UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Registrant meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

OR

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

Commission file number: 000-31248

ALLSTATE LIFE INSURANCE COMPANY

(Exact name of registrant as specified in its charter)

Illinois (State of Incorporation)	**36-2554642** (I.R.S. Employer Identification No.)
3100 Sanders Road **Northbrook, Illinois** (Address of principal executive offices)	**60062** (Zip code)

Registrant's telephone number, including area code: **847/402-5000**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ **No o**

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes o **No ☒**

As of April 29, 2005, the registrant had 23,800 common shares, $227 par value, outstanding, all of which are held by Allstate Insurance Company.

ALLSTATE LIFE INSURANCE COMPANY
INDEX TO QUARTERLY REPORT ON FORM 10-Q
March 31, 2005

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions)	Three Months Ended March 31, 2005	2004
	(Unaudited)	
Revenues		
Premiums (net of reinsurance ceded of $147 and $140)	$ 142	$ 151
Contract charges	259	234
Net investment income	888	783
Realized capital gains and losses	1	(27)
	1,290	1,141
Costs and expenses		
Contract benefits	347	336
Interest credited to contractholder funds	576	449
Amortization of deferred policy acquisition costs	169	115
Operating costs and expenses	116	102
	1,208	1,002
Loss on disposition of operations	(5)	(3)
Income from operations before income tax expense and cumulative effect of change in accounting principle, after-tax	77	136
Income tax expense	9	45
Income before cumulative effect of change in accounting principle, after-tax	68	91
Cumulative effect of change in accounting principle, after-tax	—	(175)
Net income (loss)	$ 68	$ (84)

See notes to condensed consolidated financial statements.

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

(in millions, except par value data)	March 31, 2005 (Unaudited)	December 31, 2004
Assets		
Investments		
Fixed income securities, at fair value (amortized cost $58,263 and $55,964)	$ 60,768	$ 59,291
Mortgage loans	7,538	7,318
Equity securities	228	214
Short-term	1,630	1,440
Policy loans	719	722
Other	623	704
Total investments	71,506	69,689
Cash	162	241
Deferred policy acquisition costs	3,582	3,176
Reinsurance recoverables, net	1,586	1,507
Accrued investment income	641	593
Other assets	726	818
Separate Accounts	14,087	14,377

Total assets	$ 92,290	$ 90,401
Liabilities		
Contractholder funds	$ 55,666	$ 53,939
Reserve for life-contingent contract benefits	11,558	11,203
Unearned premiums	31	31
Payable to affiliates, net	90	79
Other liabilities and accrued expenses	4,399	3,721
Deferred income taxes	358	638
Short-term debt	75	—
Long-term debt	98	104
Separate Accounts	14,087	14,377
Total liabilities	86,362	84,092
Commitments and Contingent Liabilities (Note 3)		
Shareholder's Equity		
Redeemable preferred stock – series A, $100 par value, 1,500,000 shares authorized, 49,230 shares issued and outstanding	5	5
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	1,108	1,108
Retained income	4,188	4,178
Accumulated other comprehensive income:		
Unrealized net capital gains and losses	622	1,013
Total accumulated other comprehensive income	622	1,013
Total shareholder's equity	5,928	6,309
Total liabilities and shareholder's equity	$ 92,290	$ 90,401

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Three Months Ended March 31, 2005	2004
	(Unaudited)	
Cash flows from operating activities		
Net income (loss)	$ 68	$ (84)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and other non-cash items	(46)	(32)
Realized capital gains and losses	(1)	27
Loss on disposition of operations	5	3
Cumulative effect of change in accounting principle	—	175
Interest credited to contractholder funds	576	449
Changes in:		
Contract benefit and other insurance reserves	(17)	(65)
Unearned premiums	—	—
Deferred policy acquisition costs	(26)	(52)
Reinsurance recoverables, net	(80)	(46)
Income taxes payable	(36)	42
Other operating assets and liabilities	(29)	(10)
Net cash provided by operating activities	414	407
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	2,366	1,571
Equity securities	16	26
Investment collections		
Fixed income securities	1,036	946
Mortgage loans	153	161
Investment purchases		
Fixed income securities	(5,068)	(4,112)
Equity securities	(32)	(89)
Mortgage loans	(402)	(362)
Change in short-term investments, net	(121)	182
Change in other investments, net	22	(21)
Net cash used in investing activities	(2,030)	(1,698)

Cash flows from financing activities		
Change in short-term debt, net	75	—
Redemption of mandatorily redeemable preferred stock	(6)	—
Contractholder fund deposits	3,255	2,743
Contractholder fund withdrawals	(1,787)	(1,396)
Dividends paid	—	(25)
Net cash provided by financing activities	1,537	1,322
Net (decrease) increase in cash	(79)	31
Cash at beginning of the period	241	121
Cash at end of period	$ 162	$ 152

See notes to condensed consolidated financial statements.

ALL STATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Allstate Life Insurance Company ("ALIC") and its wholly owned subsidiaries (together with ALIC, the "Company"). ALIC is wholly owned by Allstate Insurance Company ("AIC"), a wholly owned subsidiary of The Allstate Corporation (the "Corporation").

The condensed consolidated financial statements and notes as of March 31, 2005 and for the three-month periods ended March 31, 2005 and 2004 are unaudited. The condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. These condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

To conform to the 2005 presentation, certain amounts in the prior year's condensed consolidated financial statements and notes have been reclassified.

Equity securities include common stocks, non-redeemable preferred stocks and limited partnership interests. Common stocks and non-redeemable preferred stocks had a carrying value of $41 million and $42 million, and cost of $34 million and $33 million at March 31, 2005 and December 31, 2004, respectively. Investments in limited partnership interests had a carrying value of $187 million and $172 million at March 31, 2005 and December 31, 2004, respectively.

Non-cash investment exchanges and modifications, which primarily reflect refinancings of fixed income securities, totaled $5 million and $1 million for the three months ended March 31, 2005 and 2004, respectively.

Pending accounting standard

Financial Accounting Standards Board Staff Position re. Emerging Issues Task Force Issue 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("FSP EITF Issue 03-1-a").

In September 2004, the Financial Accounting Standards Board ("FASB") issued proposed FSP EITF 03-1-a to address the application of paragraph 16 of Emerging Issues Task Force Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF Issue 03-1") to debt securities that are impaired because of increases in interest rates, and/or sector spreads. Thereafter, in connection with its decision to defer the effective date of paragraphs 10–20 of EITF 03-1 through the issuance of FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("FSP EITF Issue 03-1-1"), the FASB requested from its constituents comments on the issues set forth in FSP EITF 03-1-a and the issues that arose during the comment letter process for FSP EITF 03-1-b, "Effective Date of Paragraph 16 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments".

Due to the uncertainty as to how the outstanding issues will be resolved, the Company is unable to determine the impact of adopting paragraphs 10-20 of EITF 03-1 until final implementation guidance is issued. Adoption of paragraphs 10-20 of EITF 03-1 may have a material impact on the Company's Condensed Consolidated Statements of Operations but is not expected to have a material impact on the Company's Condensed Consolidated Statements of Financial Position as fluctuations in fair value are already recorded in accumulated other comprehensive income.

2. Related Party Transactions

Reinsurance

In the first quarter of 2005, the Company received fixed income securities with a fair value and amortized cost of $381 million and $358 million, respectively, and $5 million of accrued investment income for the settlement of a $386 million premium receivable due from American Heritage Life Insurance Company ("AHL"), an unconsolidated affiliate of the Company. The receivable related to two coinsurance agreements entered into in 2004 whereby the Company assumed certain interest-sensitive life and fixed annuity insurance contracts from AHL. Since the transaction was between affiliates under common control, the securities were recorded at amortized cost as of the date of settlement. The difference between the amortized cost and fair value of the securities was recorded as a non-cash dividend of $23 million ($15 million, after-tax).

Investments

In the first quarter of 2005, the Company purchased fixed income securities from AIC. The Company paid $655 million in cash for the securities, which includes the fair value of the securities of $649 million and $6 million for accrued investment income. Since the transaction was between affiliates under common control, the securities were recorded at the amortized cost of $623 million as of the date of sale. The difference between the amortized cost and fair value of the securities was recorded as a dividend of $26 million ($16 million, after-tax).

Debt

The Company issued $75 million of short-term debt to the Corporation with a weighted average interest rate of 2.86% in the first quarter of 2005 pursuant to an intercompany loan agreement.

3. Reinsurance

The effects of reinsurance on premiums and contract charges are as follows:

(in millions)	Three months ended March 31, 2005	Three months ended March 31, 2004
Premiums and contract charges		
Direct	$ 538	$ 516
Assumed		
Affiliate	4	5
Non-affiliate	6	4
Ceded-non-affiliate	(147)	(140)
Premiums and contract charges, net of reinsurance	$ 401	$ 385

The effects of reinsurance on contract benefits are as follows:

(in millions)	Three months ended March 31, 2005	Three months ended March 31, 2004
Contract benefits		
Direct	$ 487	$ 415
Assumed		
Affiliate	3	2
Non-affiliate	4	—
Ceded		
Non-affiliate	(147)	(81)
Contract benefits, net of reinsurance	$ 347	$ 336

Effective January 1, 2004, the Company adopted Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for certain Nontraditional Long Duration Contracts and for Separate Accounts" and, in connection therewith, recorded a cumulative effect of change in accounting principle due to an increase in benefit reserves of $94 million, after-tax ($145 million, pre-tax). The increase in benefit reserves was comprised of direct, assumed non-affiliate and ceded non-affiliate benefit reserves of $155 million, $4 million and $14 million, respectively.

4. Guarantees and Contingent Liabilities

Guarantees

The Company owns certain fixed income securities that obligate the Company to exchange credit risk or to forfeit principal due, depending on the nature or occurrence of specified credit events for the referenced entities. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these fixed income securities, as measured by their par value was $143 million at March 31, 2005. The obligations associated with these fixed income securities expire at various times during the next seven years.

Lincoln Benefit Life Company ("LBL"), a wholly owned subsidiary of ALIC, has issued universal life insurance contracts to third parties who finance the premium payments on the universal life insurance contracts through a commercial paper program. LBL has issued a repayment guarantee on the outstanding commercial paper balance that is fully collateralized by the cash surrender value of the universal life insurance contracts. At March 31, 2005, the amount due under the commercial paper program is $301 million and the cash surrender value of the policies is $307 million. The repayment guarantee expires April 30, 2006.

In the normal course of business, the Company provides standard indemnifications to counterparties in contracts in connection with numerous transactions, including acquisitions and divestitures. The types of indemnifications typically provided include indemnifications for breaches of representations and warranties, taxes and certain other liabilities, such as third party lawsuits. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business based on an assessment that the risk of loss would be remote. The terms of the indemnifications vary in duration and nature. In many cases, the maximum obligation is not explicitly stated and the contingencies triggering the obligation to indemnify have not occurred and are not expected to occur. Consequently, the maximum amount of the obligation under such indemnifications is not determinable. Historically, the Company has not made any material payments pursuant to these obligations.

The aggregate liability balance related to all guarantees was not material as of March 31, 2005.

Regulation

The Company is subject to changing social, economic and regulatory conditions. Recent state and federal regulatory initiatives and proceedings have included efforts to impose additional regulations regarding agent and broker compensation and otherwise expand overall regulation of insurance products and the insurance industry. The ultimate changes and eventual effects of these initiatives on the Company's business, if any, are uncertain.

Legal and Regulatory Proceedings and Inquiries

Background

The Company and certain of its affiliates are named as defendants in a number of lawsuits and other legal proceedings arising out of various aspects of its business. As background to the "Proceedings" sub-section below, please note the following:

- These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including but not limited to, the underlying facts of each matter, novel legal issues, variations between jurisdictions in which matters are being litigated, differences in applicable laws and judicial interpretations, the length of time before many of these matters might be resolved by settlement or through litigation and, in some cases, the timing of their resolutions relative to other similar cases brought against other companies, the fact that some of these matters are putative class actions in which a class has not been certified and in which the purported class may not be clearly defined, the fact that some of these matters involve multi-state class actions in which the applicable law(s) for the claims at issue is in dispute and therefore unclear, and the current challenging legal environment faced by large corporations and insurance companies.

- In these matters, plaintiffs seek a variety of remedies including equitable relief in the form of injunctive and other remedies and monetary relief in the form of contractual and extra-contractual damages. In some cases, the monetary damages sought include punitive damages or are not specified. Often more specific information beyond the type of relief sought is not available because plaintiffs have not requested more specific relief in their court pleadings. In those cases where plaintiffs have made a specific demand for monetary damages, they often specify damages just below a jurisdictional limit regardless of the facts of the case. This represents the maximum they can seek without risking removal from state court to federal court. In our experience, monetary demands in plaintiffs' court pleadings bear little relation to the ultimate loss, if any, to the Company.

- For the reasons specified above, it is not possible to make meaningful estimates of the amount or range of loss that could result from these matters at this time. The Company reviews these matters on an on-going basis and follows the provisions of Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, the Company bases its decisions on its assessment of the ultimate outcome following all appeals.

- In the opinion of the Company's management, while some of these matters may be material to the Company's operating results for any particular period if an unfavorable outcome results, none will have a material adverse effect on the consolidated financial condition of the Company.

Proceedings

Legal proceedings involving Allstate agencies and AIC may impact the Company, even when the Company is not directly involved, because the Company sells its products through a variety of distribution channels including Allstate agencies. Consequently, information about the more significant of these proceedings is provided below.

AIC is defending various lawsuits involving worker classification issues. A putative nationwide class action filed by former employee agents includes a worker classification issue; these agents are challenging certain amendments to the Agents Pension Plan and are seeking to have exclusive agent independent contractors treated as

employees for benefit purposes. This matter was dismissed with prejudice by the trial court, was the subject of further proceedings on appeal, and has been reversed and remanded to the trial court in April 2005. AIC has been vigorously defending this and various other worker classification lawsuits. The outcome of these disputes is currently uncertain.

AIC is defending certain matters relating to its agency program reorganization announced in 1999. These matters include a lawsuit filed in December 2001 by the U.S. Equal Employment Opportunity Commission ("EEOC") alleging retaliation under federal civil rights laws, a class action filed in August 2001 by former employee agents alleging retaliation and age discrimination under the Age Discrimination in Employment Act, breach of contract and ERISA violations, and a lawsuit filed in October 2004 by the EEOC alleging age discrimination with respect to a policy limiting the rehire of agents affected by the agency program reorganization. AIC is also defending another action, in which a class was certified in June 2004, filed by former employee agents who terminated their employment prior to the agency program reorganization. These plaintiffs have asserted claims under ERISA, and are seeking benefits provided in connection with the reorganization. In late March 2004, in the first EEOC lawsuit and class action lawsuit, the trial court issued a memorandum and order that, among other things, certified classes of agents, including a mandatory class of agents who had signed a release, for purposes of effecting the court's declaratory judgment that the release is voidable at the option of the release signer. The court also ordered that an agent who voids the release must return to AIC "any and all benefits received by the [agent] in exchange for signing the release." The court also "concluded that, on the undisputed facts of record, there is no basis for claims of age discrimination." The EEOC and plaintiffs have asked the court to clarify and/or reconsider its memorandum and order. The case otherwise remains pending. A putative nationwide class action has also been filed by former employee agents alleging various violations of ERISA. This matter was dismissed with prejudice by the trial court, was the subject of further proceedings on appeal, and has been reversed and remanded to the trial court in April 2005. In these matters, plaintiffs seek compensatory and punitive damages, and equitable relief. AIC has been vigorously defending these lawsuits and other matters related to its agency program reorganization. In addition, AIC has been defending certain matters relating to its life agency program reorganization announced in 2000. These matters have been the subject of an investigation by the EEOC with respect to allegations of age discrimination and retaliation and conciliation discussions between Allstate and the EEOC. The outcome of these disputes is currently uncertain.

The Company is defending a number of lawsuits brought by plaintiffs challenging trading restrictions the Company adopted in an effort to limit market-timing activity in its variable annuity sub-accounts. In one case, plaintiffs' motion for summary judgment on their breach of contract claims was granted and the matter will proceed to trial on damages. In these various lawsuits, plaintiffs seek a variety of remedies including monetary and equitable relief. The Company has been vigorously defending these matters, but their outcome is currently uncertain.

Other Matters

The Corporation and some of its subsidiaries, including the Company, have received interrogatories and demands for information from regulatory and enforcement authorities relating to various insurance products and practices. The areas of inquiry include variable annuity market timing, late trading and the issuance of funding agreements backing medium-term notes. The Corporation and some of its subsidiaries, including the Company, have also received interrogatories and demands for information from authorities seeking information relevant to on-going investigations into the possible violation of antitrust or insurance laws by unnamed parties and, in particular, seeking information as to whether any person engaged in activities for the purpose of price fixing, market allocation, or bid rigging. The Company believes that these inquiries are similar to those made to many financial services companies as part of industry-wide investigations by various authorities into the practices, policies and procedures relating to insurance and financial services products. The Corporation and its subsidiaries have responded and will continue to respond to these inquiries.

Various other legal and regulatory actions are currently pending that involve the Company and specific aspects of its conduct of business. Like other members of the insurance industry, the Company is the target of a number of class action lawsuits and other types of proceedings, some of which involve claims for substantial or indeterminate amounts. These actions are based on a variety of issues and target a range of the Company's practices. The outcome of these disputes is currently unpredictable. However, at this time, based on their present status, it is the opinion of management that the ultimate liability, if any, in one or more of the actions described in this "Other Matters" subsection in excess of amounts currently reserved is not expected to have a material effect on the results of operations, liquidity or financial condition of the Company.

5. Other Comprehensive Income

The components of other comprehensive income on a pretax and after-tax basis are as follows:

	Three months ended March 31,					
	2005			2004		
(in millions)	Pretax	Tax	After-tax	Pretax	Tax	After-tax
Unrealized holding gains (losses) arising during the period	$ (697)	$ 244	$ (453)	$ 224	$ (78)	$ 146
Less: reclassification adjustments	(95)	33	(62)	(27)	10	(17)
Other comprehensive income (loss)	$ (602)	$ 211	(391)	$ 251	$ (88)	163
Net income (loss)			68			(84)
Comprehensive income (loss)			$ (323)			$ 79

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Allstate Life Insurance Company:

We have reviewed the accompanying condensed consolidated statement of financial position of Allstate Life Insurance Company and subsidiaries (the "Company", an affiliate of The Allstate Corporation) as of March 31, 2005, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Allstate Life Insurance Company and subsidiaries as of December 31, 2004, and the related consolidated statements of operations and comprehensive income, shareholder's equity, and cash flows for the year then ended, not presented herein. In our report dated February 24, 2005, which report includes an explanatory paragraph relating to a change in the Company's method of accounting for certain nontraditional long-duration contracts and separate accounts in 2004 and changes in the methods of accounting for embedded derivatives in modified coinsurance agreements and variable interest entities in 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 6, 2005

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

OVERVIEW

The following discussion highlights significant factors influencing the consolidated financial position and results of operations of Allstate Life Insurance Company (referred to in this document as "we", "our", "us", or the "Company"). It should be read in conjunction with the condensed consolidated financial statements and notes thereto found under Part I. Item 1. contained herein, and with the discussion, analysis, consolidated financial statements and notes thereto in Part I. Item 1. and Part II. Item 7. and Item 8. of the Allstate Life Insurance Company Annual Report on Form 10-K for 2004. We operate as a single segment entity, based on the manner in which financial information is used internally to evaluate performance and determine the allocation of resources.

HIGHLIGHTS

- Revenues increased 13.1% in the first quarter of 2005 compared to the same period of 2004 due to increases in net investment income, higher contract charges and improved realized capital gains and losses.
- The annual evaluation of assumptions in our valuation models for all investment products resulted in a net reduction to income before taxes of $16 million in the first quarter of 2005, compared to the 2004 evaluation, which resulted in a net reduction of income before taxes of $0.5 million.
- Income before cumulative effect of change in accounting principle, after-tax, decreased 25.3% in the first quarter of 2005 compared to the same period of 2004 as higher gross margin was more than offset by increased deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI") amortization related to realized capital gains and losses and higher operating costs and expenses.
- Total investments increased 2.6% to $71.51 billion at March 31, 2005 compared to December 31, 2004, due primarily to contractholder deposits.
- Contractholder fund deposits totaled $3.25 billion for the first quarter of 2005 compared to $2.74 billion for the first quarter of 2004. The increase of $507 million was primarily attributable to deposits from fixed annuities.

OPERATIONS

Premiums represent revenues generated from traditional life, immediate annuities with life contingencies and other insurance products that have significant mortality or morbidity risk.

Contract charges are revenues generated from interest-sensitive life, variable and fixed annuities and other investment products for which deposits are classified as contractholder funds or separate accounts liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates. As a result, changes in contractholder funds and separate accounts liabilities are considered in the evaluation of growth and as indicators of future levels of revenues.

The following table summarizes premiums and contract charges by product.

(in millions)	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Premiums		
Traditional life	$ 64	$ 69
Immediate annuities with life contingencies	73	77
Other	5	5
Total premiums	142	151
Contract charges		
Interest-sensitive life	177	160
Fixed annuities	17	14
Variable annuities	65	60
Total contract charges	259	234
Total premiums and contract charges	$ 401	$ 385

The following table summarizes premiums and contract charges by distribution channel.

(in millions)	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Premiums		
Allstate agencies	$ 66	$ 53
Independent agents	21	20
Specialized brokers	54	63
Other	1	15
Total premiums	142	151
Contract charges		
Allstate agencies	131	113
Independent agents	56	59
Broker dealers	52	49
Banks	11	5
Specialized brokers	8	7
Other	1	1
Total contract charges	259	234
Total premiums and contract charges	$ 401	$ 385

Total premiums decreased 6.0% to $142 million in the first quarter of 2005 compared to the same period of 2004 due to lower premiums on traditional life and immediate annuities with life contingencies.

Contract charges increased 10.7% to $259 million in the first quarter of 2005 compared to the same period of 2004. The increase was due to higher contract charges on interest-sensitive life and, to a lesser extent, variable and fixed annuities. The increase in the interest-sensitive life contract charges was attributable to in-force business growth resulting from deposits and credited interest more than offsetting surrenders and benefits. Higher variable annuity contract charges were the result of increased average account values during the first quarter of 2005 compared to the first quarter of 2004, reflecting positive investment results during 2004 in addition to higher fees for contract guarantees. Fixed annuity contract charges for the first quarter of 2005 reflect higher surrender charges compared with the first quarter of 2004.

Contractholder funds represent interest-bearing liabilities arising from the sale of individual and institutional products, such as interest-sensitive life, fixed annuities and funding agreements. The balance of contractholder funds is equal to the cumulative deposits received and interest credited to the contractholder less cumulative contract maturities, benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses.

The following table shows the changes in contractholder funds.

(in millions)	Three Months Ended March 31, 2005	2004
Contractholder funds, beginning balance	$ 53,939	$ 44,914
Impact of adoption of SOP 03-1(1)	—	421
Deposits		
Fixed annuities (immediate and deferred)	1,746	1,216
Institutional products (primarily funding agreements)	1,098	1,101
Interest-sensitive life	312	306
Variable annuity and life deposits allocated to fixed accounts	94	120
Total deposits	3,250	2,743
Interest credited	553	444
Maturities, benefits, withdrawals and other adjustments		
Maturities of institutional products	(704)	(511)
Benefits	(217)	(167)
Surrenders and partial withdrawals	(787)	(588)
Contract charges	(159)	(142)
Net transfers to separate accounts	(78)	(131)
Fair value hedge adjustments for institutional products	(120)	23
Other adjustments	(11)	(9)
Total maturities, benefits, withdrawals and other adjustments	(2,076)	(1,525)
Contractholder funds, ending balance	$ 55,666	$ 46,997

(1) The increase in contractholder funds due to the adoption of SOP 03-1 reflects the reclassification of certain products previously included as a component of separate accounts to contractholder funds, the reclassification of deferred sales inducements ("DSI") from contractholder funds to other assets and the establishment of reserves for certain liabilities that are primarily related to income and other guarantees provided under fixed annuity, variable annuity and interest-sensitive life contracts.

Contractholder deposits increased 18.5% in the first quarter of 2005 compared to the same period of 2004 due primarily to greater deposits of fixed annuities. Average contractholder funds, excluding the impact of adopting SOP 03-1, increased 18.7% in the first quarter of 2005 compared to the same period of 2004. Fixed

annuity deposits increased 43.6% in the first quarter of 2005 compared to the same period in the prior year due to strong consumer demand, competitive pricing and effective distribution efforts in our bank channel.

Benefits, surrenders and partial withdrawals increased 33.0% in the first quarter of 2005 compared to the same period of 2004 reflecting an annualized withdrawal rate of 9.6% for the first quarter of 2005 based on the beginning of period contractholder funds balance excluding institutional product reserves. This compares to an annualized withdrawal rate of 8.9% for the first quarter of 2004. The increase was primarily attributable to higher surrenders of market value adjusted annuities during the 30-45 day window in which there were no surrender charges or market value adjustments. Surrenders and withdrawals may vary with changes in interest rates and equity market conditions and the aging of our in-force contracts.

Separate accounts liabilities represent contractholders' claims to the related separate accounts assets. Separate accounts liabilities primarily arise from the sale of variable annuity contracts and variable life insurance policies.

The following table shows the changes in separate accounts liabilities.

(in millions)	Three Months Ended March 31, 2005	2004
Separate accounts liabilities, beginning balance	$ 14,377	$ 13,425

Impact of adoption of SOP 03-1(1)	—	(204)
Variable annuity and life deposits	437	487
Variable annuity and life deposits allocated to fixed accounts	(94)	(120)
Net deposits	343	367
Investment results	(218)	316
Contract charges	(67)	(62)
Net transfers from fixed accounts	78	131
Surrenders and benefits	(426)	(423)
Separate accounts liabilities, ending balance	$ 14,087	$ 13,550

(1) The decrease in separate accounts due to the adoption of SOP 03-1 reflects the reclassification of certain products previously included as a component of separate accounts to contractholder funds.

Separate accounts liabilities declined $290 million as of March 31, 2005 compared to December 31, 2004. The decrease was primarily attributable to unfavorable investment results since December 31, 2004. Net deposits and transfers from fixed accounts were more than offset by contract charges and surrenders and benefits. Variable annuity contractholders often allocate a significant portion of their initial variable annuity contract deposit into a fixed rate investment option. The level of this activity is reflected above in the deposits allocated to fixed accounts, while all other transfer activity between the fixed and separate accounts investment options is reflected in net transfers from fixed accounts. The liability for the fixed portion of variable annuity contracts is reflected in contractholder funds.

Net investment income increased 13.4% in the first quarter of 2005 compared to the same period of 2004, primarily due to the effect of higher portfolio balances, partially offset by lower portfolio yields. Higher portfolio balances resulted from the investment of cash flows from operating and financing activities related primarily to deposits from fixed annuities, institutional funding agreements and interest-sensitive life policies. Investment balances as of March 31, 2005, increased 2.6% from December 31, 2004. The lower portfolio yields were primarily due to purchases, including reinvestments, of fixed income securities with yields lower than the current portfolio average.

Net income analysis is presented in the following table.

	Three Months Ended March 31,	
(in millions)	**2005**	**2004**
Premiums	$ 142	$ 151
Contract charges	259	234
Net investment income	888	783
Periodic settlements and accruals on non-hedge derivative instruments(1)	19	6
Contract benefits	(347)	(336)
Interest credited to contractholder funds(2)	(537)	(436)
Gross margin	424	402
Amortization of DAC and DSI	(114)	(113)
Operating costs and expenses	(116)	(102)
Income tax expense	(51)	(63)
Realized capital gains and losses, after-tax	1	(17)
DAC and DSI amortization related to realized capital gains and losses, after-tax	(61)	(10)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(12)	(4)
Loss on disposition of operations, after-tax	(3)	(2)
Cumulative effect of change in accounting principle, after-tax	—	(175)
Net income (loss)	$ 68	$ (84)

(1) Periodic settlements and accruals on non-hedge derivative instruments are reflected as a component of realized capital gains and losses on the Condensed Consolidated Statements of Operations.
(2) Amortization of DSI is excluded from interest credited to contractholder funds for purposes of calculating gross margin. Amortization of DSI totaled $39 million and $13 million in first quarter of 2005 and 2004, respectively.

Gross margin, a non-GAAP measure, represents premiums and contract charges, net investment income and periodic settlements and accruals on non-hedge derivative instruments, less contract benefits and interest credited to contractholder funds excluding amortization of DSI. We reclassify periodic settlements and accruals on non-hedge derivative instruments into gross margin to report them in a manner consistent with the economically hedged investments, replicated assets or product attributes (e.g. net investment income or interest credited to contractholder funds) and by doing so, appropriately reflect trends in product performance. We use gross margin as a component of our evaluation of the profitability of our life insurance and financial product portfolio. Additionally, for many of our products, including fixed annuities, variable life and annuities, and interest-sensitive life insurance, the amortization of DAC and DSI is determined based on actual and expected gross margin. Gross margin is comprised of three components that are utilized to further analyze the business: investment margin, benefit margin, and contract charges and fees. We believe gross margin and its components are useful to investors because they allow for the evaluation of income components separately and in the aggregate when reviewing performance. Gross margin, investment margin and benefit margin should not be considered as a substitute for net income and do not reflect the overall profitability of the business. Net income is the GAAP measure that is most directly comparable to these margins. Gross margin is reconciled to GAAP net income in the table above.

The components of gross margin are reconciled to the corresponding financial statement line items in the following table.

	Three Months Ended March 31,							
	Investment Margin		Benefit Margin		Contract Charges and Fees		Gross Margin	
(in millions)	2005	2004 (3)	2005	2004 (3)	2005	2004 (3)	2005	2004
Premiums	$ —	$ —	$ 142	$ 151	$ —	$ —	$ 142	$ 151
Contract charges	—	—	150	129	109	105	259	234
Net investment income	888	783	—	—	—	—	888	783
Periodic settlements and accruals on non-hedge derivative instruments (1)	19	6	—	—	—	—	19	6
Contract benefits	(134)	(131)	(213)	(205)	—	—	(347)	(336)
Interest credited to contractholder funds(2)	(537)	(436)	—	—	—	—	(537)	(436)
	$ 236	$ 222	$ 79	$ 75	$ 109	$ 105	$ 424	$ 402

(1) Periodic settlements and accruals on non-hedge derivative instruments are reflected as a component of realized capital gains and losses on the Condensed Consolidated Statements of Operations.

(2) Amortization of DSI is excluded from interest credited to contractholder funds for purposes of calculating gross margin. Amortization of DSI totaled $39 million in the first quarter of 2005 and $13 million in the first quarter of 2004.

(3) The prior period has been restated to conform to the current period presentation. In connection therewith, contract charges related to guaranteed minimum death, income, accumulation and withdrawal benefits on variable annuities have been reclassified to benefit margin from maintenance charges. Additionally, amounts previously presented as maintenance charges and surrender charges are now presented in the aggregate as contract charges and fees. These reclassifications did not result in a change in gross margin.

Gross margin increased 5.5% in the first quarter of 2005 compared to the same period of 2004 as growth from new business resulted in increased investment margin, benefit margin and contract charges and fees.

Investment margin is a component of gross margin, both of which are non-GAAP measures. Investment margin represents the excess of net investment income and periodic settlements and accruals on non-hedge derivative instruments over interest credited to contractholder funds excluding amortization of DSI and the implied interest on life-contingent immediate annuities included in the reserve for life-contingent contract benefits. We use investment margin to evaluate our profitability related to the difference between investment returns on assets supporting certain products and amounts credited to customers ("spread") during a fiscal period.

Investment margin by product group is shown in the following table.

	Three Months Ended March 31,	
(in millions)	2005	2004
Annuities	$ 159	$ 148
Life insurance	47	44
Institutional products	30	30
Total investment margin	$ 236	$ 222

Investment margin increased 6.3% in the first quarter of 2005 compared to the same period of 2004 due to higher average contractholder funds, partially offset by lower portfolio yields resulting in lower weighted average investment spreads on interest-sensitive life and deferred fixed annuity contracts. Although the weighted average investment spreads for the first quarter of 2005 are lower than the first quarter of 2004, the spreads on interest-sensitive life and deferred fixed annuity contracts have stabilized and are consistent with the fourth quarter of 2004. As of March 31, 2005, 77% of our interest-sensitive life and fixed annuity contracts, excluding market value adjusted annuities and equity indexed annuities, have a guaranteed crediting rate of 3% or higher. Of these contracts, 76% have crediting rates that are at the minimum as of March 31, 2005. For all interest-sensitive life and fixed annuity contracts, excluding market value adjusted annuities and equity indexed annuities, the approximate difference between the weighted average crediting rate and the average guaranteed crediting rate is 51 basis points as of March 31, 2005 compared to 52 basis points as of December 31, 2004.

The following table summarizes the annualized weighted average investment yield, interest crediting rates and investment spreads for the three months ended March 31.

	Weighted Average Investment Yield		Weighted Average Interest Crediting Rate		Weighted Average Investment Spreads	
	2005	2004	2005	2004	2005	2004
Interest-sensitive life	6.3%	6.5%	4.7%	4.6%	1.6%	1.9%
Fixed annuities – deferred annuities	5.6	5.9	4.0	4.1	1.6	1.8
Fixed annuities – immediate annuities with and without life contingencies	7.4	7.5	6.8	6.9	0.6	0.6
Institutional	4.0	3.0	3.0	2.0	1.0	1.0
Investments supporting capital, traditional life and other products	6.9	7.2	N/A	N/A	N/A	N/A

The following table summarizes the liabilities for these contracts and policies.

	Three Months Ended March 31,	
(in millions)	2005	2004
Fixed annuities – immediate annuities with life contingencies	$ 7,774	$ 7,496
Other life contingent contracts and other	3,784	3,423

Reserve for life-contingent contract benefits	$ 11,558	$ 10,919
Interest-sensitive life	$ 7,691	$ 6,613
Fixed annuities – deferred annuities	32,368	26,566
Fixed annuities – immediate annuities without life contingencies	3,289	2,952
Institutional	11,759	10,215
Market value adjustments related to derivative instruments and other	559	651
Contractholder funds	$ 55,666	$ 46,997

Benefit margin is a component of gross margin, both of which are non-GAAP measures. Benefit margin represents life and life-contingent immediate annuity premiums, cost of insurance contract charges and variable annuity contract charges for contract guarantees less contract benefits. Benefit margin excludes the implied interest on life-contingent immediate annuities, which is included in the calculation of investment margin. We use the benefit margin to evaluate our underwriting performance, as it reflects the profitability of our products with respect to mortality or morbidity risk during a fiscal period.

Benefit margin by product group is shown in the following table.

	Three Months Ended March 31,	
(in millions)	**2005**	**2004 (1)**
Life insurance	$ 93	$ 90
Annuities	(14)	(15)
Total benefit margin	$ 79	$ 75

(1) The prior period has been restated to conform to the current period presentation.

Benefit margin increased 5.3% in the first quarter of 2005 compared to the same period of 2004. The increase was primarily the result of growth of in force business and improved mortality experience, partially offset by an increase in the reserve for guarantees related to variable contracts of $9 million. This increase resulted from our annual comprehensive evaluation of the assumptions used in our valuation models which resulted in a refined measurement of exposure, partially offset by better than anticipated equity market performance. There was no comparable 2004 adjustment to reserves for variable contract guarantees, because the reserves were established in the first quarter of 2004 as part of the cumulative effect of the change in accounting for such guarantees.

Upon the adoption of Statement of Position No. 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts", on January 1, 2004, reserves were established for death and income benefits provided under variable annuities and secondary guarantees on certain interest-sensitive life contracts and fixed annuities. In prior periods, death benefits were expensed as paid and no expense was recognizable for the other guarantees. Annuity benefit margin will continue to be adversely impacted by certain closed blocks of life-contingent immediate annuities whose benefit payments are anticipated to extend beyond their original pricing expectations. The annuity benefit margin in future periods will fluctuate based on the timing of annuitant deaths on these life-contingent immediate annuities and the annual evaluation of assumptions used in our valuation models for variable and fixed annuity guarantees.

Amortization of DAC and DSI, excluding amortization related to realized capital gains and losses, for the first quarter of 2005 was consistent with the first quarter of 2004. DAC and DSI amortization related to realized capital gains and losses, after-tax, increased $51 million due to increased realized capital gains primarily related to investments supporting market value adjusted annuities.

In the first quarter of 2005, we performed our annual comprehensive evaluation of the assumptions used in our valuation models for all investment products, including variable and fixed annuities and interest-sensitive and variable life products, which resulted in net DAC and DSI amortization acceleration of $7 million (commonly referred to as "DAC and DSI unlocking"). The DAC and DSI unlocking includes amortization acceleration on fixed annuities of $62 million and $3 million on interest-sensitive and variable life products, partially offset by amortization deceleration on variable annuities of $58 million. The amortization acceleration on fixed annuities was primarily due to higher than expected lapses on market value adjusted annuities during the window period in which there were no surrender charges or market value adjustments and faster than anticipated portfolio yield declines. The amortization deceleration on variable annuities was mostly attributable to better than anticipated equity market performance and persistency.

In the first quarter of 2004, the comparable DAC and DSI unlocking was a net acceleration of amortization of $0.5 million, which included deceleration of amortization related to interest-sensitive life and acceleration of amortization related to fixed annuities.

Operating costs and expenses increased 13.7% in the first quarter of 2005 compared to the same period of 2004. The following table summarizes operating costs and expenses.

	Three Months Ended March 31,	
(in millions)	**2005**	**2004**
Non-deferrable acquisition costs	$ 39	$ 31
Other operating costs and expenses	77	71
Total operating costs and expenses	$ 116	$ 102

The increase in total operating costs and expenses in the first quarter of 2005 compared to the same period of 2004 was primarily attributable to administrative expense reimbursements recorded in the first quarter of 2004 related to our direct response distribution business that was sold in 2004 and higher licensing, distribution and guaranty fund expenses.

Net income was favorably impacted in the first quarter of 2005 by adjustments for prior years' tax liabilities totaling $17 million.

INVESTMENTS

An important component of our financial results is the return on our investment portfolios. The composition of the investment portfolio at March 31, 2005 is presented in the table below.

(in millions)		Investments	Percent to total
Fixed income securities (1)	$	60,768	85.0%
Mortgage loans		7,538	10.5
Equity securities		228	0.3
Short-term		1,630	2.3
Policy loans		719	1.0
Other		623	0.9
Total	$	71,506	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $58.3 billion.

Total investments increased to $71.51 billion at March 31, 2005 from $69.69 billion at December 31, 2004, primarily due to positive cash flows from operating and financing activities and increased funds associated with securities lending, partially offset by decreased net unrealized gains on fixed income securities.

Total investments at amortized cost related to collateral, due to securities lending and other security repurchase and resale transactions, increased to $3.30 billion at March 31, 2005, from $2.93 billion at December 31, 2004.

At March 31, 2005, 93.7% of the fixed income securities portfolio was rated investment grade, which is defined as a security having a rating from the National Association of Insurance Commissioners (“NAIC”) of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody’s or a rating of AAA, AA, A or BBB from S&P, Fitch or Dominion; or a comparable internal rating if an externally provided rating is not available.

The unrealized net capital gains on fixed income and equity securities at March 31, 2005 were $2.51 billion, a decrease of $824 million or 24.7% since December 31, 2004. The net unrealized gain for the fixed income portfolio totaled $2.51 billion, comprised of $2.89 billion of unrealized gains and $388 million of unrealized losses at March 31, 2005. This is compared to a net unrealized gain for the fixed income portfolio totaling $3.33 billion at December 31, 2004, comprised of $3.49 billion of unrealized gains and $163 million of unrealized losses.

Of the gross unrealized losses in the fixed income portfolio at March 31, 2005, $335 million or 86.3% were related to investment grade securities and are believed to be primarily a result of a rising interest rate environment. Of the remaining $53 million of losses in the fixed income portfolio, $38 million or 71.7% were in the corporate fixed income portfolio, $14 million or 26.4% were in the asset-backed securities portfolio, and

$1 million or 1.9% were in the foreign government portfolio. The $38 million of corporate fixed income gross unrealized losses were primarily comprised of securities in the consumer goods, communications, utilities and transportation sectors. The gross unrealized losses in these sectors were primarily company specific and interest rate related. Approximately $7 million of the total gross unrealized losses in the corporate fixed income portfolio and $11 million of the total gross unrealized losses in the asset-backed securities portfolio were associated with the airline industry for which values were depressed due to company specific issues and economic issues related to fuel costs. We expect eventual recovery of these securities. Every security was included in our portfolio monitoring process.

The unrealized gain for the common and non-redeemable preferred stock portfolio totaled $7 million at March 31, 2005 and was comprised entirely of unrealized gains. This is compared to an unrealized gain for the common and non-redeemable preferred stock portfolio totaling $9 million at December 31, 2004, which was also comprised entirely of unrealized gains.

Our portfolio monitoring process identifies and evaluates fixed income and equity securities whose carrying value may be other than temporarily impaired. The process includes a quarterly review of all securities using a screening process to identify those securities whose fair value compared to amortized cost for fixed income securities or cost for equity securities is below established thresholds for certain time periods, or which are identified through other monitoring criteria such as ratings downgrades or payment defaults.

We also monitor the quality of our fixed income portfolio by categorizing certain investments as “problem”, “restructured” or “potential problem.” Problem fixed income securities are securities in default with respect to principal or interest and/or securities issued by companies that have gone into bankruptcy subsequent to our acquisition of the security. Restructured fixed income securities have rates and terms that are not consistent with market rates or terms prevailing at the time of the restructuring. Potential problem fixed income securities are current with respect to contractual principal and/or interest, but because of other facts and circumstances, we have concerns regarding the borrower’s ability to pay future principal and interest, which causes us to believe these securities may be classified as problem or restructured in the future.

The following table summarizes problem, restructured and potential problem fixed income securities.

	March 31, 2005					December 31, 2004				
(in millions)		Amortized cost		Fair value	Percent of total Fixed Income portfolio		Amortized cost		Fair value	Percent of total Fixed Income portfolio
Problem	$	98	$	105	0.2%	$	71	$	71	0.1%
Restructured		35		32	0.1		43		46	0.1
Potential problem		156		173	0.3		168		179	0.3
Total net carrying value	$	289	$	310	0.6%	$	282	$	296	0.5%
Cumulative write-downs recognized (1)	$	229				$	231			

(1) Cumulative write-downs recognized only reflects write-downs related to securities within the problem, potential problem and restructured categories.

We have experienced an increase in the amortized cost of fixed income securities categorized as problem as of March 31, 2005 compared to December 31, 2004. The increase was primarily related to the addition of a security to the problem category as a result of company specific liquidity issues as well as an additional investment in a security previously categorized as problem. The decrease in the amortized cost of fixed income securities categorized as restructured and potential problem as of March 31, 2005 compared to December 31, 2004 was primarily related to a sale in the potential problem category due to specific developments causing a change in our outlook and intent to hold the security.

We also evaluated each of these securities through our portfolio monitoring process at March 31, 2005 and recorded write-downs when appropriate. We further concluded that any remaining unrealized losses on these securities were temporary in nature. While these balances may increase in the future, particularly if economic conditions are unfavorable, management expects that the total amount of securities in these categories will remain low relative to the total fixed income securities portfolio.

Net Realized Capital Gains and Losses The following table presents the components of realized capital gains and losses and the related tax effect.

(in millions)	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Write-downs	$ (7)	$ (34)
Anticipated disposition write-downs	(30)	—
Dispositions	70	35
Valuation of derivative instruments	(58)	(20)
Settlement of derivative instruments	26	(8)
Realized capital gains and losses, pretax	1	(27)
Income tax benefit	—	10
Realized capital gains and losses, after-tax	$ 1	$ (17)

Dispositions in the above table include sales and other transactions such as calls and prepayments. We may sell securities during the period in which fair value has declined below amortized cost for fixed income securities or cost for equity securities. In certain situations new factors such as negative developments, subsequent credit deterioration, relative value opportunities, market liquidity concerns and portfolio reallocations can subsequently change our previous intent to continue holding a security.

A changing interest rate environment will also drive changes in our portfolio duration targets at a tactical level. A duration target and range is established with an economic view of liabilities relative to a long-term portfolio view. Tactical duration adjustments within management's approved ranges are accomplished through both cash market transactions and derivative activities that generate realized capital gains and losses and through new purchases. As a component of our approach to managing portfolio duration, realized gains and losses on derivative instruments are most appropriately considered in conjunction with the unrealized gains and losses on the fixed income portfolio. This approach mitigates the impacts of general interest rate changes to the overall financial condition of the corporation.

Because of rising interest rates, continued asset-liability management strategies and on-going comprehensive reviews of our portfolios, changes were made in the first quarter of 2005 to our strategic asset allocations. In addition, we also pursued yield enhancement strategies. These changes primarily resulted in anticipated disposition write-downs of certain securities with unrealized loss positions due to a change in intent to hold these securities until recovery.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources consist of shareholder's equity and debt, representing funds deployed or available to be deployed to support business operations. The following table summarizes our capital resources.

(in millions)	March 31, 2005	December 31, 2004
Redeemable preferred stock	$ 5	$ 5
Common stock, retained earnings and other Shareholder's equity items	5,301	5,291
Accumulated other comprehensive income	622	1,013
Total shareholder's equity	5,928	6,309
Debt	173	104
Total capital resources	$ 6,101	$ 6,413

Shareholder's equity declined in the first quarter of 2005 when compared to December 31, 2004, as a result of lower unrealized capital gains and dividends, partially offset by net income. The Company accrued a dividend of $25 million due to Allstate Insurance Company ("AIC", the Company's parent) in the first quarter of 2005. In addition, a dividend of $16 million was recorded in connection with the purchase of fixed income securities from AIC and a non-cash dividend of $15 million was recorded as a result of the settlement of certain reinsurance transactions with an unconsolidated affiliate (see Note 2 to the condensed consolidated financial statements).

Debt increased as March 31, 2005 compared to December 31, 2004 due to short-term debt of $75 million that was issued during the first quarter of 2005 to The Allstate Corporation (the "Corporation") pursuant to an intercompany loan agreement, partially offset by the redemption of $6 million of mandatorily redeemable preferred stock. The proceeds from the issuance of the short-term debt were used for investment purposes. There were no short-term borrowings as of December 31, 2004.

The amount of funds available under the intercompany loan agreement is at the discretion of the Corporation. The maximum amount of loans the Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to $1.00 billion.

Financial Ratings and Strength Our ratings are influenced by many factors including our operating and financial performance, asset quality, liquidity, asset/liability management, overall portfolio mix, financial leverage (i.e., debt), exposure to risks such as catastrophes and the current level of operating leverage.

There have been no changes to our insurance financial strength ratings since December 31, 2004.

Liquidity Sources and Uses As reflected in our Condensed Consolidated Statements of Cash Flows, higher operating cash flows in the first quarter of 2005 when compared to the first quarter of 2004 primarily relate to increased interest received, partially offset by higher policy benefits, acquisition costs and income taxes paid. Cash flows used in investing activities increased in the first quarter of 2005 due to the investment of higher financing and operating cash flows.

Higher cash flow from financing activities during the first quarter of 2005 when compared to the first quarter of 2004 reflect higher deposits on fixed annuities and proceeds from the issuance of short-term debt, partially offset by increased fixed annuity withdrawals and institutional product maturities. The higher fixed annuity withdrawals included surrenders of market value adjusted annuities during the 30-45 day window in which there were no surrender charges or market value adjustments. For quantification of the changes in contractholder funds, see the Operations section of the MD&A.

We have access to additional borrowing to support liquidity through the Corporation as follows:

- A commercial paper program with a borrowing limit of $1.00 billion to cover short-term cash needs. As of March 31, 2005, the remaining borrowing capacity was $925 million; however, the outstanding balance fluctuates daily.

- One primary credit facility and one additional credit facility totaling $1.05 billion to cover short-term liquidity requirements. The primary facility is a $1 billion five-year revolving line of credit expiring in 2009. It contains an increase provision that would make up to an additional $500 million available for borrowing

provided the increased portion could be fully syndicated at a later date among existing or new lenders. The other facility is a $50 million one-year revolving line of credit renewed in July 2004 for an additional year. Although the right to borrow under the five-year facility is not subject to a minimum rating requirement, the costs of maintaining the five-year facility and borrowing under it are based on the ratings of the Corporation’s senior, unsecured, nonguaranteed long-term debt. There were no borrowings under either of these lines of credit during the first quarter of 2005. The total amount outstanding at any point in time under the combination of the commercial paper program and the two credit facilities cannot exceed the amount that can be borrowed under the credit facilities.

- The capacity of the Corporation to issue up to an additional $2.15 billion of debt securities, equity securities, warrants for debt and equity securities, trust preferred securities, stock purchase contracts and stock purchase units utilizing the shelf registration statement filed with the Securities and Exchange Commission (“SEC”) in August 2003.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the principal executive officer and the principal financial officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that material information required to be disclosed in our reports filed with or submitted to the Securities and Exchange Commission under the Securities Exchange Act is made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended March 31, 2005, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required for this Part II, Item 1, is incorporated by reference to the discussion under the heading “Regulation” and under the heading “Legal and Regulatory proceedings and Inquiries” in Note 4 of the Company’s Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Item 6. Exhibits

(a) Exhibits

An Exhibit Index has been filed as part of this report on page E-1.

SIGNATURE

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

(Registrant)

May 6, 2005

By /s/ Samuel H. Pilch
Samuel H. Pilch
(chief accounting officer and duly
authorized officer of the Registrant)

Exhibit No.	Description
10.1	Amended and Restated Service and Expense Agreement between Allstate Insurance Company, The Allstate Corporation and certain affiliates, effective January 1, 2004.
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated May 6, 2005, concerning unaudited interim financial information.
31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32	Section 1350 Certifications

Exhibit 10.1

AMENDED AND RESTATED SERVICE AND EXPENSE AGREEMENT

Among

ALLSTATE INSURANCE COMPANY
And
THE ALLSTATE CORPORATION
And
Certain Affiliates

This Amended and Restated Service and Expense Agreement (this "Agreement") made and effective as of the 1st day of January 2004, among ALLSTATE INSURANCE COMPANY, an Illinois insurance company ("Allstate"), THE ALLSTATE CORPORATION, a Delaware corporation ("Allcorp"), and those affiliates of Allstate whose signatures appear below (together with Allcorp, individually, an "Affiliate" and collectively, the "Affiliates").

WITNESSETH:

WHEREAS, Allstate entered into a Service and Expense Agreement, dated as of January 1, 1999, with Allcorp and certain of its insurance company affiliates and another Service and Expense Agreement, dated as of January 1, 2000, with certain of its non-insurance affiliates, pursuant to which Allstate provided certain services and facilities (collectively, the "Original Agreements");

WHEREAS, the parties amended the Original Agreements on January 1, 2002 (the "Amended Agreements") and with the establishment of Allstate Investments, LLC, terminated the provision of investment management services by Allstate;

WHEREAS, the parties desire to consolidate and further amend the Amended Agreements to include provision by the Affiliates of certain services and facilities to Allstate and to other Affiliates from time to time, subject to the terms and conditions hereinafter set forth, and to provide for possible future alternative methods of costing for facilities and services provided pursuant to this Agreement; and

WHEREAS, the parties desire to restate the Amended Agreements as amended.

NOW, THEREFORE, it is agreed as follows:

1. Allstate shall furnish or cause to be furnished, at cost and in the same manner as such services and facilities are furnished to its other affiliates, those categories of facilities and services listed on Schedule A, including marketing, claims, underwriting and policyholder services. Additional specifications regarding these services and facilities, and the basis upon which costs to be charged for these services and facilities are determined: (a) with respect to an Affiliate that is a property and casualty insurer, are listed on Exhibit A; (b) with respect to an Affiliate that is a life insurer, are listed on Exhibit B; and (c) with respect to an Affiliate that is a non-insurance company, in accordance with Generally Accepted Accounting Principles. The relevant parties may from time to time agree that only certain of the listed services and facilities will be provided by the Providing Party (as defined below).

   Services shall be performed in the name of and on behalf of an Affiliate and in a manner intended to assure the separate operating identity of the Affiliate. By way of example and without limiting the foregoing, (i) all forms utilized in connection with an Affiliate's business and all correspondence with holders of insurance policies or annuity contracts (collectively, "policies") shall bear its name and contain its address; (ii) all communications with policyholders shall be in such Affiliate's name; and (iii) all bank accounts into which such Affiliate's funds are deposited or from which its funds are withdrawn shall be such Affiliate's accounts, except that premiums collected on behalf of an Affiliate may be held by Allstate in a fiduciary capacity and transferred to such Affiliate as soon as practicable subsequent to collection, but in any event within two (2) business days.

   Services shall be provided in accord with all applicable state and federal legal and regulatory requirements, including those relating to privacy of customer information.

   The performance of any party under this Agreement with respect to the business and operations of an Affiliate shall at all times be subject to the direction and control of the Board of Directors of each such Affiliate. To the extent required by applicable regulation, such services with respect to any Affiliate shall be performed under guidelines and procedures established by that Affiliate. All service providers must comply with all licensing provisions applicable to any Affiliate for which they are providing services under this Agreement.

2. Each Affiliate may furnish or cause to be furnished to Allstate or to any other Affiliate, at cost, the services and facilities listed in Schedule A attached hereto or such other facilities and services as the parties may from time to time agree in writing. Any supplemental agreement whereby any Affiliate provides services to or receives services from another Affiliate shall be subject to review where required under applicable insurance law.

3. Costs are defined as the actual costs and expenses incurred by the party providing the services (each, a "Providing Party") which are attributable to the services and facilities provided under this Agreement, such as: salaries and benefits; space rental; overhead expenses which may include items such as electricity, heat, and water; building maintenance services; furniture and other office equipment; supplies and special equipment such as reference libraries, electronic data processing equipment and the like.

4. Charges for the above services and facilities shall be determined by Allstate in accordance with the general provisions contained in Exhibits A through D. Exhibits A and B are based upon NAIC expense classification and allocation guidelines**.** In the event such guidelines are amended, Exhibits A and B shall be deemed amended to conform thereto. Allstate's Corporate Controller's Department will exercise reasonable judgment in appropriately revising these Exhibits, maintain proper documentation for revisions and communicate changes in allocation requirements to each party receiving services (each, a "Receiving Party") in a timely manner. Exhibit C provides a narrative overview of the expense management process and Exhibit D provides certain definitions used throughout. Cost bases shall be reviewed and adjusted on a prospective basis not less than annually to reflect the actual costs incurred.

5. The amount charged to a Receiving Party shall not exceed the cost to the Providing Party with respect to providing such service or facility. Notwithstanding this provision or any other provision contained in this Agreement to the contrary, subject to obtaining any required regulatory approvals, the parties may agree in writing that one or more specific services or facilities may be provided on a basis other than cost. Each Providing Party will exercise reasonable judgment in periodically reviewing the expenses incurred and the percentage thereof allocated to each Receiving Party. Any Receiving Party may request a review of such expenses and their allocation and such review will occur promptly thereafter. Any basis other than cost that is utilized shall be intended to reasonably relate to the cost of the services or facilities involved.

6. A Providing Party will charge each Receiving Party for all the services and facilities provided pursuant to this Agreement via the monthly expense allocation process, and payments will be through the monthly intercompany settlement process. This process will be completed by Allstate personnel in the most timely and effective method available.

7. The Providing Parties will maintain such records as may be required relating to the accounting system of Allstate and the Affiliates. The Affiliates understand and accept the financial records generated by this system, which utilizes the concepts detailed in the addenda attached to Exhibits A and B**,** respectively.

   All Affiliate records shall be maintained in accordance with applicable insurance laws and accepted industry standards. Allstate shall maintain processes to provide backup records that will be available in the event the underlying records are destroyed in a natural or manmade catastrophe or disaster.

   In the event and to the extent that the books and records of an Affiliate are maintained hereunder in an electronic format, the following requirements shall apply. A computer terminal that is linked to the electronic system that generates the electronic records that constitute such Affiliate's books of account as they relate to the business covered by this Agreement, shall be kept and maintained at such Affiliate's principal

office. During all normal business hours, there shall be ready availability and easy access through such terminal (either directly by personnel of such Affiliate's domestic insurance regulator or indirectly with the aid of such Affiliate's employees) to the electronic media used to maintain the records comprising such Affiliate's books of account hereunder. The electronic records shall be in a readable form. The Providing Parties shall maintain format integrity and compatibility of the electronic records that constitute an Affiliate's books of account hereunder. If the electronic system that created such records is to be replaced by a system with which the records would be incompatible, the Providing Parties shall convert such pre-existing records to a format that is compatible with the new system. The Providing Parties shall maintain acceptable backup of the records constituting an Affiliate's books of account hereunder.

8. Upon reasonable notice, and during normal business hours, any Receiving Party shall be entitled to, at its own expense, inspect records that pertain to the computation of charges for the facilities or services provided pursuant to this Agreement. The Providing Parties shall at all times maintain correct and complete books, records and accounts of all services and facilities furnished pursuant to this Agreement. Each Receiving Party shall have unconditional right of ownership of any records prepared on its behalf under this Agreement. The records maintained by a Providing Party in connection with services provided to an Affiliate under this Agreement shall be subject to inspection and review by such Affiliate's domestic insurance regulator.

9. Any employee of a Providing Party who is performing duties hereunder at all times during the term of this Agreement shall be under the supervision and control of such Providing Party and shall not be deemed an employee of any Receiving Party.

10. The scope of, and the manner in which, a Providing Party provides facilities and services to a Receiving Party shall be reviewed periodically by the parties involved in each transaction under this Agreement. All services and facilities shall be of good quality and suitable for the purpose for which they are intended.

11. No party shall assign its obligations or rights under this Agreement without the written consent of the other parties and any required regulatory approvals. Allstate may terminate this Agreement in its entirety, and an Affiliate may cancel its participation in the arrangements under this Agreement, each by giving six months written notice to the other parties to this Agreement; provided, however, that in the event that the affiliate relationship ceases to exist with respect to an Affiliate, this Agreement shall terminate immediately with respect to such Affiliate. Under no circumstances will the initial term of this Amended and Restated Agreement exceed five (5) years from its effective date.

12. All communications provided for hereunder shall be in writing, and if to an insurance company Affiliate, mailed or delivered to such Affiliate at its office at the address listed in such Affiliate's Statutory Annual Statement Blank, Attention: Secretary, or if to Allstate or Allcorp, mailed or delivered to its office at 3075 Sanders Road,

Northbrook, Illinois 60062, Attention: Controller, or addressed to any party at the address such party may hereafter designate by written notice to the other parties.

13. This Agreement together with such amendments and supplements as may from time to time be executed in writing by the parties in accordance with applicable insurance law, constitutes the entire agreement and understanding between the parties in respect of the transactions contemplated hereby and supercedes any other agreements arrangements or understandings between the parties relating to the subject matter hereof. Those service and administrative services agreements between and among any parties to this Agreement that are listed on Exhibit E are terminated as of the effective date of this Amended and Restated Agreement.

14. Any unresolved dispute or difference between the parties arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the Expedited Procedures thereof. The award rendered by the Arbitrator shall be final and binding upon the parties, and judgment upon the award rendered by the Arbitrator may be entered in any Court having jurisdiction thereof.

15. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be effective as of the day and year above written.

The Allstate Corporation

By: /s/ Samuel H. Pilch
Samuel H. Pilch
Group Vice President

Allstate Insurance Company

By: /s/ Samuel H. Pilch
Samuel H. Pilch
Group Vice President

AFD, Inc.

By: /s/ James P. Zils
James P. Zils
Assistant Treasurer

AFDW, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

ALFS, Inc.

By: /s/ James P. Zils
James P. Zils
Assistant Treasurer

Allstate Assignment Company

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Assurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate California Holdings, LLC

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate California Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate County Mutual Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Distributors, LLC

By: /s/ James P. Zils
James P. Zils
Assistant Treasurer

Allstate Financial, LLC

By: /s/ James P. Zils
James P. Zils

Treasurer

Allstate Financial Advisors, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Financial Corporation

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Financial Services, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Fire and Casualty Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Floridian Indemnity Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Floridian Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Holdings, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Indemnity Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Insurance Company of Canada

By: /s/ Robert J. Young, Jr.
Robert J. Young, Jr.
Chairman of the Board
Execution Date: 3/28/05

Allstate International Insurance Holdings, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Investment Management Company

By: /s/ Catherine Winn
Catherine Winn
Assistant Vice President and Treasurer

Allstate Investments, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Life Insurance Company

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Life Insurance Company of Canada

By: /s/ Robert J. Young, Jr.
Robert J. Young, Jr.
Chairman of the Board
Execution Date: 3/28/05

Allstate Life Insurance Company of New York

By: /s/ Samuel H. Pilch
Samuel H. Pilch
Group Vice President and Controller
Execution Date: 4/19/05

Allstate Motor Club, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Motor Club, Inc. of Canada

By: /s/ Jamin Ejupi
Jamin Ejupi
Vice President
Execution Date: 3/31/05

Allstate New Jersey Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Non-Insurance Holdings, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate North American Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Property and Casualty Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Reinsurance Ltd.

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Allstate Settlement Corporation

By: /s/ James P. Zils
James P. Zils
Treasurer

Allstate Texas Lloyd's, Inc.

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

American Heritage Life Insurance Company

By: /s/ James P. Zils
James P. Zils
Assistant Treasurer

American Heritage Life Investment Corporation

By: /s/ James P. Zils
James P. Zils
Treasurer

American Heritage Service Company

By: /s/ James P. Zils
James P. Zils
Treasurer

Charter National Life Insurance Company

By: /s/ James P. Zils
James P. Zils
Treasurer

Concord Heritage Life Insurance Company Inc.

By: ____________________
Samuel H. Pilch
Group Vice President and Controller
Execution Date: ____________

Deerbrook General Agency, Inc.

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Deerbrook Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Encompass Financial Group, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Encompass Indemnity Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Encompass Insurance Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Encompass Insurance Company of New Jersey

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

E.R.J. Insurance Group Incorporated

By: /s/ James P. Zils
James P. Zils
Treasurer

Fidelity International Company Limited

By: /s/ James P. Zils
James P. Zils
Treasurer

Fidelity International Insurance Company Limited

By: /s/ James P. Zils
James P. Zils
Treasurer

First Colonial Insurance Company

By: /s/ James P. Zils
James P. Zils
Assistant Treasurer

Intramerica Life Insurance Company

By: /s/ Samuel H. Pilch
Samuel H. Pilch
Group Vice President and Controller
Execution Date: 4/19/05

Ivantage Select Agency, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Kennett Capital, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Keystone State Life Insurance Company

By: /s/ James P. Zils
James P. Zils
Treasurer

Lincoln Benefit Life Company

By: /s/ James P. Zils
James P. Zils
Treasurer

New Jersey Holdings, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Northbrook Holdings, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

Northbrook Indemnity Company

By: /s/ James P. Zils
James P. Zils
Vice President and Treasurer

Northbrook Services, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Pafco Insurance Company

By: /s/ Robert J. Young, Jr.
Robert J. Young, Jr.
Chairman of the Board
Execution Date: 3/28/05

Pembridge America Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Pembridge Insurance Company

By: /s/ Robert J. Young, Jr.
Robert J. Young, Jr.
Chairman of the Board
Execution Date: 3/28/05

Roadway Protection Auto Club, Inc.

By: /s/ James P. Zils
James P. Zils
Treasurer

Sterling Collision Centers, Inc.

By: /s/ Steven T. Klodzinski
Steven T. Klodzinski
Treasurer

Surety Life Insurance Company

By: /s/ James P. Zils
James P. Zils
Treasurer

Tech-Cor, LLC

By: /s/ James P. Zils
James P. Zils
Treasurer

The Allstate Foundation

By: /s/ James P. Zils
James P. Zils
Treasurer

Except as indicated above, executed by the above companies on January 27, 2005.

Schedule A

Each of the attached supporting schedules depicts examples of services to be provided, and are not intended by the parties to be all-inclusive.

Description of Service	Schedule

Schedule A-1
Finance Shared Services

Provider Services

- Accounting: Provide actual monthly, quarterly and annual financial results. Specific services include producing financial statements and consulting on account coding, reporting, accounting research, shared service administration, expense allocation administration accounting governance and policies, and maintenance of any required central accounting computer system.
- Auditing: Perform internal audits, which meet Generally Accepted Auditing Standards (GAAS) at intervals deemed necessary by Allstate.
- Claim Reserves: Provide risk management services including exposure analysis, risk retention and risk financing.
- Finance and Planning: Provide services related to the segment of Allstate's annual operating plan, long-term strategic plan and capital management allocation.
- Finance Innovation: Provide reporting and analysis templates and database support.
- General: Provide financial administrative services to ensure compliance with Service Provider's corporate policies
- Purchasing: Provide services related for graphic arts and printing for internal and external communications.
- Tax: Comply with Federal and State tax filing requirements along with any tax research needed.
- Treasury: Provide cash management services, including the pass through of all fees associated with setting up and maintaining bank accounts.
- Procurement: Strategic sourcing and the procuring of commodities inclusive of contract negotiation.

Schedule A-2
Technical Shared Service

Provider Services

Services are divided into two categories: Information Technologies and Field Support, and include but are not limited to:

Information Technologies:

- Build and maintain systems necessary to process Affiliate's business.
- Support of online networks and end-user/desktop applications.
- Technical architecture design to include application development and end-user equipment via Technology Asset Management.
- Enterprise office tools, software licenses, maintenance, upgrades, Microsoft Office and client software packages.
- Telecommunications support for business applications to include equipment sourcing and voice-mail solutions.
- Database production support and development for mainframe and distributed applications.
- Enterprise Help Center for end-user problem resolution, equipment repair, system password resets.

Field Support

- Process and pay invoices, expense accounts, and related bills.
- Maintain necessary bank accounts. This would include, but would not be limited to, a depository account, refund account and investment accounts.
- Deposit and balance remittance from Affiliate's clients. Process payments against client balances in the billing database.
- Pay and track non-computer related fixed asset transactions.
- Utilize the SAP general ledger system for financial recording.

- Perform movement of funds from depository accounts to investment accounts as needed via wire transfers or other means.

- System production, job scheduling and runs including technical support.

- Data processing support including data storage, data communication solutions, and network availability.

Schedule A-3
Human Resource Shared Services

Provider Services

- Disburse compensation, distribute pay stubs and paychecks, remit payroll taxes, calculate and remit to vendors benefit contributions (employer/employee), mail W-2's, provide lines of expense details and create new company pay system. These services will be delivered to client within agreed upon timeframes, and will meet the client's quality requirements.

- Design compensation and incentive structure, provide support services for salary planning, incentive plan and pay communications. Provide Affiliate with current market research/data to structure the most cost effective and competitive compensation plan.

- Provide technical interview with employees to determine skills and tasks necessary to a particular job function. This work will be used to create job descriptions in order to obtain market data to determine competitive salary structures.

- Coordinate participation in technical job fairs to attract qualified individuals, deliver new employee orientation, coordinate internship programs, provide sources of qualified candidates for technical recruiter and intern openings, and provide seven days of training to technical recruiters.

- Provide timely coaching and guidance on human resource related issues at Affiliate's request. Accurately assess the appropriate Center of Excellence within the human resource organization to assist in all problem resolutions.

- Provide Affiliate with the most competitive benefits package for all employees. Conduct annual election to provide all employees with the option of changing benefit coverages.

- Provide all employees with required services for any payroll or benefit inquiries or processing.

- Provide Affiliate with up to date professional education programs and research. Provide access to just-in-time training.

- Provide Affiliate with accurate and timely payroll stubs, checks and tax remittances.

Schedule A-4
Legal Services

Provider Services

- The Law and Regulation Department will provide legal advice, assist in the completion of business transactions, implement compliance programs, assist with dispute resolution and provide public advocacy for Affiliate.

- Provide for legal advice, assist in the completion of business transactions, assist with dispute resolution and provide for public advocacy.

- All legal services will be performed in a manner that is in compliance with all applicable laws, regulations and Codes of Professional Responsibility.

Schedule A-5
Corporate Relations

Provider Services

Support and implement communication strategies.

- Development of communication packages, scripts, and presentations.

- Sourcing and coordination of meetings with internal and external customers.

- Media preparation for external use.

- Coordination of production and recognition and/or special events as requested.

Schedule A-6
Marketing, Advertising, and Distribution

Provider Services

- Provide market research, perform database analysis to identify target customers and utilize focus groups to determine customer preferences.
- Support and implement marketing strategies.
- Development of marketing strategies, coordination of print and/or media requirements.
- Sourcing of marketing vendors.
- Coordination of media/print advertising.
- Assist in the development and implementation of distribution policy and practices, and provide other marketing and distribution support services.
- Upon request of a life insurance Affiliate, Allstate shall assist such life insurance Affiliate in preparation of marketing material, assist in the recruitment, supervision, and product training of agents, assist in the development and implementation of distribution policy and practices, and provide other marketing and distribution support services. However, all decisions regarding the approval of marketing material and the acceptance, appointment or termination of agents shall be made by any such life insurance Affiliate.

Schedule A-7
Allstate Print Communication Center

Customer Document Processing

Provider Services

Provide print services for document processing to include: quick print, web and sheet-fed print and “laser print stuff mail”.

- Provide programming support and consulting along with complete print project management.
- Provide for storage and retention of documents and/or equipment.

Schedule A-8
Real Estate & Construction / Facilities

Provider Services

- Real Estate Portfolio Management.
- Capital improvement management and construction.
- Engineering standards.
- Building / Facility compliance to local and governmental codes.
- Support of employee moves and relocation.
- Housekeeping and Security
- All other facilities necessary for the conduct of the business.

EXHIBIT A

INTERCOMPANY SERVICE AND EXPENSE ALLOCATION SUMMARY MATRIX

Expense Line Item Per U&I Exhibit*	Expense Classification Description**	Basis of Expense Allocation***
1. Claim adjustment services	Investigation and adjustment of policy claims for direct, reinsurance assumed and ceded business. The more significant expenses and fees related to: (1) all outside costs associated with independent adjusters, (2) lawyers for legal services in the defense, trial, or appeal of suits, (3) general court costs, (4) medical testimony, (5) expert and lay witnesses, (6) medical examinations for the purpose of trial and resolution of liability and (7) miscellaneous (appraisals, surveys, detective reports, audits, character reports, etc.).	No allocation – direct charge to company
2. Commission and brokerage	All payments, reimbursements and allowances (on direct and reinsurance assumed and ceded business) to managers, agents, brokers, solicitors or other producer types.	No allocation – direct charge to company based on agent contract

* Expense classifications per the statutory Underwriting and Investment Exhibit, Part 3, Expenses. Parties to the Agreement use these twenty-one classifications to record their operating expenses incurred. As described in Exhibit C, expenses for these classifications are also spread to three distinct functional expense groups: loss adjustment, other underwriting and investment.

** This description provides only a synopsis of the types of expenses for each classification. Parties to the Agreement will utilize the NAIC Property & Casualty Annual Statement Instructions Appendix in expense handling.

*** Before consideration of any applicable reinsurance agreement.

Expense Line Item Per U&I Exhibit*	Expense Classification Description**	Basis of Expense Allocation***
4. Advertising	Typical expenses would include services of: (1) advertising agents, (2) public relations counsel, (3) advertisements in newspapers, periodicals, billboards, pamphlets and literature issued for advertising or promotional purposes, (4) related paper and printing charges for advertising purposes, (5) radio broadcasts, (6) prospect and mailing lists, (7) signs and medals for agents and (8) television commercials and production.	Direct charge by company where known. Allocated items handled as follows: See Exhibit A Appendix at B; C 1; D 1 and E 1 for explanation of allocation by type of office
5. Boards, bureaus and associations	Various dues, assessments, fees and charges for items such as: (1) underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus, (2) underwriters' advisory and service organizations, (3) accident and loss prevention organizations, (4) claim organizations, (5) underwriting syndicates, pools and associations, assigned risk plans.	No allocation - direct charge to company
6. Surveys and underwriting reports	Costs to support the business including: (1) survey, credit, moral hazard, character reports for underwriting, (2) appraisals for underwriting, (3) fire records, (4) inspection and engineering billed specifically, (5) medical examiner services relating to underwriting.	See Exhibit A Appendix at B; D 1; and E 1 for explanation of allocation by type of office
7. Audit of assureds' records	Auditing fees and expenses of independent auditors for auditing payroll and other premium bases.	No allocation - direct charge to company
8. Salary and related items	Salaries, bonus, overtime, contingent compensation, and other compensation of employees. This would include commission and brokerage to employees when the activities for which the commission is paid are a part of their duties as employees.	See Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 2, 5; and F 1, 2, 3, 4 for explanation by type of office

Expense Line Item Per U&I Exhibit*	Expense Classification Description**	Basis of Expense Allocation***
9. Employee relations and welfare	This category includes a variety of pension and insurance benefits for employees, as well as some miscellaneous expenditures. The first area entails: (1) cost of retirement insurance, pensions or other retirement allowances and funds irrevocably devoted to the payment of pensions or other employees' benefits, and (2) accident, health and hospitalization insurance, group life insurance and workers' compensation insurance. The miscellaneous category may include the following items (1) training and welfare; (2) physical exams for employees or candidates; (3) gatherings, outings and entertainment; (4) education; and (5) donations to or on behalf of employees.	See Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 2, 5; and F 1, 2, 3, 4 for explanation by type of office
10. Insurance	Costs of insurance for employee/agent fidelity or surety bonds, public liability, burglary and robbery, automobiles and office contents.	See Exhibit A Appendix at D 1; E 1; and F 1, 2, 3, 4 for explanation by type of office
11. Directors fees	Amounts relate to fees and other compensation paid to directors for attending Board or committee meetings.	Direct charge to company
12. Travel and travel items	Major expense subcategories include: (1) transportation, hotel, meals, telephone and other related costs associated for employees traveling, (2) expense for transfer of employees, (3) automobile rental and license plates, depreciation, repairs and other operating costs of automobiles (4)	See Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 2, 5; and F 1, 2, 3, 4 for explanation by type of office

	transportation, hotel and meals/entertainment of guests, (5) dues and subscriptions to accounting, legal, actuarial or similar societies and associations.	
14. Equipment	Rent and repair of furniture and equipment, include the related depreciation charges.	See Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 1, 2, 3, 4; and F 1, 2, 3, 4

Expense Line Item Per U&I Exhibit*	**Expense Classification Description****	**Basis of Expense Allocation*****
15. Cost or depreciation of EDP equipment and software	Rent and repair of processing equipment and non-operating systems electronic data software, including the related depreciation and amortization.	Charged to companies. See Exhibit A, Appendix at A; B; C2; D1, 2, 3, 4
16. Printing and stationery	Generally, printing, stationery and office supplies (paper stock, printed forms and manuals, Photostat copies, pens and pencils, etc.). Also included would be policies and policy forms, in-house employee publications, books, newspapers and periodicals including, tax and legal publications and services.	See Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 2, 5; and F 1, 2, 3, 4
17. Postage, telephone, etc.	All express, freight and cartage expenses, postage, and telephone.	See Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 2, 5; and F 1, 2, 3, 4
18. Legal & auditing	Legal fees and retainers excluding loss and salvage related, auditing fees of independent auditors for examining records, services of tax experts and counsel, custodian fees, notary and trustees' fees.	See Exhibit A Appendix at A; D 2, 3, 4; E 2; and F 1, 2
20. Taxes, licenses and fees	Several categories comprise this expense classification: (1) state and local insurance taxes; (2) Insurance Department licenses and fees; (3) payroll taxes; and (4) all other, excluding real estate and federal income. Taxes, licenses and fees based on premiums and payments to state industrial commissions for administration of workers' compensation or other state benefit acts would be in the first classification. Expenses relating to the Insurance Department would include agents' licenses, filing fees, certificates of authority and fees and expenses of examination. Payroll related expenses normally include old age benefit and unemployment insurance taxes. More significant expenses in the all other section would be financial statement publication fees, legally mandated advertising and personal property and state income taxes.	No allocation - direct charge to company

Expense Line Item Per U&I Exhibit*	**Expense Classification Description****	**Basis of Expense Allocation*****
21. Real estate expenses	Salaries, wages and other compensation of maintenance workers in connection with owned real estate. Other expense items assigned to this category may also include expenses associated with: operations; maintenance and insurance.	Direct charges by company are based on square footage. Allocated expenses handled per Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 1, 2, 3, 4; and F 1, 2, 3, 4
22. Real estate taxes	Taxes, licenses and fees on owned real estate.	Direct charges by company are based on square footage. Allocated expenses handled per Exhibit A Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 1, 2, 3, 4; and F 1, 2, 3, 4
24. Aggregate write-ins for miscellaneous expenses	Items for which no pre-printed statutory line exists. Description/title shown in Part 3 will vary based on need.	Cost Management will develop the most appropriate allocation basis and maintain documentation

Expense Line Item Per General Expense Exhibit*	**Expense Classification Description****	**Basis of Expense Allocation*****
6.5 Collection and bank service charges	Collection charges on checks and drafts and charges for checking accounts and money orders.	

Note: Expense classification for lines 3 and 23 are not applicable for the Allstate Group.

INTERCOMPANY SERVICE AND EXPENSE ALLOCATION SUMMARY MATRIX
ALLSTATE INSURANCE COMPANY AND AFFILIATES

A. Offices 001 (Corporate Home Office), 191 (Ivantage Product), 195 (Technology Support/Appservice), 198 (Broker Dealer), 200 (Procurement Governance), 201 Allstate Investments, LLC), 203 (Research Center Shared Services), 204 (Human Resources Shared Service), 205 (Corporate Relations Shared Services), 206 (Technical Shared Services), 207 (Law and Regulation Shared Services), 208 (Finance Shared Services) 209 (Market Brand Development), 211 (Facility Services), 212 (Real Estate & Construction), and 304 (Litigation Services) factors are based on Service Agreements. These Agreements are written documents detailing services and associated costs performed by the provider for the benefit of the recipient and are generated and approved through extensive discussions between service providers and service recipients.

B. Support Centers, Data Centers, and Output Processing Centers (OPC) factors are based on Stat Policies in Force, Statistical Data and Time and Effort studies that roll-up to the Support Center/Data Center/OPC.

C. P&C Head Office (Office 032) factors are based on:

1. Compensation
2. Time and effort studies
3. Statistical data

D. Regional Office factors are based on the following methodologies:

1. Compensation
2. Time and effort studies
3. System capacity studies
4. Statistical data

E. Regional Commercial Centers factors are based on the following methodologies:

1. Compensation
2. Time and effort studies
3. System capacity studies
4. Statistical data

F. Claim Service Areas factors are based on the following:

1. Headcount (Property vs. Auto)
2. Notice counts
3. Incurred loss
4. Claim legal matter counts
5. Statistical data

EXHIBIT B

INTERCOMPANY SERVICE AND EXPENSE ALLOCATION SUMMARY MATRIX
ALLSTATE LIFE INSURANCE COMPANY AND LIFE AFFILIATES

Expense Line Item Per General Expense Exhibit 2*	Expense Classification Description**	Basis of Expense Allocation***
1. Rent	Rent for all premises occupied by the company, including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.	Direct charges by company are based on square footage. Allocated expenses are handled per Exhibit B Appendix at A; B 1, 2; C 1, 2 and D 1, 2
2. Salaries and wages	Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to their expense classifications is permitted and used.	Agents' compensation is a direct charge to company. The remaining expenses in this category are allocated per Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

* Expense classifications per Statutory Exhibits 2 & 3. Parties to the Agreement use these classifications to record their operating expenses incurred. This expense data is also captured by four distinct functional expense groups: life, accident and health, all other lines of business and investment.

** These descriptions were written using the NAIC Life Annual Statement Instructions. Refer to this publication for a complete breakdown of the expenses included in each line item.

*** Before consideration of any applicable reinsurance agreement.

3.11 Contributions for benefit plans for employees	Contributions by company for pension and total permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts. Appropriation of any other assignment of funds by company in connection with any benefit plan of the types enumerated herein.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
3.12 Contributions for benefit plans for agents	Contributions by company for pension and total permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts. Appropriation of any other assignment of funds by company in connection with any benefit plan of the types enumerated herein.	See Exhibit B Appendix at C 1, 2; and D 1, 2
3.21 Payments to employees under non-funded benefit plans	Payments by company under a program for pension and total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical or other temporary disability benefits where no contribution or appropriation is made prior to the payment of the benefit.	No allocation - direct charge to company
3.22 Payments to agents under non-funded benefit plans	Payments by company under a program for pension and total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical or other temporary disability benefits where no contribution or appropriation is made prior to the payment of the benefit.	No allocation - direct charge to company
3.31 Other employee welfare	The net periodic postretirement benefit cost, meals to employees, contribution to employee associations or clubs, dental examinations, medical dispensary or convalescent home expenses for employees.	Agents' compensation is a direct charge to company. The remaining expenses in this category are allocated per Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

Expense Line Item Per General Expense Exhibit*	**Expense Classification Description****	**Basis of Expense Allocation*****
3.32 Other agent welfare	The net periodic postretirement benefit cost, meals to employees, contribution to employee associations or clubs, dental examinations, medical dispensary or convalescent home expenses for agents.	Agents' compensation is a direct charge to company. The remaining expenses in this category are allocated per Exhibit B Appendix at C 1, 2; and D 1, 2
4.1 Legal fees and expenses	Court costs, penalties and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.	No allocation - direct charge to company
4.2 Medical examination fees	Fees to medical examiners in connection with new business reinstatements, policy changes and applications for employment.	See Exhibit B Appendix at D 1, 2
4.3 Inspection report fees	Fee for inspection reports in connection with new business, reinstatements, policy changes and applications for employment. Cost of services furnished by the Medical Information Bureau.	See Exhibit B Appendix at D 1, 2; C
4.4 Fees of public accountants and consulting actuaries	Include expenses relating to this category except exclude examination fees made by State Departments and internal audits by company employees.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
4.6 Expense of investigation and settlement of policy claims	Payment to other than employees of fees and expenses for the investigation, litigation and settlement of policy claims.	See Exhibit B Appendix at D 1, 2

Expense Line Item Per General Expense Exhibit*	**Expense Classification Description****	**Basis of Expense Allocation*****
5.1 Traveling expenses	Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, telegraph and postage charges incurred while traveling. Also include amounts allowed employees for use of their own cars on company business and the cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
5.2 Advertising	Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business. Billboard, sign and telephone directory, television, radio broadcasting and motion	See Exhibit B Appendix At A, B 1, 2; C 1; and D 1, 2

	picture advertising, excluding subjects dealing wholly with health and welfare. All canvassing or other literature, such as pamphlets, circulars, leaflets, policy illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents or through the mail for the purposes of solicitation and conservation of business. All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public. Printing, paper stock, etc. in connection with advertising. Prospect and mailing lists when used for advertising purposes. Fees and expenses of advertising agencies related to advertising.	
5.3 Postage, express, telegraph and telephone	Freight and cartage, cables, radiograms and teletype. Also charges for use, installation and maintenance of related equipment if not included elsewhere.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
5.4 Printing and stationery	Policy forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, punch-cards, house organs, and all other printed material which is not required to be included in any other expense classification. Office supplies and pamphlets on health, welfare and education subjects. Also include annual reports to policyholders and stockholders if not included in Line 5.2.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
5.5 Cost or depreciation of furniture and equipment	The cost or depreciation of office machines except for such charges as may be reported in Line 5.3.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

Expense Line Item Per General Expense Exhibit*	Expense Classification Description**	Basis of Expense Allocation***
5.6 Rental of equipment	Rental of office machines except for such charges as may be reported in Line 5.3.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
5.7 Cost or depreciation of EDP equipment and software	Include cost, depreciation and amortization for EDP equipment and operating and non-operating systems software.	Charged to Companies See Exhibit B at A; B; C
6.1 Books and periodicals	Books, newspapers, periodicals, etc., including investment tax and legal publications and information services, and including all such material for company’s law department and libraries.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
6.2 Bureau and association fees	All dues and assessments of organizations of which the company is a member. All dues for employees’ and agents’ memberships on the company’s behalf.	No allocation - direct charge to company
6.3 Insurance, except on real estate	Premiums for Workers’ Compensation, burglary, holdup, forgery and the public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
6.4 Miscellaneous losses	Uncollectible losses due to deficiencies, defalcations, robbery, or forgery, except those offset by bonding companies’ payments. Also include Worker’s Compensation benefits not covered by insurance and other uninsured losses not included elsewhere.	Primarily a direct charge to company. Remaining expenses are allocated per Exhibit B Appendix at A; and D 1, 2
6.5 Collection and bank service charges	Collection charges on checks and drafts and charges for checking accounts and money orders.	See Exhibit B Appendix at A; and D 1, 2
6.6 Sundry general expenses	Direct expense of local agency meetings, luncheons and dinners, tabulating service rendered by outside organizations, gifts and donations. Any portion of commissions and expense allowances on reinsurance assumed for group business which represents specific reimbursement of expenses. Reimbursement to another insurer for expense of jointly underwritten group contracts.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

Expense Line Item Per General Expense Exhibit*	Expense Classification Description**	Basis of Expense Allocation***
6.7 Group service and administration fees	Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.	See Exhibit B Appendix at D 1, 2; and B
6.8 Reimbursements by uninsured accident and health plans	Report as a negative amount administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured accident and health plans and the uninsured portion of partially insured accident and health plans.	No allocation - direct charge to company
7.1 Agency expense allowance	All bona fide allowance for agency expense, but not allowances constituting additional compensation.	No allocation - direct charge to company
7.2 Agents’ balances charged off	Agents’ balances charged off less any amounts recovered during the year.	No allocation - direct charge to company

7.3 Agency conferences other than local meetings	Cost of banquets and rental of meeting rooms. Expenses of all persons traveling to conferences and their expenses at conferences.	Primary dollars are a direct charge to company. The remaining expenses in this category are allocated per Exhibit B Appendix at C 1; and D 1
9.1 Real estate expenses	The cost of repairs, maintenance, service, and operation of all real estate properties including insurance whether occupied by the company or not; salaries and other compensation of managing agents and their employees; expenses incurred in connection with rental of such properties; legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch of Home Office until engaged solely in real estate work (not real estate and mortgages combined).	Direct charges by company are based on square footage. Allocated expenses are handled per Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

Expense Line Item Per General Expense Exhibit*	Expense Classification Description**	Basis of Expense Allocation***
9.2 Investment expenses not included elsewhere	Only items for which no specific provisions has been made elsewhere, e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and trustee fees.	See Exhibit B Appendix at A; and D 1, 2
9.3 Aggregate write-ins for expenses	Items for which no pre-printed statutory line exists. Description title shown in Exhibit 2 will vary based on need.	Cost Management will develop the most appropriate allocation basis and maintain documentation

Expense Line Item Per Taxes, Licenses and Fees Exhibit 3*	Expense Classification Description**	Basis of Expense Allocation***
1. Real estate taxes	Those taxes directly assessed against property owned by the company. Canadian and other foreign taxes should be included appropriately.	Direct charges by company are based on square footage. Allocated expenses are handled per Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2
2. State insurance department licenses and fees	Assessments to defray operating expenses of any state insurance department. Canadian and other foreign taxes should be included appropriately. Fees for examinations by state departments.	No allocation - direct charge to company
3. State taxes on premiums	State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately. Any portion of commissions or allowances on reinsurance assumed for group business which represents specific reimbursement of premium taxes. Deduct any portion of commissions or allowances on reinsurance ceded for group business which represents specific reimbursement of premium taxes.	No allocation - direct charge to company
4. Other state taxes	Assessments of state industrial or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately. Advertising required by law, regulation or ruling, except in connection with investments. State sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased. State income taxes.	No allocation - direct charge to company
5. U.S. Social Security taxes	Company's contribution is based on the current tax rate, which is applied to all wages, salary or compensation entered on the employees earning record and federal unemployment tax.	See Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

6. All other taxes	Guaranty fund assessments and taxes of Canada or of any other foreign country not specifically provided for elsewhere. Sales taxes, other than state sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.	No allocation - direct charge to company

APPENDIX TO EXHIBIT B

INTERCOMPANY SERVICE AND EXPENSE ALLOCATION SUMMARY MATRIX

ALLSTATE LIFE INSURANCE COMPANY AND LIFE AFFILIATES

A. Office 001, 191, 195,198, 200, 201, 203, 204, 205, 206, 207, 208, 209, 211, 212, and 304 factors to Allstate or Affiliate are based on this Agreement. Once expenses are charged to Allstate or Affiliate, a second and third tier of allocation occurs, which allocates expenses to Life Profit Centers.

B. P&C Head Office (Office 032) allocations to the Life Company and Affiliates are based on:

1. Compensation
2. Time and effort studies
3. Statistical data

C. Regional Office allocations to the Life Company and Affiliates are based on:

1. Compensation
2. Time and effort/usage studies
3. System capacity studies
4. Statistical Data

D. Life Parent Company allocations to Life Affiliates are based on:

1. Expenses are direct coded to the appropriate company.
2. Determination of how expense is to be allocated to profit center is based on time studies, project activity, required capital, invested assets and statistical data.

EXHIBIT C

EXPENSE PROCESS OVERVIEW
ALLSTATE INSURANCE GROUP

For purposes of operational analysis and financial reporting, functional expense groups are made up of three primary categories: (1) Loss adjustment expenses, (2) Other underwriting expenses; and (3) Investment expenses. A more detailed description of expense items, which comprise these categories, is provided in Exhibits A and B. These exhibits are the framework for reporting expenses required by the NAIC. The expense categories, in turn, flow into the financial records based on the following cost allocation methods: a direct charge basis; an allocated or shared basis; or in accordance with the terms of one or several reinsurance agreements. The combined expense process ultimately provides for financial records that reflect the financial performance of the business.

On a day-to-day basis, expenses are incurred directly by companies within the Allstate Group. The expenses are charted numerically by account. Formalized procedures are used in order to ensure that the expenses are accurately recorded and allocated to the appropriate office, company, cost center and cost element. Allocations are also provided for various support costs, which include: company, cost center and general ledger account (cost element) level with the objective of providing for an accurate means of tracking expenses.

A brief description of each of the three expense categories follows:

- Loss adjustment expenses are various costs associated with the claim handling process. These costs, which comprise all aspects of the claims handling function, include: the adjustment, factual investigation, defense and record keeping functions. Salaries of claim personnel and allocated executive salaries, as well as other basic costs associated with the claim function (accounting, data processing, rent, utilities, etc.) are grouped in this category. Generally, these expenses may be either direct charged, allocated, or flow to an entity by means of a separate reinsurance agreement.

- Other underwriting expenses include acquisition, general expenses, taxes, licenses and fees. The larger piece, acquisition expenses, is comprised of agent commissions, various expenses related to underwriting (motor vehicle reports, home inspections, etc.), salaries, marketing and other allocations of expenses which support the production of new and renewal business. General expenses are typically administrative in nature and do not fit cleanly in any other expense grouping. Taxes, licenses and fees pertain to: taxes (income and franchise) and licenses fees levied by state and local government; insurance department expenses; and guaranty fund assessments. These expense categories are charged to an entity in any of the same three methods shown above for Loss adjustment expenses.

- Investment expenses for research, purchase and sale activities, safekeeping, accounting and data support are the bulk of expenses in this bucket. Generally, these expenses will flow to an entity by direct charges to an entity or on an allocated basis.

The mechanism for recording expenses can occur by means of one of the following three methods:

- <u>Direct Charges</u> – This method is used where the expenses are unique to the company incurring them. These types of expenses are not allocated to another Allstate Company due to their unique relationship to the company incurring them. Expense payments are classified to the responsible company through an accounting coding expense system involving charge company, cost center, and cost element (See Exhibits A and B for more detail). By way of example: agents' commissions, taxes, licenses and fees, and bad debt expense are company specific, and therefore, coded directly to the appropriate company.

- <u>Allocations</u>

  <u>The expense allocation process can be divided into 3 subcategories:</u>

1. <u>Office</u> – The objective of this phase of the allocation process is to properly transfer various support costs performed by one organization to another organization that they directly relate to. The basic justification for this cost transfer is efficiency gain, which is mutually beneficial to both parties. Certain processes are centrally performed on behalf of a number of entities, then allocated to the office/company being supported. Routine expenses of this nature often include

support activities from the following functional areas: Accounting; Systems; Investments; Corporate Relations; Law and Regulation; and Human Resources. These costs cannot be directly expensed. It is necessary to provide for an appropriate method of allocation. An example of this method of allocation would relate to the accounting treatment of costs and expenses attributable to Allstate's Internal Audit Department (IAD). As part of the Allstate Corporate Home Office structure, IAD salaries and related expenses are allocated to other Affiliates companies and/or offices (i.e. data and profit centers) based on time and effort studies. The terms for this allocation are delineated in a separate agreement between the parties which is referred to as a Shared Service Agreement (SSA). The SSA is a vehicle which allows the parties to agree in advance on certain essential terms and conditions which include: a description of the services to be provided; the period covered; costs and standards. The SSA concept can be used to transfer expenses between Brands (e.g., Allstate, Ivantage, Indemnity, Life), between Shared Services (e.g., Finance, Investments, Human Resources, Technical) or between a Brand and Shared Service.

The Accounting Department database is programmed to perform the allocation process on a monthly basis. The process begins with the extraction of direct costs for each office, company, cost center and general ledger account. Varying premium and claim statistics (e.g., policies in force, claim counts) as well as other common factors (e.g., number of employees, number of retirees) are then entered into the program.

The resulting data provides the bases, or allocation drivers, for transferring expenses from an office/cost center /general ledger account level of detail to other charge offices/cost centers /general ledger accounts. Detail records are generated in order to provide the source and recipient of the allocated expenses.

A separate process has been initiated in order to periodically review the accuracy of the factors or drivers of the allocations. The accuracy of service provider time and effort studies may be taken into account (i.e. projected v. actual). Other factors that may be considered include an inventory of activities and customers in order to ensure that allocations are accurate. Intensive discussions and management agreement between the provider and customer are also an integral part of the process. Flexibility in the overall allocation process must routinely occur to provide for changes in the business activities or organizational structure.

2. Company – This step in the expense allocation process is similar the office expense allocation process described above in that allocations are charged to other affiliates. For instance, both Allstate Insurance Company and Allstate Life Insurance Company incur expenses on a direct basis for themselves and on behalf of their affiliates. A portion of these expenses may be transferred to the affiliated companies, as appropriate. Fixed factors are normally based on internal time and effort studies, agents' compensation, or statistical criteria such as gross policies issued or claim notice counts.

3. Uniform Accounting Transfer (UAT) – The next step in the process is to reclassify all of the general office expenses addressed in the direct charges and expense allocation (office and company) sections above, having been recorded on a management basis, to their required statutory expense classifications. The use of a consistent basis for reporting expenses, as dictated by the NAIC, allows the Regulators to better compare various insurance companies' operations. On the property/casualty side, broad expense categories and detail breakouts are required for both the Expense Exhibit in the annual Statutory Statement as well as the Supplemental Expense Filing, which is contained in the Insurance Expense Exhibit. For Life companies, the General Expense and the Taxes, Licenses and Fees Exhibits from the annual Statutory Statement have distinct expense categories. A synopsis of these required expense categories, along with a description of each expense category and the basis of allocation presently used by Allstate is contained in Exhibit A and appendix (Property & Casualty affiliates) and Exhibit B and appendix (Life Company affiliates).

   In order to provide for accurate summarization and reporting, each general ledger account (cost element) included in the Chart of Accounts is assigned a statutory expense classification. Loss adjustment, other underwriting and investment expenses are the broad classifications that UAT applies to. By way of example, a systems function, whether relating to claims, sales, or investments, is initially classified as a general office expense on a management basis. Based on the UAT process, these expenses are reclassified for statutory reporting purposes to loss adjustment, other underwriting or investments. Taxes, licenses and fees, although included in the other underwriting expense category, are not used in the UAT calculation process. These

expenses are directly charged to the appropriate statutory classification within company.

Reinsurance Agreements – Separate arrangements exist between the property/casualty parent, Allstate Insurance Company, and certain affiliates, and the life parent, Allstate Life Insurance Company, and certain affiliates that drive expenses. Terms and conditions relating to methods of expense classification are contained in each of the individual reinsurance agreements. Typically, the reinsurer will be liable for a pre determined pro-rata share of all underwriting related expenses to support the assumed business. However, the reinsurer is not generally liable for the investment expenses.

EXHIBIT D

DEFINITIONS

The following terms shown by "process flow" and "general" categories are commonly used in explanation of the Allstate Group's overall expense process. Presentation of the "process flow" section follows the same hierarchical order of our current expense processing methodology.

PROCESS FLOW

Company – Identifies legal entity that expense is charged to and may be disbursed from. Each entity who is a party to this agreement is assigned a separate three digit company code (e.g., Allstate Insurance Company – 010, Allstate Life Insurance Company – 030). A "charged company" is the Allstate entity charged with the expense under review and whose Statement of Income would be ultimately impacted.

Cost Centers – Describe where specific costs were incurred. Cost Centers will be the most common object used. Cost centers are areas of organizational responsibility in which costs are incurred and planned. Identifies administrative grouping within an office and duties as well as the manager responsible. Regional Office Departments include: Underwriting; Sales; Human Resources; and Claims. Each Regional Office is assigned a distinct four digit number.

Cost Elements – They describe what specific costs have occurred. They are used to plan and incur direct expenses for cost objects representing a unique item or category of expense to the company.

Internal Orders – A short-term cost collector used to collect, identify and allocate costs associated with a process, event or activity.

Office –Typically, office codes identify high level responsibility for the expenses charged. Office level configuration (by type or geographical location) is a key building block in the accumulation of Allstate's expenses. This data is used in preparing the various expense analyses/reports prepared. A "charged office" is the office within an Allstate entity charged with the expense under review. The decision regarding which office to charge with an expense is based on Statement of Income impact analysis. Offices may include various high level types, such as Profit Centers (Midwest Regional Office – 002), Data Centers (Atlantic – 136), Shared Services (Human Resources – 204), and Home Offices (Corporate Home Office – 001, PP&C Head Office – 032). Each Office is designated by a three-digit code.

Profit Center – Aligns expense to a distribution channel, geographic location and product grouping (i.e. Denver Region, Colorado, Standard Auto).

GENERAL

Assessments/Allocated Expenses – which, are incurred by one Allstate Company or office and charged, or allocated, to other companies or offices on the basis of mutual benefit. Examples of the types of allocated expenses include: Loss Adjustment, Other Underwriting and Investment Expenses. These expenses include allocations in Cost Centers from Cost Elements to Secondary Cost Elements and are described in Exhibit C. Criteria for cost allocation "drivers" are based on the implementation of management objectives. The assessments can use all three methods of allocations: Field Percentage; Fixed Amount; and Variable Portions, which contain Statistical Key Figures. Additional information is included in the Exhibits and Appendixes attached. Allocation drivers agreed to by Management are used to allocate expenses, and these are described in detail in the various exhibits and appendixes.

Reinsurance Agreement – An agreement between two parties where one insurer spreads its risk (premium, loss and expense) of losses with other insurers.

EXHIBIT E

TERMINATED AGREEMENTS

Addendum to Service and Expense Agreement between Allstate Insurance Company and Allstate North American Insurance Company effective August 27, 2001.

Administrative Service Agreement between Lincoln Benefit Life Company and ALFS, Inc. (f/k/a Allstate Life Financial Services, Inc.) effective December 1, 1998.

Administrative Services Agreement between Allstate Insurance Company and Intramerica Life Insurance Company effective July 1, 1999.

Administrative Services Agreement between Allstate Life Insurance Company and AFD, Inc. effective January 1, 2000.

Administrative Services Agreement between Allstate Life Insurance Company and ALFS, Inc. (f/k/a Allstate Life Financial Services, Inc.) effective May 1, 1999.

Administrative Services Agreement between Allstate Life Insurance Company and Lincoln Benefit Life Company effective February 1, 1998.

Administrative Services Agreement between Allstate Life Insurance Company and Allstate Distributors, L.L.C. effective May 1, 1999.

Amended and Restated Service and Expense Agreement between Allstate Insurance Company and certain of its affiliated insurance companies effective April 29, 2003 to include Encompass Insurance Company of New Jersey.

Business Operations and Service Agreement between Allstate Life Insurance Company of New York and Allstate Life Insurance Company effective October 1, 1997.

Cost Sharing Agreement between American Heritage Life Insurance Company and Keystone State Life Insurance Company effective October 1, 1998.

Expense Allocation Agreement between Allstate Life Insurance Company of New York and Intramerica Life Insurance Company effective July 1, 1999.

Service Agreement between Allstate Insurance Company and Allstate Life Insurance Company of New York executed February 27, 1990 and effective July 1, 1989.

Service Agreement between Allstate Life Insurance Company and Allstate Life Insurance Company of New York executed February 27, 1990 and effective July 1, 1989.

Service Agreement between Allstate Life Insurance Company and Surety Life Insurance Company effective January 1, 1995.

Service Agreement between Lincoln Benefit Life Company and Allstate Life Insurance Company effective July 16, 1984.

Service and Expense Agreement among Allstate Insurance Company and certain of its affiliated insurance companies, effective January 1, 1999, except with respect to Glenbrook Life and Annuity Company, Columbia Universal Life Insurance Company and LSA Asset Management LLC.

Service and Expense Agreement between Allstate Insurance Company and Certain of its Non-Insurance Company Affiliates effective January 1, 2000.

Service and Expense Agreement between Surety Life Insurance Company and Lincoln Benefit Life Company effective August 10, 1994.

Administrative Services Agreement between Allstate Life Insurance Company of New York and American Heritage Life Insurance Company.

Administrative Services Agreement between Allstate Life Insurance Company of New York and Allstate Distributors, L.L.C.

EXHIBIT 15

To the Board of Directors and Shareholder of
Allstate Life Insurance Company:

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Allstate Life Insurance Company and subsidiaries for the three-month periods ended March 31, 2005 and 2004, as indicated in our report dated May 6, 2005; because we did not perform an audit, we expressed no opinion on such financial information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Nos.	Form N-4 Registration Nos.
333-100068	333-102934
333-102319	333-114560
333-102325	333-114561
333-104789	333-114562
333-105331	333-121691
333-112233	333-121693
333-112249	
333-117685	
333-119296	
333-119706	
333-121739	
333-121741	
333-121742	
333-121745	
333-121811	
333-121812	
333-123847	

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 6, 2005

EXHIBIT 31.1

CERTIFICATIONS

I, Casey J. Sylla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allstate Life Insurance Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2005

/s/ CASEY J. SYLLA

Name: Casey J. Sylla
Title: Chairman of the Board and President

CERTIFICATIONS

I, John C. Pintozzi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allstate Life Insurance Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

May 6, 2005

/s/ JOHN C. PINTOZZI

Name:	John C. Pintozzi
Title:	Senior Vice President and Chief Financial Officer

CERTIFICATIONS
PURSUANT TO 18 UNITED STATES CODE §1350

Each of the undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q for the fiscal period ended March 31, 2005 of Allstate Life Insurance Company filed with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and result of operations of Allstate Life Insurance Company.

May 6, 2005

/s/ Casey J. Sylla
Casey J. Sylla
Chairman of the Board and President

/s/ John C. Pintozzi
John C. Pintozzi
Senior Vice President and Chief Financial Officer