

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) **October 25, 2004**

Allstate Life Insurance Company

(Exact Name of Registrant as Specified in Charter)

Illinois
(State or Other
Jurisdiction of
Incorporation)

0-31248
(Commission
File Number)

36-2554642
(IRS Employer
Identification
Number)

3100 Sanders Road, Northbrook, Illinois
(Address of Principal Executive Offices)

60062
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

The registrant furnishes below its Condensed Consolidated Statements of Operations for the three-month and nine-month periods ended September 30, 2004 and 2003 and Condensed Consolidated Statements of Financial Position as of September 30, 2004 and December 31, 2003, prepared in conformity with accounting principles generally accepted in the United States of America, and certain non-GAAP and operating measures:

**ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------|------------------------------------|--------|
| | Est. 2004 | 2003 | Est. 2004 | 2003 |
| Revenues | | | | |
| Premiums | \$ 141 | \$ 204 | \$ 443 | \$ 725 |
| Contract charges | 244 | 214 | 714 | 642 |
| Net investment income | 828 | 775 | 2,406 | 2,295 |
| Realized capital gains and losses | (52) | 10 | (147) | (72) |
| | 1,161 | 1,203 | 3,416 | 3,590 |
| Costs and expenses | | | | |
| Contract benefits | 332 | 351 | 981 | 1,196 |
| Interest credited to contractholder funds | 485 | 447 | 1,397 | 1,319 |
| Amortization of deferred policy acquisition costs | 126 | 98 | 350 | 355 |

| | | | | |
|--|--------------|---------------|--------------|---------------|
| Operating costs and expenses | 104 | 122 | 329 | 361 |
| | <u>1,047</u> | <u>1,018</u> | <u>3,057</u> | <u>3,231</u> |
| Loss on disposition of operations | <u>—</u> | <u>(13)</u> | <u>(17)</u> | <u>(13)</u> |
| Income from operations before income tax expense and cumulative effect of change in accounting principle, after-tax | 114 | 172 | 342 | 346 |
| Income tax expense | <u>38</u> | <u>53</u> | <u>120</u> | <u>103</u> |
| Income before cumulative effect of change in accounting principle, after-tax | 76 | 119 | 222 | 243 |
| Cumulative effect of change in accounting principle, after-tax | <u>—</u> | <u>—</u> | <u>(175)</u> | <u>—</u> |
| Net income | <u>\$ 76</u> | <u>\$ 119</u> | <u>\$ 47</u> | <u>\$ 243</u> |

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ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (in millions, except par value data) | September 30, 2004(Est.) | December 31, 2003 |
|---|-------------------------------------|------------------------------|
| Assets | | |
| Investments | | |
| Fixed income securities, at fair value (amortized cost \$53,946 and \$48,401) | \$ 57,360 | \$ 51,578 |
| Mortgage loans | 7,240 | 6,354 |
| Equity securities | 285 | 164 |
| Short-term | 1,995 | 765 |
| Policy loans | 705 | 686 |
| Other | <u>523</u> | <u>442</u> |
| Total investments | 68,108 | 59,989 |
| Cash | 218 | 121 |
| Deferred policy acquisition costs | 3,039 | 3,202 |
| Reinsurance recoverables, net | 1,399 | 1,185 |
| Accrued investment income | 610 | 567 |
| Other assets | 495 | 323 |
| Separate Accounts | <u>13,313</u> | <u>13,425</u> |
| Total assets | <u>\$ 87,182</u> | <u>\$ 78,812</u> |
| Liabilities | | |
| Contractholder funds | \$ 51,376 | \$ 44,914 |
| Reserve for life-contingent contract benefits | 11,010 | 10,480 |
| Unearned premiums | 31 | 32 |
| Payable to affiliates, net | 63 | 114 |
| Other liabilities and accrued expenses | 4,492 | 2,594 |
| Deferred income taxes | 609 | 779 |
| Long-term debt | 110 | 45 |
| Separate Accounts | <u>13,313</u> | <u>13,425</u> |
| Total liabilities | <u>81,004</u> | <u>72,383</u> |
| Shareholder's Equity | | |
| Redeemable preferred stock – series A, \$100 par value, 1,500,000 shares authorized, 49,230 and 815,460 shares issued and outstanding | 5 | 82 |
| Redeemable preferred stock – series B, \$100 par value, 1,500,000 shares authorized, none issued | — | — |
| Common stock, \$227 par value, 23,800 shares authorized and outstanding | 5 | 5 |
| Additional capital paid-in | 1,077 | 1,067 |
| Retained income | 4,069 | 4,222 |
| Accumulated other comprehensive income: | | |
| Unrealized net capital gains and losses and net gains and losses on derivative financial instruments | <u>1,022</u> | <u>1,053</u> |
| Total accumulated other comprehensive income | 1,022 | 1,053 |
| Total shareholder's equity | <u>6,178</u> | <u>6,429</u> |
| Total liabilities and shareholder's equity | <u>\$ 87,182</u> | <u>\$ 78,812</u> |

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Definitions of Non-GAAP and Operating Financial Measures

We believe that investors' understanding of our performance is enhanced by our disclosure of the following non-GAAP financial measure. Our methods of calculating this measure may differ from those used by other companies and therefore comparability may be limited.

Operating income is income before cumulative effect of change in accounting principle, after-tax, excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments which are reported with realized capital gains and losses but included in operating income,
- amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI"), to the extent that they resulted from the recognition of realized capital gains and losses, and
- (loss) gain on disposition of operations, after-tax.

Net income is the GAAP measure that is most directly comparable to operating income.

We use operating income to evaluate our results of operations and as an integral component for incentive compensation. It reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses and (loss) gain on disposition of operations. These items may vary significantly between periods and are generally driven by business decisions and economic developments such as market conditions, the timing of which is unrelated to the insurance underwriting process. Moreover, we reclassify periodic settlements on non-hedge derivative instruments into operating income to report them in a manner consistent with the economically hedged investment or product attributes (e.g. net investment income and interest credited to contractholder funds) and thereby appropriately reflect trends in product performance. Therefore, we believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. Operating income should not be considered as a substitute for net income and does not reflect the overall profitability of our business.

The following table reconciles operating income and net income.

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | Est. 2004 | 2003 | Est. 2004 | 2003 |
| Operating income | \$ 135 | \$ 131 | \$ 377 | \$ 327 |
| Realized capital gains and losses | (52) | 10 | (147) | (72) |
| Income tax benefit | 18 | (3) | 52 | 26 |
| Realized capital gains and losses, after-tax | (34) | 7 | (95) | (46) |
| DAC and DSI amortization relating to realized capital gains and losses, after-tax | (15) | (4) | (28) | (20) |
| Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax | (10) | (7) | (21) | (10) |
| Loss on disposition of operations, after-tax | — | (8) | (11) | (8) |
| Income before cumulative effect of change in accounting principle, after-tax | 76 | 119 | 222 | 243 |
| Cumulative effect of change in accounting principle, after-tax | — | — | (175) | — |
| Net income | \$ 76 | \$ 119 | \$ 47 | \$ 243 |

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Operating Measures

We believe that investors' understanding of our performance is enhanced by our disclosure of the following operating financial measures. Our method of calculating these measures may differ from that used by other companies and therefore comparability may be limited.

Premiums and deposits is an operating measure that we use to analyze production trends for sales. It includes premiums on insurance policies and annuities and all deposits and other funds received from customers on deposit-type products, which we account for under GAAP as increases to liabilities rather than as revenue.

The following table illustrates where premiums and deposits are reflected in the condensed consolidated financial statements.

| (\$ in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------|------------------------------------|-----------------|
| | Est. 2004 | 2003 | Est. 2004 | 2003 |
| Premiums | \$ 141 | \$ 204 | \$ 443 | \$ 725 |
| Deposits to contractholder funds, separate accounts and other | 3,656 | 3,556 | 10,830 | 8,437 |
| Premiums and deposits | \$ 3,797 | \$ 3,760 | \$ 11,273 | \$ 9,162 |

New sales of financial products by Allstate exclusive agencies is an operating measure that we use to quantify the current year sales of financial products by the Allstate proprietary distribution channel. New sales of financial products by Allstate exclusive agencies includes annual premiums on new insurance

policies, initial premiums and deposits on annuities, net new deposits in the Allstate Bank, sales of other companies' mutual funds, and excludes renewal premiums. New sales of financial products by Allstate exclusive agencies for the nine months ended September 30, 2004 and 2003 totaled est. \$1.53 billion and \$1.22 billion, respectively.

SIGNATURES

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

By /s/ Samuel H. Pilch

Name: Samuel H. Pilch
Title: Group Vice President and Controller

October 25, 2004