UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

The 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 June 30, 2011

OR

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

For the transition period from ______ to ______

Commission file number: 000-31248

ALLSTATE LIFE INSURANCE COMPANY

(Exact name of registrant as specified in its charter)

Illinois	**36-2554642**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3100 Sanders Road, Northbrook, Illinois	**60062**
(Address of principal executive offices)	(Zip code)

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ____	Accelerated filer ____
Non-accelerated filer X (Do not check if a smaller reporting company)	Smaller reporting company ____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No X

As of August 5, 2011, 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
June 30, 2011

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLSTATE LIFE INSURANCE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

($ in millions)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(unaudited)		(unaudited)	
Revenues				
Premiums	$ 145	$ 154	$ 316	$ 307
Contract charges	251	248	498	494
Net investment income	673	700	1,335	1,407
Realized capital gains and losses:				
Total other-than-temporary impairment losses	(41)	(174)	(123)	(353)
Portion of loss recognized in other comprehensive income	(6)	(24)	(13)	(10)
Net other-than-temporary impairment losses recognized in earnings	(47)	(198)	(136)	(363)
Sales and other realized capital gains and losses	119	(154)	253	(150)
Total realized capital gains and losses	72	(352)	117	(513)
	1,141	750	2,266	1,695
Costs and expenses				
Contract benefits	350	406	732	770
Interest credited to contractholder funds	407	439	815	891
Amortization of deferred policy acquisition costs	90	14	214	81
Operating costs and expenses	79	83	156	169
Restructuring and related charges	--	(1)	(2)	(1)
Interest expense	11	11	22	22
	937	952	1,937	1,932
Gain on disposition of operations	2	2	4	3
Income (loss) from operations before income tax expense (benefit)	206	(200)	333	(234)
Income tax expense (benefit)	69	(73)	109	(89)
Net income (loss)	$ 137	$ (127)	$ 224	$ (145)

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ in millions, except par value data)	June 30, 2011	December 31, 2010
	(unaudited)	
Assets		
Investments		
Fixed income securities, at fair value (amortized cost $44,921 and $47,486)	$ 46,334	$ 48,214
Mortgage loans	6,586	6,553
Equity securities, at fair value (cost $142 and $164)	186	211
Limited partnership interests	1,448	1,272
Short-term, at fair value (amortized cost $1,305 and $1,257)	1,305	1,257

Policy loans	833	841
Other	1,037	1,094
Total investments	57,729	59,442
Cash	203	118
Deferred policy acquisition costs	2,782	2,982
Reinsurance recoverables	4,167	4,277
Accrued investment income	539	522
Other assets	369	420
Separate Accounts	8,175	8,676
Total assets	$ 73,964	$ 76,437
Liabilities		
Contractholder funds	$ 43,492	$ 46,458
Reserve for life-contingent contract benefits	13,040	12,752
Unearned premiums	24	27
Payable to affiliates, net	101	118
Other liabilities and accrued expenses	1,474	1,454
Deferred income taxes	887	643
Notes due to related parties	693	677
Separate Accounts	8,175	8,676
Total liabilities	67,886	70,805
Commitments and Contingent Liabilities (Note 8)		
Shareholder's Equity		
Redeemable preferred stock - series A, $100 par value, 1,500,000 shares authorized, none issued	--	--
Redeemable preferred stock - series B, $100 par value, 1,500,000 shares authorized, none issued	--	--
Common stock, $227 par value, 23,800 shares authorized and outstanding	5	5
Additional capital paid-in	3,189	3,189
Retained income	2,137	1,913
Accumulated other comprehensive income:		
Unrealized net capital gains and losses:		
Unrealized net capital losses on fixed income securities with OTTI	(92)	(100)
Other unrealized net capital gains and losses	1,016	587
Unrealized adjustment to DAC, DSI and insurance reserves	(179)	38
Total unrealized net capital gains and losses	745	525
Unrealized foreign currency translation adjustments	2	--
Total accumulated other comprehensive income	747	525
Total shareholder's equity	6,078	5,632
Total liabilities and shareholder's equity	$ 73,964	$ 76,437

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	**Six Months Ended June 30,**	
	2011	**2010**
Cash flows from operating activities	(unaudited)	
Net income (loss)	$ 224	$ (145)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization and other non-cash items	(48)	(86)
Realized capital gains and losses	(117)	513
Gain on disposition of operations	(4)	(3)
Interest credited to contractholder funds	815	891
Changes in:		
Policy benefits and other insurance reserves	(386)	(130)
Unearned premiums	(3)	(2)
Deferred policy acquisition costs	59	(106)
Reinsurance recoverables, net	(39)	(195)
Income taxes	112	449
Other operating assets and liabilities	(55)	(1)
Net cash provided by operating activities	558	1,185
Cash flows from investing activities		
Proceeds from sales		
Fixed income securities	5,605	4,914
Equity securities	66	75
Limited partnership interests	84	66
Mortgage loans	65	44
Other investments	102	55
Investment collections		
Fixed income securities	1,444	1,270

Mortgage loans	345	620
Other investments	71	37
Investment purchases		
Fixed income securities	(4,323)	(5,122)
Equity securities	(11)	(50)
Limited partnership interests	(186)	(112)
Mortgage loans	(448)	(4)
Other investments	(121)	(77)
Change in short-term investments, net	104	595
Change in other investments, net	(121)	(52)
Net cash provided by investing activities	2,676	2,259
Cash flows from financing activities		
Contractholder fund deposits	898	1,266
Contractholder fund withdrawals	(4,047)	(4,659)
Net cash used in financing activities	(3,149)	(3,393)
Net increase in cash	85	51
Cash at beginning of period	118	145
Cash at end of period	$ 203	$ 196

See notes to condensed consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Basis of presentation

The accompanying condensed consolidated financial statements include the accounts of Allstate Life Insurance Company (“ALIC”) and its wholly owned subsidiaries (collectively referred to as the “Company”). ALIC is wholly owned by Allstate Insurance Company (“AIC”), which is wholly owned by Allstate Insurance Holdings, LLC, a wholly owned subsidiary of The Allstate Corporation (the “Corporation”).

The condensed consolidated financial statements and notes as of June 30, 2011 and for the three-month and six-month periods ended June 30, 2011 and 2010 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, 2010. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

Premiums and contract charges

The following table summarizes premiums and contract charges by product.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Premiums				
Traditional life insurance	$ 105	$ 100	$ 209	$ 202
Immediate annuities with life contingencies	15	31	58	58
Accident and health insurance	25	23	49	47
Total premiums	145	154	316	307
Contract charges				
Interest-sensitive life insurance	243	238	481	471
Fixed annuities	8	10	17	23
Total contract charges	251	248	498	494
Total premiums and contract charges	$ 396	$ 402	$ 814	$ 801

Adopted accounting standards

Consolidation Analysis Considering Investments Held through Separate Accounts

In April 2010, the Financial Accounting Standards Board (“FASB”) issued guidance clarifying that an insurer is not required to combine interests in investments held in a qualifying separate account with its interests in the same investments held in the general account when performing a consolidation evaluation. The adoption of this guidance as of January 1, 2011 had no impact on the Company’s results of operations or financial position.

Disclosure of Supplementary Pro Forma Information for Business Combinations

In December 2010, the FASB issued disclosure guidance for entities that enter into business combinations that are material. The guidance specifies that if an entity presents comparative financial statements, the entity should disclose pro forma revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The guidance expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination. The Company will apply the guidance to any business combinations entered into on or after January 1, 2011.

Pending accounting standards

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued guidance modifying the definition of the types of costs incurred by insurance entities that can be capitalized in the acquisition of new and renewal contracts. The guidance specifies that the costs must be based on successful efforts. The guidance also specifies that advertising costs should be included as deferred acquisition costs only when the direct-response advertising accounting criteria are met. If application of the guidance would result in the capitalization of acquisition costs that had not been capitalized prior to adoption, the entity may elect not to capitalize those additional costs. The new guidance is effective for reporting periods beginning after December 15, 2011 and should be applied prospectively, with retrospective application permitted. The Company is in the process of evaluating the impact of adoption on the Company's results of operations and financial position.

Criteria for Classification as a Troubled Debt Restructuring ("TDR")

In April 2011, the FASB issued clarifying guidance related to determining whether a loan modification or restructuring should be classified as a TDR. The additional guidance provided pertains to the two criteria used to determine whether a TDR exists, specifically whether the creditor has granted a concession and whether the debtor is experiencing financial difficulties. The new guidance is effective for reporting periods beginning on or after June 15, 2011 with early adoption permitted. The guidance related to the identification of a TDR is to be applied retrospectively to the beginning of the annual period of adoption. The measurement of impairment on a TDR identified under this guidance is effective prospectively. Disclosures about the credit quality of financing receivables and the allowance for credit losses previously deferred for TDRs, is also effective for reporting periods beginning on or after June 15, 2011. The Company is in the process of evaluating the impact of adoption, which is not expected to be material to the Company's results of operations and financial position.

Criteria for Determining Effective Control for Repurchase Agreements

In April 2011, the FASB issued guidance modifying the assessment criteria of effective control for repurchase agreements. The new guidance removes the criterion requiring an entity to have the ability to repurchase or redeem financial assets on substantially the agreed terms and the collateral maintenance implementation guidance related to that criterion. The guidance is to be applied prospectively to transactions or modifications of existing transactions that occur during reporting periods beginning on or after December 15, 2011. Early adoption is not permitted. The impact of adoption is not expected to be material to the Company's results of operations and financial position.

Amendments to Fair Value Measurement and Disclosure Requirements

In May 2011, the FASB issued guidance that clarifies the application of existing fair value measurement and disclosure requirements and amends certain fair value measurement principles, requirements and disclosures. To improve consistency in global application, changes in wording were made. The guidance is to be applied prospectively for reporting periods beginning after December 15, 2011. Early adoption is not permitted. The impact of adoption is not expected to be material to the Company's results of operations and financial position.

Presentation of Comprehensive Income

In June 2011, the FASB issued guidance amending the presentation of comprehensive income and its components. Under the new guidance, an entity has the option to present comprehensive income in a single continuous statement or in two separate but consecutive statements. Both options require an entity to present reclassification adjustments for items reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of comprehensive income are presented. The guidance is effective for reporting periods beginning after December 15, 2011 and is to be applied retrospectively. Early adoption is permitted. The impact of adoption is related to presentation only and will have no impact on the Company's results of operations and financial position.

2. Related Party Transactions

In March 2011, Road Bay Investments, LLC ("RBI"), a consolidated subsidiary of ALIC, entered into an asset purchase agreement with AIC, which allows RBI to purchase from AIC mortgage loans, participations in mortgage loans, bonds, or real estate acquired in connection with such loans, with an aggregate fair value of up to $25 million. As consideration for the purchase of the assets, RBI issues notes to AIC. In March 2011, RBI purchased from AIC real estate with a fair value of $10 million on the date of sale and issued a 5.75% note due March 24, 2018 to AIC

for the same amount. In April 2011, RBI purchased from AIC mortgage loans with a fair value of $4 million on the date of sale and issued a 5.75% note due April 19, 2018 to AIC for the same amount. Since the transactions were between affiliates under common control, the purchased investments were recorded by RBI at AIC's carrying value on the date of sale. The investments that were purchased were impaired; therefore, the carrying value on the date of sale equaled fair value.

In June 2011, in accordance with an asset purchase agreement between RBI and Allstate Heritage Life Insurance Company ("AHL"), an unconsolidated affiliate of the Company, RBI purchased from AHL mortgage loans with a fair value of $3 million on the date of sale and issued a 5.80% note due June 17, 2018 for the same amount. Since the transaction was between affiliates under common control, the mortgage loans were recorded by RBI at AHL's carrying value on the date of sale. The mortgage loans that were purchased were impaired loans; therefore, their carrying value on the date of sale equaled fair value.

3. Supplemental Cash Flow Information

Non-cash investment exchanges, including modifications of certain mortgage loans (primarily refinances at maturity with no concessions granted to the borrower), fixed income securities, limited partnerships and other investments, as well as mergers completed with equity securities, totaled $433 million and $319 million for the six months ended June 30, 2011 and 2010, respectively.

Liabilities for collateral received in conjunction with the Company's securities lending program and over-the-counter ("OTC") derivatives are reported in other liabilities and accrued expenses or other investments. The accompanying cash flows are included in cash flows from operating activities in the Condensed Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, which are as follows:

($ in millions)	Six months ended June 30, 2011	Six months ended June 30, 2010
Net change in proceeds managed		
Net change in short-term investments	$ (153)	$ 175
Operating cash flow (used) provided	$ (153)	$ 175
Net change in liabilities		
Liabilities for collateral, beginning of year	$ (465)	$ (617)
Liabilities for collateral, end of period	(618)	(442)
Operating cash flow provided (used)	$ 153	$ (175)

4. Investments

Fair values

The amortized cost, gross unrealized gains and losses and fair value for fixed income securities are as follows:

($ in millions)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
June 30, 2011				
U.S. government and agencies	$ 2,041	$ 206	$ (2)	$ 2,245
Municipal	4,496	161	(156)	4,501
Corporate	28,145	1,647	(227)	29,565
Foreign government	1,796	285	(4)	2,077
Residential mortgage-backed securities ("RMBS")	3,921	128	(356)	3,693
Commercial mortgage-backed securities ("CMBS")	1,986	54	(154)	1,886
Asset-backed securities ("ABS")	2,521	60	(230)	2,351
Redeemable preferred stock	15	1	--	16
Total fixed income securities	$ 44,921	$ 2,542	$ (1,129)	$ 46,334
December 31, 2010				
U.S. government and agencies	$ 3,258	$ 245	$ (9)	$ 3,494
Municipal	5,179	88	(294)	4,973
Corporate	27,509	1,510	(369)	28,650
Foreign government	1,962	303	(8)	2,257
RMBS	4,674	132	(451)	4,355
CMBS	2,121	56	(274)	1,903
ABS	2,768	88	(289)	2,567
Redeemable preferred stock	15	--	--	15
Total fixed income securities	$ 47,486	$ 2,422	$ (1,694)	$ 48,214

Scheduled maturities

The scheduled maturities for fixed income securities are as follows as of June 30, 2011:

($ in millions)	Amortized cost	Fair value
Due in one year or less	$ 1,773	$ 1,809
Due after one year through five years	11,730	12,395
Due after five years through ten years	12,211	13,064
Due after ten years	12,765	13,022
	38,479	40,290
RMBS and ABS	6,442	6,044
Total	$ 44,921	$ 46,334

Actual maturities may differ from those scheduled as a result of prepayments by the issuers. Because of the potential for prepayment on RMBS and ABS, they are not categorized by contractual maturity. CMBS are categorized by contractual maturity because they generally are not subject to prepayment risk.

Net investment income

Net investment income is as follows:

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Fixed income securities	$ 581	$ 629	$ 1,172	$ 1,264
Mortgage loans	85	98	173	199
Equity securities	1	1	2	2
Limited partnership interests	11	4	16	7
Short-term investments	--	1	1	2
Other	20	(5)	23	(13)
Investment income, before expense	698	728	1,387	1,461
Investment expense	(25)	(28)	(52)	(54)
Net investment income	$ 673	$ 700	$ 1,335	$ 1,407

Realized capital gains and losses

Realized capital gains and losses by asset type are as follows:

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Fixed income securities	$ 48	$ (176)	$ 65	$ (267)
Mortgage loans	(3)	(28)	(5)	(53)
Equity securities	16	20	14	20
Limited partnership interests	30	9	52	(6)
Derivatives	(25)	(177)	(21)	(212)
Other	6	--	12	5
Realized capital gains and losses	$ 72	$ (352)	$ 117	$ (513)

Realized capital gains and losses by transaction type are as follows:

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Impairment write-downs	$ (42)	$ (141)	$ (89)	$ (283)
Change in intent write-downs	(5)	(57)	(47)	(80)
Net other-than-temporary impairment losses recognized in earnings	(47)	(198)	(136)	(363)
Sales	112	17	224	60
Valuation of derivative instruments	(29)	(149)	(31)	(203)
Settlements of derivative instruments	4	(30)	10	(11)
Equity method of accounting ("EMA") limited partnership income	32	8	50	4
Realized capital gains and losses	$ 72	$ (352)	$ 117	$ (513)

Gross gains of $131 million and $71 million and gross losses of $69 million and $94 million were realized on sales of fixed income securities during the three months ended June 30, 2011 and 2010, respectively. Gross gains of $257 million and $166 million and gross losses of $100 million and $143 million were realized on sales of fixed income securities during the six months ended June 30, 2011 and 2010, respectively.

Other-than-temporary impairment losses by asset type are as follows:

($ in millions)	Three months ended June 30, 2011			Six months ended June 30, 2011		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	$ --	$ (2)	$ (2)	$ (12)	$ (3)	$ (15)
Corporate	--	--	--	(4)	1	(3)
RMBS	(22)	(1)	(23)	(58)	(6)	(64)
CMBS	(10)	(3)	(13)	(26)	(7)	(33)
ABS	--	--	--	(6)	2	(4)
Total fixed income securities	(32)	(6)	(38)	(106)	(13)	(119)
Equity securities	--	--	--	(5)	--	(5)
Mortgage loans	(7)	--	(7)	(9)	--	(9)
Limited partnership interests	(1)	--	(1)	(1)	--	(1)

Other	(1)	--	(1)	(2)	--	(2)
Other-than-temporary impairment losses	$ (41)	$ (6)	$ (47)	$ (123)	$ (13)	$ (136)

	Three months ended June 30, 2010			Six months ended June 30, 2010		
	Gross	Included in OCI	Net	Gross	Included in OCI	Net
Fixed income securities:						
Municipal	$ (28)	$ --	$ (28)	$ (48)	$ --	$ (48)
Corporate	(2)	--	(2)	(42)	2	(40)
RMBS	(89)	2	(87)	(149)	15	(134)
CMBS	(17)	(11)	(28)	(43)	(11)	(54)
ABS	(5)	(15)	(20)	(8)	(16)	(24)
Total fixed income securities	(141)	(24)	(165)	(290)	(10)	(300)
Mortgage loans	(28)	--	(28)	(47)	--	(47)
Limited partnership interests	(5)	--	(5)	(16)	--	(16)
Other-than-temporary impairment losses	$ (174)	$ (24)	$ (198)	$ (353)	$ (10)	$ (363)

The total amount of other-than-temporary impairment losses included in accumulated other comprehensive income at the time of impairment for fixed income securities, which were not included in earnings, are presented in the following table. The amount excludes $139 million and $213 million as of June 30, 2011 and December 31, 2010, respectively, of net unrealized gains related to changes in valuation of the fixed income securities subsequent to the impairment measurement date.

($ in millions)	June 30, 2011	December 31, 2010
Municipal	$ (5)	$ (17)
Corporate	(2)	(1)
RMBS	(240)	(258)
CMBS	(11)	(49)
ABS	(22)	(41)
Total	$ (280)	$ (366)

Rollforwards of the cumulative credit losses recognized in earnings for fixed income securities held as of the end of the period are as follows:

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Beginning balance	$ (593)	$ (833)	$ (701)	$ (808)
Additional credit loss for securities previously other-than-temporarily impaired	(25)	(75)	(44)	(122)
Additional credit loss for securities not previously other-than-temporarily impaired	(9)	(34)	(28)	(105)
Reduction in credit loss for securities disposed or collected	78	75	210	168
Reduction in credit loss for securities the Company has made the decision to sell or more likely than not will be required to sell	--	1	13	1
Change in credit loss due to accretion of increase in cash flows	5	2	6	2
Ending balance	$ (544)	$ (864)	$ (544)	$ (864)

The Company uses its best estimate of future cash flows expected to be collected from the fixed income security, discounted at the security's original or current effective rate, as appropriate, to calculate a recovery value and determine whether a credit loss exists. The determination of cash flow estimates is inherently subjective and methodologies may vary depending on facts and circumstances specific to the security. All reasonably available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable assumptions and forecasts, are considered when developing the estimate of cash flows expected to be collected. That information generally includes, but is not limited to, the remaining payment terms of the security, prepayment speeds, foreign exchange rates, the financial condition and future earnings potential of the issue or issuer, expected defaults, expected recoveries, the value of underlying collateral, vintage, geographic concentration, available reserves or escrows, current subordination levels, third party guarantees and other credit enhancements. Other information, such as industry analyst reports and forecasts, sector credit ratings, financial condition of the bond insurer for insured fixed income securities, and other market data relevant to the realizability of contractual cash flows, may also be considered. The estimated fair value of collateral will be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of collateral for ultimate settlement. If the estimated recovery value is less than the amortized cost of the security, a credit loss exists and an other-than-temporary impairment for the difference between the estimated recovery value and amortized cost is recorded in earnings. The portion of the unrealized loss related to factors other than credit remains classified in accumulated other comprehensive income. If the Company determines that the fixed income security does not have sufficient cash flow or other information to estimate a recovery value for the security, the Company may conclude that the entire decline in fair value is deemed to be credit related and the loss is recorded in earnings.

Unrealized net capital gains and losses

Unrealized net capital gains and losses included in accumulated other comprehensive income are as follows:

($ in millions) **June 30, 2011**		**Fair value**		**Gross unrealized Gains**		**Gross unrealized Losses**		**Unrealized net gains (losses)**
Fixed income securities	$	46,334	$	2,542	$	(1,129)	$	1,413
Equity securities		186		46		(2)		44
Short-term investments		1,305		--		--		--
Derivative instruments [(1)]		(31)		--		(31)		(31)
EMA limited partnership interests [(2)]								3
Unrealized net capital gains and losses, pre-tax								1,429
Amounts recognized for:								
Insurance reserves [(3)]								(217)
DAC and DSI [(4)]								(58)
Amounts recognized								(275)
Deferred income taxes								(409)
Unrealized net capital gains and losses, after-tax							$	745

(1) Included in the fair value of derivative instruments are $(5) million classified as assets and $26 million classified as liabilities.
(2) Unrealized net capital gains and losses for limited partnership interests represent the Company's share of EMA limited partnerships' other comprehensive income. Fair value and gross gains and losses are not applicable.
(3) The insurance reserves adjustment represents the amount by which the reserve balance would increase if the net unrealized gains in the applicable product portfolios were realized and reinvested at current lower interest rates, resulting in a premium deficiency. Although the Company evaluates premium deficiencies on the combined performance of life insurance and immediate annuities with life contingencies, the adjustment primarily relates to structured settlement annuities with life contingencies, in addition to annuity buy-outs and certain payout annuities with life contingencies.
(4) The DAC and DSI adjustment balance represents the amount by which the amortization of DAC and DSI would increase or decrease if the unrealized gains or losses in the respective product portfolios were realized.

December 31, 2010		**Fair value**		**Gross unrealized Gains**		**Gross unrealized Losses**		**Unrealized net gains (losses)**
Fixed income securities	$	48,214	$	2,422	$	(1,694)	$	728
Equity securities		211		48		(1)		47
Short-term investments		1,257		--		--		--
Derivative instruments [(1)]		(17)		2		(19)		(17)
Unrealized net capital gains and losses, pre-tax								758
Amounts recognized for:								
Insurance reserves								(41)
DAC and DSI								98
Amounts recognized								57
Deferred income taxes								(290)
Unrealized net capital gains and losses, after-tax							$	525

(1) Included in the fair value of derivative instruments are $2 million classified as assets and $19 million classified as liabilities.

Change in unrealized net capital gains and losses

The change in unrealized net capital gains and losses for the six months ended June 30, 2011 is as follows:

($ in millions)		
Fixed income securities	$	685
Equity securities		(3)
Derivative instruments		(14)
EMA limited partnership interests		3
Total		671
Amounts recognized for:		
Insurance reserves		(176)
DAC and DSI		(156)
Amounts recognized		(332)
Deferred income taxes		(119)
Increase in unrealized net capital gains and losses	$	220

Portfolio monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

For each fixed income security in an unrealized loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security's decline in fair value is considered other than temporary and is recorded in earnings.

If the Company has not made the decision to sell the fixed income security and it is not more likely than not the Company will be required to sell the fixed income security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compares this to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed income security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

For equity securities, the Company considers various factors, including whether it has the intent and ability to hold the equity security for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the equity security's decline in fair value is considered other than temporary and is recorded in earnings. For equity securities managed by a third party, the Company has contractually retained its decision making authority as it pertains to selling equity securities that are in an unrealized loss position.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed income and equity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortized cost or cost.

The following table summarizes the gross unrealized losses and fair value of fixed income and equity securities by the length of time that individual securities have been in a continuous unrealized loss position.

($ in millions)	Less than 12 months			12 months or more			Total
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses	Total unrealized losses
June 30, 2011							
Fixed income securities							
U.S. government and agencies	5	$ 83	$ (2)	--	$ --	$ --	$ (2)
Municipal	62	555	(15)	138	903	(141)	(156)
Corporate	303	3,226	(73)	109	1,505	(154)	(227)
Foreign government	8	82	(4)	--	--	--	(4)
RMBS	69	222	(4)	167	901	(352)	(356)
CMBS	25	300	(16)	75	609	(138)	(154)
ABS	12	103	(4)	120	1,224	(226)	(230)
Total fixed income securities	484	4,571	(118)	609	5,142	(1,011)	(1,129)
Equity securities	4	35	(2)	--	--	--	(2)
Total fixed income and equity securities	488	$ 4,606	$ (120)	609	$ 5,142	$ (1,011)	$ (1,131)
Investment grade fixed income securities	372	$ 3,907	$ (93)	385	$ 3,622	$ (501)	$ (594)
Below investment grade fixed income securities	112	664	(25)	224	1,520	(510)	(535)
Total fixed income securities	484	$ 4,571	$ (118)	609	$ 5,142	$ (1,011)	$ (1,129)
December 31, 2010							
Fixed income securities							
U.S. government and agencies	13	$ 348	$ (9)	--	$ --	$ --	$ (9)
Municipal	142	1,718	(55)	170	1,145	(239)	(294)
Corporate	340	3,805	(144)	143	1,951	(225)	(369)
Foreign government	16	191	(8)	1	10	--	(8)
RMBS	108	143	(3)	246	1,266	(448)	(451)
CMBS	11	123	(2)	114	836	(272)	(274)
ABS	33	262	(4)	130	1,288	(285)	(289)
Total fixed income securities	663	6,590	(225)	804	6,496	(1,469)	(1,694)
Equity securities	3	17	(1)	--	--	--	(1)
Total fixed income and equity securities	666	$ 6,607	$ (226)	804	$ 6,496	$ (1,469)	$ (1,695)
Investment grade fixed income securities	600	$ 6,222	$ (209)	559	$ 4,853	$ (782)	$ (991)
Below investment grade fixed income securities	63	368	(16)	245	1,643	(687)	(703)
Total fixed income securities	663	$ 6,590	$ (225)	804	$ 6,496	$ (1,469)	$ (1,694)

As of June 30, 2011, $496 million of unrealized losses are related to securities with an unrealized loss position less than 20% of amortized cost or cost, the degree of which suggests that these securities do not pose a high risk of being other-than-temporarily impaired. Of the $496 million, $385 million are related to unrealized losses on investment grade fixed income securities. Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"), Fitch, Dominion or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. Unrealized losses on investment grade securities are principally related to widening credit spreads or rising interest rates since the time of initial purchase.

As of June 30, 2011, the remaining $635 million of unrealized losses are related to securities in unrealized loss positions greater than or equal to 20% of amortized cost or cost. Investment grade fixed income securities comprising $209 million of these unrealized losses were evaluated based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issue or issuer and were determined to have adequate resources to fulfill contractual obligations. Of the $635 million, $426 million are related to below investment grade fixed income securities. Of these amounts, $342 million of the below investment grade fixed income securities had been in an unrealized loss position greater than or equal to 20% of amortized cost for a period of twelve or more consecutive months as of June 30, 2011. Unrealized losses on below investment grade securities are principally related to RMBS, CMBS and ABS and were the result of wider credit spreads resulting from higher risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations.

RMBS, CMBS and ABS in an unrealized loss position were evaluated based on actual and projected collateral losses relative to the securities' positions in the respective securitization trusts, security specific expectations of cash flows, and credit ratings. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread, and (iii) for RMBS and ABS in an unrealized loss position, credit enhancements from reliable bond insurers, where applicable. Municipal bonds in an unrealized loss position were evaluated based on the quality of the underlying securities, taking into consideration credit enhancements from reliable bond insurers, where applicable. Unrealized losses on equity securities are primarily related to equity market fluctuations.

As of June 30, 2011, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell fixed income securities with unrealized losses before recovery of the amortized cost basis. As of June 30, 2011, the Company had the intent and ability to hold equity securities with unrealized losses for a period of time sufficient for them to recover.

Limited partnerships

As of June 30, 2011 and December 31, 2010, the carrying value of equity method limited partnership interests totaled $744 million and $610 million, respectively. The Company recognizes an impairment loss for equity method investments when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment. The Company had no write-downs related to equity method limited partnership interests for the three months and six months ended June 30, 2011 and $1 million for the three months and six months ended June 30, 2010.

As of June 30, 2011 and December 31, 2010, the carrying value for cost method limited partnership interests was $704 million and $662 million, respectively. To determine if an other-than-temporary impairment has occurred, the Company evaluates whether an impairment indicator has occurred in the period that may have a significant adverse effect on the carrying value of the investment. Impairment indicators may include: significantly reduced valuations of the investments held by the limited partnerships; actual recent cash flows received being significantly less than expected cash flows; reduced valuations based on financing completed at a lower value; completed sale of a material underlying investment at a price significantly lower than expected; or any other adverse events since the last financial statements received that might affect the fair value of the investee's capital. Additionally, the Company's portfolio monitoring process includes a quarterly review of all cost method limited partnerships to identify instances where the net asset value is below established thresholds for certain periods of time, as well as investments that are performing below expectations, for further impairment consideration. If a cost method limited partnership is other-than-temporarily impaired, the carrying value is written down to fair value, generally estimated to be equivalent to the reported net asset value of the underlying funds. The Company had write-downs related to cost method investments of $1 million and $4 million for the three months ended June 30, 2011 and 2010, respectively, and $1 million and $15 million for the six months ended June 30, 2011 and 2010, respectively.

Mortgage loans

Mortgage loans are evaluated for impairment on a specific loan basis through a quarterly credit monitoring process and review of key credit quality indicators. Mortgage loans are considered impaired when it is probable that the Company will not collect the contractual principal and interest. Valuation allowances are established for impaired loans to reduce the carrying value to the fair value of the collateral less costs to sell or the present value of the loan's expected future repayment cash flows discounted at the loan's original effective interest rate. Impaired mortgage loans may not have a valuation allowance when the fair value of the collateral less costs to sell is higher than the carrying value. Mortgage loan valuation allowances are charged off when there is no reasonable expectation of recovery. The impairment evaluation is non-statistical in respect to the aggregate portfolio but considers facts and circumstances attributable to each loan. It is not considered probable that additional impairment losses, beyond those identified on a specific loan basis, have been incurred as of June 30, 2011.

Accrual of income is suspended for mortgage loans that are in default or when full and timely collection of principal and interest payments is not probable. Cash receipts on mortgage loans on nonaccrual status are generally recorded as a reduction of carrying value.

Debt service coverage ratio is considered a key credit quality indicator when mortgage loans are evaluated for impairment. Debt service coverage ratio represents the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. Debt service coverage ratio estimates are updated annually or more frequently if conditions are warranted based on the Company's credit monitoring process. The following table reflects the carrying value of non-impaired fixed rate and variable rate mortgage loans summarized by debt service coverage ratio distribution:

($ in millions)	June 30, 2011			December 31, 2010		
Debt service coverage ratio distribution	Fixed rate mortgage loans	Variable rate mortgage loans	Total	Fixed rate mortgage loans	Variable rate mortgage loans	Total
Below 1.0	$ 327	$ --	$ 327	$ 275	$ --	$ 275
1.0 - 1.25	1,600	--	1,600	1,571	16	1,587
1.26 - 1.50	1,608	20	1,628	1,478	--	1,478
Above 1.50	2,660	197	2,857	2,484	546	3,030
Total non-impaired mortgage loans	$ 6,195	$ 217	$ 6,412	$ 5,808	$ 562	$ 6,370

Mortgage loans with a debt service coverage ratio below 1.0 that are not considered impaired primarily relate to instances where the borrower has the financial capacity to fund the revenue shortfalls from the properties for the foreseeable term, the decrease in cash flows from the properties is considered temporary, or there are other risk mitigating circumstances such as additional collateral, escrow balances or borrower guarantees.

The net carrying value of impaired mortgage loans is as follows:

($ in millions)	June 30,	December 31,

		2011		2010
Impaired mortgage loans with a valuation allowance	$	153	$	168
Impaired mortgage loans without a valuation allowance		21		15
Total impaired mortgage loans	$	174	$	183
Valuation allowance on impaired mortgage loans	$	68	$	84

The average balance of impaired loans was $173 million during the six months ended June 30, 2011.

The rollforward of the valuation allowance on impaired mortgage loans is as follows:

($ in millions)		Three months ended June 30, 2011		Six months ended June 30, 2011
Beginning balance	$	73	$	84
Net increase in valuation allowance		7		9
Charge offs		(12)		(25)
Ending balance	$	68	$	68

The carrying value of past due mortgage loans is as follows:

($ in millions)		June 30, 2011		December 31, 2010
Less than 90 days past due	$	27	$	12
90 days or greater past due		48		78
Total past due		75		90
Current loans		6,511		6,463
Total mortgage loans	$	6,586	$	6,553

5. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Condensed Consolidated Statements of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;
(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or
(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy. The first is where quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

The second situation where the Company classifies securities in Level 3 is where specific inputs significant to the fair value estimation models are not market observable. This occurs in two primary instances. The first relates to the Company's use of broker quotes. The second relates to auction rate securities ("ARS") backed by student loans for which a key input, the anticipated date liquidity will return to this market, is not market observable.

Certain assets are not carried at fair value on a recurring basis, including investments such as mortgage loans, limited partnership interests, bank loans and policy loans. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to remeasurement at fair value after initial recognition and the resulting remeasurement is reflected in the condensed consolidated financial statements. In addition, derivatives embedded in fixed income securities are not disclosed in the hierarchy as free-standing derivatives since they are presented with the host contracts in fixed income securities.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

Summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis

Level 1 measurements

- Fixed income securities: Comprise U.S. Treasuries. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

- Equity securities: Comprise actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

- Short-term: Comprise actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access.

- Separate account assets: Comprise actively traded mutual funds that have daily quoted net asset values for identical assets that the Company can access. Net asset values for the actively traded mutual funds in which the separate account assets are invested are obtained daily from the fund managers.

Level 2 measurements

- Fixed income securities:

  U.S. government and agencies: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Municipal: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  Corporate, including privately placed: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

  Foreign government: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

  RMBS - U.S. government sponsored entities ("U.S. Agency"), Prime residential mortgage-backed securities ("Prime") and Alt-A residential mortgage-backed securities ("Alt-A"); ABS - other: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads.

  CMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, collateral performance and credit spreads.

  Redeemable preferred stock: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

- Equity securities: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active.

- Short-term: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. For certain short-term investments, amortized cost is used as the best estimate of fair value.

- Other investments: Free-standing exchange listed derivatives that are not actively traded are valued based on quoted prices for identical instruments in markets that are not active.

  OTC derivatives, including interest rate swaps, foreign currency swaps, foreign exchange forward contracts, and certain credit default swaps, are valued using models that rely on inputs such as interest rate

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  yield curves, currency rates, and counterparty credit spreads that are observable for substantially the full term of the contract. The valuation techniques underlying the models are widely accepted in the financial services industry and do not involve significant judgment.

Level 3 measurements

- Fixed income securities:

Municipal: ARS primarily backed by student loans that have become illiquid due to failures in the auction market are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, including estimates of future coupon rates if auction failures continue, the anticipated date liquidity will return to the market and illiquidity premium. Also included are municipal bonds that are not rated by third party credit rating agencies but are rated by the National Association of Insurance Commissioners ("NAIC"), and other high-yield municipal bonds. The primary inputs to the valuation of these municipal bonds include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields and credit spreads.

Corporate, including privately placed: Primarily valued based on non-binding broker quotes. Also included are equity-indexed notes which are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses significant non-market observable inputs, such as volatility. Other inputs include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

RMBS - Subprime residential mortgage-backed securities ("Subprime"), Prime and Alt-A: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads. Also included are Subprime, Prime and Alt-A securities that are valued based on non-binding broker quotes. Due to the reduced availability of actual market prices or relevant observable inputs as a result of the decrease in liquidity that has been experienced in the market for these securities, Subprime and certain Alt-A securities are categorized as Level 3.

CMBS: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields, collateral performance and credit spreads. Also included are CMBS that are valued based on non-binding broker quotes. Due to the reduced availability of actual market prices or relevant observable inputs as a result of the decrease in liquidity that has been experienced in the market for these securities, certain CMBS are categorized as Level 3.

ABS - Collateralized debt obligations ("CDO"): Valued based on non-binding broker quotes received from brokers who are familiar with the investments. Due to the reduced availability of actual market prices or relevant observable inputs as a result of the decrease in liquidity that has been experienced in the market for these securities, all CDO are categorized as Level 3.

ABS - other: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that exhibit less liquidity relative to those markets supporting Level 2 fair value measurements, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads. Also included are ABS that are valued based on non-binding broker quotes. Due to the reduced availability of actual market prices or relevant observable inputs as a result of the decrease in liquidity that has been experienced in the market for these securities, certain ABS are categorized as Level 3.

- Other investments: Certain OTC derivatives, such as interest rate caps and floors, certain credit default swaps and OTC options (including swaptions), are valued using models that are widely accepted in the financial services industry. These are categorized as Level 3 as a result of the significance of non-market observable inputs such as volatility. Other primary inputs include interest rate yield curves and credit spreads.

- Contractholder funds: Derivatives embedded in certain life and annuity contracts are valued internally using models widely accepted in the financial services industry that determine a single best estimate of fair

value for the embedded derivatives within a block of contractholder liabilities. The models primarily use stochastically determined cash flows based on the contractual elements of embedded derivatives, projected option cost and applicable market data, such as interest rate yield curves and equity index volatility assumptions. These are categorized as Level 3 as a result of the significance of non-market observable inputs.

Assets and liabilities measured at fair value on a non-recurring basis

Mortgage loans written-down to fair value in connection with recognizing impairments are valued based on the fair value of the underlying collateral less costs to sell. Limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments are valued using net asset values.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of June 30, 2011:

($ in millions)	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Counterparty and cash collateral netting**	**Balance as of June 30, 2011**
Assets					
Fixed income securities:					
U.S. government and agencies	$ 764	$ 1,481	$ --		$ 2,245
Municipal	--	4,068	433		4,501
Corporate	--	27,998	1,567		29,565
Foreign government	--	2,077	--		2,077
RMBS	--	2,846	847		3,693
CMBS	--	982	904		1,886
ABS	--	565	1,786		2,351
Redeemable preferred stock	--	15	1		16
Total fixed income securities	764	40,032	5,538		46,334
Equity securities	132	41	13		186
Short-term investments	74	1,231	--		1,305
Other investments:					
Free-standing derivatives	--	411	6	$ (83)	334
Separate account assets	8,175	--	--		8,175

Other assets	1	--	1		2
Total recurring basis assets	9,146	41,715	5,558	(83)	56,336
Non-recurring basis [(1)]	--	--	61		61
Total assets at fair value	$ 9,146	$ 41,715	$ 5,619	$ (83)	$ 56,397
% of total assets at fair value	16.2 %	74.0 %	10.0 %	(0.2) %	100.0 %
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	$ --	$ --	$ (629)		$ (629)
Other liabilities:					
Free-standing derivatives	--	(184)	(73)	$ 83	(174)
Total liabilities at fair value	$ --	$ (184)	$ (702)	$ 83	$ (803)
% of total liabilities at fair value	-- %	22.9 %	87.4 %	(10.3) %	100.0 %

(1) Includes $50 million of mortgage loans and $11 million of other investments written-down to fair value in connection with recognizing other-than-temporary impairments.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of December 31, 2010:

($ in millions)	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Balance as of December 31, 2010
Assets					
Fixed income securities:					
U.S. government and agencies	$ 882	$ 2,612	$ --		$ 3,494
Municipal	--	4,372	601		4,973
Corporate	--	26,890	1,760		28,650
Foreign government	--	2,257	--		2,257
RMBS	--	3,166	1,189		4,355
CMBS	--	1,059	844		1,903
ABS	--	593	1,974		2,567
Redeemable preferred stock	--	14	1		15
Total fixed income securities	882	40,963	6,369		48,214
Equity securities	137	45	29		211
Short-term investments	72	1,185	--		1,257
Other investments:					
Free-standing derivatives	--	602	10	$ (225)	387
Separate account assets	8,676	--	--		8,676
Other assets	--	--	1		1
Total recurring basis assets	9,767	42,795	6,409	(225)	58,746
Non-recurring basis [(1)]	--	--	117		117
Total assets at fair value	$ 9,767	$ 42,795	$ 6,526	$ (225)	$ 58,863
% of total assets at fair value	16.6 %	72.7 %	11.1 %	(0.4) %	100.0 %
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	$ --	$ --	$ (653)		$ (653)
Other liabilities:					
Free-standing derivatives	--	(455)	(87)	$ 221	(321)
Total liabilities at fair value	$ --	$ (455)	$ (740)	$ 221	$ (974)
% of total liabilities at fair value	-- %	46.7 %	76.0 %	(22.7) %	100.0 %

(1) Includes $111 million of mortgage loans and $6 million of limited partnership interests written-down to fair value in connection with recognizing other-than-temporary impairments.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the three months ended June 30, 2011.

($ in millions)		Total realized and unrealized gains (losses) included in:			
	Balance as of March 31, 2011	Net income [(1)]	OCI on Statement of Financial Position	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 544	$ (1)	$ 9	$ --	$ (10)
Corporate	1,848	22	8	87	(75)
RMBS	984	(19)	5	--	(54)
CMBS	966	(22)	2	10	(10)
ABS	1,818	11	12	--	--
Redeemable preferred stock	1	--	--	--	--
Total fixed income securities	6,161	(9)	36	97	(149)
Equity securities	14	--	--	--	--
Other investments:					
Free-standing derivatives, net	(64)	(6)	--	--	--
Other assets	1	--	--	--	--
Total recurring Level 3 assets	$ 6,112	$ (15)	$ 36	$ 97	$ (149)

Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	$ (630)	$ (34)	$ --	$ --	$ --
Total recurring Level 3 liabilities	$ (630)	$ (34)	$ --	$ --	$ --

	Purchases	Sales	Issuances	Settlements	Balance as of June 30, 2011
Assets					
Fixed income securities:					
Municipal	$ --	$ (109)	$ --	$ --	$ 433
Corporate	20	(341)	--	(2)	1,567
RMBS	--	(38)	--	(31)	847
CMBS	--	(41)	--	(1)	904
ABS	54	(25)	--	(84)	1,786
Redeemable preferred stock	--	--	--	--	1
Total fixed income securities	74	(554)	--	(118)	5,538
Equity securities	--	(1)	--	--	13
Other investments:					
Free-standing derivatives, net	5	--	--	(2)	(67) [(2)]
Other assets	--	--	--	--	1
Total recurring Level 3 assets	$ 79	$ (555)	$ --	$ (120)	$ 5,485
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	$ --	$ --	$ (13)	$ 48	$ (629)
Total recurring Level 3 liabilities	$ --	$ --	$ (13)	$ 48	$ (629)

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(1) The effect to net income totals $(49) million and is reported in the Condensed Consolidated Statements of Operations as follows: $(23) million in realized capital gains and losses, $8 million in net investment income, $(26) million in interest credited to contractholder funds and $(8) million in contract benefits.

(2) Comprises $6 million of assets and $73 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the six months ended June 30, 2011.

($ in millions)

		Total realized and unrealized gains (losses) included in:			
	Balance as of December 31, 2010	Net income [(1)]	OCI on Statement of Financial Position	Transfers into Level 3	Transfers out of Level 3
Assets					
Fixed income securities:					
Municipal	$ 601	$ --	$ 15	$ --	$ (11)
Corporate	1,760	33	18	180	(111)
RMBS	1,189	(57)	76	--	(57)
CMBS	844	(42)	115	65	(10)
ABS	1,974	54	26	--	(95)
Redeemable preferred stock	1	--	--	--	--
Total fixed income securities	6,369	(12)	250	245	(284)
Equity securities	29	(5)	--	--	(10)
Other investments:					
Free-standing derivatives, net	(77)	3	--	--	--
Other assets	1	--	--	--	--
Total recurring Level 3 assets	$ 6,322	$ (14)	$ 250	$ 245	$ (294)
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	$ (653)	$ (26)	$ --	$ --	$ --
Total recurring Level 3 liabilities	$ (653)	$ (26)	$ --	$ --	$ --

	Purchases	Sales	Issuances	Settlements	Balance as of June 30, 2011
Assets					
Fixed income securities:					
Municipal	$ 10	$ (182)	$ --	$ --	$ 433
Corporate	55	(360)	--	(8)	1,567
RMBS	--	(222)	--	(82)	847
CMBS	--	(66)	--	(2)	904
ABS	79	(130)	--	(122)	1,786
Redeemable preferred stock	--	--	--	--	1
Total fixed income securities	144	(960)	--	(214)	5,538
Equity securities	--	(1)	--	--	13
Other investments:					
Free-standing derivatives, net	15	--	--	(8)	(67) [(2)]
Other assets	--	--	--	--	1
Total recurring Level 3 assets	$ 159	$ (961)	$ --	$ (222)	$ 5,485
Liabilities					
Contractholder funds:					
Derivatives embedded in life and annuity contracts	$ --	$ --	$ (27)	$ 77	$ (629)
Total recurring Level 3 liabilities	$ --	$ --	$ (27)	$ 77	$ (629)

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(1) The effect to net income totals $(40) million and is reported in the Condensed Consolidated Statements of Operations as follows: $(29) million in realized capital gains and losses, $15 million in net investment income, $(63) million in interest credited to contractholder funds and $37 million in contract benefits.

(2) Comprises $6 million of assets and $73 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the three months ended June 30, 2010.

($ in millions)	Balance as of March 31, 2010	Total realized and unrealized gains (losses) included in: Net income [(1)]	OCI on Statement of Financial Position	Purchases, sales, issuances and settlements, net	Transfers into Level 3	Transfers out of Level 3	Balance as of June 30, 2010
Assets							
Fixed income securities:							
Municipal	$ 681	$ (5)	$ 3	$ (68)	$ --	$ (8)	$ 603
Corporate	1,967	(6)	29	(5)	169	(136)	2,018
RMBS	1,387	(88)	139	(70)	--	(6)	1,362
CMBS	1,033	(74)	192	(155)	--	(204)	792
ABS	1,900	11	(9)	55	--	(77)	1,880
Redeemable preferred stock	1	--	--	--	--	--	1
Total fixed income securities	6,969	(162)	354	(243)	169	(431)	6,656
Equity securities	31	--	(1)	(1)	--	--	29
Other investments:							
Free-standing derivatives, net	(70)	(41)	--	3	--	--	(108) [(2)]
Other assets	2	--	--	--	--	--	2
Total recurring Level 3 assets	$ 6,932	$ (203)	$ 353	$ (241)	$ 169	$ (431)	$ 6,579
Liabilities							
Contractholder funds:							
Derivatives embedded in life and annuity contracts	$ (90)	$ (30)	$ --	$ 1	$ --	$ --	$ (119)
Total recurring Level 3 liabilities	$ (90)	$ (30)	$ --	$ 1	$ --	$ --	$ (119)

(1) The effect to net income totals $(233) million and is reported in the Condensed Consolidated Statements of Operations as follows: $(217) million in realized capital gains and losses, $18 million in net investment income, $(4) million in interest credited to contractholder funds and $(30) million in contract benefits.

(2) Comprises $7 million of assets and $115 million of liabilities.

The following table presents the rollforward of Level 3 assets and liabilities held at fair value on a recurring basis during the six months ended June 30, 2010.

($ in millions)	Balance as of December 31, 2009	Total realized and unrealized gains (losses) included in: Net income [(1)]	OCI on Statement of Financial Position	Purchases, sales, issuances and settlements, net	Transfers into Level 3	Transfers out of Level 3	Balance as of June 30, 2010
Assets							
Fixed income securities:							
Municipal	$ 746	$ (10)	$ 10	$ (116)	$ --	$ (27)	$ 603
Corporate	2,020	(22)	120	(61)	172	(211)	2,018
Foreign government	20	--	--	(20)	--	--	--
RMBS	1,052	(128)	248	196	--	(6)	1,362
CMBS	1,322	(108)	301	(334)	24	(413)	792
ABS	1,710	16	77	154	--	(77)	1,880
Redeemable preferred stock	1	--	--	--	--	--	1
Total fixed income securities	6,871	(252)	756	(181)	196	(734)	6,656
Equity securities	27	--	1	1	--	--	29
Other investments:							
Free-standing derivatives, net	(53)	(65)	--	10	--	--	(108) [(2)]
Other assets	2	--	--	--	--	--	2
Total recurring Level 3 assets	$ 6,847	$ (317)	$ 757	$ (170)	$ 196	$ (734)	$ 6,579
Liabilities							
Contractholder funds:							
Derivatives embedded in life and annuity contracts	$ (110)	$ (12)	$ --	$ 3	$ --	$ --	$ (119)
Total recurring Level 3 liabilities	$ (110)	$ (12)	$ --	$ 3	$ --	$ --	$ (119)

(1) The effect to net income totals $(329) million and is reported in the Condensed Consolidated Statements of Operations as follows: $(361) million in realized capital gains and losses, $47 million in net investment income, $(3) million in interest credited to contractholder funds and $(12) million in contract benefits.

(2) Comprises $7 million of assets and $115 million of liabilities.

Transfers between level categorizations may occur due to changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads. Transfers between level categorizations may also occur due to changes in the valuation source. For example, in situations where a fair value quote is not provided by the Company's independent third-party valuation service provider and as a result the price is stale or has been replaced with a broker quote, the security is transferred into Level 3. Transfers in and out of level categorizations are reported as having occurred at the beginning of the quarter in which the transfer occurred. Therefore, for all transfers into Level 3, all realized and changes in unrealized gains and losses in the quarter of transfer are reflected in the Level 3 rollforward table.

There were no transfers between Level 1 and Level 2 during the three and six months ended June 30, 2011 or 2010.

During the six months ended June 30, 2011, and the three and six months ended June 30, 2010, certain CMBS were transferred into Level 2 from Level 3 as a result of increased liquidity in the market and the availability of market observable quoted prices for similar assets. When transferring these securities into Level 2, the Company did not change the source of fair value estimates or modify the estimates received from independent third-party valuation service providers or the internal valuation approach. Accordingly, for securities included within this group, there was no change in fair value in conjunction with the transfer resulting in a realized or unrealized gain or loss.

Transfers into Level 3 during the three and six months ended June 30, 2011 and 2010 included situations where a fair value quote was not provided by the Company's independent third-party valuation service provider and as a result the price was stale or had been replaced with a broker quote resulting in the security being classified as Level 3. Transfers out of Level 3 during the three and six months ended June 30, 2011 and 2010 included situations where a broker quote was used in the prior period and a fair value quote became available from the Company's independent third-party valuation service provider in the current period. A quote utilizing the new pricing source was not available as of the prior period, and any gains or losses related to the change in valuation source for individual securities were not significant.

The following table provides the total gains and (losses) included in net income for Level 3 assets and liabilities still held as of June 30.

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Assets				
Fixed income securities:				
Municipal	$ --	$ (4)	$ --	$ (8)
Corporate	6	(9)	10	(39)
RMBS	(20)	(83)	(41)	(121)
CMBS	(12)	(19)	(16)	(43)
ABS	5	11	6	11
Total fixed income securities	(21)	(104)	(41)	(200)
Equity securities	--	--	(4)	--
Other investments:				
Free-standing derivatives, net	(7)	(39)	(3)	(57)
Total recurring Level 3 assets	$ (28)	$ (143)	$ (48)	$ (257)
Liabilities				
Contractholder funds:				
Derivatives embedded in life and annuity contracts	$ (34)	$ (30)	$ (26)	$ (12)
Total recurring Level 3 liabilities	$ (34)	$ (30)	$ (26)	$ (12)

The amounts in the table above represent gains and losses included in net income for the period of time that the asset or liability was determined to be in Level 3. These gains and losses total $(62) million for the three months ended June 30, 2011 and are reported as follows: $(36) million in realized capital gains and losses, $8 million in net investment income, $(26) million in interest credited to contractholder funds and $(8) million in contract benefits. These gains and losses total $(173) million for the three months ended June 30, 2010 and are reported as follows: $(155) million in realized capital gains and losses, $17 million in net investment income, $(5) million in interest credited to contractholder funds and $(30) million in contract benefits. These gains and losses total $(74) million for the six months ended June 30, 2011 and are reported as follows: $(61) million in realized capital gains and losses, $13 million in net investment income, $(63) million in interest credited to contractholder funds and $37 million in contract benefits. These gains and losses total $(269) million for the six months ended June 30, 2010 and are reported as follows: $(282) million in realized capital gains and losses, $30 million in net investment income, $(5) million in interest credited to contractholder funds and $(12) million in contract benefits.

Presented below are the carrying values and fair value estimates of financial instruments not carried at fair value.

Financial assets

($ in millions)	June 30, 2011 Carrying value	June 30, 2011 Fair value	December 31, 2010 Carrying value	December 31, 2010 Fair value
Mortgage loans	$ 6,586	$ 6,632	$ 6,553	$ 6,312
Limited partnership interests - cost basis	704	843	662	719
Bank loans	316	312	322	314
Notes due from related party	275	250	275	245

The fair value of mortgage loans is based on discounted contractual cash flows, or if the loans are impaired due to credit reasons, the fair value of collateral less costs to sell. Risk adjusted discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar types of properties as collateral. The fair value of limited partnership interests accounted for on the cost basis is determined using reported net asset values of the underlying funds. The fair value of bank loans, which are reported in other investments, is based on broker quotes from brokers familiar with the loans and current market conditions. The fair value of notes due from related party, which are reported in other investments, is based on discounted cash flow calculations using

current interest rates for instruments with comparable terms.

Financial liabilities

($ in millions)	June 30, 2011 Carrying value	June 30, 2011 Fair value	December 31, 2010 Carrying value	December 31, 2010 Fair value
Contractholder funds on investment contracts	$ 32,171	$ 31,303	$ 35,040	$ 34,056
Notes due to related parties	693	662	677	649
Liability for collateral	618	618	465	465

The fair value of contractholder funds on investment contracts is based on the terms of the underlying contracts utilizing prevailing market rates for similar contracts adjusted for the Company's own credit risk. Deferred annuities included in contractholder funds are valued using discounted cash flow models which incorporate market value margins, which are based on the cost of holding economic capital, and the Company's own credit risk. Immediate annuities without life contingencies and fixed rate funding agreements are valued at the present value of future benefits using market implied interest rates which include the Company's own credit risk.

The fair value of notes due to related parties is based on discounted cash flow calculations using current interest rates for instruments with comparable terms and considers the Company's own credit risk. The liability for collateral is valued at carrying value due to its short-term nature.

6. Derivative Financial Instruments

The Company primarily uses derivatives for risk management and asset replication. In addition, the Company has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value. With the exception of non-hedge derivatives used for asset replication and non-hedge embedded derivatives, all of the Company's derivatives are evaluated for their ongoing effectiveness as either accounting hedge or non-hedge derivative financial instruments on at least a quarterly basis. The Company does not use derivatives for trading purposes. Non-hedge accounting is generally used for "portfolio" level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements to permit the application of hedge accounting.

Asset-liability management is a risk management strategy that is principally employed to balance the respective interest-rate sensitivities of the Company's assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps, floors, swaptions and futures are utilized to change the interest rate characteristics of existing assets and liabilities to ensure the relationship is maintained within specified ranges and to reduce exposure to rising or falling interest rates. The Company uses financial futures and interest rate swaps to hedge anticipated asset purchases and liability issuances and futures and options for hedging the Company's equity exposure contained in equity indexed life and annuity product contracts that offer equity returns to contractholders. In addition, the Company also uses interest rate swaps to hedge interest rate risk inherent in funding agreements.

Credit default swaps are typically used to mitigate the credit risk within the Company's fixed income portfolio. The Company uses foreign currency swaps primarily to reduce the foreign currency risk associated with issuing foreign currency denominated funding agreements and holding foreign currency denominated investments.

When derivatives meet specific criteria, they may be designated as accounting hedges and accounted for as fair value, cash flow, foreign currency fair value or foreign currency cash flow hedges. The Company designates certain of its interest rate and foreign currency swap contracts and certain investment risk transfer reinsurance agreements as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of the hedged item. The Company designates certain of its foreign currency swap contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of variations in cash flows for the hedged risk that could affect net income. Amounts are reclassified to net investment income or realized capital gains and losses as the hedged item affects net income.

Asset replication refers to the "synthetic" creation of assets through the use of derivatives and primarily investment grade host bonds to replicate securities that are either unavailable in the cash markets or more

economical to acquire in synthetic form. The Company replicates fixed income securities using a combination of a credit default swap and one or more highly rated fixed income securities to synthetically replicate the economic characteristics of one or more cash market securities.

The Company's primary embedded derivatives are equity options in life and annuity product contracts, which provide equity returns to contractholders; equity-indexed notes containing equity call options, which provide a coupon payout that is determined using one or more equity-based indices; credit default swaps in synthetic collateralized debt obligations, which provide enhanced coupon rates as a result of selling credit protection; and conversion options in fixed income securities, which provide the Company with the right to convert the instrument into a predetermined number of shares of common stock. Substantially all of the fixed income securities with conversion options were sold in March 2011.

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are generally not representative of the potential for gain or loss on these agreements. However, the notional amounts specified in credit default swaps where the Company has sold credit protection represent the maximum amount of potential loss, assuming no recoveries.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive or pay to terminate the derivative contracts at the reporting date. The carrying value amounts for OTC derivatives are further adjusted for the effects, if any, of legally enforceable master netting agreements and are presented on a net basis, by counterparty agreement, in the Condensed Consolidated Statements of Financial Position. For certain exchange traded derivatives, the exchange requires margin deposits as well as daily cash settlements of margin accounts. As of June 30, 2011, the Company pledged $5 million of cash and securities in the form of margin deposits.

For those derivatives which qualify for fair value hedge accounting, net income includes the changes in the fair value of both the derivative instrument and the hedged risk, and therefore reflects any hedging ineffectiveness. For cash flow hedges, gains and losses are amortized from accumulated other comprehensive income and are reported in net income in the same period the forecasted transactions being hedged impact net income. For embedded derivatives in fixed income securities, net income includes the change in fair value of the embedded derivative and accretion income related to the host instrument. For non-hedge derivatives, net income includes changes in fair value and accrued periodic settlements, when applicable.

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Condensed Consolidated Statement of Financial Position as of June 30, 2011.

($ in millions, except number of contracts)	Asset derivatives					
		Volume (1)				
	Balance sheet location	Notional amount	Number of contracts	Fair value, net	Gross asset	Gross liability
Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other investments	$ 207	n/a	$ (15)	$ --	$ (15)
Foreign currency swap agreements	Other investments	50	n/a	(5)	2	(7)
Total		$ 257	n/a	$ (20)	$ 2	$ (22)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other investments	$ 5,486	n/a	$ 139	$ 161	$ (22)
Interest rate swaption agreements	Other investments	500	n/a	1	1	--
Interest rate cap and floor agreements	Other investments	1,383	n/a	(5)	--	(5)
Financial futures contracts and options	Other assets	n/a	840	--	--	--
Equity and index contracts						
Options, futures and warrants (2)	Other investments	160	14,931	220	220	--
Options, futures and warrants	Other assets	n/a	209	1	1	--
Embedded derivative financial instruments						
Conversion options	Fixed income securities	5	n/a	--	--	--
Equity-indexed call options	Fixed income securities	150	n/a	16	16	--
Credit default swaps	Fixed income securities	170	n/a	(77)	--	(77)
Credit default contracts						
Credit default swaps – buying protection	Other investments	52	n/a	(1)	1	(2)
Credit default swaps – selling protection	Other investments	30	n/a	--	1	(1)
Other contracts						
Other contracts	Other investments	6	n/a	--	--	--
Other contracts	Other assets	5	n/a	1	1	--
Total		$ 7,947	15,980	$ 295	$ 402	$ (107)
Total asset derivatives		$ 8,204	15,980	$ 275	$ 404	$ (129)

(1) Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

(2) In addition to the number of contracts presented in the table, the Company held 837,100 stock warrants. Stock warrants can be converted to cash upon sale of those instruments or exercised for shares of common stock.

	Liability derivatives					
		Volume (1)				
	Balance sheet location	Notional amount	Number of contracts	Fair value, net	Gross asset	Gross liability
Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other liabilities & accrued expenses	$ 39	n/a	$ (2)	$ --	$ (2)
Foreign currency swap agreements	Other liabilities & accrued expenses	152	n/a	(27)	--	(27)
Total		$ 191	n/a	$ (29)	$ --	$ (29)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	$ 1,011	n/a	$ 28	$ 28	$ --
Interest rate cap and floor agreements	Other liabilities & accrued expenses	1,669	n/a	(19)	1	(20)
Financial futures contracts and options	Other liabilities & accrued expenses	n/a	270	--	--	--
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	n/a	15,316	(104)	--	(104)
Foreign currency contracts						
Foreign currency swap agreements	Other liabilities & accrued expenses	50	n/a	--	--	--
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	1,085	n/a	(62)	--	(62)
Guaranteed withdrawal benefits	Contractholder funds	737	n/a	(31)	--	(31)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	4,432	n/a	(528)	--	(528)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	(8)	--	(8)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	100	n/a	(2)	1	(3)
Credit default swaps – selling protection	Other liabilities & accrued expenses	277	n/a	(48)	1	(49)
Total		$ 9,446	15,586	$ (774)	$ 31	$ (805)
Total liability derivatives		$ 9,637	15,586	$ (803)	$ 31	$ (834)
Total derivatives		$ 17,841	31,566	$ (528)		

(1) Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

The following table provides a summary of the volume and fair value positions of derivative instruments as well as their reporting location in the Condensed Consolidated Statement of Financial Position as of December 31, 2010.

($ in millions, except number of contracts)	Asset derivatives					
		Volume (1)				
	Balance sheet location	Notional amount	Number of contracts	Fair value, net	Gross asset	Gross liability
Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other investments	$ 156	n/a	$ (18)	$ --	$ (18)
Foreign currency swap agreements	Other investments	64	n/a	2	3	(1)
Total		$ 220	n/a	$ (16)	$ 3	$ (19)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other investments	$ 1,094	n/a	$ 79	$ 81	$ (2)
Interest rate cap and floor agreements	Other investments	226	n/a	(2)	1	(3)
Financial futures contracts and options	Other assets	n/a	1,420	--	--	--
Equity and index contracts						
Options, futures and warrants (2)	Other investments	64	20,451	327	327	--

Foreign currency contracts						
Foreign currency swap agreements	Other investments	90	n/a	6	6	--
Embedded derivative financial instruments						
Conversion options	Fixed income securities	287	n/a	84	84	--
Equity-indexed call options	Fixed income securities	300	n/a	47	47	--
Credit default swaps	Fixed income securities	179	n/a	(87)	--	(87)
Credit default contracts						
Credit default swaps – buying protection	Other investments	66	n/a	(1)	1	(2)
Credit default swaps – selling protection	Other investments	42	n/a	(2)	1	(3)
Other contracts						
Other contracts	Other investments	13	n/a	--	--	--
Other contracts	Other assets	5	n/a	1	1	--
Total		$ 2,366	21,871	$ 452	$ 549	$ (97)
Total asset derivatives		$ 2,586	21,871	$ 436	$ 552	$ (116)

[(1)] Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

[(2)] In addition to the number of contracts presented in the table, the Company held 837,100 stock warrants. Stock warrants can be converted to cash upon sale of those instruments or exercised for shares of common stock.

	Liability derivatives					
		Volume [(1)]				
	Balance sheet location	Notional amount	Number of contracts	Fair value, net	Gross asset	Gross liability
Derivatives designated as accounting hedging instruments						
Interest rate swap agreements	Other liabilities & accrued expenses	$ 3,345	n/a	$ (181)	$ 20	$ (201)
Interest rate swap agreements	Contractholder funds	--	n/a	2	2	--
Foreign currency swap agreements	Other liabilities & accrued expenses	138	n/a	(20)	--	(20)
Foreign currency and interest rate swap agreements	Other liabilities & accrued expenses	435	n/a	34	34	--
Foreign currency and interest rate swap agreements	Contractholder funds	--	n/a	28	28	--
Total		$ 3,918	n/a	$ (137)	$ 84	$ (221)
Derivatives not designated as accounting hedging instruments						
Interest rate contracts						
Interest rate swap agreements	Other liabilities & accrued expenses	$ 3,642	n/a	$ 66	$ 96	$ (30)
Interest rate swaption agreements	Other liabilities & accrued expenses	750	n/a	4	4	--
Interest rate cap and floor agreements	Other liabilities & accrued expenses	3,216	n/a	(22)	1	(23)
Financial futures contracts and options	Other liabilities & accrued expenses	n/a	150	--	--	--
Equity and index contracts						
Options and futures	Other liabilities & accrued expenses	64	20,752	(168)	2	(170)
Embedded derivative financial instruments						
Guaranteed accumulation benefits	Contractholder funds	1,067	n/a	(88)	--	(88)
Guaranteed withdrawal benefits	Contractholder funds	739	n/a	(47)	--	(47)
Equity-indexed and forward starting options in life and annuity product contracts	Contractholder funds	4,694	n/a	(515)	--	(515)
Other embedded derivative financial instruments	Contractholder funds	85	n/a	(3)	--	(3)
Credit default contracts						
Credit default swaps – buying protection	Other liabilities & accrued expenses	181	n/a	(3)	4	(7)
Credit default swaps – selling protection	Other liabilities & accrued expenses	267	n/a	(61)	1	(62)
Total		$ 14,705	20,902	$ (837)	$ 108	$ (945)
Total liability derivatives		$ 18,623	20,902	$ (974)	$ 192	$ (1,166)
Total derivatives		$ 21,209	42,773	$ (538)		

[(1)] Volume for OTC derivative contracts is represented by their notional amounts. Volume for exchange traded derivatives is represented by the number of contracts, which is the basis on which they are traded. (n/a = not applicable)

The following table provides a summary of the impacts of the Company's foreign currency contracts in cash flow hedging relationships in the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Financial Position. Amortization of net losses from accumulated other comprehensive income related to cash flow hedges is expected to be $7 million during the next twelve months.

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
Effective portion	**2011**	**2010**	**2011**	**2010**
(Loss) gain recognized in OCI on derivatives during the period	$ (5)	$ 22	$ (13)	$ 28
(Loss) gain recognized in OCI on derivatives during the term of the hedging relationship	(31)	7	(31)	7
Gain reclassified from AOCI into income (net investment income)	--	--	1	1
Gain reclassified from AOCI into income (realized capital gains and losses)	--	2	--	2
Ineffective portion and amount excluded from effectiveness				
Gain recognized in income on derivatives (realized capital gains and losses)	--	--	--	--

The following tables present gains and losses from valuation, settlements and hedge ineffectiveness reported on derivatives used in fair value hedging relationships and derivatives not designated as accounting hedging instruments in the Condensed Consolidated Statements of Operations.

($ in millions)	Three months ended June 30, 2011				
	Net investment income	Realized capital gains and losses	Contract benefits	Interest credited to contractholder funds	Total gain (loss) recognized in net income on derivatives

	Net investment income	Realized capital gains and losses	Contract benefits	Interest credited to contractholder funds	Total gain (loss) recognized in net income on derivatives
Derivatives in fair value accounting hedging relationships					
Interest rate contracts	$ (2)	$ --	$ --	$ --	$ (2)
Subtotal	(2)	--	--	--	(2)
Derivatives not designated as accounting hedging instruments					
Interest rate contracts	--	(24)	--	--	(24)
Equity and index contracts	--	--	--	8	8
Embedded derivative financial instruments	--	(3)	(8)	9	(2)
Credit default contracts	--	2	--	--	2
Other contracts	--	--	--	3	3
Subtotal	--	(25)	(8)	20	(13)
Total	$ (2)	$ (25)	$ (8)	$ 20	$ (15)

	Six months ended June 30, 2011				
	Net investment income	Realized capital gains and losses	Contract benefits	Interest credited to contractholder funds	Total gain (loss) recognized in net income on derivatives
Derivatives in fair value accounting hedging relationships					
Interest rate contracts	$ (1)	$ (8)	$ --	$ (5)	$ (14)
Foreign currency and interest rate contracts	--	--	--	(32)	(32)
Subtotal	(1)	(8)	--	(37)	(46)
Derivatives not designated as accounting hedging instruments					
Interest rate contracts	--	(22)	--	--	(22)
Equity and index contracts	--	--	--	46	46
Embedded derivative financial instruments	--	(4)	37	(13)	20
Credit default contracts	--	13	--	--	13
Other contracts	--	--	--	5	5
Subtotal	--	(13)	37	38	62
Total	$ (1)	$ (21)	$ 37	$ 1	$ 16

	Three months ended June 30, 2010				
	Net investment income	Realized capital gains and losses	Contract benefits	Interest credited to contractholder funds	Total gain (loss) recognized in net income on derivatives
Derivatives in fair value accounting hedging relationships					
Interest rate contracts	$ (72)	$ 2	$ --	$ 13	$ (57)
Foreign currency and interest rate contracts	--	(1)	--	(16)	(17)
Subtotal	(72)	1	--	(3)	(74)
Derivatives not designated as accounting hedging instruments					
Interest rate contracts	--	(115)	--	--	(115)
Equity and index contracts	--	--	--	(70)	(70)
Embedded derivative financial instruments	--	(51)	(28)	112	33
Credit default contracts	--	(14)	--	--	(14)
Other contracts	--	--	--	2	2
Subtotal	--	(180)	(28)	44	(164)
Total	$ (72)	$ (179)	$ (28)	$ 41	$ (238)

	Six months ended June 30, 2010				
	Net investment income	Realized capital gains and losses	Contract benefits	Interest credited to contractholder funds	Total gain (loss) recognized in net income on derivatives
Derivatives in fair value accounting hedging relationships					
Interest rate contracts	$ (113)	$ 2	$ --	$ 12	$ (99)
Foreign currency and interest rate contracts	--	(1)	--	(40)	(41)
Subtotal	(113)	1	--	(28)	(140)
Derivatives not designated as accounting hedging instruments					
Interest rate contracts	--	(147)	--	--	(147)
Equity and index contracts	--	--	--	(36)	(36)
Embedded derivative financial instruments	--	(56)	(8)	110	46
Foreign currency contracts	--	4	--	--	4
Credit default contracts	--	(16)	--	--	(16)
Other contracts	--	--	--	2	2
Subtotal	--	(215)	(8)	76	(147)
Total	$ (113)	$ (214)	$ (8)	$ 48	$ (287)

The following tables provide a summary of the changes in fair value of the Company's fair value hedging relationships in the Condensed Consolidated Statements of Operations.

($ in millions)	Three months ended June 30, 2011			
	Gain (loss) on derivatives		Gain (loss) on hedged risk	
Location of gain or (loss) recognized in net income on derivatives	Interest rate contracts	Foreign currency & interest rate contracts	Contractholder funds	Investments
Net investment income	$ 2	$ --	$ --	$ (2)
Total	$ 2	$ --	$ --	$ (2)

Six months ended June 30, 2011

Location of gain or (loss) recognized in net income on derivatives	Gain (loss) on derivatives: Interest rate contracts	Gain (loss) on derivatives: Foreign currency & interest rate contracts	Gain (loss) on hedged risk: Contractholder funds	Gain (loss) on hedged risk: Investments
Interest credited to contractholder funds	$ (7)	$ (34)	$ 41	$ --
Net investment income	23	--	--	(23)
Realized capital gains and losses	(8)	--	--	--
Total	$ 8	$ (34)	$ 41	$ (23)

	Three months ended June 30, 2010			
	Gain (loss) on derivatives		Gain (loss) on hedged risk	
Location of gain or (loss) recognized in net income on derivatives	Interest rate contracts	Foreign currency & interest rate contracts	Contractholder funds	Investments
Interest credited to contractholder funds	$ 9	$ (24)	$ 15	$ --
Net investment income	(43)	--	--	43
Realized capital gains and losses	2	(1)	--	--
Total	$ (32)	$ (25)	$ 15	$ 43

	Six months ended June 30, 2010			
	Gain (loss) on derivatives		Gain (loss) on hedged risk	
Location of gain or (loss) recognized in net income on derivatives	Interest rate contracts	Foreign currency & interest rate contracts	Contractholder funds	Investments
Interest credited to contractholder funds	$ 8	$ (57)	$ 49	$ --
Net investment income	(56)	--	--	56
Realized capital gains and losses	2	(1)	--	--
Total	$ (46)	$ (58)	$ 49	$ 56

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements ("MNAs") and obtaining collateral where appropriate. The Company uses MNAs for OTC derivative transactions, including interest rate swap, foreign currency swap, interest rate cap, interest rate floor, credit default swap, forward and certain option agreements (including swaptions). These agreements permit either party to net payments due for transactions covered by the agreements. Under the provisions of the agreements, collateral is either pledged or obtained when certain predetermined exposure limits are exceeded. As of June 30, 2011, counterparties pledged $73 million in securities to the Company, and the Company pledged $70 million in securities to counterparties which includes $40 million of collateral posted under MNAs for contracts containing credit-risk-contingent provisions that are in a liability position and $30 million of collateral posted under MNAs for contracts without credit-risk-contingent liabilities. The Company has not incurred any losses on derivative financial instruments due to counterparty nonperformance. Other derivatives, including futures and certain option contracts, are traded on organized exchanges, which require margin deposits and guarantee the execution of trades, thereby mitigating any potential credit risk.

Counterparty credit exposure represents the Company's potential loss if all of the counterparties concurrently fail to perform under the contractual terms of the contracts and all collateral, if any, becomes worthless. This exposure is measured by the fair value of OTC derivative contracts with a positive fair value at the reporting date reduced by the effect, if any, of legally enforceable master netting agreements.

The following table summarizes the counterparty credit exposure by counterparty credit rating as it relates to interest rate swap, foreign currency swap, interest rate cap, interest rate floor, free-standing credit default swap, forward and certain option agreements (including swaptions).

($ in millions)	June 30, 2011				December 31, 2010			
Rating [1]	Number of counter-parties	Notional amount	Credit exposure [2]	Exposure, net of collateral [2]	Number of counter-parties	Notional amount	Credit exposure [2]	Exposure, net of collateral [2]
AA-	1	$ 567	$ 16	$ --	1	$ 675	$ 19	$ 10
A+	2	3,136	16	6	2	951	14	10
A	4	4,161	50	4	3	772	10	10
A-	--	--	--	--	1	89	32	32
BBB+	1	5	35	35	--	--	--	--
Total	8	$ 7,869	$ 117	$ 45	7	$ 2,487	$ 75	$ 62

(1) Rating is the lower of S&P or Moody's ratings.

(2) Only OTC derivatives with a net positive fair value are included for each counterparty.

Market risk is the risk that the Company will incur losses due to adverse changes in market rates and prices. Market risk exists for all of the derivative financial instruments the Company currently holds, as these instruments may become less valuable due to adverse changes in market conditions. To limit this risk, the Company's senior management has established risk control limits. In addition, changes in fair value of the derivative financial instruments that the Company uses for risk management purposes are generally offset by the change in the fair value or cash flows of the hedged risk component of the related assets, liabilities or forecasted transactions.

Certain of the Company's derivative instruments contain credit-risk-contingent termination events, cross-default provisions and credit support annex agreements. Credit-risk-contingent termination events allow the counterparties to terminate the derivative on certain dates if ALIC's or Allstate Life Insurance Company of New York's ("ALNY") financial strength credit ratings by Moody's or S&P fall below a certain level or in the event ALIC or ALNY are no longer rated by both Moody's and S&P. Credit-risk-contingent cross-default provisions allow the counterparties to terminate the derivative instruments if the Company defaults by pre-determined threshold amounts on certain debt instruments. Credit-risk-contingent credit support annex agreements specify the amount of collateral the Company must post to counterparties based on ALIC's or ALNY's financial strength credit ratings by Moody's or S&P, or in the event ALIC or ALNY are no longer rated by both Moody's and S&P.

The following summarizes the fair value of derivative instruments with termination, cross-default or collateral credit-risk-contingent features that are in a liability position, as well as the fair value of assets and collateral that are netted against the liability in accordance with provisions within legally enforceable MNAs.

($ in millions)	**June 30, 2011**	**December 31, 2010**
Gross liability fair value of contracts containing credit-risk-contingent features	$ 125	$ 368
Gross asset fair value of contracts containing credit-risk-contingent features and subject to MNAs	(80)	(212)
Collateral posted under MNAs for contracts containing credit-risk-contingent features	(40)	(147)
Maximum amount of additional exposure for contracts with credit-risk-contingent features if all features were triggered concurrently	$ 5	$ 9

Credit derivatives - selling protection

Free-standing credit default swaps ("CDS") are utilized for selling credit protection against a specified credit event. A credit default swap is a derivative instrument, representing an agreement between two parties to exchange the credit risk of a specified entity (or a group of entities), or an index based on the credit risk of a group of entities (all commonly referred to as the "reference entity" or a portfolio of "reference entities"), in return for a periodic premium. In selling protection, CDS are used to replicate fixed income securities and to complement the cash market when credit exposure to certain issuers is not available or when the derivative alternative is less expensive than the cash market alternative. CDS typically have a five-year term.

The following table shows the CDS notional amounts by credit rating and fair value of protection sold as of June 30, 2011:

($ in millions)	**Notional amount**					
	AA	**A**	**BBB**	**BB and lower**	**Total**	**Fair value**
Single name						
Investment grade corporate debt	$ 40	$ 55	$ 10	$ 10	$ 115	$ 1
High yield debt	--	--	--	2	2	--
Municipal	25	--	--	--	25	(3)
Subtotal	65	55	10	12	142	(2)
Baskets						
Tranche						
Investment grade corporate debt	--	--	--	65	65	(18)
First-to-default						
Municipal	--	100	--	--	100	(28)
Subtotal	--	100	--	65	165	(46)
Total	$ 65	$ 155	$ 10	$ 77	$ 307	$ (48)

The following table shows the CDS notional amounts by credit rating and fair value of protection sold as of December 31, 2010:

($ in millions)	**Notional amount**					
	AA	**A**	**BBB**	**BB and lower**	**Total**	**Fair value**
Single name						
Investment grade corporate debt	$ 40	$ 55	$ 10	$ 10	$ 115	$ (1)
High yield debt	--	--	--	4	4	--
Municipal	25	--	--	--	25	(6)
Subtotal	65	55	10	14	144	(7)
Baskets						
Tranche						
Investment grade corporate debt	--	--	--	65	65	(19)
First-to-default						
Municipal	--	100	--	--	100	(37)
Subtotal	--	100	--	65	165	(56)
Total	$ 65	$ 155	$ 10	$ 79	$ 309	$ (63)

In selling protection with CDS, the Company sells credit protection on an identified single name, a basket of names in a first-to-default ("FTD") structure or a specific tranche of a basket, or credit derivative index ("CDX") that is generally investment grade, and in return receives periodic premiums through expiration or termination of the agreement. With single name CDS, this premium or credit spread generally corresponds to the difference between the yield on the reference entity's public fixed maturity cash instruments and swap rates at the time the agreement is executed. With a FTD basket or a tranche of a basket, because of the additional credit risk inherent in a basket of named reference entities, the premium generally corresponds to a high proportion of the sum of the credit spreads of the names in the basket and the correlation between the names. CDX index is utilized to take a position on multiple (generally 125) reference entities. Credit events are typically defined as bankruptcy, failure to pay, or restructuring, depending on the nature of the reference entities. If a credit event occurs, the Company settles with the counterparty, either through physical settlement or cash settlement. In a physical settlement, a reference asset is delivered by the buyer of protection to the Company, in exchange for cash payment at par, whereas in a cash settlement, the Company pays the difference between par and the prescribed value of the reference asset. When a credit event occurs in a single name or FTD basket (for FTD, the first credit event occurring for any one name in the basket), the contract terminates at the time of settlement. When a credit event occurs in a tranche of a basket, there is no immediate impact to the Company until cumulative losses in the basket exceed the contractual subordination. To date, realized losses have not exceeded the subordination. For CDX index, the reference entity's name incurring the credit event is removed from the index while the contract continues until expiration. The maximum payout on a CDS is the contract notional amount. A physical settlement may afford the Company with recovery rights as the new owner of the asset.

The Company monitors risk associated with credit derivatives through individual name credit limits at both a credit derivative and a combined cash instrument/credit derivative level. The ratings of individual names for which protection has been sold are also monitored.

In addition to the CDS described above, the Company's synthetic collateralized debt obligations contain embedded credit default swaps which sell protection on a basket of reference entities. The synthetic collateralized debt obligations are fully funded; therefore, the Company is not obligated to contribute additional funds when credit events occur related to the reference entities named in the embedded credit default swaps. The Company's maximum amount at risk equals the amount of its aggregate initial investment in the synthetic collateralized debt obligations.

7. Reinsurance

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

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Direct	$ 542	$ 566	$ 1,115	$ 1,117
Assumed				
Affiliate	28	26	56	53
Non-affiliate	5	6	10	11
Ceded--non-affiliate	(179)	(196)	(367)	(380)
Premiums and contract charges, net of reinsurance	$ 396	$ 402	$ 814	$ 801

The effects of reinsurance on contract benefits are as follows:

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Direct	$ 379	$ 590	$ 815	$ 1,058
Assumed				
Affiliate	18	18	38	35
Non-affiliate	4	8	8	12
Ceded--non-affiliate	(51)	(210)	(129)	(335)
Contract benefits, net of reinsurance	$ 350	$ 406	$ 732	$ 770

The effects of reinsurance on interest credited to contractholder funds are as follows:

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Direct	$ 408	$ 441	$ 818	$ 895
Assumed				
Affiliate	2	3	5	5
Non-affiliate	3	4	6	7
Ceded--non-affiliate	(6)	(9)	(14)	(16)
Interest credited to contractholder funds, net of reinsurance	$ 407	$ 439	$ 815	$ 891

8. Guarantees and Contingent Liabilities

Guaranty funds

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency and the amount of the loss is reasonably estimable. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation.

The New York Liquidation Bureau (the "Bureau") has publicly reported that Executive Life Insurance Company of New York ("Executive Life") is currently under its jurisdiction as part of a 1992 court-ordered rehabilitation plan. At this time, Executive Life continues to fully pay claims when due. An Order from the New York Supreme Court mandates that the Bureau, Life Insurance Corporation of New York ("LICNY") and other interested parties provide a proposed plan of liquidation by August 10, 2011; otherwise, the Superintendent of the New York State Insurance Department will be required to do so by

September 15, 2011. A public hearing on the proposed plan of liquidation is now scheduled for January 4, 2012. The current publicly available estimated shortfall from the Bureau is $1.27 billion.

If Executive Life were to be declared insolvent in the future, it is reasonably possible that the Company will have exposure to future guaranty fund assessments. The Company's exposure will ultimately depend on the level of guaranty fund system participation. New York law currently contains an aggregate limit on guaranty funds under LICNY of $500 million, of which approximately $40 million has been used. Under current law, the Company may be allowed to recoup a portion of the amount of any additional guaranty fund assessment in periods subsequent to the recognition of the assessment by offsetting future premium taxes. The Company's three-year average market share for New York as of December 31, 2009, based on assessable premiums, was approximately 2.2%.

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 reference entities. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these fixed income securities, as measured by the amount of the aggregate initial investment, was $67 million as of June 30, 2011. The obligations associated with these fixed income securities expire at various dates on or before March 11, 2018.

Related to the disposal through reinsurance of substantially all of the Company's variable annuity business to Prudential in 2006, the Company and the Corporation have agreed to indemnify Prudential for certain pre-closing contingent liabilities (including extra-contractual liabilities of the Company and liabilities specifically excluded from the transaction) that the Company has agreed to retain. In addition, the Company and the Corporation will each indemnify Prudential for certain post-closing liabilities that may arise from the acts of the Company and its agents, including in connection with the Company's provision of transition services. The reinsurance agreements contain no limitations or indemnifications with regard to insurance risk transfer, and transferred all of the future risks and responsibilities for performance on the underlying variable annuity contracts to Prudential, including those related to benefit guarantees. Management does not believe this agreement will have a material adverse effect on results of operations, cash flows or financial position of the Company.

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

The aggregate liability balance related to all guarantees was not material as of June 30, 2011.

Regulation and Compliance

The Company is subject to changing social, economic and regulatory conditions. From time to time, regulatory authorities or legislative bodies seek to impose additional regulations regarding agent and broker compensation, regulate the nature of and amount of investments, and otherwise expand overall regulation of insurance products and the insurance industry. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

The Company is currently being examined by certain states for compliance with unclaimed property laws. It is possible that this examination may result in additional payments of abandoned funds to states and to changes in the Company's practices and procedures for the identification of escheatable funds, which could impact benefit payments and reserves, among other consequences; however, it is not likely to have a material effect on the consolidated financial statements of the Company.

9. Other Comprehensive Income

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

($ in millions)	**Three months ended June 30,**					
	2011			**2010**		
	Pre-tax	**Tax**	**After-tax**	**Pre-tax**	**Tax**	**After-tax**
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 241	$ (84)	$ 157	$ 522	$ (182)	$ 340
Less: reclassification adjustment of realized capital gains and losses	95	(33)	62	(156)	55	(101)
Unrealized net capital gains and losses	146	(51)	95	678	(237)	441
Unrealized foreign currency translation adjustments	3	(1)	2	--	--	--
Other comprehensive income	$ 149	$ (52)	97	$ 678	$ (237)	441
Net income (loss)			137			(127)

Comprehensive income	$ 234	$ 314

	Six months ended June 30,					
	2011			2010		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Unrealized net holding gains and losses arising during the period, net of related offsets	$ 463	$ (162)	$ 301	$ 1,244	$ (436)	$ 808
Less: reclassification adjustment of realized capital gains and losses	124	(43)	81	(247)	86	(161)
Unrealized net capital gains and losses	339	(119)	220	1,491	(522)	969
Unrealized foreign currency translation adjustments	3	(1)	2	--	--	--
Other comprehensive income	$ 342	$ (120)	222	$ 1,491	$ (522)	969
Net income (loss)			224			(145)
Comprehensive income			$ 446			$ 824

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Allstate Life Insurance Company
Northbrook, IL 60062

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 June 30, 2011, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2011 and 2010, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2011 and 2010. These interim financial statements are the responsibility of the Company’s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Allstate Life Insurance Company and subsidiaries as of December 31, 2010, and the related consolidated statements of operations and comprehensive income, shareholder’s equity, and cash flows for the year then ended (not presented herein); and in our report dated March 11, 2011, 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, 2010 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
August 5, 2011

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 2010. We operate as a single segment entity based on the manner in which we use financial information to evaluate business performance and to determine the allocation of resources.

OPERATIONS HIGHLIGHTS

- Net income was $137 million and $224 million in the second quarter and first six months of 2011, respectively, compared to net losses of $127 million and $145 million in the second quarter and first six months of 2010, respectively.
- Premiums and contract charges on underwritten products, including traditional life, interest-sensitive life and accident and health insurance, totaled $373 million in the second quarter 2011, an increase of 3.3% from the prior year period, and $739 million in the first six months of 2011, an increase of 2.6% from the prior year period.

- Net realized capital gains totaled $72 million and $117 million in the second quarter and first six months of 2011, respectively, compared to net realized capital losses of $352 million and $513 million in the second quarter and first six months of 2010, respectively.
- Investments as of June 30, 2011 totaled $57.73 billion, reflecting a decrease in carrying value of $1.71 billion from $59.44 billion as of December 31, 2010. Net investment income decreased 3.9% to $673 million in the second quarter and 5.1% to $1.34 billion in the first six months of 2011 from $700 million and $1.41 billion in the second quarter and first six months of 2010, respectively.
- Contractholder funds as of June 30, 2011 totaled $43.49 billion, reflecting decreases of $2.97 billion from $46.46 billion as of December 31, 2010 and $4.21 billion from $47.70 billion as of June 30, 2010.

OPERATIONS

Summary analysis Summarized financial data is presented in the following table.

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues				
Premiums	$ 145	$ 154	$ 316	$ 307
Contract charges	251	248	498	494
Net investment income	673	700	1,335	1,407
Realized capital gains and losses	72	(352)	117	(513)
Total revenues	1,141	750	2,266	1,695
Costs and expenses				
Contract benefits	(350)	(406)	(732)	(770)
Interest credited to contractholder funds	(407)	(439)	(815)	(891)
Amortization of DAC	(90)	(14)	(214)	(81)
Operating costs and expenses	(79)	(83)	(156)	(169)
Restructuring and related charges	--	1	2	1
Interest expense	(11)	(11)	(22)	(22)
Total costs and expenses	(937)	(952)	(1,937)	(1,932)
Gain on disposition of operations	2	2	4	3
Income tax (expense) benefit	(69)	73	(109)	89
Net income (loss)	$ 137	$ (127)	$ 224	$ (145)
Investments as of June 30			$ 57,729	$ 59,718

Net income in the second quarter of 2011 was $137 million compared to a net loss of $127 million in the same period of 2010. The $264 million improvement was primarily due to net realized capital gains in the current year compared to net realized capital losses in the prior year, lower contract benefits and decreased interest credited to contractholder funds, partially offset by higher amortization of deferred policy acquisition costs ("DAC") and lower net investment income.

Net income in the first six months of 2011 was $224 million compared to a net loss of $145 million in the first six months of 2010. The $369 million improvement was primarily due to net realized capital gains in the current year compared to net realized capital losses in the prior year, decreased interest credited to contractholder funds and lower contract benefits, partially offset by higher amortization of DAC.

Analysis of revenues Total revenues increased 52.1% or $391 million in the second quarter of 2011 and 33.7% or $571 million in the first six months of 2011 compared to the same periods of 2010 due to net realized capital gains in the current year compared to net realized capital losses in the prior year, partially offset by lower net investment income.

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

Contract charges are revenues generated from interest-sensitive and variable life insurance and fixed annuities for which deposits are classified as contractholder funds or separate account liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates.

The following table summarizes premiums and contract charges by product.

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Underwritten products				
Traditional life insurance premiums	$ 105	$ 100	$ 209	$ 202
Accident and health insurance premiums	25	23	49	47
Interest-sensitive life insurance contract charges	243	238	481	471
Subtotal	373	361	739	720
Annuities				
Immediate annuities with life contingencies premiums	15	31	58	58
Other fixed annuity contract charges	8	10	17	23
Subtotal	23	41	75	81

Life and annuity premiums and contract charges [1]	$ 396	$ 402	$ 814	$ 801

[1] Contract charges related to the cost of insurance totaled $159 million and $157 million for the second quarter of 2011 and 2010, respectively, and $319 million and $310 million in the first six months of 2011 and 2010, respectively.

Total premiums and contract charges decreased 1.5% in the second quarter of 2011 compared to the same period of 2010 primarily due to lower sales of immediate annuities with life contingencies, partially offset by lower reinsurance premiums on traditional life insurance and higher contract charges on interest-sensitive life insurance products resulting from the aging of our policyholders and a shift in the mix of policies in force to contracts with higher cost of insurance rates. Sales of immediate annuities with life contingencies fluctuate with changes in our pricing competitiveness relative to other insurers. Total premiums and contract charges increased 1.6% in the first six months of 2011 compared to the same period of 2010 primarily due to lower reinsurance premiums on traditional life insurance and higher contract charges on interest-sensitive life insurance products.

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

($ in millions)	**Three months ended June 30,**		**Six months ended June 30,**	
	2011	**2010**	**2011**	**2010**
Contractholder funds, beginning balance	$ 45,148	$ 49,281	$ 46,458	$ 50,850
Deposits				
Fixed annuities	142	236	306	527
Interest-sensitive life insurance	292	369	600	743
Total deposits	434	605	906	1,270
Interest credited	404	438	804	889
Maturities, benefits, withdrawals and other adjustments				
Maturities and retirements of institutional products	(306)	(827)	(793)	(1,781)
Benefits	(366)	(390)	(736)	(781)
Surrenders and partial withdrawals	(1,509)	(1,109)	(2,524)	(2,103)
Contract charges	(239)	(228)	(474)	(454)
Net transfers from separate accounts	3	3	6	5
Fair value hedge adjustments for institutional products	--	(74)	(34)	(197)
Other adjustments [1]	(77)	(2)	(121)	(1)
Total maturities, benefits, withdrawals and other adjustments	(2,494)	(2,627)	(4,676)	(5,312)
Contractholder funds, ending balance	$ 43,492	$ 47,697	$ 43,492	$ 47,697

[1] The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the Condensed Consolidated Statements of Financial Position. The table above is intended to supplement our discussion and analysis of revenues, which are presented net of reinsurance on the Condensed Consolidated Statements of Operations. As a result, the net change in contractholder funds associated with products reinsured to third parties is reflected as a component of the other adjustments line.

Contractholder funds decreased 3.7% and 6.4% in the second quarter and first six months of 2011, respectively, compared to decreases of 3.2% and 6.2% in the second quarter and first six months of 2010, respectively, reflecting our continuing strategy to reduce our concentration in spread-based products. Average contractholder funds decreased 8.6% and 8.7% in the second quarter and first six months of 2011, respectively, compared to the same periods of 2010.

Contractholder deposits decreased 28.3% and 28.7% in the second quarter and first six months of 2011, respectively, compared to the same periods of 2010 primarily due to lower deposits on fixed annuities.

Maturities and retirements of institutional products decreased 63.0% to $306 million in the second quarter of 2011 and 55.5% to $793 million in the first six months of 2011 from $827 million and $1.78 billion in the same periods of 2010, reflecting the continuing decline in these obligations over the past three years.

Surrenders and partial withdrawals on deferred fixed annuities and interest-sensitive life insurance products increased 36.1% to $1.51 billion in the second quarter of 2011 and 20.0% to $2.52 billion in the first six months of 2011 from $1.11 billion and $2.10 billion in the second quarter and first six months of 2010, respectively, primarily due to higher surrenders and partial withdrawals on fixed annuities, partially offset by lower surrenders and partial withdrawals on interest-sensitive life insurance products. The increase for fixed annuities resulted from an increased number of contracts reaching the 30-45 day period (typically at their 5 or 6 year anniversary) during which there is no surrender charge as well as crediting rate actions taken by management. The annualized surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of year contractholder funds, was 13.1% in the first six months of 2011 compared to 10.3% in the first six months of 2010.

Analysis of costs and expenses Total costs and expenses decreased 1.6% or $15 million in the second quarter of 2011 compared to the same period of 2010 primarily due to lower contract benefits and interest credited to contractholder funds, partially offset by higher amortization of DAC. Total costs and expenses increased 0.3% or $5 million in the first six months of 2011 compared to the same period of 2010 due to higher amortization of DAC, partially offset by lower interest credited to contractholder funds and contract benefits.

Contract benefits decreased 13.8% or $56 million in the second quarter of 2011 and 4.9% or $38 million in the first six months of 2011 compared to the same periods of 2010 primarily due to reserve reestimations recorded in second quarter 2010 that did not recur in 2011.

The reserve reestimations in the second quarter of 2010 utilized more refined policy level information and assumptions. The increase in reserves for certain secondary guarantees on universal life insurance policies resulted in a charge to contract benefits of $68 million and a related reduction in amortization of DAC of $50 million. The decrease in reserves for immediate annuities resulted in a credit to contract benefits of $26 million. The net impact was an increase to income of $8 million, pre-tax.

We analyze our mortality and morbidity results using the difference between premiums and contract charges earned for the cost of insurance and contract benefits excluding the portion related to the implied interest on immediate annuities with life contingencies ("benefit spread"). This implied interest totaled $135 million and $270 million in the second quarter and first six months of 2011, respectively, compared to $139 million and $278 million in the second quarter and first six months of 2010, respectively.

The benefit spread by product group is disclosed in the following table.

($ in millions)	**Three months ended June 30, 2011**	**Three months ended June 30, 2010**	**Six months ended June 30, 2011**	**Six months ended June 30, 2010**
Life insurance	$ 94	$ 21	$ 184	$ 104
Accident and health insurance	3	7	9	15
Annuities	(8)	16	(20)	6
Total benefit spread	$ 89	$ 44	$ 173	$ 125

Benefit spread increased 102.3% or $45 million in the second quarter of 2011 and 38.4% or $48 million in the first six months of 2011 compared to the same periods of 2010. The increase in both periods was primarily due to reestimations of reserves that increased contract benefits for interest-sensitive life insurance and decreased contract benefits for immediate annuities with life contingencies in 2010.

Interest credited to contractholder funds decreased 7.3% or $32 million in the second quarter of 2011 and 8.5% or $76 million in the first six months of 2011 compared to the same periods of 2010 primarily due to lower average contractholder funds and lower interest crediting rates on deferred fixed annuities, interest-sensitive life insurance and immediate fixed annuities. Additionally, valuation changes on derivatives embedded in equity-indexed annuity contracts that are not hedged increased interest credited to contractholder funds by $4 million in the second quarter of 2011 and decreased interest credited to contractholder funds by $8 million in the first six months of 2011.

Amortization of deferred sales inducement costs in the second quarter and first six months of 2011 was $5 million and $15 million, respectively, compared to $6 million and $11 million in the second quarter and first six months of 2010, respectively.

In order to analyze the impact of net investment income and interest credited to contractholders on net income, we monitor the difference between net investment income and the sum of interest credited to contractholder funds and the implied interest on immediate annuities with life contingencies, which is included as a component of contract benefits on the Condensed Consolidated Statements of Operations ("investment spread").

The investment spread by product group is shown in the following table.

($ in millions)	**Three months ended June 30, 2011**	**Three months ended June 30, 2010**	**Six months ended June 30, 2011**	**Six months ended June 30, 2010**
Annuities and institutional products	$ 51	$ 54	$ 99	$ 104
Life insurance	15	7	28	14
Accident and health insurance	3	2	5	4
Net investment income on investments supporting capital	62	59	118	116
Total investment spread	$ 131	$ 122	$ 250	$ 238

Investment spread increased 7.4% or $9 million in the second quarter of 2011 and 5.0% or $12 million in the first six months of 2011 compared to the same periods of 2010 as actions to improve investment portfolio yields and lower crediting rates more than offset the effect of the continuing decline in our spread-based business in force. Changes in our derivatives program results in 2011 as compared to 2010 also impacted the change in investment spread.

To further analyze investment spreads, the following table summarizes the weighted average investment yield on assets supporting product liabilities and capital, interest crediting rates and investment spreads.

	Three months ended June 30,					
	Weighted average investment yield		**Weighted average interest crediting rate**		**Weighted average investment spreads**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Interest-sensitive life insurance	5.4 %	5.4 %	4.2 %	4.5 %	1.2 %	0.9 %
Deferred fixed annuities and institutional products	4.6	4.5	3.3	3.2	1.3	1.3
Immediate fixed annuities with and without life contingencies	6.4	6.5	6.3	6.4	0.1	0.1
Investments supporting capital, traditional life and	4.0	3.8	n/a	n/a	n/a	n/a

other products

	Six months ended June 30,					
	Weighted average investment yield		Weighted average interest crediting rate		Weighted average investment spreads	
	2011	2010	2011	2010	2011	2010
Interest-sensitive life insurance	5.4 %	5.5 %	4.2 %	4.5 %	1.2 %	1.0 %
Deferred fixed annuities and institutional products	4.6	4.4	3.3	3.3	1.3	1.1
Immediate fixed annuities with and without life contingencies	6.3	6.5	6.3	6.4	--	0.1
Investments supporting capital, traditional life and other products	3.9	3.8	n/a	n/a	n/a	n/a

The following table summarizes our product liabilities and indicates the account value of those contracts and policies in which an investment spread is generated.

($ in millions)	June 30,	
	2011	2010
Immediate fixed annuities with life contingencies	$ 8,763	$ 8,567
Other life contingent contracts and other	4,277	4,218
Reserve for life-contingent contract benefits	$ 13,040	$ 12,785
Interest-sensitive life insurance	$ 10,097	$ 9,902
Deferred fixed annuities	27,234	30,680
Immediate fixed annuities without life contingencies	3,779	3,838
Institutional products	1,915	2,650
Market value adjustments related to fair value hedges and other	467	627
Contractholder funds	$ 43,492	$ 47,697

Amortization of DAC increased $76 million in the second quarter of 2011 and $133 million in the first six months of 2011 compared to the same periods of 2010. The components of amortization of DAC are summarized in the following table.

($ in millions)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Amortization of DAC before amortization relating to realized capital gains and losses and valuation changes on embedded derivatives that are not hedged and changes in assumptions	$ (83)	$ (19)	$ (159)	$ (96)
(Amortization) accretion relating to realized capital gains and losses [(1)] and valuation changes on embedded derivatives that are not hedged	(7)	5	(42)	2
Amortization (acceleration) deceleration for changes in assumptions ("DAC unlocking")	--	--	(13)	13
Total amortization of DAC	$ (90)	$ (14)	$ (214)	$ (81)

[(1)] The impact of realized capital gains and losses on amortization of DAC is dependent upon the relationship between the assets that give rise to the gain or loss and the product liability supported by the assets. Fluctuations result from changes in the impact of realized capital gains and losses on actual and expected gross profits.

The increase of $76 million and $133 million in the second quarter and first six months of 2011, respectively, compared to the same periods of 2010 were primarily due to lower amortization in the second quarter of 2010 resulting from decreased benefit spread on interest-sensitive life insurance due to the reestimation of reserves, increased amortization relating to realized capital gains and losses and, for the first six months of 2011, an unfavorable change in amortization acceleration/deceleration for changes in assumptions. DAC amortization relating to realized capital gains and losses primarily resulted from realized capital gains on sales of fixed income securities in 2011.

During the first quarter of 2011, we completed our annual comprehensive review of the profitability of our products to determine DAC balances for our interest-sensitive life, fixed annuities and other investment contracts which covers assumptions for investment returns, including capital gains and losses, interest crediting rates to policyholders, the effect of any hedges, persistency, mortality and expenses in all product lines. The review resulted in an acceleration of DAC amortization (charge to income) of $13 million in the first quarter of 2011. Amortization acceleration of $19 million related to interest-sensitive life insurance and was primarily due to an increase in projected expenses. Amortization deceleration of $6 million related to fixed annuities and was primarily due to an increase in projected investment margins on equity-indexed annuities.

In the first quarter of 2010, the review resulted in a deceleration of DAC amortization (credit to income) of $13 million. Amortization deceleration of $45 million related to variable life insurance and was primarily due to appreciation in the underlying separate account valuations. Amortization acceleration of $31 million related to interest-sensitive life insurance and was primarily due to an increase in projected realized capital losses and lower projected renewal premium (which is also expected to reduce persistency), partially offset by lower expenses.

Operating costs and expenses decreased 4.8% and 7.7% in the second quarter and first six months of 2011, respectively, compared to the same periods of 2010. The following table summarizes operating costs and expenses.

($ in millions)	Three months ended June 30,	Six months ended June 30,

	2011	2010	2011	2010
Non-deferrable acquisition costs	$ 17	$ 20	$ 38	$ 42
Other operating costs and expenses	62	63	118	127
Total operating costs and expenses	$ 79	$ 83	$ 156	$ 169
Restructuring and related charges	$ --	$ (1)	$ (2)	$ (1)

Non-deferrable acquisition costs decreased 15.0% or $3 million and 9.5% or $4 million in the second quarter and first six months of 2011, respectively, compared to the same periods of 2010 primarily due to lower premium tax expenses. Other operating costs and expenses in the second quarter of 2011 were consistent with the second

quarter of 2010 and decreased 7.1% or $9 million in the first six months of 2011, compared to the same period of 2010, primarily due to lower occupancy costs due to consolidation of office buildings and non-recurring offsets to certain administrative costs of $3 million.

Income tax expense of $69 million and $109 million was recognized for the second quarter and first six months of 2011, respectively, compared to an income tax benefit of $73 million and $89 million, respectively, in the same periods of 2010. This change was due to the proportionate change in the income on which the income tax expense was determined.

INVESTMENTS HIGHLIGHTS

- Investments as of June 30, 2011 totaled $57.73 billion, a decrease of 2.9% from $59.44 billion as of December 31, 2010.
- Unrealized net capital gains totaled $1.43 billion as of June 30, 2011, improving from $758 million as of December 31, 2010.
- As of June 30, 2011, the fair value for our below investment grade fixed income securities with gross unrealized losses totaled $2.18 billion compared to $2.01 billion as of December 31, 2010. The gross unrealized losses for these securities totaled $535 million as of June 30, 2011, an improvement of 23.9% from $703 million as of December 31, 2010.
- Net investment income was $673 million in the second quarter of 2011, a decrease of 3.9% from $700 million in the second quarter of 2010, and $1.34 billion in the first six months of 2011, a decrease of 5.1% from $1.41 billion in the first six months of 2010.
- Net realized capital gains were $72 million in the second quarter of 2011 compared to net realized capital losses of $352 million in the second quarter of 2010. Net realized capital gains were $117 million in the first six months of 2011 compared to net realized capital losses of $513 million in the first six months of 2010.

INVESTMENTS

Improved markets in combination with our risk mitigation and return optimization strategies have strengthened our capital position, enabling us to execute yield and return enhancement strategies, while continuing to manage market risks. We modified the maturity profile of our fixed income portfolio through shifts out of longer term fixed rate and shorter term lower yielding securities into intermediate term maturity securities. Additionally, we increased our exposure to below investment grade corporate fixed income securities through a higher targeted allocation and reinvestment of proceeds from the sale of lower rated structured securities.

The composition of the investment portfolio as of June 30, 2011 is presented in the table below.

($ in millions)	Investments	Percent to total
Fixed income securities [1]	$ 46,334	80.3%
Mortgage loans	6,586	11.4
Equity securities [2]	186	0.3
Limited partnership interests [3]	1,448	2.5
Short-term [4]	1,305	2.3
Policy loans	833	1.4
Other	1,037	1.8
Total	$ 57,729	100.0%

[1] Fixed income securities are carried at fair value. Amortized cost basis for these securities was $44.92 billion.
[2] Equity securities are carried at fair value. Cost basis for these securities was $142 million.
[3] We have commitments to invest in additional limited partnership interests totaling $705 million.
[4] Short-term investments are carried at fair value. Amortized cost basis for these investments was $1.31 billion.

Total investments decreased to $57.73 billion as of June 30, 2011, from $59.44 billion as of December 31, 2010, primarily due to net reductions in contractholder obligations of $2.97 billion, partially offset by higher valuations of fixed income securities. Valuations of fixed income securities are typically driven by a combination of changes in relevant risk-free interest rates and credit spreads over the period. Risk-free interest rates are typically defined as the yield on U.S. Treasury securities, whereas credit spread is the additional yield on fixed income

securities above the risk-free rate that market participants require to compensate them for assuming credit, liquidity and/or prepayment risks. The increase in valuation of fixed income securities for the six months ended June 30, 2011 was due to a combination of declining risk-free interest rates and narrowing credit spreads.

Fixed income securities by type are listed in the table below.

($ in millions)	Fair value as of June 30, 2011	Percent to total investments	Fair value as of December 31, 2010	Percent to total investments
U.S. government and agencies	$ 2,245	3.9%	$ 3,494	5.9%
Municipal	4,501	7.8	4,973	8.4
Corporate	29,565	51.2	28,650	48.2
Foreign government	2,077	3.6	2,257	3.8
Residential mortgage-backed securities (“RMBS”)	3,693	6.4	4,355	7.3
Commercial mortgage-backed securities (“CMBS”)	1,886	3.3	1,903	3.2
Asset-backed securities (“ABS”)	2,351	4.1	2,567	4.3
Redeemable preferred stock	16	--	15	--
Total fixed income securities	$ 46,334	80.3%	$ 48,214	81.1%

As of June 30, 2011, 91.6% of the fixed income securities portfolio was rated investment grade, which is defined as a security having a rating of Aaa, Aa, A or Baa from Moody’s, a rating of AAA, AA, A or BBB from Standard & Poor’s (“S&P”), Fitch, Dominion, or Realpoint, a rating of aaa, aa, a or bbb from A.M. Best, or a comparable internal rating if an externally provided rating is not available. All of our fixed income securities are rated by third party credit rating agencies, the National Association of Insurance Commissioners (“NAIC”), and/or internally rated. Our initial investment decisions and ongoing monitoring procedures for fixed income securities are based on a thorough due diligence process which includes, but is not limited to, an assessment of the credit quality, sector, structure, and liquidity risks of each issue.

The following table summarizes the fair value and unrealized net capital gains and losses for fixed income securities by credit rating as of June 30, 2011.

($ in millions)	Aaa		Aa		A	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	$ 2,245	$ 204	$ --	$ --	$ --	$ --
Municipal						
Tax exempt	--	--	28	1	--	--
Taxable	192	5	2,445	81	1,020	(3)
Auction rate securities (“ARS”)	306	(23)	16	(3)	27	(4)
Corporate						
Public	716	23	1,553	83	6,271	346
Privately placed	639	27	1,482	49	3,455	189
Foreign government	1,277	216	151	7	365	34
RMBS						
U.S. government sponsored entities (“U.S. Agency”)	1,957	105	--	--	--	--
Prime residential mortgage-backed securities (“Prime”)	226	5	31	(1)	176	2
Alt-A residential mortgage-backed securities (“Alt-A”)	--	--	36	--	72	(1)
Subprime residential mortgage-backed securities (“Subprime”)	--	--	61	(18)	36	(6)
CMBS	982	39	277	(6)	145	(13)
ABS						
Collateralized debt obligations (“CDO”)	7	--	608	(7)	349	(31)
Consumer and other asset-backed securities (“Consumer and other ABS”)	292	11	145	3	159	1
Redeemable preferred stock	--	--	1	--	--	--
Total fixed income securities	$ 8,839	$ 612	$ 6,834	$ 189	$ 12,075	$ 514

	Baa		Ba or lower		Total	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
U.S. government and agencies	$ --	$ --	$ --	$ --	$ 2,245	$ 204
Municipal						
Tax exempt	11	1	--	--	39	2
Taxable	390	(36)	55	(13)	4,102	34
ARS	11	(1)	--	--	360	(31)
Corporate						
Public	7,258	413	1,210	18	17,008	883
Privately placed	5,937	246	1,044	26	12,557	537
Foreign government	284	24	--	--	2,077	281
RMBS						
U.S. Agency	--	--	--	--	1,957	105
Prime	34	--	231	(4)	698	2
Alt-A	39	--	236	(46)	383	(47)
Subprime	62	(20)	496	(244)	655	(288)
CMBS	314	(59)	168	(61)	1,886	(100)
ABS						
CDO	282	(60)	405	(82)	1,651	(180)
Consumer and other ABS	69	(2)	35	(3)	700	10
Redeemable preferred stock	15	1	--	--	16	1
Total fixed income securities	$ 14,706	$ 507	$ 3,880	$ (409)	$ 46,334	$ 1,413

Municipal bonds, including tax exempt, taxable and ARS securities, totaled $4.50 billion as of June 30, 2011 with an unrealized net capital gain of $5 million. The municipal bond portfolio includes general obligations of state and local issuers, revenue bonds and pre-refunded bonds, which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest.

The following table summarizes by state the fair value, amortized cost and credit rating of our municipal bonds, excluding $34 million of pre-refunded bonds, as of June 30, 2011.

($ in millions) State	State general obligation	Local general obligation	Revenue [1]	Fair value	Amortized cost	Average credit rating [2]
California	$ 63	$ 310	$ 268	$ 641	$ 664	A
Texas	--	259	234	493	485	Aa
New York	17	4	326	347	343	Aa
Delaware	--	--	243	243	257	Aa
Illinois	--	86	125	211	209	Aa
New Jersey	79	22	100	201	200	A
Florida	25	36	117	178	173	Aa
Oregon	--	149	28	177	173	A
Ohio	--	77	82	159	152	Aa
Michigan	33	55	62	150	146	Aa
All others	205	246	1,216	1,667	1,665	A
Total	$ 422	$ 1,244	$ 2,801	$ 4,467	$ 4,467	Aa

(1) The nature of the activities supporting revenue municipals is highly diversified and includes transportation, health care, industrial development, housing, higher education, utilities, recreation/convention centers and other activities.
(2) The municipal bonds are rated by third party credit rating agencies, the NAIC and/or internally rated.

Our practice for acquiring and monitoring municipal bonds is predominantly based on the underlying credit quality of the primary obligor. We currently rely on the primary obligor to pay all contractual cash flows and are not relying on bond insurers for payments. As a result of downgrades in the insurers' credit ratings, the ratings of the insured municipal bonds generally reflect the underlying ratings of the primary obligor. As of June 30, 2011, 99.6% of our insured municipal bond portfolio is rated investment grade. Given the effects of the economic crisis on bond insurers, the value inherent in the insurance has declined. Further, we believe the fair value of our insured municipal bond portfolio substantially reflects the decline in the value of the insurance. We believe that the loss of the benefit of insurance would not result in a material adverse impact on our results of operations, financial position or liquidity.

Corporate bonds, including publicly traded and privately placed, totaled $29.57 billion as of June 30, 2011 with an unrealized net capital gain of $1.42 billion. Privately placed securities primarily consist of corporate issued senior debt securities that are in unregistered form or are directly negotiated with the borrower.

RMBS, *CMBS* and *ABS* are structured securities that are primarily collateralized by residential and commercial real estate loans and other consumer or corporate borrowings. The cash flows from the underlying collateral paid to the securitization trust are generally applied in a pre-determined order and are designed so that each security issued by the trust, typically referred to as a "class", qualifies for a specific original rating. For example, the "senior" portion or "top" of the capital structure, or rating class, which would originally qualify for a rating of Aaa typically has priority in receiving principal repayments on the underlying collateral and retains this priority until the class is paid in full. In a sequential structure, underlying collateral principal repayments are directed to the most senior rated Aaa class in the structure until paid in full, after which principal repayments are directed to the next most senior Aaa class in the structure until it is paid in full. Senior Aaa classes generally share any losses from the underlying collateral on a pro-rata basis after losses are absorbed by classes with lower original ratings. The payment priority and class subordination included in these securities serves as credit enhancement for holders of the senior or top portions of the structures. These securities continue to retain the payment priority features that existed at the origination of the securitization trust. Other forms of credit enhancement may include structural features embedded in the securitization trust, such as overcollateralization, excess spread and bond insurance. The underlying collateral can have fixed interest rates, variable interest rates (such as adjustable rate mortgages ("ARM")) or may contain features of both fixed and variable rate mortgages.

RMBS, including U.S. Agency, Prime, Alt-A and Subprime, totaled $3.69 billion, with 73.9% rated investment grade, as of June 30, 2011. The RMBS portfolio is subject to interest rate risk, but unlike other fixed income

securities, is additionally subject to significant prepayment risk from the underlying residential mortgage loans. The credit risk associated with our RMBS portfolio is partially mitigated due to the fact that 53.0% of the portfolio consists of securities that were issued by or have underlying collateral guaranteed by U.S. government agencies. The unrealized net capital loss of $228 million as of June 30, 2011 was the result of wider credit spreads than at initial purchase on the non-U.S. Agency portion of our RMBS portfolio, largely due to higher risk premiums caused by macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations, which show signs of stabilization or recovery in certain geographic areas but remain under stress in other geographic areas. The following table shows our RMBS portfolio as of June 30, 2011 based upon vintage year of the issuance of the securities.

($ in millions)	U.S. Agency		Prime		Alt-A		Subprime		Total RMBS	
	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)	Fair value	Unrealized gain/(loss)
2010	$ --	$ --	$ 154	$ 1	$ 50	$ --	$ --	$ --	$ 204	$ 1
2009	374	12	43	1	8	--	--	--	425	13
2008	233	11	--	--	--	--	--	--	233	11
2007	71	4	119	4	28	(12)	179	(107)	397	(111)
2006	94	7	88	(2)	89	(11)	133	(64)	404	(70)
2005	312	15	101	(5)	87	(9)	176	(73)	676	(72)
Pre-2005	873	56	193	3	121	(15)	167	(44)	1,354	--
Total	$ 1,957	$ 105	$ 698	$ 2	$ 383	$ (47)	$ 655	$ (288)	$ 3,693	$ (228)

Prime are collateralized by residential mortgage loans issued to prime borrowers. As of June 30, 2011, $563 million of the Prime had fixed rate underlying collateral and $135 million had variable rate underlying collateral.

Alt-A includes securities collateralized by residential mortgage loans issued to borrowers who do not qualify for prime financing terms due to high loan-to-value ratios or limited supporting documentation, but have stronger credit profiles than subprime borrowers. As of June 30, 2011, $316 million of the Alt-A had fixed rate underlying collateral and $67 million had variable rate underlying collateral.

Subprime includes securities collateralized by residential mortgage loans issued to borrowers that cannot qualify for Prime or Alt-A financing terms due in part to weak or limited credit history. It also includes securities that are collateralized by certain second lien mortgages regardless of the borrower's credit history. The Subprime portfolio consisted of $465 million and $190 million of first lien and second lien securities, respectively. As of June 30, 2011, $370 million of the Subprime had fixed rate underlying collateral and $285 million had variable rate underlying collateral.

CMBS totaled $1.89 billion, with 91.1% rated investment grade, as of June 30, 2011. The CMBS portfolio is subject to credit risk, but unlike certain other structured securities, is generally not subject to prepayment risk due to protections within the underlying commercial mortgage loans. Of the CMBS investments, 97.0% are traditional conduit transactions collateralized by commercial mortgage loans, broadly diversified across property types and geographical area. The remainder consists of non-traditional CMBS such as small balance transactions, large loan pools and single borrower transactions.

The following table shows our CMBS portfolio as of June 30, 2011 based upon vintage year of the underlying collateral.

($ in millions)	Fair value	Unrealized gain/(loss)
2007	$ 280	$ (13)
2006	559	(82)
2005	312	(23)
Pre-2005	735	18
Total CMBS	$ 1,886	$ (100)

The unrealized net capital loss of $100 million as of June 30, 2011 on our CMBS portfolio was the result of wider credit spreads than at initial purchase, largely due to the macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations, which show signs of stabilization or recovery in certain geographic areas but remain under stress in other geographic areas. CMBS credit spreads in most rating classes remain wider than at initial purchase, which is particularly evident in our 2005-2007 vintage year CMBS.

ABS, including CDO and Consumer and other ABS, totaled $2.35 billion, with 81.3% rated investment grade, as of June 30, 2011. Credit risk is managed by monitoring the performance of the underlying collateral. Many of the securities in the ABS portfolio have credit enhancement with features such as overcollateralization, subordinated structures, reserve funds, guarantees and/or insurance. The unrealized net capital loss of $170 million as of June 30, 2011 on our ABS portfolio was the result of wider credit spreads than at initial purchase.

CDO totaled $1.65 billion, with 75.5% rated investment grade, as of June 30, 2011. CDO consist primarily of obligations collateralized by high yield and investment grade corporate credits including $1.28 billion of cash flow collateralized loan obligations ("CLO") with unrealized losses of $91 million. The remaining $370 million of securities consisted of synthetic CDO, trust preferred CDO, project finance CDO, market value CDO, collateralized bond obligations and other CLO with unrealized losses of $89 million.

Consumer and other ABS totaled $700 million, with 95.0% rated investment grade, as of June 30, 2011. Consumer and other ABS consists of $297 million of consumer auto and $403 million of other ABS with unrealized gains of $3 million and $7 million, respectively.

Mortgage loans Our mortgage loan portfolio totaled $6.59 billion as of June 30, 2011, compared to $6.55 billion as of December 31, 2010, and primarily comprises loans secured by first mortgages on developed commercial real estate. Key considerations used to manage our exposure include property type and geographic diversification.

We recognized $7 million and $9 million of realized capital losses related to net increases in the valuation allowance on impaired mortgage loans for the three months and six months ended June 30, 2011, respectively, primarily due to the risk associated with refinancing near-term maturities, and decreases in occupancy which resulted in deteriorating debt service coverage and declines in property valuations. While property valuations show signs of stabilization or recovery in many larger, primary markets, valuations in many smaller cities remain under stress.

For further detail on our mortgage loan portfolio, see Note 4 of the condensed consolidated financial statements.

Limited partnership interests consist of investments in private equity/debt funds, real estate funds, hedge funds and tax credit funds. The limited partnership interests portfolio is well diversified across a number of characteristics including fund sponsors, vintage years, strategies, geography (including international), and company/property types. The following table presents information about our limited partnership interests as of June 30, 2011.

($ in millions)	Private equity/debt funds	Real estate funds	Hedge funds	Tax credit funds	Total
Cost method of accounting ("Cost")	$ 559	$ 145	$ --	$ --	$ 704
Equity method of accounting ("EMA")	396	160	2	186	744
Total	$ 955	$ 305	$ 2	$ 186	$ 1,448
Number of sponsors	82	28	1	6	
Number of individual funds	129	52	2	10	
Largest exposure to single fund	$ 37	$ 19	$ 1	$ 30	

Our aggregate limited partnership exposure represented 2.5% and 2.1% of total invested assets as of June 30, 2011 and December 31, 2010, respectively.

The following table shows the results from our limited partnership interests by fund type and accounting classification.

($ in millions)	Three months ended June 30, 2011				2010			
	Cost	EMA	Total income	Impairment write-downs [1]	Cost	EMA	Total income	Impairment write-downs [1]
Private equity/debt funds	$ 11	$ 23	$ 34	$ (1)	$ 4	$ 10	$ 14	$ --
Real estate funds	--	10	10	--	--	(3)	(3)	(5)
Hedge funds	--	--	--	--	--	1	1	--
Tax credit funds	--	(1)	(1)	--	--	--	--	--
Total	$ 11	$ 32	$ 43	$ (1)	$ 4	$ 8	$ 12	$ (5)

	Six months ended June 30, 2011				2010			
	Cost	EMA	Total income	Impairment write-downs [1]	Cost	EMA	Total income	Impairment write-downs [1]
Private equity/debt funds	$ 16	$ 35	$ 51	$ (1)	$ 7	$ 19	$ 26	$ (2)
Real estate funds	--	16	16	--	--	(21)	(21)	(14)
Hedge funds	--	--	--	--	--	6	6	--
Tax credit funds	--	(1)	(1)	--	--	--	--	--
Total	$ 16	$ 50	$ 66	$ (1)	$ 7	$ 4	$ 11	$ (16)

[1] Impairment write-downs related to Cost limited partnerships were $1 million in both the three months and six months ended June 30, 2011, compared to $4 million and $15 million in the three months and six months ended June 30, 2010, respectively. There were no impairment write-downs related to EMA limited partnerships in both the three months and six months ended June 30, 2011, compared to $1 million in both the three months and six months ended June 30, 2010.

Limited partnership interests, excluding impairment write-downs, produced income of $43 million and $66 million in the three months and six months ended June 30, 2011, respectively, compared to $12 million and $11 million in the three months and six months ended June 30, 2010, respectively. Income on EMA limited partnerships is recognized on a delay due to the availability of the related financial statements. The recognition of income on hedge funds is primarily on a one-month delay and the income recognition on private equity/debt funds, real estate funds and tax credit funds are generally on a three-month delay. Income on Cost limited partnerships is recognized only upon receipt of amounts distributed by the partnerships.

Unrealized net capital gains totaled $1.43 billion as of June 30, 2011 compared to unrealized net capital gains of $758 million as of December 31, 2010. The improvement since December 31, 2010 was due to a combination of declining risk-free interest rates and narrowing credit spreads. The following table presents unrealized net capital gains and losses, pre-tax.

($ in millions)	June 30, 2011	March 31, 2011	December 31, 2010
U.S. government and agencies	$ 204	$ 207	$ 236
Municipal	5	(170)	(206)
Corporate	1,420	1,102	1,141
Foreign government	281	266	295
RMBS	(228)	(238)	(319)
CMBS	(100)	(105)	(218)
ABS	(170)	(186)	(201)
Reedemable preferred stock	1	--	--
Fixed income securities [1]	1,413	876	728
Equity securities	44	59	47
EMA limited partnership interests	3	4	--
Derivatives	(31)	(26)	(17)
Unrealized net capital gains and losses, pre-tax	$ 1,429	$ 913	$ 758

[1] Unrealized net capital gains and losses for fixed income securities as of June 30, 2011, March 31, 2011 and December 31, 2010 comprise $(141) million, $(159) million and $(153) million, respectively, related to unrealized net capital losses on fixed income securities with other-than-temporary impairment and $1.55 billion, $1.04 billion and $881 million, respectively, related to other unrealized net capital gains and losses.

The unrealized net capital gains for the fixed income portfolio totaled $1.41 billion and comprised $2.54 billion of gross unrealized gains and $1.13 billion of gross unrealized losses as of June 30, 2011. This is compared to unrealized net capital gains for the fixed income portfolio totaling $728 million, comprised of $2.42 billion of gross unrealized gains and $1.69 billion of gross unrealized losses as of December 31, 2010.

Gross unrealized gains and losses as of June 30, 2011 on fixed income securities by type and sector are provided in the table below.

($ in millions)	Par value [1]	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Fair value	Amortized cost as a percent of par value [2]	Fair value as a percent of par value [2]
Corporate:							
Banking	$ 2,730	$ 2,668	$ 102	$ (85)	$ 2,685	97.7%	98.4%
Utilities	5,659	5,662	434	(42)	6,054	100.1	107.0
Consumer goods (cyclical and non-cyclical)	4,807	4,866	250	(25)	5,091	101.2	105.9

Capital goods	3,286	3,282	229	(19)	3,492	99.9	106.3
Financial services	2,336	2,348	109	(18)	2,439	100.5	104.4
Transportation	1,521	1,535	94	(12)	1,617	100.9	106.3
Basic industry	1,407	1,413	87	(8)	1,492	100.4	106.0
Communications	1,716	1,728	92	(5)	1,815	100.7	105.8
Technology	1,062	1,073	50	(5)	1,118	101.0	105.3
Energy	1,951	1,969	131	(3)	2,097	100.9	107.5
Other	1,688	1,601	69	(5)	1,665	94.8	98.6
Total corporate fixed income portfolio	28,163	28,145	1,647	(227)	29,565	99.9	105.0
U.S. government and agencies	2,595	2,041	206	(2)	2,245	78.7	86.5
Municipal	6,141	4,496	161	(156)	4,501	73.2	73.3
Foreign government	2,176	1,796	285	(4)	2,077	82.5	95.5
RMBS	4,308	3,921	128	(356)	3,693	91.0	85.7
CMBS	2,006	1,986	54	(154)	1,886	99.0	94.0
ABS	2,791	2,521	60	(230)	2,351	90.3	84.2
Redeemable preferred stock	14	15	1	--	16	107.1	114.3
Total fixed income securities	$ 48,194	$ 44,921	$ 2,542	$ (1,129)	$ 46,334	93.2	96.1

(1) Included in par value are zero-coupon securities that are generally purchased at a deep discount to the par value that is received at maturity. These primarily included corporate, U.S. government and agencies, municipal and foreign government zero-coupon securities with par value of $533 million, $1.39 billion, $2.43 billion and $1.16 billion, respectively.

(2) Excluding the impact of zero-coupon securities, the percentage of amortized cost to par value would be 100.4% for corporates, 103.6% for U.S. government and agencies, 99.1% for municipals and 103.8% for foreign governments. Similarly, excluding the impact of zero-coupon securities, the percentage of fair value to par value would be 105.4% for corporates, 108.2% for U.S. government and agencies, 100.8% for municipals and 112.0% for foreign governments.

The banking, utilities, consumer goods, capital goods and financial services sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio as of June 30, 2011. In general, credit spreads remain wider than at initial purchase for most of the securities with gross unrealized losses in these categories.

The unrealized net capital gain for the equity portfolio totaled $44 million and comprised $46 million of gross unrealized gains and $2 million of gross unrealized losses as of June 30, 2011. This is compared to an unrealized net capital gain for the equity portfolio totaling $47 million, comprised of $48 million of gross unrealized gains and $1 million of gross unrealized losses as of December 31, 2010.

We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security that may be other-than-temporarily impaired. The process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost (for fixed income securities) or cost (for equity securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which we may have a concern, are evaluated based on facts and circumstances for inclusion on our watch-list. All investments in an unrealized loss position as of June 30, 2011 were included in our portfolio monitoring process for determining whether declines in value were other than temporary.

The extent and duration of a decline in fair value for fixed income securities have become less indicative of actual credit deterioration with respect to an issue or issuer. While we continue to use declines in fair value and the length of time a security is in an unrealized loss position as indicators of potential credit deterioration, our determination of whether a security's decline in fair value is other than temporary has placed greater emphasis on our analysis of the underlying credit and collateral and related estimates of future cash flows.

The following table summarizes the fair value and gross unrealized losses of fixed income securities by type and investment grade classification as of June 30, 2011.

($ in millions)	Investment grade		Below investment grade		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. government and agencies	$ 83	$ (2)	$ --	$ --	$ 83	$ (2)
Municipal	1,412	(142)	46	(14)	1,458	(156)
Corporate	3,874	(180)	857	(47)	4,731	(227)
Foreign government	82	(4)	--	--	82	(4)
RMBS	391	(49)	732	(307)	1,123	(356)
CMBS	749	(91)	160	(63)	909	(154)
ABS	938	(126)	389	(104)	1,327	(230)
Total	$ 7,529	$ (594)	$ 2,184	$ (535)	$ 9,713	$ (1,129)

We have experienced declines in the fair values of fixed income securities primarily due to wider credit spreads resulting from higher risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations, which show signs of stabilization or recovery in certain geographic areas but remain under stress in other geographic areas. Consistent with their ratings, our portfolio monitoring process indicates that investment grade securities have a low risk of default. Securities rated below investment grade, comprising securities with a rating of Ba, B and Caa or lower, have a higher risk of default.

As of June 30, 2011, 55% of our below investment grade gross unrealized losses were concentrated in RMBS, specifically Alt-A and Subprime. The fair value of these securities totaled $660 million, an increase of 0.3%, compared to $658 million as of December 31, 2010. Gross unrealized losses on these securities totaled $294 million as of June 30, 2011, an improvement of 9.5%, compared to $325 million as of December 31, 2010, due to impairment write-downs, principal collections, sales and improved valuations, partially offset by the downgrade of certain securities to below investment grade. In addition, as of June 30, 2011, the fair value of our below investment grade CMBS with gross unrealized losses totaled $160 million compared to $136 million as of December 31, 2010. As of June 30, 2011, gross unrealized losses for our below investment grade CMBS portfolio totaled $63 million, an improvement of 52.6% from $133 million as of December 31, 2010, due to sales, improved valuations and impairment write-downs, partially offset by the downgrade of certain securities to below investment grade.

Fair values for our structured securities are obtained from third-party valuation service providers and are subject to review as disclosed in our Application of Critical Accounting Estimates. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), when fair value is less than the amortized cost of a security and we have not made the decision to sell the security and it is not more likely than not we will be required to sell the security before recovery of its amortized cost basis, we evaluate if we expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. We calculate the estimated recovery value by discounting our best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compare this to the amortized cost of the security. If we do not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors ("non-credit-related") recognized in other comprehensive income.

The non-credit-related unrealized losses for our structured securities, including our below investment grade Alt-A and Subprime, are heavily influenced by risk factors other than those related to our best estimate of future cash flows. The difference between these securities' original or current effective rates and the yields implied by their fair value indicates that a higher risk premium is included in the valuation of these securities than existed at initial issue or purchase. This risk premium represents the return that a market participant requires as compensation to assume the risk associated with the uncertainties regarding the future performance of the underlying collateral. The risk premium is comprised of: default risk, which reflects the probability of default and the uncertainty related to collection of contractual principal and interest; liquidity risk, which reflects the risk associated with exiting the investment in an illiquid market, both in terms of timeliness and cost; and volatility risk, which reflects the potential valuation volatility during an investor's holding period. Other factors reflected in the risk premium include the costs associated with underwriting, monitoring and holding these types of complex securities. Certain aspects of the default risk are included in the development of our best estimate of future cash flows, as appropriate. Other aspects

of the risk premium are considered to be temporary in nature and are expected to reverse over the remaining lives of the securities as future cash flows are received.

Other-than-temporary impairment assessment for below investment grade Alt-A and Subprime RMBS

As of June 30, 2011, the fair value of our below investment grade Alt-A securities with gross unrealized losses totaled $202 million, an increase of 20.2% compared to $168 million as of December 31, 2010. As of June 30, 2011, gross unrealized losses for our below investment grade Alt-A portfolio totaled $48 million, an increase of 14.3% compared to $42 million as of December 31, 2010, due to the downgrade of certain securities to below investment grade and valuation declines, partially offset by impairment write-downs and principal collections. For our below investment grade Alt-A securities with gross unrealized gains of $3 million, we have recognized cumulative write-downs in earnings totaling $4 million as of June 30, 2011.

As of June 30, 2011, the fair value of our below investment grade Subprime securities with gross unrealized losses totaled $458 million, a decrease of 6.5% compared to $490 million as of December 31, 2010. As of June 30, 2011, gross unrealized losses for our below investment grade Subprime portfolio totaled $246 million, an improvement of 13.1% compared to $283 million as of December 31, 2010, due to impairment write-downs, principal collections, sales and improved valuations, partially offset by downgrade of certain securities to below investment grade. For our below investment grade Subprime with gross unrealized gains totaling $2 million, we have recognized cumulative write-downs in earnings totaling $76 million as of June 30, 2011.

The credit loss evaluation for Alt-A and Subprime securities with gross unrealized losses is performed in two phases. The first phase estimates the future cash flows of the entire securitization trust from which our security was issued. A critical part of this estimate involves forecasting default rates and loss severities of the residential mortgage loans that collateralize the securitization trust. The factors that affect the default rates and loss severities include, but are not limited to, historical collateral performance, collateral type, transaction vintage year, geographic concentrations, borrower credit quality, origination practices of the transaction sponsor, and practices of the mortgage loan servicers. Current loan-to-value ratios of underlying collateral are not consistently available and accordingly they are not a primary factor in our impairment evaluation. While our projections are developed internally and customized to our specific holdings, they are informed by and benchmarked against credit opinions obtained from third parties, such as industry analysts, nationally recognized credit rating agencies and an RMBS loss modeling advisory service. The default rate and loss severity forecasts result in an estimate of trust-level projected additional collateral loss.

We then analyze the actual cumulative collateral losses incurred to date by the securitization trust, our projected additional collateral losses expected to be incurred and the position of the class of securities we own in the securitization trust relative to the trust's other classes to determine whether any of the collateral losses will be applied to our class. If our class has remaining credit enhancement sufficient to withstand the projected additional collateral losses, no collateral losses will be realized by our class and we expect to collect all contractual principal and interest of the security we own. Remaining credit enhancement is measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security we own and (ii) the expected impact of other structural features embedded in the securitization trust beneficial to our class, such as overcollateralization and excess spread.

For securities where there is insufficient remaining credit enhancement for the class of securities we own, a recovery value is calculated based on our best estimate of future cash flows specific to that security. This estimate is based on the contractual principal payments and current interest payments of the securities we own, adjusted for actual cumulative collateral losses incurred to date and the projected additional collateral losses expected to be incurred. This estimate also takes into consideration additional secondary sources of credit support, such as reliable bond insurance. For securities without secondary sources of credit support or for which the secondary sources do not fully offset the actual and projected additional collateral losses applied to them, a credit loss is recorded in earnings to the extent amortized cost exceeds recovery value.

94.6% and 5.4% of the fair value of our below investment grade Alt-A securities with gross unrealized losses were issued with Aaa and Aa original ratings and capital structure classifications, respectively. 75.9%, 21.3% and 2.8% of the fair value of our below investment grade Subprime securities with gross unrealized losses were issued with Aaa, Aa and A original ratings and capital structure classifications, respectively. As described previously, Alt-A and Subprime securities with higher original ratings typically have priority in receiving the principal repayments on the underlying collateral compared to those with lower original ratings. While the projected cash flow

assumptions for our below investment grade Alt-A and Subprime securities with gross unrealized losses have deteriorated since the securities were originated, as reflected by their current credit ratings, these securities continue to retain the payment priority features that existed at the origination of the securitization trust.

The following tables show trust-level, class-level and security-specific detailed information for our below investment grade Alt-A securities with gross unrealized losses, by credit rating.

($ in millions)	June 30, 2011							
	With other-than-temporary impairments recorded in earnings			Without other-than-temporary impairments recorded in earnings				
	B	Caa or lower	Total	Ba	B	Caa or lower	Total	Total
Trust-level								
Actual cumulative collateral losses incurred to date [1]	1.3 %	6.4 %	6.2 %	1.2 %	2.1 %	3.9 %	2.0 %	n/a
Projected additional collateral losses to be incurred [2]	12.3 %	21.3 %	20.9 %	8.8 %	9.0 %	21.9 %	12.0 %	n/a
Class-level								
Average remaining credit enhancement [3]	12.0 %	4.8 %	5.1 %	12.6 %	14.3 %	23.0 %	15.5 %	n/a
Security-specific								
Number of positions	1	17	18	5	4	2	11	29
Par value	$ 9	$ 220	$ 229	$ 41	$ 14	$ 18	$ 73	$ 302
Amortized cost	$ 9	$ 172	$ 181	$ 41	$ 14	$ 14	$ 69	$ 250
Fair value	$ 9	$ 132	$ 141	$ 40	$ 9	$ 12	$ 61	$ 202
Gross unrealized losses								
Total	$ --	$ (40)	$ (40)	$ (1)	$ (5)	$ (2)	$ (8)	$ (48)
12-24 months [4]	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Over 24 months [5]	$ --	$ (40)	$ (40)	$ (1)	$ (4)	$ (1)	$ (6)	$ (46)
Cumulative write-downs recognized [6]	$ --	$ (38)	$ (38)	$ --	$ --	$ --	$ --	$ (38)
Principal payments received during the period [7]								$ 14

	December 31, 2010								
	With other-than-temporary impairments recorded in earnings				Without other-than-temporary impairments recorded in earnings				
	Ba	B	Caa or lower	Total	Ba	B	Caa or lower	Total	Total
Trust-level									
Actual cumulative collateral losses incurred to date [1]	0.5 %	0.7 %	5.9 %	5.7 %	0.1 %	1.2 %	2.5 %	1.8 %	n/a
Projected additional collateral losses to be incurred [2]	9.9 %	22.5 %	20.5 %	20.3 %	4.8 %	11.6 %	14.3 %	11.5 %	n/a
Class-level									
Average remaining credit enhancement [3]	9.9 %	19.0 %	4.6 %	4.9 %	5.3 %	24.0 %	17.6 %	14.0 %	n/a
Security-specific									
Number of positions	1	1	13	15	2	1	2	5	20
Par value	$ 4	$ 3	$ 197	$ 204	$ 16	$ 1	$ 37	$ 54	$ 258
Amortized cost	$ 4	$ 2	$ 154	$ 160	$ 16	$ 1	$ 33	$ 50	$ 210
Fair value	$ 1	$ 1	$ 122	$ 124	$ 13	$ 1	$ 30	$ 44	$ 168
Gross unrealized losses									
Total	$ (3)	$ (1)	$ (32)	$ (36)	$ (3)	$ --	$ (3)	$ (6)	$ (42)
12-24 months [4]	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Over 24 months [5]	$ (3)	$ (1)	$ (32)	$ (36)	$ (3)	$ --	$ (3)	$ (6)	$ (42)
Cumulative write-downs recognized [6]	$ --	$ (1)	$ (33)	$ (34)	$ --	$ --	$ --	$ --	$ (34)
Principal payments received during the period [7]									$ 16

(1) Weighted average actual cumulative collateral losses incurred to date as of period end are based on the actual principal losses incurred as a percentage of the remaining principal amount of the loans in the trust. The weighting calculation is based on the par value of each security. Actual losses on the securities we hold are less than the losses on the underlying collateral as presented in this table. Actual cumulative realized principal losses on the below investment grade Alt-A securities we own, as reported by the trust servicers, were $6 million as of June 30, 2011.

(2) Weighted average projected additional collateral losses to be incurred as of period end are based on our projections of future losses to be incurred by the trust, taking into consideration the actual cumulative collateral losses incurred to date, as a percentage of the remaining principal amount of the loans in the trust. Our projections are developed internally and customized to our specific holdings and are informed by and benchmarked against credit opinions obtained from third parties, such as industry analysts, nationally recognized credit rating agencies and an RMBS loss modeling advisory service. Projected additional collateral losses to be incurred are compared to average remaining credit

enhancement for each security. For securities where the projected additional collateral losses exceed remaining credit enhancement, a recovery value is calculated to determine whether impairment losses should be recorded in earnings. The weighting calculation is based on the par value of each security.

(3) Weighted average remaining credit enhancement as of period end is based on structural subordination and the expected impact of other structural features existing in the securitization trust beneficial to our class and reflects our projection of future principal losses that can occur as a percentage of the remaining principal amount of the loans in the trust before the class of the security we own will incur its first dollar of principal loss. The weighting calculation is based on the par value of each security.

(4) Includes total gross unrealized losses on securities in an unrealized loss position for a period of 12 to 24 consecutive months.

(5) Includes total gross unrealized losses on securities in an unrealized loss position for a period more than 24 consecutive months. As of June 30, 2011, $20 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $4 million of unrealized losses on securities without other-than-temporary impairments recognized in earnings have been greater than or equal to 20% of those securities' amortized cost for a period of more than 24 consecutive months. As of December 31, 2010, $19 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $1 million of unrealized losses on securities without other-than-temporary impairments recognized in earnings have been greater than or equal to 20% of those securities' amortized cost for a period of more than 24 consecutive months.

(6) Includes cumulative write-downs recorded in accordance with GAAP.

(7) Reflects principal payments for the six months ended June 30, 2011 or the year ended December 31, 2010, respectively.

The above tables include information about our below investment grade Alt-A securities with gross unrealized losses as of each period presented. The par value and composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, principal payments, sales, purchases and realized principal losses.

As of June 30, 2011, our below investment grade Alt-A securities with gross unrealized losses and without other-than-temporary impairments recorded in earnings had incurred actual cumulative collateral losses of 2.0%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying default rate of 26.1% and a projected weighted average loss severity of 45.4%, which resulted in projected additional collateral losses of 12.0%. As the average remaining credit enhancement for these securities of 15.5% exceeds the projected additional collateral losses of 12.0%, these securities have not been impaired.

As of June 30, 2011, our below investment grade Alt-A securities with gross unrealized losses and with other-than-temporary impairments recorded in earnings had incurred actual cumulative collateral losses of 6.2%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying default rate of 37.6% and a projected weighted average loss severity of 54.6%, which resulted in projected additional collateral losses of 20.9%. As the average remaining credit enhancement for these securities of 5.1% is insufficient to withstand the projected additional collateral losses, we have recognized cumulative write-downs in earnings on these securities as reflected in the table above using our calculated recovery value at the time of impairment. The current average recovery value of these securities as a percentage of par was 79.6% and exceeded these securities' current average amortized cost as a percentage of par of 78.9%, which demonstrates our conclusion that the nature of the remaining unrealized loss on these securities is temporary and will reverse over time. The comparison indicates that recovery value exceeds amortized cost based on a comprehensive evaluation of financial, economic and capital markets assumptions developed for this reporting period.

We believe the unrealized losses on our Alt-A securities, including those over 24 months, result from the current risk premium on these securities, which should continue to reverse over the securities' remaining lives, as demonstrated by improved valuations primarily in 2010. We expect to receive our estimated share of contractual principal and interest collections used to determine the securities' recovery value. As of June 30, 2011, we do not have the intent to sell and it is not more likely than not we will be required to sell these securities before the recovery of their amortized cost basis. We believe that our valuation and impairment processes are comprehensive, employ the most current views about collateral and securitization trust financial positions, and demonstrate our recorded impairments and that the remaining unrealized losses on these positions are temporary.

The following tables show trust-level, class-level and security-specific detailed information for our below investment grade Subprime securities with gross unrealized losses that are not reliably insured, by credit rating.

($ in millions)	**June 30, 2011**							
	With other-than-temporary impairments recorded in earnings			**Without other-than-temporary impairments recorded in earnings**				
	B	**Caa or lower**	**Total**	**Ba**	**B**	**Caa or lower**	**Total**	**Total**
Trust-level								
Actual cumulative collateral losses incurred to date [1]	15.4 %	17.4 %	17.3 %	3.0 %	6.9 %	8.7 %	6.8 %	n/a
Projected additional collateral losses to be incurred	38.7 %	40.5 %	40.4 %	30.4 %	33.9 %	33.2 %	32.6 %	n/a
Class-level								
Average remaining credit enhancement	23.0 %	17.4 %	17.6 %	46.8 %	49.3 %	41.7 %	45.0 %	n/a
Security-specific								
Number of positions	4	51	55	6	9	24	39	94
Par value	$ 30	$ 561	$ 591	$ 50	$ 53	$ 95	$ 198	$ 789
Amortized cost	$ 24	$ 372	$ 396	$ 50	$ 53	$ 95	$ 198	$ 594
Fair value	$ 17	$ 243	$ 260	$ 37	$ 33	$ 49	$ 119	$ 379
Gross unrealized losses								
Total	$ (7)	$ (129)	$ (136)	$ (13)	$ (20)	$ (46)	$ (79)	$ (215)
12-24 months	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Over 24 months [2]	$ (7)	$ (129)	$ (136)	$ (13)	$ (20)	$ (46)	$ (79)	$ (215)
Cumulative write-downs recognized	$ (6)	$ (183)	$ (189)	$ --	$ --	$ --	$ --	$ (189)
Principal payments received during the period								$ 18

	December 31, 2010							
	With other-than-temporary impairments recorded in earnings			**Without other-than-temporary impairments recorded in earnings**				
	B	**Caa or lower**	**Total**	**Ba**	**B**	**Caa or lower**	**Total**	**Total**
Trust-level								
Actual cumulative collateral losses incurred to date	14.2 %	15.6 %	15.5 %	12.0 %	12.2 %	10.8 %	11.3 %	n/a
Projected additional collateral losses to be incurred	38.9 %	41.2 %	41.1 %	44.7 %	42.1 %	38.8 %	40.6 %	n/a
Class-level								
Average remaining credit enhancement	24.5 %	19.2 %	19.5 %	69.9 %	65.3 %	49.0 %	56.4 %	n/a
Security-specific								
Number of positions	4	55	59	11	7	26	44	103
Par value	$ 32	$ 592	$ 624	$ 55	$ 43	$ 152	$ 250	$ 874
Amortized cost	$ 27	$ 376	$ 403	$ 55	$ 43	$ 152	$ 250	$ 653
Fair value	$ 17	$ 236	$ 253	$ 45	$ 31	$ 97	$ 173	$ 426
Gross unrealized losses								
Total	$ (10)	$ (140)	$ (150)	$ (10)	$ (12)	$ (55)	$ (77)	$ (227)
12-24 months	$ --	$ (1)	$ (1)	$ --	$ --	$ --	$ --	$ (1)
Over 24 months [2]	$ (10)	$ (139)	$ (149)	$ (10)	$ (12)	$ (55)	$ (77)	$ (226)
Cumulative write-downs recognized	$ (5)	$ (209)	$ (214)	$ --	$ --	$ --	$ --	$ (214)
Principal payments received during the period								$ 39

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[1] Actual cumulative realized principal losses on the below investment grade Subprime securities we own, as reported by the trust servicers, were $13 million as of June 30, 2011.

[2] As of June 30, 2011, $102 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $68 million of unrealized losses on securities without other-than-temporary impairments recognized in earnings have been greater than or equal to 20% of those securities' amortized cost for a period of more than 24 consecutive months. As of December 31, 2010, $123 million of unrealized losses on securities with other-than-temporary impairments recognized in earnings and $63 million of unrealized losses on securities without other-than-temporary impairments recognized in earnings have been greater than or equal to 20% of those securities' amortized cost for a period of more than 24 consecutive months.

The above tables include information only about below investment grade Subprime securities with gross unrealized losses that are not reliably insured as of each period presented. As such, the par value and composition of securities included can vary significantly from period to period due to changes in variables such as credit ratings, principal payments, sales, purchases and realized principal losses.

As of June 30, 2011, our Subprime securities that are reliably insured include 9 below investment grade Subprime securities with a total fair value of $79 million and aggregate gross unrealized losses of $31 million, all of which are rated B. These securities are insured by one bond insurer rated B that we estimate has sufficient claims

paying capacity to service its obligations on these securities. The securitization trusts from which our securities were issued are currently receiving contractual payments from the bond insurer and considering the combination of expected future payments from the bond insurer and cash flows available from the underlying collateral, we expect the trust to have adequate cash flows to make all contractual payments due to the class of securities we own. As a result, our security-specific estimates of future cash flows indicate that these securities' estimated recovery values equal or exceed their amortized cost. Accordingly, no other-than-temporary impairments have been recognized on these securities. As of December 31, 2010, our Subprime securities that are reliably insured included 9 below investment grade Subprime securities with a total fair value of $64 million and aggregate gross unrealized losses of $56 million.

As of June 30, 2011, our below investment grade Subprime securities with gross unrealized losses that are not reliably insured and without other-than-temporary impairments recorded in earnings had incurred actual cumulative collateral losses of 6.8%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying default rate of 47.6% and a projected weighted average loss severity of 69.0%, which resulted in projected additional collateral losses of 32.6%. As the average remaining credit enhancement for these securities of 45.0% exceeds the projected additional collateral losses of 32.6%, these securities have not been impaired.

As of June 30, 2011, our below investment grade Subprime securities with gross unrealized losses that are not reliably insured and with other-than-temporary impairments recorded in earnings had incurred actual cumulative collateral losses of 17.3%. Our impairment evaluation forecasts more severe assumptions than the trusts are actually experiencing, including a projected weighted average underlying default rate of 53.0% and a projected weighted average loss severity of 78.3%, which resulted in projected additional collateral losses of 40.4%. As the average remaining credit enhancement for these securities of 17.6% is insufficient to withstand the projected additional collateral losses, we have recognized cumulative write-downs in earnings on the securities as reflected in the table above using our calculated recovery value at the time of impairment. The current average recovery value of these securities as a percentage of par was 69.2% and exceeded these securities' current average amortized cost as a percentage of par of 67.0%, which demonstrates our conclusion that the nature of the remaining unrealized loss on these securities is temporary and will reverse over time. The comparison indicates that recovery value exceeds amortized cost based on a comprehensive evaluation of financial, economic and capital markets assumptions developed for this reporting period.

We believe the unrealized losses on our Subprime securities, including those over 24 months, result from the current risk premium on these securities, which should continue to reverse over the securities' remaining lives, as demonstrated by improved valuations in 2010 and 2011. We expect to receive our estimated share of contractual principal and interest collections used to determine the securities' recovery value. As of June 30, 2011, we do not have the intent to sell and it is not more likely than not we will be required to sell these securities before the recovery of their amortized cost basis. We believe that our valuation and impairment processes are comprehensive, employ the most current views about collateral and securitization trust financial positions, and demonstrate our recorded impairments and that the remaining unrealized losses on these positions are temporary.

Problem, restructured, or potential problem securities

We also monitor the quality of our fixed income and bank loan portfolios by categorizing certain investments as "problem," "restructured" or "potential problem." Problem fixed income securities and bank loans are in default with respect to principal or interest and/or are investments issued by companies that have gone into bankruptcy subsequent to our acquisition or loan. Fixed income and bank loan investments are categorized as restructured when the debtor is experiencing financial difficulty and we grant a concession. Potential problem fixed income or bank loan investments are current with respect to contractual principal and/or interest, but because of other facts and circumstances, we have concerns regarding the borrower's ability to pay future principal and interest according to the original terms, which causes us to believe these investments may be classified as problem or restructured in the future.

The following table summarizes problem, restructured and potential problem fixed income securities and bank loans, which are reported in other investments.

($ in millions)	June 30, 2011					
	Par value [1]	Amortized cost [1]	Amortized cost as a percent of par value	Fair value [2]	Fair value as a percent of par value	Percent of total fixed income and bank loan portfolios
Restructured	$ 68	$ 52	76.5%	$ 57	83.8%	0.1%
Problem	312	95	30.4	86	27.6	0.2
Potential problem	1,658	784	47.3	599	36.1	1.3
Total	$ 2,038	$ 931	45.7	$ 742	36.4	1.6%
Cumulative write-downs recognized [3]		$ 503				

	December 31, 2010					
	Par value [1]	Amortized cost [1]	Amortized cost as a percent of par value	Fair value [2]	Fair value as a percent of par value	Percent of total fixed income and bank loan portfolios
Restructured	$ 68	$ 52	76.5%	$ 55	80.9%	0.1%
Problem	414	92	22.2	77	18.6	0.2
Potential problem	2,468	867	35.1	687	27.8	1.4
Total	$ 2,950	$ 1,011	34.3	$ 819	27.8	1.7%
Cumulative write-downs recognized [3]		$ 659				

(1) The difference between par value and amortized cost of $1.11 billion and $1.94 billion as of June 30, 2011 and December 31, 2010, respectively, is primarily attributable to write-downs and a zero-coupon security.
(2) Bank loans are reflected at amortized cost.
(3) Cumulative write-downs recognized only reflect impairment write-downs related to investments within the problem, potential problem and restructured categories.

As of June 30, 2011, amortized cost for the problem category was $95 million and comprised $60 million of Subprime, $15 million of Alt-A, $7 million of municipal bonds, $6 million of corporates (primarily privately placed), $4 million of CDO, and $3 million of Consumer and other ABS.

As of June 30, 2011, amortized cost for the potential problem category was $784 million and comprised $351 million of Subprime, $185 million of Alt-A, $122 million of Prime, $55 million of CDO, $34 million of corporates (primarily public), $18 million of CMBS, $12 million of municipal bonds, $4 million of bank loans and $3 million of Consumer and other ABS.

Net investment income The following table presents net investment income.

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Fixed income securities	$ 581	$ 629	$ 1,172	$ 1,264
Mortgage loans	85	98	173	199
Equity securities	1	1	2	2
Limited partnership interests	11	4	16	7
Short-term investments	--	1	1	2
Other	20	(5)	23	(13)
Investment income, before expense	698	728	1,387	1,461
Investment expense	(25)	(28)	(52)	(54)
Net investment income	$ 673	$ 700	$ 1,335	$ 1,407

Net investment income decreased 3.9% or $27 million to $673 million in the second quarter of 2011 and 5.1% or $72 million to $1.34 billion in the first six months of 2011 from $700 million and $1.41 billion in the second quarter and first six months of 2010, respectively, primarily due to reduced average investment balances which were partially offset by higher yields. The higher yields in other net investment income are primarily attributable to the first quarter of 2011 termination of interest rate swaps. Net investment income was $683 million, $670 million and $662 million in the third quarter of 2010, fourth quarter of 2010 and first quarter of 2011, respectively.

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

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Impairment write-downs	$ (42)	$ (141)	$ (89)	$ (283)
Change in intent write-downs	(5)	(57)	(47)	(80)
Net other-than-temporary impairment losses recognized in earnings	(47)	(198)	(136)	(363)
Sales	112	17	224	60
Valuation of derivative instruments	(29)	(149)	(31)	(203)
Settlements of derivative instruments	4	(30)	10	(11)
EMA limited partnership income	32	8	50	4
Realized capital gains and losses, pre-tax	72	(352)	117	(513)
Income tax (expense) benefit	(27)	122	(42)	179
Realized capital gains and losses, after-tax	$ 45	$ (230)	$ 75	$ (334)

Impairment write-downs are presented in the following table.

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Fixed income securities	$ (33)	$ (108)	$ (72)	$ (226)
Mortgage loans	(7)	(28)	(9)	(41)
Equity securities	--	--	(5)	--
Limited partnership interests	(1)	(5)	(1)	(16)
Other investments	(1)	--	(2)	--
Impairment write-downs	$ (42)	$ (141)	$ (89)	$ (283)

Impairment write-downs for the three months and six months ended June 30, 2011 were primarily driven by RMBS, which experienced deterioration in expected cash flows, and investments with commercial real estate exposure, including CMBS, mortgage loans and certain real estate related municipal bonds, which were impacted by lower real estate valuations or experienced deterioration in expected cash flows. Impairment write-downs on below investment grade RMBS and CMBS were $19 million and $12 million for the three months ended June 30, 2011, respectively, and $31 million and $33 million for the six months ended June 30, 2011, respectively.

Change in intent write-downs are presented in the following table.

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Fixed income securities	$ (5)	$ (57)	$ (47)	$ (74)
Mortgage loans	--	--	--	(6)
Change in intent write-downs	$ (5)	$ (57)	$ (47)	$ (80)

The change in intent write-downs in the three months and six months ended June 30, 2011 were primarily a result of ongoing comprehensive reviews of our portfolios resulting in write-downs of individually identified investments, primarily lower yielding, floating rate RMBS and municipal bonds.

Sales generated $112 million and $224 million of net realized gains for the three months and six months ended June 30, 2011, respectively. Net realized gains for the three months ended June 30, 2011 primarily related to $116

million of net gains on sales of U.S. government, foreign government and corporate securities and $16 million of net gains on sales of equity securities, partially offset by $29 million of net losses on sales of municipal fixed income securities. Net realized gains for the six months ended June 30, 2011 primarily related to $213 million of net gains on sales of corporate, U.S. government, ABS and foreign government securities and $19 million of net gains on sales of equity securities, partially offset by $26 million of net losses on sales of municipal fixed income securities.

Valuation and settlements of derivative instruments net realized capital losses totaling $25 million for the three months ended June 30, 2011 included $29 million of losses on the valuation of derivative instruments and $4 million of gains on the settlement of derivative instruments. Valuation and settlements of derivative instruments net realized capital losses totaling $21 million for the six months ended June 30, 2011 included $31 million of losses on the valuation of derivative instruments and $10 million of gains on the settlement of derivative instruments. The net realized capital losses on derivative instruments for the three months ended June 30, 2011 primarily included losses on interest rate risk management due to decreases in interest rates. The net realized capital losses on derivative instruments for the six months ended June 30, 2011 primarily included losses on interest rate risk management due to decreases in interest rates and are partially offset by gains on our credit default swaps used for replication due to tightening of credit spreads on referenced credit entities. As a component of our approach to managing interest rate risk, realized gains and losses on certain derivative instruments are most appropriately considered in conjunction with the unrealized gains and losses on the fixed income portfolio. This approach mitigates the impacts of general interest rate changes to our overall financial condition.

CAPITAL RESOURCES AND LIQUIDITY

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

($ in millions)	**June 30, 2011**	**December 31, 2010**
Common stock, retained income and additional capital paid-in	$ 5,331	$ 5,107
Accumulated other comprehensive income	747	525
Total shareholder's equity	6,078	5,632
Notes due to related parties	693	677
Total capital resources	$ 6,771	$ 6,309

Shareholder's equity increased in the first six months of 2011 due to increased unrealized net capital gains on investments and net income.

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, the current level of operating leverage and Allstate Insurance Company's ("AIC's") ratings. There have been no changes to our insurance financial strength ratings from Moody's, S&P and A.M. Best since December 31, 2010.

The Company, AIC and The Allstate Corporation (the "Corporation") are party to the Amended and Restated Intercompany Liquidity Agreement ("Liquidity Agreement") which allows for short-term advances of funds to be made between parties for liquidity and other general corporate purposes. The Liquidity Agreement does not establish a commitment to advance funds on the part of any party. The Company and AIC each serve as a lender and borrower and the Corporation serves only as a lender. The Company also has a capital support agreement with AIC. Under the capital support agreement, AIC is committed to provide capital to the Company to maintain an adequate capital level. The maximum amount of potential funding under each of these agreements is $1.00 billion.

In addition to the Liquidity Agreement, the Company also has an intercompany loan agreement with the Corporation. The amount of intercompany loans available to the Company 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. The Corporation may use commercial paper borrowings, bank lines of credit and repurchase agreements to fund intercompany borrowings.

Liquidity sources and uses We actively manage our financial position and liquidity levels in light of changing market, economic, and business conditions. Liquidity is managed at both the entity and enterprise level across the Company, and is assessed on both base and stressed level liquidity needs. We believe we have sufficient liquidity to

meet these needs. Additionally, we have existing intercompany agreements in place that facilitate liquidity management across the Company to enhance flexibility.

Allstate parent holding company capital capacity The Corporation has at the parent holding company level $3.49 billion of deployable invested assets as of June 30, 2011. These assets include investments that are generally saleable within one quarter totaling $3.02 billion. This provides funds for the parent company's relatively low fixed charges.

The Company has access to additional borrowing to support liquidity through the Corporation as follows:

- A commercial paper facility with a borrowing limit of $1.00 billion to cover short-term cash needs. As of June 30, 2011, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance can fluctuate daily.

- A primary credit facility is available for short-term liquidity requirements and backs the commercial paper facility. The $1.00 billion unsecured revolving credit facility has an initial term of five years expiring in 2012 with two optional one-year extensions that can be exercised at the end of any of the remaining anniversary years of the facility upon approval of existing or replacement lenders providing more than two-thirds of the commitments to lend. The program is fully subscribed among 11 lenders with the largest commitment being $185 million. The commitments of the lenders are several and no lender is responsible for any other lender's commitment if such lender fails to make a loan under the facility. This facility contains an increase provision that would allow up to an additional $500 million of borrowing provided the increased portion could be fully syndicated at a later date among existing or new lenders. This facility has a financial covenant requiring that the Corporation not exceed a 37.5% debt to capital resources ratio as defined in the agreement. This ratio as of June 30, 2011 was 20.0%. Although the right to borrow under the facility is not subject to a minimum rating requirement, the costs of maintaining the facility and borrowing under it are based on the ratings of the Corporation's senior, unsecured, nonguaranteed long-term debt. There were no borrowings under the credit facility during the second quarter and first six months of 2011. The total amount outstanding at any point in time under the combination of the commercial paper program and the credit facility cannot exceed the amount that can be borrowed under the credit facility.
- A universal shelf registration statement was filed by the Corporation with the Securities and Exchange Commission on May 8, 2009. The Corporation can use the current shelf registration to issue an unspecified amount of debt securities, common stock (including 383 million shares of treasury stock as of June 30, 2011), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of trust subsidiaries. The specific terms of any securities the Corporation issues under this registration statement will be provided in the applicable prospectus supplements.

Liquidity Exposure Contractholder funds as of June 30, 2011 were $43.49 billion. The following table summarizes contractholder funds by their contractual withdrawal provisions as of June 30, 2011.

($ in millions)			**Percent to total**
Not subject to discretionary withdrawal	$	5,964	13.7%
Subject to discretionary withdrawal with adjustments:			
Specified surrender charges (1)		17,538	40.3
Market value adjustments (2)		7,045	16.2
Subject to discretionary withdrawal without adjustments (3)		12,945	29.8
Total contractholder funds (4)	$	43,492	100.0%

(1) Includes $8.88 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.
(2) $5.84 billion of the contracts with market value adjusted surrenders have a 30-45 day period at the end of their initial and subsequent interest rate guarantee periods (which are typically 5 or 6 years) during which there is no surrender charge or market value adjustment.
(3) 68% of these contracts have a minimum interest crediting rate guarantee of 3% or higher.
(4) Includes $1.09 billion of contractholder funds on variable annuities reinsured to The Prudential Insurance Company of America, a subsidiary of Prudential Financial, Inc., in 2006.

While we are able to quantify remaining scheduled maturities for our institutional products, anticipating retail product surrenders is less precise. Retail life and annuity products may be surrendered by customers for a variety of

reasons. Reasons unique to individual customers include a current or unexpected need for cash or a change in life insurance coverage needs. Other key factors that may impact the likelihood of customer surrender include the level of the contract surrender charge, the length of time the contract has been in force, distribution channel, market interest rates, equity market conditions and potential tax implications. In addition, the propensity for retail life insurance policies to lapse is lower than it is for fixed annuities because of the need for the insured to be re-underwritten upon policy replacement. Surrenders and partial withdrawals for our retail annuities increased 42.6% and 23.7% in the second quarter and first six months of 2011, respectively, compared to the same periods of 2010. The annualized surrender and partial withdrawal rate on deferred annuities and interest-sensitive life insurance, based on the beginning of year contractholder funds, was 13.1% and 10.3% for the first six months of 2011 and 2010, respectively. We strive to promptly pay customers who request cash surrenders, however, statutory regulations generally provide up to six months in most states to fulfill surrender requests.

Our institutional products are primarily funding agreements sold to unaffiliated trusts used to back medium-term notes. As of June 30, 2011, total institutional products outstanding were $1.90 billion. The following table presents the remaining scheduled maturities for our institutional products outstanding as of June 30, 2011.

($ in millions)		
2011	$	25
2012		40
2013		1,750
2016		85
	$	1,900

Our asset-liability management practices limit the differences between the cash flows generated by our investment portfolio and the expected cash flow requirements of our life insurance, annuity and institutional product obligations.

Cash Flows As reflected in our Condensed Consolidated Statements of Cash Flows, lower cash provided by operating cash flows in the first six months of 2011 compared to the first six months of 2010 was primarily due to income tax refunds in the first quarter of 2010.

Higher cash provided by investing activities in the first six months of 2011 compared to the first six months of 2010 were impacted by higher net sales of fixed income securities used to fund reductions in contractholder fund liabilities.

Lower cash used in financing activities in the first six months of 2011 compared to the first six months of 2010 was primarily due to decreased maturities and retirements of institutional products, partially offset by higher surrenders and partial withdrawals on fixed annuities and lower deposits on fixed annuities.

Item 4. Controls and Procedures

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

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended June 30, 2011, 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 Part II, Item 1 is incorporated by reference to the discussion under the heading "Regulation and Compliance" and under the heading "Legal and regulatory proceedings and inquiries" in Note 8 of the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

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, investment results, 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. Risk factors which could cause actual results to differ materially from those suggested by such forward-looking statements include but are not limited to those discussed or identified in this document, in our public filings with the Securities and Exchange Commission, and those incorporated by reference in Part I, Item 1A of the Allstate Life Insurance Company Annual Report on Form 10-K for 2010.

Item 5. Other Information

On August 2, 2011, the Registrant entered into Amendment No. 1 dated and effective as of July 18, 2011 to the Reinsurance Agreement with American Heritage Life Insurance Company ("AHL") effective July 1, 2010. In the underlying Reinsurance Agreement between AHL and the Registrant, the Registrant reinsures 100% of the liabilities of AHL under all individual universal life insurance policies marketed as the "GoodForLife" product. Pursuant to this Amendment No. 1, the Registrant agreed to reinsure additional universal life insurance policies and secondary guarantee coverages issued by AHL.

Also on August 2, 2011, the Registrant entered into Amendment No. 2 dated and effective as of April 1, 2011 to the Reinsurance Agreement with AHL effective December 31, 2004. In the underlying Reinsurance Agreement between AHL and the Registrant, the Registrant reinsures 100% of the liabilities of AHL under certain single premium deferred annuities, except for certain excluded liabilities. Effective January 1, 2008, this Reinsurance Agreement was amended to provide that Registrant reinsures all individual disability insurance issued by AHL. Pursuant to this Amendment No. 2, the Registrant agreed to reinsure certain group disability insurance issued by AHL.

The Registrant is a direct wholly owned subsidiary of Allstate Insurance Company, a direct wholly owned subsidiary of The Allstate Corporation. AHL is a direct wholly owned subsidiary of American Heritage Life Investment Corporation, a direct wholly owned subsidiary of The Allstate Corporation.

Item 6. Exhibits

(a) Exhibits

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

SIGNATURE

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

Allstate Life Insurance Company
(Registrant)

August 5, 2011

By /s/ Samuel H. Pilch
Samuel H. Pilch
(chief accounting officer and duly

authorized officer of Registrant)

Exhibit No.	Description
10.1	Asset Purchase Agreement between American Heritage Life Insurance Company and Road Bay Investments, LLC dated as of June 17, 2011.
10.2	Pledge and Security Agreement between Road Bay Investments, LLC and American Heritage Life Insurance Company dated as of June 17, 2011.
10.3	Amendment No. 1 dated and [effective] as of July 18, 2011 to Reinsurance Agreement effective July 1, 2010 between Allstate Life Insurance Company and American Heritage Life Insurance Company.
10.4	Amendment No. 2 dated and [effective] as of April 1, 2011 to Reinsurance Agreement between Allstate Life Insurance Company and American Heritage Life Insurance Company effective December 31, 2004.
15	Acknowledgment of awareness from Deloitte & Touche LLP, dated August 5, 2011, concerning unaudited interim financial information.
31(i)	Rule 13a-14(a) Certification of Principal Executive Officer
31(i)	Rule 13a-14(a) Certification of Principal Financial Officer
32	Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Exhibit 10.1

ASSET PURCHASE AGREEMENT

Between

AMERICAN HERITAGE LIFE INSURANCE COMPANY,
as Seller

and

ROAD BAY INVESTMENTS, LLC,
as Purchaser

Dated as of June 17, 2011

TABLE OF CONTENTS

SCHEDULES AND EXHIBITS

This ASSET PURCHASE AGREEMENT, dated as of June 17, 2011, is made by and between American Heritage Life Insurance Company, a life insurance company domiciled in Florida (together with its successors and assigns, the "Seller"), and Road Bay Investments, LLC, a limited liability company organized under the laws of the State of Delaware (together with its successors and assigns, the "Purchaser").

RECITALS

WHEREAS, the Seller desires to sell to the Purchaser on the date hereof and from time to time hereafter on or before December 31, 2011, and the Purchaser desires to purchase from the Seller, commercial mortgage loans, participations in commercial mortgage loans, bonds, or real estate acquired by Seller in connection with such loans with an aggregate fair value not in excess of $25,000,000 (the "Assets"); and

WHEREAS, as consideration for the sale of the Assets, the Seller shall receive one or more notes (the "Notes") from the Purchaser with an aggregate principal amount equal to the fair value of the Assets;

NOW, THEREFORE, for full and fair consideration, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. The following capitalized terms shall have the following meanings:

"Agreement" means this Asset Purchase Agreement, as the same may from time to time be amended, supplemented, or otherwise modified in accordance with the terms hereof.

"Assets" has the meaning specified in the first WHEREAS clause in the recitals hereof.

"Business Day" means any day other than a Saturday or a Sunday or any day on which banking institutions in Chicago, Illinois, are authorized or obligated by law, regulation, or executive order to be closed.

"Debt" means, without duplication, the Purchaser's liabilities for borrowed money; liabilities for the deferred purchase price of property (excluding accounts payable arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property); capital lease obligations; all liabilities for borrowed money secured by any lien with respect to any property owned by the Purchaser (whether or not it has assumed or otherwise become liable for such liabilities); and any guaranty by the Purchaser with respect to such liabilities or obligations of another person or entity.

"Event of Default" has the meaning specified in Section 6.01 hereof.

"Fair Value" with respect to any Asset means the fair value of such Asset on the date of purchase and sale under this Agreement determined in accordance with statutory accounting principles as set forth in the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual as then in effect.

"Holder" means, with respect to any Note, the Person in whose name such Note is registered in the Note Register.

"Initial Assets" has the meaning specified in Section 2.01 hereof.

"Interest Payment Date" means each April 1 and October 1, commencing October 1, 2011, provided that if such day is not a Business Day, the next succeeding Business Day.

"Interest Period" means, with respect to any Note, (a) in the case of the initial interest period with respect to such Note, the period from, and including, the date such Note was issued to the Seller to, but excluding, the immediately following Payment Date, (b) thereafter, the period from, and including, the preceding Payment Date to, but excluding, the next succeeding Payment Date, and (c) in the case of the final interest period with respect to such Note, the period from, and including, the preceding Payment Date to, but excluding, the Maturity Date.

"Interest Rate" means, with respect to each Note, the rate set forth in such note.

"Maturity Date" means, with respect to a Note, the date on which all outstanding unpaid principal on such Note becomes due and payable, whether at the Stated Maturity Date or by acceleration pursuant to Section 6.02.

"Note Register" has the meaning specified in Section 4.01 hereof.

"Notes" has the meaning specified in the second WHEREAS clause in the recitals hereof.

"Payment Date" means any Interest Payment Date or Maturity Date.

"Person" means an individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"Purchaser" has the meaning specified in the introduction to this Agreement.

"Record Date" means the date on which the Holders of any Note entitled to receive a payment with respect to principal or interest on the next succeeding Payment Date are determined, such date as to any Payment Date being five (5) Business Days prior to such Payment Date.

"Seller" has the meaning specified in the introduction to this Agreement.

"Stated Maturity Date" means, with respect to each Note, the seventh (7th) anniversary of the issuance date of such Note, provided such date is a Business Day.

"Total Assets" means, at any time, the total assets of the Purchaser which would be shown as assets on a balance sheet as of such time prepared in accordance with generally accepted accounting principles as in effect from time to time in the United States of America.

Section 1.02 Other Definitional Provisions.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto.

(b) The words "hereof," "herein," and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section and subsection references

contained in this Agreement are references to Sections or subsections in or to this Agreement unless otherwise specified.

ARTICLE II
PURCHASE AND SALE OF ASSETS

Section 2.01 Purchase and Sale of Assets. Upon the terms and subject to the conditions set forth in this Agreement, and in reliance on the covenants and agreements herein set forth, on the date hereof, the Seller shall sell and the Purchaser shall purchase the Assets listed on Schedule I (the "Initial Assets"). From time to time on or after the date hereof and on or before December 31, 2011, the Seller may, on ten (10) Business Days' notice to the Purchaser, offer to sell to the Purchaser, and the Purchaser may purchase, additional Assets. Notwithstanding the foregoing provisions of this Section 2.01, the aggregate fair value of Assets that may be purchased and sold under this agreement shall not exceed $25,000,000. As security for the performance of the Purchaser's obligations under this Agreement, the parties hereto shall, concurrent with this Agreement, enter into a Pledge and Security Agreement wherein Purchaser grants a pledge of and security interest in the Purchaser's right, title, and interest in the Assets and the other collateral identified therein.

Section 2.02 Delivery and Payment. The Seller shall deliver the Initial Assets to the Purchaser on the date hereof. Against delivery of the Initial Assets or any additional Assets, the Purchaser shall issue to Seller Notes with an aggregate principal amount equal to the aggregate Fair Value of such Assets. Purchaser shall issue a separate Note for the purchase of each Asset.

Section 2.03 Forms of Notes. The Notes shall be issued substantially in the form of the Note attached as Exhibit A hereto and shall be duly executed and delivered by the Purchaser as hereinafter provided.

ARTICLE III
TERMS AND CONDITIONS OF REPAYMENT OF NOTES; MATURITY

Section 3.01 Interest. Each Note shall bear interest during each Interest Period at the Interest Rate set forth in such Note. Interest shall be due and payable on each Interest Payment Date. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Section 3.02 Principal. The principal of each Note shall be due and payable on the Stated Maturity Date.

Section 3.03 Payments by the Purchaser.

(a) On any Payment Date, the Purchaser shall pay in accordance with the terms of this Agreement: (i) all accrued but unpaid interest on the Notes and (ii) any principal payments due with respect to the Notes, if any.

(b) Any interest or principal that has not been paid when due shall accrue interest at a rate per annum equal to the Interest Rate from and including, for each such amount, the Payment Date therefor, up to but excluding the date on which each such amount is actually paid.

(c) All payments required to be made by the Purchaser with respect to this Article III shall be made: (i) by wire transfer of immediately available funds and/or the transfer of marketable securities (valued at their fair market value) not later than

1:00 p.m., Chicago time, and (ii) to the account of the Seller, or to such other account as the Seller may have most recently designated in writing for such purpose by notice to the Purchaser.

(d) The Purchaser and any agent of the Purchaser may treat the Person in whose name any Note is registered on the Note Register as the owner of such Note on the applicable Record Date for the purpose of receiving payments of principal and interest on such Note and on any other date for all other purposes whatsoever (regardless of whether such payment is overdue), and neither the Purchaser nor any agent of the Purchaser shall be affected by notice to the contrary.

Section 3.04 Prepayment. The Purchaser may prepay the Notes, in part or in full, at any time. Upon Purchaser’s disposition of any Asset, or any real estate related to such Asset, Purchaser shall prepay, in full, the Note issued in connection with the purchase of such Asset.

ARTICLE IV
REGISTRATION OF NOTES; TRANSFER AND EXCHANGE

Section 4.01 Note Register. The Purchaser shall keep a register (the “Note Register”) at its office in Northbrook, Illinois, in which it shall provide for the registration of the Notes and the registration of transfers of the Notes. Such Note Register shall be in written form or in any other form capable of being converted into written form within a reasonable time. Upon surrender for registration of transfer of any Note at the office of the Purchaser and in compliance with the restrictions set forth in any legend appearing on any Note, the Purchaser shall execute and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination and of like terms.

Section 4.02 Exchanges and Transfers. At the option of any Holder, any Note may be exchanged for one or more Notes, of any authorized denomination and of like terms, upon surrender of the Note to be exchanged at the office of the Purchaser or such other office as the Purchaser may designate for such purposes. Whenever any Note is surrendered for exchange, the Purchaser shall execute and deliver the Note that the Holder making the exchange is entitled to receive. Any Notes issued upon any registration of transfer or exchange of a Note shall be the valid obligations of the Purchaser, evidencing the same debt, and entitled to the same benefits under this Agreement, as the Note surrendered upon such registration of transfer or exchange. Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Purchaser duly executed by the Holder thereof or its attorney duly authorized in writing. No service charge shall be made to a purchaser for any registration of transfer or exchange of a Note, but the Purchaser may require payment of a sum sufficient to cover the expenses of delivery (if any) not made by regular mail or any tax or other governmental charge payable in connection therewith.

ARTICLE V
RATIO OF DEBT TO TOTAL ASSETS COVENANT

Until this Agreement is terminated and all obligations of the Purchaser under this Agreement and the Notes have been paid or performed in full, the Purchaser covenants and agrees that it will not directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to any Debt, unless on the date the Purchaser becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt, no Event of

Default exists and the aggregate amount of its Debt does not exceed 50% of its Total Assets for its then most recently ended fiscal year.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" hereunder:

(a) default is made in the payment of any installment of interest on the Notes when such interest becomes due and payable and such default continues for a period of 30 days,

(b) default is made in the payment of the principal of the Notes when such principal becomes due and payable, or

(c) default is made in the performance of the covenant set forth in Article V of this Agreement or any other part of this Agreement as it may be amended from time to time.

Section 6.02 Remedies Upon an Event of Default. Upon the occurrence of an Event of Default, the Seller may give notice of such Event of Default to the Purchaser and demand payment of the entire outstanding principal amount of such Notes, plus all accrued but unpaid interest, plus interest on such overdue principal and overdue interest at the Interest Rate, plus such further amounts as shall be necessary to cover the Seller's costs and expenses of collection, including reasonable attorneys' fees.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be delivered by the following means: (i) hand delivery, (ii) overnight courier service (e.g., FedEx, or Airborne Express); (iii) registered or certified U.S. mail, postage prepaid, and return receipt requested; or (iv) facsimile transmission. If any notice or other communication provided for herein is sent by any party by electronic e-mail it shall not be deemed to have been delivered to the addressee if the party sending such notice or communication receives a response from the intended addressee that he or she will not be able to retrieve e-mail due to vacation, other absence from the office, system failure, or other reason. All such notices shall be delivered to the parties as set forth on Schedule II hereof. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 7.02 Amendments, Waivers.

(a) Except as otherwise expressly provided herein, no amendment or waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(b) The Seller and the Purchaser may amend any provision of this Agreement to effectuate the division of any Notes held by the Seller into paid and unpaid portions and the surrender of the paid portion.

(c) Each such amendment, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which given. A failure or delay in exercising any right, power, or privilege with respect to this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power, or privilege will not be presumed to preclude any subsequent or further exercise of that right, power, or privilege or the exercise of any other right, power, or privilege.

Section 7.03 Successors and Assigns; Third Party Beneficiaries. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. This Agreement shall not be transferred or assigned under any circumstances. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and permitted transferees) any legal or equitable right, remedy, or claim under or by reason of this Agreement.

Section 7.04 Severability. Any provision of this Agreement held to be invalid, illegal, or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality, or unenforceability without affecting the validity, legality, and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 7.05 Binding Effect. This Agreement shall remain in full force and effect until such time as all of the Notes issued by the Purchaser shall have been repaid in full and cancelled.

Section 7.06 GOVERNING LAW; CONSENT TO JURISDICTION. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS.

Section 7.07 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 7.08 Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

Section 7.09 Headings. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement, and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the first date written above.

AMERICAN HERITAGE LIFE INSURANCE COMPANY
as Seller

By: /s/ P. Sean Giblin
Name: P. Sean Giblin
Title: Authorized Signatory

By: /s/ Mark A. Bishop
Name: Mark A. Bishop
Title: Authorized Signatory

ROAD BAY INVESTMENTS, LLC
as Purchaser

By: /s/ Michael T. Moran
Name: Michael T. Moran
Title: Authorized Signatory

By: /s/ M.W. Sam Davis
Name: M.W. Sam Davis
Title: Authorized Signatory

SCHEDULE I
to
Asset Purchase Agreement between American Heritage Life Insurance Company
and Road Bay Investments, LLC

1. Loan number 123120 secured by a first mortgage on the property commonly known as 2420 Comanche Road, NE, Albuquerque, New Mexico.

SCHEDULE II
to
Asset Purchase Agreement between American Heritage Life Insurance Company
and Road Bay Investments, LLC

NOTICE INFORMATION

Address for Notices to Seller:

American Heritage Life Insurance Company

3075 Sanders Road
Northbrook, Illinois 60062
Attention: Commercial Mortgage Division

Address for Notices to Purchaser:

Road Bay Investments, LLC
3075 Sanders Road, Suite G5C
Northbrook, IL 60062
Attention: President

EXHIBIT A

FORM OF NOTE

[ISSUE DATE]

Road Bay Investments, LLC, a limited liability company duly organized and existing under the laws of the State of Delaware (the "Company"), for value received hereby promises to pay to [________________________], or its assigns, the outstanding balance of the principal sum of [________________________] in cash on [STATED MATURITY DATE] and to pay interest thereon semi-annually on the first day of April and October in each year, commencing [FIRST INTEREST DATE], at [RATE] per annum, until the principal hereof is paid in full, except that the final payment of any accrued and unpaid interest shall be concurrent with the final payment of principal. Interest will be computed on the basis of a 360-day year of twelve 30-day months. All principal and interest shall be paid at the principal corporate office of the Company or such other place, which shall be acceptable to the Company, as the holder hereof shall designate in writing to the Company, in collected and immediately available funds in lawful money of the United States of America. Principal and interest shall be payable on the terms and conditions set forth below.

1. The Company covenants that if:

(a) default is made in the payment of any installment of interest on this Note when such interest becomes due and payable and such default continues for a period of 30 days,

(b) default is made in the payment of the principal of this Note when such principal becomes due and payable, or

(c) default is made in the performance of the covenant set forth in Article V, or any other part, of that certain Asset Purchase Agreement dated as of ______, 20__ between the Company and _____________, as it may be amended from time to time,

the Company will, upon demand by the holder of this Note, pay to it the entire outstanding principal amount of this Note, <u>plus</u> all accrued but unpaid interest, <u>plus</u> interest on such overdue principal and overdue interest at the interest rate borne by this Note; and, in addition thereof, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable attorneys' fees.

2. Each payment made hereunder will be credited first to accrued but unpaid interest, if any, and the balance of such payment will be credited to the principal amount hereof.

3. In the event that any payment of principal or interest on this Note is scheduled to be made on a day that is not a Business Day, then such payment shall be made on the next following Business Day and no additional interest shall accrue as a result of payment on such following Business Day. For the purpose of this paragraph, "Business Day" shall mean any day that is not a Saturday, Sunday, or any other day on which banking institutions in the State of Illinois are permitted or required by any applicable law to close.

4. The Company's obligations under this Note are secured pursuant to that certain Pledge and Security Agreement dated as of _______, 20__ between the Company and __________________________, as it may be amended from time to time.

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5. The Company may prepay this Note, in part or in full, at any time. The Company shall prepay this Note upon disposition of the asset, or any real estate related to such asset, purchased by the Company with this Note.

6. In the event the Company consolidates or merges into another entity or transfers substantially all of its assets to another entity, the entity into which the Company consolidates or merges or to which the assets of the Company are transferred must assume the liability of the Company hereunder.

7. This Note shall be construed in accordance with, and governed by, the laws of the State of Illinois.

IN WITNESS WHEREOF, the Company has caused this Note to be executed in its name and attested to by its authorized officer, all as of the date first written above.

ROAD BAY INVESTMENTS, LLC

By: ___________________________________
Name:
Title: Authorized Signatory

By: ___________________________________
Name:
Title: Authorized Signatory

Attest: ____________________________

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Pledge Agreement") is dated as of June 17, 2011 and made by and between ROAD BAY INVESTMENTS, LLC (the "Pledgor") and AMERICAN HERITAGE LIFE INSURANCE COMPANY (the "Secured Party").

W I T N E S S E T H

WHEREAS, the Secured Party and the Pledgor have entered into an Asset Purchase Agreement dated June 17, 2011 (the "Asset Purchase Agreement"), under which the Secured Party has agreed to sell, and the Pledgor has agreed to purchase from the Secured Party, certain Assets (as defined in the Asset Purchase Agreement) ; and

WHEREAS, as security for the payment and performance by the Pledgor of its obligations under the Asset Purchase Agreement, the Pledgor has agreed to grant a pledge of and security interest in the Pledgor's right, title, and interest in and to the Assets;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Pledgor and the Secured Party hereby agree as follows:

ARTICLE I

GRANT OF PLEDGE AND SECURITY INTEREST

Section 1.1 Grant of Security Interest. To secure the payment in full when due by the Pledgor to the Secured Party under the Asset Purchase Agreement of all amounts (including fees, charges, and expenses) which accrue and become due thereunder and the timely performance by the Pledgor of each of its other obligations thereunder (collectively, the "Secured Obligations"), the Pledgor hereby pledges and grants to the Secured Party a security interest in all of the Pledgor's right, title, and interest in, to, and under the following (collectively, the "Collateral"): (a) the Assets and all certificates or instruments evidencing the same and all proceeds thereof, all accessions thereto, and substitutions therefor; (b) all interest, distributions, and other proceeds from time to time received, receivable, or otherwise distributed to Pledgor in respect of or in exchange for any or all of the Assets; and (c) all "Proceeds" (as such term is defined in the Uniform Commercial Code as in effect in the State of Illinois or any other relevant jurisdiction (the "UCC")) of any of the foregoing.

Section 1.2 Perfection of Security Interest.

(a) The Pledgor agrees to take all other actions which may be necessary under the laws of the State of Illinois or may be requested by the Secured Party to protect and perfect the interest of the Secured Party in the Collateral created hereby and to ensure that such interest is senior in rank to the claims of any other creditor of the Pledgor claiming an interest in and to the Collateral, including the filing of UCC-1 financing statements (including any continuation statements with respect to such financing statements when applicable) identifying the Assets and naming the Pledgor as debtor and the Secured Party as secured party. The Pledgor shall deliver to the Secured Party file-stamped copies or other evidence of such filings. Notwithstanding the agreements set forth in this Section 1.2, the Pledgor hereby authorizes the Secured Party to take, and appoints the Secured Party as its attorney-in-fact for the purpose of taking, any action necessary under the UCC to perfect, and to maintain the perfection and priority of, the Secured Party's interest in the Collateral, including, without limitation, the filing of any such financing and continuation statements.

(b) Notwithstanding the agreements set forth in this Section 1.2, Pledgor shall not be required to file or record any mortgage or other security instrument in the event any recordation, transfer, stamp, documentary, or other fees or taxes are or would be levied on Pledgor by reason of the making or recording of any Note (as defined in the Asset Purchase Agreement) or mortgage. All such recordation, transfer, stamp, documentary, or other fees or taxes shall be the sole responsibility of Secured Party.

ARTICLE II

REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 2.1 Representations, Warranties, and Covenants as to the Pledgor. The Pledgor hereby represents, warrants, and covenants to the Secured Party:

(a) Title to Collateral. The Assets and all of the other Collateral in existence on the date hereof are, and all Assets and all of the other Collateral issued subsequent to the date hereof will be, owned by the Pledgor free and clear of any lien or encumbrance. The Pledgor has not (i) filed or consented to the filing with any governmental authority of any financing statement or analogous document under the UCC or any other applicable laws covering any Collateral, (ii) made any assignment to any other person of any interest in the Collateral, or (iii) entered into any security agreement or similar instrument or arrangement covering all or any part of the Collateral with any other person, which financing statement or analogous document, assignment, security agreement, or similar instrument is still in effect.

(b) Organization. The Pledgor is a limited liability company organized under the laws of the State of Delaware.

(c) Principal Office. The Pledgor maintains its chief executive office at 3075 Sanders Road, Northbrook, Illinois 60062.

(d) No Liens. Pledgor is as of the date hereof, and at the time of any delivery of any Collateral to the Secured Party pursuant to Article I of this Pledge Agreement, Pledgor will be, the sole legal and beneficial owner of the Collateral. All Collateral is on the date hereof, and will be, so owned by Pledgor free and clear of any lien except for the lien created by this Pledge Agreement.

(e) Due Authorization. The execution and delivery to the Secured Party of this Pledge Agreement by the Pledgor, the delivery to the Secured Party of the Assets together with any necessary endorsements, and the consummation of the transactions provided for in this Pledge Agreement have been duly authorized by the Pledgor by all necessary corporate action on its part and this Pledge Agreement constitutes a legal, valid, and binding obligation of the

Pledgor, enforceable against the Pledgor in accordance with its terms, and except in each case as enforcement may be limited by bankruptcy, insolvency, examination, suspension of payments, fraudulent transfer, reorganization, moratorium, and other similar laws of general applicability affecting the enforcement of creditors' rights generally, public policy, and general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or law).

(f) No Conflict. The execution and delivery of this Pledge Agreement, the delivery of the Collateral, the consummation of the transactions contemplated hereby, and the fulfillment of the terms hereof will not conflict with or result in the breach of any of the material terms and provisions of, constitute (with or without notice or lapse of time or both) a default under, or result in the creation of any lien upon any property or assets of the Pledgor pursuant to, any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which the Pledgor is a party or by which it or any of its properties is bound.

(g) No Violation. The execution and delivery of this Pledge Agreement, the delivery of the Collateral, the consummation of the transactions contemplated hereby, and the fulfillment of the terms hereof will not conflict with or violate any organizational or governing documents of the Pledgor or any law, treaty, rule, or regulation, or any judgment, order, or decree, or determination of an arbitrator or governmental authority applicable to or binding upon the Pledgor.

(h) No Proceedings. There are no actions at law, suits in equity, or proceedings by or before any governmental commission, bureau, or administrative agency pending or, to the best knowledge of the Pledgor, threatened against the Pledgor or any of its assets, that would adversely affect the ability of the Pledgor to perform its obligations under this Pledge Agreement.

(i) No Authorization Required. Except for such authorizations or approvals as shall have been obtained prior to the date hereof, no authorization or approval of any governmental agency or commission or public or quasi-public body or authority with jurisdiction over the Pledgor or any of its assets is necessary for the due execution and delivery of this Pledge Agreement or for the validity or enforceability hereof.

Section 2.2 Delivery of Pledged Collateral; Filings. Pledgor has delivered, or will deliver, to the Secured Party an appropriate UCC-1 financing statement to be filed with the Secretaries of State of the States of Delaware and Illinois, the States in which the Pledgor is organized and located, respectively, evidencing the lien created by this Pledge Agreement. Pledgor has delivered, or will deliver, to the Secured Party an appropriate mortgage or other security instrument evidencing the lien of this Pledge Agreement on any Assets constituting real property.

Section 2.3 Distributions; etc. So long as no Event of Default shall have occurred, Pledgor shall be entitled to receive and retain, and to utilize free and clear of the lien of this Pledge Agreement, any and all distributions of interest or other funds in respect of the Assets to the extent made in accordance with the provisions of the Asset Purchase Agreement.

Section 2.4 Transfers and Other Liens. Pledgor shall not (i) sell, convey, assign, or otherwise dispose of, or grant any option or right with respect to, any of the Collateral except in connection with the full and complete payment or prepayment of the Note issued in connection with the acquisition of the Asset or Collateral to be sold, conveyed, assigned or otherwise disposed of or (ii) create or permit to exist any lien or encumbrance upon or with respect to any Collateral, other than the lien and security interest granted to the Secured Party pursuant to this Pledge Agreement.

ARTICLE III

EVENTS OF DEFAULT; REMEDIES

Section 3.1 Events of Default. Each of the following events shall constitute an event of default (each, an "Event of Default") under this Pledge Agreement: (i) any material breach by the Pledgor of any term, provision, or covenant of the Asset Purchase Agreement; (ii) any material breach by the Pledgor of any term, provision, or covenant of this Pledge Agreement; (iii) the Secured Party ceases to have a security interest in the Collateral; or (iv) the Pledgor becomes subject to bankruptcy, insolvency, reorganization, liquidation, conservation, rehabilitation, or other similar proceedings.

Section 3.2 Remedies Upon Default.

(a) Upon the occurrence of an Event of Default, all rights of Pledgor to receive distributions which it would otherwise be authorized to receive and retain pursuant to Section 2.3 hereof shall cease and all such rights shall thereupon become vested in the Secured Party, which shall thereupon have the sole right to receive and hold as Collateral such distributions.

(b) All distributions which are received by Pledgor contrary to the provisions of paragraph (a) of this Section 3.2 shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of Pledgor and shall immediately be paid over to the Secured Party as Collateral in the same form as so received (with any necessary endorsement).

(c) If an Event of Default shall have occurred, Secured Party shall have the right, in addition to the other rights and remedies provided for herein or otherwise available to it to be exercised from time to time, (i) to retain and apply the distributions to the Secured Obligations and (ii) to exercise all the rights and remedies of a secured party on default under the UCC in effect in the State of Illinois at that time, and the Secured Party may also in its sole discretion, without notice except as specified below, sell the Collateral or any part thereof (including, without limitation, any partial interest in the Assets) in one or more parcels at public or private sale, at any exchange, broker's board, or at any of the Secured Party's offices or elsewhere, at such price or prices and upon such other terms as the Secured Party may deem commercially reasonable. Secured Party may be the purchaser of any or all of the Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at such sale, to use and apply any of the Secured Obligations owed to it as a credit on account of the purchase price of any Collateral payable by it at such sale. Each purchaser at any such sale shall acquire the property

sold absolutely free from any claim or right on the part of Pledgor, and Pledgor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay, and/or appraisal which it now has, or may at any time in the future have, under any rule of law or statute now existing or hereafter enacted. Pledgor acknowledges and agrees that five days' notice to Pledgor of the time and place of any public sale or the time after which any private sale or other intended disposition is to take place shall constitute reasonable notification of such matters. No notification need be given to Pledgor if it has signed, after the occurrence of an Event of Default, a statement renouncing or modifying any right to notification of sale or other intended disposition. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefore, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Pledgor hereby waives, to the fullest extent permitted by law, any claims against the Secured Party arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Secured Party accepts the first offer received and does not offer such Collateral to more than one offeree. The Secured Party shall not be liable for any incorrect or improper payment made pursuant to this Section in the absence of gross negligence or willful misconduct.

(d) Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities law, the Secured Party may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to persons who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to the Secured Party than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would agree to do so.

Section 3.3 Application of Proceeds. All distributions held from time to time by the Secured Party and all proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral pursuant to the exercise by the Secured Party of its remedies as a secured creditor as provided herein shall be applied, together with any other sums then held by the Secured Party pursuant to this Pledge Agreement, promptly by the Secured Party as follows:

First, to the payment of all costs and expenses, fees, commissions, and taxes of such sale, collection, or other realization, including, without limitation, compensation to the Secured Party and its agents and counsel, and all expenses, liabilities, and advances made or incurred by the Secured Party in connection therewith, together with interest on each such amount at the highest rate then in effect under the Asset Purchase Agreement from and after the date such amount is due, owing, or unpaid until paid in full;

Second, without duplication of amounts applied pursuant to clause First above, to the indefeasible payment in full in cash of the Secured Obligations in accordance with the terms of the Asset Purchase Agreement; and

Third, the balance, if any, to the persons lawfully entitled thereto (including Pledgor or its successors or assigns).

Section 3.4 Expenses. Pledgor will upon demand pay to the Secured Party the amount of any and all expenses, including the fees and expenses of its counsel and the fees and expenses of any experts and agents, which the Secured Party may incur in connection with (i) the collection of the Secured Obligations, (ii) the enforcement and administration of this Pledge Agreement, (iii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iv) the exercise or enforcement of any of the rights of the Secured Party hereunder, or (v) the failure by Pledgor to perform or observe any of the provisions hereof. All amounts payable by Pledgor under this Section 3.4 shall be due upon demand and shall be part of the Secured Obligations. Pledgor's obligations under this Section 3.4 shall survive the termination of this Pledge Agreement and the discharge of Pledgor's other obligations hereunder.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Notices. All demands, notices, instructions, and communications hereunder shall be in writing and shall be deemed to have been duly given when received. All notices or communications under this Pledge Agreement shall be addressed as follows:

Notices to Secured Party:

American Heritage Life Insurance Company
3075 Sanders Road
Northbrook, Illinois 60062
Attention: Commercial Mortgage Division
Facsimile: 847-402-4346

Notices to Pledgor:

Road Bay Investments, LLC
3075 Sanders Road, Suite G5C
Northbrook, IL 60062
Attention: President

Section 4.2 Termination; Release. When a Note issued in connection with the acquisition of an Asset or Collateral has been paid in full, the security interest in such Asset or Collateral created by this Pledge Agreement shall be released. When all the Secured Obligations have been paid in full, this Pledge Agreement shall terminate. Upon partial release or

termination of this Pledge Agreement, the Secured Party shall, upon the request and at the sole cost and expense of Pledgor, forthwith assign, transfer, and deliver to Pledgor, against receipt and without recourse to or warranty by the Secured Party, such of the Collateral to be released (in the case of a release) as may be in the possession of the Secured Party and as shall not have been sold or otherwise applied pursuant to the terms hereof, and, with respect to any other Collateral, proper instruments (including UCC termination statements on Form UCC-3) acknowledging the termination of this Pledge Agreement or the release of such pledged Collateral, as the case may be.

Section 4.3 Continuing Security Interest; Assignment. This Pledge Agreement shall create a continuing security interest in the Collateral and shall (i) be binding upon Pledgor, its successors, and assigns and (ii) inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and each of its successors, transferees, and assigns; no other persons (including, without limitation, any other creditor of Pledgor) shall have any interest herein or any right or benefit with respect hereto.

Section 4.4 Severability of Provisions. If any one or more of the covenants, agreements, provisions, or terms of this Pledge Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Pledge Agreement and shall in no way affect the validity or enforceability of the other provisions of this Pledge Agreement.

Section 4.5 Further Assurances. The Pledgor agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Secured Party to maintain the perfection and the priority of the Secured Party's interest and to effect more fully the purposes of this Pledge Agreement.

Section 4.6 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Secured Party, any right, remedy, power, or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege. The rights, remedies, powers, and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers, and privileges provided by law.

Section 4.7 Amendment. This Pledge Agreement may not be modified, amended, waived, or supplemented except by a writing signed by each of the parties hereto.

Section 4.8 Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

Section 4.9 **GOVERNING LAW. THIS PLEDGE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LOCAL LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO ITS PRINCIPLES OF CHOICE OF LAW.**

Section 4.10 Submission to Jurisdiction. Pledgor hereby irrevocably submits to the jurisdiction of the federal and state courts of competent jurisdiction in the State of Illinois in any suit or proceeding arising out of this Pledge Agreement or the transactions contemplated hereby, agrees to be bound by any judgment rendered by such courts in connection with this Pledge Agreement, and waives any and all objections to jurisdiction that it may have under the laws of Illinois or any other jurisdiction.

Section 4.11 Execution in Counterparts. This Pledge Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Pledge Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Pledge Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have caused this Pledge Agreement to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

ROAD BAY INVESTMENTS, LLC

By: /s/ Michael T. Moran
Name: Michael T. Moran
Title: Authorized Signatory

By: /s/ M.W. Sam Davis
Name: M.W. Sam Davis
Title: Authorized Signatory

AMERICAN HERITAGE LIFE INSURANCE COMPANY

By: /s/ P. Sean Giblin
Name: P. Sean Giblin
Title: Authorized Signatory

By: /s/ Mark A. Bishop
Name: Mark A. Bishop
Title: Authorized Signatory

Exhibit 10.3

AMENDMENT NO. 1 TO REINSURANCE AGREEMENT

This AMENDMENT NO. 1 TO REINSURANCE AGREEMENT, dated as of July 18, 2011, (“Amendment No. 1”) is by and between AMERICAN HERITAGE LIFE INSURANCE COMPANY (“Ceding Company”) and ALLSTATE LIFE INSURANCE COMPANY (“Reinsurer”).

WHEREAS, Ceding Company and Reinsurer entered into that certain Reinsurance Agreement effective July 1, 2010, (“Agreement”) whereby Reinsurer reinsures 100% of any and all liabilities of the Ceding Company under all individual universal life insurance policies, and endorsements and riders attached thereto, marketed as the “GoodForLife” product and represented by “Policy Company #66” on Ceding Company’s Life-70 administration system.

WHEREAS, Ceding Company and Reinsurer now desire to amend the Agreement to reinsure additional universal life insurance policies, and endorsements and riders attached thereto, issued by the Ceding Company, as provided herein.

NOW, THEREFORE, in consideration of the above stated premises and the promises and the mutual agreements set forth herein, the parties hereto agree as follows:

1. Subject to receipt of all required regulatory approvals, this Amendment No. 1 shall be effective as of 12:01 a.m. July 18, 2011 (“Amendment No. 1 Effective Date”).

2. Exhibit A is hereby replaced by the Exhibit A attached hereto.

Except as expressly provided herein, all other terms, covenants, and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 1 to Reinsurance Agreement to be duly executed by their respective officers on the dates shown below.

AMERICAN HERITAGE LIFE INSURANCE COMPANY

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

Date: August 2, 2011

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ Samuel H. Pilch
Samuel H. Pilch
Senior Group Vice President and Controller

Date: August 2, 2011

EXHIBIT A
ELIGIBLE AND INELIGIBLE POLICIES

1. For the period 12:01 a.m. July 1, 2010 up to, but not including, 12:01 am July 18, 2011, “Policy” or “Policies” shall mean all individual universal life insurance policies, and all endorsements and riders attached thereto, marketed as the “GoodForLife” product and represented by “Policy Company #66” on Ceding Company’s Life-70 administration system, including:

   GoodForLife
   Universal Life Base Policy
   Accidental Death and Severe Injury Rider
   Critical Illness Rider

Accelerated Death Benefit Rider
Enhanced Grace Period Rider
Children's Level Term Rider
Total Disability Premium Waiver Rider
Accidental Death Benefit Rider
Other Insured Person Level Term Rider
Primary Insured Level Term Rider
Future Purchase Option Rider

2. For the period beginning on 12:01 a.m. July 18, 2011, "Policy" or "Policies" means all individual universal life insurance policies, and all endorsements and riders attached thereto, marketed as either the "GoodForLife" or "GoodForLife Protector" products and represented by "Policy Company #66" on Ceding Company's Life-70 administration system, including:

   <u>GoodForLife</u>
   Universal Life Base Policy
   Accidental Death and Severe Injury Rider
   Critical Illness Rider
   Accelerated Death Benefit Rider
   Enhanced Grace Period Rider
   Children's Level Term Rider
   Total Disability Premium Waiver Rider
   Accidental Death Benefit Rider
   Other Insured Person Level Term Rider
   Primary Insured Level Term Rider
   Future Purchase Option Rider

   <u>GoodForLife Protector</u>
   Universal Life Base Policy
   Lifetime Coverage Guarantee Rider
   Extended Coverage Guarantee Rider
   Children's Level Term Rider
   Accelerated Benefit Rider for Terminal Illness
   Accelerated Benefit Rider for Critical Illness
   Accelerated Benefit Rider for Permanent Confinement
   Accelerated Benefit Rider for Chronic Illness

Exhibit 10.4

AMENDMENT NO. 2 TO REINSURANCE AGREEMENT

This AMENDMENT NO. 2 TO REINSURANCE AGREEMENT, dated as of April 1, 2011, ("Amendment No. 2") is by and between AMERICAN HERITAGE LIFE INSURANCE COMPANY ("Ceding Company") and ALLSTATE LIFE INSURANCE COMPANY ("Reinsurer").

WHEREAS, Ceding Company and Reinsurer entered into that certain Reinsurance Agreement effective December 31, 2004, ("Agreement") whereby Reinsurer reinsures 100% of any and all liabilities of the Ceding Company under certain single premium deferred annuities, except for certain excluded liabilities.

WHEREAS, Ceding Company and Reinsurer amended that certain Reinsurance Agreement effective January 1, 2008, ("Amendment No. 1") whereby Reinsurer reinsures all individual disability insurance issued by the Ceding Company, as provided therein.

WHEREAS, Ceding Company and Reinsurer now desire to amend the Agreement to also reinsure certain group disability insurance issued by the Ceding Company, as provided herein.

NOW, THEREFORE, in consideration of the above stated premises and the promises and the mutual agreements set forth herein, the parties hereto agree as follows:

1. Subject to receipt of all required regulatory approvals, this Amendment No. 2 shall be effective as of 12:01 a.m. April 1, 2011 ("Amendment No. 2 Effective Date").

2. Exhibit A is hereby replaced by the Exhibit A attached hereto.

3. The following paragraph is hereby added to Article V

   Within forty-five (45) days of the latter of the Amendment No. 2 Effective Date or the date Ceding Company has received approval from all necessary regulatory authorities for Amendment No. 2 ("Amendment No. 2 Settlement Date"), net assets with a market value amount equal to the amount calculated as of the Amendment No. 2 Effective Date equal to the "Amendment No. 2 Net Statutory Liabilities" for the Policies reinsured under this Amendment No. 2., consisting of the sum of uncollected or deferred premiums related to the Policies, agent balances related to the Policies, amounts recoverable from reinsurers related to the Policies, cash, and investments including the related accrued investment income minus unearned investment income, shall be transferred by Ceding Company to Reinsurer.

   "Amendment No. 2 Net Statutory Liabilities" is determined as "Total Liabilities" as currently included in Annual Statement page 3, line 28 attributable to the Policies ceded to Reinsurer under this Amendment No. 2.

   Ceding Company shall also pay to Reinsurer interest on such amount at the rate of four percent (4%) per annum, simple rate, beginning on the Amendment No. 2 Effective Date and ending on the Amendment No. 2 Settlement Date.

Except as expressly provided herein, all other terms, covenants, and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 2 to Reinsurance Agreement to be duly executed by their respective officers on the dates shown below.

AMERICAN HERITAGE LIFE INSURANCE COMPANY

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

Date: August 2, 2011

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ Samuel H. Pilch
Samuel H. Pilch
Senior Group Vice President and Controller

Date: August 2, 2011

EXHIBIT A
ELIGIBLE AND INELIGIBLE POLICIES

1. For the period 11:59 p.m. December 31, 2004 up to, but not including, 12:01 a.m. January 1, 2008, "Policy" or "Policies" shall mean only single premium deferred annuities with form number A – DO31(11.99) issued by the Ceding Company.

2. For the period beginning on 12:01 a.m. January 1, 2008 up to, but not including, 12:01 a.m. April 1, 2011, "Policy" or "Policies" means all individual disability policies regardless of form number and single premium deferred annuities with form number A – DO31(11.99) issued by the Ceding Company. Provided, however, that all credit and group disability policies and certificates issued by the Ceding Company are specifically excluded from the definition of "Policy" or "Policies".

3. For the period beginning on 12:01 a.m. April 1, 2011, "Policy" or "Policies" means group disability policies and certificates with form numbers listed in Table 1 and all riders issued with such policies, all individual disability policies regardless of form number, and single premium deferred annuities with form number A – DO31(11.99) issued by the Ceding Company. Provided, however, that all credit disability policies and certificates and all group disability policies and certificates with policy form numbers not listed in Table 1 issued by the Ceding Company are specifically excluded from the definition of "Policy" or "Policies".

Table 1

Form Number	**Description**
GLTD8402C	Base Policy Form Number
GVDIP	Base Policy Form Number
GVDIC	Base Certificate Form Number

EXHIBIT 15

Allstate Life Insurance Company
3100 Sanders Road
Northbrook, IL 60062

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Allstate Life Insurance Company and subsidiaries for the periods ended June 30, 2011 and 2010, as indicated in our report dated August 5, 2011; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, is incorporated by reference in the following Registration Statements:

Form S-3 Registration Statement Nos.	**Form N-4 Registration Statement Nos.**
333-150286	333-102934
333-150577	333-114560
333-150583	333-114561
333-156064	333-114562
333-157311	333-121687
333-157314	333-121691
333-157318	333-121692
333-157319	333-121693
333-157320	333-121695
333-157331	333-121697
333-157332	
333-157334	
333-158182	
333-159317	
333-169382	

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
August 5, 2011

CERTIFICATIONS **EXHIBIT 31 (i)**

I, Matthew E. Winter, certify that:

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

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

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

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

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

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

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

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

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

August 5, 2011

/s/ Matthew E. Winter
Matthew E. Winter
President and Chief Executive Officer

CERTIFICATIONS **EXHIBIT 31 (i)**

I, John C. Pintozzi, certify that:

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

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

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

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

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

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

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

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

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

August 5, 2011

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

SECTION 1350 CERTIFICATIONS

Each of the undersigned hereby certifies that to his knowledge the quarterly report on Form 10-Q for the fiscal period ended June 30, 2011 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.

August 5, 2011

/s/ Matthew E. Winter
Matthew E. Winter
President and Chief Executive Officer

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