

ALLSTATE CORP
Form 10-Q

August 03, 2015

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, 2015

OR

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

For the transition period from _____ to _____

Commission file number 1-11840

THE ALLSTATE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

36-3871531

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification
No.)

2775 Sanders Road, Northbrook, Illinois 60062

(Address of principal executive offices) (Zip Code)

(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 20, 2015, the registrant had 400,389,900 common shares, \$.01 par value, outstanding.

THE ALLSTATE CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 30, 2015

PART I FINANCIAL INFORMATION	PAGE
Item 1. Financial Statements	
Condensed Consolidated Statements of Operations for the Three-Month and Six-Month Periods Ended June 30, 2015 and 2014 (unaudited)	<u>1</u>
Condensed Consolidated Statements of Comprehensive Income for the Three-Month and Six-Month Periods Ended June 30, 2015 and 2014 (unaudited)	<u>2</u>
Condensed Consolidated Statements of Financial Position as of June 30, 2015 (unaudited) and December 31, 2014	<u>3</u>
Condensed Consolidated Statements of Shareholders' Equity for the Six-Month Periods Ended June 30, 2015 and 2014 (unaudited)	<u>4</u>
Condensed Consolidated Statements of Cash Flows for the Six-Month Periods Ended June 30, 2015 and 2014 (unaudited)	<u>5</u>
Notes to Condensed Consolidated Financial Statements (unaudited)	<u>6</u>
Report of Independent Registered Public Accounting Firm	<u>43</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
Highlights	<u>44</u>
Consolidated Net Income	<u>45</u>
Property-Liability Highlights	<u>45</u>
Allstate Protection Segment	<u>48</u>
Discontinued Lines and Coverages Segment	<u>60</u>
Property-Liability Investment Results	<u>61</u>
Allstate Financial Highlights	<u>62</u>
Allstate Financial Segment	<u>62</u>
Investments Highlights	<u>69</u>
Investments	<u>69</u>
Capital Resources and Liquidity Highlights	<u>75</u>
Capital Resources and Liquidity	<u>75</u>
Forward-Looking Statements	<u>78</u>
Item 4. Controls and Procedures	<u>78</u>
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	<u>79</u>
Item 1A. Risk Factors	<u>79</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>79</u>
Item 6. Exhibits	<u>80</u>

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
THE ALLSTATE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in millions, except per share data)	Three months ended		Six months ended	
	June 30, 2015 (unaudited)	2014	June 30, 2015 (unaudited)	2014
Revenues				
Property-liability insurance premiums	\$7,549	\$7,204	\$14,975	\$14,268
Life and annuity premiums and contract charges	536	518	1,073	1,125
Net investment income	789	898	1,639	1,857
Realized capital gains and losses:				
Total other-than-temporary impairment (“OTTI”) losses	(47)	(44)	(100)	(124)
OTTI losses reclassified to (from) other comprehensive income	4	(1)	8	(2)
Net OTTI losses recognized in earnings	(43)	(45)	(92)	(126)
Sales and other realized capital gains and losses	151	285	339	420
Total realized capital gains and losses	108	240	247	294
	8,982	8,860	17,934	17,544
Costs and expenses				
Property-liability insurance claims and claims expense	5,587	5,142	10,580	9,901
Life and annuity contract benefits	446	413	887	901
Interest credited to contractholder funds	185	212	384	519
Amortization of deferred policy acquisition costs	1,086	1,035	2,156	2,070
Operating costs and expenses	1,061	1,023	2,151	2,117
Restructuring and related charges	19	4	23	10
Loss on extinguishment of debt	—	1	—	1
Interest expense	73	84	146	171
	8,457	7,914	16,327	15,690
Gain (loss) on disposition of operations	1	9	—	(50)
Income from operations before income tax expense	526	955	1,607	1,804
Income tax expense	171	310	575	559
Net income	355	645	1,032	1,245
Preferred stock dividends	29	31	58	44
Net income available to common shareholders	\$326	\$614	\$974	\$1,201
Earnings per common share:				
Net income available to common shareholders per common share - Basic	\$0.80	\$1.41	\$2.37	\$2.73
Weighted average common shares - Basic	407.0	434.3	411.4	440.4
Net income available to common shareholders per common share - Diluted	\$0.79	\$1.39	\$2.33	\$2.69
Weighted average common shares - Diluted	412.6	440.7	417.6	446.8
Cash dividends declared per common share	\$0.30	\$0.28	\$0.60	\$0.56

See notes to condensed consolidated financial statements.

1

THE ALLSTATE CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)	Three months ended		Six months ended June	
	June 30, 2015 (unaudited)	2014	30, 2015 (unaudited)	2014
Net income	\$355	\$645	\$1,032	\$1,245
Other comprehensive (loss) income, after-tax				
Changes in:				
Unrealized net capital gains and losses	(718	) 59	(507	) 504
Unrealized foreign currency translation adjustments	(9	) 13	(36	) (3
Unrecognized pension and other postretirement benefit cost	20	8	49	19
Other comprehensive (loss) income, after-tax	(707	) 80	(494	) 520
Comprehensive (loss) income	\$(352	) \$725	\$538	\$1,765

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, 2015	December 31, 2014
Assets	(unaudited)	
Investments		
Fixed income securities, at fair value (amortized cost \$57,971 and \$59,672)	\$59,930	\$62,440
Equity securities, at fair value (cost \$3,649 and \$3,692)	4,000	4,104
Mortgage loans	4,343	4,188
Limited partnership interests	4,536	4,527
Short-term, at fair value (amortized cost \$2,821 and \$2,540)	2,821	2,540
Other	3,511	3,314
Total investments	79,141	81,113
Cash	805	657
Premium installment receivables, net	5,599	5,465
Deferred policy acquisition costs	3,708	3,525
Reinsurance recoverables, net	8,520	8,490
Accrued investment income	610	591
Property and equipment, net	1,038	1,031
Goodwill	1,219	1,219
Other assets	2,356	2,046
Separate Accounts	4,121	4,396
Total assets	\$107,117	\$108,533
Liabilities		
Reserve for property-liability insurance claims and claims expense	\$23,702	\$22,923
Reserve for life-contingent contract benefits	12,227	12,380
Contractholder funds	21,968	22,529
Unearned premiums	11,858	11,655
Claim payments outstanding	820	784
Deferred income taxes	475	715
Other liabilities and accrued expenses	5,462	5,653
Long-term debt	5,186	5,194
Separate Accounts	4,121	4,396
Total liabilities	85,819	86,229
Commitments and Contingent Liabilities (Note 10)		
Shareholders' equity		
Preferred stock and additional capital paid-in, \$1 par value, 25 million shares authorized, 72.2 thousand shares issued and outstanding, and \$1,805 aggregate liquidation preference	1,746	1,746
Common stock, \$.01 par value, 2.0 billion shares authorized and 900 million issued, 402 million and 418 million shares outstanding	9	9
Additional capital paid-in	3,205	3,199
Retained income	38,567	37,842
Deferred ESOP expense	(23	) (23
Treasury stock, at cost (498 million and 482 million shares)	(22,273	) (21,030
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital gains and losses on fixed income securities with OTTI	62	72
Other unrealized net capital gains and losses	1,435	1,988
Unrealized adjustment to DAC, DSI and insurance reserves	(78	) (134

Total unrealized net capital gains and losses

1,419