NAIC Group Code 0008
NAIC Company Code 60186
Employer's ID Number 36-2554642

Allstate Life Insurance Group
Combined Management Discussion and Analysis
For the Year Ended December 31, 2015

The Allstate Life Insurance Group ("Company") consists of Allstate Life Insurance Company ("ALIC"), Allstate Life Insurance Company of New York, ALIC Reinsurance Company ("ALIC Re") and Charter National Life Insurance Company ("CNL"). Regulatory approval was received to prepare a combined Management Discussion and Analysis ("MD&A"). Accordingly, the combined results of the aforementioned companies have been analyzed in this MD&A. Allstate Assurance Company ("AAC"), a Illinois domiciled insurance company and a wholly-owned subsidiary of ALIC, was included in the financial results until January 1, 2015 when it was sold to Allstate Financial Insurance Holdings Corporation ("AFIHC"), an affiliate. Intramerica Life Insurance Company ("ILIC"), a New York domiciled insurance company and a wholly-owned subsidiary of ALIC, was included in the financial results until November 1, 2015 when it was sold to AFIHC. Lincoln Benefit Life Company ("LBL"), a Nebraska domiciled insurance company and a wholly-owned subsidiary of ALIC, was included in the financial results until April 1, 2014 when it was sold to a unaffiliated third party.

ALIC, the lead company, is a wholly-owned subsidiary of Allstate Insurance Company ("AIC"), an Illinois domiciled insurer. AIC is a wholly-owned subsidiary of Allstate Insurance Holdings, LLC ("AIH"), a Delaware limited liability company. AIH is a wholly-owned subsidiary of The Allstate Corporation ("Corporation").

The Company is licensed to conduct business in all states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. The Company sells life insurance and voluntary accident and health insurance products to customers. Its principal products are interest-sensitive and traditional life insurance. Variable life insurance is assumed from a former wholly-owned subsidiary, LBL. Products are sold to individuals through Allstate exclusive agencies and exclusive financial specialists, and workplace enrolling independent agents in New York. The Company previously offered and continues to have inforce fixed annuities such as deferred and immediate annuities. The Company's current strategy is focused on expanding Allstate customer relationships, growing the number of products delivered to customers through Allstate exclusive agencies, managing the run-off of the inforce annuity products while taking actions to improve returns, and emphasizing capital efficiency and shareholder returns.

On April 1, 2014, ALIC completed the sale of LBL which included the outstanding shares of 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. The gross sale price was $797 million, representing $596 million of cash and the retention of tax benefits. The after-tax gain to ALIC on this transaction was $618 million and is reported within Page 4, Line 34. Of the $618 million of realized gains, $257 million were previously unrealized and reported as a component of surplus. As part of the sale, LBL business written through independent master brokerage agencies and ceded to ALIC, totaling $11.31 billion of total policy reserves, were recaptured. An estimated $5.54 billion of LBL's total policy reserves continue to be reinsured by ALIC as of December 31, 2015. Additionally, portions of existing non-affiliate reinsurance agreements associated with business ceded from LBL to ALIC were novated on April 1, 2014. The reinsurance recoverable associated with the novated portions of these reinsurance agreements was $902 million and $882 million as of December 31, 2015 and 2014, respectively.

In conjunction with the sale, ALIC 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 December 31, 2015 and 2014, the trust holds investments with statutory statement values of $5.32 billion and $4.89 billion, respectively.

On January 1, 2015, ALIC sold AAC to AFIHC. ALIC received $11 million in cash.

In connection with AAC's plan to withdraw its New York license, the New York Department of Financial Services ("NYDFS") required ALIC to establish a custodial account for the protection of AAC's New York issued business. As required by the NYDFS, the custodial account is to be maintained with a minimum amount of assets which may vary over time. As of December 31, 2015, the balance in the custodial account was $3 million.

Effective April 1, 2015, ALIC and AAC entered into a reinsurance agreement whereby ALIC retroceded to AAC 100% of its liability for certain universal life policies originally written by Surety Life Insurance Company, a former

affiliate, Great Southern Life Insurance Company and Security Life of Denver Insurance Company. ALIC transferred assets of $499 million and ceded statutory policy liabilities of $478 million, net of third party reinsurance, plus an adjustment for the interest maintenance reserve ("IMR") of $21 million to AAC in connection with this agreement.

On November 1, 2015, the ALIC sold ILIC to AFIHC. ALIC received $10 million in cash.

CNL, one of the ALIC's wholly owned subsidiaries, merged into ALIC effective January 1, 2016. ALIC is now the surviving legal entity and CNL has ceased to exist as an independent entity. In conjunction with the merger, Charter National Variable Separate Account merged with Allstate Life Variable Life Separate Account A. In addition, ALIC became the depositor of the Charter National Variable Annuity Separate Account, which was renamed Allstate Life Insurance Company Variable Annuity Separate Account C.

FINANCIAL POSITION

Cash and invested assets

The return on the investment portfolio is an important component of the Company's financial results. The Company identifies a strategic asset allocation which considers both the nature of the liabilities and the risk and return characteristics of the various asset classes in which it invests. This allocation is informed by long-term market expectations, as well as other considerations such as risk appetite, portfolio diversification, duration, desired liquidity and capital. Within appropriate ranges relative to strategic allocations, tactical allocations are made in consideration of prevailing and potential future market conditions. The Company manages risks that involve uncertainty related to interest rates, credit spreads, equity returns and currency exchange rates.

The Company's portfolio is comprised of assets chosen to generate returns to support corresponding liabilities, within an asset-liability framework that targets an appropriate return on capital. For longer-term immediate annuity liabilities, the Company invests primarily in performance-based and other equity investments. For shorter-term annuity and life insurance liabilities, the company invests primarily in interest-bearing investments, such as bonds and commercial mortgage loans.

The Company utilizes four high level strategies to manage risks and returns and to position the 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 move between strategies.

Market-Based Core strategy seeks to deliver predictive earnings aligned to business needs through investments primarily in publicly traded bonds and common stocks. Private fixed income assets, such as commercial mortgages, bank loans and privately placed debt are also included in this category. As of December 31, 2015, 90% of the portfolio follows this strategy with 75% in bonds, 12% in commercial mortgage loans and 6% in common stocks.

Market-Based Active strategy seeks to outperform within the public markets through tactical positioning and by taking advantage of short-term opportunities. This strategy may generate results that meaningfully deviate from those achieved by market indices, both favorably and unfavorably. As of December 31, 2015, 3% of the portfolio follows this strategy with 74% in bonds and 12% in common stock.

Performance-Based Long-Term strategy seeks to deliver attractive risk-adjusted returns over a longer horizon. The achieved return is a function of both general market conditions and the performance of the underlying assets or businesses. 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 may offer the potential to add value through transformation at the company or property level. As of December 31, 2015, 7% of the portfolio follows this strategy with 96% in other invested assets primarily invested in limited partnerships.

Performance-Based Opportunistic strategy seeks to earn attractive returns by making investments that involve asset dislocations or special situations, often in private markets. The portfolio primarily includes distressed and event driven assets primarily in bonds and stocks.

Portfolio composition by investment strategy

The following table presents the investment portfolio by strategy as of December 31, 2015:

(in millions)	Total	Market-Based Core	Market-Based Active	Performance-Based Long-Term	Performance-Based Opportunistic
Bonds	$ 23,757	$ 22,988	$ 749	$ 7	$ 13
Preferred stocks	39	21	-	18	-
Common stocks	1,521	1,373	119	19	10
Mortgage loans on real estate	3,668	3,668	-	-	-
Real estate	61	-	-	61	-
Cash and cash equivalents	653	557	96	-	-
Short-term investments	192	149	43	-	-
Contract loans	601	601	-	-	-
Other invested assets	3,372	1,082	-	2,290	-
Securities lending reinvested collateral assets	28	28	-	-	-
Other	74	67	7	-	-
Total	$ 33,966	$ 30,534	$ 1,014	$ 2,395	$ 23
% of total		90%	3%	7%	-%

The Company continues to focus on shifting the portfolio mix to include more performance-based investments, primarily private equity, real estate, infrastructure and agriculture related assets and a greater proportion of return on these investments is derived from idiosyncratic asset or operating performance. Reductions in contractholder funds were primarily funded through scheduled maturities.

The Company has a comprehensive portfolio monitoring process to identify and evaluate each security whose carrying value may be other than temporarily impaired. The 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 bonds) or cost (for stocks) is below established thresholds. The process also includes monitoring of other impairment indicators such as ratings, rating downgrades and payment defaults.

The composition of the investment portfolio as of December 31 was:

(in millions)	2015	2014
Bonds	$ 23,757	$ 25,814
Preferred stocks	39	48
Common stocks	1,521	945
Mortgage loans on real estate	3,668	3,564
Real estate	61	27
Cash and cash equivalents	653	827
Short-term investments	192	71
Contract loans	601	638
Other invested assets	3,372	3,160
Securities lending reinvested collateral assets	28	-
Other	74	86
Total	$ 33,966	$ 35,180

Total invested assets decreased $1.21 billion, or 3%, as of December 31, 2015 and was primarily due to transfer of invested assets to AAC in support of the reinsurance agreement entered into with AAC effective April 1, 2015, continued run off of the deferred annuity block and $100 million dividend paid to AIC, its sole shareholder. Explanation for the most significant items follow.

Bonds

The bond portfolio consists of corporate bonds including privately placed securities, asset-backed securities ("ABS"), municipal bonds, U.S. government bonds, mortgage-backed securities ("MBS"), and foreign government bonds.

As of December 31, 2015, 86% of the consolidated bond portfolio was rated investment grade, which is defined as a security having a National Association of Insurance Commissioners ("NAIC") Securities

Valuation Office designation of 1 or 2; an A.M. Best rating of aaa, aa, a, or bbb; a Moody's rating of Aaa, Aa, A, or Baa, a Standard & Poor's and, Fitch, Dominion, Kroll, Realpoint or Egan Jones rating of AAA, AA, A or BBB; or a comparable internal rating if an externally provided rating is not available. The investment grade percentage for each individual bond category ranged from 75% to 100%. There was no significant change in the bond portfolio quality distribution from the prior year.

Bonds with an NAIC designation of 1 through 5, including loan-backed and structured securities, are reported at amortized cost using the effective yield method. Bonds with an NAIC designation of 6 are reported at the lower of amortized cost or fair value, with the difference reflected in unassigned surplus as unrealized capital loss.

Corporate bonds totaled $16.70 billion and $17.98 billion as of December 31, 2015 and 2014, respectively. The bond portfolio contained $11.55 billion and $12.78 billion of publicly traded corporate bonds as of December 31, 2015 and 2014, respectively. As of December 31, 2015, 84% of the publicly traded corporate bonds were rated investment grade. As of December 31, 2015, the portfolio also contained $5.15 billion of privately placed corporate securities compared to $5.20 billion as of December 31, 2014. Privately placed securities primarily consist of corporate issued senior debt securities that are directly negotiated with the borrower or are in unregistered form. Privately placed corporate obligations contain structured security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. As of December 31, 2015, 75% of the privately placed securities were rated investment grade.

The bond portfolio also contained $2.66 billion and $2.09 billion of ABS as of December 31, 2015 and 2014, respectively. The ABS portfolio includes collateralized debt obligations and consumer and other ABS. 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. As of December 31, 2015, 96% of the ABS securities were rated investment grade.

Municipal bonds totaled $2.09 billion as of December 31, 2015 compared to $3.08 billion as of December 31, 2014. 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). As of December 31, 2015, 99% of the municipal bonds were rated investment grade. The municipal bond portfolio as of December 31, 2015 consisted of 266 issues from 149 issuers. The largest exposure to a single issuer was 5% of the municipal bond portfolio.

U.S. government bonds totaled $1.17 billion and $1.08 billion as of December 31, 2015 and 2014, respectively.

Foreign government bonds totaled $314 million as of December 31, 2015 compared to $500 million as of December 31, 2014.

As of December 31, 2015 and 2014, $0.82 billion and $1.10 billion, respectively, of the bond portfolio were invested in MBS, which consisted of residential MBS ("RMBS") and commercial MBS ("CMBS"). The RMBS portfolio is subject to interest risk, but unlike other fixed income securities, is additionally subject to significant prepayment risk from the underlying residential mortgage loans. The CMBS portfolio is subject to credit risk and has a sequential paydown structure. As of December 31, 2015, 96% of the MBS portfolio were rated investment grade.

The fair value of all bonds was $24.64 billion and $28.09 billion as of December 31, 2015 and 2014, respectively. Unrealized net capital gains on the bond portfolio, which are calculated as the difference between statement value and fair value, were $0.88 billion and $2.28 billion as of December 31, 2015 and 2014, respectively.

Common stocks

Common stocks increased $576 million to $1.52 billion as of December 31, 2015 due to increased investments in the equity markets.

Other invested assets

Other invested assets increased $212 million to $3.37 billion as of December 31, 2015 mostly attributed to

limited partnerships in support of the long-term performance based strategy. The limited partnership portfolio consisted of investments in private equity funds, co-investments, real estate funds, joint ventures and other funds.

Mortgage loans on real estate

Mortgage loans on real estate increased $104 million to $3.67 billion as of December 31, 2015. The increase is due to the expansion of the market-based core strategy in addition to lower payoffs in 2015 compared to 2014. Mortgage loans are secured by first mortgages on developed commercial real estate. Geographical and property type diversification are key considerations used to manage exposure. 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 the Company will not collect the contractual principal and interest. The Company did not record realized capital losses related to other-than-temporary impairments on mortgage loans for the year ended December 31, 2015. The Company recorded $3 million of realized capital losses related to other-than-temporary impairments on mortgage loans for the year ended December 31, 2014. For the years ended December 31, 2015 and 2014, the Company did not report valuation allowances on mortgage loans.

From Separate Accounts

Separate Accounts balances decreased $764 million, or 16%, to $4.16 billion as of December 31, 2015 mainly due to a decline in market performance.

The assets of the Separate Accounts are carried at fair value. Separate Accounts liabilities represent the contractholders' claims to the related assets and are carried at the fair value of the assets. In the event the asset values of certain contractholder accounts are projected to be below the value guaranteed by the Company, a liability is established through a charge to earnings. Reserves for guarantees provided by the Company are included in Exhibit 5 of the Company's General Account annual statement.

Separate Accounts held by the Company are for variable annuity contracts, variable life policies, market value adjusted annuities ("MVAA") contracts and indexed variable annuity contracts. The assets and liabilities of variable annuity contracts and variable life policies are recorded as assets and liabilities of the Separate Accounts and are legally insulated from the General Account. The legal insulation of the Separate Accounts assets prevents such assets from being generally available to satisfy claims resulting from the General Account. Separate Accounts which contain variable annuity and variable life business are unit investment trusts and registered with the Securities and Exchange Commission ("SEC"). The assets and liabilities of MVAA and indexed variable annuity contracts are also recorded as assets and liabilities of the Separate Accounts, however, they are not legally insulated from the General Account. The MVAA products are non-unitized products, most of which are not registered with the SEC. The indexed variable annuity product is non-unitized and is registered with the SEC.

Variable annuity and variable life business allow the contractholder to accumulate funds within a variety of portfolios, at rates which depend upon the return achieved from the types of investments chosen. The net investment experience of the Separate Accounts is credited directly to the contractholder and can be favorable or unfavorable. The assets of each portfolio are held separately from the other portfolios and each has distinct investment objectives and policies. Absent any contract provision wherein the Company provides a guarantee, the contractholders of the variable annuity and variable life products bear the investment risk that the Separate Account's funds may not meet their stated investment objectives. The Company no longer sells variable annuity contracts and substantially all of the Company's variable annuity business was reinsured beginning in 2006.

MVAA products provides the opportunity for the contractholder to invest in one or any combination of up to ten interest rate guarantee periods. Amounts withdrawn from the contract in excess of the free withdrawal amount are subject to market value adjustments.

Indexed variable annuity products provide the opportunity for the contractholder to invest for a specified length of 5, 7, or 10 years in one or more investment options linked to the S&P 500 and subject to a maximum and minimum investment performance which may be negative.

The Separate Accounts includes only contractholders' purchase payments applicable to the variable portions of their contracts and excludes any purchase payments directed by the contractholder to the Fixed Account in which the contractholders' deposits are included in the General Account assets and earn a fixed rate of return. The Company holds on a direct basis and assumes via a modified coinsurance agreement, reserves for variable annuity contracts and variable life policies at less than the fund balances carried in the Separate Accounts. The difference between the reserves and the fund balances of the Separate Accounts is transferred from the Separate Accounts to the General Account, and the majority of the variable annuity portion is subsequently reinsured via a

modified coinsurance agreement. Premiums, contract benefits, reserve transfers, policy loans and policyholder charges are also transferred from the Separate Accounts to the General Account and subsequently reinsured via modified coinsurance agreement.

Aggregate reserve for life contracts

(in millions)		2015		2014
Structured settlements	$	7,305	$	7,075
Interest sensitive life		6,601		6,952
Fixed annuities		6,370		7,000
Traditional life		2,420		2,204
Indexed annuities		1,146		1,166
MVAA		1,093		1,487
Annuity buyouts		800		855
Payout annuities		624		656
Single premium immediate annuities		454		493
Other		370		308
Total	$	27,183	$	28,196

Aggregate reserves for life contracts decreased $1.01 billion to $27.18 billion as of December 31, 2015 and were primarily attributed to reserve decreases for fixed annuities ($630 million), MVAA ($394 million) and interest sensitive life ($351 million), partially offset by reserves increases for structured settlements ($230 million) and traditional life ($216 million). The decreases in reserves for fixed annuities and MVAA were primarily due to run-off of the annuity business. The decrease in interest sensitive life reserves was primarily driven by the reinsurance agreement with AAC effective April 1, 2015, whereby the Company retroceded to AAC 100% of its liability for certain universal life policies. The increase in reserves for structured settlements was primarily due to reserve strengthening driven by updated mortality assumptions applied to substandard policies.

Liability for deposit-type contracts

Liability for deposit-type contracts decreased $198 million to $3.07 billion as of December 31, 2015 primarily due to run-off of structured settlements.

Capital and surplus

Capital and surplus increased $137 million to $2.94 billion as of December 31, 2015. The increase was mainly due to a decrease in nonadmitted assets ($149 million), an increase in net deferred income tax assets ($109 million) and a decrease in asset valuation reserve ($41 million), partially offset by dividends to parent ($100 million) and current year net loss ($67 million). The decrease in nonadmitted assets was primarily due a decrease in negative IMR driven by an increase in realized capital gains, including the realized capital gains on the assets transferred to AAC, and the reversal of historical IMR in connection with the reinsurance agreement between ALIC and AAC effective April 1, 2015. The increase in net deferred income tax assets was primarily attributed to an increase in tax reserves and investment write-downs. The decrease in asset valuation reserve was primarily due to increased write-downs and unrealized capital losses on common stocks.

RESULTS OF OPERATIONS

(in millions)		2015		2014
Premiums and annuity considerations	$	1,037	$	(9,605)
Net investment income including IMR amortization		1,675		1,938
Commissions and expense allowances		67		85
Reserve adjustments on reinsurance ceded		(722)		(1,018)
Income from fees		37		42
Other income		1		2
Total revenue		2,095		(8,556)
Provision for benefits		2,336		(8,437)
Commissions and general insurance expenses		460		939
Insurance taxes, licenses and fees, excluding federal income taxes		33		35
Net transfers to or (from) Separate Accounts		(772)		(1,101)
Transfer of IMR due to reinsurance agreement		(21)		(161)
Total expense		2,036		(8,725)
Net gain from operations before dividends to policyholders and before federal income taxes		59		169
Federal and foreign income taxes incurred (excluding tax on capital gains)		(25)		(153)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)		84		322
Realized gains (losses), net of IMR and federal income taxes		(151)		684
Net income	$	(67)	$	1,006

Net income

The Company reported net loss of $67 million for 2015 compared to net income of $1.01 billion for 2014. The net loss was due to an increase in provision for benefits ($10.77 billion), an increase in realized losses net of IMR and federal income taxes ($0.84 billion), partially offset by an increase in premiums and annuity considerations ($10.64 billion).

Premiums and annuity considerations

Prior year activity included $11.31 billion reduction in premium and annuity considerations due to the reinsurance commutation in connection with the sale of LBL. The current year activity included $499 million reduction in premium and annuity considerations resulting from the transfer in connection with the reinsurance agreement between ALIC and AAC effective April 1, 2015. Excluding these one-time impacts, premium and annuity considerations decreased $165 million primarily attributed to interest sensitive life mostly due to the inclusion of LBL's activities of the first quarter of 2014 in the prior year results, and indexed annuities driven by runoff of the business.

Net investment income including IMR amortization

Net investment income including IMR amortization decreased $263 million, or 14%, primarily due to a decrease in average invested asset base caused by the sale of LBL in 2014 and the reinsurance transfer from ALIC to AAC in connection with the reinsurance agreement effective April 1, 2015.

Provision for benefits

Prior year activity included $11.28 billion decrease in reserves and $382 million increase in benefits due to the reinsurance commutation in connection with the sale of LBL. Current year activity included $472 million decrease in reserves due to reserves transferred from ALIC to AAC in connection with the reinsurance agreement effective April 1, 2015. Excluding these one-time impacts, the provision for benefits increased $355 million primarily due to $1.04 billion increase in reserves mostly attributed to MVAA ($551 million), fixed annuities ($320 million) and structured settlements ($254 million) due to reserves strengthening. The increase in reserves was partially offset by a $624 million decrease in surrenders primarily attributed to MVAA ($394 million) and fixed annuities ($206 million).

Realized gains net of IMR and federal income taxes

Prior year activity included $618 million of capital gain resulting from the sale of LBL. Excluding the impact from the sale of LBL, the Company reported realized capital losses net of tax of $151 million in 2015 compared to

realized capital gain of $66 million in 2014. Pre-tax capital losses increased $200 million whereas tax expenses incurred increased $17 million over the prior year. The increase in realized losses over the prior year was primarily due to equity and limited partnership write-downs and impairment write-downs on long-term bonds impacted by issuer specific circumstances, including exposure to oil and natural gas. The limited partnership write-downs primarily related to an investment that has been impacted by the decline in natural gas prices. Tax expenses incurred in 2015 included a $57 million true-up adjustment for limited partnerships related to the book tax difference on partnership reported in the 2014 tax return. Excluding the true-up for 2014, the Company would have incurred tax expense of $13 million in 2015, representing a decrease of $40 million over 2014.

CASH FLOW AND LIQUIDITY

The following table summarizes cash flow.

(in millions)	2015	2014
Net cash from operations	$ (598)	$ (12,680)
Net cash from investments	949	13,962
Net cash from financing and miscellaneous sources	(404)	(1,060)
Net change in cash, cash equivalents and short-term investments	$ (53)	$ 222

Prior year net cash from operations included cash outflow of $11.28 billion related to the reinsurance commutation in connection with the sale of LBL. Excluding the impact of the LBL sale, net cash outflow from operations was $0.60 billion and $1.40 billion in 2015 and 2014, respectively. The principal sources of cash flows from operations were investment income, premiums and net transfers from Separate Accounts. The principal uses were the payment of benefits, commissions and operating expenses, and federal and foreign income taxes. The net cash flow decrease from operations excluding the impacts related to the reinsurance commutation in connection with the sale of LBL in 2014 was primarily due to higher benefits, lower premium, lower net investment income and higher income tax payments.

Prior year net cash from investments included the invested asset transfer of $11.31 billion related to the reinsurance commutation in connection with the sale of LBL and proceeds of $797 million from the sale of LBL. $700 million of the net cash from investments funded the return of capital from ALIC to AIC in 2014. Excluding the impacts of the LBL sale and the return of capital from ALIC to AIC, net cash from investments was $0.95 billion and $1.16 billion in 2015 and 2014, respectively. The net cash from investments was primarily attributed to bonds. The maturity structure of the Company's bonds, which represent 70% of the Company's total investments, is managed to meet the anticipated cash flow requirements of the underlying liabilities. A portion of the diversified product portfolio, primarily fixed deferred annuities and universal life insurance policies, is subject to discretionary surrender and withdrawal by customers.

The negative cash flows from financing and miscellaneous sources was due to net withdrawals on deposit-type contracts, mainly due to scheduled distributions of maturing funding agreements.

Liquidity for life insurance companies is measured by the ability to pay contractual benefits and operating expenses, and fund investment commitments. Annuity reserves as of December 31, 2015, excluding Separate Accounts, consisted of $20.87 billion, or 68%, of total reserves in force. Of the total annuity reserves, $12.96 billion, or 58%, are not subject to discretionary withdrawal. The Company maintains a strong liquidity position and is well positioned to meet its policyholders' obligations.

Financial strength ratings and outlook

The Company's financial strength ratings were A+ (superior), A+ (good) and A1 (good) by A.M. Best, Standard & Poor's and Moody's, respectively; all with a stable outlook.

Risk-based capital

The NAIC has a uniform capital adequacy standard, referred to as the risk-based capital ("RBC"), that serves as one of the solvency monitoring regulatory tools to measure and assess the amount of capital that is appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The standard utilizes a formula to calculate a company's minimum capital requirement ("company action level RBC") based on the insurance, business, asset, interest rate, health credit and market risk associated with its business. There is no regulatory action required if a company maintains an actual capital level greater than the company action level RBC. A RBC model law does, however, mandate four levels of regulatory action based on a

company's degree of capital impairment. As of December 31, 2015, each of the insurers comprising the Group had actual capital that was significantly above the company action level RBC.

IRIS ratios

The NAIC has also developed a set of financial relationships or tests known as the Insurance Regulatory Information System ("IRIS") to assist state regulators in monitoring the financial condition of insurance companies that require special attention or action. IRIS ratios are not applicable to ALIC Re, a special purpose financial captive insurance company domiciled in South Carolina. The NAIC analyzes financial data provided by insurance companies using prescribed ratios, each with defined usual range. Additional regulatory scrutiny may occur if a company's ratio results fall outside the usual range for four or more of the twelve ratios. As of December 31, 2015, one insurer, ALNY, had four ratio results fall outside of the usual range, primarily due to the net loss driven by an increase in net realized capital losses and lower net investment income in the current year.

OTHER

The Company's reinsurance ceded on life insurance inforce increased $0.96 billion to $98.53 billion as of December 31, 2015 compared to $97.57 billion as of December 31, 2014. Of the $98.53 billion life insurance inforce ceded as of December 31, 2015, $5.89 billion was ceded to AAC pursuant to the reinsurance agreement entered into by ALIC and AAC effective April 1, 2015 while the rest was ceded to unaffiliated reinsurers. The Company enters into reinsurance agreements with unaffiliated reinsurers to limit aggregate and single exposure to losses on large risks, while retaining primary liability as a direct insurer for all risks ceded to reinsurers.

ALIC's insurance subsidiaries, excluding ALIC Re, are domiciled in Illinois and New York. The IL domiciled insurance subsidiaries have a 100% intercompany reinsurance agreement in place with ALIC.

As of December 31, 2015 and 2014, 23% of the Company's face amount of life insurance inforce was reinsured. The Company also cedes substantially all of the risk associated with variable annuity contracts to non-affiliates.

The credit worthiness of external reinsurers is continuously monitored. As of December 31, 2015, 78% and 13% of ceded premiums under uncollateralized external reinsurance treaties were ceded to companies that currently have an A.M. Best financial strength rating of A- or better and one company with a rating of B, respectively. The rest was ceded to companies that are not rated by A.M. Best.