

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **August 1, 2005**

ALLSTATE LIFE INSURANCE COMPANY
(Exact name of Registrant as Specified in Charter)

Illinois
(State or other
jurisdiction of
organization)

000-31248
(Commission
File Number)

36-2554642
(IRS Employer
Identification No.)

3100 Sanders Road
Northbrook, Illinois
(Address of Principal Executive Offices)

60062
Zip

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

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

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

Section 1 — Registrant's Business and Operations

Item 1.01. Entry into Material Definitive Agreements

Surplus Note Purchase Agreement
Pledge and Security Agreement

On August 1, 2005, Allstate Life Insurance Company ("ALIC") and Kennett Capital, Inc., a corporation organized under the laws of the State of Delaware ("Kennett"), entered into a Surplus Note Purchase Agreement (the "Purchase Agreement") and a Pledge and Security Agreement (the "Security Agreement"), both with an effective date of August 1, 2005.

The Purchase Agreement provides for the sale by ALIC to Kennett of two 5.06% surplus notes due July 1, 2035 (the "Surplus Notes"), dated July 1, 2005, issued by ALIC Reinsurance Company, a South Carolina domiciled reinsurance company ("ALIC Re"), in an aggregate principal amount of \$100,000,000. In exchange for the Surplus Notes, Kennett issued to ALIC a full recourse 4.86% note due July 1, 2035 (the "Kennett Note"), dated August 1, 2005, in the principal amount of \$100,000,000. In the future, additional surplus notes may be sold pursuant to the Purchase Agreement at the option of the parties.

As security for the performance of Kennett's obligations under the Purchase Agreement and the Kennett Note, ALIC and Kennett entered into the Security Agreement pursuant to which Kennett granted ALIC a pledge of and security interest in Kennett's right, title and interest in the Surplus Notes and

