

ALLSTATE CORP
Form 10-Q
July 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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 1-11840

THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

36-3871531
(I.R.S. Employer Identification No.)

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2775 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 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 No

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

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

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

Yes No

As of July 16, 2014, the registrant had 433,400,209 common shares, \$.01 par value, outstanding.

THE ALLSTATE CORPORATION

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June 30, 2014

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL INFORMATION

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Revenues				
Property-liability insurance premiums	\$ 7,204	\$ 6,862	\$ 14,268	\$ 13,632
Life and annuity premiums and contract charges	518	579	1,125	1,158
Net investment income	898	984	1,857	1,967
Realized capital gains and losses:				
Total other-than-temporary impairment losses	(44)	(55)	(124)	(82)
Portion of loss recognized in other comprehensive income	(1)	(5)	(2)	(15)
Net other-than-temporary impairment losses recognized in earnings	(45)	(60)	(126)	(97)
Sales and other realized capital gains and losses	285	422	420	590
Total realized capital gains and losses	240	362	294	493
	8,860	8,787	17,544	17,250
Costs and expenses				
Property-liability insurance claims and claims expense	5,142	4,741	9,901	9,201
Life and annuity contract benefits	413	471	901	929
Interest credited to contractholder funds	212	311	519	656
Amortization of deferred policy acquisition costs	1,035	961	2,070	1,907
Operating costs and expenses	1,023	1,090	2,117	2,192
Restructuring and related charges	4	20	10	46
Loss on extinguishment of debt	1	480	1	480
Interest expense	84	99	171	197
	7,914	8,173	15,690	15,608
Gain (loss) on disposition of operations	9	--	(50)	2
Income from operations before income tax expense	955	614	1,804	1,644
Income tax expense	310	180	559	501
Net income	645	434	1,245	1,143
Preferred stock dividends	31	--	44	--
Net income available to common shareholders	\$ 614	\$ 434	\$ 1,201	\$ 1,143
Earnings per common share:				
Net income available to common shareholders per common share - Basic	\$ 1.41	\$ 0.93	\$ 2.73	\$ 2.42
Weighted average common shares - Basic	434.3	468.3	440.4	471.9

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Net income available to common shareholders per common share - Diluted	\$	1.39	\$	0.92	\$	2.69	\$	2.39
Weighted average common shares - Diluted		440.7		473.8		446.8		477.3
Cash dividends declared per common share	\$	0.28	\$	0.25	\$	0.56	\$	0.50

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Net income	\$ 645	\$ 434	\$ 1,245	\$ 1,143
Other comprehensive income (loss), after-tax				
Changes in:				
Unrealized net capital gains and losses	59	(1,254)	504	(1,183)
Unrealized foreign currency translation adjustments	13	(21)	(3)	(33)
Unrecognized pension and other postretirement benefit cost	8	46	19	91
Other comprehensive income (loss), after-tax	80	(1,229)	520	(1,125)
Comprehensive income (loss)	\$ 725	\$ (795)	\$ 1,765	\$ 18

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$ in millions, except par value data)	June 30, 2014	December 31, 2013
	(unaudited)	
Assets		
Investments		
Fixed income securities, at fair value (amortized cost \$59,447 and \$59,008)	\$ 62,634	\$ 60,910
Equity securities, at fair value (cost \$4,658 and \$4,473)	5,394	5,097
Mortgage loans	4,174	4,721
Limited partnership interests	4,309	4,967
Short-term, at fair value (amortized cost \$2,914 and \$2,393)	2,914	2,393
Other	3,138	3,067
Total investments	82,563	81,155
Cash	889	675
Premium installment receivables, net	5,384	5,237
Deferred policy acquisition costs	3,377	3,372
Reinsurance recoverables, net	7,500	7,621
Accrued investment income	611	624
Property and equipment, net	990	1,024
Goodwill	1,219	1,243
Other assets	2,920	1,937
Separate Accounts	4,780	5,039
Assets held for sale	--	15,593
Total assets	\$ 110,233	\$ 123,520
Liabilities		
Reserve for property-liability insurance claims and claims expense	\$ 22,317	\$ 21,857
Reserve for life-contingent contract benefits	12,688	12,386
Contractholder funds	23,472	24,304
Unearned premiums	11,217	10,932
Claim payments outstanding	851	631
Deferred income taxes	1,146	635
Other liabilities and accrued expenses	5,044	5,156
Long-term debt	5,846	6,201
Separate Accounts	4,780	5,039
Liabilities held for sale	--	14,899
Total liabilities	87,361	102,040
Commitments and Contingent Liabilities (Note 12)		
Equity		
Preferred stock and additional capital paid-in, \$1 par value, 25 million shares authorized, 72.2 thousand and 32.3 thousand shares issued and outstanding, \$1,805 and \$807.5 aggregate liquidation preference	1,746	780
Common stock, \$.01 par value, 2.0 billion shares authorized and 900 million issued, 434 million and 449 million shares outstanding	9	9
Additional capital paid-in	3,035	3,143
Retained income	36,532	35,580
Deferred ESOP expense	(31)	(31)
Treasury stock, at cost (466 million and 451 million shares)	(19,985)	(19,047)
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	72	50
Other unrealized net capital gains and losses	2,461	1,698
Unrealized adjustment to DAC, DSI and insurance reserves	(383)	(102)
Total unrealized net capital gains and losses	2,150	1,646
Unrealized foreign currency translation adjustments	35	38
Unrecognized pension and other postretirement benefit cost	(619)	(638)
Total accumulated other comprehensive income	1,566	1,046
Total shareholders equity	22,872	21,480
Total liabilities and shareholders equity	\$ 110,233	\$ 123,520

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(\$ in millions)	Six months ended		
	2014	June 30, (unaudited)	2013
Preferred stock par value			
Balance, beginning of period	\$ --	\$ --	--
Preferred stock issuance	--		--
Balance, end of period	--		--
Preferred stock additional capital paid-in			
Balance, beginning of period	780		--
Preferred stock issuance	966		278
Balance, end of period	1,746		278
Common stock	9		9
Additional capital paid-in			
Balance, beginning of period	3,143		3,162
Forward contract on accelerated share repurchase agreement	(113)		--
Equity incentive plans activity	5		(57)
Balance, end of period	3,035		3,105
Retained income			
Balance, beginning of period	35,580		33,783
Net income	1,245		1,143
Dividends on common stock	(249)		(235)
Dividends on preferred stock	(44)		--
Balance, end of period	36,532		34,691
Deferred ESOP expense			
Balance, beginning of period	(31)		(41)
Payments	--		2
Balance, end of period	(31)		(39)
Treasury stock			
Balance, beginning of period	(19,047)		(17,508)
Shares acquired	(1,129)		(905)
Shares reissued under equity incentive plans, net	191		188
Balance, end of period	(19,985)		(18,225)
Accumulated other comprehensive income			
Balance, beginning of period	1,046		1,175
Change in unrealized net capital gains and losses	504		(1,183)
Change in unrealized foreign currency translation adjustments	(3)		(33)
Change in unrecognized pension and other postretirement benefit cost	19		91
Balance, end of period	1,566		50
Total shareholders equity	\$ 22,872	\$	19,869

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Six months ended		
	2014	June 30,	2013
		(unaudited)	
Cash flows from operating activities			
Net income	\$ 1,245	\$	1,143
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash items	189		180
Realized capital gains and losses	(294)		(493)
Loss on extinguishment of debt	1		480
Loss (gain) on disposition of operations	50		(2)
Interest credited to contractholder funds	519		656
Changes in:			
Policy benefits and other insurance reserves	103		(607)
Unearned premiums	287		165
Deferred policy acquisition costs	(77)		(107)
Premium installment receivables, net	(152)		(81)
Reinsurance recoverables, net	(39)		327
Income taxes	(195)		283
Other operating assets and liabilities	(436)		(391)
Net cash provided by operating activities	1,201		1,553
Cash flows from investing activities			
Proceeds from sales			
Fixed income securities	14,205		10,461
Equity securities	2,744		1,742
Limited partnership interests	802		438
Mortgage loans	10		20
Other investments	81		38
Investment collections			
Fixed income securities	1,730		3,658
Mortgage loans	726		475
Other investments	107		171
Investment purchases			
Fixed income securities	(15,802)		(10,637)
Equity securities	(2,668)		(2,010)
Limited partnership interests	(653)		(477)
Mortgage loans	(109)		(314)
Other investments	(395)		(538)
Change in short-term investments, net	(60)		(423)
Change in other investments, net	49		91
Purchases of property and equipment, net	(124)		(43)
Disposition of operations	378		--
Net cash provided by investing activities	1,021		2,652
Cash flows from financing activities			
Change in short-term debt	--		500
Proceeds from issuance of long-term debt	--		1,481
Repayments of long-term debt	(355)		(2,540)
Proceeds from issuance of preferred stock	965		278
Contractholder fund deposits	666		1,119
Contractholder fund withdrawals	(1,922)		(4,273)
Dividends paid on common stock	(238)		(119)
Dividends paid on preferred stock	(25)		--
Treasury stock purchases	(1,257)		(897)
Shares reissued under equity incentive plans, net	149		60
Excess tax benefits on share-based payment arrangements	18		29
Other	(9)		(15)

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Net cash used in financing activities	(2,008)	(4,377)
Net increase (decrease) in cash	214	(172)
Cash at beginning of period	675	806
Cash at end of period	\$ 889	\$ 634

See notes to condensed consolidated financial statements.

THE ALLSTATE CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

Basis of presentation

The accompanying condensed consolidated financial statements include the accounts of The Allstate Corporation (the Corporation) and its wholly owned subsidiaries, primarily Allstate Insurance Company (AIC), a property-liability insurance company with various property-liability and life and investment subsidiaries, including Allstate Life Insurance Company (ALIC) (collectively referred to as the Company or Allstate).

The condensed consolidated financial statements and notes as of June 30, 2014 and for the three-month and six-month periods ended June 30, 2014 and 2013 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, 2013. 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.

Pending accounting standards

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the Financial Accounting Standards Board (FASB) issued guidance which allows entities that invest in certain qualified affordable housing projects through limited liability entities the option to account for these investments using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense or benefit. The guidance is effective for reporting periods beginning after December 15, 2014 and is to be applied retrospectively. Early adoption is permitted. The impact of adoption is not expected to be material to the Company's results of operations and financial position.

Revenue from Contracts with Customers

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In May 2014, the FASB issued guidance which revises the criteria for revenue recognition. Insurance contracts are excluded from the scope of the new guidance. Under the guidance, the transaction price is attributed to underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligations and transfers control of a good or service to the customer. Incremental costs of obtaining a contract may be capitalized to the extent the entity expects to recover those costs. The guidance is effective for reporting periods beginning after December 15, 2016 and is to be applied retrospectively. The Company is in the process of evaluating the impact of adoption, which is not expected to be material to the Company's results of operations and financial position.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued guidance which clarifies that a performance target that affects vesting and could be achieved after the requisite service period should be treated as a performance condition and should not be reflected in estimating the grant-date fair value of the award. Compensation costs should reflect the amount attributable to the periods for which the requisite service has been rendered. Total compensation expense recognized during and after the requisite service period (which may differ from the vesting period) should reflect the number of awards that are expected to vest and should be adjusted to reflect the number of awards that ultimately vest. The guidance is effective for reporting periods beginning after December 15, 2015 and may be applied either prospectively or retrospectively. Early adoption is permitted. The Company's existing accounting policy for performance targets that affect the vesting of share-based payment awards is consistent with the proposed guidance and as such the impact of adoption is not expected to affect the Company's results of operations or financial position.

2. Earnings per Common Share

Basic earnings per common share is computed using the weighted average number of common shares outstanding, including unvested participating restricted stock units. Diluted earnings per common share is computed using the weighted average number of common and dilutive potential common shares outstanding. For the Company, dilutive potential common shares consist of outstanding stock options and unvested non-participating restricted stock units and contingently issuable performance stock awards.

The computation of basic and diluted earnings per common share is presented in the following table.

(\$ in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Numerator:				
Net income	\$ 645	\$ 434	\$ 1,245	\$ 1,143
Less: Preferred stock dividends	31	--	44	--
Net income available to common shareholders	614	434	1,201	1,143
Denominator:				
Weighted average common shares outstanding	434.3	468.3	440.4	471.9
Effect of dilutive potential common shares:				
Stock options	4.8	3.9	4.6	3.8
Restricted stock units (non-participating) and performance stock awards	1.6	1.6	1.8	1.6
Weighted average common and dilutive potential common shares outstanding	440.7	473.8	446.8	477.3
Earnings per common share - Basic	\$ 1.41	\$ 0.93	\$ 2.73	\$ 2.42
Earnings per common share - Diluted	\$ 1.39	\$ 0.92	\$ 2.69	\$ 2.39

The effect of dilutive potential common shares does not include the effect of options with an anti-dilutive effect on earnings per common share because their exercise prices exceed the average market price of Allstate common shares during the period or for which the unrecognized compensation cost would have an anti-dilutive effect. Options to purchase 4.5 million and 13.5 million Allstate common shares, with exercise prices ranging from \$48.46 to \$62.42 and \$39.95 to \$62.42, were outstanding for the three-month periods ended June 30, 2014 and 2013, respectively, but were not included in the computation of diluted earnings per common share in those periods. Options to purchase 4.6 million and 13.7 million Allstate common shares, with exercise prices ranging from \$45.61 to \$62.42 and \$39.05 to \$62.42, were outstanding for the six-month periods ended June 30, 2014 and 2013, respectively, but were not included in the computation of diluted earnings per common share in those periods.

3. Disposition

On April 1, 2014, the Company completed the sale of Lincoln Benefit Life Company (LBL), LBL 's life insurance business generated through independent master brokerage agencies, and all of LBL 's deferred fixed annuity and long-term care insurance business to Resolution Life Holdings, Inc. The gross sale price was \$797 million, representing \$596 million of cash and the retention of tax benefits. The loss on disposition increased by \$11 million, pre-tax, (\$13 million, after-tax) and \$72 million, pre-tax, (\$31 million, after-tax) in the three months and six months ended June 30, 2014, respectively. The loss on disposition in the three months ended June 30, 2014 included a \$22 million, pre-tax, reduction in goodwill.

In conjunction with the sale, the Company was required to establish a trust relating to the business that LBL continues to cede to ALIC. This trust is required to have assets greater than or equal to the statutory reserves ceded by LBL to ALIC, measured on a monthly basis. As of June 30, 2014, the trust holds \$5.36 billion of investments.

The following table summarizes the assets and liabilities classified as held for sale as of December 31, 2013.

(\$ in millions)

Assets

Investments		
Fixed income securities	\$	10,167
Mortgage loans		1,367
Short-term investments		160
Other investments		289
Total investments		11,983
Cash		--
Deferred policy acquisition costs		743
Reinsurance recoverables, net		1,660
Accrued investment income		109
Other assets		79
Separate Accounts		1,701
Assets held for sale		16,275
Less: Loss accrual		(682)
Total assets held for sale	\$	15,593

Liabilities

Reserve for life-contingent contract benefits	\$	1,894
Contractholder funds		10,945
Unearned premiums		12
Deferred income taxes		151
Other liabilities and accrued expenses		196
Separate Accounts		1,701
Total liabilities held for sale	\$	14,899

Included in shareholders' equity was \$85 million of accumulated other comprehensive income related to assets held for sale as of December 31, 2013.

4. Supplemental Cash Flow Information

Non-cash modifications of certain mortgage loans, fixed income securities, limited partnership interests and other investments, as well as mergers completed with equity securities, totaled \$86 million and \$203 million for the six months ended June 30, 2014 and 2013, respectively. Non-cash financing activities include \$45 million and \$92 million related to the issuance of Allstate common shares for vested restricted stock units for the six months ended June 30, 2014 and 2013, respectively.

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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,	
	2014	2013
Net change in proceeds managed		
Net change in short-term investments	\$ (284)	\$ 113
Operating cash flow (used) provided	(284)	113
Net change in cash	1	3
Net change in proceeds managed	\$ (283)	\$ 116
Net change in liabilities		
Liabilities for collateral, beginning of period	\$ (624)	\$ (808)
Liabilities for collateral, end of period	(907)	(692)
Operating cash flow provided (used)	\$ 283	\$ (116)

5. Investments

Fair values

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

(\$ in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
June 30, 2014				
U.S. government and agencies	\$ 4,707	\$ 147	\$ (1)	\$ 4,853
Municipal	8,009	572	(20)	8,561
Corporate	39,282	2,283	(98)	41,467
Foreign government	1,569	108	(1)	1,676
Asset-backed securities (ABS)	3,903	68	(28)	3,943
Residential mortgage-backed securities (RMBS)	1,263	117	(18)	1,362
Commercial mortgage-backed securities (CMBS)	692	57	(3)	746
Redeemable preferred stock	22	4	--	26
Total fixed income securities	\$ 59,447	\$ 3,356	\$ (169)	\$ 62,634
December 31, 2013				
U.S. government and agencies	\$ 2,791	\$ 129	\$ (7)	\$ 2,913
Municipal	8,446	364	(87)	8,723
Corporate	39,331	1,659	(387)	40,603
Foreign government	1,736	99	(11)	1,824
ABS	4,491	71	(44)	4,518
RMBS	1,403	101	(30)	1,474
CMBS	788	48	(7)	829
Redeemable preferred stock	22	4	--	26
Total fixed income securities	\$ 59,008	\$ 2,475	\$ (573)	\$ 60,910

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of June 30, 2014:

(\$ in millions)	Amortized cost		Fair value	
Due in one year or less	\$	3,272	\$	3,316
Due after one year through five years		25,728		26,606
Due after five years through ten years		16,257		17,225
Due after ten years		8,332		9,436
		53,589		56,583
ABS, RMBS and CMBS		5,858		6,051
Total	\$	59,447	\$	62,634

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,	
	2014	2013	2014	2013
Fixed income securities	\$ 584	\$ 740	\$ 1,289	\$ 1,502
Equity securities	35	39	63	64
Mortgage loans	71	93	152	191
Limited partnership interests	195	126	337	233
Short-term investments	3	1	4	3
Other	44	39	86	76
Investment income, before expense	932	1,038	1,931	2,069
Investment expense	(34)	(54)	(74)	(102)
Net investment income	\$ 898	\$ 984	\$ 1,857	\$ 1,967

Realized capital gains and losses

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

(\$ in millions)

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	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Fixed income securities	\$ 62	\$ 79	\$ 98	\$ 151
Equity securities	239	283	261	312
Mortgage loans	(2)	(6)	1	25
Limited partnership interests	(51)	(8)	(49)	(3)
Derivatives	(7)	14	(19)	10
Other	(1)	--	2	(2)
Realized capital gains and losses	\$ 240	\$ 362	\$ 294	\$ 493

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

(\$ in millions)	Three months ended				Six months ended			
	June 30,				June 30,			
	2014		2013		2014		2013	
Impairment write-downs	\$	(6)	\$	(33)	\$	(22)	\$	(43)
Change in intent write-downs		(39)		(27)		(104)		(54)
Net other-than-temporary impairment losses recognized in earnings		(45)		(60)		(126)		(97)
Sales		290		408		437		580
Valuation and settlements of derivative instruments		(5)		14		(17)		10
Realized capital gains and losses	\$	240	\$	362	\$	294	\$	493

Gross gains of \$347 million and \$468 million and gross losses of \$27 million and \$63 million were realized on sales of fixed income and equity securities during the three months ended June 30, 2014 and 2013, respectively. Gross gains of \$513 million and \$651 million and gross losses of \$63 million and \$84 million were realized on sales of fixed income and equity securities during the six months ended June 30, 2014 and 2013, respectively.

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

(\$ in millions)	Three months ended			Six months ended		
	June 30, 2014			June 30, 2014		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	\$ (1)	\$ --	\$ (1)	\$ (6)	\$ --	\$ (6)
ABS	(2)	--	(2)	(3)	--	(3)
RMBS	6	(1)	5	6	(2)	4
Total fixed income securities	3	(1)	2	(3)	(2)	(5)
Equity securities	(21)	--	(21)	(86)	--	(86)
Mortgage loans	--	--	--	4	--	4
Limited partnership interests	(26)	--	(26)	(39)	--	(39)
Other-than-temporary impairment losses	\$ (44)	\$ (1)	\$ (45)	\$ (124)	\$ (2)	\$