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 June 30, 2017

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.)

3075 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth 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 ____
	Emerging growth company _____

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ____

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 August 3, 2017, the registrant had 23,800 common shares, $227 par value, outstanding, all of which are held by Allstate Insurance Company.

ALLSTATE LIFE INSURANCE COMPANY
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June 30, 2017

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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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Revenues				
Premiums	$ 170	$ 147	$ 339	$ 296
Contract charges	177	180	356	362
Net investment income	473	416	877	816
Realized capital gains and losses:				
Total other-than-temporary impairment (“OTTI”) losses	(13)	(21)	(41)	(56)
OTTI losses reclassified to (from) other comprehensive income	—	(1)	4	7
Net OTTI losses recognized in earnings	(13)	(22)	(37)	(49)
Sales and other realized capital gains and losses	9	21	32	2
Total realized capital gains and losses	(4)	(1)	(5)	(47)
	816	742	1,567	1,427
Costs and expenses				
Contract benefits	364	341	718	679
Interest credited to contractholder funds	161	172	322	350
Amortization of deferred policy acquisition costs	43	37	84	74
Operating costs and expenses	68	52	137	108
Restructuring and related charges	—	1	—	1
Interest expense	2	3	3	7
	638	606	1,264	1,219
Gain on disposition of operations	2	1	4	3
Income from operations before income tax expense	180	137	307	211
Income tax expense	60	43	101	65
Net income	120	94	206	146
Other comprehensive income, after-tax				
Change in unrealized net capital gains and losses	118	233	183	474
Change in unrealized foreign currency translation adjustments	—	6	(3)	4
Other comprehensive income, after-tax	118	239	180	478
Comprehensive income	$ 238	$ 333	$ 386	$ 624

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)	**June 30, 2017**	**December 31, 2016**
Assets	**(unaudited)**	
Investments		
Fixed income securities, at fair value (amortized cost $22,324 and $23,112)	$ 23,651	$ 24,222
Mortgage loans	3,793	3,938
Equity securities, at fair value (cost $1,419 and $1,429)	1,617	1,511
Limited partnership interests	2,946	2,776
Short-term, at fair value (amortized cost $505 and $566)	505	566
Policy loans	555	563
Other	1,231	1,491
Total investments	34,298	35,067
Cash	208	138
Deferred policy acquisition costs	1,161	1,187
Reinsurance recoverables from non-affiliates	2,302	2,339
Reinsurance recoverables from affiliates	442	452
Accrued investment income	269	273
Other assets	487	410
Separate Accounts	3,396	3,373
Total assets	$ 42,563	$ 43,239
Liabilities		
Contractholder funds	$ 19,013	$ 19,470
Reserve for life-contingent contract benefits	11,326	11,322
Unearned premiums	5	5
Payable to affiliates, net	45	52
Other liabilities and accrued expenses	920	952
Deferred income taxes	1,389	1,191
Notes due to related parties	140	465
Separate Accounts	3,396	3,373
Total liabilities	36,234	36,830
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	2,024	1,990
Retained income	3,442	3,736
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	37	39
Other unrealized net capital gains and losses	951	733
Unrealized adjustment to DAC, DSI and insurance reserves	(124)	(91)
Total unrealized net capital gains and losses	864	681
Unrealized foreign currency translation adjustments	(6)	(3)
Total accumulated other comprehensive income	858	678
Total shareholder's equity	6,329	6,409
Total liabilities and shareholder's equity	$ 42,563	$ 43,239

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

($ in millions)	Six months ended June 30,	
	2017	2016
	(unaudited)	
Common stock	$ 5	$ 5
Additional capital paid-in		
Balance, beginning of period	1,990	1,990
Gain on reinsurance with an affiliate	34	—
Balance, end of period	2,024	1,990
Retained income		
Balance, beginning of period	3,736	3,417
Net income	206	146
Dividends	(500)	—
Balance, end of period	3,442	3,563
Accumulated other comprehensive income		
Balance, beginning of period	678	521
Change in unrealized net capital gains and losses	183	474
Change in unrealized foreign currency translation adjustments	(3)	4
Balance, end of period	858	999
Total shareholder's equity	$ 6,329	$ 6,557

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Six months ended June 30,	
	2017	2016
Cash flows from operating activities	(unaudited)	
Net income	$ 206	$ 146
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and other non-cash items	(30)	(31)
Realized capital gains and losses	5	47
Gain on disposition of operations	(4)	(3)
Interest credited to contractholder funds	322	350
Changes in:		
Policy benefits and other insurance reserves	(278)	(324)
Deferred policy acquisition costs	24	31
Reinsurance recoverables, net	18	13
Income taxes	85	48
Other operating assets and liabilities	(133)	(35)
Net cash provided by operating activities	215	242
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	2,564	3,984
Equity securities	828	608
Limited partnership interests	240	168
Other investments	6	33
Investment collections		
Fixed income securities	860	1,051
Mortgage loans	281	143
Other investments	89	59
Investment purchases		
Fixed income securities	(2,683)	(4,054)
Equity securities	(815)	(624)
Limited partnership interests	(275)	(339)
Mortgage loans	(129)	(234)
Other investments	(116)	(109)
Change in short-term investments, net	56	(309)
Change in policy loans and other investments, net	(13)	(25)
Net cash provided by investing activities	893	352
Cash flows from financing activities		
Contractholder fund deposits	408	425
Contractholder fund withdrawals	(925)	(982)
Dividends paid	(500)	—
Other	(21)	—
Net cash used in financing activities	(1,038)	(557)
Net increase in cash	70	37
Cash at beginning of period	138	104
Cash at end of period	$ 208	$ 141

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"). These condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The condensed consolidated financial statements and notes as of June 30, 2017 and for the three-month and six-month periods ended June 30, 2017 and 2016 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, 2016. 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.

Reinsurance transaction

Effective January 1, 2017, ALIC entered into a coinsurance reinsurance agreement with AAC to assume certain term life insurance policies. In connection with the agreement, the Company recorded cash of $20 million, deferred policy acquisition costs ("DAC") of $45 million, other assets of $11 million, reserve for life-contingent contract benefits of $24 million and deferred tax liabilities of $18 million. The $34 million gain on the transaction was recorded as an increase to additional capital paid-in since the transaction was between entities under common control.

Redemption of surplus notes and notes due from related party

In January 2017, all $325 million of surplus notes due to Kennett Capital, Inc. ("Kennett"), an unconsolidated affiliate of ALIC, were redeemed. In connection with the redemption, the related $325 million of notes due from Kennett (recorded as other investments) were terminated. These were recorded as non-cash transactions.

External financing agreement

In January 2017, ALIC Reinsurance Company ("ALIC Re"), a wholly owned subsidiary of ALIC, entered into a master transaction agreement with Bueller Financing LLC ("Bueller"), an external financing provider. In accordance with the agreement, Bueller issued a variable funding puttable note ("credit-linked note") that will be held in a trust. The credit-linked note can be put back to Bueller for cash in the event certain ALIC Re statutory reserves and capital are depleted. The balance of the credit-linked note will vary based on the statutory reserve balance with a maximum value of $1.75 billion. The agreement has no impact on the GAAP-basis Condensed Consolidated Statement of Financial Position.

Dividends

The Company paid cash dividends of $300 million and $200 million to AIC in the first and second quarter of 2017, respectively. Total dividends paid were in excess of the $305 million that were allowed under Illinois insurance law based on the 2016 formula amount. The Company received approval from the Illinois Department of Insurance for the portion of the dividends in excess of this amount based on 2017 net income and capital and surplus determined in conformity with statutory accounting practices.

Premiums and contract charges

The following table summarizes premiums and contract charges by product.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Premiums				
Traditional life insurance	$ 143	$ 125	$ 286	$ 251
Accident and health insurance	27	22	53	45
Total premiums	170	147	339	296
Contract charges				
Interest-sensitive life insurance	174	177	350	356
Fixed annuities	3	3	6	6
Total contract charges	177	180	356	362
Total premiums and contract charges	$ 347	$ 327	$ 695	$ 658

Adopted accounting standard

Transition to Equity Method Accounting

Effective January 1, 2017, the Company adopted new FASB guidance amending the accounting requirements for transitioning to the equity method of accounting ("EMA"), including a transition from the cost method. The guidance requires the cost of acquiring an additional interest in an investee to be added to the existing carrying value to establish the initial basis of the EMA investment. Under the new guidance, no retroactive adjustment is required when an investment initially qualifies for EMA treatment. The guidance is applied prospectively to investments that qualify for EMA after application of the cost method of accounting. Accordingly, the adoption of this guidance had no impact on the Company's results of operations or financial position.

Pending accounting standards

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued guidance requiring equity investments, including equity securities and limited partnership interests, that are not accounted for under the equity method of accounting or result in consolidation to be measured at fair value with changes in fair value recognized in net income. Equity investments without readily determinable fair values may be measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. When a qualitative assessment of equity investments without readily determinable fair values indicates that impairment exists, the carrying value is required to be adjusted to fair value, if lower. The guidance clarifies that an entity should evaluate the realizability of a deferred tax asset related to available-for-sale fixed income securities in combination with the entity's other deferred tax assets. The guidance also changes certain disclosure requirements. The guidance is effective for interim and annual periods beginning after December 15, 2017, and is to be applied through a cumulative-effect adjustment to beginning retained income as of the date of adoption. The new guidance related to equity investments without readily determinable fair values is applied prospectively as of the date of adoption. The most significant anticipated impacts, using values as of June 30, 2017, relate to the change in accounting for equity securities where $198 million of pre-tax unrealized net capital gains would be reclassified from accumulated other comprehensive income to retained income and cost method limited partnership interests (excluding limited partnership interests accounted for on a cost recovery basis), where the carrying value would increase by approximately $83 million, pre-tax, with the offsetting adjustment recognized in retained income.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued guidance which revises the credit loss recognition criteria for certain financial assets measured at amortized cost, including reinsurance recoverables. The new guidance replaces the existing incurred loss recognition model with an expected loss recognition model. The objective of the expected credit loss model is for the reporting entity to recognize its estimate of expected credit losses for affected financial assets in a valuation allowance deducted from the amortized cost basis of the related financial assets that results in presenting the net carrying value of the financial assets at the amount expected to be collected. The reporting entity must consider all available relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts over the life of an asset. Financial assets may be evaluated individually or on a pooled basis when they share similar risk characteristics. The measurement of credit losses for available-for-sale debt securities measured at fair value is not affected except that credit losses recognized are limited to the amount by which fair value is below amortized cost and the carrying value adjustment is recognized through a valuation allowance and not as a direct write-down. The guidance is effective for interim and annual periods beginning after December 15, 2019, and

for most affected instruments must be adopted using a modified retrospective approach, with a cumulative effect adjustment recorded to beginning retained income. The Company is in the process of evaluating the impact of adoption.

2. Supplemental Cash Flow Information

Non-cash investing activities include $4 million and $99 million related to mergers and exchanges completed with equity securities, and modifications of certain mortgage loans and other investments for the six months ended June 30, 2017 and 2016, respectively. Non-cash financing activities included $34 million related to debt acquired in conjunction with the purchase of an investment for the six months ended June 30, 2016.

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)	Six months ended June 30, 2017	2016
Net change in proceeds managed		
Net change in fixed income securities	$ 9	$ —
Net change in short-term investments	12	(45)
Operating cash flow provided (used)	$ 21	$ (45)
Net change in liabilities		
Liabilities for collateral, beginning of period	$ (550)	$ (550)
Liabilities for collateral, end of period	(529)	(595)
Operating cash flow (used) provided	$ (21)	$ 45

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
June 30, 2017				
U.S. government and agencies	$ 609	$ 45	$ (1)	$ 653
Municipal	2,000	275	(5)	2,270
Corporate	18,639	1,015	(80)	19,574
Foreign government	286	26	—	312
Asset-backed securities ("ABS")	405	6	(8)	403
Residential mortgage-backed securities ("RMBS")	239	47	(1)	285
Commercial mortgage-backed securities ("CMBS")	133	13	(7)	139
Redeemable preferred stock	13	2	—	15
Total fixed income securities	$ 22,324	$ 1,429	$ (102)	$ 23,651
December 31, 2016				
U.S. government and agencies	$ 968	$ 48	$ (2)	$ 1,014
Municipal	2,017	264	(7)	2,274
Corporate	18,945	905	(169)	19,681
Foreign government	304	28	—	332
ABS	337	4	(10)	331
RMBS	294	42	(3)	333
CMBS	233	17	(9)	241
Redeemable preferred stock	14	2	—	16
Total fixed income securities	$ 23,112	$ 1,310	$ (200)	$ 24,222

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of June 30, 2017:

($ in millions)	Amortized cost	Fair value
Due in one year or less	$ 1,516	$ 1,527
Due after one year through five years	8,253	8,655
Due after five years through ten years	7,502	7,769
Due after ten years	4,276	4,873
	21,547	22,824
ABS, RMBS and CMBS	777	827
Total	$ 22,324	$ 23,651

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Fixed income securities	$ 269	$ 274	$ 537	$ 544
Mortgage loans	45	47	94	94
Equity securities	14	14	29	21
Limited partnership interests	135	66	200	129
Short-term investments	2	1	3	3
Policy loans	7	8	15	16
Other	21	23	40	44
Investment income, before expense	493	433	918	851
Investment expense	(20)	(17)	(41)	(35)
Net investment income	$ 473	$ 416	$ 877	$ 816

Realized capital gains and losses

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

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Fixed income securities	$ (6)	$ (2)	$ (13)	$ (25)
Mortgage loans	—	1	—	1
Equity securities	(4)	(4)	(4)	(34)
Limited partnership interests	10	—	23	13
Derivatives	(4)	4	(9)	(1)
Other	—	—	(2)	(1)
Realized capital gains and losses	$ (4)	$ (1)	$ (5)	$ (47)

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

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Impairment write-downs	$ (12)	$ (18)	$ (33)	$ (42)
Change in intent write-downs	(1)	(4)	(4)	(7)
Net other-than-temporary impairment losses recognized in earnings	(13)	(22)	(37)	(49)
Sales and other	13	20	41	6
Valuation and settlements of derivative instruments	(4)	1	(9)	(4)
Realized capital gains and losses	$ (4)	$ (1)	$ (5)	$ (47)

Gross gains of $22 million and $35 million and gross losses of $23 million and $22 million were realized on sales of fixed income and equity securities during the three months ended June 30, 2017 and 2016, respectively. Gross gains of $55 million and $106 million and gross losses of $44 million and $111 million were realized on sales of fixed income and equity securities during the six months ended June 30, 2017 and 2016, respectively.

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

($ in millions)	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	$ (1)	$ —	$ (1)	$ —	$ —	$ —
ABS	—	—	—	(1)	—	(1)
CMBS	(3)	—	(3)	—	(1)	(1)
Total fixed income securities	(4)	—	(4)	(1)	(1)	(2)
Equity securities	(5)	—	(5)	(17)	—	(17)
Limited partnership interests	(4)	—	(4)	(3)	—	(3)
Other-than-temporary impairment losses	$ (13)	$ —	$ (13)	$ (21)	$ (1)	$ (22)

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	$ (1)	$ —	$ (1)	$ —	$ —	$ —
Corporate	(7)	3	(4)	(11)	6	(5)
ABS	—	—	—	(4)	—	(4)
RMBS	—	(2)	(2)	—	—	—
CMBS	(9)	3	(6)	(4)	1	(3)
Total fixed income securities	(17)	4	(13)	(19)	7	(12)
Equity securities	(15)	—	(15)	(42)	—	(42)
Limited partnership interests	(7)	—	(7)	6	—	6
Other	(2)	—	(2)	(1)	—	(1)
Other-than-temporary impairment losses	$ (41)	$ 4	$ (37)	$ (56)	$ 7	$ (49)

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 $121 million and $131 million as of June 30, 2017 and December 31, 2016, respectively, of net unrealized gains related to changes in valuation of the fixed income securities subsequent to the impairment measurement date.

($ in millions)	June 30, 2017	December 31, 2016
Municipal	$ (5)	$ (5)
Corporate	(3)	(5)
ABS	(8)	(11)
RMBS	(40)	(43)
CMBS	(8)	(7)
Total	$ (64)	$ (71)

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Beginning balance	$ (167)	$ (175)	$ (176)	$ (200)
Additional credit loss for securities previously other-than-temporarily impaired	(3)	(1)	(6)	(5)
Additional credit loss for securities not previously other-than-temporarily impaired	(1)	(1)	(7)	(7)
Reduction in credit loss for securities disposed or collected	11	9	29	44
Ending balance	$ (160)	$ (168)	$ (160)	$ (168)

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

Unrealized net capital gains and losses

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

($ in millions)		Gross unrealized		Unrealized net gains (losses)
June 30, 2017	Fair value	Gains	Losses	
Fixed income securities	$ 23,651	$ 1,429	$ (102)	$ 1,327
Equity securities	1,617	216	(18)	198
Short-term investments	505	—	—	—
Derivative instruments [1]	3	3	—	3
Equity method ("EMA") limited partnerships [2]				—
Unrealized net capital gains and losses, pre-tax				1,528
Amounts recognized for:				
Insurance reserves [3]				—
DAC and DSI [4]				(191)
Amounts recognized				(191)
Deferred income taxes				(473)
Unrealized net capital gains and losses, after-tax				$ 864

(1) Included in the fair value of derivative instruments is $(3) 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, if any, 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, 2016	Fair value	Gains	Losses	Unrealized net gains (losses)
Fixed income securities	$ 24,222	$ 1,310	$ (200)	$ 1,110
Equity securities	1,511	117	(35)	82
Short-term investments	566	—	—	—
Derivative instruments [(1)]	5	5	—	5
EMA limited partnerships				(2)
Unrealized net capital gains and losses, pre-tax				1,195
Amounts recognized for:				
Insurance reserves				—
DAC and DSI				(140)
Amounts recognized				(140)
Deferred income taxes				(374)
Unrealized net capital gains and losses, after-tax				$ 681

(1) Included in the fair value of derivative instruments is $5 million classified as assets.

Change in unrealized net capital gains and losses

The change in unrealized net capital gains and losses for the six months ended June 30, 2017 is as follows:

($ in millions)	
Fixed income securities	$ 217
Equity securities	116
Derivative instruments	(2)
EMA limited partnerships	2
Total	333
Amounts recognized for:	
Insurance reserves	—
DAC and DSI	(51)
Amounts recognized	(51)
Deferred income taxes	(99)
Increase in unrealized net capital gains and losses, after-tax	$ 183

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	
June 30, 2017							
Fixed income securities							
U.S. government and agencies	13	$ 177	$ (1)	—	$ —	$ —	$ (1)
Municipal	5	22	(2)	1	10	(3)	(5)
Corporate	421	3,063	(52)	29	224	(28)	(80)
ABS	27	161	(1)	8	23	(7)	(8)
RMBS	44	2	—	44	28	(1)	(1)
CMBS	5	23	(3)	4	13	(4)	(7)
Redeemable preferred stock	1	—	—	—	—	—	—
Total fixed income securities	516	3,448	(59)	86	298	(43)	(102)
Equity securities	107	133	(11)	35	40	(7)	(18)
Total fixed income and equity securities	623	$ 3,581	$ (70)	121	$ 338	$ (50)	$ (120)
Investment grade fixed income securities	417	$ 3,122	$ (47)	59	$ 206	$ (27)	$ (74)
Below investment grade fixed income securities	99	326	(12)	27	92	(16)	(28)
Total fixed income securities	516	$ 3,448	$ (59)	86	$ 298	$ (43)	$ (102)
December 31, 2016							
Fixed income securities							
U.S. government and agencies	6	$ 104	$ (2)	—	$ —	$ —	$ (2)
Municipal	8	44	(1)	3	18	(6)	(7)
Corporate	629	4,767	(118)	56	414	(51)	(169)
ABS	18	95	(1)	13	76	(9)	(10)
RMBS	47	3	—	50	38	(3)	(3)
CMBS	12	57	(4)	4	15	(5)	(9)
Redeemable preferred stock	1	—	—	—	—	—	—
Total fixed income securities	721	5,070	(126)	126	561	(74)	(200)
Equity securities	167	200	(19)	62	80	(16)	(35)
Total fixed income and equity securities	888	$ 5,270	$ (145)	188	$ 641	$ (90)	$ (235)
Investment grade fixed income securities	559	$ 4,348	$ (100)	75	$ 350	$ (47)	$ (147)
Below investment grade fixed income securities	162	722	(26)	51	211	(27)	(53)
Total fixed income securities	721	$ 5,070	$ (126)	126	$ 561	$ (74)	$ (200)

As of June 30, 2017, $89 million of the $120 million 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 $89 million, $58 million are related to unrealized losses on investment grade fixed income securities and $14 million are related to equity securities. Of the remaining $17 million, $8 million have been in an unrealized loss position for less than 12 months. Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third party rating. Unrealized losses on investment

grade securities are principally related to an increase in market yields which may include increased risk-free interest rates and/or wider credit spreads since the time of initial purchase.

As of June 30, 2017, the remaining $31 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 $16 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 $31 million, $11 million are related to below investment grade fixed income securities and $4 million are related to equity securities. Of these amounts, $5 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 June 30, 2017.

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, and (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. Municipal bonds in an unrealized loss position were evaluated based on the underlying credit quality of the primary obligor, obligation type and quality of the underlying assets. Unrealized losses on equity securities are primarily related to temporary equity market fluctuations of securities that are expected to recover.

As of June 30, 2017, 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 June 30, 2017, 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 June 30, 2017 and December 31, 2016, the carrying value of equity method limited partnerships totaled $2.36 billion and $2.19 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 June 30, 2017 and December 31, 2016, the carrying value for cost method limited partnerships was $583 million and $591 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.

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 or present value of the loan's expected future repayment cash flows. Mortgage loans are charged off against their corresponding valuation allowances when there is no reasonable expectation of recovery. The impairment evaluation is non-statistical in respect to the aggregate portfolio but considers facts and circumstances attributable to each loan. It is not considered probable that additional impairment losses, beyond those identified on a specific loan basis, have been incurred as of June 30, 2017.

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 mortgage loans summarized by debt service coverage ratio distribution.

($ in millions)	June 30, 2017	December 31, 2016
Below 1.0	$ 18	$ 52
1.0 - 1.25	318	321
1.26 - 1.50	1,167	1,196
Above 1.50	2,285	2,364
Total non-impaired mortgage loans	$ 3,788	$ 3,933

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)	June 30, 2017	December 31, 2016
Impaired mortgage loans with a valuation allowance	$ 5	$ 5
Impaired mortgage loans without a valuation allowance	—	—
Total impaired mortgage loans	$ 5	$ 5
Valuation allowance on impaired mortgage loans	$ 3	$ 3

The average balance of impaired loans was $5 million and $6 million for the six months ended June 30, 2017 and 2016, respectively.

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

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Beginning balance	$ 3	$ 3	$ 3	$ 3
Charge offs	—	—	—	—
Ending balance	$ 3	$ 3	$ 3	$ 3

Payments on all mortgage loans were current as of June 30, 2017 and December 31, 2016.

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

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

Level 1 measurements

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

Level 2 measurements

- Fixed income securities:

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

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

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

  Corporate - privately placed: Valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

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

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

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

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

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

- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are not active.

- Short-term: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. For certain short-term investments, amortized cost is used as the best estimate of fair value.

- Other investments: Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

  OTC derivatives, including interest rate swaps, foreign currency swaps, foreign exchange forward contracts, certain options and certain credit default swaps, are valued using models that rely on inputs such as interest rate yield curves, implied volatilities, currency rates, and 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. The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads. Also included are municipal bonds valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable and municipal bonds in default valued based on the present value of expected cash flows.

  Corporate - public and Corporate - privately placed: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Other inputs include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

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

- Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements.
- Other investments: Certain OTC derivatives, such as interest rate caps, certain credit default swaps and certain options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads.
- Contractholder funds: Derivatives embedded in certain life and annuity contracts are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.

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

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

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of June 30, 2017.

($ 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 June 30, 2017
Assets					
Fixed income securities:					
U.S. government and agencies	$ 286	$ 367	$ —		$ 653
Municipal	—	2,210	60		2,270
Corporate - public	—	13,439	36		13,475
Corporate - privately placed	—	5,849	250		6,099
Foreign government	—	312	—		312
ABS - CDO	—	39	24		63
ABS - consumer and other	—	277	63		340
RMBS	—	285	—		285
CMBS	—	139	—		139
Redeemable preferred stock	—	15	—		15
Total fixed income securities	286	22,932	433		23,651
Equity securities	1,538	4	75		1,617
Short-term investments	92	413	—		505
Other investments: Free-standing derivatives	—	105	1	$ (6)	100
Separate account assets	3,396	—	—		3,396
Total recurring basis assets	5,312	23,454	509	(6)	29,269
Non-recurring basis [(1)]	—	—	8		8
Total assets at fair value	$ 5,312	$ 23,454	$ 517	$ (6)	$ 29,277
% of total assets at fair value	18.1%	80.1%	1.8%	— %	100%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (284)		$ (284)
Other liabilities: Free-standing derivatives	—	(46)	—	$ 2	(44)
Total liabilities at fair value	$ —	$ (46)	$ (284)	$ 2	$ (328)
% of total liabilities at fair value	—%	14.0%	86.6%	(0.6)%	100%

(1) Includes $8 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, 2016.

($ 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, 2016
Assets					
Fixed income securities:					
U.S. government and agencies	$ 619	$ 395	$ —		$ 1,014
Municipal	—	2,215	59		2,274
Corporate - public	—	13,475	47		13,522
Corporate - privately placed	—	5,895	264		6,159
Foreign government	—	332	—		332
ABS - CDO	—	102	27		129
ABS - consumer and other	—	160	42		202
RMBS	—	333	—		333
CMBS	—	241	—		241
Redeemable preferred stock	—	16	—		16
Total fixed income securities	619	23,164	439		24,222
Equity securities	1,432	3	76		1,511
Short-term investments	166	400	—		566
Other investments: Free-standing derivatives	—	101	1	$ (6)	96
Separate account assets	3,373	—	—		3,373
Other assets	—	—	1		1
Total recurring basis assets	5,590	23,668	517	(6)	29,769
Non-recurring basis [1]	—	—	9		9
Total assets at fair value	$ 5,590	$ 23,668	$ 526	$ (6)	$ 29,778
% of total assets at fair value	18.7%	79.5%	1.8%	— %	100%
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (289)		$ (289)
Other liabilities: Free-standing derivatives	—	(39)	(3)	$ 2	(40)
Total liabilities at fair value	$ —	$ (39)	$ (292)	$ 2	$ (329)
% of total liabilities at fair value	—%	11.9%	88.7%	(0.6)%	100%

[1] Includes $9 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
June 30, 2017					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (249)	Stochastic cash flow model	Projected option cost	1.0 - 2.2%	1.74%
December 31, 2016					
Derivatives embedded in life and annuity contracts – Equity-indexed and forward starting options	$ (246)	Stochastic cash flow model	Projected option cost	1.0 - 2.2%	1.75%

The embedded derivatives are equity-indexed and forward starting options in certain life and annuity products that provide customers with interest crediting rates based on the performance of the S&P 500. If the projected option cost increased (decreased), it would result in a higher (lower) liability fair value.

As of June 30, 2017 and December 31, 2016, Level 3 fair value measurements of fixed income securities total $433 million and $439 million, respectively, and include $276 million and $296 million, respectively, of 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 June 30, 2017.

($ in millions)		Total gains (losses) included in:			
	Balance as of March 31, 2017	Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 60	$ —	$ —	$ —	$ —
Corporate - public	36	—	—	—	—
Corporate - privately placed	268	5	(7)	11	—
ABS - CDO	32	1	—	1	(9)
ABS - consumer and other	47	—	—	—	(3)
Total fixed income securities	443	6	(7)	12	(12)
Equity securities	80	1	2	—	—
Free-standing derivatives, net	(1)	2	—	—	—
Total recurring Level 3 assets	$ 522	$ 9	$ (5)	$ 12	$ (12)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (285)	$ —	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (285)	$ —	$ —	$ —	$ —

	Purchases	Sales	Issues	Settlements	Balance as of June 30, 2017
Assets					
Fixed income securities:					
Municipal	$ —	$ —	$ —	$ —	$ 60
Corporate - public	—	—	—	—	36
Corporate - privately placed	3	(29)	—	(1)	250
ABS - CDO	—	—	—	(1)	24
ABS - consumer and other	21	—	—	(2)	63
Total fixed income securities	24	(29)	—	(4)	433
Equity securities	—	(8)	—	—	75
Free-standing derivatives, net	—	—	—	—	1 [2]
Total recurring Level 3 assets	$ 24	$ (37)	$ —	$ (4)	$ 509
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ —	$ 1	$ (284)
Total recurring Level 3 liabilities	$ —	$ —	$ —	$ 1	$ (284)

(1) The effect to net income totals $9 million and is reported in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows: $7 million in realized capital gains and losses, $2 million in net investment income, $(1) million in interest credited to contractholder funds and $1 million in contract benefits.

(2) Comprises $1 million of assets.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the six months ended June 30, 2017.

($ in millions)		Total gains (losses) included in:			
	Balance as of December 31, 2016	Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 59	$ —	$ 1	$ —	$ —
Corporate - public	47	1	—	—	(10)
Corporate - privately placed	264	5	(2)	11	—
ABS - CDO	27	—	2	4	(9)
ABS - consumer and other	42	—	—	—	(5)
Total fixed income securities	439	6	1	15	(24)
Equity securities	76	6	2	—	—
Free-standing derivatives, net	(2)	3	—	—	—
Other assets	1	(1)	—	—	—
Total recurring Level 3 assets	$ 514	$ 14	$ 3	$ 15	$ (24)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (289)	$ 3	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (289)	$ 3	$ —	$ —	$ —

	Purchases	Sales	Issues	Settlements	Balance as of June 30, 2017
Assets					
Fixed income securities:					
Municipal	$ —	$ —	$ —	$ —	$ 60
Corporate - public	—	—	—	(2)	36
Corporate - privately placed	3	(29)	—	(2)	250
ABS - CDO	5	—	—	(5)	24
ABS - consumer and other	29	—	—	(3)	63
Total fixed income securities	37	(29)	—	(12)	433
Equity securities	—	(9)	—	—	75
Free-standing derivatives, net	—	—	—	—	1 [2]
Other assets	—	—	—	—	—
Total recurring Level 3 assets	$ 37	$ (38)	$ —	$ (12)	$ 509
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (1)	$ 3	$ (284)
Total recurring Level 3 liabilities	$ —	$ —	$ (1)	$ 3	$ (284)

[1] The effect to net income totals $17 million and is reported in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows: $8 million in realized capital gains and losses, $7 million in net investment income, $(6) million in interest credited to contractholder funds and $8 million in contract benefits.

[2] Comprises $1 million of assets.

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 June 30, 2016.

($ in millions)		Total gains (losses) included in:			
	Balance as of March 31, 2016	Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 66	$ —	$ 3	$ 6	$ —
Corporate - public	38	—	—	—	—
Corporate - privately placed	497	3	8	16	(60)
ABS - CDO	50	—	3	6	(1)
ABS - consumer and other	43	—	(1)	3	—
Total fixed income securities	694	3	13	31	(61)
Equity securities	56	(4)	—	—	—
Free-standing derivatives, net	(8)	1	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	$ 743	$ —	$ 13	$ 31	$ (61)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (313)	$ 7	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (313)	$ 7	$ —	$ —	$ —

	Purchases	Sales	Issues	Settlements	Balance as of June 30, 2016
Assets					
Fixed income securities:					
Municipal	$ —	$ (5)	$ —	$ —	$ 70
Corporate - public	3	—	—	—	41
Corporate - privately placed	12	—	—	(2)	474
ABS - CDO	—	—	—	(25)	33
ABS - consumer and other	—	—	—	(1)	44
Total fixed income securities	15	(5)	—	(28)	662
Equity securities	—	—	—	—	52
Free-standing derivatives, net	—	—	—	—	(7) [2]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	$ 15	$ (5)	$ —	$ (28)	$ 708
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ —	$ 2	$ (304)
Total recurring Level 3 liabilities	$ —	$ —	$ —	$ 2	$ (304)

(1) The effect to net income totals $7 million and is reported in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows: $(4) million in realized capital gains and losses, $4 million in net investment income, $(7) million in interest credited to contractholder funds and $14 million in contract benefits.

(2) Comprises $1 million of assets and $8 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the six months ended June 30, 2016.

($ in millions)		Total gains (losses)included in:			
	Balance as of December 31, 2015	Net income [1]	OCI	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 78	$ 11	$ (5)	$ 6	$ —
Corporate - public	44	—	1	1	(7)
Corporate - privately placed	447	4	12	16	(65)
ABS - CDO	53	—	2	8	(1)
ABS - consumer and other	44	—	(2)	3	—
Total fixed income securities	666	15	8	34	(73)
Equity securities	60	(16)	3	—	—
Free-standing derivatives, net	(7)	—	—	—	—
Other assets	1	—	—	—	—
Total recurring Level 3 assets	$ 720	$ (1)	$ 11	$ 34	$ (73)
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ (299)	$ (8)	$ —	$ —	$ —
Total recurring Level 3 liabilities	$ (299)	$ (8)	$ —	$ —	$ —

	Purchases	Sales	Issues	Settlements	Balance as of June 30, 2016
Assets					
Fixed income securities:					
Municipal	$ —	$ (20)	$ —	$ —	$ 70
Corporate - public	3	—	—	(1)	41
Corporate - privately placed	67	—	—	(7)	474
ABS - CDO	—	(1)	—	(28)	33
ABS - consumer and other	—	—	—	(1)	44
Total fixed income securities	70	(21)	—	(37)	662
Equity securities	5	—	—	—	52
Free-standing derivatives, net	—	—	—	—	(7) [2]
Other assets	—	—	—	—	1
Total recurring Level 3 assets	$ 75	$ (21)	$ —	$ (37)	$ 708
Liabilities					
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ —	$ (1)	$ 4	$ (304)
Total recurring Level 3 liabilities	$ —	$ —	$ (1)	$ 4	$ (304)

(1) The effect to net income totals $(9) million and is reported in the Condensed Consolidated Statements of Operations and Comprehensive Income as follows: $(8) million in realized capital gains and losses, $7 million in net investment income, $(6) million in interest credited to contractholder funds and $(2) million in contract benefits.

(2) Comprises $1 million of assets and $8 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 and six months ended June 30, 2017 or 2016.

Transfers into Level 3 during the three months and six months ended June 30, 2017 and 2016 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 and six months ended June 30, 2017 and 2016 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 June 30.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Assets				
Fixed income securities:				
Corporate	$ —	$ 3	$ —	$ 1
Equity securities	2	(4)	7	(16)
Free-standing derivatives, net	2	1	3	—
Other assets	—	—	(1)	—
Total recurring Level 3 assets	$ 4	$ —	$ 9	$ (15)
Liabilities				
Contractholder funds: Derivatives embedded in life and annuity contracts	$ —	$ 7	$ 3	$ (8)
Total recurring Level 3 liabilities	$ —	$ 7	$ 3	$ (8)

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 $4 million for the three months ended June 30, 2017 and are reported as follows: $2 million in realized capital gains and losses, $2 million in net investment income, $(1) million in interest credited to contractholder funds and $1 million in contract benefits. These gains and losses total $7 million for the three months ended June 30, 2016 and are reported as follows: $(4) million in realized capital gains and losses, $4 million in net investment income, $(7) million in interest credited to contractholder funds and $14 million in contract benefits. These gains and losses total $12 million for the six months ended June 30, 2017 and are reported as follows: $3 million in realized capital gains and losses, $7 million in net investment income, $(6) million in interest credited to contractholder funds and $8 million in contract benefits. These gains and losses total $(23) million for the six months ended June 30, 2016 and are reported as follows: $(22) million in realized capital gains and losses, $7 million in net investment income, $(6) million in interest credited to contractholder funds and $(2) million in contract benefits.

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

Financial assets

($ in millions)	June 30, 2017		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage loans	$ 3,793	$ 3,920	$ 3,938	$ 3,963
Cost method limited partnerships	583	683	591	681
Bank loans	478	479	467	467
Agent loans	499	495	467	467
Notes due from related party	—	—	325	325

The fair value of mortgage loans is based on discounted contractual cash flows or, if the loans are impaired due to credit reasons, the fair value of collateral less costs to sell. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar types of properties as collateral. The fair value of cost method limited partnerships is determined using reported net asset values. The fair value of bank loans, which are reported in other investments, is based on broker quotes from brokers familiar with the loans and current market conditions. The fair value of agent loans, which are reported in other investments, is based on discounted cash flow calculations. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics. As of December 31, 2016, the fair value of notes due from related party, which were reported in other investments, was based on discounted cash flow calculations using current interest rates for instruments with comparable terms. Since the notes could be

called at par value, their fair value was not greater than par value. 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)	June 30, 2017		December 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Contractholder funds on investment contracts	$ 10,810	$ 11,405	$ 11,276	$ 11,972
Liability for collateral	529	529	550	550
Notes due to related parties	140	143	465	465

The fair value of contractholder funds on investment contracts is based on the terms of the underlying contracts incorporating current market-based crediting rates for similar contracts that reflect the Company's own credit risk. Deferred annuities classified in contractholder funds are valued based on discounted cash flow models that incorporate current market-based margins and reflect the Company's own credit risk. Immediate annuities without life contingencies are valued based on discounted cash flow models that incorporate current market-based implied interest rates and reflect the Company's own credit risk. The fair value measurement for contractholder funds on investment contracts is categorized as Level 3.

The liability for collateral is valued at carrying value due to its short-term nature. The fair value measurement for liability for collateral is categorized as Level 2. Notes due to related parties comprise agent loan collateralized notes. The fair value of agent loan collateralized notes due to related parties is based on discounted cash flow calculations using current interest rates for instruments with comparable terms and considers the Corporation's credit risk. Notes due to related parties also included surplus notes as of December 31, 2016. The fair value of surplus notes due to related parties was based on discounted cash flow calculations using current interest rates for instruments with comparable terms and considered the Company's own credit risk. Since the surplus notes could be called at par value, their fair value was not greater than par value. The fair value measurement for notes due to related parties is 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 replication refers to the "synthetic" creation of assets through the use of derivatives. The Company replicates fixed income securities using a combination of a credit default swap or a foreign currency forward contract and one or more highly rated fixed income securities, primarily investment grade host bonds, to synthetically replicate the economic characteristics of one or more cash market securities. The Company replicates equity securities using futures and options to increase equity exposure.

The Company utilizes several derivative strategies to manage risk. 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. Credit default swaps are typically used to mitigate the credit risk within the Company's fixed income portfolio. Futures and options are used for hedging the equity exposure contained in the Company's equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, the Company uses equity index futures and options to offset valuation losses in the equity portfolio during periods of declining equity market values. Foreign currency swaps and forwards are primarily used by the Company to reduce the foreign currency risk associated with holding foreign currency denominated investments.

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.

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 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 June 30, 2017, the Company pledged $12 million in the form of margin deposits.

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

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

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Condensed Consolidated Statement of Financial Position as of June 30, 2017.

($ 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 not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	$ 22	n/a	$ —	$ —	$ —
Equity and index contracts						
Options	Other investments	180	4,857	100	101	(1)
Credit default contracts						
Credit default swaps – buying protection	Other investments	3	n/a	—	—	—
Credit default swaps – selling protection	Other investments	80	n/a	1	1	—
Other contracts						
Other contracts	Other assets	3	n/a	—	—	—
Total asset derivatives		$ 288	4,857	$ 101	$ 102	$ (1)
Liability derivatives						
Derivatives designated as accounting hedging instruments						
Foreign currency swap agreements	Other liabilities & accrued expenses	$ 49	n/a	$ 2	$ 2	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other liabilities & accrued expenses	37	n/a	1	1	—
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	—	4,870	(38)	—	(38)
Foreign currency contracts						
Foreign currency forwards	Other liabilities & accrued expenses	241	n/a	(4)	1	(5)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	246	n/a	(28)	—	(28)
Guaranteed withdrawal benefits	Contractholder funds	282	n/a	(7)	—	(7)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,729	n/a	(249)	—	(249)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	24	n/a	(2)	—	(2)
Credit default swaps – selling protection	Other liabilities & accrued expenses	101	n/a	—	—	—
Subtotal		2,660	4,870	(327)	2	(329)
Total liability derivatives		2,709	4,870	(325)	$ 4	$ (329)
Total derivatives		$ 2,997	9,727	$ (224)		

[1] Volume for OTC and cleared 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, 2016.

($ 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	$ 49	n/a	$ 5	$ 5	$ —
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate cap agreements	Other investments	65	n/a	1	1	—
Equity and index contracts						
Options	Other investments	—	3,917	87	87	—
Financial futures contracts	Other assets	—	6	—	—	—
Foreign currency contracts						
Foreign currency forwards	Other investments	173	n/a	7	8	(1)
Credit default contracts						
Credit default swaps – buying protection	Other investments	25	n/a	(1)	—	(1)
Credit default swaps – selling protection	Other investments	80	n/a	1	1	—
Other contracts						
Other contracts	Other assets	3	n/a	1	1	—
Subtotal		346	3,923	96	98	(2)
Total asset derivatives		$ 395	3,923	$ 101	$ 103	$ (2)
Liability derivatives						
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	$ —	3,928	$ (37)	$ —	$ (37)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	391	n/a	(34)	—	(34)
Guaranteed withdrawal benefits	Contractholder funds	290	n/a	(9)	—	(9)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	1,737	n/a	(246)	—	(246)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	6	n/a	—	—	—
Credit default swaps – selling protection	Other liabilities & accrued expenses	100	n/a	(3)	—	(3)
Subtotal		2,524	3,928	(329)	—	(329)
Total liability derivatives		2,524	3,928	(329)	$ —	$ (329)
Total derivatives		$ 2,919	7,851	$ (228)		

[1] Volume for OTC and cleared 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
June 30, 2017						
Asset derivatives	$ 7	$ (5)	$ (1)	$ 1	$ —	$ 1
Liability derivatives	(8)	5	(3)	(6)	3	(3)
December 31, 2016						
Asset derivatives	$ 14	$ (2)	$ (4)	$ 8	$ (1)	$ 7
Liability derivatives	(5)	2	—	(3)	4	1

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 and six months ended June 30, 2017 or 2016.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Gain (loss) recognized in OCI on derivatives during the period	$ —	$ 1	$ (2)	$ (2)
Gain recognized in OCI on derivatives during the term of the hedging relationship	3	5	3	5
Gain reclassified from AOCI into income (realized capital gains and losses)	—	3	—	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 and six months ended June 30, 2017 and 2016, 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	Total gain (loss) recognized in net income on derivatives
Three months ended June 30, 2017				
Equity and index contracts	$ —	$ —	$ 9	$ 9
Embedded derivative financial instruments	—	1	—	1
Foreign currency contracts	(5)	—	—	(5)
Credit default contracts	1	—	—	1
Total	$ (4)	$ 1	$ 9	$ 6
Six months ended June 30, 2017				
Equity and index contracts	$ (2)	$ —	$ 22	$ 20
Embedded derivative financial instruments	—	8	(4)	4
Foreign currency contracts	(9)	—	—	(9)
Credit default contracts	2	—	—	2
Total	$ (9)	$ 8	$ 18	$ 17
Three months ended June 30, 2016				
Interest rate contracts	$ (1)	$ —	$ —	$ (1)
Equity and index contracts	(1)	—	2	1
Embedded derivative financial instruments	—	14	(5)	9
Foreign currency contracts	3	—	—	3
Total	$ 1	$ 14	$ (3)	$ 12
Six months ended June 30, 2016				
Interest rate contracts	$ (1)	$ —	$ —	$ (1)
Equity and index contracts	(1)	—	(5)	(6)
Embedded derivative financial instruments	—	(2)	(3)	(5)
Foreign currency contracts	(1)	—	—	(1)
Credit default contracts	(1)	—	—	(1)
Total	$ (4)	$ (2)	$ (8)	$ (14)

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 June 30, 2017, counterparties pledged $4 million in cash to the Company, and the Company pledged $3 million in cash and securities to counterparties which includes $2 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position and $1 million of collateral posted under MNAs for contracts without credit-risk-contingent features. 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)	June 30, 2017				December 31, 2016			
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+	4	$ 250	$ 4	$ —	5	$ 312	$ 12	$ 9

[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)	June 30, 2017	December 31, 2016
Gross liability fair value of contracts containing credit-risk-contingent features	$ 7	$ 2
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	(2)	—
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	$ 3	$ —

Credit derivatives - selling protection

A credit default swap ("CDS") 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
June 30, 2017						
Single name						
Corporate debt	$ —	$ —	$ —	$ 1	$ 1	$ —
First-to-default Basket						
Municipal	—	—	100	—	100	—
Index						
Corporate debt	1	17	49	13	80	1
Total	$ 1	$ 17	$ 149	$ 14	$ 181	$ 1
December 31, 2016						
First-to-default Basket						
Municipal	$ —	$ —	$ 100	$ —	$ 100	$ (3)
Index						
Corporate debt	1	19	50	10	80	1
Total	$ 1	$ 19	$ 150	$ 10	$ 180	$ (2)

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Direct	$ 183	$ 177	$ 363	$ 354
Assumed				
Affiliate	55	35	108	69
Non-affiliate	193	202	391	405
Ceded				
Affiliate	(13)	(13)	(26)	(26)
Non-affiliate	(71)	(74)	(141)	(144)
Premiums and contract charges, net of reinsurance	$ 347	$ 327	$ 695	$ 658

The effects of reinsurance on contract benefits are as follows:

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Direct	$ 257	$ 257	$ 516	$ 513
Assumed				
Affiliate	34	20	63	41
Non-affiliate	147	145	263	278
Ceded				
Affiliate	(8)	(9)	(16)	(18)
Non-affiliate	(66)	(72)	(108)	(135)
Contract benefits, net of reinsurance	$ 364	$ 341	$ 718	$ 679

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

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Direct	$ 140	$ 154	$ 276	$ 315
Assumed				
Affiliate	2	2	4	4
Non-affiliate	31	27	64	52
Ceded				
Affiliate	(6)	(5)	(11)	(10)
Non-affiliate	(6)	(6)	(11)	(11)
Interest credited to contractholder funds, net of reinsurance	$ 161	$ 172	$ 322	$ 350

7. Guarantees and Contingent Liabilities

Guarantees

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 June 30, 2017.

Regulation and Compliance

The Company is subject to extensive laws, regulations and regulatory actions. 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 Regulatory Authority, the Department of Labor, 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.

In June 2017, the Company entered into a Global Resolution Agreement ("GRA") to resolve the unclaimed property examination that a third-party auditor conducted of the Company on behalf of participating state treasurers. The GRA will not become effective until at least two-thirds of the participating states become signatory states. Under the terms of the GRA, the Company denied any wrongdoing. Pursuant to the GRA, the third-party auditor acting on behalf of the signatory states will compare matching criteria, including the Social Security Death Master File, to identify deceased insureds and contract holders where a valid claim has not been made. The Company had already implemented broad search procedures in order to identify potential claims, and as a result, it is not anticipated the auditor will identify a significant number of potential claims not already identified by the Company. The Company continues to be examined by certain state insurance departments 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 June 30,					
	2017			2016		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 178	$ (62)	$ 116	$ 351	$ (123)	$ 228
Less: reclassification adjustment of realized capital gains and losses	(3)	1	(2)	(8)	3	(5)
Unrealized net capital gains and losses	181	(63)	118	359	(126)	233
Unrealized foreign currency translation adjustments	—	—	—	9	(3)	6
Other comprehensive income	$ 181	$ (63)	$ 118	$ 368	$ (129)	$ 239

	Six months ended June 30,					
	2017			2016		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 281	$ (99)	$ 182	$ 674	$ (236)	$ 438
Less: reclassification adjustment of realized capital gains and losses	(1)	—	(1)	(55)	19	(36)
Unrealized net capital gains and losses	282	(99)	183	729	(255)	474
Unrealized foreign currency translation adjustments	(5)	2	(3)	6	(2)	4
Other comprehensive income	$ 277	$ (97)	$ 180	$ 735	$ (257)	$ 478

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 June 30, 2017, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, and of shareholder's equity and cash flows for the six-month periods ended June 30, 2017 and 2016. 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, 2016, 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 February 24, 2017, 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, 2016 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
August 3, 2017

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

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 2016. 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 $120 million and $206 million in the second quarter and first six months of 2017, respectively, compared to $94 million and $146 million in the second quarter and first six months of 2016, respectively.
- Premiums and contract charges totaled $347 million in the second quarter of 2017, an increase of 6.1% from $327 million in the second quarter of 2016, and $695 million in the first six months of 2017, an increase of 5.6% from $658 million in the first six months of 2016.
- Investments totaled $34.30 billion as of June 30, 2017, reflecting a decrease of $769 million from $35.07 billion as of December 31, 2016. Net investment income increased 13.7% to $473 million in the second quarter of 2017 and 7.5% to $877 million in the first six months of 2017 from $416 million and $816 million in the second quarter and first six months of 2016, respectively.
- Net realized capital losses totaled $4 million and $5 million in the second quarter and first six months of 2017, respectively, compared to $1 million and $47 million in the second quarter and first six months of 2016, respectively.
- Contractholder funds totaled $19.01 billion as of June 30, 2017, reflecting a decrease of $457 million from $19.47 billion as of December 31, 2016.
- Effective January 1, 2017, ALIC entered into a coinsurance reinsurance agreement with Allstate Assurance Company ("AAC") to assume certain term life insurance policies. This business generated approximately $16 million of premiums and $9 million of contract benefits in fourth quarter 2016.

OPERATIONS

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

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues				
Premiums	$ 170	$ 147	$ 339	$ 296
Contract charges	177	180	356	362
Net investment income	473	416	877	816
Realized capital gains and losses	(4)	(1)	(5)	(47)
Total revenues	816	742	1,567	1,427
Costs and expenses				
Contract benefits	(364)	(341)	(718)	(679)
Interest credited to contractholder funds	(161)	(172)	(322)	(350)
Amortization of deferred policy acquisition costs (“DAC”)	(43)	(37)	(84)	(74)
Operating costs and expenses	(68)	(52)	(137)	(108)
Restructuring and related charges	—	(1)	—	(1)
Interest expense	(2)	(3)	(3)	(7)
Total costs and expenses	(638)	(606)	(1,264)	(1,219)
Gain on disposition of operations	2	1	4	3
Income tax expense	(60)	(43)	(101)	(65)
Net income	$ 120	$ 94	$ 206	$ 146
Investments as of June 30			$ 34,298	$ 35,888

Net income was $120 million in the second quarter of 2017 compared to $94 million in the second quarter of 2016. The increase was primarily due to higher net investment income, higher premiums and lower interest credited to contractholder funds, partially offset by higher contract benefits and operating costs and expenses. Net income was $206 million in the first six months of 2017 compared to $146 million in the first six months of 2016. The increase was primarily due to higher net investment income, higher premiums, lower net realized capital losses and lower interest credited to contractholder funds, partially offset by higher contract benefits and operating costs and expenses.

Analysis of revenues Total revenues increased 10.0% or $74 million in the second quarter of 2017 compared to the second quarter of 2016, primarily due to higher net investment income and premiums. Total revenues increased 9.8% or $140 million in the first six months of 2017 compared to the first six months of 2016, primarily due to higher net investment income, higher premiums and lower net realized capital losses.

Premiums represent revenues generated from traditional life insurance, accident and health insurance, and immediate annuities with life contingencies 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Underwritten products				
Traditional life insurance premiums	$ 143	$ 125	$ 286	$ 251
Accident and health insurance premiums	27	22	53	45
Interest-sensitive life insurance contract charges	174	177	350	356
Subtotal	344	324	689	652
Annuities				
Fixed annuity contract charges	3	3	6	6
Premiums and contract charges [1]	$ 347	$ 327	$ 695	$ 658

[1] Contract charges related to the cost of insurance totaled $124 million for both the second quarter of 2017 and 2016 and $249 million for both the first six months of 2017 and 2016.

Premiums and contract charges increased 6.1% or $20 million in the second quarter of 2017 and 5.6% or $37 million in the first six months of 2017 compared to the same periods of 2016, primarily due to higher traditional life premiums related to the reinsurance agreement with AAC effective January 1, 2017.

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Contractholder funds, beginning balance	$ 19,248	$ 20,329	$ 19,470	$ 20,542
Deposits				
Interest-sensitive life insurance	222	230	452	469
Fixed annuities	6	11	17	21
Total deposits	228	241	469	490
Interest credited	160	171	320	348
Benefits, withdrawals, maturities and other adjustments				
Benefits	(225)	(221)	(453)	(468)
Surrenders and partial withdrawals	(237)	(288)	(479)	(524)
Contract charges	(163)	(165)	(327)	(332)
Net transfers from separate accounts	2	1	3	2
Other adjustments [1]	—	5	10	15
Total benefits, withdrawals, maturities and other adjustments	(623)	(668)	(1,246)	(1,307)
Contractholder funds, ending balance	$ 19,013	$ 20,073	$ 19,013	$ 20,073

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

Contractholder funds decreased 1.2% and 2.3% in the second quarter and first six months of 2017, respectively, primarily due to the continued runoff of our deferred fixed annuity business. We exited the continuing sale of annuities over an eight year period from 2006 to 2014, but still accept additional deposits on existing contracts.

Contractholder deposits decreased 5.4% and 4.3% in the second quarter and first six months of 2017, respectively, compared to the same periods of 2016, primarily due to lower deposits on interest-sensitive life insurance and lower additional deposits on fixed annuities.

Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products decreased 17.7% to $237 million in the second quarter of 2017 and 8.6% to $479 million in the first six months of 2017 from $288 million and $524 million in the second quarter and first six months of 2016, respectively. 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 6.2% in the first six months of 2017 compared to 6.4% in the first six months of 2016.

Analysis of costs and expenses Total costs and expenses increased 5.3% or $32 million in the second quarter of 2017 and 3.7% or $45 million in the first six months of 2017 compared to the same periods of 2016, primarily due to higher contract benefits and operating costs and expenses, partially offset by lower interest credited to contractholder funds.

Contract benefits increased 6.7% or $23 million in the second quarter of 2017 and 5.7% or $39 million in the first six months of 2017 compared to the same periods of 2016, primarily due to higher life insurance mortality experience and an increase related to the reinsurance agreement with AAC effective January 1, 2017.

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 $127 million and $252 million in the second quarter and first six months of 2017, respectively, compared to $129 million and $257 million in the second quarter and first six months of 2016, respectively.

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

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2017	**2016**	**2017**	**2016**
Life insurance	$ 74	$ 73	$ 143	$ 143
Accident and health insurance	11	11	22	22
Annuities	(28)	(25)	(43)	(42)
Total benefit spread	$ 57	$ 59	$ 122	$ 123

Interest credited to contractholder funds decreased 6.4% or $11 million in the second quarter of 2017 and 8.0% or $28 million in the first six months of 2017 compared to the same periods of 2016, primarily due to lower average contractholder funds. Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by $1 million in both the second quarter and first six months of 2017 compared to increases of $6 million and $12 million in the second quarter and first six months of 2016, respectively.

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 June 30,**		**Six months ended June 30,**	
	2017	**2016**	**2017**	**2016**
Annuities and institutional products	$ 93	$ 35	$ 121	$ 51
Life insurance	32	30	62	65
Accident and health insurance	2	2	3	3
Net investment income on investments supporting capital	59	54	118	102
Investment spread before valuation changes on embedded derivatives that are not hedged	186	121	304	221
Valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged	(1)	(6)	(1)	(12)
Total investment spread	$ 185	$ 115	$ 303	$ 209

Investment spread before valuation changes on embedded derivatives that are not hedged increased 53.7% or $65 million in the second quarter of 2017 and 37.6% or $83 million in the first six months of 2017 compared to the same periods of 2016, primarily due to higher net investment income and lower credited interest.

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

	Three months ended June 30,					
	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2017	2016	2017	2016	2017	2016
Interest-sensitive life insurance	5.2%	5.0%	3.8%	3.9%	1.4%	1.1%
Deferred fixed annuities and institutional products	4.2	4.2	2.8	2.8	1.4	1.4
Immediate fixed annuities with and without life contingencies	8.9	6.5	6.0	5.9	2.9	0.6
Investments supporting capital, traditional life and other products	3.9	3.8	n/a	n/a	n/a	n/a

	Six months ended June 30,					
	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2017	2016	2017	2016	2017	2016
Interest-sensitive life insurance	5.1%	5.1%	3.8%	3.9%	1.3%	1.2%
Deferred fixed annuities and institutional products	4.3	4.1	2.8	2.8	1.5	1.3
Immediate fixed annuities with and without life contingencies	7.6	6.3	6.0	5.9	1.6	0.4
Investments supporting capital, traditional life and other products	3.8	3.7	n/a	n/a	n/a	n/a

The following table summarizes our product liabilities.

($ in millions)	June 30,	
	2017	2016
Immediate fixed annuities with life contingencies	$ 8,574	$ 8,650
Other life contingent contracts and other	2,752	2,690
Reserve for life-contingent contract benefits	$ 11,326	$ 11,340
Interest-sensitive life insurance	$ 7,334	$ 7,283
Deferred fixed annuities	8,486	9,284
Immediate fixed annuities without life contingencies	2,790	2,997
Institutional products	—	85
Other	403	424
Contractholder funds	$ 19,013	$ 20,073

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

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
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	$ 34	$ 76	$ 70
Amortization relating to realized capital gains and losses [(1)] and valuation changes on embedded derivatives that are not hedged	4	3	8	4
Amortization acceleration for changes in assumptions ("DAC unlocking")	—	—	—	—
Total amortization of DAC	$ 43	$ 37	$ 84	$ 74

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

Amortization of DAC increased 16.2% or $6 million in the second quarter of 2017 and 13.5% or $10 million in the first six months of 2017 compared to the same periods of 2016. The increase in both periods relates to higher gross profits and net realized capital gains on interest-sensitive life insurance.

Operating costs and expenses increased 30.8% or $16 million in the second quarter of 2017 and 26.9% or $29 million in the first six months of 2017 compared to the same periods of 2016. The following table summarizes operating costs and expenses.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Non-deferrable commissions	$ 3	$ 5	$ 7	$ 12
General and administrative expenses	65	47	130	96
Total operating costs and expenses	$ 68	$ 52	$ 137	$ 108

General and administrative expenses increased 38.3% or $18 million in the second quarter of 2017 and 35.4% or $34 million in the first six months of 2017 compared to the same periods of 2016, primarily due to higher operating costs related to the reinsurance agreement with AAC effective January 1, 2017 and higher guaranty fund expenses. The second quarter 2016 period included a reduction in the accrual for anticipated guaranty fund expenses.

In April 2016, the U.S. Department of Labor ("DOL") issued a rule expanding the range of activities considered to be "investment advice" and establishing a new framework for determining whether an entity or person is a "fiduciary" when selling mutual funds, variable and indexed annuities, or variable life products in connection with an Individual Retirement Account ("IRA") or an employee benefit plan covered under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Allstate Life Group does not currently sell proprietary annuities or proprietary variable life products in connection with IRAs or employee benefit plans covered under ERISA. Products that we previously offered and continue to have in force, such as indexed annuities, are impacted by the rule. Compliance with the regulation may add costs and may impact producer compensation and processes. The financial impact to The Allstate Life Group is expected to be immaterial. The phased implementation of the rule began June 9, 2017, with full compliance currently required by January 1, 2018. The DOL is engaging in analysis of the issues raised by the President of the United States directing the DOL to examine the fiduciary duty rule to determine whether it may adversely affect investors or retirees or adversely affect the ability of Americans to gain access to retirement information and financial advice. The DOL has issued a Request For Information to assist the DOL in assessing the impact. It is yet to be determined whether any other action, including changes to the rule's requirements, will result from the DOL's continued examination of the rule. In addition, the new Securities and Exchange Commission Chairman has pledged to work with the DOL Secretary on a fiduciary rule.

INVESTMENTS

Portfolio composition The composition of the investment portfolio as of June 30, 2017 is presented in the following table.

($ in millions)		Percent to total
Fixed income securities [1]	$ 23,651	69.0%
Mortgage loans	3,793	11.0
Equity securities [2]	1,617	4.7
Limited partnership interests [3]	2,946	8.6
Short-term investments [4]	505	1.5
Policy loans	555	1.6
Other	1,231	3.6
Total	$ 34,298	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $22.32 billion.

(2) Equity securities are carried at fair value. Cost basis for these securities was $1.42 billion.

(3) We have commitments to invest in additional limited partnership interests totaling $1.41 billion.

(4) Short-term investments are carried at fair value.

Investments totaled $34.30 billion as of June 30, 2017, decreasing from $35.07 billion as of December 31, 2016, primarily due to dividends paid to Allstate Insurance Company ("AIC") and net reductions in contractholder funds, partially offset by higher fixed income and equity valuations and positive operating cash flows.

Portfolio composition by investment strategy

We utilize two primary strategies to manage risks and returns and to position our portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. As strategies and market conditions evolve, the asset allocation may change or assets may be moved between strategies.

Market-Based strategies include investments primarily in public fixed income and equity securities. *Market-Based Core* seeks to deliver predictable earnings aligned to business needs and returns consistent with the markets in which we invest. Private fixed income assets, such as commercial mortgages, bank loans and privately placed debt that provide liquidity premiums are also included in this category. *Market-Based Active* seeks to outperform within the public markets through tactical positioning and by taking advantage of short-term opportunities. This category may generate results that meaningfully deviate from those achieved by market indices, both favorably and unfavorably.

Performance-Based strategy seeks to deliver attractive risk-adjusted returns and supplement market risk with idiosyncratic risk. Returns are impacted by a variety of factors including general macroeconomic and public market conditions as public benchmarks are often used in the valuation of underlying investments. Variability in earnings will also result from the performance of the underlying assets or business and the timing of sales of those investments. Earnings from the sales of investments may be recorded as net investment income or realized capital gains and losses. The portfolio, which primarily includes private equity, real estate, infrastructure and agriculture-related assets, is diversified across a number of characteristics, including managers or partners, vintage years, strategies, geographies (including international) and industry sectors or property types. These investments are generally illiquid in nature, often require specialized expertise, typically involve a third party manager, and often enhance returns and income through transformation at the company or property level. A portion of these investments seek returns in markets or asset classes that are dislocated or special situations, primarily in private markets.

The following table presents the investment portfolio by strategy as of June 30, 2017.

($ in millions)	Total	Market-Based Core	Market-Based Active	Performance-Based
Fixed income securities	$ 23,651	$ 22,681	$ 965	$ 5
Mortgage loans	3,793	3,793	—	—
Equity securities	1,617	1,366	206	45
Limited partnership interests	2,946	191	—	2,755
Short-term investments	505	461	44	—
Policy loans	555	555	—	—
Other	1,231	1,066	3	162
Total	$ 34,298	$ 30,113	$ 1,218	$ 2,967
% of total		88%	3%	9%
Unrealized net capital gains and losses				
Fixed income securities	$ 1,327	$ 1,318	$ 9	$ —
Equity securities	198	188	6	4
Other	3	3	—	—
Total	$ 1,528	$ 1,509	$ 15	$ 4

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

($ in millions)	Fair value as of June 30, 2017	Fair value as of December 31, 2016
U.S. government and agencies	$ 653	$ 1,014
Municipal	2,270	2,274
Corporate	19,574	19,681
Foreign government	312	332
Asset-backed securities ("ABS")	403	331
Residential mortgage-backed securities ("RMBS")	285	333
Commercial mortgage-backed securities ("CMBS")	139	241
Redeemable preferred stock	15	16
Total fixed income securities	$ 23,651	$ 24,222

Fixed income securities are rated by third party credit rating agencies and/or are internally rated. As of June 30, 2017, 87.0% 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 S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third party rating. 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 quality as of June 30, 2017.

($ 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	$ 653	$ 44	$ —	$ —	$ 653	$ 44
Municipal	2,237	269	33	1	2,270	270
Corporate						
Public	11,812	572	1,663	54	13,475	626
Privately placed	5,086	279	1,013	30	6,099	309
Foreign government	312	26	—	—	312	26
ABS						
Collateralized debt obligations ("CDO")	46	(6)	17	4	63	(2)
Consumer and other asset-backed securities ("Consumer and other ABS")	339	—	1	—	340	—
RMBS						
U.S. government sponsored entities ("U.S. Agency")	50	3	—	—	50	3
Non-agency	12	—	223	43	235	43
CMBS	26	—	113	6	139	6
Redeemable preferred stock	15	2	—	—	15	2
Total fixed income securities	$ 20,588	$ 1,189	$ 3,063	$ 138	$ 23,651	$ 1,327

Municipal bonds totaled $2.27 billion as of June 30, 2017 with an unrealized net capital gain of $270 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 $19.57 billion as of June 30, 2017, with an unrealized net capital gain of $935 million. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form.

ABS, including CDO and Consumer and other ABS, totaled $403 million as of June 30, 2017, with 95.5% rated investment grade and an unrealized net capital loss of $2 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 $63 million as of June 30, 2017, with 73.0% rated investment grade. 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 $340 million as of June 30, 2017, with 99.7% rated investment grade.

RMBS totaled $285 million as of June 30, 2017, with 21.8% rated investment grade and an unrealized net capital gain of $46 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 $235 million as of June 30, 2017, with 5.1% rated investment grade and an unrealized net capital gain of $43 million.

CMBS totaled $139 million as of June 30, 2017, with 18.7% rated investment grade and an unrealized net capital gain of $6 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 $3.79 billion as of June 30, 2017 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.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. The equity securities portfolio was $1.62 billion as of June 30, 2017, with an unrealized net capital gain of $198 million.

Limited partnership interests include interests in private equity funds and co-investments, real estate funds and joint ventures, and other funds. The following table presents carrying value and other information about our limited partnership interests as of June 30, 2017.

($ in millions)	Private equity	Real estate	Other	Total
Cost method of accounting (“Cost”)	$ 520	$ 48	$ 15	$ 583
Equity method of accounting (“EMA”)	1,824	363	176	2,363
Total	$ 2,344	$ 411	$ 191	$ 2,946
Number of managers	128	25	4	157
Number of individual investments	230	51	4	285
Largest exposure to single investment	$ 136	$ 41	$ 86	$ 136

Unrealized net capital gains totaled $1.53 billion as of June 30, 2017 compared to $1.20 billion as of December 31, 2016. The increase for fixed income securities was primarily due to a decrease in market yields resulting from tighter credit spreads and a decrease in long-term risk-free interest rates. The increase for equity securities was primarily due to favorable equity market performance.

The following table presents unrealized net capital gains and losses.

($ in millions)	June 30, 2017	December 31, 2016
U.S. government and agencies	$ 44	$ 46
Municipal	270	257
Corporate	935	736
Foreign government	26	28
ABS	(2)	(6)
RMBS	46	39
CMBS	6	8
Redeemable preferred stock	2	2
Fixed income securities	1,327	1,110
Equity securities	198	82
Derivatives	3	5
EMA limited partnerships	—	(2)
Unrealized net capital gains and losses, pre-tax	$ 1,528	$ 1,195

The unrealized net capital gain for the fixed income portfolio totaled $1.33 billion, comprised of $1.43 billion of gross unrealized gains and $102 million of gross unrealized losses as of June 30, 2017. This is compared to an unrealized net capital gain for the fixed income portfolio totaling $1.11 billion, comprised of $1.31 billion of gross unrealized gains and $200 million of gross unrealized losses as of December 31, 2016.

Gross unrealized gains and losses on fixed income securities by type and sector as of June 30, 2017 are provided in the following table.

($ in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
Corporate:				
Consumer goods (cyclical and non-cyclical)	$ 5,265	$ 216	$ (17)	$ 5,464
Utilities	3,527	327	(17)	3,837
Banking	891	22	(16)	897
Capital goods	2,223	92	(10)	2,305
Energy	1,164	71	(5)	1,230
Communications	1,406	65	(5)	1,466
Financial services	1,044	65	(3)	1,106
Basic industry	949	48	(3)	994
Transportation	892	68	(2)	958
Technology	1,085	33	(2)	1,116
Other	193	8	—	201
Total corporate fixed income portfolio	18,639	1,015	(80)	19,574
U.S. government and agencies	609	45	(1)	653
Municipal	2,000	275	(5)	2,270
Foreign government	286	26	—	312
ABS	405	6	(8)	403
RMBS	239	47	(1)	285
CMBS	133	13	(7)	139
Redeemable preferred stock	13	2	—	15
Total fixed income securities	$ 22,324	$ 1,429	$ (102)	$ 23,651

The consumer goods, utilities and capital goods sectors comprise 28%, 20% and 12%, respectively, of the carrying value of our corporate fixed income securities portfolio as of June 30, 2017. The consumer goods, utilities and banking sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of June 30, 2017. In general, the gross unrealized losses are related to an increase in market yields which may include increased risk-free interest rates and/or wider credit spreads since the time of initial purchase. Similarly, gross unrealized gains reflect a decrease in market yields since the time of initial purchase.

The unrealized net capital gain for the equity portfolio totaled $198 million, comprised of $216 million of gross unrealized gains and $18 million of gross unrealized losses as of June 30, 2017. This is compared to an unrealized net capital gain for the equity portfolio totaling $82 million, comprised of $117 million of gross unrealized gains and $35 million of gross unrealized losses as of December 31, 2016.

Net investment income The following table presents net investment income.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Fixed income securities	$ 269	$ 274	$ 537	$ 544
Mortgage loans	45	47	94	94
Equity securities	14	14	29	21
Limited partnership interests	135	66	200	129
Short-term investments	2	1	3	3
Policy loans	7	8	15	16
Other	21	23	40	44
Investment income, before expense	493	433	918	851
Investment expense	(20)	(17)	(41)	(35)
Net investment income	$ 473	$ 416	$ 877	$ 816
Market-Based Core	$ 343	$ 353	$ 685	$ 697
Market-Based Active	9	9	19	16
Performance-Based	141	71	214	138
Investment income, before expense	$ 493	$ 433	$ 918	$ 851

Net investment income increased 13.7% or $57 million in the second quarter of 2017 and 7.5% or $61 million in the first six months of 2017 compared to the same periods of 2016, primarily due to higher limited partnership income, including private equity value appreciation and distributions related to the sales of underlying investments. The investment portfolio supporting our immediate annuities is managed to ensure the assets match the characteristics of the liabilities and provide the long-term returns needed to support this business. To better match the long-term nature of our immediate annuities, we continue to increase performance-based investments in which we have ownership interests and a greater proportion of return is derived from idiosyncratic asset or operating performance. Economic conditions and equity market performance are reflected in performance-based investment results and income could vary significantly between periods.

Performance-based investments primarily include private equity, real estate, infrastructure and agriculture-related assets with a majority being limited partnerships. The following table presents investment income for performance-based investments.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Limited partnerships				
Private equity [1]	$ 104	$ 61	$ 161	$ 113
Real estate	30	4	37	14
Agriculture-related	1	1	2	2
Performance-based - limited partnerships	135	66	200	129
Non-limited partnerships				
Private equity	2	1	6	2
Real estate	4	4	8	7
Agriculture-related	—	—	—	—
Performance-based - non-limited partnerships	6	5	14	9
Total				
Private equity	106	62	167	115
Real estate	34	8	45	21
Agriculture-related	1	1	2	2
Total performance-based	$ 141	$ 71	$ 214	$ 138
Investee level expenses [2]	$ (4)	$ (4)	$ (8)	$ (7)

[1] Includes infrastructure.

[2] Investee level expenses include depreciation and asset level operating expenses reported in investment expense. When calculating the pre-tax yields, investee level expenses are netted against income for directly held real estate and other consolidated investments.

Performance-based investment income increased 98.6% or $70 million in the second quarter of 2017 and 55.1% or $76 million in the first six months of 2017 compared to the same periods of 2016. The increase in both periods reflects the continued growth of our performance-based strategy and included private equity value appreciation and distributions related to the sales of underlying investments.

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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Impairment write-downs				
Fixed income securities	$ (4)	$ (2)	$ (13)	$ (12)
Equity securities	(4)	(13)	(11)	(35)
Limited partnership interests	(4)	(3)	(7)	6
Other investments	—	—	(2)	(1)
Total impairment write-downs	(12)	(18)	(33)	(42)
Change in intent write-downs	(1)	(4)	(4)	(7)
Net other-than-temporary impairment losses recognized in earnings	(13)	(22)	(37)	(49)
Sales and other	13	20	41	6
Valuation and settlements of derivative instruments	(4)	1	(9)	(4)
Realized capital gains and losses, pre-tax	(4)	(1)	(5)	(47)
Income tax benefit	1	1	1	17
Realized capital gains and losses, after-tax	$ (3)	$ —	$ (4)	$ (30)
Market-Based Core	$ (1)	$ 2	$ —	$ (36)
Market-Based Active	6	5	10	—
Performance-Based	(9)	(8)	(15)	(11)
Realized capital gains and losses, pre-tax	$ (4)	$ (1)	$ (5)	$ (47)

Impairment write-downs totaled $12 million and $33 million in the three and six months ended June 30, 2017. Write-downs on fixed income securities primarily related to issuer specific circumstances. Equity securities were written down due to the length of time and extent to which fair value was below cost, considering our assessment of the financial condition and prospects of the issuer, including relevant industry conditions and trends. Limited partnership write-downs primarily related to private equity investments.

Change in intent write-downs totaled $1 million and $4 million in the three and six months ended June 30, 2017, respectively, and primarily relate to $415 million of equity securities as of June 30, 2017 that we may not hold for a period of time sufficient to recover unrealized losses given our preference to maintain flexibility to reposition the portfolio.

Sales and other generated $13 million and $41 million of net realized capital gains in the three and six months ended June 30, 2017. Sales and other primarily included gains from valuation changes in public securities held in certain limited partnerships, as well as sales of equity securities in connection with ongoing portfolio management.

Valuation and settlements of derivative instruments generated net realized capital losses of $4 million and $9 million for the three and six months ended June 30, 2017, primarily comprised of losses on foreign currency contracts due to the weakening of the U.S. Dollar.

The following table presents realized capital gains and losses for performance-based investments.

($ in millions)	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
Limited partnerships								
Private equity	$	(5)	$	(6)	$	(9)	$	3
Real estate		2		2		3		2
Agriculture-related		—		—		—		—
Performance-based - limited partnerships [(1)]		(3)		(4)		(6)		5
Non-limited partnerships								
Private equity		(6)		(4)		(9)		(17)
Real estate		—		—		—		1
Agriculture-related		—		—		—		—
Performance-based - non-limited partnerships		(6)		(4)		(9)		(16)
Total								
Private equity		(11)		(10)		(18)		(14)
Real estate		2		2		3		3
Agriculture-related		—		—		—		—
Total performance-based	$	(9)	$	(8)	$	(15)	$	(11)

(1) Other limited partnership interests are located in the market-based core and are not included in the table above. Realized capital gains and losses were $13 million and $4 million in the second quarter of 2017 and 2016, respectively, and $29 million and $8 million in the first six months of 2017 and 2016, respectively, for these limited partnership interests.

Net realized capital losses on performance-based investments were $9 million in the second quarter of 2017 and $15 million in the first six months of 2017 compared to the same periods of 2016. The second quarter and first six months of 2017 included impairment write-downs on private equity investments and derivative losses related to the hedging of foreign currency risk.

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)	June 30, 2017		December 31, 2016	
Common stock, retained income and additional capital paid-in	$	5,471	$	5,731
Accumulated other comprehensive income		858		678
Total shareholder's equity		6,329		6,409
Notes due to related parties		140		465
Total capital resources	$	6,469	$	6,874

Shareholder's equity decreased in the first six months of 2017, primarily due to dividends paid to AIC, partially offset by net income and increased unrealized net capital gains on investments.

Notes due to related parties In January 2017, $325 million of surplus notes due to an unconsolidated affiliate were redeemed.

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 July 2017, Moody's affirmed our insurance financial strength rating of A1 and the outlook for the rating remained stable. There have been no changes to our ratings from A.M. Best or S&P since December 31, 2016.

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.

The Company, AIC, AAC 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, AAC serves only as a 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.

Allstate parent company capital capacity At the parent holding company level, the Corporation has deployable assets totaling $2.11 billion as of June 30, 2017 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 borrowings 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 June 30, 2017, 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 that is available for short-term liquidity requirements. The maturity date of this facility is April 2021. 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 15.5% as of June 30, 2017. 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 second quarter or the first six months of 2017.
- A universal shelf registration statement that 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 539 million shares of treasury stock as of June 30, 2017), 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 $19.01 billion as of June 30, 2017. The following table summarizes contractholder funds by their contractual withdrawal provisions as of June 30, 2017.

($ in millions)			**Percent to total**
Not subject to discretionary withdrawal	$	3,006	15.8%
Subject to discretionary withdrawal with adjustments:			
Specified surrender charges [(1)]		4,810	25.3
Market value adjustments [(2)]		1,516	8.0
Subject to discretionary withdrawal without adjustments [(3)]		9,681	50.9
Total contractholder funds [(4)]	$	19,013	100.0%

(1) Includes $1.16 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

(2) $957 million 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 1, 5, 7 or 10 years) during which there is no surrender charge or market value adjustment.

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

(4) Includes $757 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 6.2% and 6.4% in the first six

months of 2017 and 2016, 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 six months of 2017 compared to the first six months of 2016 was primarily due to higher payments for operating expenses and a decrease in payables, partially offset by higher premiums.

Higher cash provided by investing activities in the first six months of 2017 compared to the first six months of 2016 was the result of a reduction in short-term investments to fund the dividends paid to AIC.

Higher cash used in financing activities in the first six months of 2017 compared to the first six months of 2016 was primarily due to the dividends paid to AIC.

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) changes in reserve estimates for life-contingent contract benefits payable; (3) the influence of changes in market interest rates or performance-based investment returns 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 and capital requirements; (8) a decline in Lincoln Benefit Life Company's financial strength ratings; (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; (20) the impact of a large scale pandemic, the threat or occurrence 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 and proprietary information; and (24) intellectual property infringement, misappropriation and third party claims. 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 June 30, 2017, 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, 2016.

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**
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated August 3, 2017, 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)

August 3, 2017

By /s/ Samuel H. Pilch

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

EXHIBIT 15

Allstate Life Insurance Company
3075 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 June 30, 2017 and 2016, as indicated in our report dated August 3, 2017; 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 June 30, 2017, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Statement Nos.	Form N-4 Registration Statement Nos.
333-199259	333-102934
333-199260	333-114560
333-199262	333-114561
333-199264	333-114562
333-199265	333-121687
333-199266	333-121691
333-199796	333-121692
333-199797	333-121693
333-200095	333-121695
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
August 3, 2017

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: August 3, 2017

/s/ Matthew E. Winter

Matthew E. Winter
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: August 3, 2017

/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 June 30, 2017 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: August 3, 2017

/s/ Matthew E. Winter

Matthew E. Winter
Chief Executive Officer

/s/ Mario Imbarrato

Mario Imbarrato
Vice President and Chief Financial Officer