

**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
(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 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**

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	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
	<u>362</u>	<u>1,509</u>	<u>1,278</u>	<u>2,944</u>
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	(56)	166	(6)	281
Operating costs and expenses	101	73	191	160
Restructuring and related charges	—	(1)	—	(1)
	<u>937</u>	<u>1,229</u>	<u>2,028</u>	<u>2,440</u>
Gain (loss) on disposition of operations	—	2	(9)	3
(Loss) income from operations before income tax expense	(575)	282	(759)	507
Income tax (benefit) expense	(207)	95	(276)	171
Net (loss) income	<u>\$ (368)</u>	<u>\$ 187</u>	<u>\$ (483)</u>	<u>\$ 336</u>

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

(\$ in millions, except share and par value data)	<u>June 30, 2008 (Est.)</u>	<u>December 31, 2007</u>
Assets		
Investments		
Fixed income securities, at fair value (amortized cost \$52,885 and \$58,020)	\$ 51,873	\$ 58,469
Mortgage loans	9,739	9,901
Equity securities, at fair value (cost \$150 and \$102)	150	102
Limited partnership interests	1,150	994
Short-term	5,599	386
Policy loans	773	770
Other	<u>1,471</u>	<u>1,792</u>
Total investments	70,755	72,414
Cash	224	185
Deferred policy acquisition costs	4,738	3,905
Reinsurance recoverables, net	3,445	3,410
Accrued investment income	598	652
Other assets	957	622
Deferred income taxes	149	—
Separate Accounts	<u>12,438</u>	<u>14,929</u>
Total assets	<u>\$ 93,304</u>	<u>\$ 96,117</u>
Liabilities		
Contractholder funds	\$ 60,886	\$ 60,464
Reserve for life-contingent contract benefits	12,348	12,598
Unearned premiums	32	33
Payable to affiliates, net	136	206
Other liabilities and accrued expenses	2,929	2,823
Deferred income taxes	—	101
Long-term debt	250	200
Separate Accounts	<u>12,438</u>	<u>14,929</u>
Total liabilities	<u>89,019</u>	<u>91,354</u>
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	5
Additional capital paid-in	1,475	1,108
Retained income	3,251	3,734
Accumulated other comprehensive income:		
Unrealized net capital gains and losses	<u>(446)</u>	<u>(84)</u>
Total accumulated other comprehensive income	<u>(446)</u>	<u>(84)</u>
Total shareholder's equity	<u>4,285</u>	<u>4,763</u>
Total liabilities and shareholder's equity	<u>\$ 93,304</u>	<u>\$ 96,117</u>

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Definitions of Non-GAAP and Operating Measures

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.

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

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	Est. 2008	2007	Est. 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	<u>\$ (368)</u>	<u>\$ 187</u>	<u>\$ (483)</u>	<u>\$ 336</u>

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 profitability while recognizing these or similar items may recur in subsequent periods. Therefore, we believe it is useful for investors to have operating income return on equity and return on equity when evaluating our performance. We note that investors, financial analysts,

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,	
	Est. 2008	2007
Return on equity		
Numerator:		
Net (loss) income	\$ (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%

(\$ in millions)	For the twelve months ended June 30,	
	Est. 2008	2007
Operating income return on equity		
Numerator:		
Operating income	\$ 526	\$ 547
Denominator:		
Beginning shareholder's equity	\$ 5,637	\$ 5,492
Unrealized net capital gains and losses	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
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.

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	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)	(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.

ALLSTATE LIFE INSURANCE COMPANY

By /s/ Samuel H. Pilch

Name: Samuel H. Pilch

Title: Group Vice President and Controller

Date: July 28, 2008