

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

CURRENT REPORT

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

Date of report (Date of earliest event reported) February 6, 2012

**Allstate Life Insurance Company**

(Exact name of registrant as specified in charter)

**Illinois**  
(State or other  
jurisdiction of incorporation)

**0-31248**  
(Commission  
File Number)

**36-2554642**  
(IRS Employer  
Identification No.)

**3100 Sanders Road, Northbrook, Illinois**  
(Address of principal executive offices)

**60062**  
(Zip Code)

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

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

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

**Section 2 – Financial Information**

**Item 2.02. Results of Operations and Financial Condition.**

The registrant furnishes below its Consolidated Statements of Operations for the three years ended December 31, 2011, 2010 and 2009 and Consolidated Statements of Financial Position as of December 31, 2011 and 2010, prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and certain non-GAAP measures:

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

(\$ in millions)

	Year Ended December 31,		
	2011	2010	2009
<b>Revenues</b>			
Premiums	\$ 624	\$ 592	\$ 581
Contract charges	1,008	991	952
Net investment income	2,637	2,760	2,974
Realized capital gains and losses:			
Total other-than-temporary impairment losses	(279)	(591)	(1,592)
Portion of loss recognized in other comprehensive income	(14)	(45)	316
Net other-than-temporary impairment losses recognized in earnings	(293)	(636)	(1,276)
Sales and other realized capital gains and losses	683	123	856
Total realized capital gains and losses	390	(513)	(420)
	4,659	3,830	4,087
<b>Costs and expenses</b>			
Contract benefits	1,502	1,496	1,402
Interest credited to contractholder funds	1,608	1,764	2,076
Amortization of deferred policy acquisition costs	513	272	888
Operating costs and expenses	316	329	321
Restructuring and related charges	1	(3)	24
Interest expense	45	44	42

	3,985	3,902	4,753
<b>Gain on disposition of operations</b>	<u>7</u>	<u>6</u>	<u>7</u>
<b>Income (loss) from operations before income tax expense (benefit)</b>	681	(66)	(659)
Income tax expense (benefit)	<u>221</u>	<u>(38)</u>	<u>(112)</u>
<b>Net income (loss)</b>	<u>\$ 460</u>	<u>\$ (28)</u>	<u>\$ (547)</u>

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

(\$ in millions, except par value data)

	<b>December 31,</b>	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Investments		
Fixed income securities, at fair value (amortized cost \$43,481 and \$47,486)	\$ 45,428	\$ 48,214
Mortgage loans	6,546	6,553
Equity securities, at fair value (cost \$142 and \$164)	179	211
Limited partnership interests	1,612	1,272
Short-term, at fair value (amortized cost \$593 and \$1,257)	593	1,257
Policy loans	833	841
Other	1,086	1,094
Total investments	<u>56,277</u>	<u>59,442</u>
Cash	310	118
Deferred policy acquisition costs	2,588	2,982
Reinsurance recoverables	4,457	4,277
Accrued investment income	520	522
Other assets	406	420
Separate Accounts	6,984	8,676
<b>Total assets</b>	<u>\$ 71,542</u>	<u>\$ 76,437</u>
<b>Liabilities</b>		
Contractholder funds	\$ 41,669	\$ 46,458
Reserve for life-contingent contract benefits	13,709	12,752
Unearned premiums	23	27
Payable to affiliates, net	97	118
Other liabilities and accrued expenses	1,043	1,454
Deferred income taxes	971	643
Notes due to related parties	700	677
Separate Accounts	6,984	8,676
<b>Total liabilities</b>	<u>65,196</u>	<u>70,805</u>
<b>Shareholder's Equity</b>		
Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued	--	--
Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued	--	--
Common stock, \$227 par value, 23,800 shares authorized and outstanding	5	5
Additional capital paid-in	3,190	3,189
Retained income	2,377	1,913
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital losses on fixed income securities with OTTI	(103)	(100)
Other unrealized net capital gains and losses	1,380	587
Unrealized adjustment to DAC, DSI and insurance reserves	(502)	38
Total unrealized net capital gains and losses	<u>775</u>	<u>525</u>
Unrealized foreign currency translation adjustments	<u>(1)</u>	<u>--</u>
Total accumulated other comprehensive income	<u>774</u>	<u>525</u>
<b>Total shareholder's equity</b>	<u>6,346</u>	<u>5,632</u>
<b>Total liabilities and shareholder's equity</b>	<u>\$ 71,542</u>	<u>\$ 76,437</u>

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**Definitions of Non-GAAP Measures**

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

**Operating income (loss)** is net income (loss), excluding:

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income (loss),
- valuation changes on embedded derivatives that are not hedged, after-tax,

- amortization of deferred policy acquisition costs (“DAC”) and deferred sales inducements (“DSI”), to the extent they resulted from the recognition of certain realized capital gains and losses or valuation changes on embedded derivatives that are not hedged, after-tax,
- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

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

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

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

(\$ in millions)

	Year Ended December 31,		
	2011	2010	2009
<b>Operating income</b>	\$ 388	\$ 387	\$ 268
Realized capital gains and losses	390	(513)	(420)
Income tax (expense) benefit	(139)	179	11
Realized capital gains and losses, after-tax	251	(334)	(409)
Valuation changes on embedded derivatives that are not hedged, after-tax	(12)	--	--
DAC and DSI amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged, after-tax	(127)	(34)	(177)
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	1	(18)	(224)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(45)	(33)	(9)
Gain on disposition of operations, after-tax	4	4	4
<b>Net income (loss)</b>	\$ 460	\$ (28)	\$ (547)

**Operating income (loss) return on equity** is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income (loss) by the average of shareholder's equity at the beginning and at the end of the 12-months, after excluding the effect of unrealized net capital gains and losses. Return on equity is the most directly comparable GAAP measure. We use operating income (loss) as the numerator for the same reasons we use operating income (loss), as discussed above. We use average shareholder's equity excluding the effect of unrealized net capital gains and losses for the denominator as a representation of shareholder's equity primarily attributable to the company's earned and realized business operations because it eliminates the effect of items that are unrealized and vary significantly between periods due to external economic developments such as capital market conditions like changes in equity prices and interest rates, the amount and timing of which are unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income (loss) and return on equity because it excludes the effect of items that tend to be highly variable from period to period. We believe that this measure is useful to investors and that it provides a valuable tool for investors when considered along with net income (loss) return on equity because it eliminates the after-tax effects of realized and unrealized net capital gains and losses that can fluctuate significantly from period to period and that are driven by economic developments, the magnitude and timing of which are generally not influenced by management. In addition, it eliminates non-recurring items that are not indicative of our ongoing business or economic trends. A byproduct of excluding the items noted above to determine operating income (loss) return on equity from return on equity is the transparency and understanding of their significance to return on equity variability and profitability while recognizing these or similar items may recur in subsequent periods. Therefore, we believe it is useful for investors to have operating income (loss) return on equity and return on equity when evaluating our performance. We note that investors, financial analysts, financial and business media organizations and rating agencies utilize operating income (loss) return on equity results in their evaluation of our and our industry's financial performance and in their investment decisions, recommendations and communications as it represents a reliable, representative and consistent measurement of the industry and the company and management's utilization of capital. Operating income (loss) return on equity should not be considered as a substitute for return on equity and does not reflect the overall profitability of our business.

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The following table reconciles return on equity and operating income return on equity.

(\$ in millions)	For the twelve months ended December 31,	
	2011	2010
<b>Return on equity</b>		
Numerator:		
Net income (loss)	\$ <u>460</u>	\$ <u>(28)</u>
Denominator:		
Beginning shareholder's equity	\$ 5,632	\$ 4,386
Ending shareholder's equity	6,346	5,632
Average shareholder's equity	\$ <u>5,989</u>	\$ <u>5,009</u>
Return on equity	<u>7.7%</u>	<u>(0.6)%</u>
<b>Operating income return on equity</b>		
Numerator:		
Operating income	\$ <u>388</u>	\$ <u>387</u>
Denominator:		
Beginning shareholder's equity	\$ 5,632	\$ 4,386
Unrealized net capital gains and losses	525	(777)
Adjusted beginning shareholder's equity	<u>5,107</u>	<u>5,163</u>
Ending shareholder's equity	6,346	5,632
Unrealized net capital gains and losses	775	525
Adjusted ending shareholder's equity	<u>5,571</u>	<u>5,107</u>
Average adjusted shareholder's equity	\$ <u>5,339</u>	\$ <u>5,135</u>
Operating income return on equity	<u>7.3%</u>	<u>7.5%</u>

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

ALLSTATE LIFE INSURANCE COMPANY

By /s/ Samuel H. Pilch

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

Date: February 6, 2012

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