014
Life insurance	$ 65	$ 72
Accident and health insurance	12	8
Annuities	(21)	(20)
Total benefit spread	$ 56	$ 60

Benefit spread decreased 6.7% or $4 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $(1) million, benefit spread decreased $5 million in the first quarter of 2015 compared to the same period of 2014, primarily due to worse life insurance mortality experience.

Interest credited to contractholder funds decreased 36.3% or $109 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $90 million, interest credited to contractholder funds decreased $19 million in the first quarter of 2015 compared to the same period of 2014, primarily due to lower average contractholder funds and lower interest crediting rates. Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by $7 million in first quarter 2015 compared to an increase of $17 million in first quarter 2014.

In order to analyze the impact of net investment income and interest credited to contractholders on net income, we monitor the difference between net investment income and the sum of interest credited to contractholder funds and the implied interest on immediate annuities with life contingencies, which is included as a component of contract benefits on the Condensed Consolidated Statements of Operations and Comprehensive Income ("investment spread").

The investment spread by product group is shown in the following table.

($ in millions)	Three months ended March 31,	
	2015	2014
Annuities and institutional products	$ 69	$ 108
Life insurance	35	31
Accident and health insurance	1	4
Net investment income on investments supporting capital	53	70
Investment spread before valuation changes on embedded derivatives that are not hedged	158	213
Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged	(7)	(17)
Total investment spread	$ 151	$ 196

Investment spread before valuation changes on embedded derivatives that are not hedged decreased 25.8% or $55 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $46 million, investment spread before valuation changes on embedded derivatives that are not hedged decreased $9 million in the first quarter of 2015 compared to the same period of 2014, primarily due to lower net investment income, partially offset by lower crediting rates.

To further analyze investment spreads, the following table summarizes the weighted average investment yield on assets supporting product liabilities and capital, interest crediting rates and investment spreads. For purposes of these calculations, investments, reserves and contractholder funds classified as held for sale were included for periods prior to April 1, 2014.

	Three months ended March 31,					
	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2015	2014	2015	2014	2015	2014
Interest-sensitive life insurance	5.4%	5.3%	3.9%	3.8%	1.5%	1.5%
Deferred fixed annuities and institutional products	4.3	4.5	2.8	2.8	1.5	1.7
Immediate fixed annuities with and without life contingencies	7.3	7.5	5.9	6.0	1.4	1.5
Investments supporting capital, traditional life and other products	4.4	4.1	n/a	n/a	n/a	n/a

The following table summarizes our product liabilities and indicates the account value of those contracts and policies in which an investment spread is generated.

($ in millions)	March 31,	
	2015	2014
Immediate fixed annuities with life contingencies	$ 8,772	$ 8,917
Other life contingent contracts and other	2,726	2,716
Reserve for life-contingent contract benefits	$ 11,498	$ 11,633
Interest-sensitive life insurance	$ 7,209	$ 7,114
Deferred fixed annuities	10,572	12,243
Immediate fixed annuities without life contingencies	3,400	3,618
Institutional products	85	85
Other	272	226
Contractholder funds	$ 21,538	$ 23,286
Traditional life insurance	$ —	$ 651
Accident and health insurance	—	1,349
Interest-sensitive life insurance	—	3,495
Deferred fixed annuities	—	7,166
Liabilities held for sale	$ —	$ 12,661

Amortization of DAC The components of amortization of DAC are summarized in the following table.

($ in millions)	Three months ended March 31,	
	2015	2014
Amortization of DAC before amortization relating to realized capital gains and losses, valuation changes on embedded derivatives that are not hedged and changes in assumptions	$ 39	$ 45
Amortization relating to realized capital gains and losses [(1)] and valuation changes on embedded derivatives that are not hedged	1	—
Amortization (deceleration) acceleration for changes in assumptions (“DAC unlocking”)	—	—
Total amortization of DAC	$ 40	$ 45

(1) The impact of realized capital gains and losses on amortization of DAC is dependent upon the relationship between the assets that give rise to the gain or loss and the product liability supported by the assets. Fluctuations result from changes in the impact of realized capital gains and losses on actual and expected gross profits.

Amortization of DAC decreased 11.1% or $5 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $5 million, amortization of DAC in the first quarter of 2015 was comparable to the same period of 2014.

Operating costs and expenses decreased 1.2% or $1 million in the first quarter of 2015 compared to the same period of 2014. Excluding results of the LBL business for first quarter 2014 of $8 million, operating costs and expenses increased $7 million in the first quarter of 2015 compared to the same period of 2014. The following table summarizes operating costs and expenses.

($ in millions)	Three months ended March 31,	
	2015	2014
Non-deferrable commissions	$ 4	$ 9
General and administrative expenses	68	61
Taxes and licenses	8	11
Total operating costs and expenses	$ 80	$ 81
Restructuring and related charges	$ —	$ 2

General and administrative expenses increased 11.5% or $7 million in the first quarter of 2015 compared to the same period of 2014, primarily due to a guaranty fund accrual release in the prior year period and reinsurance expense allowances paid to LBL for business reinsured to ALIC after the sale.

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

INVESTMENTS

The composition of the investment portfolio as of March 31, 2015 is presented in the following table.

($ in millions)		Percent to total
Fixed income securities [(1)]	$ 27,802	74.3%
Mortgage loans	3,795	10.1
Equity securities [(2)]	1,032	2.8
Limited partnership interests [(3)]	2,124	5.7
Short-term investments [(4)]	820	2.2
Policy loans	613	1.6
Other	1,232	3.3
Total	$ 37,418	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $25.31 billion.
(2) Equity securities are carried at fair value. Cost basis for these securities was $1.00 billion.
(3) We have commitments to invest in additional limited partnership interests totaling $1.18 billion.
(4) Short-term investments are carried at fair value. Amortized cost basis for these investments was $820 million.

Investments totaled $37.42 billion as of March 31, 2015, decreasing from $37.47 billion as of December 31, 2014 primarily due to net reductions in contractholder funds, partially offset by higher fixed income valuations.

Fixed income securities by type are listed in the following table.

($ in millions)	Fair value as of March 31, 2015	Percent to total investments	Fair value as of December 31, 2014	Percent to total investments
U.S. government and agencies	$ 639	1.7%	$ 770	2.1%
Municipal	3,662	9.8	3,662	9.8
Corporate	20,749	55.5	20,985	56.0
Foreign government	562	1.5	735	2.0
Asset-backed securities (“ABS”)	1,043	2.8	765	2.0
Residential mortgage-backed securities (“RMBS”)	573	1.5	605	1.6
Commercial mortgage-backed securities (“CMBS”)	558	1.5	579	1.5
Redeemable preferred stock	16	—	16	—
Total fixed income securities	$ 27,802	74.3%	$ 28,117	75.0%

As of March 31, 2015, 86.4% of the fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody’s, a rating of AAA, AA, A or BBB from Standard & Poor’s (“S&P”), Fitch, Dominion, Kroll or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. All of our fixed income securities are rated by third party credit rating agencies, the National Association of Insurance Commissioners, and/or are internally rated. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a thorough due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issue.

The following table summarizes the fair value and unrealized net capital gains and losses for fixed income securities by credit rating as of March 31, 2015.

($ in millions)	Investment grade		Below investment grade		Total	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	$ 639	$ 87	$ —	$ —	$ 639	$ 87
Municipal	3,605	544	57	9	3,662	553
Corporate						
Public	12,268	1,202	2,115	43	14,383	1,245
Privately placed	5,470	458	896	7	6,366	465
Foreign government	562	57	—	—	562	57
ABS						
Collateralized debt obligations (“CDO”)	257	(4)	82	(9)	339	(13)
Consumer and other asset-backed securities (“Consumer and other ABS”)	698	4	6	—	704	4
RMBS						
U.S. government sponsored entities (“U.S. Agency”)	129	9	—	—	129	9
Non-agency	65	1	379	45	444	46
CMBS	313	13	245	27	558	40
Redeemable preferred stock	16	3	—	—	16	3
Total fixed income securities	$ 24,022	$ 2,374	$ 3,780	$ 122	$ 27,802	$ 2,496

Municipal bonds totaled $3.66 billion as of March 31, 2015 with an unrealized net capital gain of $553 million. The municipal bond portfolio includes general obligations of state and local issuers and revenue bonds (including pre-refunded bonds, which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest).

Corporate bonds, including publicly traded and privately placed, totaled $20.75 billion as of March 31, 2015, with an unrealized net capital gain of $1.71 billion. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form.

ABS, RMBS and CMBS are structured securities that are primarily collateralized by consumer or corporate borrowings and residential and commercial real estate loans. The cash flows from the underlying collateral paid to the securitization trust are generally applied in a pre-determined order and are designed so that each security issued by the trust, typically referred to as a “class”, qualifies for a specific original rating. For example, the “senior” portion or “top” of the capital structure, or rating class, which would originally qualify for a rating of Aaa typically has priority in receiving principal repayments on the underlying collateral and retains this priority until the class is paid in full. In a sequential structure, underlying collateral principal repayments are directed to the most senior rated Aaa class in the structure until paid in full, after which principal repayments are directed to the next most senior Aaa class in the structure until it is paid in full. Senior Aaa classes generally share any losses from the underlying collateral on a pro-rata basis after losses are absorbed by classes with lower original ratings. The payment priority and class subordination included in these securities serves as credit enhancement for holders of the senior or top portions of the structures. These securities continue to retain the payment priority features that existed at the origination of the securitization trust. Other forms of credit enhancement may include structural features embedded in the securitization trust, such as overcollateralization, excess spread and bond insurance. The underlying collateral can have fixed interest rates, variable interest rates (such as adjustable rate mortgages) or may contain features of both fixed and variable rate mortgages.

ABS, including CDO and Consumer and other ABS, totaled $1.04 billion as of March 31, 2015, with 91.6% rated investment grade and an unrealized net capital loss of $9 million. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees and/or insurance.

CDO totaled $339 million as of March 31, 2015, with 75.8% rated investment grade and an unrealized net capital loss of $13 million. CDO consist of obligations collateralized by cash flow CDO, which are structures collateralized primarily by below investment grade senior secured corporate loans.

Consumer and other ABS totaled $704 million as of March 31, 2015, with 99.1% rated investment grade and an unrealized net capital gains of $4 million.

RMBS totaled $573 million as of March 31, 2015, with 33.9% rated investment grade and an unrealized net capital gain of $55 million. The RMBS portfolio is subject to interest rate risk, but unlike other fixed income securities, is additionally subject to prepayment risk from the underlying residential mortgage loans. RMBS consists of a U.S. Agency portfolio having collateral issued or guaranteed by U.S. government agencies and a non-agency portfolio consisting of securities collateralized by Prime,

Alt-A and Subprime loans. The non-agency portfolio totaled $444 million as of March 31, 2015, with 14.6% rated investment grade and an unrealized net capital gain of $46 million.

CMBS totaled $558 million as of March 31, 2015, with 56.1% rated investment grade and an unrealized net capital gain of $40 million. The CMBS portfolio is subject to credit risk and has a sequential paydown structure. All of the CMBS investments are traditional conduit transactions collateralized by commercial mortgage loans, broadly diversified across property types and geographical area.

Mortgage loans totaled $3.80 billion as of March 31, 2015 and primarily comprise loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification. For further detail on our mortgage loan portfolio, see Note 3 of the condensed consolidated financial statements.

Limited partnership interests consist of investments in private equity/debt, real estate and other funds. The limited partnership interests portfolio is diversified across a number of characteristics including fund managers, vintage years, strategies, geography (including international), and company/property types. The following table presents information about our limited partnership interests as of March 31, 2015.

($ in millions)	Private equity/debt funds [1]	Real estate funds	Other funds	Total
Cost method of accounting (“Cost”)	$ 434	$ 81	$ —	$ 515
Equity method of accounting (“EMA”)	1,097	382	130	1,609
Total	$ 1,531	$ 463	$ 130	$ 2,124
Number of managers	98	23	3	124
Number of individual funds	174	43	3	220
Largest exposure to single fund	$ 83	$ 39	$ 63	83

[1] Includes $350 million of infrastructure and real asset funds.

The following tables show the earnings from our limited partnership interests by fund type and accounting classification.

($ in millions)	Three months ended March 31,							
	2015				2014			
	Cost	EMA	Total income	Impairment write-downs	Cost	EMA	Total income	Impairment write-downs
Private equity/debt funds	$ 13	$ 26	$ 39	$ (2)	$ 18	$ 39	$ 57	$ (6)
Real estate funds	6	28	34	—	6	6	12	(1)
Other funds	—	(1)	(1)	—	—	(2)	(2)	—
Total	$ 19	$ 53	$ 72	$ (2)	$ 24	$ 43	$ 67	$ (7)

Limited partnership interests produced income, excluding impairment write-downs, of $72 million in the three months ended March 31, 2015 compared to $67 million in the three months ended March 31, 2014. Higher EMA limited partnership income resulted primarily from favorable real estate valuations. Economic conditions that have contributed to favorable market performance continue to be reflected in strong limited partnership results, but we continue to expect this income to vary significantly between periods. Income on EMA limited partnerships is recognized on a delay due to the availability of the related financial statements. The recognition of income on private equity/debt funds and real estate funds are generally on a three month delay and the income recognition on other funds is generally on a one month delay. Income on cost method limited partnerships is recognized only upon receipt of amounts distributed by the partnerships.

Unrealized net capital gains totaled $2.53 billion as of March 31, 2015 compared to $2.34 billion as of December 31, 2014. The increase for fixed income securities was primarily due to a decrease in risk-free interest rates, partially offset by the realization of unrealized net capital gains through sales. The following table presents unrealized net capital gains and losses.

($ in millions)	March 31, 2015	December 31, 2014
U.S. government and agencies	$ 87	$ 102
Municipal	553	506
Corporate	1,710	1,520
Foreign government	57	81
ABS	(9)	(8)
RMBS	55	51
CMBS	40	41
Redeemable preferred stock	3	2
Fixed income securities	2,496	2,295
Equity securities	29	43
Derivatives	7	2
EMA limited partnerships	(2)	(2)
Unrealized net capital gains and losses, pre-tax	$ 2,530	$ 2,338

The unrealized net capital gain for the fixed income portfolio totaled $2.50 billion and comprised $2.66 billion of gross unrealized gains and $162 million of gross unrealized losses as of March 31, 2015. This is compared to an unrealized net capital gain for the fixed income portfolio totaling $2.30 billion, comprised of $2.49 billion of gross unrealized gains and $191 million of gross unrealized losses as of December 31, 2014.

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

($ in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
Corporate:				
Energy	$ 2,428	174	(33)	$ 2,569
Banking	955	44	(29)	970
Transportation	995	128	(12)	1,111
Utilities	3,666	556	(11)	4,211
Capital goods	1,940	200	(11)	2,129
Basic industry	1,198	71	(11)	1,258
Consumer goods (cyclical and non-cyclical)	3,916	328	(8)	4,236
Communications	1,532	135	(3)	1,664
Technology	960	63	(2)	1,021
Financial services	1,029	103	(1)	1,131
Other	420	32	(3)	449
Total corporate fixed income portfolio	19,039	1,834	(124)	20,749
U.S. government and agencies	552	87	—	639
Municipal	3,109	565	(12)	3,662
Foreign government	505	57	—	562
ABS	1,052	12	(21)	1,043
RMBS	518	59	(4)	573
CMBS	518	41	(1)	558
Redeemable preferred stock	13	3	—	16
Total fixed income securities	$ 25,306	$ 2,658	$ (162)	$ 27,802

The energy, banking and transportation sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of March 31, 2015. In general, the gross unrealized losses are related to increasing risk-free interest rates or widening credit spreads since the time of initial purchase.

The unrealized net capital gain for the equity portfolio totaled $29 million and comprised $52 million of gross unrealized gains and $23 million of gross unrealized losses as of March 31, 2015. This is compared to an unrealized net capital gain for the equity portfolio totaling $43 million, comprised of $57 million of gross unrealized gains and $14 million of gross unrealized losses as of December 31, 2014.

Global oil prices have declined significantly in recent months. Within the energy sector, we continue to monitor the impact to our investment portfolio for those companies that may be adversely affected, both directly and indirectly. If oil prices continue to decline or remain at depressed levels for an extended period, certain issuers and investments may come under duress. Corporate fixed income and equity securities with gross unrealized losses that have direct exposure to the energy sector, have an aggregate carrying value of $578 million and gross unrealized losses of $37 million as of March 31, 2015. Approximately 80% of the $2.57 billion of corporate fixed income securities with direct exposure to the energy sector were investment grade as of March 31, 2015.

Net investment income The following table presents net investment income.

($ in millions)	**Three months ended March 31,**	
	2015	**2014**
Fixed income securities	$ 334	$ 474
Mortgage loans	49	75
Equity securities	5	4
Limited partnership interests	72	67
Policy loans	9	11
Other	18	15
Investment income, before expense	487	646
Investment expense	(16)	(20)
Net investment income	$ 471	$ 626

Net investment income decreased 24.8% or $155 million in the first quarter of 2015 compared to the first quarter of 2014. Excluding results of the LBL business for first quarter 2014 of $126 million, net investment income decreased $29 million in the first quarter of 2015 compared to the first quarter of 2014, primarily due to lower average investment balances.

Realized capital gains and losses The following table presents the components of realized capital gains and losses and the related tax effect.

($ in millions)	**Three months ended March 31,**	
	2015	**2014**
Impairment write-downs	$ (7)	$ (4)
Change in intent write-downs	(3)	(5)
Net other-than-temporary impairment losses recognized in earnings	(10)	(9)
Sales	117	7
Valuation and settlements of derivative instruments	4	2
Realized capital gains and losses, pre-tax	111	—
Income tax expense	(39)	—
Realized capital gains and losses, after-tax	$ 72	$ —

Impairment write-downs, which include changes in the mortgage loan valuation allowance, are presented in the following table.

($ in millions)	**Three months ended March 31,**	
	2015	**2014**
Fixed income securities	$ (3)	$ (1)
Mortgage loans	—	4
Equity securities	(2)	—
Limited partnership interests	(2)	(7)
Impairment write-downs	$ (7)	$ (4)

Impairment write-downs on fixed income securities for the three months ended March 31, 2015 were primarily driven by corporate fixed income securities impacted by issuer specific circumstances. Equity securities were written down primarily due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and near-term and long-term prospects of the issuer, including relevant industry conditions and trends. Limited partnership write-downs primarily related to cost method limited partnerships that experienced declines in portfolio valuations deemed to be other-than-temporary.

Change in intent write-downs totaling $3 million in the three months ended March 31, 2015 were primarily related to the repositioning and ongoing portfolio management of our equity securities.

Sales generated $117 million of net realized capital gains in the three months ended March 31, 2015 primarily related to fixed income and equity securities in connection with ongoing portfolio management.

Valuation and settlements of derivative instruments generated net realized capital gains of $4 million for the three months ended March 31, 2015 primarily comprised gains on foreign currency contracts due to the strengthening of the U.S. Dollar.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources consist of shareholder's equity and notes due to related parties, representing funds deployed or available to be deployed to support business operations. The following table summarizes our capital resources.

($ in millions)	**March 31, 2015**	**December 31, 2014**
Common stock, retained income and additional capital paid-in	$ 5,119	$ 4,968
Accumulated other comprehensive income	1,448	1,379
Total shareholder's equity	6,567	6,347
Notes due to related parties	275	275
Total capital resources	$ 6,842	$ 6,622

Shareholder's equity increased in the first quarter of 2015, primarily due to net income and increased unrealized net capital gains on investments.

Financial ratings and strength Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, asset/liability management, overall portfolio mix, financial leverage (i.e., debt), exposure to risks, the current level of operating leverage and AIC's ratings. In February 2015, A.M. Best affirmed our insurance financial strength rating of A+ and the outlook for the rating remained stable. There have been no changes to our insurance financial strength ratings from S&P or Moody's since December 31, 2014.

The Company, AIC and the Corporation are party to an Amended and Restated Intercompany Liquidity Agreement ("Liquidity Agreement") which allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. The Company and AIC each serve as a lender and borrower and the Corporation serves only as a lender. The Company also has a capital support agreement with AIC. Under the capital support agreement, AIC is committed to provide capital to the Company to maintain an adequate capital level. The maximum amount of potential funding under each of these agreements is $1.00 billion.

In addition to the Liquidity Agreement, the Company also has an intercompany loan agreement with the Corporation. The amount of intercompany loans available to the Company is at the discretion of the Corporation. The maximum amount of loans the Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to $1.00 billion. The Corporation may use commercial paper borrowings, bank lines of credit and securities lending to fund intercompany borrowings.

Liquidity sources and uses We actively manage our financial position and liquidity levels in light of changing market, economic, and business conditions. Liquidity is managed at both the entity and enterprise level across the Company, and is assessed on both base and stressed level liquidity needs. We believe we have sufficient liquidity to meet these needs. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

Allstate parent company capital capacity The Corporation has at the parent holding company level deployable assets totaling $3.37 billion as of March 31, 2015 comprising cash and investments that are generally saleable within one quarter. This provides funds for the parent company's fixed charges and other corporate purposes.

The Company has access to additional borrowing to support liquidity through the Corporation as follows. The amount available to the Company is at the discretion of the Corporation.

- A commercial paper facility with a borrowing limit of $1.00 billion to cover short-term cash needs. As of March 31, 2015, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance can fluctuate daily.
- A $1.00 billion unsecured revolving credit facility is available for short-term liquidity requirements. In April 2015, the Corporation extended the maturity date of this facility to April 2020, upon approval of existing or replacement lenders. The facility is fully subscribed among 11 lenders with the largest commitment being $115 million. The commitments of the lenders are several and no lender is responsible for any other lender's commitment if such lender fails to make a loan under the facility This facility contains an increase provision that would allow up to an additional $500 million of borrowing. This facility has a financial covenant requiring that the Corporation not exceed a 37.5% debt to capitalization ratio as defined in the agreement.

This ratio was 11.7% as of March 31, 2015. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of the Corporation's senior unsecured, unguaranteed long-term debt. There were no borrowings under the credit facility during the first three months of 2015.

- A universal shelf registration statement was filed by the Corporation with the Securities and Exchange Commission on April 30, 2015. The Corporation can use this shelf registration to issue an unspecified amount of debt securities, common stock (including 491 million shares of treasury stock as of March 31, 2015), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries. The specific terms of any securities the Corporation issues under this registration statement will be provided in the applicable prospectus supplements.

Liquidity exposure Contractholder funds were $21.54 billion as of March 31, 2015. The following table summarizes contractholder funds by their contractual withdrawal provisions as of March 31, 2015.

($ in millions)			**Percent to total**
Not subject to discretionary withdrawal	$	3,545	16.5%
Subject to discretionary withdrawal with adjustments:			
Specified surrender charges [(1)]		5,923	27.5
Market value adjustments [(2)]		2,266	10.5
Subject to discretionary withdrawal without adjustments [(3)]		9,804	45.5
Total contractholder funds [(4)]	$	21,538	100.0%

(1) Includes $2.37 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

(2) $1.60 billion of the contracts with market value adjusted surrenders have a 30-45 day period at the end of their initial and subsequent interest rate guarantee periods (which are typically 5, 7 or 10 years) during which there is no surrender charge or market value adjustment.

(3) 86% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.

(4) Includes $850 million of contractholder funds on variable annuities reinsured to The Prudential Insurance Company of America, a subsidiary of Prudential Financial Inc., in 2006.

Retail life and annuity products may be surrendered by customers for a variety of reasons. Reasons unique to individual customers include a current or unexpected need for cash or a change in life insurance coverage needs. Other key factors that may impact the likelihood of customer surrender include the level of the contract surrender charge, the length of time the contract has been in force, distribution channel, market interest rates, equity market conditions and potential tax implications. In addition, the propensity for retail life insurance policies to lapse is lower than it is for fixed annuities because of the need for the insured to be re-underwritten upon policy replacement. The annualized surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 6.9% and 7.9% in the first three months of 2015 and 2014, respectively. We strive to promptly pay customers who request cash surrenders; however, statutory regulations generally provide up to six months in most states to fulfill surrender requests.

Our asset-liability management practices enable us to manage the differences between the cash flows generated by our investment portfolio and the expected cash flow requirements of our life insurance and annuity product obligations.

Cash flows As reflected in our Condensed Consolidated Statements of Cash Flows, lower cash provided by operating activities in the first three months of 2015 compared to the first three months of 2014 was primarily due to lower net investment income and higher income tax payments, partially offset by lower contracts benefits paid.

Lower cash provided by investing activities in the first three months of 2015 compared to the first three months of 2014 was primarily the result of increased purchases of securities net of increased sales and maturities, due in part to lower contractholder fund disbursements.

Lower cash used in financing activities in the first three months of 2015 compared to the first three months of 2014 was primarily due to lower contractholder benefits and withdrawals on fixed annuities and interest-sensitive life insurance, partially offset by lower deposits.

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. These 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. We believe these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include risks related to: (1) changes in underwriting and actual experience; (2) reestimates of reserves for claims; (3) the influence of changes in market interest rates on spread-based products; (4) changes in estimates of profitability on interest-sensitive life products; (5) reducing our concentration in spread-based business and exiting certain distribution channels; (6) changes in tax laws; (7) our ability to mitigate the capital impact associated with statutory reserving requirements; (8) compliance and operational issues relating to dispositions and acquisitions of businesses; (9) market risk and declines in credit quality relating to our investment portfolio; (10) our subjective determination of the fair value of our fixed income and equity securities and the amount of realized capital losses recorded for impairments of our investments; (11) competition in the insurance industry; (12) conditions in the global economy and capital markets; (13) losses from legal and regulatory actions; (14) restrictive regulation and regulatory reforms; (15) the availability of reinsurance at current levels and prices; (16) credit risk of our reinsurers; (17) a downgrade in our financial strength ratings; (18) the effect of adverse capital and credit market conditions; (19) failure in cyber or other information security systems; (20) the impact of a large scale pandemic, the threat of terrorism or military action; (21) changes in accounting standards; (22) the realization of deferred tax assets; (23) loss of key vendor relationships or failure of a vendor to protect confidential information; and (24) failure to protect intellectual property. Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the "Risk Factors" section in our most recent Annual Report on Form 10-K. Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the principal executive officer and the principal financial officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that material information required to be disclosed in our reports filed with or submitted to the Securities and Exchange Commission under the Securities Exchange Act is made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended March 31, 2015, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required for Part II, Item 1 is incorporated by reference to the discussion under the heading "Regulation and Compliance" in Note 7 of the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 5. Other Information

On May 5, 2015, the Registrant entered into a Reinsurance Agreement (the "Agreement") effective April 1, 2015, with Allstate Assurance Company ("AAC"). Pursuant to the terms of this Agreement, the Registrant will retrocede to AAC 100% of the Registrant's liability for certain universal life insurance policies. In exchange for such retrocession, the Registrant will transfer to AAC assets in an amount approximately equal to the retroceded liabilities.

The Registrant is a direct wholly owned subsidiary of Allstate Insurance Company, a wholly owned subsidiary of The Allstate Corporation. AAC is a direct wholly owned subsidiary of Allstate Financial Insurance Holdings Corporation, a direct wholly owned subsidiary of The Allstate Corporation. The Agreement is filed as Exhibit 10.1 to this quarterly report on Form 10-Q.

Item 6. Exhibits

(a) Exhibits

The following is a list of exhibits filed as part of this Form 10-Q.

		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**File Number**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
10.1	Reinsurance Agreement between Allstate Life Insurance Company and Allstate Assurance Company effective April 1, 2015					X
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated May 7, 2015, concerning unaudited interim financial information					X
31(i)	Rule 13a-14(a) Certification of Principal Executive Officer					X
31(i)	Rule 13a-14(a) Certification of Principal Financial Officer					X
32	Section 1350 Certifications					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase					X

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Allstate Life Insurance Company
(Registrant)

May 7, 2015

By /s/ Samuel H. Pilch
Samuel H. Pilch
(chief accounting officer and duly
authorized officer of Registrant)

EXHIBIT 10.1

REINSURANCE AGREEMENT

between

ALLSTATE LIFE INSURANCE COMPANY

and

ALLSTATE ASSURANCE COMPANY

RECITALS

This Reinsurance Agreement effective April 1, 2015 (hereinafter "Agreement") is made and entered into by and between ALLSTATE LIFE INSURANCE COMPANY, a life insurance company domiciled in the State of Illinois (hereinafter the "Ceding Company") and ALLSTATE ASSURANCE COMPANY, a life insurance company domiciled in the State of Illinois (hereinafter the "Reinsurer").

WHEREAS, Ceding Company and the Reinsurer desire to enter this Agreement, whereby the Ceding Company will cede on a coinsurance basis to the Reinsurer a proportionate amount of any and all liabilities of the Ceding Company arising under the Policies as shown in Exhibit A.

NOW THEREFORE, in consideration of the above stated premises and the promises and the mutual agreements set forth below the Ceding Company and the Reinsurer agree as follows.

ARTICLE I
DEFINITIONS

Unless otherwise defined herein, as used in this Agreement the following terms shall have the meanings ascribed to them below:

A. "Affiliate" shall mean, with respect to any person, any other person controlling, controlled by or under common control with such person. For purposes of the foregoing, "control" including the terms "controlling", "controlled by", and "under common control with" shall mean the possession, direct or indirect, of the power to direct or cause direction of the management and policies of a person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise.

B. "Code" shall mean the Internal Revenue Code of 1986, as amended.

C. “Effective Date” shall mean the effective date of this Agreement, which shall be 12:01 a.m., Central Time, on April 1, 2015.

D. "Extra-Contractual Obligations" shall mean all liabilities and obligations in respect of the Policies for consequential, extra-contractual, exemplary, punitive, special or similar damages or any other amounts due or alleged to be due (other than those arising under the express terms and conditions of the Policies) which arise from any real or alleged act, error or omission, whether or not intentional, in bad faith or otherwise, including without limitation, any act, error or omission relating to: (i) the underwriting, production, issuance, cancellation or administration of the Policies; (ii) the handling of claims or disputes in connection with the Policies; or (iii) the failure to pay or the delay in payment of benefits or claims under or in connection with the Policies.

E. “Interest Maintenance Reserve Adjustment” shall mean the interest maintenance reserve balance arising from the past and present dispositions of the assets associated with the Policies or recapture Policies as well as the balance that would result if the remaining assets associated with the Policies or recapture Policies were to be sold. The Interest Maintenance Reserve Adjustment shall be zero if the Statutory Reserves are 1% or less of the Ceding Company’s, or in the case of recapture, the Reinsurer’s general account liabilities, Page 3, Line 26 of the NAIC Annual Statement Blank (2014 format; or if the line numbers are changed pursuant to relevant guidance from the NAIC, the successor to such line numbers).

F. “Net Benefits” shall mean the actual amounts paid or incurred by the Ceding Company with respect to the Policies.

G. “Net Ceded Liabilities” shall mean the Reinsurance Percentage of any and all liabilities of the Ceding Company arising under or related to the Policies net of other ceded reinsurance to non-Affiliates, but shall not include Extra-Contractual Obligations.

H. "Net Statutory Liabilities" shall have the meaning set forth in the Recapture clause, Article XIV C. of this Agreement.

I. “Policy or Policies” shall mean the policies and riders defined in Exhibit A.

J. “Recapture Assets and Liabilities” shall have the meaning set forth in the Recapture clause, Article XIV C. of this Agreement.

K. “Statutory Reserves” means the statutory reserves of the Ceding Company with respect to the Policies determined pursuant to accounting practices prescribed by applicable regulatory authorities and in accordance with sound actuarial practices, as such reserves would have been included in lines 1, 2, 3, and 4 of the NAIC Annual Statement Blank Page 3 (2014 format; or if the line numbers are changed pursuant to relevant guidance from the NAIC, the successor to such line numbers).

L. “Reinsurance Percentage” means the coinsurance percentage as shown in Exhibit A.

M. “Transfer Assets and Liabilities” shall have the meaning set forth in Article V of this Agreement.

ARTICLE II
BASIS OF REINSURANCE

The Ceding Company agrees to cede, and the Reinsurer agrees to accept, the Net Ceded Liabilities. The reinsurance provided hereunder shall be on a coinsurance basis at the Reinsurance Percentage.

ARTICLE III
LIABILITY OF REINSURER; COINSURANCE PROVISIONS

A. All of the Net Ceded Liabilities shall be reinsured pursuant to the terms of this Agreement as of the Effective Date.

B. The liability of the Reinsurer with respect to Policies in force on the Effective Date will begin on the Effective Date. The liability of the Reinsurer with respect to any application received or any Policy issued after the Effective Date and reinsured hereunder will begin simultaneously with that of the Ceding Company. The Reinsurer's liability with respect to any Policy will terminate on the date the Ceding Company's liability on such contract terminates. However, termination of this Agreement will not terminate the Reinsurer’s liability for Net Benefits paid or incurred by the Ceding Company on or after the Effective Date and prior to the date of termination. If any of the Policies are reduced or terminated by payment of a death benefit, withdrawal or surrender, the reinsurance will be reduced proportionately or terminated.

C. The reinsurance provided under this Agreement is subject to the same limitations and conditions as set forth in the Policies.

D. The Ceding Company shall not make any changes after the Effective Date in the provisions and conditions of any Policy except with the Reinsurer's prior written consent, including, but not limited to any changes to comply with any applicable law, rule or regulation. Such consent shall not be unreasonably withheld. However, such prior approval shall not be required so long as the Ceding Company and the Reinsurer remain Affiliates.

E. Some of the Policies ceded under this Agreement provide that the Ceding Company may in its discretion, from time to time, as provided in the policy or contract, declare interest rates, cost of insurance rates, purchase payments or other non-guaranteed elements that are or affect required purchase payments or are used to determine contract values. The Ceding Company agrees, while this Agreement is in effect, to set such discretionary interest rates, cost of insurance rates, or other non-guaranteed elements to be declared on the Policies and the effective dates thereof only with the Reinsurer’s prior written approval. However, such prior approval shall not be required so long as the Ceding Company and the Reinsurer remain

Affiliates. The Ceding Company and the Reinsurer agree to fully cooperate in obtaining any required regulatory approvals in connection with setting or changing such discretionary interest rates, cost of insurance rates, or other non-guaranteed elements.

F. The Ceding Company shall not make any changes or modifications to any of its underwriting, claims or administrative practices, procedures, or systems for the Policies, nor waive or exercise any of its rights under any of the Policies without the prior written consent of the Reinsurer. However, such prior approval shall not be required so long as the Ceding Company and the Reinsurer remain Affiliates.

G. Policies that elect conversion or exchange to or replacement with policies listed in Exhibit A are reinsured under this Agreement. Policies that elect conversion or exchange to or replacement with policies not listed in Exhibit A are not reinsured under this Agreement, unless agreed to in writing by the Reinsurer.

H. In the event of a change in the amount of the Ceding Company's liability on a Policy due to a misstatement of age or sex, the Reinsurer's liability will be changed proportionately.

ARTICLE IV
EXTRA-CONTRACTUAL OBLIGATIONS

The Reinsurer shall not be liable to pay the Ceding Company for any Extra-Contractual Obligations except to the extent such liabilities or obligations arise directly from and are proximately caused by the gross negligence or willful acts or omissions of the Reinsurer, its agents, contractors or employees in the performance of the Reinsurer's duties and obligations under this Agreement.

ARTICLE V
RESERVE TRANSFERS

Within forty-five (45) days of the later of the Effective Date or the date the Ceding Company has received approval from all necessary regulatory authorities to enter into this Agreement (the "Settlement Date"), assets consisting of policy loans (including accrued and unearned policy loan interest), cash and investments at market value, and accrued investment income net of unearned investment income, shall be transferred by the Ceding Company to the Reinsurer with the amount calculated as of the Effective Date equal to the "Net Statutory Liabilities" for the Policies plus the Interest Maintenance Reserve Adjustment. The Net Statutory Liabilities shall equal the Statutory Reserves (net of reserves for any reinsurance agreements with non-Affiliates) related to the Policies plus "Transfer Assets and Liabilities". The Ceding Company shall also pay to the Reinsurer interest on such amount at the rate of four percent (4%) per annum, simple rate, beginning on the Effective Date and ending on the Settlement Date.

The Transfer Assets and Liabilities shall include all account balances (both assets and liabilities) related to the Policies (other than (i) those that are reflected in Statutory Reserves and (ii) the

liability for interest maintenance reserve related to the Policies). Transfer Assets and Liabilities shall include, but are not limited to, uncollected premiums, deferred premiums, policyholder dividends and premiums received in advance, in each case to the extent attributable to the Policies. The Transfer Assets and Liabilities shall also include amounts in respect of the Policies that are paid to or received by the Reinsurer on behalf of the Ceding Company after the Effective Date but prior to the Settlement Date.

ARTICLE VI
SETTLEMENT AND REPORTING

A. While this Agreement is in effect, the Ceding Company shall pay to the Reinsurer no less frequently than quarterly, with respect to the Policies, a reinsurance premium equal to the sum of Items (a) and (b) less (c) below, where:

(a) equals gross premiums collected by the Ceding Company during the settlement period net of reinsurance premiums paid with respect to the Policies.

(b) equals policy loan repayments collected by the Ceding Company with respect to the Policies.

(c) equals gross premiums refunded by the Ceding Company during the settlement period to policyholders of the Policies.

B. While this Agreement is in effect, the Reinsurer shall pay to the Ceding Company no less frequently than quarterly, a benefit and expense allowance equal to the sum of Items (a), (b), (c), (d), and (e), as applicable for the period since the last settlement period, where:

(a) equals the Net Benefits paid or incurred by the Ceding Company with respect to the Policies.

(b) equals commissions and other sales compensation paid or incurred by the Ceding Company with respect to the Policies.

(c) equals insurance taxes, licenses and fees (including allocated taxes, licenses and fees, but excluding income taxes) paid or incurred by the Ceding Company with respect to the Policies.

(d) equals policy loan distributions to policyholders paid or incurred by the Ceding Company with respect to the Policies.

(e) equals general insurance expenses (including allocated expenses) paid or incurred by the Ceding Company with respect to the Policies.

C. The Ceding Company will provide the Reinsurer with accounting reports on a time schedule determined by the Reinsurer, which schedule shall be no less frequently than quarterly within

fifteen (15) days following the end of each calendar quarter. These reports will contain sufficient information about the Policies to enable the Reinsurer to prepare its quarterly and annual financial reports.

D. Settlements as set out in Article VI, Paragraphs A and B will occur on a time schedule determined by the Reinsurer, which schedule shall be within sixty (60) days following the end of each calendar quarter.

ARTICLE VII
TAX MATTERS

With respect to this Agreement, the Ceding Company and the Reinsurer hereby make the election as set forth in Exhibit B and as provided for in section 1.848-2(g)(8) of the Treasury Regulations. Each of the parties hereto agrees to take such further actions as may be necessary to ensure the effectiveness of such election.

ARTICLE VIII
RESERVE CREDIT

The Reinsurer shall agree in good faith to take any other steps necessary, pursuant to the requirements of Illinois, for the Ceding Company to take statutory credit for reinsurance ceded to an unadmitted, unauthorized or unaccredited reinsurer, up to the full amount of the reserve that the Ceding Company would have established for the Policies if it had retained the Policies.

ARTICLE IX
OVERSIGHTS

Unintentional clerical errors, oversights, omissions or misunderstandings in the administration of this Agreement by either the Ceding Company or the Reinsurer shall not be deemed a breach of this Agreement provided the clerical error, oversight, omission or misunderstanding is corrected promptly after discovery. Both the Ceding Company and the Reinsurer shall be restored to the positions they would have occupied had such error, oversight, omission, or misunderstanding not occurred.

ARTICLE X
INSPECTION OF RECORDS

Either party, their respective employees or authorized representatives, may audit, inspect and examine, during regular business hours, at the home office of either party, any and all books, records, statements, correspondence, reports and their related documents or other documents that relate to the Policies covered under this Agreement. The audited party agrees to provide a reasonable workspace for such audit, inspection or examination and to cooperate fully and to faithfully disclose the existence of and produce any and all necessary and reasonable materials requested by such auditors, investigators, or examiners. The party performing a routine audit shall provide no less than five (5) working days advance notice to the other party. The expense of the respective party's employee(s) or authorized representative(s) engaged in such activities will be borne solely by such party.

ARTICLE XI
INSOLVENCY

A. The portion of any risk or obligation reinsured by the Reinsurer under this Agreement, when such portion is ascertained, shall be payable on demand of the Ceding Company at the same time as the Ceding Company shall pay its net retained portion of such risk or obligation, and the reinsurance shall be payable by the Reinsurer on the basis of the liability of the Ceding Company under the Policies without diminution because of the insolvency of the Ceding Company. In the event of the insolvency of the Ceding Company and the appointment of a conservator, liquidator or statutory successor of the Ceding Company, such portion shall be payable to such conservator, liquidator or statutory successor immediately upon demand, on the basis of claims allowed against the Ceding Company by any court of competent jurisdiction or, by any conservator, liquidator or statutory successor of the Ceding Company having authority to allow such claims, without diminution because of such insolvency or because such conservator, liquidator or statutory successor has failed to pay all or a portion of any claims. Payments by the Reinsurer as above set forth shall be made directly to the Ceding Company or its conservator, liquidator or statutory successor.

B. Further, in the event of the insolvency of the Ceding Company, the liquidator, receiver or statutory successor of the insolvent Ceding Company shall give written notice to the Reinsurer of the pendency of any obligation of the insolvent Ceding Company on any Net Ceded Liability, whereupon the Reinsurer may investigate such claim and interpose at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses which it may deem available to the Ceding Company or its liquidator or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the insolvent Ceding Company as part of the expenses of liquidation to the extent of a proportionate share of the benefit which may accrue to the Ceding Company solely as a result of the defense undertaken by the Reinsurer.

C. In the event of the Reinsurer's insolvency, any payments due the Reinsurer from the Ceding Company pursuant to the terms of this Agreement will be made directly to the Reinsurer or its conservator, liquidator, receiver or statutory successor.

ARTICLE XII
ARBITRATION

A. Prior to initiation of arbitration, the Reinsurer and the Ceding Company agree that they will first negotiate diligently and in good faith to agree on a mutually satisfactory resolution of any dispute. Provided, however that if any such dispute cannot be resolved within sixty (60) days (or such longer period as the parties may agree) after written notice invoking the negotiation period of this Article is delivered by either party, the Reinsurer and the Ceding Company agree that they will submit this dispute to arbitration as described below.

B. The Reinsurer and the Ceding Company intend that any and all disputes between them under or with respect to this Agreement be resolved without resort to any litigation. Any and all disputes or differences between the Ceding Company and the Reinsurer arising out of this Agreement, including, but not limited to, disputes or differences relating to the interpretation or performance of this Agreement, its formation or validity, or any transaction under this Agreement, whether arising before or after termination, shall be submitted to arbitration. Arbitration shall be the sole method of dispute resolution, regardless of the insolvency of either party, unless the conservator, receiver, liquidator or statutory successor is specifically exempted from arbitration proceeding by applicable state law of the insolvency.

C. Arbitration shall be initiated by the delivery of written notice of demand for arbitration ("Arbitration Notice") by one party to another. Such written notice shall contain a brief statement of the issue(s), remedies sought, and the failure of the parties to reach amicable agreement as provided in Paragraph A above.

D. Each party shall appoint an individual as arbitrator and the two so appointed shall then appoint the umpire. If either party refuses or neglects to appoint an arbitrator within thirty (30) days after delivery of the Arbitration Notice, the other party may appoint the second arbitrator. If the two arbitrators do not agree on an umpire within thirty (30) days of the appointment of the second appointed arbitrator, each of the two arbitrators shall nominate three individuals. Each arbitrator shall then decline two of the nominations presented by the other arbitrator. The umpire shall be chosen from the remaining two nominations by drawing lots. The arbitrators and umpire shall be present or former disinterested officers of life reinsurance or insurance companies other than the two parties to this Agreement or any company owned by, or affiliated with, either party.

E. The arbitration hearings shall be held in the city in which the Reinsurer's head office is located or any such other place as may be mutually agreed. Each party shall submit its case

to the arbitrators and umpire within one hundred and eighty (180) days of the selection of the umpire or within such longer period as may be agreed.

F. The arbitration panel shall make its decision with regard to the custom and usage of the insurance and reinsurance business. The arbitration panel shall interpret this Agreement as an honorable engagement; they are relieved of all judicial formalities and may abstain from following strict rules of law. The arbitration panel shall be solely responsible for determining what evidence shall be considered and what procedure they deem appropriate and necessary in the gathering of such facts or data to decide the dispute.

G. The decision in writing of the majority of the arbitration panel shall be final and binding upon the parties. Judgment may be entered upon the final decision of the arbitration panel in any court having jurisdiction.

H. The jointly incurred costs of the arbitration are to be borne equally by both parties. Jointly incurred costs are specifically defined as any costs that are not solely incurred by one of the parties (e.g., attorneys' fees, expert witness fees, travel to the hearing site, etc.). Costs incurred solely by one of the parties shall be borne by that party. Once the panel has been selected, the panel shall agree on one billable rate for each of the arbitrators and umpire and that sole cost shall be disclosed to the parties and become payable as a jointly incurred cost as described above.

ARTICLE XIII
PARTIES TO AGREEMENT

This Agreement is solely between the Ceding Company and the Reinsurer. Except as otherwise provided herein, the terms and provisions of this Agreement are intended solely for the benefit of the parties hereto, and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person, and no such rights shall be conferred upon any person or entity not a party to this Agreement. The Ceding Company shall be and remain directly and solely liable to any insured, contract owner, or beneficiary under any Policy reinsured hereunder.

ARTICLE XIV
DURATION OF AGREEMENT AND TERMINATION

A. Duration. This agreement will be effective as of the Effective Date, and will be unlimited as to its duration.

B. Termination for New Business. This agreement may be terminated for new business by either party with sixty (60) days prior written notice to the other party.

C. Recapture. The Ceding Company may recapture a proportionate share of up to 100% of the Net Ceded Liabilities by providing the Reinsurer with sixty (60) days prior written notice,

such notice to specify the effective date of the recapture (the "Recapture Date"). Any such recapture shall apply to all Policies reinsured under this Agreement.

The Reinsurer shall be liable for the Net Benefits associated with recapture amounts, as well as for other claims as specified in Article IV, for Extra-Contractual Obligations, each as incurred prior to the effective date of the recapture.

Within forty-five (45) days of the Recapture Date (the "Recapture Settlement Date"), assets consisting of policy loans (including accrued and unearned policy loan interest), cash and investments at market value, and accrued investment income net of unearned investment income, shall be transferred by the Reinsurer to the Ceding Company with the amount as of the Recapture Date equal to the "Net Statutory Liabilities" for the recapture Policies plus the positive or negative Interest Maintenance Reserve Adjustment. The Net Statutory Liabilities shall equal the Statutory Reserves (net of reserves for any non-affiliate reinsurance agreements) related to the recapture Policies plus "Recapture Assets and Liabilities". The Reinsurer shall also pay to the Ceding Company interest on such amount at the rate of four percent (4%) per annum, simple rate, beginning on the Recapture Date and ending on the Recapture Settlement Date.

The Recapture Assets and Liabilities shall include all account balances (both assets and liabilities) related to the recapture Policies and ceded by the Ceding Company to the Reinsurer (other than (i) those that are reflected in Statutory Reserves and (ii) the liability for interest maintenance reserve related to the recapture Policies). Recapture Assets and Liabilities shall include, but are not limited to, uncollected premiums, deferred premiums, policyholder dividends and premiums received in advance, in each case to the extent attributable to the recapture Policies. The Recapture Assets and Liabilities shall also include amounts in respect of the recapture Policies that are paid to or received by the Reinsurer on behalf of the Ceding Company after the Recapture Date but prior to the Settlement Date.

ARTICLE XV
GENERAL PROVISIONS

A. Entire Agreement. This Agreement supercedes any and all prior discussions and understandings between the parties and constitutes the entire Agreement between the Reinsurer and the Ceding Company with respect to the Policies. There are no understandings between the parties other than as expressed in this Agreement.

B. Notices. Any notice or communication given pursuant to this Agreement must be in writing and (1) delivered personally, (2) sent by facsimile transmission, (3) delivered by overnight express, or (4) sent by registered or certified mail, postage prepaid, to such address or addresses each party may designate from time to time for receipt of notices or communications. The initial notice addresses are as follows:

If to the Ceding Company: Allstate Life Insurance Company
3100 Sanders Rd, Suite J5A
Northbrook, Illinois 60062
Attn: Chief Financial Officer
Facsimile No.: (847) 326-7065

If to the Reinsurer: Allstate Assurance Company
3100 Sanders Rd, Suite J5A
Northbrook, Illinois 60062
Attn: Chief Financial Officer
Facsimile No.: (847) 326-7065

All notices and other communications required or permitted under the terms of this Agreement that are addressed as provided in this Article XV shall: (1) if delivered personally or by overnight express, be deemed given upon delivery; (2) if delivered by facsimile transmission, be deemed given when electronically confirmed; and (3) if sent by registered or certified mail, be deemed given when received. Any party from time to time may change its address for notice purposes by giving a similar notice specifying a new address, but no such notice shall be deemed to have been given until it is actually received by the party sought to be charged with the contents thereof.

C. Expenses. Except as may be otherwise expressly provided in this Agreement, whether or not the transactions contemplated hereby are consummated, each of the parties hereto shall pay its own costs and expenses incident to preparing for, entering into and carrying out this Agreement and the consummation of the transactions contemplated hereby.

D. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

E. Amendment. Any modification or modification to this Agreement shall be null and void unless made by a written instrument executed by both parties hereto.

F. Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by either of the parties hereto without the prior written consent of the other party, which consent shall not be unreasonably withheld, and any such assignment that is attempted without such consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and permitted assigns.

G. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of the parties hereto under this Agreement will not be materially and adversely affected thereby, (1) such

provision shall be fully severable; (2) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and (3) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom.

H. Waiver. Any term or condition of this Agreement may be waived in writing at any time by the party that is entitled to the benefit thereof. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach or nonfulfillment on a future occasion. All remedies, either under the terms of this Agreement, or by law or otherwise afforded, shall be cumulative and not alternative, except as otherwise provided by law.

I. Headings, etc. The headings used in this Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement. Unless the context of this Agreement otherwise requires, (1) words using the singular or plural number also include the plural or singular number, respectively; (2) the terms "hereof," "herein," "hereby," "hereto," "hereunder," and derivative or similar words refer to this entire Agreement (including the exhibits hereto); (3) the term "Article" refers to the specified Article of this Agreement; (d) the term "Exhibit" refers to the specified Exhibit attached to this Agreement; and (e) the term "party" means, on the one hand, the Ceding Company, and on the other hand, the Reinsurer.

J. Offset. Any debits or credits incurred after the Effective Date in favor of or against either the Ceding Company or the Reinsurer with respect to this Agreement are deemed mutual debits or credits, as the case may be, and shall be set off against each other dollar for dollar.

K. Compliance with Laws. The parties hereto shall at all times comply with all applicable laws in performing their obligations under this Agreement.

L. Survival. All provisions of this Agreement shall survive its termination to the extent necessary to carry out the purposes of this Agreement or to ascertain and enforce the parties' rights or obligations hereunder existing at the time of termination.

M. Calendar Days. Unless otherwise specified, all references to "day" in this Agreement shall mean calendar days.

N. Governing Law. This Agreement shall be governed by the laws of the state of Illinois.

IN WITNESS HEREOF, the parties to this Agreement have caused it to be duly executed in duplicate by their respective officers on the dates shown below.

ALLSTATE LIFE INSURANCE COMPANY

By /s/ Samuel H. Pilch
Samuel H. Pilch
Title Senior Group Vice President and Controller

Date May 5, 2015

ALLSTATE ASSURANCE COMPANY

By /s/ Mario Imbarrato
Mario Imbarrato
Title Vice President and Chief Financial Officer

Date May 5, 2015

EXHIBIT A

ELIGIBLE POLICIES

Policies reinsured under this Agreement shall be the following two (2) blocks of business as follows:

1. Universal life policies that were originally sold through Surety Life Insurance Company ("Surety", formerly an Allstate affiliate now owned by Government Employees Health Association, Inc., as of March 12, 2012), now ceded to ALIC under an Amended and Restated Coinsurance Agreement originally effective as of December 31, 1987. As of the Effective Date, these policies can be identified in the accounting system by SAP code 6121F31;

2. Universal life policies that were originally sold through Great Southern Life Insurance Company and Security Life of Denver Insurance Company and ceded to American Heritage Life and retroceded to ALIC under a Retrocessional Reinsurance Agreement effective December 31, 2004.

COINSURANCE PERCENTAGE

The coinsurance percentage shall be 100%.

EXHIBIT B

TAX ELECTION

The Ceding Company and the Reinsurer hereby make an election pursuant to Treasury Regulations Section 1.848-2(g)(8). This election shall be effective for the tax year during which the Effective Date falls and all subsequent taxable years for which this Agreement remains in effect. Unless otherwise indicated, the terms used in this Exhibit are defined by reference to Treasury Regulations Section 1.848-2 as in effect on the date hereof. As used below, the term "party" or "parties" shall refer to the Ceding Company or the Reinsurer, or both, as appropriate.

1. The party with the Net Positive Consideration (as defined in Section 848 of the Code and related Treasury Regulations) with respect to the transactions contemplated under this Agreement for any taxable year covered by this election will capitalize specified policy acquisition expenses with respect to such transactions without regard to the general deductions limitation of Section 848(c)(1) of the Code.

2. The parties agree to exchange information pertaining to the amount of Net Consideration (as defined in Section 848 of the Code and related Treasury Regulations) under this Agreement each year to ensure consistency or as is otherwise required by the Internal Revenue Service. The exchange of information each year will follow the procedures set forth below:

(a) By April 1 of each year, the Ceding Company will submit a schedule to the Reinsurer of its calculation of the Net Consideration for the preceding calendar year. This schedule of calculations will be accompanied by a statement signed by an authorized representative of the Ceding Company stating the amount of the Net Consideration the Ceding Company will report in its tax return for the preceding calendar year.

(b) Within thirty (30) days of the Reinsurer's receipt of the Ceding Company's calculation, the Reinsurer may contest such calculation by providing an alternative calculation to the Ceding Company in writing. If the Reinsurer does not notify the Ceding Company that it contests such calculation within said 30-day period, the calculation will be presumed correct and the Reinsurer shall also report the Net Consideration as determined by the Ceding Company in the Reinsurer's tax return for the preceding calendar year.

(c) If the Reinsurer provides an alternative calculation of the Net Consideration pursuant to clause (b), the parties will act in good faith to reach an agreement as to the correct amount of Net Consideration within thirty (30) days of the date the Ceding Company receives the alternative calculation from the Reinsurer. When the Ceding Company and the Reinsurer reach agreement on an amount of Net Consideration, each party shall report the applicable amount in their respective tax returns for the preceding calendar year.

EXHIBIT 15

Allstate Life Insurance Company
3100 Sanders Road
Northbrook, IL 60062

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Allstate Life Insurance Company and subsidiaries for the periods ended March 31, 2015 and 2014, as indicated in our report dated May 7, 2015; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Statement Nos.	Form N-4 Registration Statement Nos.
333-178570	333-102934
333-199259	333-114560
333-199260	333-114561
333-199262	333-114562
333-199264	333-121687
333-199265	333-121691
333-199266	333-121692
333-199796	333-121693
333-199797	333-121695
333-200095	
333-200098	
333-200099	
333-202202	

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 7, 2015

CERTIFICATIONS **EXHIBIT 31 (i)**

I, Matthew E. Winter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allstate Life Insurance Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Matthew E. Winter
Matthew E. Winter
President and Chief Executive Officer

CERTIFICATIONS **EXHIBIT 31 (i)**

I, Mario Imbarrato, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allstate Life Insurance Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Mario Imbarrato
Mario Imbarrato
Vice President and Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

Each of the undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q for the fiscal period ended March 31, 2015 of Allstate Life Insurance Company filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and result of operations of Allstate Life Insurance Company.

Date: May 7, 2015

/s/ Matthew E. Winter
Matthew E. Winter
President and Chief Executive Officer

/s/ Mario Imbarrato
Mario Imbarrato
Vice President and Chief Financial Officer