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) July 28, 2008

Allstate Life Insurance Company

(Exact Name of Registrant as Specified in Charter)

Illinois	0-31248	36-2554642
(State or Other	(Commission	(IRS Employer
Jurisdiction of	File Number)	Identification
Incorporation)		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:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o 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 six- month periods ended June 30, 2008 and 2007 and Condensed Consolidated Statements of Financial Position as of June 30, 2008 and December 31, 2007, prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and certain non-GAAP and operating measures:

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,				Six Months Ended June 30,				
(\$ in millions)	Est. 2008		2007		Est. 2008			2007	
Revenues									
Premiums	\$	126	\$	122	\$	237	\$	277	
Contract charges		246		230		487		458	
Net investment income		922		1,053		1,914		2,083	
Realized capital gains and losses		(932)		104		(1,360)		126	
		362		1,509		1,278		2,944	
Costs and expenses									
Contract benefits		343		331		684		705	
Interest credited to contractholder funds		549		660		1,159		1,295	

Amortization of deferred policy acquisition costs Operating costs and expenses Restructuring and related charges	(56) 101 ——————————————————————————————————	166 73 (1) 1,229	(6) 191 — 2,028	281 160 (1) 2,440
Gain (loss) on disposition of operations		2	<u>(9</u>)	3
(Loss) income from operations before income tax expense Income tax (benefit) expense	(575) (207)	282 95	(759) (276)	507 171
Net (loss) income	<u>\$ (368</u>)	<u>\$ 187</u>	<u>\$ (483</u>)	\$ 336

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

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Montgage loans 9,739 9,973 9,973 150 115 1150 150 1150 150 1150 150 1150 193 150 9 35 98 33 155 98 33 77 773 774 774 774 774 774 774 774 774 174 174 174 174 174 174 174 174 174 174 174 174 174 174 174 174 174 174	(\$ in millions, except share and par value data)	June 30, 2008 (Est.)		December 31, 2007		
Fised income securities, at fair value (amortized cost \$52,885 and \$58,020) \$ 51,873 \$ 9,978 \$ 9,9	Assets					
Mortgage loans 9,789 9,98 Equity securities, at fair value (cost \$150 and \$102) 1,150 9 Limited partnership interests 1,599 3 Short-term 5,599 3 Policy Joans 773 7 Other 1,471 1,73 Total investments 70,755 72,4 Cash 224 11 Deferred policy acquisition costs 4,738 3,49 Reinsurance recoverables, net 3,345 3,4 Accrued investment income 598 66 Other assets 957 6 Deferred income taxes 149 Separate Accounts 149 Total assets \$ 93,304 \$ 96,11 Every for life from the trace \$ 93,304 \$ 96,11 Liabilities \$ 60,86 \$ 60,48 Reserve for life contingent contract benefits 1,248 12,52 Unearly permium 3,25 2,28 Deferred income taxes - 1	Investments					
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Equity securities, at fair value (cost \$150 and \$102)	· · · · · · · · · · · · · · · · · · ·		9,739		9,901	
Short-rem					102	
Sobriter			1,150		994	
Policy loans 773 775 Other 1,471 1,775 Total investments 70,755 72,41 Cash 224 318 Deferred policy acquisition costs 4,738 3,93 Reinsurance recoverables, net 3,445 3,44 Accrued investment income 558 66 Other assets 957 66 Deferred income taxes 149 66 Separate Accounts 149 76 Total assets \$93,30 \$95,12 Contractholder funds \$60,886 \$60,44 Reserve for life-contingent contract benefits 12,348 12,54 Reserve for life-contingent contract benefits 136 2 Reserve for life-contingent contract benefits 136 2 Payable to affiliates, net 136 2 Other liabilities 2,92 2.8 Eperated Accounts 9,02 2 Sparate Accounts 9,02 2 Starebolder's Equity 2,10 2 <					386	
Other 1,471 1,772 Total investments 70,755 72,44 Cash 224 18 Deferred policy acquisition costs 4,738 3,44 Reinsurance recoverables, net 3,445 3,44 Accrued investment income 598 66 Other assets 957 6 Deferred income taxes 12,438 14,52 Separate Accounts 593,304 596,12 Total assets \$ 93,304 \$ 96,12 Liabilities \$ 93,304 \$ 96,12 Contractholder funds \$ 60,88 \$ 96,12 Reserve for life-contingent contract benefits 12,348 12,58 Uneand premiums 22 12,348 12,58 Uneand premiums 23 2 2 Payable to affiliates, net 1,24 1,24 Other liabilities and accrued expenses 2,929 2,80 Deferred income taxes 3,25 2 Total liabilities 89,019 3,23 Sparate Accounts 89					770	
Total investments 70,755 72,41 Cash 224 18 Deferred policy acquisition costs 4,738 3,90 Reinsurance recoverables, net 3,445 3,44 Accrued investment income 598 66 Other assets 957 66 Deferred income taxes 1149 Separate Accounts 12,438 14,92 Total assets \$ 93,304 \$ 96,12 Liabilities Contractholder funds \$ 60,86 \$ 60,48 Reserve for life-contingent contract benefits 12,348 12,59 Unearned premiums 32 2 Payable to affiliates, net 32 2 Other liabilities and accrued expenses 2,929 2,88 Deferred income taxes 2,929 2,88 Total liabilities 32,21 2 Total liabilities 39,019 91,33 Total liabilities 89,019 91,33 Separate Accounts 39,019	· ·				1,792	
Deferred policy acquisition costs 4,738 3,90 Reinsurance recoverables, net 3,445 3,44 Accrued investment income 595 66 Other assets 149	Total investments		70,755		72,414	
Deferred policy acquisition costs 4,738 3,90 Reinsurance recoverables, net 3,445 3,44 Accrued investment income 595 66 Other assets 149						
Reinsurance recoverables, net 3,445 3,445 Accrued investment income 598 66 Other assets 149					185	
Accrued investment income 598 65 Other assets 957 66 Deferred income taxes 149					3,905	
Other assets 957 66 Deferred income taxes 149 - Separate Accounts 12,438 14,92 Total assets \$ 93,304 \$ 96,11 Liabilities Contractholder funds \$ 60,886 \$ 60,48 Reserve for life-contingent contract benefits 12,348 12,53 Unearned premiums 32 2 Payable to affiliates, net 136 2 Other liabilities and accrued expenses 2,929 2,88 Deferred income taxes 2,929 2,88 Deferred debt 250 20 Separate Accounts 39,019 31,33 Total liabilities 89,019 91,33 Shareholder's Equity Redeemable preferred stock—series A, \$100 par value, 1,500,000 shares authorized, none issued 5 6 Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized, none issued 5 6 Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized, none issued 5 7 Redeemable preferred stock—s	Reinsurance recoverables, net		3,445		3,410	
Deferred income taxes 149 14,000 12,438 14,000 12,438 14,000 12,438 14,000 12,438 14,000 12,438 14,000 12,438 14,000 12,438 12,538	Accrued investment income		598		652	
Separate Accounts 12,438 14,90 Total assets \$ 93,304 \$ 96,10 Liabilities \$ 60,88 \$ 60,48 Reserve for life-contingent contract benefits 12,348 12,534 Uncerned premiums 32 12,534 12,534 Payable to affiliates, net 13,63 20 Other liabilities and accrued expenses 2,929 2,83 Deferred income taxes 2,929 2,83 Separate Accounts 3,01 3,02 Separate Accounts 89,019 91,33 Total liabilities 89,019 91,33 Stareholder's Equity 89,019 91,33 Redeemable preferred stock—series A, \$100 par value, 1,500,000 shares authorized, none issued 89,019 91,33 Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized, none issued 89,019 10,100 Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized, none issued 89,019 10,100 Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized, none issued 89,019 10,100 Retained income	Other assets		957		622	
Total assets \$ 93,304 \$ 96,12 Liabilities Contractholder funds \$ 60,886 \$ 60,44 Reserve for life-contingent contract benefits 12,48 12,58 Unearned premiums 32 3 Payable to affiliates, net 136 20 Other liabilities and accrued expenses - 136 20 Deferred income taxes - 250 20 Deferred mobt 250 20 20 Separate Accounts 89,019 91,33 Total liabilities 89,019 91,33 Shareholder's Equity 89,019 91,33 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 — — Redeemable preferred stock — series B, \$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 — — — Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none iss	Deferred income taxes		149		_	
Liabilities 60,886 \$ 60,886 \$ 60,486	Separate Accounts		12,438		14,929	
Contractholder funds \$ 60,886 \$ 60,44 Reserve for life-contingent contract benefits 12,348 12,55 Unearned premiums 32 3 Payable to affiliates, net 136 20 Other liabilities and accrued expenses 2,929 2,82 Deferred income taxes 250 250 Separate Accounts 12,438 14,93 Total liabilities 89,019 91,33 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 — — — Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued — — — Additional capital paid-in 1,475 1,10 Retained income 3,251 3,73 Accumulated other comprehensive income: (446) (486) Total accumulated other comprehensive income 4,285 4,78	Total assets	\$	93,304	\$	96,117	
Contractholder funds \$ 60,886 \$ 60,44 Reserve for life-contingent contract benefits 12,348 12,55 Unearned premiums 32 3 Payable to affiliates, net 136 20 Other liabilities and accrued expenses 2,929 2,82 Deferred income taxes 250 250 Separate Accounts 12,438 14,93 Total liabilities 89,019 91,33 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 — — — Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued — — — Additional capital paid-in 1,475 1,10 Retained income 3,251 3,73 Accumulated other comprehensive income: (446) (486) Total accumulated other comprehensive income 4,285 4,78	T !_L !!!*!					
Reserve for life-contingent contract benefits 12,348 12,55 Uneared premiums 32 3 Payable to affiliates, net 136 26 Other liabilities and accrued expenses 2,929 2,82 Deferred income taxes - 10 Long-term debt 250 2 Separate Accounts 12,438 14,92 Total liabilities 89,019 91,33 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 — — Redeemable preferred stock — series B, \$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 — — Redeemable preferred stock — series B, \$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 — — Lomenulated preferred stock — series B, \$100 par value, 1,500,000 shares authorized, no		ф	CO 00C	ď	CO 4C4	
Unearned premiums 32 32 Payable to affiliates, net 136 20 Other liabilities and accrued expenses 2,929 2,82 Deferred income taxes — 11 Long-term debt 250 20 Separate Accounts 12,438 14,92 Total liabilities 89,019 91,33 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 — Additional capital paid-in 1,475 1,16 Retained income 3,251 3,73 Accumulated other comprehensive income: (446) (6 Unrealized net capital gains and losses (446) (8 Total shareholder's equity 4,285 4,76		\$		\$		
Payable to affiliates, net 136 20 Other liabilities and accrued expenses 2,929 2,82 Deferred income taxes — 10 Long-term debt 250 20 Separate Accounts 12,438 14,92 Total liabilities 89,019 91,33 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 — Additional capital paid-in 1,475 1,10 Retained income 3,251 3,75 Accumulated other comprehensive income: (446) (64 Total accumulated other comprehensive income (446) (64 Total shareholder's equity 4,285 4,76					12,598	
Other liabilities and accrued expenses 2,929 2,829 Deferred income taxes — 10 Long-term debt 250 20 Separate Accounts 12,438 14,920 Total liabilities 89,019 91,33 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 — Additional capital paid-in 1,475 1,10 Retained income 3,251 3,73 Accumulated other comprehensive income: — (446) (8 Total accumulated other comprehensive income (446) (8 Total shareholder's equity 4,285 4,76					33	
Deferred income taxes — 10 Long-term debt 250 20 Separate Accounts 12,438 14,92 Total liabilities 89,019 91,33 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 — Additional capital paid-in 1,475 1,11 Retained income 3,251 3,73 Accumulated other comprehensive income: (446) (8 Unrealized net capital gains and losses (446) (8 Total accumulated other comprehensive income 4,285 4,76					206	
Long-term debt Separate Accounts Total liabilities 89,019 91,33 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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$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 Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized, none issued Redeemable preferred stock—series B, \$100 par value, 1,500,000 shares authorized and series B, \$100 par value, 1,500,000 shares authorized and series B, \$100 par value, 1,5			2,929		2,823	
Separate Accounts 12,438 14,925 Total liabilities 89,019 91,335 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 — — ————————————————————————————————			_		101	
Total liabilities 89,019 91,33 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 —					200	
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 Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses (446) (8 Total accumulated other comprehensive income (446) (8 Total shareholder's equity	Separate Accounts		12,438		14,929	
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 Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income (446) (58 Total shareholder's equity	Total liabilities		89,019		91,354	
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 Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income (446) (58 Total shareholder's equity						
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 Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income (446) (80) Total shareholder's equity						
Common stock, \$227 par value, 23,800 shares authorized and outstanding Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income Total shareholder's equity 4,285 4,76			_		_	
Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income Total shareholder's equity 1,475 1,10 3,25 3,73 4,46) (8) Total shareholder's equity			_		_	
Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income Total shareholder's equity 3,251 3,73 (446) (8 446) (8 4,285 4,76	•		_		5	
Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income (446) (8 (446) (8 (446) (8) (446) (8) (446) (8) (446) (8)					1,108	
Unrealized net capital gains and losses (446) (8 Total accumulated other comprehensive income (446) (8 Total shareholder's equity 4,285 4,76			3,251		3,734	
Total accumulated other comprehensive income (446) (8 Total shareholder's equity 4,285 4,76						
Total shareholder's equity 4,285 4,76	Unrealized net capital gains and losses		(446)		(84)	
	Total accumulated other comprehensive income		(446)		(84)	
Total liabilities and shareholder's equity \$ 93,304 \$ 96,12	Total shareholder's equity		4,285		4,763	
	Total liabilities and shareholder's equity	\$	93,304	\$	96,117	
2						

Definitions of Non-GAAP and OperatingMeasures

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

Operating income is net income, 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 they resulted from the recognition of certain realized capital gains and losses,
- · gain (loss) on disposition of operations, after-tax, and
- · adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

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

We use operating income as an important measure to evaluate our results of operations. We believe that the measure provides investors with a valuable measure of the Company's ongoing performance because it reveals trends in our insurance and financial services business that may be obscured by the net effect of realized capital gains and losses, gain (loss) on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses and gain (loss) on disposition of operations may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions, the timing of which is unrelated to the insurance underwriting process. Consistent with our intent to protect results or earn additional income, operating income includes periodic settlements and accruals on certain derivative instruments that are reported in realized capital gains and losses because they do not qualify for hedge accounting or are not designated as hedges for accounting purposes. These instruments are used for economic hedges and to replicate fixed income securities, and by including them in operating income, we are appropriately reflecting their trends in our performance and in a manner consistent with the economically hedged investments, product attributes (e.g. net investment income and interest credited to contractholder funds) or replicated investments. Non-recurring items are excluded because, by their nature, they are not indicative of our business or economic trends. Accordingly, operating income excludes the effect of items that tend to be highly variable from period to period and highlights the results from ongoing operations and the underlying profitability of our business. A byproduct of excluding these items to determine operating income is the transparency and understanding of their significance to net income variability and profitability while recognizing these or similar items may recur in subsequent periods. Operating income is used by management along with the other components of net income to assess our performance. We use adjusted measures of operating income in incentive compensation. Therefore, we believe it is useful for investors to evaluate net income, operating income and their components separately and in the aggregate when reviewing and evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the Company and management's performance. Operating income should not be considered as a substitute for net income and does not reflect the overall profitability of our business.

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The following table reconciles operating income and net (loss) income.

	Three Months Ended June 30,				Six Months Ended June 30,			
(\$ in millions)	Est. 2008 20		Est. 2007 2008			2007		
Operating income	\$	108	\$	141	\$	244	\$	283
Realized capital gains and losses		(932)		104		(1,360)		126
Income tax benefit (expense)		326		(37)		476		(45)
Realized capital gains and losses, after-tax		(606)		67		(884)		81
DAC and DSI amortization relating to realized capital gains and losses, after-tax		134		(15)		173		(15)
Reclassification of periodic settlements and accruals on non-hedge derivative								
instruments, after-tax		(4)		(7)		(10)		(15)
Gain (loss) on disposition of operations, after-tax		_		1		(6)		2
Net (loss) income	\$	(368)	\$	187	\$	(483)	\$	336

Operating income return on equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income by the average of shareholder's equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on equity is the most directly comparable GAAP measure. We use operating income as the numerator for the same reasons we use operating income, as discussed above. We use average shareholder's equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of shareholder's equity primarily attributable to the Company's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income and return on equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with net income return on equity because it eliminates the effect of items that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management: the after-tax effects of realized and unrealized net capital gains and losses, and the cumulative effect of change in accounting principle. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine operating income return on equity from return on equity is the transparency and understanding of their significance to return on equity variability and profit

financial and business media organizations and rating agencies utilize operating income return on equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the Company and management's utilization of capital. Operating income return on equity should not be considered as a substitute for return on equity and does not reflect the overall profitability of our business.

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The following table shows the reconciliation.

(\$ in millions)	For the twelve months ended June 30,						
	Es	t. 2008	2007				
Return on equity							
Numerator:							
Net (loss) income	<u>\$</u>	(407) \$	612				
Denominator:							
Beginning shareholder's equity	\$	5,637 \$	5,492				
Ending shareholder's equity		4,285	5,637				
Average shareholder's equity	\$	4,961 \$	5,565				
Return on equity		(8.2)%	11.0%				
		For the twelve month	hs ended				
(\$ in millions)	June 30,						
Operating income veture on equity	<u>Es</u>	t. 2008	2007				
Operating income return on equity Numerator:							
	¢	EDC &	F 47				
Operating income	<u>\$</u>	526 \$	547				
Denominator:							
Beginning shareholder's equity	\$	5,637 \$	5,492				
Unrealized net capital gains and losses	Ψ	142	45				
Adjusted beginning shareholder's equity		5,495	5,447				
Ending shareholder's equity		4,285	5,637				
Unrealized net capital gains and losses		(446)	142				
Adjusted ending shareholder's equity		4,731	5,495				
Average shareholder's equity	¢	5,113 \$	5,471				
	<u>Ψ</u>						
Operating income return on equity		10.3 %	10.0 %				

Operating Measure

We believe that investors' understanding of our performance is enhanced by our disclosure of the following operating financial measure. Our method of calculating this measure may differ from those 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.

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

	Three Months Ended June 30,					Six Months Ended June 30,			
(\$ in millions)		Est. 2008		2007		Est. 2008		2007	
Total premiums and deposits	\$	4,218	\$	2,658	\$	7,041	\$	5,067	
Deposits to contractholder funds		(4,061)		(2,503)		(6,747)		(4,731)	
Deposits to separate accounts		$(33) \qquad (34)$		(66)			(67)		
Change in unearned premiums and other adjustments		2		1		9		8	
Premiums	\$	126	\$	122	\$	237	\$	277	
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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.

By <u>/s/ Samuel H. Pilch</u>

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

Date: July 28, 2008