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.

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

OR

/ / 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	36-2554642
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
3100 SANDERS ROAD NORTHBROOK, ILLINOIS	60062
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(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 /X/   NO / /

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS AN ACCELERATED FILER (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT).

YES / /   NO /X/

AS OF APRIL 30, 2004, 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, 2004

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, --------------------- ---- (IN MILLIONS) 2004 2003 --- --------- --- --------- (Unaudited) REVENUES Premiums $

151 $ 317 Contract charges 234 209 Net investment income 783 760 Realized capital gains and losses (27) (42) ------------ ------------ 1,141 1,244 COSTS AND EXPENSES Contract benefits 336 467 Interest credited to contractholder funds 449 432 Amortization of deferred policy acquisition costs 115 172 Operating costs and expenses 102 121 ------------ ------------ 1,002 1,192 Loss on disposition of operations (3) -- ------------ ------------ INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, AFTER-TAX 136 52 Income tax expense 45 13 ------------ ------------ INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, AFTER-TAX 91 39 Cumulative effect of change in accounting principle, after-tax (175) -- ------------ ------------ NET (LOSS) INCOME $ (84) $ 39 ============ ============

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	MARCH 31, 2004	DECEMBER 31, 2003
	(IN MILLIONS, EXCEPT PAR VALUE DATA)	
	(Unaudited)	
ASSETS		
Investments		
Fixed income securities, at fair value (amortized cost $50,198 and $48,401)	$ 54,317	$ 51,578
Mortgage loans	6,573	6,354
Equity securities	260	164
Short-term	1,319	765
Policy loans	682	686
Other	443	442
Total investments	63,594	59,989
Cash	152	121
Deferred policy acquisition costs	2,672	3,202
Reinsurance recoverables, net	1,310	1,185
Accrued investment income	591	567
Other assets	351	323
Separate Accounts	13,550	13,425
TOTAL ASSETS	$ 82,220	$ 78,812
LIABILITIES		
Contractholder funds	$ 46,997	$ 44,914
Reserve for life-contingent contract benefits	10,919	10,480
Unearned premiums	29	32
Payable to affiliates, net	112	114
Other liabilities and accrued expenses	3,462	2,594
Deferred		

income taxes 623 779 Long-term debt 45 45 Separate Accounts 13,550 13,425

TOTAL LIABILITIES 75,737 72,383

COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 3)
SHAREHOLDER'S EQUITY
Redeemable preferred stock - series A, $100 par value, 1.5 million shares authorized, 815,460 shares issued and outstanding 82 82 Common stock, $227 par value, 23,800 shares authorized and outstanding 5 5 Additional capital paid-in 1,067 1,067 Retained income 4,113 4,222 Accumulated other comprehensive income: Unrealized net capital gains and losses and net gains and losses on derivative financial instruments 1,216 1,053 -
----------- -

TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME 1,216 1,053 -------
----- -------
----- TOTAL SHAREHOLDER'S EQUITY 6,483 6,429 -------
----- -------
----- TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY $ 82,220 $

78,812
============
============

See notes to condensed consolidated financial statements.

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

THREE MONTHS ENDED MARCH 31, ------------------ (IN MILLIONS) 2004 2003 ------- ------- (Unaudited) CASH FLOWS FROM OPERATING ACTIVITIES Net (loss) income $ (84) $ 39 Adjustments to reconcile net income to net cash provided by operating activities: Amortization and other non-cash items (32) (45) Realized capital gains and losses 27 42 Cumulative effect of change in accounting principle 175 -- Interest credited to contractholder funds 449 432 Changes in: Contract benefit and other insurance reserves (65) 63 Unearned premiums -- 2 Deferred policy acquisition costs (52) 26 Reinsurance recoverables, net (46) (12) Income taxes payable 42 (14) Other operating assets and liabilities (7) 56 ------- ------- Net cash provided by operating activities 407 589 ------- ------- CASH FLOWS FROM

INVESTING ACTIVITIES		
Proceeds from sales		
Fixed income securities	1,571	1,456
Equity securities	26	14
Investment collections		
Fixed income securities	946	1,065
Mortgage loans	161	132
Investment purchases		
Fixed income securities	(4,112)	(3,728)
Equity securities	(89)	(11)
Mortgage loans	(362)	(208)
Change in short-term investments, net	182	(7)
Change in other investments, net	(21)	(24)
Net cash used in investing activities	(1,698)	(1,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contractholder fund deposits	2,743	1,745
Contractholder fund withdrawals	(1,396)	(1,022)
Dividends paid	(25)	(1)
Net cash provided by financing activities	1,322	722
NET INCREASE IN CASH	31	-
CASH AT BEGINNING OF THE PERIOD	121	252
CASH AT END OF PERIOD	$ 152	$ 252

See notes to condensed consolidated financial statements.

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, 2004 and for the three-month periods ended March 31, 2004 and 2003 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, 2003. 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 2004 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 $146 million and $83 million, and cost of $142 million and $79 million at March 31, 2004 and December 31, 2003, respectively. Investments in limited partnership interests had a carrying value of $114 million and $81 million, and a cost of $114 million and $81 million at March 31, 2004 and December 31, 2003, respectively.

Non-cash investment exchanges and modifications, which primarily reflect refinancings of fixed income securities, totaled $1 million and $34 million for the three months ended March 31, 2004 and 2003, respectively.

ADOPTED ACCOUNTING STANDARD

STATEMENT OF POSITION 03-1, "ACCOUNTING AND REPORTING BY INSURANCE ENTERPRISES FOR CERTAIN NONTRADITIONAL LONG-DURATION CONTRACTS AND FOR SEPARATE ACCOUNTS" ("SOP 03-1")

On January 1, 2004, the Company adopted SOP 03-1. The major provisions of the SOP affecting the Company require:

- Establishment of reserves primarily related to death benefit and income benefit guarantees provided under variable annuity contracts;

- Deferral of sales inducements that meet certain criteria, and amortization using the same method used for deferred policy acquisition costs ("DAC"); and

- Reporting and measuring assets and liabilities of certain separate accounts products as investments and contractholder funds rather than as separate accounts assets and liabilities when specified criteria are present.

EFFECTS OF ADOPTION

The cumulative effect of the change in accounting principle from implementing SOP 03-1 was a loss of $175 million, after-tax ($269 million, pre-tax). It was comprised of an increase in benefits reserves (primarily for variable annuity contracts) of $145 million, pre-tax, and a reduction in DAC and deferred sales inducements ("DSI") of $124 million, pre-tax.

The SOP requires consideration of a range of potential results to estimate the cost of variable annuity death benefits and income benefits, which generally necessitates the use of stochastic modeling techniques. To maintain consistency with the assumptions used in the establishment of reserves for variable annuity guarantees, the Company utilized the results of this stochastic modeling to estimate expected gross profits, which form the basis for determining the amortization of DAC and DSI. This new modeling approach resulted in a lower estimate of expected gross profits, and therefore resulted in a write-down of DAC and DSI.

In 2004, DSI and related amortization is classified within the Condensed Consolidated Statements of Financial Position and Operations as other assets and interest credited to contractholder funds, respectively. The amounts are provided below.

The Company reclassified $204 million of separate accounts assets and liabilities to investments and contractholder funds, respectively.

LIABILITIES FOR CONTRACT GUARANTEES

The Company offers various guarantees to variable contractholders including a return of no less than (a) total deposits made on the contract less any customer withdrawals, (b) total deposits made on the contract less any customer withdrawals plus a minimum return or (c) the highest contract value on a specified anniversary date minus any customer withdrawals following the contract anniversary. These guarantees include benefits that are payable in the event of death, upon annuitization, or at specified dates during the accumulation period.

The table below presents information regarding the Company's variable contracts with guarantees. The Company's variable annuity contracts may offer more than one type of guarantee in each contract; therefore, the sum of amounts listed exceeds the total account balances of variable annuity contracts' separate accounts with guarantees.

($ IN MILLIONS)	MARCH 31, 2004
IN THE EVENT OF DEATH	
Account value	$ 13,346
Net amount at risk (1)	$ 2,312
Average attained age of contractholders	63 years
AT ANNUITIZATION	
Account value	$ 3,697
Net amount at risk (2)	$ 15
Weighted average waiting period until annuitization options available	8 years
ACCUMULATION AT SPECIFIED DATES	
Account value	$ 86
Net amount at risk (3)	$ -
Weighted average waiting period until guarantee date	11 years

(1) Defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

(2) Defined as the present value of the minimum guaranteed annuity payments determined in accordance with the terms of the contract in excess of the current account balance.

(3) Defined as the present value of the guaranteed minimum accumulation balance in excess of the current account balance.

Account balances of variable contracts' separate accounts with guarantees were invested as follows:

(IN MILLIONS)

MARCH 31, 2004	
Equity securities (including mutual funds)	$ 12,710
Cash and cash equivalents	636
Total variable contracts' separate account assets with guarantees	$ 13,346

The following table summarizes the liabilities for guarantees:

(IN MILLIONS)	LIABILITY FOR GUARANTEES RELATED TO DEATH BENEFITS	LIABILITY FOR GUARANTEES RELATED TO INCOME BENEFITS	TOTAL
Balance at January 1, 2004	$ 117	$ 41	$ 158
Less reinsurance recoverables	(11)	(2)	(13)
Net balance at January 1, 2004	106	39	145
Incurred guaranteed benefits	13	2	15
Paid guarantee benefits	(17)	-	(17)
Net change	(4)	2	(2)
Net balance at March 31, 2004	102	41	143
Plus reinsurance recoverables	11	2	13
Balance, March 31, 2004(1)	$ 113	$ 43	$ 156

=================
=================

(1) Included in the total reserve balance are reserves for variable annuity death benefits of $99 million, variable annuity income benefits of $17 million and other guarantees of $40 million.

The liability for death and income benefit guarantees is established equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less contract benefit payments. The benefit ratio is calculated as the estimated present value of all expected contract benefits divided by the present value of all expected contract charges. For guarantees in the event of death, benefits represent the current guaranteed minimum death payments in excess of the current account balance. For guarantees at annuitization, benefits represent the present value of the minimum guaranteed annuity benefits in excess of the current account balance.

Projected benefits and contract charges used in determining the liability for guarantees are developed using models and stochastic scenarios that are also used in the development of estimated expected gross profits. Underlying assumptions for the liability related to income benefits include assumed future annuitization elections based on factors such as the extent of benefit to the potential annuitant, eligibility conditions and the annuitant's attained age.

The liability for guarantees will be re-evaluated periodically, and adjustments will be made to the liability balance through a charge or credit to contract benefits.

DEFERRED SALES INDUCEMENTS

Costs related to sales inducements offered on sales to new customers, principally on investment contracts and primarily in the form of additional credits to the customer's account value or enhancements to interest credited for a specified period, which are beyond amounts currently being credited to existing contracts, are deferred and recorded as other assets. All other sales inducements are expensed as incurred and included in interest credited to contractholder funds on the Condensed Consolidated Statements of Operations. DSI is amortized to income using the same methodology and assumptions as DAC, and included in interest credited to contractholder funds. DSI is periodically reviewed for recoverability and written down when necessary.

DSI activity for the three months ended March 31, 2004 was as follows:

	(IN MILLIONS)
Balance, January 1, 2004	$ 182
Sales inducements deferred	12
Amortization charged to income	(13)
Effects of unrealized gains and losses	(113)
Balance, March 31, 2004	$ 68

PENDING ACCOUNTING STANDARD

EMERGING ISSUES TASK FORCE TOPIC NO. 03-01, "THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS" ("EITF NO. 03-01")

In March 2004, the Emerging Issues Task Force ("EITF") reached a final consensus on EITF No. 03-01, which is effective for reporting periods beginning after June 15, 2004. EITF No. 03-01 requires that when the fair value of an investment security is less than its carrying value an impairment exists for which a determination must be made as to whether the impairment is other-than-temporary. An impairment loss should be recognized equal to the difference between the investment's carrying value and its fair value when an impairment is other-than-temporary. The EITF No. 03-01 impairment model applies to all investment securities accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and to investment securities accounted for under the cost method to the extent an impairment indicator exists or the reporting entity has estimated the fair value of the investment security in connection with SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The disclosures required for investment securities accounted for under the cost method are effective for fiscal years ending after June 15, 2004. The adoption of EITF No. 03-01 is not expected to result in a material change in the Company's Condensed Consolidated Statements of Operations or Financial Position.

2. REINSURANCE

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

	THREE MONTHS ENDED MARCH 31,	
	2004	2003
	(IN MILLIONS)	
PREMIUMS AND CONTRACT CHARGES		
Direct	$ 516	$ 603
Assumed		
Affiliate	4	6
Non-affiliate	5	22
Ceded--non-affiliate	(140)	(105)
Premiums and contract charges, net of reinsurance	$ 385	$ 526

The effects of reinsurance on contract benefits are as follows:

	THREE MONTHS ENDED MARCH 31,	
	2004	2003
	(IN MILLIONS)	
CONTRACT BENEFITS		
Direct	$ 415	$ 530
Assumed		
Affiliate	2	-
Non-affiliate	-	

10 Ceded Non-affiliate (81) (73) -
----------- ----------- - Contract benefits, net of reinsurance $ 336 $ 467
============ ============

3. 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. Additionally, the Company has written credit default swaps that obligate the Company to make a payment upon the occurrence of specified credit events. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these fixed income securities and written credit default swaps, as measured by the par value and notional value, respectively, was $197 million at March 31, 2004. The obligations associated with these fixed income securities and written credit default swaps 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, 2004, the amount due under the commercial paper program is $300 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 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. Because the obligated amounts of the indemnifications are not explicitly stated in many cases, 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.

In addition, the Company and its subsidiaries indemnify their respective directors, officers and other individuals to the extent provided in their charters and by-laws. Since these indemnifications are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount due under these indemnifications.

The aggregate liability balance related to all guarantees was not material as of March 31, 2004.

REGULATION

The Company is subject to changing social, economic and regulatory conditions. Recent state and federal regulatory initiatives and proceedings have included efforts to remove barriers preventing banks from engaging in the securities and insurance businesses, change tax laws affecting the taxation of insurance companies and the tax treatment of insurance products or competing non-insurance products that may impact the relative desirability of various personal investment products 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 PROCEEDINGS

As described below, the Company is named as a defendant in a number of lawsuits and other legal proceedings arising out of various aspects of its business. 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 the purported class is not 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 or treble 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, whether to support minimum jurisdictional requirements or otherwise, it is our experience that such demands may be misleading indicators of what the ultimate loss, if any, will be to the Company.

It is not possible to make meaningful estimates of the amount or range of loss that could result from these matters. The Company reviews these matters on an on-going basis. 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.

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. These lawsuits include a number of putative class actions and one certified class action challenging the overtime exemption claimed by AIC under the Fair Labor Standards Act or state wage and hour laws. Plaintiffs seek monetary relief, such as penalties and liquidated damages, and non-monetary relief, such as injunctive relief and an accounting. These class actions mirror similar lawsuits filed recently against other carriers in the industry and other employers. A putative nationwide class action filed by former employee agents also 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. AIC has been vigorously defending these and various other worker classification lawsuits. The outcome of these disputes is currently uncertain.

AIC is also defending certain matters relating to its agency program reorganization announced in 1999. These matters include an investigation by the U.S. Department of Labor, a lawsuit filed in December 2001 by the U.S. Equal Employment Opportunity Commission ("EEOC") alleging retaliation under federal civil rights laws and a class action filed in August 2001 by former employee agents alleging retaliation under the Age Discrimination in Employment Act, breach of contract and ERISA violations. In March 2004, in the EEOC and class action lawsuits, 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 in March 2004 by the trial court but will be the subject of further proceedings, which may include appeals. 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 is defending certain matters relating to its life agency program reorganization announced in 2000. These matters include an investigation by the EEOC with respect to allegations of age discrimination and retaliation. AIC is cooperating fully with the agency investigation and will continue to vigorously defend these and other claims related to the life agency program reorganization. The outcome of these disputes is currently uncertain.

The Company is defending various lawsuits and regulatory proceedings that allege that it engaged in business or sales practices inconsistent with state or federal law. 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.

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 an increasing

number of class action lawsuits and other types of litigation, some of which involve claims for substantial or indeterminate amounts. This litigation is based on a variety of issues including insurance and claim settlement 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 these other actions in excess of amounts currently reserved is not expected to have a material effect on the results of operations, liquidity or financial position of the Company.

4. OTHER COMPREHENSIVE INCOME

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

THREE MONTHS
ENDED MARCH 31,

----- 2004 2003

- -------------

--- AFTER-
AFTER- (IN
MILLIONS)
PRETAX TAX TAX
PRETAX TAX TAX
-------- ------
-- -------- ---
----- --------

UNREALIZED NET
CAPITAL GAINS
AND LOSSES AND
NET GAINS AND
LOSSES ON
DERIVATIVE
FINANCIAL
INSTRUMENTS
Unrealized
holding gains
(losses)
arising during
the period $
224 $ (78) $
146 $ 98 $ (34)
$ 64 Less:

reclassification
adjustments
(30) 11 (19)
(53) 19 (34) --
------ --------
-------- ------
-- -------- ---

Unrealized net
capital gains
(losses) 254
(89) 165 151
(53) 98 -------
- -------- ----
---- -------- -
------- -------
- Net gains
(losses) on
derivative
financial
instruments
arising during
the period - -
- - - - Less:
reclassification
adjustments 3
(1) 2 - - - ---
----- --------
-------- ------
-- -------- ---
----- Net gains
(losses) on
derivative
financial
instruments (3)
1 (2) - - - ---
----- --------
-------- ------
-- -------- ---
----- Other
comprehensive
income (loss) $
251 $ (88) 163
$ 151 $ (53) 98
========
========
========
======== Net
income (loss)
(84) 39 -------
- --------
Comprehensive
income (loss) $
79 $ 137
========
========

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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, 2004, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 2004 and 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, 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 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 auditing standards generally accepted in the United States of America, the consolidated statement of financial position of Allstate Life Insurance Company and subsidiaries as of December 31, 2003, 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 4, 2004, which report includes an explanatory paragraph as to changes in the Company's 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, 2003 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 7, 2004

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2004 AND 2003

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 2003. 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 decreased 8.3% in the first quarter of 2004 compared to the same period of 2003. This decrease was primarily due to lower sales of immediate annuities with life contingencies and the disposal of the majority of our direct response distribution business. The decrease was partially offset by higher net investment income and contract charges and lower net realized capital losses.
- We had a net loss of $84 million for the first quarter of 2004 compared to net income of $39 million for the same period of 2003. This decline was primarily due to a $175 million after-tax charge related to the cumulative effect of a change in accounting principle for the adoption of AICPA Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1"). Excluding the cumulative effect of change in accounting principle, after-tax, net income improved 133.3% over the first quarter of 2003. The improvement was primarily attributable to lower amortization of DAC and deferred sales inducements ("DSI"), which was primarily the result of amortization acceleration of $53 million, after-tax, in the first quarter of 2003.
- Investments, including separate accounts assets, increased 17.7% to $77.14 billion at March 31, 2004 compared to March 31, 2003, due primarily to strong contractholder funds deposits and increases in separate accounts balances resulting from improved equity market performance during the preceding year.
- Contractholder funds deposits totaled $2.74 billion for the first quarter of 2004 compared to $1.75 billion in the same period of 2003. The increase of $998 million was primarily attributable to institutional products.
- The disposal of the majority of our direct response distribution business resulted in declines in total revenues of $59 million, operating costs and expenses of $23 million, amortization of DAC of $8 million and net income of $5 million. The revenue decrease also contributed to a decline in the mortality margin of $35 million in the first quarter of 2004 when compared to the first quarter of 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2004 AND 2003

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 products, variable annuities, fixed annuities and other investment products for which deposits are classified as contractholder funds or separate accounts liabilities on the Condensed Consolidated Statements of Financial Position. 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.

THREE MONTHS ENDED MARCH 31, (IN MILLIONS)	2004	2003
PREMIUMS		
Traditional life	$ 74	$ 91
Immediate annuities with life contingencies	77	183
Other	-	43
TOTAL PREMIUMS	151	317
CONTRACT CHARGES		
Interest-sensitive life	160	150
Fixed annuities	14	7
Variable annuities	60	47
Institutional products	-	3
Other	-	2
TOTAL CONTRACT CHARGES	234	209
TOTAL PREMIUMS AND CONTRACT CHARGES	$ 385	$ 526

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

THREE MONTHS ENDED MARCH 31,

(IN MILLIONS)	2004	2003
PREMIUMS		
Allstate agencies	$ 53	$ 53
Specialized brokers	63	183
Independent agents	20	7
Direct marketing	15	74
TOTAL PREMIUMS	151	317
CONTRACT CHARGES		
Allstate agencies	113	109
Specialized brokers	7	7
Independent agents	59	49
Financial institutions and broker/dealers	54	44
Direct marketing	1	-
TOTAL CONTRACT CHARGES	234	209
TOTAL PREMIUMS AND CONTRACT CHARGES	$ 385	$ 526

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2004 AND 2003

Total premiums decreased 52.4% to $151 million in the first quarter of 2004 compared to the same period of 2003. The decrease was primarily the result of lower premiums on immediate annuities with life contingencies, the disposal of the majority of our direct response distribution business and decreased traditional life premiums. The decline in immediate annuities with life contingencies was primarily the result of underwriting actions to reduce the size of certain types of individual contracts sold. The decline in traditional life premium reflects a shift in product sales from traditional whole life policies to term insurance, which has lower premiums and utilizes more reinsurance.

Contract charges increased 12.0% to $234 million in the first quarter of 2004 compared to the same period of 2003. The increase was primarily due to higher contract charges on variable annuities as a result of overall higher account values during the first quarter of 2004 compared to the prior period and increased contract charges on interest-sensitive life products resulting from in force business growth. Variable annuity contract charges, as a percent of average separate account values, increased to 168 basis points in the first quarter of 2004 from 164 basis points in the same period of 2003 as a result of increases in benefit rider fee rates and increased rider utilization by contractholders.

Contractholder funds represent interest-bearing liabilities arising from the sale of individual products, such as interest-sensitive life, fixed annuities and institutional products, such as 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.

	THREE MONTHS ENDED MARCH 31,	
(IN MILLIONS)	2004	2003
CONTRACTHOLDER FUNDS, BEGINNING BALANCE	$ 44,914	$ 38,858
Impact of adoption of SOP 03-1(1)	421	--
DEPOSITS		
Fixed annuities (immediate and deferred)	1,216	1,009
Institutional products	1,101	354
Interest-sensitive life	306	210
Variable annuity and life deposits allocated to fixed accounts	120	172
Total deposits	2,743	1,745
INTEREST CREDITED	444	432
MATURITIES, BENEFITS, WITHDRAWALS AND OTHER ADJUSTMENTS		
Maturities of institutional products	(511)	(397)
Benefits and withdrawals	(755)	(607)
Contract charges	(142)	(133)
Net transfers to separate accounts	(131)	(23)
Fair value hedge adjustments for institutional products	23	16
Other adjustments	(9)	(11)
Total maturities,		

benefits, withdrawals and other adjustments (1,525) (1,155) ---------- ----------

CONTRACTHOLDER FUNDS, ENDING BALANCE $ 46,997 $ 39,880 ========== ==========

(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 from contractholder funds to other assets and the establishment of reserves for certain liabilities that are primarily related to income and death benefit guarantees provided under variable annuity contracts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2004 AND 2003

Contractholder funds deposits increased 57.2% in the first quarter of 2004 compared to the same period of 2003, and average contractholder funds, after reflecting the impact of adopting SOP 03-1, increased 17.3% due to significant increases in institutional product and fixed annuity deposits. Institutional products deposits increased $747 million largely due to our assessment of market opportunities. Fixed annuity deposits increased 20.5% primarily due to competitive pricing.

Benefits and withdrawals increased 24.4% in the first quarter of 2004 compared to the same period of 2003. Benefits and withdrawals for 2004 represent 2.2% of the beginning of period contractholder funds balance excluding institutional product reserves, a slight increase compared to 2.1% in 2003. The increase reflects the growth and aging of our in-force contracts as actual surrenders and withdrawals compare favorably to our pricing assumptions. Institutional product maturities increased $114 million in the first quarter of 2004 over the same period of last year as an increasing number of contracts issued in prior years reached their stated maturity dates.

Separate accounts liabilities represent contractholders' claims to the related legally segregated 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.

THREE MONTHS ENDED MARCH 31, ---------------------------- (IN MILLIONS) 2004 2003 ---------- ----------

SEPARATE ACCOUNTS LIABILITIES, BEGINNING BALANCE $ 13,425 $ 11,125

Impact of adoption of SOP 03-1(1) (204) --

Variable annuity and life deposits

487 425
Variable annuity and life deposits allocated to fixed accounts (120) (172)

Net deposits 367 253
Investment results 316 (268)
Contract charges (62) (52)
Net transfers from fixed accounts 131 23
Surrenders and benefits (423) (528)

SEPARATE ACCOUNTS LIABILITIES, ENDING BALANCE $ 13,550 $ 10,553
===========
===========

(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, after reflecting the impact of adopting SOP 03-1, increased $329 million during the first quarter of 2004 compared to a decline of $572 million during the same period of 2003 reflecting a significant improvement in investment results and net deposits. The increase in variable annuity deposits resulted from increasing consumer demand due to improved equity market performance. 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 the 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 3.0% in the first quarter of 2004 compared to the same period in 2003, primarily due to the effect of higher portfolio balances and higher income on partnership interests, partially offset by lower portfolio yields. Higher portfolio balances resulted from the investment of cash flows from operating and financing activities. Investment balances as of March 31, 2004, excluding unrealized net capital gains, increased 15.0% from March 31, 2003. The lower portfolio yields were primarily due to purchases 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) 2004

		2003
Premiums	$ 151	$ 317
Contract charges	234	209
Net investment income(1)	789	763
Contract benefits	(336)	(467)
Interest credited to contractholder funds(2)	(436)	(432)
GROSS MARGIN	402	390
Amortization of DAC and DSI	(113)	(159)
Operating costs and expenses	(102)	(121)
Income tax expense	(63)	(34)
Realized capital gains and losses, after-tax	(17)	(26)
DAC and DSI amortization related to realized capital gains and losses, after-tax	(10)	(9)
Reclassification of periodic settlements and accruals on non- hedge derivative instruments, after-tax	(4)	(2)
Loss on disposition of operations, after-tax	(2)	--
Cumulative effect of change in accounting principle, after-tax	(175)	--
NET INCOME	$ (84)	$ 39

(1) Net investment income includes periodic settlements and accruals on non-hedge derivative instruments, pretax, totaling $6 million for the first quarter of 2004 and $3 million for the first quarter of 2003.

(2) Beginning in 2004, amortization of DSI is excluded from interest credited to contractholder funds for purposes of calculating gross margin. Amortization of DSI totaled $13 million in the first quarter of 2004. Prior periods have not been restated.

GROSS MARGIN, a non-GAAP measure, represents premiums and contract charges and net investment income, less contract benefits and interest credited to contractholder funds. 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 four components that are utilized to further analyze the business;

they include the investment margin, mortality margin, and maintenance and surrender charges. 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 mortality 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 tables.

THREE MONTHS ENDED MARCH 31, 2004	INVESTMENT MARGIN	MORTALITY MARGIN	MAINTENANCE CHARGES	SURRENDER CHARGES	GROSS MARGIN
Premiums	$ -	$ 151	$ -	$ -	$ 151
Contract charges	-	122	92	20	234
Net investment income (1)	789	-	-	-	789
Contract benefits	(131)	(205)	-	-	(336)
Interest credited to contractholder funds (2)	(436)	-	-	-	(436)
	$ 222	$ 68	$ 92	$ 20	$ 402

THREE MONTHS ENDED MARCH 31, 2003

	INVESTMENT MARGIN	MORTALITY MARGIN	MAINTENANCE CHARGES	SURRENDER CHARGES	GROSS MARGIN
Premiums	$ -	$ 317	$ -	$ -	$ 317
Contract charges	-	111	79	19	209
Net investment income (1)	763	-	-	-	763
Contract benefits	(127)	(340)	-	-	(467)
Interest credited to contractholder funds (2)	(432)	-	-	-	(432)
	$ 204	$ 88	$ 79	$ 19	$ 390

(1) Net investment income includes periodic settlements and accruals on non-hedge derivative instruments, pretax, totaling $6 million for the first quarter of 2004 and $3 million for the first quarter of 2003.

(2) Beginning in 2004, amortization of DSI is excluded from interest credited to contractholder funds for purposes of calculating gross margin. Amortization of DSI totaled $13 million in the first quarter of 2004. Prior periods have not been restated.

Gross margin increased 3.1% during the first quarter of 2004 compared to the same period of 2003 due to increased investment margin and higher maintenance and surrender charges, partly offset by a decrease in the mortality margin.

INVESTMENT MARGIN is a component of gross margin, both of which are non-GAAP measures. Investment margin represents the excess of net investment income over interest credited to contractholder funds and the implied interest on life-contingent immediate annuities included in the reserve for life-contingent contract benefits. We use investment margin to evaluate 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) 2004	2003

	2004	2003
Life insurance	$ 44	$ 41
Annuities	148	137
Institutional products	30	26
Total investment margin	$ 222	$ 204

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2004 AND 2003

Investment margin increased 8.8% in the first quarter of 2004 compared to the same period of 2003 due to a 17.8% increase in contractholder funds and improved yields on investments supporting capital, traditional life and other products. These increases were partially offset by a decline in fixed annuity investment spreads as investment yield declines were not fully offset by crediting rate reductions. The yield on the capital, traditional life and other products investment portfolio improved due to more effective cash management and higher investment income realized on investments accounted for using the equity method of accounting. The weighted average interest crediting rate for the quarter ended March 31, 2004 on fixed annuity and interest-sensitive life products in force, excluding market value adjusted annuities, was approximately 60 basis points more than the underlying long-term guaranteed rates on these products. The crediting rate on approximately 40% of these contracts was at the contractually guaranteed minimum rate as of March 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	
	2004	2003	2004	2003	2004	2003
Interest-sensitive life	6.5%	7.1%	4.6%	5.0%	1.9%	2.1%
Fixed annuities - deferred	5.9	6.7	4.1	4.7	1.8	2.0
Fixed annuities - immediate	7.5	8.0	6.9	7.2	0.6	0.8

Institutional	3.0	3.8	2.0	2.8	1.0	1.0
Investments supporting capital, traditional life and other products	7.2	6.3	N/A	N/A	N/A	N/A

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

MARCH 31, (IN MILLIONS)	2004	2003
Interest-sensitive life	$ 6,656	$ 6,131
Fixed annuities - deferred	26,639	21,991
Fixed annuities - immediate	10,130	9,508
Institutional	10,222	8,628
	53,647	46,258
Life-contingent contracts	3,582	2,996
FAS 133 market value adjustment	594	559
Ceded reserves and other	93	105
Total contractholder funds and reserve for life-contingent contract benefits	$ 57,916	$ 49,918

MORTALITY MARGIN is a component of gross margin, both of which are non-GAAP measures. Mortality margin represents premiums and cost of insurance contract charges less contract benefits excluding the implied interest on life-contingent immediate annuities, which is included in the calculation of investment margin. We use mortality margin to evaluate underwriting performance, as it reflects the profitability of our products with respect to mortality or morbidity risk during a fiscal period. Mortality margin by product group is shown in the following table.

THREE MONTHS ENDED MARCH 31,

(IN MILLIONS)	2004	2003
Life insurance	$ 91	$ 116
Annuities	(23)	(28)
Total mortality margin	$ 68	$ 88

Mortality margin was $68 million in the first quarter of 2004, reflecting a $20 million or 22.7% decline compared to the same period of 2003. The decline was primarily due to the disposal of the majority of our direct response distribution business, partially offset by improved mortality on our other life products.

As required by SOP 03-1, as of January 1, 2004, a reserve was established for guaranteed minimum death benefits ("GMDBs") and guaranteed minimum income benefits ("GMIBs"), which in previous periods were expensed as paid. Under the SOP, we anticipate that the mortality margin will be less volatile in the future, as contract benefit expense will not be impacted by GMDB and GMIB payments made during each period. For further explanation of the impacts of the adoption of this accounting guidance, see Note 1 of the Condensed Consolidated Financial Statements. Included in the mortality margin for the first quarter of 2004 is an addition to the reserve for GMDBs and GMIBs of $15 million, net of reinsurance. Included in the mortality margin for the first quarter of 2003 are GMDB and GMIB payments of $21 million, net of reinsurance, hedging gains and losses and other contractual arrangements.

AMORTIZATION OF DAC AND DSI decreased 28.9% during the first quarter of 2004 compared to the same period of 2003. The decline was primarily attributable to an acceleration of amortization (commonly referred to as "DAC unlocking") totaling $89 million in the first quarter of 2003 and the elimination of DAC amortization on the direct response distribution business sold in January of 2004. These declines were partially offset by higher amortization on interest-sensitive life and fixed and variable annuities.

The adoption of SOP 03-1 required a new modeling approach for estimating expected future gross profits that are used when determining the amortization of DAC. Because of this new modeling approach, effective January 1, 2004, the variable annuity DAC and DSI assets were reduced by $124 million. This reduction was recognized as a cumulative effect of a change in accounting principle. For further explanation of the impacts of the adoption of this accounting guidance, see Note 1 of the Condensed Consolidated Financial Statements.

OPERATING COSTS AND EXPENSES decreased 15.7% in the first quarter of 2004 compared to the same period of 2003. The following table summarizes operating costs and expenses.

	THREE MONTHS ENDED MARCH 31,	
(IN MILLIONS)	2004	2003
Non-deferrable acquisition costs	$ 31	

		$ 50
Other operating costs and expenses	71	71
Total operating costs and expenses	$ 102	$ 121

The decrease in total operating costs and expenses in the first quarter of 2004 compared to the same period of 2003 was primarily due to the disposal of the majority of our direct response distribution business, which was partially offset by higher non-deferrable commissions, such as renewal and trail commissions, and higher employee expenses.

INVESTMENTS

The composition of the investment portfolio at March 31, 2004 is presented in the table below.

	(IN MILLIONS)	PERCENT TO TOTAL INVESTMENTS
Fixed income securities (1)	$ 54,317	85.4%
Mortgage loans	6,573	10.3
Equity securities	260	0.4
Short-term	1,319	2.1
Policy loans	682	1.1
Other including derivatives	443	0.7
Total	$ 63,594	100.0%

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $50.20 billion.

Total investments increased to $63.59 billion at March 31, 2004 from $59.99 billion at December 31, 2003 due to positive cash flows from operating and financing activities, increased unrealized gains on fixed income securities and increased funds associated with securities lending.

Total investment balances related to collateral, primarily due to securities lending, increased to $2.47 billion at March 31, 2004, from $1.92 billion at December 31, 2003.

At March 31, 2004, 93.4% of the consolidated 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 Moody's equivalent rating of Aaa, Aa, A or Baa; an S&P equivalent rating of AAA, AA, A or BBB; or a comparable internal rating, when an external rating is not available.

The unrealized net capital gains on fixed income and equity securities at March 31, 2004 were $4.12 billion, an increase of $941 million or 29.6% since December 31, 2003. The net unrealized gain for the fixed income portfolio totaled $4.12 billion, comprised of $4.28 billion of unrealized gains and $159 million of unrealized losses at March 31, 2004. This is compared to a net unrealized gain for the fixed income portfolio totaling $3.18 billion at December 31, 2003, comprised of $3.47 billion of unrealized gains and $294 million of unrealized losses. Of the gross unrealized losses in the fixed income portfolio at March 31, 2004, 57.9% were concentrated in the corporate fixed income portfolio. The losses were primarily comprised of securities in the transportation, basic industry and consumer goods sectors. The gross unrealized losses in these sectors were primarily company specific or interest rate related. Approximately 20.7% of the gross unrealized losses on the corporate fixed income portfolio were associated with the airline industry for which values were depressed due to company specific issues and economic issues related to fuel costs. While we expect eventual recovery of these securities and the related sectors, we included every security in our portfolio monitoring process.

The net unrealized gain for the equity portfolio totaled $4 million, comprised of $6 million of unrealized gains and $2 million of unrealized losses at March 31, 2004. This is compared to a net unrealized gain for the equity portfolio totaling $4 million at December 31, 2003. The consumer goods and technology sectors had the highest concentration of gross unrealized losses in the equity portfolio, which were primarily company and sector specific. While we expect eventual recovery of these securities and these sectors, we included every security in our portfolio monitoring process.

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 cost for equity securities or amortized cost for fixed income 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 serious 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.

(IN
MILLIONS)
MARCH 31,
2004
DECEMBER
31, 2003 --

---- ------

PERCENT OF
PERCENT OF
TOTAL FIXED
TOTAL FIXED
AMORTIZED
FAIR INCOME

	AMORTIZED COST	FAIR VALUE	INCOME PORTFOLIO	COST	VALUE	PORTFOLIO
Problem	$ 150	$ 147	0.3%	$ 167	$ 155	0.3%
Restructured	24	27	0.1	32	35	0.1
Potential problem	255	262	0.4	259	255	0.5
Total net carrying value	$ 429	$ 436	0.8%	$ 458	$ 445	0.9%
Cumulative write-downs recognized	$ 248			$ 228		

We have experienced a decrease in the amortized cost of fixed income securities categorized as problem, restructured and potential problem as of March 31, 2004 compared to December 31, 2003. The decrease was primarily related to the sale of holdings in these categories due to specific developments causing a change in our outlook and intent to hold those securities.

We also evaluated each of these securities through our portfolio monitoring process 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, we expect 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.

THREE MONTHS ENDED MARCH 31, (IN MILLIONS)	2004	2003
Investment write-downs	$	

	(34)	$ (57)
Sales	35	15
Valuation of derivative instruments	(20)	(6)
Settlement of derivative instruments	(8)	6
Realized capital gains and losses, pretax	(27)	(42)
Income tax benefit	10	16
Realized capital gains and losses, after-tax	$ (17)	$ (26)

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. Recognizing in certain situations new factors such as negative developments, subsequent credit deterioration, relative value opportunities, market liquidity concerns and portfolio reallocations, we can subsequently change our previous intent to continue holding a security. Sales in the above table also include dispositions such as call and prepayment transactions.

CAPITAL RESOURCES AND LIQUIDITY

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

(IN MILLIONS)	MARCH 31, 2004	DECEMBER 31, 2003
Redeemable preferred stock	$ 82	$ 82
Common stock, retained earnings and other Shareholder's equity items	5,185	5,294
Accumulated other comprehensive income	1,216	1,053
Total shareholder's equity	$ 6,483	$ 6,429

==================
==================

SHAREHOLDER'S EQUITY increased in the first quarter of 2004 when compared to December 31, 2003, as increases in unrealized net capital gains on investments were partially offset by a net loss for the first quarter of 2004 and a dividend to Allstate Insurance Company ("AIC") of $25 million.

DEBT as of March 31, 2004 and December 31, 2003 amounted to $45 million and reflects the debt of an investment security consolidated under the provisions of Financial Accounting Standards Board Interpretation No. 46. Although we are required to consolidate this security, we have no legal ownership of the assets and no obligation to repay the debt. The holders of this debt have no recourse to the equity of the Company, as the sole source of payment of the liabilities is the assets that comprise the investment security.

We have an intercompany loan agreement with The Allstate Corporation (the "Corporation") whereby the amount of intercompany loans available 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. We had no amounts outstanding under this agreement at March 31, 2004 or 2003.

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, 2003. However, in February 2004, A.M. Best revised the outlook to stable from positive for the insurance financial strength ratings of the Company and certain rated subsidiaries and affiliates.

LIQUIDITY SOURCES AND USES As reflected in our Condensed Consolidated Statements of Cash Flows, lower operating cash flows in the first quarter of 2004 when compared to the first quarter of 2003 primarily relate to declines in premiums, partially offset by increases in investment income. Cash flows used in investing activities increased in the first quarter of 2004 as the investment of higher financing cash flow was partially offset by lower operating cash flows.

Higher cash flow from financing activities during the first quarter of 2004 when compared to the first quarter of 2003 reflects an increase in deposits received from contractholders, partially offset by maturities of institutional products and benefits and withdrawals from contractholders' accounts. 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, 2004, the remaining borrowing capacity was $975 million; however, the outstanding balance fluctuates daily.
- - Two primary credit facilities and one additional credit facility totaling $1.20 billion to cover short-term liquidity requirements. These consist of a $575 million five-year revolving line of credit expiring in 2006, a $575 million 364-day revolving line of credit expiring in the second quarter of 2004 and a $50 million one-year revolving line of credit expiring in the third quarter of 2004. The right to borrow under the five-year and 364-day facilities is subject to requirements that are customary for facilities of this size, type and purpose. These requirements are currently being met and we expect to continue to meet them in the future. There were no borrowings under any of these lines of credit during the first quarter of 2004. The total amount outstanding at any point in time under the combination of the commercial paper program and the three credit facilities is limited to $1.20 billion.

- - The right to issue up to an additional $2.80 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.

FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" that anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. These statements are made subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments.

These forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like "plans," "seeks," "expects," "will," "should," "anticipates," "estimates," "intends," "believes," "likely," "targets" and other words with similar meanings. These statements may address, among other things, our strategy for growth, product development, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. Factors which could cause actual results to differ materially from those suggested by such forward-looking statements are incorporated in this Part I, Item 2 by reference to the information set forth in our Annual Report on Form 10-K, Part II, Item 7, under the caption "Forward-Looking Statements and Risk Factors."

ITEM 4. CONTROLS AND PROCEDURES

With the participation of our principal executive officer and principal financial officer, we carried out an evaluation of the effectiveness of the design and operation 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 timely alerting them to material information required to be included in our periodic reports filed with the Securities and Exchange Commission. However, the design of any system of controls and procedures is based in part upon assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and are effective at the "reasonable assurance" level.

During the fiscal quarter ended March 31, 2004, there have been 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 proceedings" in Note 3 of the Company's Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

(b) Current Reports on Form 8-K were filed during the first quarter of 2004 on the following dates for the items indicated:

March 4, 2004, Item 9, regarding results of operations and financial condition for the quarter ended December 31, 2003.

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, 2004

By /s/ Samuel H. Pilch

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

EXHIBIT NO.	DESCRIPTION
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated May 7, 2004, 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 15

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

We have reviewed, in accordance with standards established by the American Institute of Certified Public Accountants, the unaudited interim financial information of Allstate Life Insurance Company and subsidiaries for the three-month periods ended March 31, 2004 and 2003, as indicated in our report dated May 7, 2004; 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, 2004, is incorporated by reference in the following Registration Statements:

FORMS S-3
REGISTRATION
NOS. FORMS
N-4
REGISTRATION
NOS. ------

----- 333-
100068 333-
114560 333-
102319 333-
114561 333-
102325 333-
114562 333-
104789 333-
102934 333-
105331 333-
112233 333-
112249

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 7, 2004

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)) 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) 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

c) 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.

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, 2004

/s/ CASEY J. SYLLA

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

EXHIBIT 31.2

CERTIFICATIONS

I, Steven E. Shebik, 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)) 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) 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

c) 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.

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, 2004

/s/ STEVEN E. SHEBIK

Name: Steven E. Shebik
Title: Senior Vice President and
Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS
PURSUANT TO 18 UNITED STATES CODE Section 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, 2004 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, 2004

/s/ Casey J. Sylla

Casey J. Sylla
Chairman of the Board and President

/s/ Steven E. Shebik

Steven E. Shebik
Senior Vice President and Chief Financial Officer