UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-K

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS I (1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

OR

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

COMMISSION FILE NUMBER: 0-31248

ALLSTATE LIFE INSURANCE COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (847) 402-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934: COMMON STOCK, PAR VALUE $227.00 PER SHARE

INDICATE BY CHECK MARK IF THE REGISTRANT IS A WELL-KNOWN SEASONED ISSUER, AS DEFINED IN RULE 405 OF THE SECURITIES ACT.
YES /X/ NO / /

INDICATE BY CHECK MARK IF THE REGISTRANT IS NOT REQUIRED TO FILE REPORTS PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES ACT.
YES / / NO /X/

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 IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. /X/

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 THE DEFINITIONS OF "LARGE ACCELERATED FILER," "ACCELERATED FILER," AND "SMALLER REPORTING COMPANY" IN RULE 12b-2 OF THE EXCHANGE ACT. (CHECK ONE):

LARGE ACCELERATED FILER	ACCELERATED FILER	NON-ACCELERATED FILER	SMALLER REPORTING COMPANY
/ /	/ /	/X/ (DO NOT CHECK IF A 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/

NONE OF THE COMMON EQUITY OF THE REGISTRANT IS HELD BY NON-AFFILIATES. THEREFORE, THE AGGREGATE MARKET VALUE OF THE COMMON EQUITY HELD BY NON-AFFILIATES OF THE REGISTRANT IS ZERO.

AS OF MARCH 14, 2008, 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 ANNUAL REPORT ON FORM 10-K
DECEMBER 31, 2007

* Omitted pursuant to General Instruction I(2) of Form 10-K

PART I

ITEM 1. BUSINESS

Allstate Life Insurance Company was organized in 1957 as a stock life insurance company under the laws of the State of Illinois. Allstate Life Insurance Company, together with its subsidiaries, provides life insurance, retirement and investment products for individual and institutional customers. It conducts substantially all of its operations directly or through wholly owned United States subsidiaries. In this document, we refer to Allstate Life Insurance Company as "Allstate Life" or "ALIC" and to Allstate Life and its wholly owned subsidiaries as the "Allstate Life Group" or the "Company."

Allstate Life is a wholly owned subsidiary of Allstate Insurance Company, a stock property-liability insurance company organized under the laws of the State of Illinois. All of the outstanding stock of Allstate Insurance Company is owned by The Allstate Corporation, a publicly owned holding company incorporated under the laws of the State of Delaware. In this document, we refer to Allstate Insurance Company as "AIC" and to The Allstate Corporation and its consolidated subsidiaries as "Allstate", the "Parent Group" or the "Corporation". The Allstate Corporation is the largest publicly held personal lines insurer in the

United States. Widely known through the "You're In Good Hands With Allstate(R)" slogan, Allstate provides insurance products to more than 17 million households through a distribution network that utilizes a total of approximately 14,900 exclusive agencies and exclusive financial specialists in the United States and Canada. Allstate is the second-largest personal property and casualty insurer in the United States on the basis of 2006 statutory premiums earned. In addition, according to A.M. Best, it is the nation's 12th largest issuer of life insurance business on the basis of 2006 ordinary life insurance in force and 16th largest on the basis of 2006 statutory admitted assets.

The Parent Group has four business segments, one of which is Allstate Financial. Allstate Financial, which is not a separate legal entity, is comprised of the Allstate Life Group together with American Heritage Life Insurance Company, the Allstate Bank and other Parent Group subsidiaries that are not part of the Allstate Life Group. This document describes the Allstate Life Group. It does not describe the entire group of companies that form the Allstate Financial segment of the Parent Group.

In this annual report on Form 10-K, we occasionally refer to statutory financial information that has been prepared in accordance with the National Association of Insurance Commissioners Accounting Practices and Procedure Manual ("Manual"). All domestic United States insurance companies are required to prepare statutory-basis financial statements in accordance with the Manual. As a result, industry data is available that enables comparisons between insurance companies, including competitors that are not subject to the requirement to prepare financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). We frequently use industry publications containing statutory financial information to assess our competitive position.

PRODUCTS AND DISTRIBUTION

The Allstate Life Group provides life insurance, retirement and investment products to individual and institutional customers. Our principal individual products are fixed annuities, including deferred, immediate and indexed; and interest-sensitive, traditional and variable life insurance. We also distribute variable annuities through our bank distribution partners; however, this product is fully reinsured with an unaffiliated entity. Our principal institutional product is funding agreements backing medium-term notes. The table on page 2 lists our major distribution channels, with the associated products and targeted customers.

As the table indicates, we sell products to individuals through multiple intermediary distribution channels, including Allstate exclusive agencies, and exclusive financial specialists, independent agents, banks, broker-dealers, and specialized structured settlement brokers. We have distribution relationships with approximately 60 percent of the 75 largest banks, most of the national broker-dealers, a number of regional brokerage firms and many independent broker-dealers. We sell products through independent agents affiliated with approximately 150 master brokerage agencies. We sell funding agreements to unaffiliated trusts used to back medium-term notes.

DISTRIBUTION CHANNELS, PRODUCTS AND TARGET CUSTOMERS

DISTRIBUTION
CHANNEL
PRIMARY
PRODUCTS
TARGET
CUSTOMERS -

- ALLSTATE
EXCLUSIVE
AGENCIES
Term life
insurance
Middle
market
(Allstate
Exclusive

Agents
Interest-
sensitive
life
insurance
consumers(1)
with and
Variable
life
insurance
retirement
and family
Allstate
Exclusive
Deferred
fixed
annuities
(including
indexed and
market value
financial
protection
needs
Financial
Specialists)
adjusted
"MVA")
Immediate
fixed
annuities
INDEPENDENT
AGENTS Term
life
insurance
Mass
market(2)
and mass
(through
master
brokerage
Interest-
sensitive
life
insurance
affluent
consumers(3)
agencies)
Variable
life
insurance
with
retirement
and Deferred
fixed
annuities
(including
indexed and
MVA)
financial
protection
needs
Immediate
fixed
annuities
BANKS
Deferred
fixed
annuities
(including
indexed and
MVA) Middle
market
consumers
Single
premium
fixed life
insurance
with
retirement
needs
Variable

annuities -
fully
reinsured
with an
unaffiliated
entity
BROKER-
DEALERS
Deferred
fixed
annuities
(including
indexed and
MVA) Mass
market and
mass Single
premium
variable
life
insurance
affluent
consumers
with
retirement
needs
STRUCTURED
SETTLEMENT
Structured
settlement
annuities
Typically
used to fund
or ANNUITY
BROKERS
annuitize
large claims
or
litigation
settlements
BROKER-
DEALERS
Funding
agreements
backing
medium-term
notes
Institutional
and (Funding
agreements)
individual
investors

- ----------
(1) Consumers with $50,000 - $125,000 in household income
(2) Consumers with $50,000 - $75,000 in household income
(3) Consumers with $75,000 - $125,000 in household income

Allstate exclusive agencies and exclusive financial specialists also sell the following non-proprietary products: mutual funds, variable annuities and long-term care insurance.

COMPETITION

We compete principally on the basis of the scope of our distribution systems, the breadth of our product offerings, the recognition of our brands, our financial strength and ratings, our differentiated product features and prices, and the level of customer service that we provide. With regard to funding agreements, we compete principally on the basis of our financial strength and ratings.

The market for life insurance, retirement and investment products continues to be highly fragmented and competitive. As of December 31, 2007, there were approximately 720 groups of life insurance companies in the United States, most of which offered one or more similar products. According to A.M. Best, as of December 31, 2006, the Allstate Life Group is the nation's 12th largest issuer of life insurance and related business on the basis of 2006 ordinary life insurance in force and 16th largest on the basis of 2006 statutory admitted assets. In addition, because many of these products include a savings or investment component, our competition includes domestic and foreign securities firms, investment advisors, mutual funds, banks and other financial institutions. Competitive pressure continues to grow due to several factors, including cross marketing alliances between unaffiliated businesses, as well as consolidation activity in the financial services industry.

GEOGRAPHIC MARKETS

We sell life insurance, retirement and investment products throughout the United States. The Allstate Life Group is authorized to sell various types of these products in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. We sell funding agreements in the United States and in the Cayman Islands.

The following table reflects, in percentages, the principal geographic distribution of statutory premiums and annuity considerations for the Allstate Life Group for the year ended December 31, 2007, based on information contained in statements filed with state insurance departments.

Delaware	31.3%
California	7.7%
New York	6.2%

Approximately 99 percent of the statutory premiums and annuity considerations generated in Delaware represent deposits received in connection with funding agreements sold to trusts domiciled in Delaware. No other jurisdiction accounted for more than 5 percent of the statutory premiums and annuity considerations.

REGULATION

The Allstate Life Group is subject to extensive regulation, primarily at the state level. The method, extent and substance of such regulation varies by state but generally has its source in statutes that establish standards and requirements for conducting the business of insurance and that delegate regulatory authority to a state regulatory agency. In general, such regulation is intended for the protection of those who purchase or use insurance products. These rules have a substantial effect on our business and relate to a wide variety of matters including insurance company licensing and examination, agent and adjuster licensing, price setting, trade practices, policy forms, accounting methods, the nature and amount of investments, claims practices, participation in guaranty funds, reserve adequacy, insurer solvency, transactions with affiliates, the payment of dividends, and underwriting standards. Some of these matters are discussed in more detail below. For a discussion of statutory financial information, see Note 14 of the Consolidated Financial Statements. For a discussion of regulatory contingencies, see Note 11 of the Consolidated Financial Statements. Notes 11 and 14 are incorporated in this Part I, Item 1 by reference.

In recent years the state insurance regulatory framework has come under increased federal scrutiny. Legislation that would provide for federal chartering of insurance companies has been proposed. In addition, state legislators and insurance regulators continue to examine the appropriate nature and scope of state insurance regulation. We cannot predict whether any specific state or federal measures will be adopted to change the nature or scope of the regulation of the insurance business or what effect any such measures would have on the Allstate Life Group.

AGENT AND BROKER COMPENSATION. In recent years, several states considered new legislation or regulations regarding the compensation of agents and brokers by insurance companies. The proposals ranged in nature from new disclosure requirements to new duties on insurance agents and brokers in dealing with customers. New disclosure requirements have been imposed in certain circumstances upon some agents and brokers in several states.

LIMITATIONS ON DIVIDENDS BY INSURANCE SUBSIDIARIES. Allstate Life may receive dividends from time to time from its subsidiaries. When received, these dividends represent a source of cash from which Allstate Life may meet some of its obligations. If a subsidiary is an insurance company, its ability to pay dividends may be restricted by state laws regulating insurance companies. For additional information regarding those restrictions, see Note 14 of the Consolidated Financial Statements.

GUARANTY FUNDS. Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, in order to cover certain obligations of insolvent insurance companies.

INVESTMENT REGULATION. Our insurance subsidiaries are subject to regulations that require investment portfolio diversification and that limit the amount of investment in certain categories. Failure to comply with these rules leads to the treatment of non-conforming investments as non-admitted assets for purposes of measuring statutory surplus. Further, in some instances, these rules require divestiture of non-conforming investments.

VARIABLE LIFE INSURANCE, VARIABLE ANNUITIES AND REGISTERED FIXED ANNUITIES. The sale and administration of variable life insurance, variable annuities and registered fixed annuities with market value adjustment features are subject to extensive regulatory oversight at the federal and state level, including regulation and supervision by the Securities and Exchange Commission and the Financial Industry Regulatory Authority ("FINRA").

BROKER-DEALERS, INVESTMENT ADVISORS AND INVESTMENT COMPANIES. The Allstate Life Group entities that operate as broker-dealers, registered investment advisors and investment companies are subject to regulation and supervision by the Securities and Exchange Commission, FINRA and/or, in some cases, state securities administrators.

PRIVACY REGULATION. Federal law and the laws of some states require financial institutions to protect the security and confidentiality of customer information and to notify customers about their policies and practices relating to collection and disclosure of customer information and their policies relating to protecting the security and confidentiality of that information. Federal law and the laws of some states also regulate disclosures of customer information. Congress, state legislatures and regulatory authorities are expected to consider additional regulation relating to privacy and other aspects of customer information.

EMPLOYEES AND OTHER SHARED SERVICES

The Allstate Life Group has no employees. Instead, we primarily use the services of employees of Allstate Insurance Company, our direct parent. We also make use of other services and facilities provided by Allstate Insurance Company and other members of the Parent Group. These services and facilities include space rental, utilities, building maintenance, human resources, investment management, finance, information technology and legal services. We reimburse our affiliates for these services and facilities under a variety of agreements.

OTHER INFORMATION

"Allstate" is one of the most recognized brand names in the United States. We use the names "Allstate," "Lincoln Benefit Life" and variations of these names extensively in our business, along with related logos and slogans, such as "Goods Hands." Our rights in the United States to these names, logos and slogans continue so long as we continue to use them in commerce. Most of these service marks are the subject of renewable U.S. and/or foreign service mark registrations. We believe that these service marks are important to our business and we intend to maintain our rights to them by continued use.

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, 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.

In addition to the normal risks of business, we are subject to significant risks and uncertainties, including those listed below, which apply to us as an insurer and a provider of other financial services. These risks constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995 and readers should carefully review such cautionary statements as they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and historical trends. These cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this document, in our filings with the Securities and Exchange Commission ("SEC") or in materials incorporated therein by reference. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

CHANGES IN UNDERWRITING AND ACTUAL EXPERIENCE COULD MATERIALLY AFFECT PROFITABILITY

Our product pricing includes long-term assumptions regarding investment returns, mortality, morbidity, persistency and operating costs and expenses of the business. Management establishes target returns for each product based upon these factors and the average amount of capital that the company must hold to support in-force contracts, satisfy rating agencies and meet regulatory requirements. We monitor and manage our pricing and overall sales mix to achieve target new business returns on a portfolio basis, which could result in the discontinuation of products or distribution relationships and a decline in sales. Profitability from new business emerges over a period of years depending on the nature and life of the product and is subject to variability as actual results may differ from pricing assumptions.

Our profitability depends on the adequacy of investment spreads, the management of market and credit risks associated with investments, the sufficiency of premiums and contract charges to cover mortality and morbidity benefits, the persistency of policies to ensure recovery of acquisition expenses, and the management of operating costs and expenses within anticipated pricing allowances. Legislation and regulation of the insurance marketplace and products could also affect our profitability.

CHANGES IN RESERVE ESTIMATES MAY REDUCE PROFITABILITY

Reserve for life-contingent contract benefits is computed on the basis of long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses. We periodically review the adequacy of these reserves on an aggregate basis and if future experience differs significantly from assumptions, adjustments to reserves and deferred acquisition costs may be required which could have a material adverse effect on our operating results and financial condition.

CHANGES IN MARKET INTEREST RATES MAY LEAD TO A SIGNIFICANT DECREASE IN THE SALES AND PROFITABILITY OF SPREAD-BASED PRODUCTS

Our ability to manage our spread-based products, such as fixed annuities and institutional products, is dependent upon maintaining profitable spreads between investment yields and interest crediting rates. When market interest rates decrease or remain at relatively low levels, proceeds from investments that have matured, or have been prepaid or sold may be reinvested at lower yields, reducing investment spread. Lowering interest crediting rates in such an environment can offset decreases in investment yield on some products. However, these changes could be limited by market conditions, regulatory or contractual minimum rate guarantees on many contracts and may not match the timing or magnitude of changes in asset yields. Decreases in the rates offered on products could make those products less attractive, leading to lower sales and/or changes in the level of policy loans, surrenders and withdrawals and accelerating maturities of institutional products. Non-parallel shifts in interest rates, such as

increases in short-term rates without accompanying increases in medium- and long-term rates, can influence customer demand for fixed annuities, which could impact the level and profitability of new customer deposits. Increases in market interest rates can also have negative effects, for example by increasing the attractiveness of other investments to our customers, which can lead to higher surrenders at a time when fixed income investment asset values are lower as a result of the increase in interest rates. For certain products, principally fixed annuity and interest-sensitive life products, the earned rate on assets could lag behind rising market yields. We may react to market conditions by increasing crediting rates, which could narrow spreads and reduce profitability. Unanticipated surrenders could result in accelerated amortization of deferred policy acquisition costs ("DAC") or affect the recoverability of DAC and thereby increase expenses and reduce profitability.

CHANGES IN ESTIMATES OF PROFITABILITY ON INTEREST-SENSITIVE LIFE, FIXED ANNUITIES AND OTHER INVESTMENT PRODUCTS MAY HAVE AN ADVERSE EFFECT ON RESULTS

THROUGH INCREASED AMORTIZATION OF DAC

DAC related to interest-sensitive life, fixed annuities and other investment contracts is amortized in proportion to actual historical gross profits ("AGP") and estimated future gross profits ("EGP") over the estimated lives of the contracts. Assumptions underlying EGP, including those relating to margins from mortality, investment margin, contract administration, surrender and other contract charges, are updated from time to time in order to reflect actual and expected experience and its potential effect on the valuation of DAC. Updates to these assumptions could result in amortization acceleration/deceleration (commonly referred to as "DAC unlocking"), which in turn could adversely affect our profitability and financial condition.

A LOSS OF KEY PRODUCT DISTRIBUTION RELATIONSHIPS COULD MATERIALLY AFFECT SALES

Certain products are distributed under agreements with other members of the financial services industry that are not affiliated with us. Termination of one or more of these agreements due to, for example, a change in control of one of these distributors, could have a detrimental effect on sales.

CHANGES IN TAX LAWS MAY DECREASE SALES AND PROFITABILITY OF PRODUCTS

Under current federal and state income tax law, certain products we offer, primarily life insurance and annuities, receive favorable tax treatment. This favorable treatment may give certain of our products a competitive advantage over noninsurance products. Congress from time to time considers legislation that would reduce or eliminate the favorable policyholder tax treatment currently applicable to life insurance and annuities. Congress also considers proposals to reduce the taxation of certain products or investments that may compete with life insurance and annuities. Legislation that increases the taxation on insurance products or reduces the taxation on competing products could lessen the advantage or create a disadvantage for certain of our products making them less competitive. Such proposals, if adopted, could have a material adverse effect on our financial position or ability to sell such products and could result in the surrender of some existing contracts and policies. In addition, changes in the federal estate tax laws could negatively affect the demand for the types of life insurance used in estate planning.

RISKS RELATING TO INVESTMENTS

WE ARE SUBJECT TO MARKET RISK AND DECLINES IN CREDIT QUALITY

We are subject to the risk that we will incur losses due to adverse changes in interest rates, equity prices and foreign currency exchange rates. Our primary market risk exposures are to changes in interest rates and, to a lesser degree, changes in equity prices and foreign currency exchange rates. In addition, we are subject to potential declines in credit quality, either related to issues specific to certain industries or to a weakening in the economy in general. Although to some extent we use derivative financial instruments to address these risks, the effectiveness of such instruments is subject to the same risks. For additional information on market risk, see the "Market Risk" section of Management's Discussion and Analysis.

A decline in market interest rates could have an adverse effect on our investment income as we invest cash in new investments that may yield less than the portfolio's average rate. In a declining interest rate environment, borrowers may prepay or redeem securities more quickly than expected as they seek to refinance at lower rates. A decline could also lead us to purchase longer-term or otherwise riskier assets in order to obtain adequate investment yields resulting in a duration gap when compared to the duration of liabilities. An increase in market interest rates could have an adverse effect on the value of our investment portfolio by decreasing the fair values of the fixed income securities that comprise a substantial majority of our investment portfolio. A decline in the quality of our investment portfolio as a result of adverse economic conditions or otherwise could cause additional realized losses on securities, including realized losses relating to equity and derivative strategies.

DETERIORATING FINANCIAL PERFORMANCE ON SECURITIES COLLATERALIZED BY MORTGAGE LOANS AND COMMERCIAL MORTGAGE LOANS MAY LEAD TO WRITE-DOWNS

We continue to believe that the unrealized losses on securities collateralized by mortgage loans and commercial mortgage loans are not necessarily predictive of the performance of the underlying collateral, and that, in the absence of further deterioration in the collateral relative to our positions in the securities' respective capital structure, we expect the unrealized losses should reverse over the remaining lives of the securities. However, future market conditions could cause us to alter that outlook. Changes in mortgage delinquency or recovery rates, credit rating changes by rating agencies, bond insurer strength or rating, and the quality of service provided by service providers on securities in our portfolios could lead us to determine that write-downs are appropriate in the future.

CONCENTRATION OF OUR INVESTMENT PORTFOLIOS IN ANY PARTICULAR SEGMENT OF THE ECONOMY MAY HAVE ADVERSE EFFECTS

The concentration of our investment portfolios in any particular industry, group of related industries or geographic sector could have an adverse effect on our investment portfolios and consequently on our results of operations and financial position. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative impact on any particular industry, group of related industries or geographic region may have a greater adverse effect on the investment portfolios to the extent that the portfolios are concentrated rather than diversified.

RISKS RELATING TO THE INSURANCE INDUSTRY

OUR FUTURE RESULTS ARE DEPENDENT IN PART ON OUR ABILITY TO SUCCESSFULLY OPERATE IN AN INSURANCE INDUSTRY THAT IS HIGHLY COMPETITIVE

The insurance industry is highly competitive. Our competitors include other insurers and, because many of our products include a savings or investment component, securities firms, investment advisers, mutual funds, banks and other financial institutions. Many of our competitors have well-established national reputations and market similar products. Because of the competitive nature of the insurance industry, including competition for producers such as exclusive and independent agents, there can be no assurance that we will continue to effectively compete with our industry rivals, or that competitive pressures will not have a material adverse effect on our business, operating results or financial condition. Furthermore, certain competitors operate using a mutual insurance company structure and therefore, may have dissimilar profitability and return targets. Our ability to successfully operate may also be impaired if we are not effective in filling critical leadership positions, in developing the talent and skills of our human resources, in assimilating new executive talent into our organization, or in deploying human resource talent consistently with our business goals.

WE MAY SUFFER LOSSES FROM LITIGATION

As is typical for a large company, we are involved in a substantial amount of litigation, including class action litigation challenging a range of company practices and coverage provided by our insurance products. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be in excess of amounts currently reserved and may be material to our operating results or cash flows for a particular quarter or annual period. For a description of our current legal proceedings, see Note 11 of the consolidated financial statements.

In some circumstances, we may be able to collect on third-party insurance that we carry to recover all or part of the amounts that we may be required to pay in judgments, settlements and litigation expenses. However, we may not be able to resolve issues concerning the availability, if any, or the ability to collect such insurance concurrently with the underlying litigation. Consequently, the timing of the resolution of a particular piece of litigation and the determination of our insurance recovery with respect to that litigation may not coincide and, therefore, may be reflected in our financial statements in different fiscal quarters.

WE ARE SUBJECT TO EXTENSIVE REGULATION AND POTENTIAL FURTHER RESTRICTIVE REGULATION MAY INCREASE OUR OPERATING COSTS AND LIMIT OUR GROWTH

As insurance companies, broker-dealers, investment advisers and/or investment companies, many of our subsidiaries are subject to extensive laws and regulations. These laws and regulations are complex and subject to change. Moreover, they are administered and enforced by a number of different governmental authorities, including state insurance regulators, state securities administrators, the SEC, Financial Industry Regulatory Authority, the U.S. Department of Justice, and state attorneys general, each of which exercises a degree of interpretive latitude. Consequently, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue,

particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal environment may, even absent any particular regulator's or enforcement authority's interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thus necessitating changes to our practices that may, in some cases, limit our ability to grow and improve the profitability of our business. Furthermore, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations are generally intended to protect or benefit purchasers or users of insurance products. In many respects, these laws and regulations limit our ability to grow and improve the profitability of our business.

In recent years, the state insurance regulatory framework has come under public scrutiny and members of Congress have discussed proposals to provide for optional federal chartering of insurance companies. We can make no assurances regarding the potential impact of state or federal measures that may change the nature or scope of insurance regulation.

REINSURANCE MAY BE UNAVAILABLE AT CURRENT LEVELS AND PRICES, WHICH MAY LIMIT OUR ABILITY TO WRITE NEW BUSINESS

Market conditions beyond our control determine the availability and cost of the reinsurance we purchase. No assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as are currently available. If we were unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we would have to either accept an increase in our exposure risk, reduce our insurance writings, or develop or seek other alternatives.

REINSURANCE SUBJECTS US TO THE CREDIT RISK OF OUR REINSURERS AND MAY NOT BE ADEQUATE TO PROTECT US AGAINST LOSSES ARISING FROM CEDED INSURANCE

The collectibility of reinsurance recoverables is subject to uncertainty arising from a number of factors, including whether insured losses meet the qualifying conditions of the reinsurance contract and whether reinsurers, or their affiliates, have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. Our inability to collect a material recovery from a reinsurer could have a material adverse effect on our operating results and financial condition.

THE CONTINUED THREAT OF TERRORISM AND ONGOING MILITARY ACTIONS MAY ADVERSELY AFFECT THE LEVEL OF CLAIM LOSSES WE INCUR AND THE VALUE OF OUR INVESTMENT PORTFOLIO

The continued threat of terrorism, both within the United States and abroad, and ongoing military and other actions and heightened security measures in response to these types of threats, may cause significant volatility and losses from declines in the equity markets and from interest rate changes in the United States, Europe and elsewhere, and result in loss of life, disruptions to commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets and reduced economic activity caused by the continued threat of terrorism. We seek to mitigate the potential impact of terrorism on our commercial mortgage portfolio by limiting geographical concentrations in key metropolitan areas and by requiring terrorism insurance to the extent that it is commercially available. Additionally, in the event that terrorist acts occur, we could be adversely affected, depending on the nature of the event.

ANY DECREASE IN OUR FINANCIAL STRENGTH RATINGS MAY HAVE AN ADVERSE EFFECT ON OUR COMPETITIVE POSITION

Financial strength ratings are important factors in establishing the competitive position of insurance companies and generally have an effect on an insurance company's business. On an ongoing basis, rating agencies review the financial performance and condition of insurers and could downgrade or change the outlook on an insurer's ratings due to, for example, a change in an insurer's statutory capital; a change in a rating agency's determination of the amount of risk-adjusted capital required to maintain a particular rating; an increase in the perceived risk of an insurer's investment portfolio; a reduced confidence in management or a host of other considerations that may or may not be under the insurer's control. The insurance financial strength ratings of both AIC and ALIC are A+, AA and Aa2 from A.M. Best, Standard & Poor's and Moody's, respectively. Because all of these ratings are subject to continuous review, the retention of these ratings cannot be assured. A multiple level downgrade in any of these ratings could have a material adverse effect on our sales, our competitiveness, the marketability of our product offerings, and our liquidity, operating results and financial condition.

CHANGES IN ACCOUNTING STANDARDS ISSUED BY THE FINANCIAL ACCOUNTING STANDARDS BOARD ("FASB") OR OTHER STANDARD-SETTING BODIES MAY ADVERSELY AFFECT OUR FINANCIAL STATEMENTS

Our financial statements are subject to the application of generally accepted accounting principles, which are periodically revised and/or expanded. Accordingly, we are required to adopt new guidance or interpretations, or could be subject to existing guidance as we enter into new transactions, which may have a material adverse effect on our results of operations and financial condition that is either unexpected or has a greater impact than expected. For a description of changes in accounting standards that are currently pending and, if known, our estimates of their expected impact, see Note 2 of the consolidated financial statements.

THE CHANGE IN OUR UNRECOGNIZED TAX BENEFIT DURING THE NEXT 12 MONTHS IS SUBJECT TO UNCERTAINTY

As required by FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", which was adopted as of January 1, 2007, we have disclosed our estimate of net unrecognized tax benefits and the reasonably possible increase or decrease in its balance during the next 12 months. However, actual results may differ from our estimate for reasons such as changes in our position on specific issues, developments with respect to the governments' interpretations of income tax laws or changes in judgment resulting from new information obtained in audits or the appeals process.

THE OCCURRENCE OF EVENTS UNANTICIPATED IN OUR DISASTER RECOVERY SYSTEMS AND MANAGEMENT CONTINUITY PLANNING COULD IMPAIR OUR ABILITY TO CONDUCT BUSINESS EFFECTIVELY

In the event of a disaster such as a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems could have an adverse impact on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage and retrieval systems. In the event that a significant number of our managers could be unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

CHANGING CLIMATE CONDITIONS MAY ADVERSELY AFFECT OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS OR CASH FLOWS

Allstate recognizes the scientific view that the world is getting warmer. Climate change, to the extent it produces rising temperatures and changes in weather patterns, could impact the frequency or severity of extreme weather events and wildfires. To the extent that climate change impacts mortality rates and those changes do not match the long-term mortality assumptions in our product pricing, we would be impacted.

LOSS OF KEY VENDOR RELATIONSHIPS COULD AFFECT OUR OPERATIONS

We rely on services and products provided by many vendors in the United States and abroad. These include, for example, vendors of computer hardware and software and vendors of services such as human resource benefits management services. In the event that one or more of our vendors suffers a bankruptcy or otherwise becomes unable to continue to provide products or services, we may suffer operational impairments and financial losses.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our home office is part of the Parent Group's home office complex in Northbrook, Illinois. As of December 31, 2007, the complex consists of several buildings totaling approximately 2.3 million square feet of office space on a 250-acre site. In addition, we operate from various administrative, data processing, claims handling and other support facilities.

All of the facilities from which we operate are owned or leased by our direct parent, Allstate Insurance Company, except for office space in Lincoln, Nebraska that is leased by Lincoln Benefit Life Company, a wholly owned subsidiary of ALIC, for general operations, file storage and information technology. Expenses associated with facilities owned or leased by Allstate Insurance Company are allocated to us on both a direct and an indirect basis, depending on the nature and use of each particular facility. We believe that these facilities are suitable and adequate for our current operations.

The locations out of which the Parent Group exclusive agencies operate in the U.S. are normally leased by the agencies as lessees.

ITEM 3. LEGAL PROCEEDINGS

Information required for Item 3 is incorporated by reference to the discussion under the heading "Regulation" and under the heading "Legal and regulatory proceedings and inquiries" in Note 11 of the Consolidated Financial Statements.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

No established public trading market exists for Allstate Life's common stock. All of its outstanding common stock is owned by its parent, Allstate Insurance Company ("AIC"). All of the outstanding common stock of AIC is owned by The Allstate Corporation.

In 2007 and 2006, Allstate Life paid the following amounts to AIC in the aggregate on the dates specified as dividends on its common stock:

PAYMENT DATE	AGGREGATE AMOUNT
June 27, 2006	$ 125,000,000
September 21, 2006	300,000,000
December 15, 2006	250,000,000
September 24, 2007	85,000,000
December 17, 2007	250,960,134
December 21, 2007	389,039,866

For additional information on dividends, including restrictions on the payment of dividends by Allstate Life and its subsidiaries, see the Limitations on Dividends by Insurance Subsidiaries subsection of the "Regulation" section of Item 1. Business of this Form 10-K and the discussion under the heading "Dividends" in Note 14 of our consolidated financial statements, which are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
5-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(IN MILLIONS)
2007 2006
2005 2004
2003 --------

CONSOLIDATED
OPERATING
RESULTS
Premiums $
502 $ 576 $

474 $ 637 $ 959 Contract charges 942 1,009 1,079 961 872 Net investment income 4,205 4,057 3,707 3,260 3,082 Realized capital gains and losses (197) (79) 19 (11) (84) Total revenues 5,452 5,563 5,279 4,847 4,829 Income before cumulative effect of change in accounting principle, after-tax 412 428 417 356 291 Cumulative effect of change in accounting principle, after-tax -- -- -- (175) (13) Net income 412 428 417 181 278 CONSOLIDATED FINANCIAL POSITION Investments $ 72,414 $ 74,160 $ 72,756 $ 69,689 $ 59,989 Total assets 96,117 98,758 95,022 90,401 78,812 Reserve for life-contingent contract benefits and contractholder funds 73,062 72,769 70,071 65,142 55,394 Long-term debt 200 206 181 104 45 Shareholder's equity 4,763 5,498 6,008 6,309 6,429

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PAGE

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 5-year summary of selected financial data, consolidated financial statements and related notes found under Part II, Item 6 and Item 8 contained herein. We operate as a single segment entity, based on the manner in which we use financial information to evaluate performance and determine the allocation of resources.

Our goal is to reinvent protection and retirement for the consumer. To achieve this goal, we are focused on the following operating priorities: consumer focus, operational excellence, enterprise risk and return, and capital management.

The most important factors we monitor to evaluate the financial condition and performance of our Company include:

- For operations: premiums and deposits, benefit and investment spread, amortization of deferred policy acquisition costs, expenses, operating income, net income, invested assets, product returns, and profitably growing distribution partner relationships;
- For investments: credit quality/experience, stability of long-term returns, total returns, cash flows and asset and liability duration; and
- For financial condition: our financial strength ratings, operating leverage, debt leverage, and return on equity.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. The most critical estimates include those used in determining:

- Investment Fair Value and Impairment
- Derivative Instrument Hedge Accounting and Fair Value
- Deferred Policy Acquisition Cost ("DAC") Amortization
- Reserve for Life-Contingent Contract Benefits Estimation

In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's businesses and operations. It is reasonably likely that changes in these estimates could occur from period to period and result in a material impact on our consolidated financial statements.

A brief summary of each of these critical accounting estimates follows. For a more detailed discussion of the effect of these estimates on our consolidated financial statements, and the judgments and assumptions related to these estimates, see the referenced sections of this document. For a complete summary of our significant accounting policies, see Note 2 of the consolidated financial statements.

INVESTMENT FAIR VALUE AND IMPAIRMENT The fair value of our investments in fixed income and equity securities is based on observable market quotations, other market observable data, or is derived from such quotations and market observable data. We utilize third party pricing servicers, brokers and internal valuation models to determine fair value. We gain assurance of the overall reasonableness and consistent application of the assumptions and methodologies and compliance with accounting standards for fair value determination through our ongoing monitoring of the fair values received or derived internally. Our exposure to changes in market conditions is discussed more fully in the Market Risk section of the MD&A.

We are responsible for the determination of fair value and the supporting assumptions and methodologies. We employ independent third party pricing servicers to gather, analyze, and interpret market information and derive fair values based upon relevant assumptions and methodologies for each applicable security. In situations where sufficient market observable information is not available for a particular security through the sources as agreed to with us, no quote is provided by the service providers. For these securities, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a quote or we internally determine fair values employing widely accepted pricing valuation models. Changing market conditions in the fourth quarter of 2007, were incorporated into valuation assumptions, and reflected in the fair values which were validated by calibration and other analytical techniques to available market observable data.

Third party pricing servicers consolidate market transactions and other key valuation model inputs from multiple sources and provide pricing information in the form of a single fair value for each security for which a fair value request is agreed. Fair values provided are derived from their proprietary pricing models. The sources used by these servicers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates, and other market-observable information as applicable, as well as widely accepted valuation models developed on a proprietary basis. Their proprietary pricing models are based on discounted cashflow methodology and they may take into account, among other things, market observable information as of the measurement date from the sources described above; and the specific attributes of the security being valued including its term, interest rate and credit rating (consistent with those we use to report our holdings by credit rating); industry sector, and where applicable, collateral quality and other issue or issuer specific information. To operate these models effectively requires seasoned professional judgment and experience. In cases where market transactions or other market observable data is limited, the degree of judgment varies with the availability of market observable information.

For approximately 7.3% of our holdings, where our third party pricing servicers cannot provide fair value determinations for fixed income securities, we obtain quotes from brokers familiar with the security who may consider transactions or activity in similar securities, if any, among other information, similar to our third party pricing servicers. The brokers providing the quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise.

The fair value of securities, such as privately-placed securities, where our pricing servicers or brokers cannot provide fair value determinations, is determined using widely accepted valuation methods and models. These

internally developed models are appropriate for each class of security, involve some degree of judgment, and include inputs that may not be market observable.

Our models are based on discounted cash flow methodology and calculate a single best estimate of fair value for each security. Our internally developed pricing models use credit ratings and liquidity risk associated with privately-placed securities which are difficult to independently observe and verify. Inputs used in these fair value estimates include specific attributes of the security being valued including; coupon rate, weighted average life, an internal credit rating assigned by us (which is generally consistent with any external ratings and those we use to report our holdings by credit rating), sector of the issuer, and call provisions. Our assumptions incorporate market information as of the measurement date that represents what we believe independent third parties would use to determine fair value, which include: interest rate yield curves, quoted market prices of comparable securities, credit spreads, estimated liquidity premiums and other applicable market data. Our assumption for liquidity risk associated with privately-placed securities reduces the value of these securities to reflect their reduced liquidity as compared to similar securities that are publicly traded. Additionally, no assumption is included in the valuation of privately placed securities for an increase to the value to reflect the generally enhanced structural features of the securities, such as covenants or change of control protection. However, judgment is required in developing these estimates and, as a result, the estimated fair value of these securities may differ from amounts that would be realized upon an orderly sale of the securities at the measurement date. The use of different assumptions may have a material effect on the estimated fair values.

We employ control processes to determine the reasonableness of the fair value of our fixed income and equity securities. Our processes are designed to assure the values provided are accurately recorded and that the data and the valuation method utilized is appropriate and consistently applied and that the assumptions are reasonable and representative of fair value. For example, we may validate the reasonableness of prices by comparing the information obtained from our pricing vendors to other third party pricing sources for certain securities. Our control processes also include reviews, when fair value determinations are expected to be more variable, by management with relevant expertise and management who are independent of those charged with executing investing transactions, of these fair value determinations to validate their reasonableness.

The following table identifies those investments carried at fair value as of December 31, 2007 by method of determination:

INVESTMENTS (IN MILLIONS)	CARRYING VALUE	PERCENT TO TOTAL
Fair value based on internal sources	$ 10,063	13.9%
Fair value based on external sources	48,508	67.0
Total fixed income and equity securities	58,571	80.9
Fair value of derivatives	455	0.6
Mortgage loans, policy loans, bank loans and certain limited partnership and other investments, valued at cost, amortized cost and the equity method	13,388	18.5
Total	$ 72,414	100.0%

For investments classified as available for sale, the difference between fair value and amortized cost for fixed income securities and cost for equity securities, net of certain other items and deferred income taxes (as disclosed in Note 6), is reported as a component of accumulated other comprehensive income on the Consolidated Statements of Financial Position and is not reflected in the operating results of any period until reclassified to net income upon the consummation of a transaction with an unrelated third party or when declines in fair values are deemed other-than-temporary. The assessment of other-than-temporary impairment of a security's fair value is performed on a portfolio review as well as a case-by-case basis considering a wide range of factors.

For our portfolio review evaluations, we ascertain whether there are any approved programs involving the disposition of investments such as changes in duration, revision to strategic asset allocations and liquidity actions, as well as any dispositions anticipated by the portfolio managers. In these instances, we recognize impairments on securities designated as subject to these approved anticipated actions if the security is in an unrealized loss position. There are a number of assumptions and estimates inherent in evaluating impairments and determining if they are other-than-temporary, including: 1) our ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) the expected recoverability of principal and interest; 3) the length of time and extent to which the fair value has been less than amortized cost for fixed income securities or cost for

equity securities; 4) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry conditions and trends, and implications of rating agency actions and offering prices; and 5) the specific reasons that a security is in a significant unrealized loss position, including market conditions which could affect liquidity. Additionally, once assumptions and estimates are made, any number of changes in facts and circumstances could cause us to subsequently determine that an impairment is other-than-temporary, including: 1) general economic conditions that are worse than previously forecasted or that have a greater adverse effect on a particular issuer or industry sector than originally estimated; 2) changes in the facts and circumstances related to a particular issue or issuer's ability to meet all of its contractual obligations; and 3) changes in facts and circumstances or new information obtained which causes a change in our ability or intent to hold a security to maturity or until it recovers in value. Changes in assumptions, facts and circumstances could result in additional charges to earnings in future periods to the extent that losses are realized. The charge to earnings, while potentially significant to net income, would not have a significant effect on shareholder's equity since the majority of our portfolio is designated as available-for-sale and carried at fair value and as a result, any related net unrealized loss would already be reflected as a component of accumulated other comprehensive income in shareholder's equity.

The determination of the amount of impairment is an inherently subjective process based on periodic evaluation of the factors above. Such evaluations and assessments are revised as conditions change and new information becomes available. We update our evaluations regularly and reflect changes in impairments in results of operations as such evaluations are revised. The use of different methodologies and assumptions as to the determination of the fair value of investments and the timing and amount of impairments may have a material effect on the amounts presented within the consolidated financial statements.

For a more detailed discussion of the risks relating to changes in investment values and levels of investment impairment as well as the potential causes of such changes, see Note 6 of the consolidated financial statements and the Investments, Market Risk, and Forward-looking Statements and Risk Factors sections of this document.

DERIVATIVE INSTRUMENT HEDGE ACCOUNTING AND FAIR VALUE We primarily use derivative financial instruments to manage our exposure to market risk and in conjunction with asset/liability management.

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. When designating a derivative as an accounting hedge, we formally document the hedging relationship and risk management objective and strategy. The documentation identifies the hedging instrument, the hedged item, the nature of the risk being hedged and the methodology used to assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. In the case of a cash flow hedge, this documentation includes the exposure to changes in the hedged transaction's variability in cash flows attributable to the hedged risk. We do not exclude any component of the change in fair value of the hedging instrument from the effectiveness assessment. At each reporting date, we confirm that the hedging instrument continues to be highly effective in offsetting the hedged risk.

The accounting for derivatives is complex and interpretations of the applicable accounting standards continue to evolve in practice. Judgment is applied in determining the availability and application of hedge accounting designations and the appropriate accounting treatment under the applicable accounting standards. If it is determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Differences in judgment as to the availability and application of hedge accounting designations and the appropriate accounting treatment may result in differing impacts on our financial statements from those previously reported. Measurements of ineffectiveness of hedging relationships are also subject to evolving interpretations and estimations which may have a material effect on net income.

The fair value of exchange traded derivative contracts is based on observable market quotations in active markets, whereas the fair value of non-exchange traded derivative contracts is determined using widely accepted pricing models and other appropriate valuation methods. These techniques involve some degree of judgment and include inputs that may not be observable in the market. The fair value of derivatives, depending on the type of derivative, can be affected by changes in interest rates, foreign exchange rates, financial indices, credit spreads, market volatility and liquidity. Values can also be affected by changes in estimates and assumptions used in pricing models. Such assumptions include estimates of volatility, interest rates, foreign exchange rates, other financial indices and credit ratings. Included in the analysis of the fair value is the risk of counterparty default. The use of different assumptions may have material effects on the estimated derivative fair value amounts, as well as the amount of reported net income. Also, fluctuations in the fair value of derivatives which have not been designated for hedge accounting may result in significant volatility in net income.

The following table presents the valuation of our derivatives by method of determining fair value.

(IN MILLIONS)	FAIR VALUE OF DERIVATIVE CONTRACTS
Fair value based on quoted market prices	$ 106
Fair value based on models and other valuation methods	658
Fair value of derivatives related to the Company's products	(117)
Total fair value of derivatives	$ 647

For further discussion of these policies and quantification of the impacts of these estimates and assumptions, see Note 7 of the consolidated financial statements and the Investments, Market Risk, and Forward-looking Statements and Risk Factors sections of this document.

DEFERRED POLICY ACQUISITION COST AMORTIZATION We incur significant costs in connection with acquiring business. In accordance with generally accepted accounting principles ("GAAP"), costs that vary with and are primarily related to acquiring business are deferred and recorded as an asset on the Consolidated Statements of Financial Position.

DAC related to traditional life insurance is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business. Significant assumptions relating to estimated premiums, investment returns, which include investment income and realized capital gains and losses, as well as mortality, persistency and expenses to administer the business are established at the time the policy is issued and are generally not revised during the life of the policy. The assumptions for determining DAC amortization and recoverability are consistent with the assumptions used to calculate reserves for life-contingent contract benefits. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these contracts approximates the estimated lives of the policies. The recovery of DAC is dependent upon the future profitability of this business. We periodically review the adequacy of reserves and recoverability of DAC for these contracts on an aggregate basis using actual experience. In the event actual experience is significantly adverse compared to the original assumptions any remaining unamortized DAC balance must be expensed to the extent not recoverable and a premium deficiency reserve may be required if the remaining DAC balance is insufficient to absorb the deficiency.

DAC related to interest-sensitive life, annuities and other investment contracts is amortized in proportion to the incidence of the total present value of gross profits, which includes both actual historical gross profits ("AGP") and estimated future gross profits ("EGP") expected to be earned over the estimated lives of the contracts. The amortization is net of interest on the prior period DAC balance using rates established at the inception of the contracts. Actual amortization periods generally range from 15-30 years;

however, incorporating estimates of customer surrender rates, partial withdrawals and deaths generally results in the majority of the DAC being amortized during the surrender charge period. The cumulative DAC amortization is reestimated and adjusted by a cumulative charge or credit to results of operations when there is a difference between the incidence of actual versus expected gross profits in a reporting period or when there is a change in total EGP.

AGP and EGP consist of the following components: benefit margins primarily from cost of insurance contract charges less mortality, investment margin including realized capital gains and losses; and expense margins including surrender and other contract charges, less maintenance expenses. The amount of EGP is principally dependent on assumptions for investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to policyholders, the effect of any hedges, persistency, mortality and expenses. Of these factors, we anticipate that investment returns, credited interest, persistency, mortality, and expenses are reasonably likely to have the greatest impact on the amount of DAC amortization. Changes in these assumptions can be offsetting and the Company is unable to predict their future movements or offsetting impacts over time.

Each reporting period, DAC amortization is recognized in proportion to AGP for that period adjusted for interest on the prior period DAC balance. This amortization process includes an assessment of AGP compared to EGP, the actual amount of business remaining in-force and realized capital gains and losses on investments supporting the product liability. The impact of realized capital gains and losses on amortization of DAC depends upon which product liability is supported by the assets that give rise to the gain or loss. If the AGP is less than EGP in the period, but the total EGP is unchanged, the amount of DAC amortization will generally decrease, resulting in a current period increase to earnings. The opposite result generally occurs when the AGP exceeds the EGP in the period, but the total EGP is unchanged.

Annually we review all assumptions underlying the projections of EGP, including investment returns, interest crediting rates, mortality, persistency, and expenses. Management annually updates assumptions used in the calculation of EGP. At each reporting period we assess whether any revisions to assumptions used to determine DAC amortization are required. These reviews and updates may result in amortization acceleration or deceleration, which are commonly referred to as "DAC unlocking".

If the update of assumptions causes total EGP to increase, the rate of DAC amortization will generally decrease, resulting in a current period increase to earnings. A decrease to earnings generally occurs when the assumption update causes the total EGP to decrease.

Over the past three years, our most significant DAC assumption updates that resulted in a change to EGP and the amortization of DAC have been revisions to expected future investment returns, expenses, mortality and in-force or persistency assumptions resulting in net DAC amortization deceleration of $12 million in 2007, net DAC amortization acceleration of $2 million in 2006, and net DAC amortization deceleration of $2 million in 2005. The 2005 amortization deceleration included $55 million related to our subsequently disposed variable annuity business for which we no longer have any DAC, but was largely offset by $51 million of amortization acceleration related to investment contracts. The amortization acceleration on fixed annuity investment contracts was primarily due to higher than expected lapses on market value adjusted annuities and faster than anticipated investment portfolio yield declines.

For quantification of the impact of these estimates and assumptions, see the Forward-looking Statements and Risk Factors sections of this document and Note 2 and 10 of the consolidated financial statements.

RESERVE FOR LIFE-CONTINGENT CONTRACT BENEFITS ESTIMATION Benefits for these contracts are payable over many years; accordingly, the reserves are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses are used when establishing the reserve for life-contingent contract benefits payable under insurance policies including traditional life insurance and life-contingent annuities. These assumptions, which for life-contingent annuities and traditional life insurance are applied using the net level premium method, include provisions for adverse deviation and generally vary by such characteristics as type of annuity benefit or coverage, year of issue and policy duration. Future investment yield assumptions are determined based upon prevailing investment yields as well as estimated reinvestment yields. Mortality, morbidity and policy termination assumptions are based on our experience and industry experience. Expense assumptions include the estimated effects of inflation and expenses to be incurred beyond the premium-paying period. These assumptions are established at the time the policy is issued, are consistent with assumptions for determining DAC amortization for these contracts, and are generally not changed during the policy coverage period. However, if actual experience emerges in a manner that is significantly adverse relative to the original assumptions, adjustments to DAC or reserves may be required resulting in a charge to earnings which could have a material adverse effect on our operating results and financial condition. We periodically review the adequacy of these reserves and recoverability of DAC for these contracts on an aggregate basis using actual experience. In the event that actual experience is significantly adverse compared to the original assumptions any remaining unamortized DAC balance must be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required. The effects of changes in reserve estimates are reported in the results of operations in the period in which the changes are determined. The company has not recognized a charge of this nature in the three years ended December 31, 2007. We anticipate that mortality, investment and reinvestment yields, and policy terminations are the factors that would be most likely to require adjustment to these reserves or related DAC.

For further discussion of these policies, see Note 8 of the consolidated financial statements and the Forward-looking Statements and Risk Factors section of this document.

2007 HIGHLIGHTS

- Net income was $412 million in 2007 compared to $428 million in 2006.
- Contractholder fund deposits totaled $7.96 billion for 2007 compared to $9.54 billion for 2006.
- Net investment income increased 3.6% in 2007 compared to 2006 despite a 2.4% decrease in investments as of December 31, 2007 compared to December 31, 2006.
- The Company paid dividends of $725 million in 2007 to its parent, AIC.
- Return on average beginning and ending period shareholder's equity increased 0.6 points to 8.0%.
- Effective June 1, 2006, the Company disposed of substantially all of its variable annuity business through reinsurance with Prudential Financial Inc. ("Prudential"). The following table presents the results of operations attributable to our reinsured variable annuity business for the period of 2006 prior to the disposition and 2005.

(IN MILLIONS)	2006	2005
Contract charges	$ 136	$ 276
Net investment income	17	50
Realized capital gains and losses	(8)	(7)
Total revenues	145	319
Contract benefits	(13)	(64)
Interest credited to contractholder funds	(24)	(63)
Amortization of deferred policy acquisition costs	(44)	(47)
Operating costs and expenses	(43)	(101)
Total costs and expenses	(124)	(275)

Loss on disposition of operations (89) -- ----- ----- ------- --- Income from operations before income tax expense (1) $ (68) $ 44 ========== ==========

- ----------

(1) For 2006 and 2005, income from operations before income tax expense attributable to the variable annuity business reinsured to Prudential included investment spread of $(7) million and $(13) million, respectively, and benefit spread of $13 million and $(24) million, respectively.

OPERATIONS

OVERVIEW AND STRATEGY We are a major provider of life insurance, retirement and investment products to individual and institutional customers. We serve these customers through Allstate exclusive agencies and non-proprietary distribution channels. Our mission is to reinvent retirement and protection for the middle market consumer.

To achieve our mission and reach our financial goals, our primary objectives are to deepen financial services relationships with Allstate customers and build consumer-driven innovation capabilities and culture. We will continue to drive scale through non-proprietary distribution channel relationships and leverage future innovations across those channels. We will also enhance our operational excellence. In addition to focusing on higher return markets, products, and distribution channels, we will improve our financial performance through capital efficiency and enterprise risk and return management capabilities and practices.

Our strategy provides a platform designed to profitably grow our business. Based upon Allstate's strong financial position and brand, our customers look to us to help meet their retirement and protection needs through trusted relationships. We have unique access to potential customers through cross-sell opportunities within the Allstate exclusive agencies. Our investment expertise, strong operating platform and solid relationships with leading distribution partners provide a foundation to deliver value to our customers.

We plan to continue offering a suite of products that provides financial protection primarily to middle market consumers and help them better prepare for retirement. Our products include fixed annuities, including deferred, immediate and indexed; interest-sensitive, traditional and variable life insurance; and funding agreements backing medium-term notes. Our products are sold through several distribution channels including Allstate exclusive agencies, which include exclusive financial specialists, independent agents (including master brokerage agencies), and financial service firms such as banks, broker-dealers and specialized structured settlement brokers. Our institutional product line consists primarily of funding agreements sold to unaffiliated trusts that use them to back medium-term notes issued to institutional and individual investors.

Summarized financial data for the years ended December 31 is presented in the following table.

(IN MILLIONS) 2007 2006 2005 -------- ------ ------ ------- ----- -------- REVENUES Premiums $ 502 $ 576 $ 474 Contract charges 942 1,009 1,079 Net investment income 4,205

4,057 3,707
Realized
capital gains
and losses
(197) (79) 19

- -----------
-- ----------
--- Total
revenues
5,452 5,563
5,279 COSTS
AND EXPENSES
Contract
benefits
(1,364)
(1,372)
(1,340)
Interest
credited to
contractholder
funds (2,628)
(2,543)
(2,340)
Amortization
of deferred
policy
acquisition
costs (518)
(538) (568)
Operating
costs and
expenses
(338) (374)
(432)
Restructuring
and related
charges (2)
(24) (1) ----
---------- --
----------- -

Total costs
and expenses
(4,850)
(4,851)
(4,681) Loss
on
disposition
of operations
(10) (88) (7)
Income tax
expense (180)
(196) (174) -

Net income $
412 $ 428 $
417
==============
=============
=============
Investments
at December
31 $ 72,414 $
74,160 $
72,756

NET INCOME declined 3.7% in 2007 compared to 2006 as lower losses associated with dispositions of operations were more than offset by a decline in total revenues. Net income increased 2.6% in 2006 compared to 2005, due to higher revenues, partially offset by higher total costs and expenses and the recognition in 2006 of losses relating to the disposition of substantially all of our variable annuity business.

ANALYSIS OF REVENUES Total revenues decreased 2.0% or $111 million in 2007 compared to 2006, due to higher net realized capital losses and lower premiums and contract charges, partially offset by higher net investment income. Total revenues increased 5.4% or $284 million in 2006 compared to 2005 due to higher net investment income and premiums, partially offset by net realized capital losses in 2006 compared to net realized capital gains in 2005, and lower contract charges.

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

CONTRACT CHARGES are revenues generated from interest-sensitive and variable life insurance, fixed annuities, institutional products and variable annuities for which deposits are classified as contractholder funds or separate accounts liabilities. Contract charges are assessed against the contractholder account values for maintenance, administration, cost of insurance and surrender prior to contractually specified dates. As a result, changes in contractholder funds are considered in the evaluation of growth and as indicators of future levels of revenues. Subsequent to the close of our reinsurance transaction with Prudential effective June 1, 2006, variable annuity contract charges on the business subject to the transaction are fully reinsured to Prudential and presented net of reinsurance on the Consolidated Statements of Operations and Comprehensive Income (see Note 3 to the Consolidated Financial Statements).

The following table summarizes premiums and contract charges by product.

(IN MILLIONS)	2007	2006	2005
PREMIUMS			
Traditional life insurance	$ 260	$ 257	$ 250
Immediate annuities with life contingencies	204	278	197
Other	38	41	27
TOTAL PREMIUMS	502	576	474
CONTRACT CHARGES			
Interest-sensitive life insurance	862	797	734
Fixed annuities	79	73	65
Variable annuities	1	139	280
TOTAL CONTRACT CHARGES (1)	942	1,009	1,079
TOTAL PREMIUMS AND CONTRACT CHARGES	$ 1,444	$ 1,585	$ 1,553

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(1) Contract charges for 2007, 2006 and 2005 include contract charges related to the cost of insurance totaling $617 million, $600 million and $621 million, respectively.

Total premiums decreased 12.8% in 2007 compared to 2006 as a result of a decline in sales of life contingent immediate annuities due to market competitiveness.

Total premiums increased 21.5% in 2006 compared to 2005 due primarily to increased premiums on immediate annuities with life contingencies, due to certain pricing refinements and a more favorable pricing environment in 2006. Also contributing to the increase, to a lesser extent, were higher premiums on traditional life and other products due to increased sales.

Contract charges decreased 6.6% in 2007 compared to 2006 due to the disposal of substantially all of our variable annuity business through reinsurance effective June 1, 2006. Excluding contract charges on variable annuities, substantially all of which are reinsured to Prudential effective June 1, 2006, contract charges increased 8.2% in 2007 compared to 2006. The increase reflects growth in interest-sensitive life insurance policies in force, higher maintenance charge rates on interest-sensitive life products and, to a lesser extent, higher contract charges on fixed annuities. The increase in contract charges on fixed annuities was mostly attributable to higher surrender charges.

Contract charges decreased 6.5% in 2006 compared to 2005. Excluding contract charges on variable annuities, contract charges increased 8.9% in 2006 compared to 2005. The increase was mostly due to higher contract charges on interest-sensitive life products resulting from growth of business in force. Contract charges on fixed annuities were slightly higher in 2006 due to increased surrender charges.

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)	2007	2006	2005
CONTRACTHOLDER FUNDS, BEGINNING BALANCE	$ 60,565	$ 58,190	$ 53,939
DEPOSITS			
Fixed annuities	3,635	6,006	5,924
Institutional products (funding agreements)	3,000	2,100	3,773
Interest-sensitive life insurance	1,324	1,336	1,318
Variable annuity and life deposits			

allocated to fixed accounts 1 99 395 ------------ ------------ ------------ Total deposits 7,960 9,541 11,410 INTEREST CREDITED 2,635 2,600 2,340 MATURITIES, BENEFITS, WITHDRAWALS AND OTHER ADJUSTMENTS Maturities of institutional products (3,165) (2,726) (3,090) Benefits (1,656) (1,500) (1,336) Surrenders and partial withdrawals (4,928) (4,627) (3,839) Contract charges (751) (697) (649) Net transfers from (to) separate accounts 13 (145) (339) Fair value hedge adjustments for institutional products 34 38 (289) Other adjustments (1) (243) (109) 43 ------------ ------------ ------------ Total maturities, benefits, withdrawals and other adjustments (10,696) (9,766) (9,499) ------------ ------------ ------------ CONTRACTHOLDER FUNDS, ENDING BALANCE $ 60,464 $ 60,565 $ 58,190 ============ ============ ============

- ----------

(1) The table above illustrates the changes in contractholder funds, which are presented gross of reinsurance recoverables on the 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 Consolidated Statements of Operations and Comprehensive Income. 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. This includes, but is not limited to, the net change in contractholder funds associated with the reinsured variable annuity business subsequent to the effective date of our reinsurance agreements with Prudential (see Note 3 to the consolidated financial statements).

Contractholder funds decreased 0.2% in 2007 and increased 4.1% and 7.9% in 2006 and 2005, respectively. Average contractholder funds increased 1.9% in 2007 compared to 2006, 5.9% in 2006 compared to 2005 and 13.9% in 2005 compared to 2004.

Contractholder deposits decreased 16.6% in 2007 compared to 2006. The decline was primarily due to lower deposits on fixed annuities partially offset by higher deposits on funding agreements. The decline of 39.5% in fixed annuity deposits in 2007 compared to 2006 was due to our strategy to raise new business returns for these products combined with lower industry-wide fixed annuity sales. Deposits on institutional products increased 42.9% in 2007 compared to 2006. Sales of our institutional products vary from period to period based on management's assessment of market conditions.

Contractholder deposits decreased 16.4% in 2006 compared to 2005 due to decreased deposits on funding agreements and, to a lesser extent, the classification of the net change in variable annuity contractholder funds as "other adjustments" subsequent to the effective date of our reinsurance agreements with Prudential. These items were partially offset by higher fixed annuity deposits. The Company prioritized the allocation of fixed income investments to support sales of retail products having the best opportunity for sustainable growth and return while maintaining a retail market presence. Consequently, sales of institutional products varied from period to period. In 2006, deposits on institutional products declined 44.3% compared to 2005. Higher fixed annuity deposits in 2006 were the result of a $546 million increase in deposits on Allstate(R) Treasury-Linked Annuity contracts. This increase was partially offset by modest declines in deposits on traditional deferred annuities and market value adjusted annuities. These declines were in part impacted by our actions to improve new business returns and reduced consumer demand. Consumer demand for fixed annuities is influenced by market interest rates on short-term deposit products and equity market conditions, which can increase the relative attractiveness of competing investment alternatives.

Surrenders and partial withdrawals increased 6.5% in 2007 compared to 2006 due primarily to an 11.3% increase in surrenders and partial withdrawals on fixed annuities. This increase was partially offset by lower surrenders and partial withdrawals on interest-sensitive life insurance policies and the classification of the net change in variable annuity contractholder funds as "other adjustments" subsequent to the effective date of our reinsurance agreements with Prudential. Surrenders and partial withdrawals for 2006 include $120 million related to the reinsured variable annuity business. The surrender and partial withdrawal rate on deferred fixed annuities and interest-sensitive life insurance products, based on the beginning of period contractholder funds, was 11.6% in 2007 compared to 11.3% in 2006.

Surrenders and partial withdrawals increased 20.5% in 2006 compared to 2005, while the surrender and partial withdrawal rate increased to 11.3% for 2006 from 9.9% for 2005. The increase in the surrender and partial withdrawal rate in 2006 was influenced by multiple factors, including the relatively low interest rate environment during the preceding years, which reduced reinvestment opportunities and increased the number of policies with little or no surrender charge protection. Also influencing the increase were our crediting rate strategies related to renewal business implemented to improve investment spreads on selected contracts.

NET INVESTMENT INCOME increased 3.6% in 2007 compared to 2006 and 9.4% in 2006 compared to 2005. The 2007 increase was primarily due to higher average portfolio balances, increased portfolio yields and higher income from limited partnership interests. The 2006 increase was due to increased portfolio yields and higher average portfolio balances. Higher average portfolio balances in both years resulted primarily from the investment of cash flows from operating activities and, in 2006, financing activities related primarily to deposits from fixed annuities, funding agreements and interest-sensitive life policies. The higher portfolio yields in both periods were primarily due to increased yields on floating rate instruments resulting from higher short-term market interest rates and improved yields on fixed rate assets supporting fixed annuities. For certain products, the yield changes on our floating rate instruments are primarily offset by changes in crediting rates to holders of our floating rate contracts, resulting in minimal impact on net income.

REALIZED CAPITAL GAINS AND LOSSES reflected net losses of $197 million and $79 million in 2007 and 2006, respectively, and net gains of $19 million in 2005. For further discussion of realized capital gains and losses, see the Investments section of MD&A.

ANALYSIS OF COSTS AND EXPENSES Total costs and expenses in 2007 were consistent with 2006 as increased interest credited to contractholder funds was offset by lower operating costs and expenses, restructuring and related charges, amortization of DAC and contract benefits. Total costs and expenses increased 3.6% in 2006 compared to 2005 due to higher interest credited to contractholder funds, contract benefits, and restructuring and related charges, partially offset by lower operating costs and expenses, and amortization of DAC.

CONTRACT BENEFITS decreased 0.6% or $8 million in 2007 compared to 2006 due to lower contract benefits on annuities, partially offset by higher contract benefits on life insurance products. The decline in contract benefits on annuities was mostly attributable to favorable mortality experience and lower sales of immediate annuities with life contingencies and the absence in 2007 of contract benefits on the reinsured variable annuity business, partially offset by an increase in the implied interest on immediate annuities with life contingencies. This implied interest totaled $547 million and $539 million in 2007 and 2006, respectively. Increased contract benefits on life insurance products in 2007 were primarily due to unfavorable mortality experience and litigation related costs recognized in 2007 in the form of additional policy benefits on certain universal life policies written prior to 1992.

Contract benefits increased 2.4% or $32 million in 2006 compared to 2005 due primarily to growth in business in force and, to a lesser extent, an increase in the implied interest on immediate annuities with life contingencies to $539 million in 2006 from $529 million in 2005. These increases were partially offset by the absence in 2006 of contract benefits related to the reinsured variable annuity business in the period subsequent to the effective date of the reinsurance agreement. Excluding the impact of the reinsured variable annuity business, contract benefits increased 6.5% or $83 million in 2006 compared to 2005.

We analyze our mortality and morbidity results using the difference between premiums, 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"). The benefit spread by product group is disclosed in the following table.

(IN MILLIONS)	2007	2006	2005
Life insurance	$ 337	$ 386	$ 364
Annuities	(35)	(43)	(80)
Total benefit spread	$ 302	$ 343	$ 284

INTEREST CREDITED TO CONTRACTHOLDER FUNDS increased 3.3% or $85 million in 2007 compared to 2006 and 8.7% or $203 million in 2006 compared to 2005. Both increases were due primarily to growth in average contractholder funds and, to a lesser extent, higher weighted average interest crediting rates on institutional products, which are detailed in the table below. These increases were partially offset by the impact of the reinsured variable annuity business. Excluding the impact of the reinsured variable annuity business, interest credited to contractholder funds increased 4.3% in 2007 compared to 2006 and 10.6% in 2006 compared to 2005.

In order to analyze the impact of net investment income and interest credited to policyholders on net income, we review 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 Consolidated Statements of Operations and Comprehensive Income ("investment spread"). The investment spread by product group is shown in the following table.

(IN MILLIONS)	2007	2006	2005
Annuities	$ 504	$ 480	$ 317
Life insurance	55	49	46
Institutional products	87	88	98
Net investment income on investments supporting capital	384	358	377
Total investment spread	$ 1,030	$ 975	$ 838

To further analyze investment spreads, the following table summarizes the weighted average investment yield on assets supporting product liabilities and capital, interest crediting rates on investment type products and investment spreads on those products during 2007, 2006 and 2005.

	WEIGHTED AVERAGE INVESTMENT YIELD			WEIGHTED AVERAGE INTEREST CREDITING RATE			WEIGHTED AVERAGE INVESTMENT SPREADS		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Interest-sensitive life									

insurance
6.2% 6.2%
6.3% 4.6%
4.7% 4.7%
1.6% 1.5%
1.6%
Deferred
fixed
annuities
5.8 5.7 5.5
3.7 3.7 3.8
2.1 2.0 1.7
Immediate
fixed
annuities
with and
without life
contingencies
7.1 7.2 7.3
6.5 6.6 6.6
0.6 0.6 0.7
Institutional
products 6.1
6.0 4.6 5.2
5.0 3.6 0.9
1.0 1.0
Investments
supporting
capital,
traditional
life and
other
products 6.3
6.2 7.1 N/A
N/A N/A N/A
N/A N/A

The following table summarizes our product liabilities as of December 31 and indicates the account value of those contracts and policies for which an investment spread is generated.

(IN MILLIONS)
2007 2006
2005 --------
---- --------
---- --------

Immediate
fixed
annuities
with life
contingencies
$ 8,288 $
8,138 $ 7,888
Other life
contingent
contracts and
other 4,310
4,066 3,993 -
----------- -
----------- -

Reserve for
life-
contingent
contract
benefits $
12,598 $
12,204 $
11,881
============
============
============
Interest-
sensitive
life
insurance $

8,896 $ 8,397
$ 7,917
Deferred
fixed
annuities
34,182 35,498
33,853
Immediate
annuities
without life
contingencies
3,918 3,779
3,598
Institutional
products
12,983 12,467
12,431 Market
value
adjustments
related to
derivative
instruments
and other 485
424 391 -----
------- -----
------- -----

Contractholder
funds $
60,464 $
60,565 $
58,190
============
============
============

AMORTIZATION OF DAC decreased 3.7% or $20 million in 2007 compared to 2006 and decreased 5.3% or $30 million in 2006 compared to 2005. The components of amortization of DAC are summarized in the following table.

(IN MILLIONS)
2007 2006
2005 --------
--- ---------
--- ---------
--
Amortization
of DAC before
amortization
relating to
realized
capital gains
and losses
and changes
in
assumptions
(1) $ (547) $
(586) $ (443)
Amortization
relating to
realized
capital gains
and losses
(2) 17 50
(127)
Amortization
deceleration
(acceleration)
for changes
in
assumptions
("DAC
unlocking")
(3) 12 (2) 2
----------- -
----------- -

Total
amortization
of DAC $

(518) $ (538)
$ (568)
===========
============
===========

- ----------

(1) Amortization of DAC before amortization relating to realized capital gains and losses and changes in assumptions for 2006 and 2005 includes $(72) million and $(103) million, respectively, relating to the reinsured variable annuity business.

(2) Amortization relating to realized capital gains and losses for 2006 and 2005 includes $28 million and $1 million, respectively, relating to the reinsured variable annuity business.

(3) Amortization deceleration (acceleration) for changes in assumptions ("DAC unlocking") for 2005 includes $55 million relating to the reinsured variable annuity business. There was no DAC unlocking related to variable annuities in 2006.

The decrease in amortization of DAC in 2007 compared to 2006 was due to the absence in 2007 of amortization on the reinsured variable annuity business. Excluding amortization relating to the reinsured variable annuity business, amortization of DAC increased 4.9% or $24 million in 2007 compared to 2006 due primarily to increased amortization related to higher gross profits on fixed annuities and a decline in the credit to income for amortization relating to realized capital gains and losses, partially offset by a favorable impact relating to our annual comprehensive review of DAC assumptions (commonly referred to as "DAC unlocking").

The decline in amortization of DAC in 2006 compared to 2005 was driven mostly by a favorable change in amortization relating to realized capital gains and losses and a reduction in amortization on our reinsured variable annuity business, partially offset by the impact of higher gross profits on investment contracts.

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 DAC asset was reduced by $726 million in 2006 as a result of the disposition of substantially all of our variable annuity business.

The changes in the DAC asset are detailed in the following tables.

AMORTIZATION
BEFORE EFFECT OF
BEGINNING
REALIZED CAPITAL
BALANCE IMPACT OF
ACQUISITION GAINS
AND LOSSES
DECEMBER 31,
ADOPTION OF COSTS
AND CHANGES IN
(IN MILLIONS)
2006 SOP 05-1 (1)
DEFERRED
ASSUMPTIONS (2) -
----------- -----
------- ---------
-- --------------
-- Traditional
life and other $
622 $ -- $ 76 $
(54) Interest-
sensitive life
1,632 -- 249
(175) Fixed
annuities 1,217
(11) 220 (311)
Variable
annuities 4 -- --
(2) Other 10 -- 2
(5) ------------
----------- ----

------- ---------
------- Total $
3,485 $ (11) $
547 $ (547)
============
============
===========
================
AMORTIZATION
AMORTIZATION
RELATING TO
(ACCELERATION)
EFFECT OF ENDING
REALIZED CAPITAL
DECELERATION FOR
UNREALIZED
BALANCE GAINS AND
CHANGES IN
CAPITAL GAINS
DECEMBER 31, (IN
MILLIONS) LOSSES
(2) ASSUMPTIONS
(2)(3) AND LOSSES
2007 ------------
---- ------------
------ ----------
--- ------------
Traditional life
and other $ -- $
-- $ -- $ 644
Interest-
sensitive life 12
17 30 1,765 Fixed
annuities 5 (5)
372 1,487
Variable
annuities -- -- -
- 2 Other -- -- -
- 7 -------------
--- -------------
----- -----------
-- ------------
Total 17 $ 12 $
402 $ 3,905
================
==================
=============
============

AMORTIZATION
BEFORE EFFECT OF
BEGINNING IMPACT
OF REALIZED
CAPITAL BALANCE
DISPOSAL OF
ACQUISITION GAINS
AND LOSSES
DECEMBER 31,
VARIABLE COSTS
AND CHANGES IN
(IN MILLIONS)
2005 ANNUITIES
DEFERRED
ASSUMPTIONS (2) -
------------ ----
-------- --------
--- -------------
----- Traditional
life and other $
603 $ -- $ 78 $
(59) Interest-
sensitive life
1,530 -- 257
(180) Fixed
annuities 1,071 -
- 359 (266)
Variable
annuities 731
(726) 45 (75)
Other 13 -- 3 (6)

------------ ---
--------- -------
---- -----------
------ Total $
3,948 $ (726) $
742 $ (586)
=============
============
===========
==================
AMORTIZATION
AMORTIZATION
RELATING TO
(ACCELERATION)
EFFECT OF ENDING
REALIZED CAPITAL
DECELERATION FOR
UNREALIZED
BALANCE GAINS AND
CHANGES IN
CAPITAL GAINS
DECEMBER 31, (IN
MILLIONS) LOSSES
(2) ASSUMPTIONS
(2)(3) AND LOSSES
2006 -----------
---- -----------
------ ---------
----- ----------
-- Traditional
life and other $
-- $ -- $ -- $
622 Interest-
sensitive life
(3) (18) 46 1,632
Fixed annuities
24 16 13 1,217
Variable
annuities 29 -- -
- 4 Other -- -- -
- 10 -----------
---- -----------
------ ---------
----- ----------
-- Total 50 $ (2)
$ 59 $ 3,485
================
==================
===============
=============

- ----------
(1) The adoption of Statement of Position 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts" ("SOP 05-1"), resulted in a $7 million after-tax adjustment to unamortized DAC related to the impact on future estimated gross profits from the changes in accounting for certain costs associated with contract continuations that no longer qualify for deferral under SOP 05-1. The adjustment was recorded as a reduction of retained income at January 1, 2007 and a reduction of the DAC balance of $11 million, pretax.
(2) Included as a component of amortization of DAC on the Consolidated Statements of Operations and Comprehensive Income.
(3) Commonly referred to as "DAC unlocking".

OPERATING COSTS AND EXPENSES decreased 9.6% in 2007 compared to 2006 and decreased 13.4% in 2006 compared to 2005. The following table summarizes operating costs and expenses.

(IN
MILLIONS)
2007 2006
2005 -------
---- -------
---- -------
---- Non-
deferrable

acquisition costs	$ 97	$ 118	$ 149
Other operating costs and expenses	241	256	283
Total operating costs and expenses	$ 338	$ 374	$ 432
Restructuring and related charges	$ 2	$ 24	$ 1

Non-deferrable acquisition costs and other operating costs and expenses declined in 2007 compared to 2006 due primarily to expenses in 2006 related to the reinsured variable annuity business. Subsequent to the effective date of the reinsurance agreement for the variable annuity business, operating costs and expenses benefited from a servicing fee paid by Prudential for the Company's servicing of the business during a 24 month or less transition period following the effective date of the reinsurance agreement. Non-deferrable acquisition costs and other operating costs and expenses for 2006 included $19 million and $24 million, respectively, related to the reinsured variable annuity business for the period of 2006 prior to the effective date of the reinsurance agreement. Excluding expenses associated with the impact of the reinsured variable annuity business in the period of 2006 prior to the effective date of the reinsurance agreement, non-deferrable acquisition expenses decreased 2.0% in 2007 compared to 2006 due to lower premium taxes and decreased non-deferrable commissions on certain immediate annuities and other operating costs and expenses increased 3.9% due to higher investment in technology.

Total operating costs and expenses declined in 2006 compared to 2005 primarily as a result of the reinsured variable annuity business.

Restructuring and related charges for 2006 reflect costs related to the Voluntary Termination Offer ("VTO"). The VTO was offered to most employees located at the Company's headquarters and was completed during 2006.

LOSS ON DISPOSITION OF OPERATIONS for 2007, 2006 and 2005 totaled $10 million, $88 million and $7 million, respectively. In 2007, the net loss was primarily comprised of losses associated with the anticipated disposition of our direct response long-term care business that is currently held for sale, partially offset by amortization of the deferred reinsurance gain and other adjustments associated with reinsured variable annuity business. The net loss in 2006 was almost entirely attributable to the reinsured variable annuity business. In 2005, the net loss was related to several individually insignificant gains and losses for anticipated dispositions.

INCOME TAX EXPENSE decreased by 8.2% or $16 million in 2007 compared to 2006 and increased by 12.6% or $22 million in 2006 compared to 2005. The decline in 2007 compared to 2006 was due to lower income from operations before income tax expense and an energy tax credit that reduced income tax expense. The increase in 2006 compared to 2005 was due to increased income from operations before income tax expense and an increase in the effective tax rate related to adjustments to prior years' tax liabilities.

The Company's effective tax rate is impacted by tax favored investment income such as dividends qualifying for the dividends received deduction ("DRD"). In 2007, the Internal Revenue Service ("IRS") announced its intention to issue regulations dealing with certain computational aspects of the DRD related to separate account assets ("separate accounts DRD"). The ultimate timing and substance of any such regulations are unknown at this time, but may result in the elimination of some or all of the separate accounts DRD tax benefit reflected as a component of the Company's income tax expense. The Company recognized a tax benefit from the separate accounts DRD of $16 million, $21 million and $18 million in 2007, 2006 and 2005, respectively.

REINSURANCE CEDED We enter into reinsurance agreements with unaffiliated reinsurers to limit our risk of mortality and morbidity losses. In addition, the Company has used reinsurance to effect the acquisition or disposition of certain blocks of business. We retain primary liability as a direct insurer for all risks ceded to reinsurers.

As of December 31, 2007 and 2006, 49% and 50%, respectively, of our face amount of life insurance in force was reinsured. As of December 31, 2007 and 2006, for certain term life insurance policies, we ceded up to 90% of the mortality risk depending on the length of the term. Additionally, we ceded substantially all of the risk associated with our variable annuity business and we cede 100% of the morbidity risk on substantially all of our long-term care contracts. Beginning in July 2007, for new life insurance contracts, we ceded mortality risk associated with coverage in excess of $3 million per life for contracts issued to individuals age 70 and over, and we ceded the mortality risk associated with coverage in excess of $5 million per life for most other contracts. Also, beginning in July 2007, for certain large contracts that meet specific criteria, the Company's retention limit was increased to $10 million per life. In the period prior to July 2007, but subsequent to August 1998, we ceded the mortality risk associated with coverage in excess of $2 million per life, except in 2006 for certain instances when specific criteria were met, we ceded the mortality risk associated with coverage in excess of $5 million per life. For business sold prior to October 1998, we ceded mortality risk in excess of specific amounts up to $1 million per individual life. The changes in our retention guidelines for new life insurance contracts did not have a significant impact on the results of operations in 2007 or 2006.

Amounts recoverable from reinsurers by type of policy or contract at December 31, are summarized in the following table.

REINSURANCE RECOVERABLE ON (IN MILLIONS)	PAID AND UNPAID CLAIMS	
	2007	2006
Annuities (1)	$ 1,423	$ 1,654
Life insurance	1,365	1,217
Long-term care	526	427
Other	96	94
Total	$ 3,410	$ 3,392

- ----------

(1) Reinsurance recoverables as of December 31, 2007 and 2006 include $1.26 billion and $1.49 billion, respectively, for general account reserves related to variable annuities.

The estimation of reinsurance recoverables is impacted by the uncertainties involved in the establishment of reserves.

Our reinsurance recoverables, summarized by reinsurer as of December 31, are shown in the following table.

S&P FINANCIAL

	STRENGTH RATING	REINSURANCE RECOVERABLE ON PAID AND UNPAID CLAIMS (IN MILLIONS) 2007	2006
Prudential Insurance Company of America	AA	$ 1,261	$ 1,490
Employers Reassurance Corporation	A+	541	439
RGA Reinsurance Company	AA-	325	293
Transamerica Life Group	AA	288	232
Swiss Re Life and Health America, Inc.	AA-	172	160
Paul Revere Life Insurance Company	BBB+	147	147
Scottish Re Group	BB+	110	127
Munich American Reassurance	AA-	103	92
Security Life of Denver	AA	86	73
Manulife Insurance Company	AAA	78	82
Triton Insurance Company	NR	73	65
Lincoln National Life Insurance	AA	63	59
American Health & Life Insurance Co.	NR	57	50
Other (1)		106	83
Total		$ 3,410	$ 3,392

- ----------

(1) As of December 31, 2007 and 2006, the other category includes $69 million and $59 million, respectively, of recoverables due from reinsurers with an investment grade credit rating from Standard & Poor's ("S&P").

We continuously monitor the creditworthiness of reinsurers in order to determine our risk of recoverability on an individual and aggregate basis, and a provision for uncollectible reinsurance is recorded if needed. No amounts have been deemed unrecoverable in the three-years ended December 31, 2007.

ALIC's insurance subsidiaries are domiciled in Illinois, New York, South Carolina and Nebraska. Except for those domiciled in New York and South Carolina, ALIC has 100% intercompany reinsurance agreements in place with most of its domestic insurance subsidiaries. With the exception of Allstate Life Insurance Company of New York, which retains substantially all of its business up to its per life limit, and ALIC Reinsurance Company, which is a special purpose financial captive, only invested assets supporting capital and relating to Separate Accounts remain in ALIC's other subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

OUTLOOK

- We plan to increase sales of our financial products by Allstate exclusive agencies by developing and bringing to market new innovative, consumer-driven financial products and features targeted to middle market customers.
- Sales of our institutional products will be impacted by management's assessment of market liquidity, credit spreads and other market conditions. Market conditions may also influence whether maturing contracts are replaced with new issuances.
- We expect operating costs and expenses to increase over the prior year as a result of increased spending for the development of innovative products, additional marketing and growth of our Allstate exclusive agency distribution channel as well as a reduction in the variable annuity servicing fee from Prudential. We expect that these expense increases will be partially mitigated by our continuing focus on operating efficiency.
- We plan to balance targeted new business return improvement with investments in growth initiatives and sales. Initially, investments in growth are expected to slow the improvement of returns and may reduce the price competitiveness of certain products, such as our fixed annuities, and slow or reduce the growth in sales and net income.
- The transition of our investment objective from primarily income generation to increased focus on increasing total returns may result in increased volatility in net investment income and realized capital gains and losses from period to period. Increased allocations to alternative investment classes, such as limited partnership interests and other equity-based assets, may also contribute to this volatility.
- Increased levels of dividends paid in 2007, combined with the anticipated dividends in 2008, may lead to a decline in invested assets and investment income.

INVESTMENTS

OVERVIEW AND STRATEGY An important component of our financial results is the return on our investment portfolio. The investment portfolio is managed based upon the nature of the business and its corresponding liability structure.

Our investment strategy has historically focused on the need for risk-adjusted spread to support the underlying liabilities to achieve return on capital and profitable growth. We believe investment spread is maximized by selecting assets that perform favorably on a long-term basis and by disposing of certain assets to minimize the effect of downgrades and defaults. We believe this strategy maintains the investment spread necessary to sustain income over time. The portfolio management approach employs a combination of recognized market, analytical and proprietary modeling, including a strategic asset allocation model, as the primary basis for the allocation of interest sensitive, illiquid and credit assets as well as for determining overall below investment grade exposure and diversification requirements. Within the ranges set by the strategic asset allocation model, tactical investment decisions are made in consideration of prevailing market conditions. We will be adding a total return framework to the management of our assets to further enhance long-term returns and leverage our active management capabilities.

In conjunction with our priority of optimizing the returns we realize for the risks we accept, we will be undertaking selected new investment strategies.

We are forming an investment subsidiary to pursue investment opportunities not efficiently held within our insurance operations. The creation of this subsidiary improves our capital management by enabling higher return investment strategies. As a result of these strategies and enterprise asset allocation, there may be a different mix in the reporting of returns between investment income, realized capital gains and losses, unrealized capital gains and losses and higher investment expenses. Additionally, these strategies may result in increased leverage from investing activities.

As a result of tactical decisions, we may sell securities during the period in which fair value has declined below amortized cost for fixed income securities or cost for equity securities. Portfolio monitoring, which includes identifying securities that are other-than-temporarily impaired and recognizing other-than-temporary impairments on securities in an unrealized loss position for which we do not have the intent and ability to hold until recovery, are conducted regularly. For more information, see the Portfolio Monitoring section of the MD&A.

PORTFOLIO COMPOSITION The composition of the investment portfolio at December 31, 2007 is presented in the table below. Also see Notes 2 and 6 to the consolidated financial statements for investment accounting policies and additional information.

(IN MILLIONS)	INVESTMENTS	PERCENT TO TOTAL
Fixed income securities (1)	$ 58,469	80.7%
Mortgage loans	9,901	13.7
Equity securities	102	0.1
Limited partnership interests	994	1.4
Short-term	386	0.5
Policy loans	770	1.1
Other	1,792	2.5
Total	$ 72,414	100.0%

- ----------

(1) Fixed income securities are carried at fair value. Amortized cost basis for these securities was $58.02 billion.

Total investments decreased to $72.41 billion at December 31, 2007 from $74.16 billion at December 31, 2006, primarily due to decreased net unrealized gains on fixed income securities, the payment of dividends to AIC, the repayment of an intercompany note to AIC, and lower funds associated with collateral received in conjunction with securities lending and other activities, partially offset by positive cash flows from operating activities.

Total investments at amortized cost related to collateral received in connection with securities lending business activities, funds received in connection with securities repurchase agreements and collateral posted by counterparties related to derivative transactions decreased to $1.82 billion at December 31, 2007, from $2.29 billion at December 31, 2006. As of December 31, 2007 and 2006, these investments were carried at fair value and classified in fixed income securities totaling $1.57 billion and $1.53 billion, respectively, and short-term investments totaling $219 million and $783 million, respectively.

Securities lending activities are primarily used as an investment yield enhancement, and are conducted with third parties such as brokerage firms. We obtain collateral, typically in the form of cash, in an amount generally equal to 102% and monitor the market value of the securities loaned on a daily basis with additional collateral obtained as necessary. The cash we receive is invested in short-term and fixed income investments, and an offsetting liability to return the collateral is recorded in other liabilities and accrued expenses.

FIXED INCOME SECURITIES See Note 6 of the consolidated financial statements for a table showing the amortized cost, unrealized gains, unrealized losses and fair value for each type of fixed income security for the years ended December 31, 2007 and 2006.

The following table shows fixed income securities by type at December 31.

(IN MILLIONS)	FAIR VALUE 2007	FAIR VALUE 2006
U.S. government and agencies	$ 3,728	$ 3,496
Municipal	4,311	4,790
Corporate	31,735	33,327
Foreign government	2,185	2,023
Mortgage-backed securities	3,490	4,518
Commercial mortgage-backed securities	7,388	7,600
Asset-backed securities	5,603	5,681
Redeemable preferred stock	29	22
Total fixed income securities	$58,469	$61,457

During 2007, certain financial markets experienced decreased liquidity. This was particularly evident in the markets for securities collateralized by sub-prime residential mortgages. We experienced this illiquidity particularly in our asset-backed residential mortgage-backed securities ("ABS RMBS"), asset-backed collateralized debt obligations ("ABS CDOs"), Alt-A residential mortgage-backed securities ("Alt-A") and commercial real estate collateralized debt obligations ("CRE CDO") portfolios. These portfolios totaled $3.57 billion or less than 5% of our total investments at December 31, 2007. Certain other asset-backed and real estate-backed securities markets experienced illiquidity, but to a lesser degree.

The fair values of securities comprising the illiquid portfolios are obtained from our contracted third-party pricing servicers and brokers. We evaluated the reasonableness of the fair value of these portfolios as of December 31, 2007 by comparing vendor prices to alternative third-party pricing and valuation servicers, both of which consider available market information including, but not limited to, collateral quality, anticipated cash flows, credit enhancements, default rates, loss severities, and credit ratings from rating agencies. In addition, we also considered the reasonableness of security values based upon the securities' relative position within their respective capital structures in determining the reasonableness of fair values, on a portfolio basis, for the above referenced securities as of December 31, 2007.

MUNICIPAL BONDS, including tax-exempt and taxable securities, totaled $4.31 billion and 99.8% were rated investment grade at December 31, 2007.

As of December 31, 2007, approximately $2.34 billion or 54.3% of our municipal bond portfolio is insured by seven bond insurers and 97.3% have a Moody's equivalent rating of Aaa or Aa. Our practices for acquiring and monitoring municipal bonds primarily take into consideration the quality of the underlying security. As of December 31, 2007, we believe that the valuations already reflect a significant decline in the value of the insurance, and further such declines, if any, are not expected to be material. While the valuation of these holdings may be temporarily impacted by negative market developments, we continue to have the intent and ability to hold the bonds and expect to receive all of the contractual cash flows. As of December 31, 2007, 35.8% of our insured municipal bond portfolio was insured by MBIA, 15.7% by AMBAC, 15.9% by FSA and 21.4% by FGIC. In total, we hold $3.20 billion of fixed income securities that are insured by bond insurers, including $566 million of our ABS RMBS and $290 million of our other asset-backed securities discussed below. Additionally, we hold $46 million of corporate bonds that were directly issued by these bond insurers.

Included in our municipal bond portfolio at December 31, 2007 are $866 million of auction rate securities ("ARS") that have long-term stated maturities, with the interest rate reset based on auctions every 7, 28 or 35 days depending on the specific security. At the auction date, if the quantity of sell orders exceeds the quantity of purchase orders, the auction "fails" and the issuers are forced to pay a "maximum rate" as defined for each issue. The maximum rate is designed so that its prolonged use is an incentive to the issuer to call and refinance the long-term

bonds. The effect of this incentive may be lessened to the extent that the maximum rate is closer to current market rates. When auctions are successfully completed, the interest rate reset normally corresponds with the short-term rate associated with the reset period. Our holdings primarily have a Moody's or equivalent rating of Aaa and fair value was estimated at the corresponding par value at December 31, 2007. We make our investment decisions based on the underlying credit of each security, which for approximately 95% of our holdings are pools of student loans for which at least 85% of the collateral is insured by the U.S. Department of Education. In 2008 through March 13, dealers were no longer supporting auctions with their own bids as they had in the past and we experienced failed auctions for all of our ARS holdings as of March 13, 2008 for which we are currently receiving the maximum rate. We anticipate that failed auctions may persist. Auctions will continue to be conducted as scheduled for each of the securities. While these developments continue in the market, par value of these holdings may not be representative of the fair value of these securities. Accordingly, subsequent auctions could be more successful resulting in interest rates being more in line with the 7, 28 or 35 day reset periods.

CORPORATE BONDS totaled $31.74 billion and 93.0% were rated investment grade at December 31, 2007. As of December 31, 2007, $15.57 billion or 49.1% of the portfolio consisted of privately placed securities compared to $15.55 billion or 46.7% at December 31, 2006. Privately placed securities primarily consist of corporate issued senior debt securities that are in unregistered form and are directly negotiated with the borrower. All privately placed corporate securities are rated by The National Association of Insurance Commissioners ("NAIC") based on information provided to them and are also internally rated. Additionally, approximately 43.1% of the privately placed corporate securities in our portfolio are rated by an independent rating agency. The following table summarizes the privately placed corporate securities portfolio by credit quality as of December 31, 2007.

(IN
MILLIONS)
NET
PERCENT
MOODY'S
UNREALIZED
OF FAIR
NAIC
EQUIVALENT
FAIR GAINS
AND VALUE
RATING
RATING
VALUE
LOSSES TO
TOTAL ----

-- -------
----- ----
----- ----
------- --
------ 1
Aaa/Aa/A $
6,869 $ 95
44.1% 2
Baa 7,731
41 49.7 3
Ba 840
(24) 5.4 4
B 89 (7)
0.6 5 Caa
or lower
37 (2) 0.2
6 In or
near 3 --
-- -------
--- ------
----- ----

Total $
15,569 $
103 100.0%
==========
===========
=========

The Company's portfolio of privately placed securities are broadly diversified by issuer, industry sector, and by country. The portfolio is made up of approximately 590 issues with an average security value of approximately $26 million. Privately placed corporate obligations generally benefit from increased yields and structural security features such as financial covenants and call protections that provide investors greater protection against credit deterioration, reinvestment risk or fluctuations in interest rates than those typically found in publicly registered debt securities. Additionally, investments in these securities are made after extensive due diligence of the issuer, typically including direct discussions with senior management and on-site visits to company facilities. Ongoing monitoring includes direct periodic dialog with senior management of the issuer and continuous monitoring of operating performance and financial position. Every issue is internally rated with a formal rating affirmation once a year.

Hybrid securities are carried at fair value and total $2.67 billion and $2.09 billion at December 31, 2007 and 2006, respectively. For further discussion on hybrid securities, see Note 2 to the consolidated financial statements.

FOREIGN GOVERNMENT securities totaled $2.19 billion and 87.8% were rated investment grade at December 31, 2007.

MORTGAGE-BACKED SECURITIES ("MBS") totaled $3.49 billion, all of which were rated investment grade at December 31, 2007. The credit risk associated with MBS is mitigated due to the fact that 56.3% of the portfolio consists of securities that were issued by, or have underlying collateral that is guaranteed by U.S. government agencies or U.S. government sponsored entities ("U.S. Agency"). The MBS portfolio is subject to interest rate risk since price volatility and the ultimate realized yield are affected by the rate of prepayment of the underlying mortgages.

The following table shows MBS by type and Moody's equivalent rating at December 31, 2007.

FAIR % TO
TOTAL (IN
MILLIONS)
VALUE
INVESTMENTS
Aaa Aa A -
------ ---
-------- -
-- -- -
MBS U.S.
Agency $
1,967 2.7%
100.0% --%

--% Prime
934 1.3
96.1 3.9 -
- Alt-A
589 0.8
90.3 9.7 -
- -------

Total MBS
$ 3,490
4.8%
=======
=====

The following table presents information about the collateral in our Alt-A holdings at December 31, 2007.

FAIR % TO
TOTAL (IN
MILLIONS)
VALUE
INVESTMENTS
----- ----

ALT-A
Fixed rate
$ 423 0.6%
Variable
rate 166
0.2 -----
--- Total
Alt-A $
589 0.8%
===== ===

Alt-A mortgage-backed securities are at fixed or variable rates and include certain securities that are collateralized by residential mortgage loans issued to borrowers with stronger credit profiles than sub-prime borrowers, but do not qualify for prime financing terms due to high loan-to-value ratios or limited supporting documentation. Fair value represents 95.9% of the amortized cost of these securities. At December 31, 2007, the Alt-A portfolio had net unrealized losses of $25 million, which were comprised of $1 million of gross unrealized gains and $26 million of gross unrealized losses. $362 million or 61.5% of these securities were issued during 2005, 2006 and 2007. We acquired $136 million of Alt-A securities during 2007, which were rated Aaa by one or more rating agencies at the time of purchase.

COMMERCIAL MORTGAGE-BACKED SECURITIES ("CMBS") totaled $7.39 billion and 99.7% were rated investment grade at December 31, 2007. Approximately 85.7% of the CMBS investments are pools of commercial mortgages, broadly diversified across property types and geographical area. The CMBS portfolio is subject to credit risk, but unlike other structured products, is generally not subject to prepayment risk due to protections within the underlying commercial mortgages, whereby borrowers are effectively restricted from prepaying their mortgages due to changes in interest rates. Credit defaults can result in credit directed prepayments. The following table shows CMBS by type and Moody's equivalent rating at December 31, 2007.

% TO TOTAL
(IN
MILLIONS)
FAIR VALUE
INVESTMENTS
Aaa Aa A
Baa ------
---- -----
------ ---
-- - ---
CMBS $
6,822 9.4%
79.3%
13.7% 5.7%
1.3% CRE
CDO 566
0.8 33.1
31.2 25.3
10.4 -----
--- ----
Total CMBS

$ 7,388
10.2%
========
====

CRE CDO are investments secured primarily by commercial mortgage-backed securities and other commercial mortgage debt obligations. These securities are generally less liquid and have a higher risk profile than other commercial mortgage-backed securities. Fair value represents 78.6% of the amortized cost of these securities. At December 31, 2007, CRE CDO had net unrealized losses of $155 million, which were comprised of $1 million of gross unrealized gains and $156 million of gross unrealized losses. In addition to the quality of the loans and securities collateralizing the CRE CDOs, influential factors in our analysis are the adequacy of subordination and strength of the CRE CDO management team.

ASSET-BACKED SECURITIES ("ABS") totaled $5.60 billion and 97.3% were rated investment grade at December 31, 2007. Credit risk is managed by monitoring the performance of the collateral. In addition, many of the securities in the ABS portfolio are credit enhanced with features such as over-collateralization, subordinated structures, reserve funds, guarantees and/or insurance. A portion of the ABS portfolio is also subject to interest rate risk since, for example, price volatility and ultimate realized yields are affected by the rate of prepayment of the underlying assets.

The following table shows ABS by type at December 31, 2007.

(IN MILLIONS)	FAIR VALUE	% TO TOTAL INVESTMENTS	Aaa	Aa	A	Baa	Ba OR LOWER
ABS RMBS	$ 2,382	3.3%	65.5%	28.1%	5.3%	0.1%	1.0%
ABS CDOs	36	--	86.2	13.8	--	--	--
Total asset-backed securities collateralized by sub-prime residential mortgage loans	2,418	3.3					
Other collateralized debt obligations	1,977	2.7	34.4	27.0	27.5	8.1	3.0
Other asset-backed securities	1,208	1.7	53.0	6.8	20.0	13.8	6.4
Total ABS	$ 5,603	7.7%					

The following table presents additional information about our ABS RMBS portfolio including a summary by first and second lien collateral at December 31, 2007.

% TO TOTAL
(IN
MILLIONS)

	FAIR VALUE	INVESTMENTS
ABS RMBS First lien:		
Fixed rate(1)	$ 708	1.0%
Variable rate(1)	1,141	1.6
Total first lien(2)	1,849	2.6
Second lien :		
Insured	435	0.6
Other	98	0.1
Total second lien(3)	533	0.7
Total ABS RMBS	$ 2,382	3.3%

- ----------

(1) Fixed rate and variable rate refer to the primary interest rate characteristics of the underlying mortgages at the time of issuance.

(2) The credit ratings of the first lien ABS RMBS were 58.2% Aaa, 35.5% Aa and 6.3% A at December 31, 2007.

(3) The credit ratings of the second lien ABS RMBS were 90.8% Aaa, 2.3% Aa, 1.9% A, 0.5% Baa and 4.5% Ba or lower at December 31, 2007.

ABS RMBS portfolio includes securities that are collateralized by mortgage loans issued to borrowers that cannot qualify for prime or alternative financing terms due in part to an impaired or limited credit history. It also includes securities that are collateralized by certain second lien mortgages regardless of the borrower's credit history. Fair value represents 87.0% of the amortized cost of these securities. As of December 31, 2007, the ABS RMBS portfolio had net unrealized losses of $355 million, which were comprised of $2 million of gross unrealized gains and $357 million of gross unrealized losses.

At December 31, 2007, $555 million or 35.6% of the total ABS RMBS securities that are rated Aaa and Aa are insured by 4 bond insurers. $1.91 billion or 80.1% of the portfolio consisted of securities that were issued during 2005, 2006 and 2007. At December 31, 2007, 74.6% of these securities were rated Aaa, 22.4% rated Aa, 1.5% rated A, 0.2% rated Baa and 1.3% rated Ba or lower.

During 2007, three second lien ABS RMBS with a value of $12 million were downgraded within the investment grade ratings. Four second lien securities with a fair value of $25 million were downgraded from investment grade to below investment grade ratings.

During 2007, we sold $150 million of ABS RMBS, recognizing a loss less than $1 million. We also collected $523 million of principal repayments consistent with the expected cash flows. These repayments represent approximately 25.4% of the amortized cost of our outstanding portfolio at December 31, 2006.

ABS CDOs are securities collateralized by a variety of residential mortgage-backed and other securities, which may include sub-prime RMBS. Fair value represents 47.4% of the amortized cost of these securities. As of December 31, 2007, this portfolio had net unrealized losses of $40 million.

Writedowns during 2007, were recorded on our ABS RMBS and ABS CDOs totaling $17 million and $62 million, respectively. We did not record any write-downs related to our Alt-As or CRE CDOs. We continue to believe that the unrealized losses on these securities are not necessarily predictive of the performance of the underlying collateral. In the absence of further deterioration in the collateral relative to our positions in the securities' respective capital structures, which could require other-than-temporary impairments, the unrealized losses should reverse over the remaining lives of the securities.

OTHER COLLATERALIZED DEBT OBLIGATIONS totaled $1.98 billion and 97.0% are rated investment grade at December 31, 2007. Other collateralized debt obligations consist primarily of obligations secured by high yield and investment grade corporate credits including $1.15 billion of collateralized loan obligations; $299 million of synthetic CDOs; $192 million of primarily bank trust preferred CDOs; $113 million of market value CDOs; $58 million of CDOs that invest in other CDOs ("CDO squared"); and $46 million of collateralized bond obligations. The CDO squared holdings contain immaterial amounts of ABS CDOs, ranging up to 4% of the underlying collateral. The cash flows used to pay principle and interest are derived from the other CDOs' collateral except for synthetic CDOs which rely on cash flows from the underlying credit default swaps. As of December 31, 2007, net unrealized losses on the other collateralized debt obligations were $256 million.

OTHER ASSET-BACKED SECURITIES consist primarily of investments secured by portfolios of credit card loans, auto loans, student loans and other consumer and corporate obligations. As of December 31, 2007, the net unrealized losses on these securities was $19 million. Additionally, 24.0% of the other asset-backed securities that are rated Aaa were insured by four bond insurers.

We may utilize derivative financial instruments to help manage the exposure to interest rate risk, and to a lesser extent, currency and credit risks, from the fixed income securities portfolio. For a more detailed discussion of interest rate, and currency risks and our use of derivative financial instruments, see the Net Realized Capital Gains and Losses and Market Risk sections of MD&A and Note 7 to the consolidated financial statements.

The following table summarizes the credit quality of the fixed income securities portfolio at December 31, 2007.

(IN MILLIONS) NAIC RATING	MOODY'S EQUIVALENT	FAIR VALUE	PERCENT TO TOTAL
1	Aaa/Aa/A	$ 40,256	68.9%
2	Baa	15,551	26.6
	Investment grade (1)	55,807	95.5
3	Ba	2,074	3.6
4	B	436	0.7
5	Caa or lower	140	0.2
6	In or near default	12	-
	Below investment grade	2,662	4.5

---- Total
$ 58,469
100.0%
========
=====

- ----------

(1) Defined as a security having a rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's, Fitch or Dominion or 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.

EQUITY SECURITIES Equity securities include non-redeemable preferred stocks and common stocks. The equity securities portfolio was $102 million at December 31, 2007 compared to $72 million at December 31, 2006. The increase is primarily attributable to purchases of equity securities. Gross unrealized gains totaled $5 million at December 31, 2007 compared to $11 million at December 31, 2006. Gross unrealized losses totaled $5 million at December 31, 2007. There were no unrealized losses at December 31, 2006.

MORTGAGE LOANS Our mortgage loan portfolio was $9.90 billion at December 31, 2007 and $8.69 billion at December 31, 2006, and comprised primarily of loans secured by first mortgages on developed commercial real estate. Geographical and property type diversification are key considerations used to manage our exposure.

We closely monitor our commercial mortgage loan portfolio on a loan-by-loan basis. Loans with an estimated collateral value less than the loan balance, as well as loans with other characteristics indicative of higher than normal credit risks, are reviewed by financial and investment management at least quarterly for purposes of establishing

valuation allowances and placing loans on non-accrual status when and if necessary. The underlying collateral values are based upon either discounted property cash flow projections or a commonly used valuation method that utilizes a one-year projection of expected annual income divided by a market based expected rate of return. We had no realized capital losses related to write-downs on mortgage loans for the years ended December 31, 2007, 2006 and 2005.

LIMITED PARTNERSHIP INTERESTS Limited partnership interests totaled $994 million, or 1.4% of total investments, at December 31, 2007. Limited partnership interests primarily have exposure to private equity, real estate and hedge funds. This balance has increased 115.6% since December 31, 2006. Of the Limited Partnership Interests held at December 31, 2007, 48.8% were accounted for under the Equity Method of accounting, the remaining 51.2% were carried at cost.

SHORT-TERM INVESTMENTS Our short-term investment portfolio was $386 million and $805 million at December 31, 2007 and 2006, respectively. We invest available cash balances primarily in taxable short-term securities having a final maturity date or redemption date of less than one year.

POLICY LOANS Our policy loan portfolio was $770 million and $752 million at December 31, 2007 and 2006, respectively. Policy loans are carried at the unpaid principal balances.

OTHER INVESTMENTS Our other investments are comprised primarily of bank loans, which primarily include senior secured corporate loans that are carried at amortized cost.

UNREALIZED GAINS AND LOSSES See Note 6 of the consolidated financial statements for further disclosures regarding unrealized losses on fixed income and equity securities and factors considered in determining whether securities are other-than-temporarily impaired. The unrealized net capital gains on fixed income and equity securities at December 31, 2007 totaled $449 million, a decrease of $1.15 billion since December 31, 2006. The decrease in net unrealized net capital gains was related primarily to increased unrealized losses on investment grade fixed income securities, resulting from widening credit spreads and credit exposure related to collateralized securities, which more than offset the effects of declining interest rates.

Credit spreads are the additional yield on fixed income securities above the risk-free rate (typically defined as the yield on U.S. treasury securities), that market participants require to compensate them for assuming credit, liquidity and or repayment risks for fixed income securities with consistent terms. Credit spreads vary with the market's perception of risk and liquidity in specific fixed income markets. Credit spreads can widen (increase) or tighten (decrease) and may offset or add to the effects of risk-free interest rate changes in the valuation of fixed income securities from period to period.

Gross unrealized gains and losses on fixed income securities by type and sector are provided in the table below.

(IN MILLIONS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
AT DECEMBER 31, 2007				
Corporate:				
Banking	$ 5,465	$ 70	$ (195)	$ 5,340
Utilities	5,228	239	(68)	5,399
Consumer goods (cyclical and non-cyclical)	4,798	80	(95)	4,783
Financial services	3,897	47	(142)	3,802
Capital goods	3,074	69	(38)	3,105
Communications	1,902	53	(21)	1,934
Basic industry	1,806	42	(13)	1,835
Other	1,687	56	(36)	1,707
Transportation	1,586	41	(27)	1,600
Energy	1,433	45	(6)	1,472
Technology	748	15	(5)	758
Total corporate fixed income portfolio	31,624	757	(646)	31,735
U.S. government and agencies	2,848	880	--	3,728
Municipal	4,235	115	(39)	4,311
Foreign government	1,814	374	(3)	2,185

Mortgage-backed securities	3,499	37	(46)	3,490
Commercial mortgage-backed securities	7,698	76	(386)	7,388
Asset-backed securities	6,273	20	(690)	5,603
Redeemable preferred stock	29	1	(1)	29
Total fixed income securities	$ 58,020	$ 2,260	$ (1,811)	$ 58,469

The banking, financial services, consumer goods and utilities sectors had the highest concentration of gross unrealized losses in our corporate fixed income securities portfolio at December 31, 2007. The gross unrealized losses in these sectors were primarily company specific and the result of widening credit spreads. As of December 31, 2007, $511 million or 79.1% of the gross unrealized losses in the corporate fixed income portfolio and substantially all of the gross unrealized losses in the remaining fixed income securities related to securities rated investment grade. Unrealized losses on investment grade securities are principally related to rising interest rates or changes in credit spreads since the securities were acquired.

All securities in an unrealized loss position at December 31, 2007 were included in our portfolio monitoring process for determining whether declines in value are other-than-temporary.

The following table shows the composition by credit quality of the fixed income securities with gross unrealized losses at December 31, 2007.

(IN MILLIONS) NAIC RATING	MOODY'S EQUIVALENT	UNREALIZED LOSS	PERCENT TO TOTAL	FAIR VALUE	PERCENT TO TOTAL
1	Aaa/Aa/A	$ (1,231)	68.0%	$ 16,725	66.4%
2	Baa	(412)	22.7	6,835	27.2

- ------
Investment
grade
(1,643)
90.7
23,560
93.6 -----
----- ----
-- -------
- ------ 3
Ba (118)
6.5 1,189
4.7 4 B
(30) 1.7
312 1.2 5
Caa or
lower (20)
1.1 122
0.5 6 In
or near
default --
-- 1 -- --
-------- -
----- ----
---- -----
- Below
investment
grade
(168) 9.3
1,624 6.4

------ ---
----- ----
-- Total $
(1,811)
100.0% $
25,184
100.0%
==========
======
========
======

The table above includes 17 securities with a fair value totaling $177 million and an unrealized loss of $13 million that have not yet received an NAIC rating, for which we have assigned a comparable internal rating. Due to lags between the funding of an investment, execution of final legal documents, filing with the Securities Valuation Office ("SVO") of the NAIC, and rating by the SVO, we generally have a small number of securities that have a pending rating.

Unrealized losses on investment grade securities principally relate to changes in interest rates or changes in credit spreads, which reflect liquidity conditions of the related markets, since the securities were acquired. Of the unrealized losses on below investment grade securities, there were no significant loss positions (greater than or equal to 20% of amortized cost) for six or more consecutive months prior to December 31, 2007. Included among the securities rated below investment grade are high-yield bonds and securities that were investment grade when originally acquired. We mitigate the credit risk of investing in below investment grade fixed income securities by limiting the percentage of our fixed income portfolio invested in such securities, through diversification of the portfolio, active credit monitoring and portfolio management.

The scheduled maturity dates for fixed income securities in an unrealized loss position at December 31, 2007 are shown below. Actual maturities may differ from those scheduled as a result of prepayments by the issuers.

UNREALIZED
PERCENT FAIR
PERCENT (IN
MILLIONS)
LOSS TO
TOTAL VALUE
TO TOTAL ---
- -------- -
---- -------
- Due in one

year or less
$ (6) 0.3% $
579 2.3% Due
after one
year through
five years
(114) 6.3
2,864 11.4
Due after
five years
through ten
years (222)
12.3 5,158
20.5 Due
after ten
years (733)
40.5 9,935
39.4
Mortgage-
and asset-
backed
securities(1)
(736) 40.6
6,648 26.4 -
--------- --
------ -----
--- --------
Total $
(1,811)
100.0% $
25,184
100.0%
==========
========
========
========

- ----------
(1) Because of the potential for prepayment, these securities are not categorized based on their contractual maturities.

PORTFOLIO MONITORING We have a comprehensive portfolio monitoring process to identify and evaluate, on a case-by-case basis, fixed income and equity securities whose carrying value may be other-than-temporarily impaired. The process includes a quarterly review of all securities using a screening process to identify situations where the fair value, compared to amortized cost for fixed income securities, and cost for equity securities is below established thresholds for certain time periods, or which are identified through other monitoring criteria such as ratings downgrades or payment defaults. 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. We also conduct a portfolio review to recognize impairment on securities in an unrealized loss position for which we do not have the intent and ability to hold until recovery as a result of approved programs involving the disposition of investments for reasons such as changes in duration, revisions to strategic asset allocations and liquidity actions, as well as certain dispositions anticipated by portfolio managers. All investments in an unrealized loss position at December 31, 2007 were included in our portfolio monitoring process for determining whether declines in value were other-than-temporary.

The following table summarizes fixed income and equity securities in a gross unrealized loss position according to significance, aging and investment grade classification.

DECEMBER
31, 2007
DECEMBER
31, 2006 -

-- -------

FIXED
INCOME
FIXED
INCOME ---

--- BELOW
BELOW
INVESTMENT
INVESTMENT
INVESTMENT
INVESTMENT
(IN
MILLIONS,
EXCEPT
NUMBER OF
ISSUES)
GRADE
GRADE
EQUITY
TOTAL
GRADE
GRADE
EQUITY
TOTAL ----
------ ---
------- --
---- -----
--- ------
---- -----
----- ----
-- -------
- Category
(I):
Unrealized
loss less
than 20%
of cost
(1) Number
of Issues
2,403 227
9 2,639
2,804 112
- 2,916
Fair Value
$ 22,615 $
1,517 $ 64
$ 24,196 $
22,973 $
788 $ - $
23,761
Unrealized
$ (1,129)
$ (106) $
(5) $
(1,240) $
(481) $
(25) $ - $
(506)
Category
(II):
Unrealized
loss
greater
than or
equal to
20% of
cost for a
period of
less than
6
consecutive
months (1)
Number of
Issues 156
18 - 174 -
2 - 2 Fair
Value $

945 $ 107
$ - $
1,052 $ -
$ 4 $ - $
4
Unrealized
$ (514) $
(62) $ - $
(576) $ -
$ (1) $ -
$ (1) ----
------ ---
------- --
---- -----
--- ------
---- -----
----- ----
-- -------
- Total
Number of
Issues
2,559 245
9 2,813
2,804 114
- 2,918
==========
==========
======
========
==========
==========
======
========
Total Fair
Value $
23,560 $
1,624 $ 64
$ 25,248 $
22,973 $
792 $ - $
23,765
==========
==========
======
========
==========
==========
======
========
Total
Unrealized
Losses $
(1,643) $
(168) $
(5) $
(1,816) $
(481) $
(26) $ - $
(507)
==========
==========
======
========
==========
==========
======
========

- ----------
(1) For fixed income securities, cost represents amortized cost.

The largest individual unrealized loss was $12 million for category (I) and $26 million for category (II) as of December 31, 2007.

Categories (I) and (II) have generally been adversely affected by overall economic conditions including interest rate increases and the market's evaluation of certain sectors. The degree to which and/or length of time that the securities have been in an unrealized loss position does not suggest that these securities pose a high risk of being other-than-temporarily impaired. Categories (III) and (IV) have primarily been adversely affected by industry and issue specific, or issuer specific conditions. All of the securities in these categories are monitored for other-than-temporary impairment. We expect that the fair values of these securities will recover over time

Whenever our initial analysis indicates that a fixed income security's unrealized loss of 20% or more for at least 36 months or any equity security's unrealized loss of 20% or more for at least 12 months is temporary, additional evaluations and management approvals are required to substantiate that a write-down is not appropriate. As of December 31, 2007, no securities met these criteria.

The following table contains the individual securities with the largest unrealized losses as of December 31, 2007. No other fixed income or equity security had an unrealized loss greater than $10 million or 0.6% of the total unrealized loss on fixed income and equity securities.

(IN MILLIONS)

CATEGORY	UNREALIZED LOSS	FAIR VALUE	NAIC RATING	UNREALIZED LOSS CATEGORY
ABS CDO	$ (26)	$ 19	1	II
Financial Services	(12)	10	1	II
Financial Services	(12)	25	3	II
ABS RMBS - 2007 - 1st Lien	(12)	16	1	II
Synthetic CDO	(12)	53	1	I
Synthetic CDO	(12)	23	1	II
Synthetic CDO	(12)	18	1	II
ABS RMBS - 2007 - 1st Lien	(11)	3	1	II
Total	$ (109)	$ 167		

We 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. Restructured fixed income and bank loan investments have rates and terms that are not consistent with market rates or terms prevailing at the time of the restructuring. 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, 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 at December 31.

(IN MILLIONS)	2007			2006		
	AMORTIZED COST	FAIR VALUE	PERCENT OF TOTAL FIXED INCOME AND BANK LOAN PORTFOLIOS	AMORTIZED COST	FAIR VALUE	PERCENT OF TOTAL FIXED INCOME AND BANK LOAN PORTFOLIOS
Problem	$ 14	$ 14	--%	$ 13	$ 16	-%
Restructured	5	6	--	4	4	--
Potential problem	218	172	0.3	107	118	0.2
Total net carrying value	$ 237	$ 192	0.3%	$ 124	$ 138	0.2%
Cumulative write-downs recognized (1)	$ 261			$ 184		

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

We have experienced an increase in the amortized cost of fixed income securities and bank loans categorized as problem, restructured and potential problem. The increase was primarily due to the addition of certain ABS CDOs as well as bonds issued by a prime mortgage lender.

We evaluated each of these investments through our portfolio monitoring process at December 31, 2007 and recorded write-downs when appropriate. We further concluded that any remaining unrealized losses on these investments were temporary in nature and that we have the intent and ability to hold the securities until recovery. While these balances may increase in the future, particularly if economic conditions are unfavorable, management expects that the total amount of investments in these categories will remain low relative to the total fixed income securities and bank loans portfolios.

NET INVESTMENT INCOME The following table presents net investment income for the years ended December 31.

(IN MILLIONS)	2007	2006	2005
Fixed income securities	$ 3,589	$ 3,505	$ 3,318
Equity securities	4	2	--
Mortgage loans	552	508	469
Limited partnership interests	87	42	37
Other	243	257	78
Investment income, before expense	4,475	4,314	3,902
Investment expense	(270)	(257)	(195)
Net investment income	$ 4,205	$ 4,057	$ 3,707

NET REALIZED CAPITAL GAINS AND LOSSES The following table presents the components of realized capital gains and losses and the related tax effect for the years ended December 31.

(IN MILLIONS)	2007	2006	2005
Investment write-downs	$ (118)	$ (21)	$ (24)
Dispositions			

	(22)	(89)	88
Valuation of derivative instruments	(63)	(17)	(105)
Settlement of derivative instruments	6	48	60
Realized capital gains and losses, pretax	(197)	(79)	19
Income tax benefit (expense)	69	28	(7)
Realized capital gains and losses, after-tax	$ (128)	$ (51)	$ 12

Dispositions in the above table include sales, losses recognized in anticipation of dispositions and other transactions such as calls and prepayments. We may sell impaired fixed income or equity securities that were in an unrealized loss position at the previous reporting date, or other investments where the fair value has declined below the carrying value, in situations where new factors such as negative developments, subsequent credit deterioration, liquidity needs, and newly identified market opportunities cause a change in our previous intent to hold a security to recovery or maturity.

Dispositions in 2007 included net realized gains on sales and other transactions such as calls and prepayments of $70 million and losses recorded in connection with anticipated dispositions of $92 million. The net realized gains on sales and other transactions were comprised of gross gains of $269 million and gross losses of $199 million. The $199 million in gross losses primarily consisted of $186 million from sales of fixed income securities.

Dispositions in 2006 included net realized losses on sales and other transactions such as calls and prepayments of $29 million and losses recorded in connection with anticipated dispositions of $60 million. The net realized losses on sales and other transactions were comprised of gross gains of $214 million and gross losses of $243 million. The $243 million in gross losses primarily consisted of $231 million from sales of fixed income securities.

During our comprehensive portfolio reviews, we determine whether there are any approved programs involving the expected disposition of investments such as changes in duration, revisions to strategic asset allocations and liquidity actions, as well as dispositions anticipated by the portfolio managers resulting from their on-going comprehensive reviews of the portfolios. Upon approval of such programs, portfolio managers identify a population of suitable investments, typically larger than needed to accomplish the objective, from which specific securities are selected to sell. Due to our change in intent to hold until recovery, we recognize impairments on investments within the population that are in an unrealized loss position. When the objectives of the programs are accomplished, any remaining securities are redesignated as intent to hold until recovery.

For the year ended December 31, 2007, we recognized $92 million of losses related to a change in our intent to hold certain investments with unrealized losses until they recover in value. The change in our intent was primarily related to strategic asset allocation decisions and ongoing comprehensive reviews of our portfolio. At December 31, 2007, the fair value of securities for which we did not have the intent to hold until recovery totaled $1.06 billion.

For the year ended December 31, 2006, we recognized $60 million of losses related to a change in our intent to hold certain securities with unrealized losses until they recover in value. The change in our intent was driven by certain approved programs, including funding for the disposition through reinsurance of substantially all of our variable annuity business and yield enhancement strategies. These programs were completed during 2006. Additionally, ongoing comprehensive reviews of our portfolio resulted in the identification of anticipated dispositions by the portfolio managers. At December 31, 2006, the fair value of securities for which we did not have the intent to hold until recovery totaled $242 million.

The table below presents the realized capital gains and losses (pretax) on the valuation and settlement of derivative instruments shown by underlying exposure and derivative strategy for the years ended December 31.

(IN MILLIONS)	2007	2006	2005
INTEREST RATE EXPOSURE			
Asset/liability management			
Anticipatory hedging	$ (30)	$ 17	$ (9)
Futures used to protect investment spread from changes in interest rates that arise from mismatches in the timing of cash flows from our products and the related investment activity. Amounts primarily reflect cash settlements.			
Duration gap management	(27)	(51)	(57)
Interest rate caps, floors and swaps are used to align interest-rate sensitivities of assets and liabilities. The 2007 loss resulted from declining interest rates, approximately $20 million related to cash settlements.			
Ineffectiveness	(13)	(7)	(7)
Represents hedge accounting ineffectiveness, including the gains and losses realized upon the termination of the hedging instrument.			
Hedging of interest rate			

exposure in (22) 1 (1) Interest rate caps used to offset the annuity contracts effect of changing interest rates linked to treasury rates on certain annuity contracts, which are reported in credited interest. The results include cash settlements and valuation changes. The 2007 net loss represents approximately $50 million of losses from changes in valuation due to the decline in interest rates and $28 million of gain from cash settlements. Embedded derivatives- conversion 66 72 28 Certain fixed income securities, such options in fixed income securities and as convertible bonds and equity equity indexed notes linked notes, contain embedded derivatives. The changes in valuation of the embedded derivatives are reported in realized capital gains and losses. The results generally track the performance of underlying equity indices. Valuation gains and losses would be converted into cash for convertible securities upon our conversion or sale of these securities but will be eliminated if held to maturity; for equity indexed notes upon sale or maturity. CREDIT EXPOSURE Asset replication (18) 4 2 Credit default swaps used to replicate fixed income securities 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. The amounts primarily reflect non-cash changes in valuation due to fluctuating credit spreads, which would be converted to cash upon termination or a default on an underlying credit obligation. CURRENCY EXPOSURE Foreign currency contracts (13) (5) -- OTHER Other -- -- (1) ------ ------ ------ $ (57) $ 31 $ (45) ====== ====== ======

A changing interest rate environment will drive changes in our portfolio duration targets at a tactical level. A duration target and range is established with an economic view of liabilities relative to a long-term portfolio view. Tactical duration management is accomplished through both cash market transactions including new purchases and derivative activities that generate realized gains and losses. As a component of our approach to managing portfolio duration, 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 the overall financial condition of the Company as shown in the Market Risk section of the MD&A. Approximately $48 million or 76.4% of the losses that relate to the valuations of derivative instruments are associated with economic hedging instruments that support investments whose valuation changes are reported in shareholder's equity.

The ten largest losses from sales of individual securities for the year ended December 31, 2007 totaled $38 million with the largest loss being $7 million and the smallest loss being $2 million. One equity security comprising $5 million was in an unrealized loss position greater than 20% of cost for a period of less than six consecutive months.

Our largest aggregate loss on dispositions and writedowns are shown in the following table by issuer and its affiliates, and issue for government securities. No other issuer together with its affiliates had an aggregated loss on dispositions and writedowns greater than 1.5% of the total gross loss on disposition and writedowns on fixed income and equity securities.

(IN MILLIONS)	DISPOSITION ("PROCEEDS")	NET LOSS ON DISPOSITIONS(1)	WRITE-DOWNS	FAIR VALUE DECEMBER 31, 2007 HOLDINGS (2)	UNREALIZED GAIN (LOSS)
ABS CDO	$ --	$ --	$ (37)	$ --	$ --
Prime mortgage lender	24	(1)	(14)	33	(4)
ABS RMBS - 2006 - 2nd lien	--	--	(13)	4	--
ABS CDO	--	--	(11)	44	(25)
ABS CDO	--	--	(11)	--	--
Tax advantaged investment	--	--	(9)	8	--
Commercial mortgage	--	(7)	--	151	7
Total	$ 24	$ (8)	$ (95)	$ 240	$ (22)

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(1) Dispositions include losses recognized in anticipation of dispositions.
(2) Holdings include fixed income securities at amortized cost or equity securities at cost.

The circumstances of the above losses are considered to be security specific or issue specific and are not expected to have a material effect on other holdings in our portfolio.

MARKET RISK

Market risk is the risk that we will incur losses due to adverse changes in equity, interest, or currency exchange rates and prices. Adverse changes to these rates and prices may occur due to changes in the liquidity of a market or market segment, or to changes in market perceptions of credit worthiness and/or risk tolerance. Our primary market risk exposures are to changes in interest rates and equity prices, although we also have a smaller exposure to changes in foreign currency exchange rates.

The active management of market risk is integral to our results of operations. We may use the following approaches to manage exposure to market risk within defined tolerance ranges: 1) rebalancing existing asset or liability portfolios, 2) changing the character of investments purchased in the future and 3) using derivative instruments to modify the market risk characteristics of existing assets and liabilities or assets expected to be purchased. For a more detailed discussion of our use of derivative financial instruments, see Note 7 of the consolidated financial statements.

OVERVIEW We generate substantial investible funds from our business. In formulating and implementing guidelines for investing funds, we seek to earn returns that enhance our ability to offer competitive rates and prices to customers while contributing to attractive and stable profits and long-term capital growth. Accordingly, our investment decisions and objectives are a function of the underlying risks and our product profiles.

Investment policies define the overall framework for managing market and other investment risks, including accountability and controls over risk management activities. These investment activities follow policies that have been approved by our board of directors. These investment policies specify the investment limits and strategies that are appropriate given our liquidity, surplus, product profile and regulatory requirements. Executive oversight of investment activities is conducted primarily through our board of directors and investment committee. Asset-liability management ("ALM") policies further define the overall framework for managing market and investment risks. ALM focuses on strategies to enhance yields, mitigate market risks and optimize capital to improve profitability and returns. ALM activities follow asset-liability policies that have been approved by our board of directors. These ALM policies specify limits, ranges and/or targets for investments that best meet our business objectives in light of our product liabilities.

We manage our exposure to market risk through the use of asset allocation, duration and value-at-risk limits, simulation and, as appropriate, through the use of stress tests. We have asset allocation limits that place restrictions on the total funds that may be invested within an asset class. We have duration limits on our investment portfolio and, as appropriate, on individual components of the portfolio. These duration limits place restrictions on the amount of interest rate risk that may be taken. Our value-at-risk limits are intended to restrict the potential loss in fair value that could arise from adverse movements in the fixed income, equity, and currency markets based on historical volatilities and correlations among market risk factors. Comprehensive day-to-day management of market risk within defined tolerance ranges occurs as portfolio managers buy and sell within their respective markets based upon the acceptable boundaries established by investment policies. This day-to-day management is integrated with and informed by the activities of the ALM organization. This integration results in a prudent, methodical and effective adjudication of market risk and return, conditioned by the unique demands and dynamics of our product liabilities and supported by the continuous application of advanced risk technology and analytics.

INTEREST RATE RISK is the risk that we will incur a loss due to adverse changes in interest rates relative to the interest rate characteristics of interest bearing assets and liabilities. This risk arises from many of our primary activities, as we invest substantial funds in interest sensitive assets and issue interest rate-sensitive liabilities. Interest rate risk includes risks related to changes in U.S. Treasury yields and other key benchmarks as well as changes in interest rates resulting from the widening credit spreads and credit exposure to collateralized securities.

We manage the interest rate risk in our assets relative to the interest rate risk in our liabilities. One of the measures used to quantify this exposure is duration. Duration measures the price sensitivity of the assets and liabilities to changes in interest rates. For example, if interest rates increase 100 basis points, the fair value of an asset with a duration of 5 is expected to decrease in value by approximately 5%. At December 31, 2007, the difference between our asset and liability duration was approximately 0.63, compared to a 0.35 gap at December 31, 2006. A positive duration gap indicates that the fair value of our assets is more sensitive to interest rate movements than the fair value of our liabilities.

We seek to invest premiums, contract charges and deposits to generate future cash flows that will fund future claims, benefits and expenses, and that will earn stable spreads across a wide variety of interest rate and economic scenarios. To achieve this objective and limit interest rate risk, we adhere to a philosophy of managing the duration of assets and related liabilities within predetermined tolerance levels. This philosophy is executed using interest rate swaps, futures, forwards, caps, floors and swaptions to reduce the interest rate risk resulting from mismatches between existing assets and liabilities, and financial futures and other derivative instruments to hedge the interest rate risk of anticipated purchases and sales of investments and product sales to customers.

We pledge and receive collateral on certain types of derivative contracts. For futures and option contracts traded on exchanges, we have pledged securities as margin deposits totaling $19 million as of December 31, 2007. For over-the-counter derivative transactions including interest rate swaps, foreign currency swaps, interest rate caps, interest rate floor agreements, and credit default swaps, master netting agreements are used. These agreements allow us to net payments due for transactions covered by the agreements, and when applicable, we are required to post collateral. As of December 31, 2007, we held cash of $72 million and securities of $226 million pledged by counterparties as collateral for over-the-counter instruments; we pledged cash of $1 million and securities of $107 million as collateral to counterparties.

To calculate the duration gap between assets and liabilities, we project asset and liability cash flows and calculate their net present value using a risk-free market interest rate adjusted for credit quality, sector attributes, liquidity and other specific risks. Duration is calculated by revaluing these cash flows at alternative interest rates and determining the percentage change in aggregate fair value. The cash flows used in this calculation include the expected maturity and repricing characteristics of our derivative financial instruments, all other financial instruments (as described in Note 7 of the consolidated financial statements), and certain other items including interest-sensitive liabilities and annuity liabilities. The projections include assumptions (based upon historical market experience and our experience) that reflect the effect of changing interest rates on the prepayment, lapse, leverage and/or option features of instruments, where applicable. The preceding assumptions relate primarily to mortgage-backed securities, collateralized mortgage obligations, municipal housing bonds, callable municipal and corporate obligations, and fixed rate single and flexible premium deferred annuities.

Based upon the information and assumptions used in the duration calculation, and interest rates in effect at December 31, 2007, we estimate that a 100 basis point immediate, parallel increase in interest rates ("rate shock") would decrease the net fair value of the assets and liabilities by approximately $449 million, compared to $371 million at December 31, 2006. In calculating the impact of a 100 basis point increase on the swaption value, we have assumed interest rate volatility remains constant. The selection of a 100 basis point immediate parallel change in interest rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event. There are $7.05 billion of assets supporting life insurance products such as

traditional and interest-sensitive life that are not financial instruments. These assets and the associated liabilities have not been included in the above estimate. The $7.05 billion of assets excluded from the calculation has increased from the $7.04 billion reported at December 31, 2006 due to an increase in the in-force account value of interest-sensitive life products. Based on assumptions described above, in the event of a 100 basis point immediate increase in interest rates, the assets supporting life insurance products would decrease in value by $521 million, compared to a decrease of $455 million at December 31, 2006.

To the extent that conditions differ from the assumptions we used in these calculations, duration and rate shock measures could be significantly impacted. Additionally, our calculations assume that the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the effect of non-parallel changes in the term structure of interest rates and/or large changes in interest rates.

EQUITY PRICE RISK is the risk that we will incur losses due to adverse changes in the general levels of the equity markets. At December 31, 2007, we held approximately $50 million in common stocks and $1.81 billion in other securities with equity risk (including primarily convertible securities, limited partnership funds, non-redeemable preferred securities and equity-linked notes), compared to $27 million in common stocks and $1.39 billion in other securities with equity risk at December 31, 2006.

At December 31, 2007, our portfolio of securities with equity risk had a beta of approximately 0.89, compared to a beta of approximately 0.84 at December 31, 2006. Beta represents a widely used methodology to describe, quantitatively, an investment's market risk characteristics relative to an index such as the Standard & Poor's 500 Composite Price Index ("S&P 500"). Based on the beta analysis, we estimate that if the S&P 500 increases or decreases by 10%, the fair value of our equity investments will increase or decrease by approximately 8.9%, respectively. Based upon the information and assumptions we used to calculate beta at December 31, 2007, we estimate that an immediate decrease in the S&P 500 of 10% would decrease the net fair value of our equity investments identified above by approximately $164 million, compared to $117 million at December 31, 2006. The selection of a 10% immediate decrease in the S&P 500 should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event.

The beta of our securities with equity risk was determined by comparing the monthly total returns of these investments to monthly total returns of the S&P 500 over a three-year historical period. Since beta is historically based, projecting future price volatility using this method involves an inherent assumption that historical volatility and correlation relationships between stocks and the composition of our portfolio will not change in the future. Therefore, the illustrations noted above may not reflect our actual experience if future volatility and correlation relationships differ from the historical relationships.

At December 31, 2007 and 2006, we had separate accounts assets related to variable annuity and variable life contracts with account values totaling $14.93 billion and $16.17 billion, respectively. Equity risk exists for contract charges based on separate account balances and guarantees for death and/or income benefits provided by our variable products. In 2006, we disposed of substantially all of the variable annuity business through a reinsurance agreement with Prudential as described in Note 3 of the consolidated financial statements, and therefore mitigated this aspect of our risk. Equity risk of our variable life business relates to contract charges and policyholder benefits. Total variable life contract charges for 2007, and 2006 were $92 million and $86 million, respectively. Separate account liabilities related to variable life contracts were $905 million and $826 million in December 31, 2007 and 2006, respectively.

At December 31, 2007 and 2006 we had approximately $3.98 billion and $3.47 billion, respectively, in equity-indexed annuity liabilities that provide customers with interest crediting rates based on the performance of the S&P 500. We economically hedge the risk associated with these liabilities using equity-indexed options and futures, interest rate swaps, and eurodollar futures, maintaining risk within specified value-at-risk limits.

FOREIGN CURRENCY EXCHANGE RATE RISK is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates. This risk primarily arises from the foreign component of our limited partnership interests. We also have certain funding agreement programs and a small amount of fixed income securities that are denominated in foreign currencies, however, derivatives are used to effectively hedge the foreign currency risk of these funding agreements and approximately half of the securities. At December 31, 2007 and 2006, we had approximately $924 million and $1.02 billion, respectively, in funding agreements denominated in foreign currencies.

At December 31, 2007, the foreign component of our limited partnership interests totaled approximately $158 million, compared to $22 million at December 31, 2006.

Based upon the information and assumptions we used at December 31, 2007, we estimate that a 10% immediate unfavorable change in each of the foreign currency exchange rates that we are exposed to would decrease the value

of the foreign component of our limited partnership interests by approximately $16 million, compared with an estimated $2 million decrease at December 31, 2006. The selection of a 10% immediate decrease in all currency exchange rates should not be construed as our prediction of future market events, but only as an illustration of the potential effect of such an event. Our currency exposure is diversified across 27 currencies, compared to 11 currencies at December 31, 2006. Our largest individual foreign currency exposures at December 31, 2007 were to the Euro (41.1%) and the British Pound (21.7%). The largest individual foreign currency exposures at December 31, 2006 were to the Canadian Dollar (20.1%) and the Mexican Peso (19.5%). Our primary regional exposure is to Western Europe, approximately 65.0% at December 31, 2007, compared to 20.4% at December 31, 2006.

The modeling technique we use to report our currency exposure does not take into account correlation among foreign currency exchange rates. Even though we believe it is very unlikely that all of the foreign currency exchange rates that we are exposed to would simultaneously decrease by 10%, we nonetheless stress test our portfolio under this and other hypothetical extreme adverse market scenarios. Our actual experience may differ from these results because of assumptions we have used or because significant liquidity and market events could occur that we did not foresee.

CAPITAL RESOURCES AND LIQUIDITY

CAPITAL RESOURCES consist of shareholder's equity and debt, representing funds deployed or available to be deployed to support business operations. The following table summarizes our capital resources at December 31.

(IN

(IN MILLIONS)	2007	2006	2005
Redeemable preferred stock	$ --	$ 5	$ 5
Common stock, retained earnings and other shareholder's equity items	4,847	5,168	5,415
Accumulated other comprehensive income	(84)	325	588
Total shareholder's equity	4,763	5,498	6,008
Debt	200	706	181
Total capital resources	$ 4,963	$ 6,204	$ 6,189

SHAREHOLDER'S EQUITY declined in both 2007 and 2006, due to dividends and unrealized net capital losses on fixed income securities as of December 31, 2007 compared to unrealized net capital gains as of December 31, 2006, partially offset by net income. The Company paid dividends of $725 million and $675 million to Allstate Insurance Company ("AIC", the Company's parent) in 2007 and 2006, respectively.

DEBT decreased $506 million in 2007 due to the repayment of a $500 million intercompany note issued to AIC in 2006 and the redemption of mandatorily redeemable preferred stock.

Debt increased $525 million in 2006, due to the issuance of the intercompany note to AIC and a surplus note to an unconsolidated affiliate, partially offset by the redemption of debt associated with a consolidated variable interest entity ("VIE") and the redemption of mandatorily redeemable preferred stock.

During 2006, the Company issued an intercompany note in the amount of $500 million payable to its parent, AIC, on demand and, in any event, by March 30, 2007. This note is reflected as note payable to parent on the Company's Consolidated Statements of Financial Position. The Company used the funds to accelerate purchases of investments based on its outlook of the availability of acceptable investments in the beginning of 2007. The Company repaid the loan with funds generated in the normal course of business, primarily by sales, investment income and cash collected for investment calls and maturities.

During 2006, under an existing agreement with Kennett Capital, Inc. ("Kennett"), an unconsolidated affiliate of ALIC, ALIC sold Kennett a $100 million redeemable surplus note issued by ALIC Reinsurance Company ("ALIC Re"), a wholly owned subsidiary of ALIC. The surplus note is due June 1, 2036 with an initial rate of 6.18% that will reset once every ten years to the then current ten year Constant Maturity Treasury yield ("CMT"), plus 1.14%. As payment, Kennett issued a full recourse note due June 1, 2036 to ALIC for the same amount with an initial interest rate of 5.98% that will reset once every ten years to the then current ten year CMT, plus 0.94%. The note due from Kennett is classified as other investments and the related surplus note is classified as long-term debt in the Consolidated Statements of Financial Position.

The Company was the primary beneficiary of a consolidated structured investment security VIE. The Company's Consolidated Statements of Financial Position included $54 million of investments and $49 million of long-term debt as of December 31, 2005. In 2006, the debt associated with the VIE was redeemed. Also redeemed

during 2006 was mandatorily redeemable preferred stock totaling $26 million (see Note 5 to the consolidated financial statements).

FINANCIAL RATINGS AND STRENGTH The following table summarizes our financial strength ratings at December 31, 2007.

RATING AGENCY	RATING
Moody's Investors Service, Inc.	Aa2 ("Excellent")
Standard & Poor's Ratings Services	AA ("Very Strong")
A.M. Best Company, Inc.	A+ ("Superior")

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, operating leverage, AIC's ratings and other factors. There were no changes to the ratings listed above during 2007.

AIC entered into a capital support agreement with the Company effective December 14, 2007. AIC also entered into an intercompany liquidity agreement with the Company effective January 1, 2008. Under the capital support agreement, AIC is committed to provide capital to the Company to allow for profitable growth while maintaining financial strength ratings at or above those of AIC. The intercompany liquidity agreement establishes a mechanism under which short-term advances of funds may be made between AIC and the Company for liquidity and other general corporate purposes. The maximum amount of potential funding under each of these agreements is $1.00 billion.

State laws specify regulatory actions if an insurer's risk-based capital ("RBC"), a measure of an insurer's solvency, falls below certain levels. The NAIC has a standard formula for annually assessing RBC. The formula for calculating RBC for life insurance companies takes into account factors relating to insurance, business, asset and interest rate risks. At December 31, 2007, our RBC and the RBC for each of our insurance companies was above levels that would require regulatory actions.

The NAIC has also developed a set of financial relationships or tests known as the Insurance Regulatory Information System to assist state regulators in monitoring the financial condition of insurance companies and identifying companies that require special attention or actions by insurance regulatory authorities. The NAIC analyzes financial data provided by insurance companies using prescribed ratios, each with defined "usual ranges". Generally, regulators will begin to monitor an insurance company if its ratios fall outside the usual ranges for four or more of the ratios. If an insurance company has insufficient capital, regulators may act to reduce the amount of insurance it can issue. The ratios of our insurance companies are within these ranges.

LIQUIDITY SOURCES AND USES Our potential sources of funds principally include the activities as follows.

- Receipt of insurance premiums
- Contractholder fund deposits
- Reinsurance recoveries
- Receipts of principal, interest and dividends on investments
- Sales of investments

- Funds from investment repurchase agreements, securities lending, dollar roll and lines of credit agreements
- Inter-company loans
- Capital contributions from parent

Our potential uses of funds principally include the activities as follows.

- Payment of contract benefits, maturities, surrenders and withdrawals
- Reinsurance cessions and payments
- Operating costs and expenses
- Purchase of investments
- Repayment of investment repurchase agreements, securities lending, dollar roll and lines of credit agreements
- Payment or repayment of inter-company loans
- Dividends to parent
- Tax payments/settlements
- Debt service expenses and repayment
- Settlement payments of employee and agent benefit plans

As reflected in our Consolidated Statements of Cash Flows, higher operating cash flows in 2007, compared to 2006, primarily related to lower operating expenses and tax payments, and an increase in investment income, partially offset by increased policy and contract benefit payments and the absence in 2007 of contract charges on the reinsured variable annuity business. Higher operating cash flows in 2006, compared to 2005, primarily related to higher investment income.

Cash flows from investing activities reflected a source of cash in 2007 compared to a use of cash in 2006. This change was primarily the result of the change in net cash flows from financing activities from a source of cash in 2006 to a use of cash in 2007. Cash flows used in investing activities decreased in 2006 primarily due to decreased net cash provided by financing activities, partially offset by the investment of higher operating cash flows. Cash flows used in investing activities in 2006 also include the settlements related to the disposition through reinsurance of substantially all our variable annuity business.

Cash flows from financing activities reflected a use of cash in 2007 compared to a source of cash in 2006, primarily due to lower contractholder fund deposits. Cash used in financing activities increased in 2006 as a result of lower contractholder fund deposits and higher surrenders and partial withdrawals. For quantification of the changes in contractholder funds, see the Operations section of MD&A.

Financing cash flows were impacted by dividends paid of $725 million, $675 million and $211 million in 2007, 2006 and 2005, respectively.

A portion of our product portfolio, including fixed annuity, interest-sensitive life insurance and certain funding agreements, is subject to surrender and withdrawal at the discretion of contractholders. The following table summarizes our liabilities for these products by their contractual withdrawal provisions at December 31, 2007.

(IN MILLIONS)	2007
Not subject to discretionary withdrawal	$ 11,675
Subject to discretionary withdrawal with adjustments:	
Specified surrender charges (1)	25,509
Market value (2)	9,234
Subject to discretionary withdrawal without adjustments (3)	14,046

Total contractholder funds (4)	$ 60,464
	===========

- ----------

(1) Includes $9.90 billion of liabilities with a contractual surrender charge of less than 5% of the account balance.

(2) Approximately $8.26 billion of the contracts with market value adjusted surrenders have a 30-45 day period during which there is no surrender charge or market value adjustment including approximately $1.45 billion with a period commencing during 2008.

(3) Includes $5.63 billion of extendible funding agreements backing medium-term notes outstanding with an initial maturity of 13 months from the effective date of the contract that require contractholders to elect a maturity extension each month for a period of 5 to 10 years, depending on the contract terms, up to the contractually specified final maturity date. The contractually specified final maturity dates begin in 2009 and are definitive unless the maturity dates are accelerated in accordance with the contractholders' election to not extend the maturity date, in which case the contracts mature 12 months thereafter. The contracts have an annual coupon step-up feature when extended. Based upon the elections made as of December 31, 2007, approximately $4.20 billion will mature during 2008. In addition, from January 31, 2008 through February 15, 2008, approximately $827 million elected to not extend the initial maturity date.

(4) Includes $1.12 billion of contractholder funds on variable annuities reinsured to Prudential effective June 1, 2006.

To ensure we have the appropriate level of liquidity, we perform actuarial tests on the impact to cash flows of policy surrenders and other actions under various scenarios. Depending upon the years in which certain policy types were sold with specific surrender provisions, our cash flow could vary due to higher surrender of policies exiting their surrender charge periods.

We expect to meet the cash flow requirements of the non-extended funding agreements maturing in 2008 and 2009 primarily through a combination of cash received from new product deposits and contractual interest and principal receipts from our investment portfolio.

In addition to the capital and support agreement and the intercompany liquidity agreement with AIC, which provide a maximum amount of potential funding under each agreement of $1.00 billion, we also have an intercompany loan agreement with The Allstate Corporation. The amount of intercompany loans available to us under this intercompany agreement is at the discretion of The Allstate Corporation. The maximum amount of loans The Allstate Corporation will have outstanding to all its eligible subsidiaries at any given point in time is limited to $1.00 billion. We had no amounts outstanding under the intercompany loan agreement at December 31, 2007 or 2006. The Allstate Corporation uses commercial paper borrowings and bank lines of credit to fund intercompany borrowings.

The Allstate Corporation has established external sources of short-term liquidity that include a commercial paper program, lines-of-credit, dollar rolls and repurchase agreements. For additional liquidity, we can also issue new insurance contracts, incur additional debt and sell assets from our investment portfolio. The liquidity of our investment portfolio varies by type of investment. For example, $15.57 billion of privately placed corporate obligations that represent 21.5% of the investment portfolio, and $9.90 billion of mortgage loans that represent 13.7% of the investment portfolio, generally are considered to be less liquid than many of our other types of investments, such as our U.S. government and agencies, municipal and public corporate fixed income security portfolios.

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

- - A commercial paper program with a borrowing limit of $1.00 billion to cover short-term cash needs. As of December 31, 2007, there were no balances outstanding and therefore the remaining borrowing capacity was $1.00 billion; however, the outstanding balance fluctuates daily.

- - The primary credit facility covers short-term liquidity requirements. The $1.00 billion unsecured revolving credit facility, has an initial term of five years expiring in 2012 with two one year extensions that can be exercised in the first or second year of the facility upon approval of existing or replacement lenders providing more than two thirds of the commitments to lend. 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. 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 our senior, unsecured, nonguaranteed long-term debt. There were no borrowings under this line of credit during 2007. 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 with the Securities and Exchange Commission ("SEC") in May 2006. The Allstate Corporation can use it to issue an unspecified amount of debt securities, common stock (including 337 million shares of treasury stock as of December 31, 2007), preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units and securities of subsidiaries. The specific terms of any securities The Allstate Corporation issues under this registration statement will be provided in the applicable prospectus supplements.

The Allstate Corporation's only financial covenant exists with respect to its credit facility and its synthetic lease VIE obligations. The covenant requires that The Allstate Corporation not exceed a 37.5% debt to capital resources ratio as defined in the agreements. This ratio at December 31, 2007 was 17.0%.

We closely monitor and manage our liquidity through long- and short-term planning that is integrated throughout our underwriting and investment operations. We manage the duration of assets and related liabilities through our ALM organization, using a dynamic process that addresses liquidity from components of the investment portfolio, as appropriate, and is routinely subjected to stress testing. We also have access to funds from The Allstate Corporation as described above and through the intercompany liquidity agreement with AIC that is discussed in the Financial Ratings and Strength section of MD&A.

Certain remote events and circumstances could constrain our, The Allstate Corporation's or AIC's liquidity. Those events and circumstances include, for example, a catastrophe resulting in extraordinary losses, a downgrade in The Allstate Corporation's long-term debt rating of A1, A+ and a (from Moody's, Standard & Poor's and A.M. Best, respectively) to below Baa3/BBB-/bb, a downgrade in AIC's financial strength rating from Aa2, AA and A+ (from Moody's, Standard & Poor's and A.M. Best, respectively) to below Baa/BBB/A-, or a downgrade in our financial strength ratings from Aa2, AA and A+ (from Moody's, Standard & Poor's and A.M. Best, respectively) to below Aa3/AA-/A-. The rating agencies also consider the interdependence of our individually rated entities, therefore, a rating change in one entity could potentially affect the ratings of other related entities.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS Our contractual obligations as of December 31, 2007 and the payments due by period are shown in the following table.

(IN MILLIONS)
LESS THAN
OVER 5 TOTAL
1 YEAR 1-3
YEARS 4-5
YEARS YEARS -
-------- ----
----- -------
-- ---------

Liabilities
for
collateral
and
repurchase
agreements(1)
$ 1,817 $
1,817 $ -- $
-- $ --
Contractholder
funds(2)
76,078 14,088
23,893 9,977

28,120
Reserve for
life-
contingent
contract
benefits(2)
29,367 1,109
3,345 2,219
22,694 Long-
term debt(3)
498 11 22 22
443 Payable
to
affiliates,
net 206 206 -
- -- -- Other
liabilities
and accrued
expenses(4)
(5) 757 731
10 4 12 -----
---- --------
- --------- -
-------- ----
----- Total
Contractual
Cash
Obligations $
108,723 $
17,962 $
27,270 $
12,222 $
51,269
=========
=========
=========
=========
=========

- ----------

(1) Liabilities for collateral and repurchase agreements are typically fully secured with cash. We manage our short-term liquidity position to ensure the availability of a sufficient amount of liquid assets to extinguish short-term liabilities as they come due in the normal course of business, including utilizing potential sources of liquidity as disclosed previously.

(2) Contractholder funds represent interest-bearing liabilities arising from the sale of products such as interest-sensitive life, fixed annuities, including immediate annuities without life contingencies and institutional products. The reserve for life-contingent contract benefits relates primarily to traditional life and immediate annuities with life contingencies. These amounts reflect the present value of estimated cash payments to be made to contractholders and policyholders. Certain of these contracts, such as immediate annuities without life contingencies and institutional products, involve payment obligations where the amount and timing of the payment is essentially fixed and determinable. These amounts relate to (i) policies or contracts where we are currently making payments and will continue to do so and (ii) contracts where the timing of a portion or all of the payments has been determined by the contract. Extendible funding agreements backing medium-term notes outstanding are reflected in the table above at the contractually specified next maturity dates or the maturity date accelerated in accordance with the contractholders' election to not extend the initial maturity date. Other contracts, such as interest-sensitive life, fixed deferred annuities, traditional life and immediate annuities with life contingencies, involve payment obligations where a portion or all of the amount and timing of future payments is uncertain. For these contracts, the Company is not currently making payments and will not make payments until (i) the occurrence of an insurable event, such as death, or illness or (ii) the occurrence of a payment triggering event such as the surrender of or partial withdrawal on a policy or deposit contract, which is outside of the control of the Company. We have estimated the timing of payments related to these contracts based on historical experience and our expectation of future payment patterns. Uncertainties relating to these liabilities include mortality, morbidity, expenses, customer lapse and withdrawal activity, estimated additional deposits for interest-sensitive life contracts, and renewal premium for life policies, which may significantly impact both the timing and amount of future payments. Such cash outflows reflect adjustments for the estimated timing of mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table

exceeds the corresponding liabilities of $60.46 billion for contractholder funds and $12.6 billion for reserve for life-contingent contract benefits as included in the Consolidated Statements of Financial Position as of December 31, 2007. The liability amount in the Consolidated Statements of Financial Position reflects the discounting for interest as well as adjustments for the timing of other factors as described above.

(3) Amount differs from the balance presented on the Consolidated Statements of Financial Position as of December 31, 2007 because the long-term debt amount above includes interest.

(4) Other liabilities primarily include accrued expenses, claim payments and other checks outstanding.

(5) Balance sheet liabilities not included in the table above include unearned and advanced premiums of $42 million and deferred income tax liabilities of $101 million. These items were excluded as they do not meet the definition of a contractual liability as we are not contractually obligated to pay these amounts to third parties. Rather, they represent an accounting mechanism that allows us to present our financial statements on an accrual basis. In addition, other liabilities of $240 million were not included in the table above because they did not represent a contractual obligation or the amount and timing of their eventual payment was sufficiently uncertain.

The following is a distribution in U.S. Dollars of funding agreements (non-putable) by currency at December 31. All foreign currency denominated funding agreements have been swapped to U.S. Dollars.

(IN MILLIONS) CURRENCY	2007	2006
United States Dollar	$ 12,000	$ 11,300
British Pound	646	696
Swiss Franc	278	278
Singapore Dollar	--	41
	$ 12,924	$ 12,315

Our contractual commitments as of December 31, 2007 and the payments due by period are shown in the following table.

(IN MILLIONS)	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	OVER 5 YEARS
Other Commitments - Conditional (1)	$ 30	$ 30	$ --	$ --	$ --
Other Commitments - Unconditional (1)	1,211	57	692	407	55

------ -----
---- -------
-- ---------
Total
Commitments
$ 1,241 $ 87
$ 692 $ 407
$ 55
=========
=========
=========
=========
=========

- ----------
(1) Represents investment commitments such as private placements and mortgage loans.

Contractual commitments represents investment commitments such as private placements, private equities and mortgage loans.

We have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. All material inter-company transactions have appropriately been eliminated in consolidation. Inter-company transactions among insurance subsidiaries and affiliates have been approved by the appropriate departments of insurance as required.

For a more detailed discussion of our off-balance sheet arrangements, see Note 7 of the consolidated financial statements.

REGULATION AND LEGAL PROCEEDINGS

We are subject to extensive regulation and we are involved in various legal and regulatory actions, all of which have an effect on specific aspects of our business. For a detailed discussion of the legal and regulatory actions in which we are involved, see Note 11 of the consolidated financial statements.

PENDING ACCOUNTING STANDARDS

There are several pending accounting standards that we have not implemented either because the standard has not been finalized or the implementation date has not yet occurred. For a discussion of these pending standards, see Note 2 of the consolidated financial statements.

The effect of implementing certain accounting standards on our financial results and financial condition is often based in part on market conditions at the time of implementation of the standard and other factors we are unable to determine prior to implementation. For this reason, we are sometimes unable to estimate the effect of certain pending accounting standards until the relevant authoritative body finalizes these standards or until we implement them.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required for Item 7A is incorporated by reference to the material under caption "Market Risk" in Part II, Item 7 of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

YEAR ENDED
DECEMBER 31,

(IN MILLIONS)
2007 2006
2005 --------
--- ---------
-- ----------
- REVENUES
Premiums (net
of
reinsurance
ceded of

$625, $617 and $606) $ 502 $ 576 $ 474 Contract charges (net of reinsurance ceded of $315, $170 and $ -) 942 1,009 1,079 Net investment income 4,205 4,057 3,707 Realized capital gains and losses (197) (79) 19 ----------- ----------- ----------- 5,452 5,563 5,279 COSTS AND EXPENSES Contract benefits (net of reinsurance recoveries of $646, $548 and $515) 1,364 1,372 1,340 Interest credited to contractholder funds (net of reinsurance recoveries of $47, $41 and $4) 2,628 2,543 2,340 Amortization of deferred policy acquisition costs 518 538 568 Operating costs and expenses 340 398 433 ----------- ----------- ----------- 4,850 4,851 4,681 Loss on disposition of operations (10) (88) (7) ----------- ----------- ----------- INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE 592 624 591 ----------- ----------- ----------- Income tax expense 180 196 174 ----------- ----------- ----------- NET INCOME 412 428 417 ----------- ----------- -----------

---- OTHER COMPREHENSIVE LOSS, AFTER-TAX Change in: Unrealized net capital gains and losses (409) (263) (425) ---------- ----------- ----------- OTHER COMPREHENSIVE LOSS, AFTER-TAX (409) (263) (425) ----------- ----------- ----------- COMPREHENSIVE INCOME (LOSS) $ 3 $ 165 $ (8) =========== =========== ===========

See notes to consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, ------------------------- (IN MILLIONS, EXCEPT SHARE AND PAR VALUE DATA) 2007 2006 ----------- ----------- ASSETS Investments Fixed income securities, at fair value (amortized cost $58,020 and $59,869) $ 58,469 $ 61,457 Mortgage loans 9,901 8,690 Equity securities (cost $102 and $61) 102 72 Limited partnership interests 994 461 Short-term 386 805 Policy loans 770 752 Other 1,792 1,923 ----------- ----------- Total investments 72,414 74,160 Cash 185 273 Deferred policy acquisition costs 3,905

3,485 Reinsurance recoverables 3,410 3,392 Accrued investment income 652 689 Other assets 622 585 Separate Accounts 14,929 16,174 ----------- - ---------- TOTAL ASSETS $ 96,117 $ 98,758 =========== =========== LIABILITIES Contractholder funds $ 60,464 $ 60,565 Reserve for life-contingent contract benefits 12,598 12,204 Unearned premiums 33 34 Payable to affiliates, net 206 84 Other liabilities and accrued expenses 2,823 3,235 Deferred income taxes 101 258 Note payable to parent -- 500 Long-term debt 200 206 Separate Accounts 14,929 16,174 ----------- - ---------- TOTAL LIABILITIES 91,354 93,260 ----------- - ---------- COMMITMENTS AND CONTINGENT LIABILITIES (NOTES 7 AND 11) SHAREHOLDER'S EQUITY Redeemable preferred stock - series A, $100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding - - 5 Redeemable preferred stock - series B, $100 par value, 1,500,000 shares authorized, none issued - - -- Common stock, $227 par value, 23,800 shares authorized and outstanding 5 5 Additional capital paid-in 1,108 1,108 Retained income 3,734 4,055 Accumulated other comprehensive income: Unrealized net capital gains and losses (84) 325 ----------- ----------- Total accumulated other comprehensive income (84) 325 ----------- ----------- TOTAL SHAREHOLDER'S EQUITY 4,763 5,498 ----------- ----------- TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY $ 96,117 $ 98,758 =========== ===========

See notes to consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, ------------------------------------ (IN MILLIONS) 2007 2006 2005 ----------- ----------- ----------- REDEEMABLE PREFERRED STOCK - SERIES A Balance, beginning of

year $ 5 $ 5
$ 5
Redemption
of stock (5)
-- -- ------
----- ------
----- ------

Balance, end
of year -- 5
5 ----------
- ----------
- ----------
- REDEEMABLE
PREFERRED
STOCK -
SERIES B --
-- -- ------
----- ------
----- ------
----- COMMON
STOCK 5 5 5

ADDITIONAL
CAPITAL
PAID-IN
1,108 1,108
1,108
RETAINED
INCOME
Balance,
beginning of
year 4,055
4,302 4,178
Net income
412 428 417
Dividends
(725) (675)
(293)
Cumulative
effect of
change in
accounting
principle
(8) -- -- --
--------- --
--------- --

Balance, end
of year
3,734 4,055
4,302 ------
----- ------
----- ------

ACCUMULATED
OTHER
COMPREHENSIVE
INCOME
Balance,
beginning of
year 325 588
1,013 Change
in
unrealized
net capital
gains and
losses (409)
(263) (425)

Balance, end
of year (84)
325 588 ----
------- ----
------- ----

TOTAL

SHAREHOLDER'S EQUITY $ 4,763 $ 5,498 $ 6,008
===========
===========
===========

See notes to consolidated financial statements.

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31,

(IN MILLIONS) 2007 2006 2005 --------
--- ---------
-- ----------
- CASH FLOWS FROM OPERATING ACTIVITIES
Net income $ 412 $ 428 $ 417
Adjustments to reconcile net income to net cash provided by operating activities:
Amortization and other non-cash items (289) (280) (175)
Realized capital gains and losses 197 79 (19)
Loss on disposition of operations 10 88 7
Interest credited to contractholder funds 2,628 2,543 2,340
Changes in:
Policy benefit and other insurance reserves (290) (199) (200)
Unearned premiums (1) (1) 4
Deferred policy acquisition costs (29) (205) (198)
Reinsurance recoverables (276) (218) (197) Income taxes payable

112 (122) 18
Other
operating
assets and
liabilities
104 93 95 ---
-------- ----
------- -----
------ Net
cash provided
by operating
activities
2,578 2,206
2,092 -------
---- --------
--- ---------
-- CASH FLOWS
FROM
INVESTING
ACTIVITIES
Proceeds from
sales Fixed
income
securities
11,222 12,290
10,660 Equity
securities 73
23 25 Limited
partnership
interests 181
114 32
Investment
collections
Fixed income
securities
2,981 2,727
4,076
Mortgage
loans 1,506
1,618 1,172
Investment
purchases
Fixed income
securities
(12,096)
(16,246)
(18,128)
Equity
securities
(101) (282)
(37) Limited
partnership
interests
(673) (22)
(166)
Mortgage
loans (2,637)
(2,159)
(1,976)
Change in
short-term
investments,
net 31 362
(352) Change
in policy
loans and
other
investments,
net (124)
(33) (16)
Disposition
of operations
(5) (826) (2)
----------- -
---------- --
--------- Net
cash provided
by (used in)
investing
activities
358 (2,434)

(4,712) ----- ------ ------ ----- ------- ---- CASH FLOWS FROM FINANCING ACTIVITIES Note payable to parent (500) 500 - Redemption of redeemable preferred stock (11) (26) (26) Contractholder fund deposits 7,948 9,546 11,374 Contractholder fund withdrawals (9,736) (8,998) (8,604) Dividends paid (725) (675) (211) - ---------- -- --------- --- -------- Net cash (used in) provided by financing activities (3,024) 347 2,533 ------- ---- -------- --- --------- -- NET (DECREASE) INCREASE IN CASH (88) 119 (87) CASH AT BEGINNING OF YEAR 273 154 241 --------- -- ---------- - ----------- CASH AT END OF YEAR $ 185 $ 273 $ 154 =========== =========== ===========

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

BASIS OF PRESENTATION

The accompanying 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"), a wholly owned subsidiary of The Allstate Corporation (the "Corporation"). These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany accounts and transactions have been eliminated.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

NATURE OF OPERATIONS

The Company sells life insurance, retirement and investment products to individual and institutional customers. The principal individual products are fixed annuities and interest-sensitive, traditional and variable life insurance. The principal institutional product is funding agreements backing medium-term notes issued to institutional and individual investors. The following table summarizes premiums and contract charges by product.

($ IN MILLIONS)	2007	2006	2005
PREMIUMS			
Traditional life insurance	$ 260	$ 257	$ 250
Immediate annuities with life contingencies	204	278	197
Other	38	41	27
TOTAL PREMIUMS	502	576	474
CONTRACT CHARGES			
Interest-sensitive life insurance	862	797	734
Fixed annuities	79	73	65
Variable annuities	1	139	280
TOTAL CONTRACT CHARGES	942	1,009	1,079
TOTAL PREMIUMS AND CONTRACT CHARGES	$ 1,444	$ 1,585	$ 1,553

The Company, through several subsidiaries, is authorized to sell life insurance and retirement products in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For 2007, the top geographic locations for statutory premiums and annuity considerations were Delaware, California and New York. No other jurisdiction accounted for more than 5% of statutory premiums and annuity considerations. The Company distributes its products to individuals through multiple distribution channels, including Allstate exclusive agencies, which include exclusive financial specialists, independent agents (including master brokerage agencies and workplace enrolling agents), and financial service firms, such as banks, broker-dealers and specialized structured settlement brokers.

The Company monitors economic and regulatory developments that have the potential to impact its business. The ability of banks to affiliate with insurers may have a material adverse effect on all of the Company's product lines by substantially increasing the number, size and financial strength of potential competitors. The Company currently benefits from agreements with financial services entities that market and distribute its products; change in control of these non-affiliated entities could negatively impact the Company's sales. Furthermore, federal and state laws and regulations affect the taxation of insurance companies and life insurance and annuity products. Congress and various state legislatures have considered proposals that, if enacted, could impose a greater tax burden on the Company or could have an adverse impact on the tax treatment of some insurance products offered by the Company, including favorable policyholder tax treatment currently applicable to life insurance and annuities. Legislation that reduced the federal income tax rates applicable to certain dividends and capital gains realized by individuals, or

other proposals if adopted, that reduce the taxation or permit the establishment of certain products or investments that may compete with life insurance or annuities could have an adverse effect on the Company's financial position or ability to sell such products and could result in the surrender of some existing contracts and policies. In addition, changes in the federal estate tax laws could negatively affect the demand for the types of life insurance used in estate planning.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

Fixed income securities include bonds, asset-backed securities, mortgage-backed securities, commercial mortgage-backed securities and redeemable preferred stocks. Fixed income securities may be sold prior to their contractual maturity, are designated as available for sale and are carried at fair value. The fair value of fixed income securities is based upon observable market quotations, other market observable data or is derived from such quotations and market observable data. The fair value of privately placed fixed income securities is generally based on widely accepted pricing valuation models, which are developed internally. The valuation models use security specific information such as the credit rating of the issuer, industry sector of the issuer, maturity, estimated duration, call provisions, sinking fund requirements, coupon rate, quoted market prices of comparable securities and estimated liquidity premiums to determine security specific credit spreads. These spreads are then adjusted for illiquidity based on historical analysis and broker surveys. The difference between amortized cost and fair value, net of deferred income taxes, certain life and annuity deferred policy acquisition costs, certain deferred sales inducement costs, and certain reserves for life-contingent contract benefits, is reflected as a component of accumulated other comprehensive income. Cash received from calls, principal payments and make-whole payments is reflected as a component of proceeds from sales and cash received from maturities and pay-downs is reflected as a component of investment collections within the Consolidated Statement of Cash Flows.

Reported in fixed income securities are hybrid securities which have characteristics of fixed income securities and equity securities. Many of these securities have attributes most similar to those of fixed income securities such as a stated interest rate, a mandatory redemption date or a punitive interest rate step-up feature which, in most cases, would compel the issuer to redeem the security at a specified call date. Hybrid securities are carried at fair value and amounted to $2.67 billion and $2.09 billion at December 31, 2007 and 2006, respectively.

Equity securities include common and non-redeemable preferred stocks. Common and non-redeemable preferred stocks are classified as available for sale and are carried at fair value. The difference between cost and fair value, net of deferred income taxes, is reflected as a component of accumulated other comprehensive income.

Mortgage loans are carried at outstanding principal balances, net of unamortized premium or discount and valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected. Valuation allowances for impaired loans reduce the carrying value to the fair value of the collateral or the present value of the loan's expected future repayment cash flows discounted at the loan's original effective interest rate.

Investments in limited partnership interests, including certain interests in limited liability companies and funds, and where the Company's interest is so minor that it exercises virtually no influence over operating and financial policies are accounted for in accordance with the cost method of accounting; otherwise, investments in limited partnership interests are accounted for in accordance with the equity-method of accounting.

Short-term investments are carried at cost or amortized cost that approximates fair value. Policy loans are carried at the unpaid principal balances. Other investments consist primarily of bank loans. Bank loans are comprised primarily of senior secured corporate loans which are carried at amortized cost.

In connection with the Company's securities lending business activities, funds received in connection with securities repurchase agreements, cash collateral received from counterparties related to derivative transactions and securities purchased under agreements to resell are invested and classified as short-term investments or fixed income securities available for sale as applicable. For the Company's securities lending business activities and securities sold under agreements to repurchase, the Company records an offsetting liability in other liabilities and accrued expenses for the Company's obligation to return the collateral or funds received.

Investment income consists primarily of interest and dividends, income from limited partnership interests and income from certain derivative transactions. Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. Interest income for asset-backed securities, mortgage-backed securities and commercial mortgage-backed securities is determined considering estimated principal repayments obtained from widely accepted third party data sources and internal estimates. Interest income on certain beneficial interests in securitized financial assets is determined using the prospective yield method, based upon projections of expected future cash flows. For all other asset-backed securities, mortgage-backed securities and commercial mortgage-backed securities, the effective yield is recalculated on the retrospective basis. Income from investments in limited partnership interests accounted for on the cost basis is recognized upon receipt of amounts distributed by the partnerships as income. Income from investments in limited partnership interests accounted for utilizing the equity-method of accounting is recognized based on the financial results of the entity and the Company's proportionate investment interest. Accrual of income is suspended for fixed income securities and mortgage loans that are in default or when receipt of interest payments is in doubt.

Realized capital gains and losses include gains and losses on investment dispositions, write-downs in value due to other-than-temporary declines in fair value and periodic changes in the fair value and settlements of certain derivatives including hedge ineffectiveness. Dispositions include sales, losses recognized in anticipation of dispositions and other transactions such as calls and prepayments. Realized capital gains and losses on investment dispositions are determined on a specific identification basis.

The Company recognizes other-than-temporary impairment losses on fixed income securities, equity securities and short-term investments when the decline in fair value is deemed other-than-temporary (see Note 6).

DERIVATIVE AND EMBEDDED DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include swaps, futures (interest rate), options (including swaptions), interest rate caps and floors, warrants, certain forward contracts for purchases of to-be-announced ("TBA") mortgage securities, forward contracts to hedge foreign currency risks and certain investment risk transfer reinsurance agreements. Derivatives that are required to be separated from the host instrument and accounted for as derivative financial instruments ("subject to bifurcation") are embedded in convertible and equity-indexed fixed income securities, equity-indexed life and annuity contracts, reinsured variable annuity contracts, and certain funding agreements (see Note 7).

All derivatives are accounted for on a fair value basis and reported as other investments, other assets, other liabilities and accrued expenses or contractholder funds. Embedded derivative instruments subject to bifurcation are also accounted for on a fair value basis and are reported together with the host contract. The change in the fair value of derivatives embedded in certain fixed income securities and subject to bifurcation is reported in realized capital gains and losses. The change in the fair value of derivatives embedded in liabilities and subject to bifurcation is reported in life and annuity contract benefits, interest credited to contractholder funds or realized capital gains and losses.

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 hedged item may be either all or a specific portion of a recognized asset, liability or an unrecognized firm commitment attributable to a particular risk. At the inception of the hedge, the Company formally documents the hedging relationship and risk management objective and strategy. The documentation identifies the hedging instrument, the hedged item, the nature of the risk being hedged and the methodology used to assess the effectiveness of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. In the case of a cash flow hedge, this documentation includes the exposure to changes in the hedged item's or transaction's variability in cash flows attributable to the hedged risk. The Company does not exclude any component of the change in fair value of the hedging instrument from the effectiveness assessment. At each reporting date, the Company confirms that the hedging instrument continues to be highly effective in offsetting the hedged risk. Ineffectiveness in fair value hedges and cash flow hedges is reported in realized capital gains and losses. The hedge ineffectiveness reported in realized capital gains and losses amounted to losses of $13 million, $7 million and $7 million in 2007, 2006 and 2005, respectively.

FAIR VALUE 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.

For hedging instruments used in fair value hedges, when the hedged items are investment assets or a portion thereof, the change in the fair value of the derivatives is reported in net investment income, together with the change in the fair value of the hedged items. The change in the fair value of hedging instruments used in fair value hedges of contractholder funds liabilities or a portion thereof is reported in interest credited to contractholder funds, together with the change in the fair value of the hedged item. Accrued periodic settlements on swaps are reported together with the changes in fair value of the swaps in net investment income or interest credited to contractholder funds. The amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying value of the hedged liability is adjusted for the change in the fair value of the hedged risk.

CASH FLOW HEDGES 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. The Company's cash flow exposure may be associated with an existing asset, liability or a forecasted transaction. Anticipated transactions must be probable of occurrence and their significant terms and specific characteristics must be identified.

For hedging instruments used in cash flow hedges, the changes in fair value of the derivatives are reported in accumulated other comprehensive income. Amounts are reclassified to net investment income or realized capital gains and losses as the hedged or forecasted transaction affects net income. Accrued periodic settlements on derivatives used in cash flow hedges are reported in net investment income. The amount reported in accumulated other comprehensive income for a hedged transaction is limited to the lesser of the cumulative gain or loss on the derivative less the amount reclassified to net income; or the cumulative gain or loss on the derivative needed to offset the cumulative change in the expected future cash flows on the hedged transaction from inception of the hedge less the derivative gain or loss previously reclassified from accumulated other comprehensive income to net income. If the Company expects at any time that the loss reported in accumulated other comprehensive income would lead to a net loss on the combination of the hedging instrument and the hedged transaction which may not be recoverable, a loss is recognized immediately in realized capital gains and losses. If an impairment loss is recognized on an asset or an additional obligation is incurred on a liability involved in a hedge transaction, any offsetting gain in accumulated other comprehensive income is reclassified and reported together with the impairment loss or recognition of the obligation.

TERMINATION OF HEDGE ACCOUNTING If, subsequent to entering into a hedge transaction, the derivative becomes ineffective (including if the hedged item is sold or otherwise extinguished, the occurrence of a hedged forecasted transaction is no longer probable, or the hedged asset becomes other-than-temporarily impaired), the Company may terminate the derivative position. The Company may also terminate derivative instruments or redesignate them as non-hedge as a result of other events or circumstances. If the derivative financial instrument is not terminated when a fair value hedge is no longer effective, the future gains and losses recognized on the derivative are reported in realized capital gains and losses. When a fair value hedge is no longer effective, is redesignated as non-hedge or when the derivative has been terminated, the fair value gain or loss on the hedged asset, liability or portion thereof which has already been recognized in income while the hedge was in place and used to adjust the amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying amount for the liability, is amortized over the remaining life of the hedged asset, liability or portion thereof, and reflected in net investment income or interest credited to contractholder funds beginning in the period that hedge accounting is no longer applied. If the hedged item in a fair value hedge is an asset which has become other-than-temporarily impaired, or is a liability which an increase has been recognized for the obligation, the adjustment made to the amortized cost for fixed income securities, the carrying value for mortgage loans or the carrying amount for the liability is subject to the accounting policies applied to other-than-temporarily impaired assets.

When a derivative financial instrument used in a cash flow hedge of an existing asset or liability is no longer effective or is terminated, the gain or loss recognized on the derivative is reclassified from accumulated other comprehensive income to net income as the hedged risk impacts net income, beginning in the period hedge accounting is no longer applied or the derivative instrument is terminated. If the derivative financial instrument is not terminated when a cash flow hedge is no longer effective, the future gains and losses recognized on the derivative are reported in realized capital gains and losses. When a derivative financial instrument used in a cash flow hedge of a forecasted transaction is terminated because the forecasted transaction is no longer probable, the gain or loss recognized on the derivative is immediately reclassified from accumulated other comprehensive income to realized capital gains and losses in the period that hedge accounting is no longer applied. If a cash flow hedge is no longer effective, the gain or loss recognized on the derivative during the period the hedge was effective is reclassified from accumulated other comprehensive income to net income as the remaining hedged item affects net income.

NON-HEDGE DERIVATIVE FINANCIAL INSTRUMENTS The Company also has certain derivatives that are used in interest rate, equity price and credit risk management strategies for which hedge accounting is not applied. These derivatives primarily consist of certain interest rate swap agreements, equity and financial futures contracts, interest rate cap and floor agreements, swaptions, foreign currency forward and option contracts, certain forward contracts for TBA mortgage securities and credit default swaps.

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. Fixed income securities are replicated when they are either unavailable in the cash market or are more economical to acquire in synthetic form.

Based upon the type of derivative instrument and strategy, the income statement effects of these derivatives are reported in a single line item with the results of the associated risk. Therefore, the derivatives' fair value gains and losses and accrued periodic settlements are recognized together in one of the following line items during the reporting period: net investment income, realized capital gains and losses, operating costs and expenses, life and annuity contract benefits or interest credited to contractholder funds. Cash flows from embedded derivatives requiring bifurcation and derivatives receiving hedge accounting are reported consistently with the host contracts and hedged risks respectively within the Consolidated Statement of Cash Flows. Cash flows from other derivatives are reported in cash flows from investing activities within the Consolidated Statement of Cash Flows.

SECURITIES LOANED AND SECURITY REPURCHASE AND RESALE

The Company's business activities, include securities lending transactions, securities sold under agreements to repurchase ("repurchase agreements"), and securities purchased under agreements to resell ("resale agreements"), which are used primarily to generate net investment income. The proceeds received from repurchase agreements also provide a source of liquidity. For repurchase agreements and securities lending transactions used to generate net investment income, the proceeds received are reinvested in short-term investments or fixed income securities. These transactions are short-term in nature, usually 30 days or less.

The Company receives collateral for securities loaned in an amount generally equal to 103% of the fair value of securities, and records the related obligations to return the collateral in other liabilities and accrued expenses. The carrying value of these obligations approximates fair value because of their relatively short-term nature. The Company monitors the market value of securities loaned on a daily basis and obtains additional collateral as necessary under the terms of the agreements to mitigate counterparty credit risk. The Company maintains the right and ability to redeem the securities loaned on short notice. Substantially all of the Company's securities loaned are placed with large brokerage firms.

The Company's policy is to take possession or control of securities under resale agreements. Securities to be repurchased under repurchase agreements are the same, or substantially the same, as the securities transferred. The Company's obligations to return the funds received under repurchase agreements are carried at the amount at which the securities will subsequently be reacquired, including accrued interest, as specified in the respective agreements and are classified as other liabilities and accrued expenses. The carrying value of these obligations approximates fair value because of their relatively short-term nature.

RECOGNITION OF PREMIUM REVENUES AND CONTRACT CHARGES, AND RELATED BENEFITS AND INTEREST CREDITED

Traditional life insurance products consist principally of products with fixed and guaranteed premiums and benefits, primarily term and whole life insurance products. Premiums from these products are recognized as revenue when due from policyholders. Benefits are reflected in life and annuity contract benefits and recognized in relation to premiums so that profits are recognized over the life of the policy.

Immediate annuities with life contingencies, including certain structured settlement annuities, provide insurance protection over a period that extends beyond the period during which premiums are collected. Premiums from these products are recognized as revenue when received at the inception of the contract. Benefits and expenses are recognized in relation to premiums so that profits are recognized over the life of the contract.

Interest-sensitive life contracts, such as universal life, single premium life and equity-indexed life are insurance contracts whose terms are not fixed and guaranteed. The terms that may be changed include premiums paid by the contractholder, interest credited to the contractholder account balance and contract charges assessed against the contractholder account balance. Premiums from these contracts are reported as contractholder fund deposits. Contract charges consist of fees assessed against the contractholder account balance for the cost of insurance (mortality risk),

contract administration and early surrender. These contract charges are recognized as revenue when assessed against the contractholder account balance. Life and annuity contract benefits include life-contingent benefit payments in excess of the contractholder account balance.

Contracts that do not subject the Company to significant risk arising from mortality or morbidity are referred to as investment contracts. Fixed annuities, including market value adjusted annuities, equity-indexed annuities and immediate annuities without life contingencies, and funding agreements (primarily backing medium-term notes) are considered investment contracts. Consideration received for such contracts is reported as contractholder fund deposits. Contract charges for investment contracts consist of fees assessed against the contractholder account balance for maintenance, administration and surrender of the contract prior to contractually specified dates, and are recognized when assessed against the contractholder account balance.

Interest credited to contractholder funds represents interest accrued or paid on interest-sensitive life contracts and investment contracts. Crediting rates for certain fixed annuities and interest-sensitive life contracts are adjusted periodically by the Company to reflect current market conditions subject to contractually guaranteed minimum rates. Crediting rates for indexed annuities, indexed life contracts and indexed funding agreements are generally based on a specified interest rate index, such as LIBOR, or an equity index, such as the S&P 500. Interest credited also includes amortization of deferred sales inducement ("DSI") expenses. DSI is amortized into interest credited using the same method used to amortize deferred policy acquisition costs ("DAC").

Contract charges for variable life and variable annuity products consist of fees assessed against the contractholder account values for contract maintenance, administration, mortality, expense and early surrender. Contract benefits incurred include guaranteed minimum death, income, withdrawal and accumulation benefits. Subsequent to the Company's disposal of substantially all of its variable annuity business through reinsurance agreements with Prudential in 2006 (see Note 3), the contract charges and contract benefits related thereto are reported net of reinsurance ceded.

DEFERRED POLICY ACQUISITION AND SALES INDUCEMENT COSTS

Costs that vary with and are primarily related to acquiring life insurance and investment contracts are deferred and recorded as DAC. These costs are principally agents' and brokers' remuneration, premium taxes, inspection costs, and certain underwriting and direct mail solicitation expenses. DSI costs, which are deferred and recorded as other assets, relate to sales inducements offered on sales to new customers, principally on annuities and primarily in the form of additional credits to the customer's account value or enhancements to interest credited for a specified period, which are in excess of the rates currently being credited to similar contracts without sales inducements. All other acquisition costs are expensed as incurred and included in operating costs and expenses on the Consolidated Statements of Operations and Comprehensive Income. Future investment income is considered in determining the recoverability of DAC. Amortization of DAC associated with life insurance and investment contracts is described in more detail below. All life insurance and investment contract DAC is included in amortization of deferred policy acquisition costs on the Consolidated Statements of Operations and Comprehensive Income. DSI is reported in other assets and amortized to income using the same methodology and assumptions as DAC and is included in interest credited to contractholder funds on the Consolidated Statements of Operations and Comprehensive Income. DAC and DSI are periodically reviewed for recoverability and adjusted if necessary.

For traditional life insurance, DAC is amortized over the premium paying period of the related policies in proportion to the estimated revenues on such business. Assumptions used in the amortization of DAC and reserve calculations are established at the time the policy is issued and are generally not revised during the life of the policy. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization period for these contracts approximates the estimated lives of the policies.

For interest-sensitive life, annuities and other investment contracts, DAC and DSI are amortized in proportion to the incidence of the total present value of gross profits, which includes both actual historical gross profits ("AGP") and estimated future gross profits ("EGP") expected to be earned over the estimated lives of the contracts. The amortization is net of interest on the prior DAC balance and uses rates established at the inception of the contracts. Actual amortization periods generally range from 15-30 years; however, incorporating estimates of customer surrender rates, partial withdrawals and deaths generally results in the majority of the DAC being amortized over the surrender charge period. The rate of amortization during this term is matched to the pattern of total gross profits.

AGP and EGP consists primarily of the following components: the excess of contract charges for the cost of insurance over mortality and other benefits; investment income and realized capital gains and losses over interest credited; and surrender and other contract charges over maintenance expenses. The principal assumptions for determining the amount of EGP are investment returns, including capital gains and losses on assets supporting contract liabilities, interest crediting rates to policyholders, the effect of any hedges used, persistency, mortality and expenses.

Changes in the amount or timing of EGP result in adjustments to the cumulative amortization of DAC and DSI. All such adjustments are reflected in the current results of operations.

The Company performs quarterly reviews of DAC and DSI recoverability for interest-sensitive life, annuities and other investment contracts in the aggregate using current assumptions. If a change in the amount of EGP is significant, it could result in the unamortized DAC and DSI not being recoverable, resulting in a charge which is included as a component of amortization of deferred policy acquisition costs or interest credited to contractholder funds, respectively, on the Consolidated Statements of Operations and Comprehensive Income.

Any amortization of DAC or DSI that would result from changes in unrealized gains or losses had those gains or losses actually been realized during the reporting period is recorded net of tax in other comprehensive income.

The costs assigned to the right to receive future cash flows from certain business purchased from other insurers are also classified as DAC in the Consolidated Statements of Financial Position. The costs capitalized represent the present value of future profits expected to be earned over the lives of the contracts acquired. These costs are amortized as profits emerge over the lives of the acquired business and are periodically evaluated for recoverability. The present value of future profits was $21 million and $25 million at December 31, 2007 and 2006, respectively. Amortization expense on the present value of future profits was $5 million, $6 million and $8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Customers of the Company may exchange one insurance policy or investment contract for another offered by the Company, or make modifications to an existing investment or life contract issued by the Company. These transactions are identified as internal replacements for accounting purposes. Internal replacement transactions that are determined to result in replacement contracts that are substantially unchanged from the replaced contract are accounted for as continuations of the replaced contracts. Unamortized DAC and DSI related to the replaced contract continue to be deferred and amortized in connection with the replacement contracts. For interest-sensitive life insurance and investment contracts, the EGP of the replacement contract is treated as revisions to the EGP of the replaced contract in the determination of amortization of DAC and DSI. For traditional life insurance policies, any changes to unamortized DAC and benefit reserves that result from the replacement contract are treated as prospective revisions. Any costs associated with the issuance of the replacement contract are characterized as maintenance costs and expensed as incurred.

Internal replacement transactions that are determined to result in a substantial change to the replaced contracts are accounted for as an extinguishment of the replaced contracts, and any unamortized DAC and DSI related to the replaced contracts are eliminated with a corresponding charge to the Consolidated Statements of Operations and Comprehensive Income.

REINSURANCE

In the normal course of business, the Company seeks to limit aggregate and single exposure to losses on large risks by purchasing reinsurance (see Note 9). The Company has also used reinsurance to effect the acquisition or disposition of certain blocks of business. The amounts reported in the Consolidated Statements of Financial Position as reinsurance recoverables include amounts billed to reinsurers on losses paid as well as estimates of amounts expected to be recovered from reinsurers on insurance liabilities and contractholder funds that have not yet been paid. Reinsurance recoverables on unpaid losses are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Insurance liabilities are reported gross of reinsurance recoverables. Reinsurance premiums are generally reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts or are earned ratably over the contract period to the extent coverage remains available. Reinsurance does not extinguish the Company's primary liability under the policies written. Therefore, the Company regularly evaluates the financial condition of its reinsurers including their activities with respect to claim settlement practices and commutations, and establishes allowances for uncollectible reinsurance recoverables as appropriate.

GOODWILL

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. The Company annually evaluates goodwill for impairment using a trading multiple analysis, which is a widely accepted valuation technique to estimate the fair value of its reporting units. The Company also reviews its goodwill for impairment whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount of goodwill may exceed its implied fair value. Goodwill impairment evaluations indicated no impairment at December 31, 2007.

INCOME TAXES

The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are unrealized capital gains and losses on certain investments, insurance reserves and DAC. A deferred tax asset valuation allowance is established when there is uncertainty that such assets would be realized (see Note 12).

RESERVE FOR LIFE-CONTINGENT CONTRACT BENEFITS

The reserve for life-contingent contract benefits payable under insurance policies including traditional life insurance, life-contingent fixed annuities and voluntary health products is computed on the basis of long-term actuarial assumptions of future investment yields, mortality, morbidity, policy terminations and expenses (see Note 8). These assumptions, which for traditional life insurance, life-contingent fixed annuities and accident and health products are applied using the net level premium method, include provisions for adverse deviation and generally vary by characteristics such as type of coverage, year of issue and policy duration. To the extent that unrealized gains on fixed income securities would result in a premium deficiency had those gains actually been realized, the related increase in reserves for certain immediate annuities with life contingencies is recorded net of tax as a reduction of unrealized net capital gains included in accumulated other comprehensive income.

CONTRACTHOLDER FUNDS

Contractholder funds represent interest-bearing liabilities arising from the sale of products, such as interest-sensitive life, fixed annuities and funding agreements. Contractholder funds are comprised primarily of deposits received and interest credited to the benefit of the contractholder less surrenders and withdrawals, mortality charges and administrative expenses (see Note 8). Contractholder funds also include reserves for secondary guarantees on interest-sensitive life insurance and certain fixed annuity contracts and reserves for certain guarantees on reinsured variable annuity contracts.

SEPARATE ACCOUNTS

Separate accounts assets are carried at fair value. Separate accounts liabilities are carried at the account values, which are equal to the carrying value of the corresponding assets. The assets of the separate accounts are legally segregated and available only to settle separate account contract obligations. Separate accounts liabilities represent the contractholders' claims to the related assets. Investment income and realized capital gains and losses of the separate accounts accrue directly to the contractholders and therefore, are not included in the Company's Consolidated Statements of Operations and Comprehensive Income. Deposits to and surrenders and withdrawals from the separate accounts are reflected in separate accounts liabilities and are not included in consolidated cash flows.

Absent any contract provision wherein the Company provides a guarantee, variable annuity and variable life insurance contractholders bear the investment risk that the separate accounts' funds may not meet their stated investment objectives. Substantially all of the Company's variable annuity business was reinsured to Prudential in 2006.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

Commitments to invest, commitments to purchase private placement securities, commitments to extend mortgage loans, financial guarantees and credit guarantees have off-balance-sheet risk because their contractual amounts are not recorded in the Company's Consolidated Statements of Financial Position (see Note 7 and Note 11).

ADOPTED ACCOUNTING STANDARDS

STATEMENT OF POSITION 05-1, ACCOUNTING BY INSURANCE ENTERPRISES FOR DEFERRED ACQUISITION COSTS IN CONNECTION WITH MODIFICATIONS OR EXCHANGES OF INSURANCE CONTRACTS ("SOP 05-1")

In October 2005, the American Institute of Certified Public Accountants ("AICPA") issued SOP 05-1. SOP 05-1 provides accounting guidance for DAC associated with internal replacements of insurance and investment contracts other than those set forth in Statement of Financial Accounting Standards ("SFAS") No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments". SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights or coverages that occurs through the exchange of an existing contract for a new contract, or by amendment, endorsement or rider to an existing contract, or by the election of a feature or coverage within an existing contract. The Company adopted the provisions of SOP 05-1 on January 1, 2007 for internal replacements occurring in fiscal years beginning after December 15, 2006. The adoption resulted in an $8 million after-tax reduction to retained income to reflect the impact on EGP from the changes in accounting for certain costs associated with contract continuations that no longer qualify for deferral under SOP 05-1 and a reduction of DAC and DSI balances of $13 million pre-tax as of January 1, 2007.

SFAS NO. 155, ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS - AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140 ("SFAS NO. 155")

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, which permits the fair value remeasurement at the date of adoption of any hybrid financial instrument containing an embedded derivative that otherwise would require bifurcation under paragraph 12 or 13 of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"); clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or hybrid financial instruments that contain embedded derivatives requiring bifurcation; and clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. The Company adopted the provisions of SFAS No. 155 on January 1, 2007, which were effective for all financial instruments acquired, issued or subject to a remeasurement event occurring after the beginning of the first fiscal year beginning after September 15, 2006. The Company elected not to remeasure existing hybrid financial instruments that contained embedded derivatives requiring bifurcation at the date of adoption pursuant to paragraph 12 or 13 of SFAS No. 133. The adoption of SFAS No. 155 did not have a material effect on the results of operations or financial position of the Company.

FASB INTERPRETATION NO. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES - AN INTERPRETATION OF FASB STATEMENT NO. 109 AND FASB STAFF POSITION NO. FIN 48-1, DEFINITION OF SETTLEMENT IN FASB INTERPRETATION NO. 48 ("FIN 48")

The FASB issued the interpretation in July 2006 and the staff position in May 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes". FIN 48 requires an entity to recognize the tax benefit of uncertain tax positions only when it is more likely than not, based on the position's technical merits, that the position would be sustained upon examination by the respective taxing authorities. The tax benefit is measured as the largest benefit that is more than fifty-percent likely of being realized upon final settlement with the respective taxing authorities. On January 1, 2007, the Company adopted the provisions of FIN 48, which were effective for fiscal years beginning after December 15, 2006. No cumulative effect of a change in accounting principle or adjustment to the liability for unrecognized tax benefits was recognized as a result of the adoption of FIN 48. Accordingly, the adoption of FIN 48 did not have an effect on the results of operations or financial position of the Company (see Note 12).

SECURITIES AND EXCHANGE COMMISSION ("SEC") STAFF ACCOUNTING BULLETIN NO. 108, CONSIDERING THE EFFECTS OF PRIOR YEAR MISSTATEMENTS WHEN QUANTIFYING MISSTATEMENTS IN CURRENT YEAR FINANCIAL STATEMENTS ("SAB 108")

In September 2006, the SEC issued SAB 108 to eliminate the diversity of practice in the way misstatements are quantified for purposes of assessing their materiality in financial statements. SAB 108 was intended to eliminate the potential build up of improper amounts on the balance sheet due to the limitations of certain methods of assessing materiality previously utilized by some reporting entities. SAB 108 established a single quantification framework wherein the significance determination is based on the effects of the misstatements on each of the financial statements as well as the related financial statement disclosures. On December 31, 2006, the Company adopted the provisions of SAB 108 which were effective for the first fiscal year ending after November 15, 2006. The adoption of SAB 108 did not have any effect on the results of operations or financial position of the Company.

FASB STAFF POSITION NO. FAS 115-1, THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS ("FSP FAS 115-1")

FSP FAS 115-1 nullified the guidance in paragraphs 10-18 of Emerging Issues Task Force Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" and references existing other-than-temporary impairment guidance. FSP FAS 115-1 clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell the security has not been made, and also provides guidance on the subsequent income recognition for impaired debt securities. The Company adopted FSP FAS 115-1 as of January 1, 2006 on a prospective basis. The effects of adoption did not have a material effect on the results of operations or financial position of the Company.

SFAS NO. 154, ACCOUNTING CHANGES AND ERROR CORRECTIONS - A REPLACEMENT OF APB OPINION NO. 20 AND FASB STATEMENT NO. 3 ("SFAS NO. 154")

SFAS No. 154 replaced Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless determination of either the period specific effects or the cumulative effect of the change is impracticable or otherwise not required. The Company adopted SFAS No. 154 on January 1, 2006. The adoption of SFAS No. 154 did not have any effect on the results of operations or financial position of the Company.

PENDING ACCOUNTING STANDARDS

SFAS NO. 141(R), BUSINESS COMBINATIONS ("SFAS NO. 141R")

In December 2007, the FASB issued SFAS No. 141R which replaces SFAS No. 141, "Business Combinations" ("SFAS No. 141"). Among other things, SFAS No. 141R broadens the scope of SFAS No. 141 to include all transactions where an acquirer obtains control of one or more other businesses; retains the guidance to recognize intangible assets separately from goodwill; requires, with limited exceptions, that all assets acquired and liabilities assumed, including certain of those that arise from contractual contingencies, be measured at their acquisition date fair values; requires most acquisition and restructuring-related costs to be expensed as incurred; requires that step acquisitions, once control is acquired, to be recorded at the full amounts of the fair values of the identifiable assets, liabilities and the noncontrolling interest in the acquiree; and replaces the reduction of asset values and recognition of negative goodwill with a requirement to recognize a gain in earnings. The provisions of SFAS No. 141R are effective for fiscal years beginning after December 15, 2008 and are to be applied prospectively only. Early adoption is not permitted. The Company will apply the provisions of SFAS 141R as required when effective.

SFAS NO. 160, NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTS - AN AMENDMENT OF ARB NO. 51 ("SFAS NO. 160")

In December 2007, the FASB issued SFAS No. 160 which clarifies that a noncontrolling interest in a subsidiary is that portion of the subsidiary's equity that is attributable to owners of the subsidiary other than its parent or parent's affiliates. Noncontrolling interests are required to be reported as equity in the consolidated financial statements and as such net income will include amounts attributable to both the parent and the noncontrolling interest with disclosure of the amounts attributable to each on the face of the consolidated statement of operations. SFAS No. 160 requires that all changes in a parent's ownership interest in a subsidiary when control of the subsidiary is retained, be accounted for as equity transactions. In contrast, SFAS No. 160 requires a parent to recognize a gain or loss in net income when control over a subsidiary is relinquished and the subsidiary is deconsolidated, as well as provide certain associated expanded disclosures. SFAS No. 160 is effective as of the beginning of a reporting entity's first fiscal year beginning after December 15, 2008. Early adoption is prohibited. SFAS No. 160 requires prospective application as of the beginning of the fiscal year in which the standard is initially applied, except for the presentation and disclosure requirements which are to be applied retrospectively for all periods presented. The Company will apply the provisions of SFAS No. 160 as required on the effective date.

SEC STAFF ACCOUNTING BULLETIN NO. 109, WRITTEN LOAN COMMITMENTS THAT ARE RECORDED AT FAIR VALUE THROUGH EARNINGS ("SAB 109")

In October 2007, the SEC issued SAB 109, a replacement of SAB 105, "Application of Accounting Principles to Loan Commitments". SAB 109 is applicable to both loan commitments accounted for under SFAS No. 133, and other loan commitments for which the issuer elects fair value accounting under SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SAB 109 states that the expected net future cash flows related

to the servicing of a loan should be included in the fair value measurement of a loan commitment accounted for at fair value through earnings. The expected net future cash flows associated with loan servicing should be determined in accordance with the guidance in SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", as amended by SFAS No. 156, "Accounting for Servicing of Financial Assets". SAB 109 should be applied on a prospective basis to loan commitments accounted for under SFAS No. 133 that were issued or modified in fiscal quarters beginning after December 15, 2007. Earlier adoption is not permitted. The adoption of SAB 109 is not expected to have a material impact on the Company's results of operations or financial position.

SFAS NO. 157, FAIR VALUE MEASUREMENTS ("SFAS NO. 157")

In September 2006, the FASB issued SFAS No. 157, which redefines fair value 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, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. Specifically, SFAS No. 157 establishes a three-level hierarchy for fair value measurements based upon the nature of the inputs to the valuation of an asset or liability. SFAS No. 157 applies where other accounting pronouncements require or permit fair value measurements. Additional disclosures and modifications to current fair value disclosures will be required upon adoption of SFAS No. 157. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157", which permits the deferral of the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company plans to utilize the deferral for non-financial assets and liabilities. The adoption of SFAS No. 157 is not expected to have a material effect on the Company's results of operations or financial position.

SFAS NO. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES - INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115 ("SFAS NO. 159")

In February 2007, the FASB issued SFAS No. 159 which provides reporting entities an option to report selected financial assets, including investment securities designated as available for sale, and financial liabilities, including most insurance contracts, at fair value. SFAS No. 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement alternatives for similar types of financial assets and liabilities. The standard also requires additional information to aid financial statement users' understanding of the impacts of a reporting entity's decision to use fair value on its earnings and requires entities to display, on the face of the statement of financial position, the fair value of those assets and liabilities for which the reporting entity has chosen to measure at fair value. SFAS No. 159 is effective as of the beginning of a reporting entity's first fiscal year beginning after November 15, 2007. The Company does not expect to apply the fair value option to any existing financial assets or liabilities as of January 1, 2008. Consequently, the initial adoption of SFAS No. 159 is expected to have no impact on the Company's results of operations or financial position.

SOP 07-1, CLARIFICATION OF THE SCOPE OF THE AUDIT AND ACCOUNTING GUIDE, INVESTMENT COMPANIES ("THE GUIDE") AND ACCOUNTING BY PARENT COMPANIES AND EQUITY METHOD INVESTORS FOR INVESTMENTS IN INVESTMENT COMPANIES ("SOP 07-1")

In June 2007, the AICPA issued SOP 07-1 which provides guidance for determining whether an entity falls within the scope of the Guide and whether investment company accounting should be retained by a parent company upon consolidation of an investment company subsidiary or by an equity-method investor in an investment company. SOP 07-1 was to be effective for fiscal years beginning on or after December 15, 2007, however in February 2008, the FASB issued FASB Staff Position No. SOP 07-1-1, "Effective Date of AICPA Statement of Position 07-1", which amends SOP 07-1 to (1) delay indefinitely the effective date of the SOP and (2) prohibit adoption of the SOP for an entity that did not early adopt the SOP before December 15, 2007. The Company did not early adopt SOP 07-1. Consequently, the standard is expected to have no impact on the Company's results of operations or financial position.

FASB STAFF POSITION NO. FIN 39-1, AMENDMENT OF FASB INTERPRETATION NO. 39 ("FSP FIN 39-1")

In April 2007, the FASB issued FSP FIN 39-1, which amends FASB Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts". FSP FIN 39-1 replaces the terms "conditional contracts" and "exchange contracts" with the term "derivative instruments" and requires a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement that have been offset in the statement of financial position. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The effects of applying FSP FIN 39-1, if any, are to be recorded as a change in accounting principle through retrospective application unless such application is determined to be impractical. The adoption of FSP FIN 39-1 is not expected to have a material impact on the Company's results of operations or financial position based on the current level of derivative activity.

3. DISPOSITIONS

VARIABLE ANNUITY BUSINESS

On June 1, 2006, in accordance with the terms of the definitive Master Transaction Agreement and related agreements (collectively the "Agreement") ALIC, its subsidiary, Allstate Life Insurance Company of New York ("ALNY"), and the Corporation completed the disposal through reinsurance of substantially all of our variable annuity business to Prudential Financial, Inc. and its subsidiary, The Prudential Insurance Company of America (collectively "Prudential"). For Allstate, this disposal achieved the economic benefit of transferring to Prudential the future rights and obligations associated with this business.

The disposal was effected through reinsurance agreements (the "Reinsurance Agreements") which include both coinsurance and modified coinsurance provisions. Coinsurance and modified coinsurance provisions are commonly used in the reinsurance of variable annuities because variable annuities generally include both separate account and general account liabilities. When contractholders make a variable annuity deposit, they must choose how to allocate their account balances between a selection of variable-return mutual funds that must be held in a separate account and fixed-return funds held in the Company's general account. In addition, variable annuity contracts include various benefit guarantees that are general account obligations of the Company. The Reinsurance Agreements do not extinguish the Company's primary liability under the variable annuity contracts.

Variable annuity balances invested in variable-return mutual funds are held in separate accounts, which are legally segregated assets and available only to settle separate account contract obligations. Because the separate account assets must remain with the Company under insurance regulations, modified coinsurance is typically used when parties wish to transfer future economic benefits of such business. Under the modified coinsurance provisions, the separate account assets remain on the Company's Consolidated Statements of Financial Position, but the related results of operations are fully reinsured and presented net of reinsurance on the Consolidated Statements of Operations and Comprehensive Income.

The coinsurance provisions of the Reinsurance Agreements were used to transfer the future rights and obligations related to fixed return fund options and benefit guarantees. $1.37 billion of assets supporting general account liabilities have been transferred to Prudential, net of consideration, under the coinsurance reinsurance provisions as of the transaction closing date. General account liabilities of $1.26 billion and $1.49 billion as of December 31, 2007 and 2006 respectively, however, remain on the Consolidated Statements of Financial Position with a corresponding reinsurance recoverable.

For purposes of presentation in the Consolidated Statements of Cash Flows, the Company treated the reinsurance of substantially all our variable annuity business to Prudential as a disposition of operations, consistent with the substance of the transaction which was the disposition of a block of business accomplished through reinsurance. Accordingly, the net consideration transferred to Prudential of $744 million (computed as $1.37 billion of general account insurance liabilities transferred to Prudential on the closing date less consideration of $628 million), the cost of hedging the ceding commission received from Prudential of $69 million, pre-tax, and the costs of executing the transaction of $13 million, pre-tax, were classified as a disposition of operations in the cash flows from investing activities section of the Consolidated Statements of Cash Flows.

Under the Agreement, the Company has indemnified 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 will 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 limits 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, in accordance with the provisions of SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts".

The terms of the Agreement give Prudential the right to be the exclusive provider of its variable annuity products through the Allstate proprietary agency force for three years and a non-exclusive preferred provider for the following two years. During a transition period, the Company will continue to issue new variable annuity contracts, accept additional deposits on existing business from existing contractholders on behalf of Prudential and, for a period of twenty-four months or less from the effective date of the transaction, service the reinsured business while Prudential prepares for the migration of the business onto its servicing platform.

Pursuant to the Agreement, the final market-adjusted consideration was $628 million. The disposal resulted in a gain of $83 million pre-tax for ALIC, which was deferred as a result of the disposition being executed through reinsurance. The deferred gain is included as a component of other liabilities and accrued expenses on the Consolidated Statements of Financial Position, and is amortized to gain (loss) on dispositions of operations on the Consolidated Statements of Operations and Comprehensive Income over the life of the reinsured business which is estimated to be approximately 18 years. For ALNY, the transaction resulted in a loss of $9 million pre-tax. ALNY's reinsurance loss and other amounts related to the disposal of the business, including the initial costs and final market value settlements of the derivatives acquired by ALIC to economically hedge substantially all of the exposure related to market adjustments between the effective date of the Agreement and the closing of the transaction, transactional expenses incurred and amortization of ALIC's deferred reinsurance gain, were included as a component of gain (loss) on disposition of operations on the Consolidated Statements of Operations and Comprehensive Income amounted to $6 million and $(61) million, after-tax during 2007 and 2006, respectively. Gain (loss) on disposition of operations on the Consolidated Statement of Operations and Comprehensive Income included amortization of ALIC's deferred gain, after-tax, of $5 million and $1 million for the years ended December 31, 2007 and 2006, respectively. DAC and DSI were reduced by $726 million and $70 million, respectively, as of the effective date of the transaction for balances related to the variable annuity business subject to the Reinsurance Agreements.

The separate account balances related to the modified coinsurance reinsurance were $13.76 billion and $15.07 billion as of December 31, 2007 and 2006, respectively. Separate account balances totaling approximately $1.17 billion and $1.10 billion at December 31, 2007 and 2006, respectively, related primarily to the variable life business that is being retained by the Company, and the variable annuity business in three affiliated companies that were not included in the Agreement. In the five-months of 2006, prior to this disposition, the Company's variable annuity business generated approximately $127 million in contract charges, and $278 million in 2005.

4. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investment exchanges and modifications, which primarily reflect refinancings of fixed income securities and mergers completed with equity securities, totaled $72 million, $39 million and $51 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Liabilities for collateral received in conjunction with the Company's securities lending and other business activities and for funds received from the Company's security repurchase business activities were $1.82 billion, $2.29 billion and $2.23 billion at December 31, 2007, 2006 and 2005, respectively, and are reported in other liabilities and accrued expenses in the Consolidated Statements of Financial Position. The accompanying cash flows are included in cash flows from operating activities in the Consolidated Statements of Cash Flows along with the activities resulting from management of the proceeds, which for the years ended December 31 are as follows:

($ IN
MILLIONS)
2007 2006
2005 -----
------ ---
-------- -

NET CHANGE

IN PROCEEDS MANAGED
Net change in fixed income securities $ 34 $ 96 $ (221)
Net change in short-term investments 443 (159) 918
----------- ----------- -----------
Operating cash flow provided (used) $ 477 $ (63) $ 697
=========== =========== ===========
NET CHANGE IN LIABILITIES
Liabilities for collateral and security repurchase, beginning of year $ (2,294) $ (2,231) $ (2,928)
Liabilities for collateral and security repurchase, end of year (1,817) (2,294) (2,231)
----------- ----------- -----------
Operating cash flow (used) provided $ (477) $ 63 $ (697)
=========== =========== ===========

5. RELATED PARTY TRANSACTIONS

BUSINESS OPERATIONS

The Company uses services performed by its affiliates, AIC and Allstate Investments LLC, and business facilities owned or leased and operated by AIC in conducting its business activities. In addition, the Company shares the services of employees with AIC. The Company reimburses its affiliates for the operating expenses incurred on behalf of the Company. The Company is charged for the cost of these operating expenses based on the level of services provided. Operating expenses, including compensation, retirement and other benefit programs allocated to the Company (see Note 15), were $477 million, $494 million and $410 million in 2007, 2006 and 2005, respectively. A portion of these expenses relate to the acquisition of business, which are deferred and amortized into income as described in Note 2.

STRUCTURED SETTLEMENT ANNUITIES

The Company issued $74 million, $72 million and $235 million of structured settlement annuities, a type of immediate annuity, in 2007, 2006 and 2005, respectively, at prices determined using interest rates in effect at the time of purchase, to fund structured settlements in matters involving AIC. Of these amounts, $11 million, $10 million and $9 million relate to structured settlement annuities with life contingencies and are included in premium income for 2007, 2006 and 2005, respectively.

In most cases, these annuities were issued under a "qualified assignment" whereby prior to July 1, 2001 Allstate Settlement Corporation ("ASC"), and on and subsequent to July 1, 2001 Allstate Assignment Corporation ("AAC"), both wholly owned subsidiaries of ALIC, purchased annuities from ALIC and assumed AIC's obligation to make future payments.

AIC issued surety bonds to guarantee the payment of structured settlement benefits assumed by ASC (from both AIC and non-related parties) and funded by certain annuity contracts issued by the Company through June 30, 2001. ASC entered into a General Indemnity Agreement pursuant to which it indemnified AIC for any liabilities associated with the surety bonds and gave AIC certain collateral security rights with respect to the annuities and certain other rights in the event of any defaults covered by the surety bonds. For contracts written on or after July 1, 2001, AIC no longer issues surety bonds to guarantee the payment of structured settlement benefits.

Alternatively, ALIC guarantees the payment of structured settlement benefits on all contracts issued on or after July 1, 2001. Reserves recorded by the Company for annuities that are guaranteed by the surety bonds of AIC were $4.89 billion and $4.92 billion at December 31, 2007 and 2006, respectively.

BROKER-DEALER AGREEMENT

The Company receives distribution services from Allstate Financial Services, LLC ("AFS"), an affiliated broker-dealer company, for certain variable annuity and variable life insurance contracts sold by Allstate exclusive agencies. For these services, the Company incurred $27 million, $44 million and $46 million of commission and other distribution expenses for the years ending December 31, 2007, 2006 and 2005, respectively.

REINSURANCE TRANSACTIONS

In 2005, the Company received fixed income securities with a fair value and amortized cost of $381 million and $358 million, respectively, and $5 million of accrued investment income for the settlement of a $386 million premium receivable due from American Heritage Life Insurance Company ("AHL"), an unconsolidated affiliate of the Company. The receivable related to two coinsurance agreements entered into in 2004 whereby the Company assumed certain interest-sensitive life insurance and fixed annuity contracts from AHL. Since the transaction was between affiliates under common control, the securities were recorded at amortized cost as of the date of settlement. The difference between the amortized cost and fair value of the securities, which increased accumulated other comprehensive income by $23 million, was recorded as a non-cash dividend of $23 million ($15 million, after-tax). Thus, the net effect on shareholder's equity was zero. Since the Company received assets in excess of net liabilities from an affiliate under common control, the Company recognized a gain of $47 million ($31 million, after-tax), which was recorded as a non-cash capital contribution. In accordance with the coinsurance agreements, for 2007, 2006 and 2005, the Company assumed premiums and contract charges of $16 million, $16 million and $17 million, respectively; contract benefits of $10 million, $11 million and $10 million, respectively; and interest credited to contractholder funds of $13 million, $24 million and $32 million, respectively.

ALIC enters into certain intercompany reinsurance transactions with its wholly owned subsidiaries. ALIC enters into these transactions in order to maintain underwriting control and spread risk among various legal entities. These reinsurance agreements have been approved by the appropriate regulatory authorities. All significant intercompany transactions have been eliminated in consolidation.

INCOME TAXES

The Company is a party to a federal income tax allocation agreement with the Corporation (see Note 12).

DEBT

Effective January 1, 2008, the Company and AIC entered into a one-year 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. It shall be automatically renewed for subsequent one-year terms unless terminated by the parties. The Liquidity Agreement does not establish a commitment to advance funds on the part of either party. Both parties may make or receive advances. The maximum amount of advances each party may make or receive is limited to $1 billion. Netting or offsetting of advances made and received is not permitted. Advances between the parties are required to have specified due dates less than or equal to 364 days from the date of the advance and be payable upon demand by written request from the lender at least ten business days prior to the demand date. The borrower may make prepayments of the outstanding principle balance of an advance without penalty. Advances will bear interest equal to or greater than the rate applicable to 30-day commercial paper issued by the Corporation on the date the advance is made with an adjustment on the first day of each month thereafter.

On December 27, 2006, the Company issued an intercompany note in the amount of $500 million payable to its parent, AIC, on demand and, in any event, by March 30, 2007. This note was fully repaid in the first quarter of 2007. This note had an interest rate of 5.25% and was reflected as note payable to parent on the Company's Consolidated Statements of Financial Position at December 31, 2006. Interest expense on this note, which totaled $5 million in 2007, is included as a component of operating costs and expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

On June 30, 2006, under an existing agreement with Kennett Capital, Inc. ("Kennett"), an unconsolidated affiliate of ALIC, ALIC sold Kennett a $100 million redeemable surplus note issued by ALIC Reinsurance Company ("ALIC Re"), a wholly owned subsidiary of ALIC. The surplus note is due June 1, 2036 with an initial rate of 6.18% that will reset every ten years to the then current ten year Constant Maturity Treasury yield ("CMT"), plus 1.14%. As payment, Kennett issued a full recourse note due June 1, 2036 to ALIC for the same amount with an initial interest rate of 5.98% that will reset every ten years to the then current ten year CMT, plus 0.94%. The note due from Kennett is classified as other investments and the related surplus note is classified as long-term debt in the Consolidated Statements of Financial Position. In 2007 and 2006, the Company incurred $6 million and $4 million, respectively, of interest expense related to this surplus note, which is reflected as a component of operating costs and expenses on the Consolidated Statements of Operations and Comprehensive Income.

On August 1, 2005, ALIC entered into an agreement with Kennett, whereby ALIC sold to Kennett a $100 million 5.06% surplus note due July 1, 2035 issued by ALIC Re. As payment, Kennett issued a full recourse 4.86% note due July 1, 2035 to ALIC for the same amount. As security for the performance of Kennett's obligations under the agreement and note, Kennett granted ALIC a pledge of and security interest in Kennett's right, title and interest in the surplus notes and their proceeds. Under the terms of the agreement, ALIC may sell and Kennett may choose to buy additional surplus notes, if and when additional surplus notes are issued. The note due from Kennett is classified as other investments and the related surplus notes are classified as long-term debt in the Consolidated Statements of Financial Position (see Note 13). In 2007, 2006 and 2005, the Company incurred $5 million, $5 million and $2 million, respectively, of interest expense related to this surplus note, which is reflected as a component of operating costs and expenses on the Consolidated Statements of Operations and Comprehensive Income.

As of December 31, 2006, the Company's Consolidated Statements of Financial Position included redeemable preferred stock - Series A ("redeemable preferred stock") issued to Northbook Holdings, LLC, a wholly owned subsidiary of AIC. The Company's Board of Directors declared and paid cash dividends on the redeemable preferred stock from time to time, but not more frequently than quarterly. The dividends were based on the three-month LIBOR rate. Dividends of $1 million and $2 million were incurred and paid during 2006 and 2005, respectively, and included as a component of operating costs and expenses on the Consolidated Statements of Operations and Comprehensive Income. At December 31, 2006, redeemable preferred stock totaling $6 million, was classified as mandatorily redeemable and therefore was included as a component of long-term debt on the Consolidated Statements of Financial Position. During 2006, $26 million of mandatorily redeemable preferred stock was redeemed. In addition to the portion of the redeemable preferred stock that was classified as mandatorily redeemable, redeemable preferred stock totaling $5 million was included as a component of shareholder's equity on the Consolidated Statements of Financial Position as of December 31, 2006. All remaining redeemable preferred stock, including the portion classified as mandatorily redeemable and included as a component of long-term debt and the portion classified as shareholder's equity as of December 31, 2006, was redeemed in 2007.

The Company 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 Company had no amounts outstanding under the intercompany loan agreement at December 31, 2007 and 2006. The Corporation uses commercial paper borrowings, bank lines of credit and repurchase agreements to fund intercompany borrowings.

CAPITAL SUPPORT AGREEMENT

The Company and AIC entered into a Capital Support Agreement effective December 14, 2007. Under the terms of this agreement, AIC agrees to provide capital to maintain the amount of statutory capital and surplus necessary to maintain a company action level risk-based capital ("RBC") ratio of at least 150%. AIC's obligation to provide capital to the Company is limited to an aggregate amount of $1 billion. In exchange for providing this capital, the Company will pay AIC an annual commitment fee of 1% of the amount of the Capital and Surplus Maximum that remains available on January 1 of such year. The Company or AIC have the right to terminate this agreement when: 1) the Company qualifies for a financial strength rating from Standard and Poor's, Moody's or A.M. Best, without giving weight to the existence of this agreement, that is the same or better than its rating with such support; or 2) our company action level RBC ratio is at least 300% or 3) AIC no longer directly or indirectly owns at least 50% of the voting stock of the Company. At December 31, 2007, no capital had been provided by AIC under this agreement.

6. 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
AT DECEMBER 31, 2007				
U.S. government and agencies	$ 2,848	$ 880	$ -	$ 3,728
Municipal	4,235	115	(39)	4,311
Corporate	31,624	757	(646)	31,735
Foreign government				

1,814 374
(3) 2,185
Mortgage-
backed
securities
3,499 37
(46) 3,490
Commercial
mortgage-
backed
securities
7,698 76
(386)
7,388
Asset-
backed
securities
6,273 20
(690)
5,603
Redeemable
preferred
stock 29 1
(1) 29 ---
-------- -

- --------
--- Total
fixed
income
securities
$ 58,020 $
2,260 $
(1,811) $
58,469
===========
===========
===========
===========
AT
DECEMBER
31, 2006
U.S.
government
and
agencies $
2,763 $
736 $ (3)
$ 3,496
Municipal
4,732 101
(43) 4,790
Corporate
32,841 811
(325)
33,327
Foreign
government
1,709 317
(3) 2,023
Mortgage-
backed
securities
4,543 31
(56) 4,518
Commercial
mortgage-
backed
securities
7,597 64
(61) 7,600
Asset-
backed
securities
5,663 34
(16) 5,681
Redeemable
preferred
stock 21 1
- 22 -----

Total fixed income securities	$ 59,869	$ 2,095	$ (507)	$ 61,457

SCHEDULED MATURITIES

The scheduled maturities for fixed income securities are as follows at December 31, 2007:

($ IN MILLIONS)	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 1,645	$ 1,647
Due after one year through five years	11,211	11,389
Due after five years through ten years	13,164	13,603
Due after ten years	22,228	22,737
	48,248	49,376
Mortgage- and asset-backed securities	9,772	9,093
Total	$ 58,020	$ 58,469

Actual maturities may differ from those scheduled as a result of prepayments by the issuers. Because of the potential for prepayment on mortgage- and asset-backed securities, they are not categorized by contractual maturity. The commercial mortgage-backed securities are categorized by contractual maturity because they generally are not subject to prepayment risk.

NET INVESTMENT INCOME

Net investment income for the years ended December 31 is as follows:

($ IN MILLIONS)	2007	2006	2005
Fixed income securities	$ 3,589	$ 3,505	$ 3,318
Mortgage loans	552	508	469
Equity securities	4	2	--
Limited partnership interests	87	42	37
Other	243	257	78
Investment income, before expense	4,475	4,314	3,902
Investment expense	270	257	195
Net investment income	$ 4,205	$ 4,057	$ 3,707

REALIZED CAPITAL GAINS AND LOSSES, AFTER-TAX

Realized capital gains and losses by security type for the years ended December 31 are as follows:

($ IN MILLIONS)	2007	2006	2005
Fixed income securities	$ (172)	$ (157)	$ 29
Equity securities	6	2	7
Limited partnership interests	34	2	--

Derivatives	(57)	31	(45)
Other investments	(8)	43	28
Realized capital gains and losses, pre-tax	(197)	(79)	19
Income tax benefit (expense)	69	28	(7)
Realized capital gains and losses, after-tax	$ (128)	$ (51)	$ 12

Realized capital gains and losses by transaction type for the years ended December 31 are as follows:

($ IN MILLIONS)	2007	2006	2005
Write-downs	$ (118)	$ (21)	$ (24)
Dispositions (1)	(22)	(89)	88
Valuation of derivative instruments	(63)	(17)	(105)
Settlement of derivative instruments	6	48	60
Realized capital gains and losses, pre-tax	(197)	(79)	19
Income tax benefit (expense)	69	28	(7)

Realized capital gains and losses, after-tax	$ (128)	$ (51)	$ 12

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(1) Dispositions include sales, losses recognized in anticipation of dispositions and other transactions such as calls and prepayments. The Company recognized losses of $92 million, $60 million and $67 million in 2007, 2006 and 2005, respectively, due to changes in intent to hold impaired securities.

Gross gains of $131 million, $102 million and $197 million and gross losses of $186 million, $231 million and $131 million were realized on sales of fixed income securities during 2007, 2006 and 2005, respectively.

UNREALIZED NET CAPITAL GAINS AND LOSSES

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

($ IN MILLIONS) AT DECEMBER 31, 2007	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	UNREALIZED NET GAINS (LOSSES)
Fixed income securities	$ 58,469	$ 2,260	$ (1,811)	$ 449
Equity securities	102	5	(5)	--
Derivative instruments (1)	(32)	--	(32)	(32)
Total				417
Amount recognized for: (2)				
Premium deficiency reserve				(1,059)
Deferred policy acquisition and sales inducement costs				513
Total				(546)
Deferred income taxes				45
Unrealized net capital gains and losses				$ (84)

(1) Included in the fair value of derivatives are $(9) million classified as assets and $23 million classified as liabilities.

(2) See Note 2, for Deferred policy acquisition and sales inducement costs and Reserve for life-contingent contract benefits.

($ IN MILLIONS) AT DECEMBER 31, 2006	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	UNREALIZED NET GAINS (LOSSES)
Fixed income securities	$ 61,457	$ 2,095	$ (507)	$ 1,588
Equity securities	72	11	--	11
Derivative instruments (1)	(16)	2	(18)	(16)
Total				1,583
Amount recognized for: (2)				
Premium deficiency reserve				(1,129)
Deferred policy acquisition and sales inducement costs				46
Total				(1,083)
Deferred income taxes				(175)
Unrealized net capital gains and losses				$ 325

(1) Included in the fair value of derivatives are $(7) million classified as assets and $9 million classified as liabilities.
(2) See Note 2, for Deferred policy acquisition and sales inducement costs and Reserve for life-contingent contract benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CHANGE IN UNREALIZED NET CAPITAL GAINS AND LOSSES

The change in unrealized net capital gains and losses for the years ended December 31 is as follows:

($ IN MILLIONS)	2007	2006	2005
Fixed income securities	$ (1,139)	$ (672)	$ (1,067)
Equity securities	(11)	6	(4)
Derivative instruments	(16)	(10)	17
Total	(1,166)	(676)	(1,054)
Amounts recognized for:			
Premium deficiency reserve	70	214	(254)
Deferred policy acquisition and sales inducement costs	467	58	653
Total	537	272	399
Deferred income taxes	220	141	230
Decrease in unrealized net capital gains and losses	$ (409)	$ (263)	$ (425)

PORTFOLIO MONITORING

Inherent in the Company's evaluation of a particular security are assumptions and estimates about the operations of the issuer and its future earnings potential. Some of the factors considered in evaluating whether a decline in fair value is other-than-temporary are: 1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) the recoverability of principal and interest; 3) the length of time and extent to which the fair value has been less than amortized cost for fixed income securities, or cost for equity securities; 4) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry conditions and trends, and implications of rating agency actions and offering prices; and 5) the specific reasons that a security is in a significant unrealized loss position, including market conditions which could affect access to liquidity.

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
AT DECEMBER 31, 2007	NUMBER OF ISSUES	FAIR VALUE	UNREALIZED LOSSES	NUMBER OF ISSUES	FAIR VALUE	UNREALIZED LOSSES	UNREALIZED LOSSES
Fixed income securities							
U.S. government and agencies	--	$ --	$ --	1	$ 3	$ --	$ --
Municipal	132	826	(30)	24	134	(9)	(39)
Corporate	812	9,437	(474)	322	3,744	(172)	

(646)
Foreign
government
19 167 (3)
1 1 -- (3)
Mortgage-
backed
securities
122 1,145
(31) 433
686 (15)
(46)
Commercial
mortgage-
backed
securities
306 3,074
(345) 133
1,137 (41)
(386)
Asset-
backed
securities
438 4,307
(648) 60
510 (42)
(690)
Redeemable
preferred
stock 1 13
(1) -- --
-- (1) ---
-------- -

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

Total
fixed
income
securities
1,830
18,969
(1,532)
974 6,215
(279)
(1,811)
Equity
securities
9 64 (5) -
- -- --
(5) ------
----- ----
------- --

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

Total
fixed
income &
equity
securities
1,839 $
19,033 $
(1,537)
974 $
6,215 $
(279) $
(1,816)
===========
===========
===========
===========
===========
===========

===========
Investment
grade
fixed
income
securities
1,629 $
17,675 $
(1,396)
930 $
5,885 $
(247) $
(1,643)
Below
investment
grade
fixed
income
securities
201 1,294
(136) 44
330 (32)
(168) ----
------- --

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

Total
fixed
income
securities
1,830 $
18,969 $
(1,532)
974 $
6,215 $
(279) $
(1,811)
===========
===========
===========
===========
===========
===========
===========
AT
DECEMBER
31, 2006
Fixed
income
securities
U.S.
government
and
agencies
11 $ 177 $
(1) 12 $
87 $ (2) $
(3)
Municipal
184 1,018
(20) 143
558 (23)
(43)
Corporate
477 6,114
(80) 607
7,665
(245)
(325)
Foreign
government
7 40 (1) 8
113 (2)
(3)
Mortgage-
backed

securities
232 753
(6) 722
1,933 (50)
(56)
Commercial
mortgage-
backed
securities
131 1,624
(10) 224
2,272 (51)
(61)
Asset-
backed
securities
100 881
(5) 59 523
(11) (16)
Redeemable
preferred
stock 1 7
-- -- -- -
- -- -----
------ ---
-------- -

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

Total
fixed
income
securities
1,143
10,614
(123)
1,775
13,151
(384)
(507)
Equity
securities
-- -- -- -
- -- -- --

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

- --------
--- Total
fixed
income &
equity
securities
1,143 $
10,614 $
(123)
1,775 $
13,151 $
(384) $
(507)
===========
===========
===========
===========
===========
===========
===========
Investment
grade
fixed
income
securities
1,081 $
10,169 $

(113)
1,723 $
12,804 $
(368) $
(481)
Below
investment
grade
fixed
income
securities
62 445
(10) 52
347 (16)
(26) -----
------ ---
-------- -

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

Total
fixed
income
securities
1,143 $
10,614 $
(123)
1,775 $
13,151 $
(384) $
(507)
===========
===========
===========
===========
===========
===========
===========

As of December 31, 2007, $1.24 billion of unrealized losses are related to securities with an unrealized loss position less than 20% of cost or amortized cost, the degree of which suggests that these securities do not pose a high risk of being other-than-temporarily impaired. Of the $1.24 billion, $1.13 billion are related to unrealized losses on investment grade fixed income securities. Investment grade is defined as a security having a rating from the National Association of Insurance Commissioners ("NAIC") of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"), Fitch or Dominion; or 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 rising interest rates or changes in credit spreads since the securities were acquired.

As of December 31, 2007, the remaining $576 million of unrealized losses are related to securities in unrealized loss positions greater than or equal to 20% of cost or amortized cost. Of the $576 million, $62 million are related to below investment grade fixed income securities. Of these amounts, none of the equity securities or below investment grade fixed income securities had been in an unrealized loss position for a period of twelve or more consecutive months as of December 31, 2007. The Company expects eventual recovery of these securities. Every security was included in our portfolio monitoring process.

The securities comprising the $576 million of unrealized losses were evaluated based on factors such as the financial condition and near-term and long-term prospects of the issuer and were determined to have adequate resources to fulfill contractual obligations, such as recent financings or bank loans, cash flows from operations, collateral or the position of a subsidiary with respect to its parent's bankruptcy.

Unrealized losses on mortgage-backed, asset-backed and commercial mortgage-backed holdings were evaluated based on credit ratings, as well as the performance of the underlying collateral relative to the securities' positions in the securities' respective capital structure. The unrealized losses on municipal bonds and asset-backed securities that had credit enhancements from bond insurers were evaluated on the quality of the underlying security. These investments were determined to have adequate resources to fulfill contractual obligations.

As of December 31, 2007, the Company had the intent and ability to hold the fixed income and equity securities with unrealized losses for a period of time sufficient for them to recover.

LIMITED PARTNERSHIP IMPAIRMENT

As of December 31, 2007 and 2006, equity-method limited partnership investments totaled $485 million and $99 million, respectively. The Company recognizes a loss in value for equity-method investments when evidence demonstrates that it is other-than-temporarily impaired. 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 an earnings capacity that would justify the carrying amount of the investment. In 2007, the Company had write-downs of $9 million related to equity-method limited partnership interests. No write-downs were recognized in 2006.

As of December 31, 2007 and 2006, the carrying value for cost method limited partnership investments was $509 million and $362 million, respectively, which primarily included limited partnership interests in fund investments. The fair value for cost method investments is not readily determinable because the investments are private in nature and do not trade frequently. Therefore, 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: 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 recent adverse events since the last financial statement received that might affect the fair value of the investee's capital. Additionally, the Company uses a screening process to identify those investments whose net asset value is below established thresholds for certain periods of time, and investments that are performing below expectations for consideration for inclusion on its watch-list. In 2007, 2006 and 2005, the Company had write-downs of $0.3 million, $0.1 and $0.1 million related to cost method investments that were other-than-temporarily impaired.

MORTGAGE LOAN IMPAIRMENT

A mortgage loan is impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement.

The net carrying value of impaired loans at December 31, 2007 and 2006 was $2 million and $5 million, respectively. No valuation allowances were held at December 31, 2007 or 2006 because the fair value of the collateral was greater than the recorded investment in the loans, and no valuation allowances were charged to operations during the years 2007, 2006 or 2005.

Interest income for impaired loans is recognized on an accrual basis if payments are expected to continue to be received; otherwise cash basis is used. The Company recognized interest income on impaired loans of $0.2 million, $0.4 million and $0.2 million during 2007, 2006 and 2005, respectively. The average balance of impaired loans was $3 million, $5 million and $6 million during 2007, 2006 and 2005, respectively.

INVESTMENT CONCENTRATION FOR MUNICIPAL BOND AND COMMERCIAL MORTGAGE PORTFOLIOS

The Company maintains a diversified portfolio of municipal bonds. The following table shows the principal geographic distribution of municipal bond issuers represented in the Company's portfolio. No other state represents more than 5% of the portfolio at December 31, 2007 or 2006.

(% OF MUNICIPAL BOND PORTFOLIO CARRYING VALUE)	2007	2006
California	19.7%	20.4%
New York	9.5	10.6

Texas	9.0	5.4
Delaware	8.1	2.2
New Jersey	7.1	7.8
Oregon	5.2	4.6
Pennsylvania	4.1	5.2

The Company's mortgage loans are collateralized by a variety of commercial real estate property types located throughout the United States. Substantially all of the commercial mortgage loans are non-recourse to the borrower. The following table shows the principal geographic distribution of commercial real estate represented in the Company's mortgage portfolio. No other state represented more than 5% of the portfolio at December 31, 2007 or 2006.

(% OF COMMERCIAL MORTGAGE PORTFOLIO CARRYING VALUE)	2007	2006
California	22.7%	19.3%
Illinois	8.7	9.7
Texas	7.3	7.6
New York	5.7	5.1
Pennsylvania	5.5	5.7
New Jersey	5.5	4.4

The types of properties collateralizing the commercial mortgage loans at December 31 are as follows:

(% OF COMMERCIAL MORTGAGE PORTFOLIO CARRYING VALUE)	2007	2006
Office buildings	35.3%	34.7%
Retail	23.1	25.7
Warehouse	21.3	21.6
Apartment complex	15.8	15.5
Other	4.5	2.5
Total	100.0%	100.0%

The contractual maturities of the commercial mortgage loan portfolio as of

December 31, 2007 for loans that were not in foreclosure are as follows:

($ IN MILLIONS)	NUMBER OF LOANS	CARRYING VALUE	PERCENT
2008	52	423	4.3
2009	101	1,046	10.6
2010	94	1,134	11.5
2011	101	1,282	12.9
2012	91	1,082	10.9
Thereafter	488	4,934	49.8
Total	927	$ 9,901	100.0%

In 2007, $301 million of commercial mortgage loans were contractually due. Of these, 85% were paid as due, 14% were refinanced at prevailing market terms and 1% were extended for less than one year. None were foreclosed or are in the process of foreclosure, and none were in the process of refinancing or restructuring discussions.

CONCENTRATION OF CREDIT RISK

At December 31, 2007, the Company is not exposed to any credit concentration risk of a single issuer and its affiliates greater than 10% of the Company's shareholder's equity.

SECURITIES LOANED AND SECURITY REPURCHASE AND RESALE

The Company's business activities include securities lending programs with third parties, mostly large brokerage firms. At December 31, 2007 and 2006, fixed income and equity securities with a carrying value of $1.70 billion and $1.74 billion, respectively, were on loan under these agreements. In return, the Company receives cash that it invests and includes in short-term investments and fixed income securities, with an offsetting liability recorded in other liabilities and accrued expenses to account for the Company's obligation to return the collateral. Interest income on collateral, net of fees, was $11 million, $5 million and $5 million, for the years ended December 31, 2007, 2006 and 2005, respectively.

As part of its business activities, the Company sells securities under agreements to repurchase and purchases securities under agreements to resell. At December 31, 2007, the Company had no securities that were subject to repurchase or resale agreements. At December 31, 2006, the Company had $143 million of securities that were subject to repurchase agreements and had no securities that were subject to resale agreements. As part of these programs, the

Company receives cash or securities that it invests or holds in short-term or fixed income securities. For repurchase agreements, an offsetting liability is recorded in other liabilities and accrued expenses to account for the Company's obligation to return these funds. Interest income recorded as a result of the repurchase program was $(11) million, $1 million and $9 million in 2007, 2006 and 2005, respectively.

OTHER INVESTMENT INFORMATION

Included in fixed income securities are below investment grade assets totaling $2.66 billion and $2.36 billion at December 31, 2007 and 2006, respectively.

At December 31, 2007, fixed income securities with a carrying value of $60 million were on deposit with regulatory authorities as required by law.

At December 31, 2007, the carrying value of fixed income securities that were non-income producing was $9 million. No other investments were non-income producing at December 31, 2007.

7. FINANCIAL INSTRUMENTS

In the normal course of business, the Company invests in various financial assets, incurs various financial liabilities and enters into agreements involving derivative financial instruments and other off-balance-sheet financial instruments. The fair value estimates of financial instruments presented below are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. Potential taxes and other transaction costs have not been considered in estimating fair value. The disclosures that follow do not reflect the fair value of the Company as a whole since a number of the Company's significant assets (including DAC and DSI and certain reinsurance recoverables) and liabilities (including reserve for life-contingent contract benefits, contractholder funds pertaining to interest-sensitive life contracts and deferred income taxes) are not included in accordance with SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". Other assets and liabilities considered financial instruments such as accrued investment income and cash are generally of a short-term nature, and as such their carrying values are deemed to approximate fair value.

FINANCIAL ASSETS

($ IN MILLIONS)	DECEMBER 31, 2007		DECEMBER 31, 2006	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Fixed income securities	$ 58,469	$ 58,469	$ 61,457	$ 61,457
Mortgage loans	9,901	9,804	8,690	8,761
Equity securities	102	102	72	72
Limited partnership interests	994	994	461	461
Short-term investments	386	386	805	805
Reinsurance recoverables on investment				

contracts	1,429	1,406	1,659	1,620
Policy loans	770	770	752	752
Other investments	1,792	1,792	1,923	1,923
Separate accounts	14,929	14,929	16,174	16,174

The fair values of fixed income securities and equity securities are based upon observable market quotations, observable market data or are derived from such quotations and observable market data. The fair value of privately placed fixed income securities is generally based on widely accepted pricing valuation models, which are developed internally. Mortgage loans are valued based on discounted contractual cash flows. Discount rates are selected using current rates at which similar loans would be made to borrowers with similar characteristics, using similar properties as collateral. Loans that exceed 100% loan-to-value are valued at the estimated fair value of the underlying collateral. Short-term investments are highly liquid investments with maturities of one year or less whose carrying values are deemed to approximate fair value. The fair value of reinsurance recoverables on investment contracts is based on the fair value of the underlying fixed and immediate annuity contract account liabilities, adjusted for credit risk. The carrying value of policy loans and other investments is deemed to approximate fair value. Separate accounts assets are carried in the Consolidated Statements of Financial Position at fair value based on observable market prices.

FINANCIAL LIABILITIES

($ IN MILLIONS)	DECEMBER 31, 2007		DECEMBER 31, 2006	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Contractholder funds on investment contracts	$ 51,533	$ 50,184	$ 52,143	$ 50,499
Note payable to parent	--	--	500	500
Long-term debt	200	200	206	206
Liability for collateral and repurchase agreements	1,817	1,817	2,294	2,294
Separate accounts				

14,929 14,929
16,174 16,174

Contractholder funds include interest-sensitive life insurance contracts and investment contracts. Interest-sensitive life insurance contracts are not considered financial instruments subject to fair value disclosure requirements. The fair value of investment contracts is based on the terms of the underlying contracts. Fixed annuities are valued at the account balance less surrender charges. Immediate annuities without life contingencies and funding agreements are valued at the present value of future benefits using current interest rates. The fair value of variable rate funding agreements approximates carrying value. Market value adjusted annuities' fair value is estimated to be the market adjusted surrender value. Equity-indexed annuity contracts' fair value approximates carrying value since the embedded equity options are carried at fair value in the consolidated financial statements.

The carrying value of the note payable to parent is deemed to approximate fair value due to the short-term nature of the note. The carrying value of long-term debt is deemed to approximate fair value. The liability for collateral and repurchase agreements is valued at carrying value due to its short-term nature. Separate accounts liabilities are carried at the account values, which are equal to the carrying value of the corresponding assets.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company primarily uses derivatives for risk reduction and asset replication. In addition, the Company has derivatives embedded in financial instruments, which are required to be separated and accounted for as derivative instruments. With the exception of derivatives used for asset replication and embedded derivatives which are required to be separated, all of the Company's derivatives are evaluated for their ongoing effectiveness as either accounting or non-hedge derivative financial instruments on at least a quarterly basis (see Note 2). The Company does not use derivatives for trading purposes. Non-hedge accounting is used for "portfolio" level hedging strategies where the terms of the individual hedged items do not meet the strict homogeneity requirements prescribed in SFAS No. 133 to permit the application of SFAS No. 133's hedge accounting model. The principal benefit of a "portfolio" level strategy is in its cost savings through its ability to use fewer derivatives with larger notional amounts.

Asset-liability management is a risk management strategy that is principally employed to align the respective interest-rate sensitivities of its assets and liabilities. Depending upon the attributes of the assets acquired and liabilities issued, derivative instruments such as interest rate swaps, caps and floors are acquired to change the interest rate characteristics of existing assets and liabilities to ensure a properly matched relationship is maintained and to reduce exposure to rising or falling interest rates. The Company uses financial futures to hedge anticipated asset purchases and liability issuances and financial futures and options for hedging the Company's equity exposure contained in equity indexed and variable 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 and foreign currency swaps primarily to reduce the foreign currency risk associated with issuing foreign currency denominated funding agreements.

Asset replication refers to the "synthetic" creation of an asset through the use of a credit derivative and a high quality cash instrument to replicate fixed income securities that are either unavailable in the cash bond market 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 has derivatives that are embedded in non-derivative "host" contracts. The Company's primary embedded derivatives are conversion options in fixed income investments, which provide the Company with the right to convert the instrument into a predetermined number of shares of common stock; equity options in annuity product contracts, which provide equity returns to contractholders; and equity-indexed notes containing equity call

options, which provide a coupon payout based upon one or more indices.

In the tables that follow:

The notional amounts specified in the contracts are used to calculate the exchange of contractual payments under the agreements and are not representative of the potential for gain or loss on these agreements.

Fair value, which is equal to the carrying value, is the estimated amount that the Company would receive (pay) to terminate the derivative contracts at the reporting date. The fair value of exchange traded derivative contracts is based on observable market quotations in active markets, whereas the fair value of non-exchange traded derivative contracts is determined using widely accepted valuation models and other appropriate valuation methods. For certain exchange traded derivatives, the exchange requires margin deposits as well as daily cash settlements of margin accounts. As of December 31, 2007, the Company pledged $19 million of securities in the form of margin deposits.

Carrying value amounts include the fair value of the derivatives, including the embedded derivatives, and exclude the accrued periodic settlements which are short term in nature and are reported in accrued investment income or other invested assets. The carrying value amounts for freestanding derivatives have been further adjusted for the effects, if any, of legally enforceable master netting agreements.

The net impact to pre-tax income includes valuation and settlements of derivatives which are reported in net income as described in Note 2. For those derivatives which qualify for fair value hedge accounting, it also includes the changes in the fair value of the hedged risk, and therefore reflects any hedging ineffectiveness. For cash flow hedges, gains and losses amortized from accumulated other comprehensive income are included. For embedded derivatives in convertibles and equity-indexed notes subject to bifurcation, accretion income related to the host instrument has also been included.

The following table categorizes the accounting hedge (fair value and cash flow) and non-hedge strategies employed by the Company. The notional amount, the fair value of the hedge and the impact on pre-tax income have been provided to illustrate the relative volume, the Company's exposure and the level of mark-to-market activity, respectively, for the derivative programs as of December 31.

($ IN
MILLIONS)
2007 2006

FAIR VALUE
FAIR VALUE
IMPACT TO
PRE-TAX
INCOME ---

------- --

------- --

FAIR CASH
FAIR CASH
NOTIONAL
VALUE FLOW
NON-
NOTIONAL
VALUE FLOW
NON-
AMOUNT
HEDGE
HEDGE
HEDGE
AMOUNT
HEDGE
HEDGE
HEDGE 2007
2006 2005
-------- -
------- --
------ ---

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

RISK
REDUCTION
Interest
Rate
Exposure $
27,821 $
(288) $ --
$ (10) $
25,819 $
24 $ -- $
43 $ (41)
$ (45) $
(161)
Macro
hedging
541 -- --
2 3,425 --
-- 1 (29)
16 (9)
Hedging of
equity
exposure
in annuity
contracts
6,226 -- -
- 106
4,722 -- -
- 125 15
103 20
Hedging
interest
rate and
foreign
currency
risk
inherent
in funding
agreements
1,955 402
-- --
1,948 366
-- -- (17)
13 77
Other 500
2 (32) (6)
470 3 (17)
(4) (8)
(75) (10)
ASSET
REPLICATION
631 -- --
(23) 395 -
- -- 2
(19) 4 2
EMBEDDED
DERIVATIVES
Conversion
options in
fixed
income
securities
559 -- --
191 488 --
-- 187 55
51 27
Equity
indexed
notes 800
-- -- 422
625 -- --
305 60 49
19 Annuity
contracts
6,846 -- -

- (119)
6,122 -- -
- (171)
(26) (91)
(9) ------
-- -------
- --------
-------- -
------ ---
----- ----
---- -----
--- ------
-- -------
- --------
TOTAL $
45,879 $
116 $ (32)
$ 563 $
44,014 $
393 $ (17)
$ 488 $
(10) $ 25
$ (44)
========
========
========
========
=======
========
========
========
========
========
========

Derivative instruments are recorded at fair value and presented in the Consolidated Statements of Financial Position as of December 31, as follows:

($ IN
MILLIONS)
CARRYING
VALUE -------

ASSETS
(LIABILITIES)

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

---- 2007
2006 2007
2006 --------
----- -------
------ ------
------ ------
----- Fixed
income
securities $
612 $ 492 $ -
- $ -- Other
investments
444 666 -- --
Other assets
2 3 -- --
Contractholder
funds -- --
(119) (171)
Other
liabilities
and accrued
expenses -- -
- (292) (126)

Total	$ 1,058	$ 1,161	$ (411)	$ (297)

For cash flow hedges, unrealized net pre-tax losses included in accumulated other comprehensive income were $(32) million and $(16) million at December 31, 2007 and 2006, respectively. The net pre-tax changes in accumulated other comprehensive income due to cash flow hedges were $(16) million, $(10) million and $17 million in 2007, 2006 and 2005, respectively. Amortization to net income of accumulated other comprehensive income related to cash flow hedges is expected to be $(2) million in 2008.

The following table summarizes the notional amount, fair value and carrying value of the Company's derivative financial instruments at December 31, 2007.

($ IN MILLIONS)	NOTIONAL AMOUNT	FAIR VALUE	CARRYING VALUE ASSETS	CARRYING VALUE (LIABILITIES)
INTEREST RATE CONTRACTS				
Interest rate swap agreements	$ 14,886	$ (297)	$ (117)	$ (180)
Financial futures contracts	710	2	2	--
Interest rate cap and floor agreements	13,760	5	5	--
Total interest rate contracts	29,356	(290)	(110)	(180)
EQUITY AND INDEX CONTRACTS				
Options, financial futures, and warrants	6,057	106	176	(70)
FOREIGN CURRENCY CONTRACTS				
Foreign currency				

swap
agreements
1,493 361
388 (27)
CREDIT
DEFAULT
SWAPS USED
FOR ASSET
REPLICATION
631 (23)
(10) (13)
EMBEDDED
DERIVATIVE
FINANCIAL
INSTRUMENTS
Guaranteed
accumulation
benefit
1,592 -- --
--
Guaranteed
withdrawal
benefit
1,216 -- --
--
Conversion
options in
fixed income
securities
559 190 190
-- Equity-
indexed call
options in
fixed income
securities
800 422 422
-- Equity-
indexed and
forward
starting
options in
life and
annuity
product
contracts
3,934 (123)
-- (123)
Other
embedded
derivative
financial
instruments
154 2 -- 2 -
---------- -
---------- -
---------- -

Total
embedded
derivative
financial
instruments
8,255 491
612 (121)
OTHER
DERIVATIVE
FINANCIAL
INSTRUMENTS
87 2 2 -- --
--------- --
--------- --
--------- --

TOTAL
DERIVATIVE
FINANCIAL
INSTRUMENTS
$ 45,879 $
647 $ 1,058
$ (411)
===========

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

The following table summarizes the notional amount, fair value and carrying value of the Company's derivative financial instruments at December 31, 2006:

($ IN MILLIONS)			CARRYING VALUE	
	NOTIONAL AMOUNT	FAIR VALUE	ASSETS	(LIABILITIES)
INTEREST RATE CONTRACTS				
Interest rate swap agreements	$ 14,529	$ 24	$ 30	$ (6)
Financial futures contracts	3,626	1	1	--
Interest rate cap and floor agreements	12,065	27	26	1
Total interest rate contracts	30,220	52	57	(5)
EQUITY AND INDEX CONTRACTS				
Options, financial futures, and warrants	4,521	125	233	(108)
FOREIGN CURRENCY CONTRACTS				
Foreign currency swap agreements	1,551	362	375	(13)
CREDIT DEFAULT SWAPS USED FOR ASSET REPLICATION	395	2	1	1
EMBEDDED DERIVATIVE FINANCIAL INSTRUMENTS				

Guaranteed accumulation benefit	1,608	7	--	7
Guaranteed withdrawal benefit	1,067	1	--	1
Conversion options in fixed income securities	488	187	187	--
Equity-indexed call options in fixed income securities	625	305	305	--
Equity-indexed and forward starting options in life and annuity product contracts	3,343	(189)	--	(189)
Other embedded derivative financial instruments	104	10	--	10
Total embedded derivative financial instruments	7,235	321	492	(171)
OTHER DERIVATIVE FINANCIAL INSTRUMENTS	92	2	3	(1)
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	$ 44,014	$ 864	$ 1,161	$ (297)

The Company manages its exposure to credit risk by utilizing highly rated counterparties, establishing risk control limits, executing legally enforceable master netting agreements and obtaining collateral where appropriate. The Company uses master netting agreements for over-the-counter derivative transactions, including interest rate swap, foreign currency swap, interest rate cap, interest rate floor, credit default swap and certain option agreements. 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 December 31, 2007, counterparties pledged cash of $72 million and securities of $226 million to the Company and the Company pledged $1 million of cash and $107 million in securities to counterparties. 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 associated potential credit risk.

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 freestanding 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 at December 31, as it relates to interest rate swap, foreign currency swap, interest rate cap, interest rate floor, credit default swap and certain option agreements.

($ IN MILLIONS)

	2007				2006			
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)
AAA	1	$ 228	$ --	$ --	1	$ 457	$ 10	$ 10
AA+	1	2,016	3	3	--	--	--	--
AA	7	11,652	65	8	5	8,124	137	32
AA-	4	5,532	11	1	6	7,484	201	21
A+	3	11,398	187	--	3	12,494	86	20

Total	16	$ 30,826	$ 266	$ 12	15	$ 28,559	$ 434	$ 83

- ----------
(1) Rating is the lower of S&P's or Moody's ratings.
(2) Only over-the-counter 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.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS AND UNCONSOLIDATED INVESTMENT VIES

The contractual amounts and fair values of off-balance-sheet financial instruments at December 31 are as follows:

($ IN MILLIONS)	2007		2006	
	CONTRACTUAL AMOUNT	FAIR VALUE	CONTRACTUAL AMOUNT	FAIR VALUE
Commitments to invest in limited partnership interests	$ 1,210	$ --	$ 707	$ --
Private placement commitments	30	--	112	--
Commitments to extend mortgage loans	326	3	527	5
Liens on investment	16	--	13	--

In the above table, the contractual amounts represent the amount at risk if the contract is fully drawn upon, the counterparty defaults and the value of any underlying security becomes worthless. Unless noted otherwise, the Company does not require collateral or other security to support off-balance-sheet financial instruments with credit risk.

Commitments to invest generally represent commitments to acquire financial interests or instruments. The Company enters into these agreements to allow for additional participation in certain limited partnership investments. Because the equity investments in the limited partnerships are not actively traded, it is not practical to estimate the fair value of these commitments.

Private placement commitments represent conditional commitments to purchase private placement debt and equity securities at a specified future date. The Company regularly enters into these agreements in the normal course of business. The fair value of these commitments generally cannot be estimated on the date the commitment is made as the terms and conditions of the underlying private placement securities are not yet final.

Commitments to extend mortgage loans are agreements to lend to a borrower provided there is no violation of any condition established in the contract. The Company enters into these agreements to commit to future loan fundings at a predetermined interest rate. Commitments generally have fixed expiration dates or other termination clauses. Commitments to extend mortgage loans, which are secured by the underlying properties, are valued based on estimates of fees charged by other institutions to make similar commitments to similar borrowers.

In 2006, the Company participated in the establishment of an investment management VIE that holds assets under the management of Allstate Investment Management Company, an unconsolidated affiliate of the Company, on behalf of unrelated third party investors. The VIE had assets consisting primarily of investment securities and cash totaling $401 million and liabilities, primarily long-term debt, of $378 million at December 31, 2007. The Company does not consolidate the VIE because it is not the primary beneficiary. The Company's maximum loss exposure related to its investment in the VIE is the current carrying value of its investment, which was $13 million at December 31, 2007.

8. RESERVES FOR LIFE-CONTINGENT CONTRACT BENEFITS AND CONTRACTHOLDER FUNDS

At December 31, the reserve for life-contingent contract benefits consists of the following:

($ IN MILLIONS)	2007	2006
Immediate fixed annuities:		
Structured settlement annuities	$ 7,094	$ 6,950
Other immediate fixed annuities	2,253	2,317
Traditional life insurance	2,397	2,234
Other	854	703
Total reserve for life-contingent		

contract
benefits $
12,598 $
12,204
==========
==========

The following table highlights the key assumptions generally used in calculating the reserve for life-contingent contract benefits:

INTEREST
ESTIMATION
PRODUCT
MORTALITY
RATE METHOD
Structured
settlement
U.S.
population
with
projected
Interest
rate
assumptions
Present
value of
annuities
calendar
year
improvements;
range from
4.1% to
11.7%
contractually
specified
mortality
rates
adjusted for
future
benefits
each
impaired
life based
on reduction
in life
expectancy
and nature
of
impairment
Other
immediate
fixed 1983
group
annuity
mortality
Interest
rate
assumptions
Present
value of
expected
annuities
table range
from 1.9% to
11.5% future
benefits
based on
historical
experience
1983
individual
annuity
mortality
table 1983-a
annuity
mortality
table
Annuity 2000
mortality
table

Traditional
life
insurance
Actual
company
experience
plus
Interest
rate
assumptions
Net level
premium
reserve
loading
range from
4.0% to
11.3% method
using the
Company's
withdrawal
experience
rates Other:
Variable
annuity
guaranteed
90% of 1994
group
annuity
Interest
rate
assumptions
Projected
benefit
ratio
minimum
death
benefits (1)
mortality
table with
internal
range from
6.5% to 7.0%
applied to
cumulative
modifications
assessments
Accident &
health
Actual
company
experience
plus
Unearned
premium;
loading
additional
contract
reserves for
traditional
life
insurance

(1) In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with Prudential (see Note 3).

To the extent that unrealized gains on fixed income securities would result in a premium deficiency had those gains actually been realized, a premium deficiency reserve has been recorded for certain immediate annuities with life contingencies. A liability of $1.06 billion and $1.13 billion is included in the reserve for life-contingent contract benefits with respect to this deficiency as of December 31, 2007 and 2006, respectively. The offset to this liability is recorded as a reduction of the unrealized net capital gains included in accumulated other comprehensive income.

At December 31, contractholder funds consist of the following:

($ IN MILLIONS)	2007	2006
Interest-sensitive life insurance	$ 8,896	$ 8,397
Investment contracts:		
Fixed annuities	38,100	39,277
Funding agreements backing medium-term notes	13,375	12,787
Other investment contracts	93	104
Total contractholder funds	$ 60,464	$ 60,565

The following table highlights the key contract provisions relating to contractholder funds:

PRODUCT INTEREST RATE WITHDRAWAL/SURRENDER CHARGES Interest-sensitive life Interest rates credited range Either a percentage of account insurance from 2.0% to 6.0% balance or dollar amount grading off generally over 20 years Fixed annuities Interest rates credited range Either a declining or a level from 1.3% to 11.5% for percentage charge generally immediate annuities and 0% to over nine years or less. 16.0% for other fixed Additionally, approximately annuities (which include 27.1% of fixed annuities are equity-indexed annuities whose subject to market value returns are indexed to the S&P adjustment for discretionary 500) withdrawals. Funding agreements backing Interest rates credited range Not applicable medium-

term notes from 2.2%
to 7.6% (excluding
currency-swapped
medium-term notes)
Other investment
contracts: Variable
guaranteed minimum
Interest rates used
in Withdrawal and
surrender income
benefit (1) and
establishing
reserves range
charges are based on
the terms secondary
guarantees on from
1.8% to 10.3% of the
related interest-
sensitive life
interest-sensitive
life or and fixed
annuities fixed
annuity contract.
Guaranteed
investment Interest
rates credited range
Generally not
subject to contracts
from 3.7% to 7.7%
discretionary
withdrawal

(1) In 2006, the Company disposed of substantially all of its variable annuity business through reinsurance agreements with Prudential (see Note 3).

Contractholder funds include funding agreements held by VIEs issuing medium-term notes. The VIEs are Allstate Life Funding, LLC, Allstate Financial Global Funding, LLC, Allstate Life Global Funding and Allstate Life Global Funding II, and their primary assets are funding agreements used exclusively to back medium-term note programs.

Contractholder funds activity for the years ended December 31 is as follows:

($ IN
MILLIONS)
2007 2006 --
-------- ---

Balance,
beginning of
year $
60,565 $
58,190
Deposits
7,960 9,541
Interest
credited
2,635 2,600
Benefits
(1,656)
(1,500)
Surrenders
and partial
withdrawals
(4,928)
(4,627)
Maturities
of
institutional
products
(3,165)
(2,726)
Contract
charges
(751) (697)
Net
transfers to
separate
accounts 13

(145) Fair value hedge adjustments for institutional products 34 38 Other adjustments (243) (109) ---------- - --------- Balance, end of year $ 60,464 $ 60,565 ========== ==========

The Company offers various guarantees to variable annuity contractholders. Liabilities for variable contract guarantees related to death benefits are included in reserve for life-contingent contract benefits and the liabilities related to the income, withdrawal and accumulation benefits are included in contractholder funds in the Consolidated Statements of Financial Position. All liabilities for variable contract guarantees are reported on a gross basis on the balance sheet with a corresponding reinsurance recoverable asset for those contracts subject to reinsurance, including the Prudential Reinsurance Agreements as disclosed in Note 3.

Absent any contract provision wherein the Company guarantees either a minimum return or account value upon death, a specified contract anniversary date, partial withdrawal or annuitization, variable annuity and variable life insurance contractholders bear the investment risk that the separate accounts' funds may not meet their stated investment objectives. The account balances of variable annuities contracts' separate accounts with guarantees included $13.32 billion and $14.64 billion of equity, fixed income and balanced mutual funds and $661 million and $674 million of money market mutual funds at December 31, 2007 and 2006, respectively.

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

($ IN MILLIONS) DECEMBER 31, -- --------------- --------------- 2007 2006 ----- ----------- --- ------------ IN THE EVENT OF DEATH Separate account value $ 13,939 $ 15,269 Net amount at risk (1) $ 956 $ 1,068 Average attained age of contractholders 66 years 65 years AT ANNUITIZATION (INCLUDES INCOME BENEFIT GUARANTEES) Separate account value $ 3,394 $ 3,830 Net amount at risk (2) $ 144 $ 64 Weighted average waiting period until annuitization

options
available 3
years 4 years
FOR CUMULATIVE
PERIODIC
WITHDRAWALS
Separate
account value $
1,218 $ 1,041
Net amount at
risk (3) $ 4 $
-- ACCUMULATION
AT SPECIFIED
DATES Separate
account value $
1,587 $ 1,595
Net amount at
risk (4) $ -- $
-- Weighted
average waiting
period until
guarantee date
10 years 11
years

- ----------

(1) Defined as the estimated current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.
(2) Defined as the estimated present value of the guaranteed minimum annuity payments in excess of the current account balance.
(3) Defined as the estimated current guaranteed minimum withdrawal balance (initial deposit) in excess of the current account balance at the balance sheet date.
(4) Defined as the estimated present value of the guaranteed minimum accumulation balance in excess of the current account balance.

The liability for death and income benefit guarantees is equal to a benefit ratio multiplied by the cumulative contract charges earned, plus accrued interest less contract benefit payments. The benefit ratio is calculated as the estimated present value of all expected contract benefits divided by the present value of all expected contract charges. The establishment of reserves for these guarantees requires the projection of future separate account fund performance, mortality, persistency and customer benefit utilization rates. These assumptions are periodically reviewed and updated. For guarantees related to death benefits, benefits represent the current guaranteed minimum death benefit payments in excess of the current account balance. For guarantees related to income benefits, benefits represent the present value of the minimum guaranteed annuitization benefits in excess of the current account balance.

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

liability for guarantees is re-evaluated periodically, and adjustments are made to the liability balance through a charge or credit to life and annuity contract benefits.

Guarantees related to withdrawal and accumulation benefits are considered to be derivative financial instruments; therefore, the liability for these benefits is established based on its fair value.

The following table summarizes the liabilities for guarantees:

LIABILITY FOR
GUARANTEES
LIABILITY FOR
LIABILITY FOR
RELATED TO DEATH
GUARANTEES
GUARANTEES
BENEFITS AND
RELATED TO
RELATED TO

INTEREST- SENSITIVE INCOME ACCUMULATION ($ IN MILLIONS) LIFE PRODUCTS BENEFITS BENEFITS TOTAL -- ---------------- ----------------- - --------------- --- ------------- ----- Balance at December 31, 2005 (1) $ 97 $ 51 $ (2) $ 146 Less reinsurance recoverables 10 - - -- 10 --------- --------- ------- ----------- ----- ------------- --- --------------- Net balance at December 31, 2005 87 51 (2) 136 Variable annuity business disposition related reinsurance recoverables (75) (23) 12 (86) Incurred guaranteed benefits 23 (2) (10) 11 Paid guarantee benefits (17) (2) -- (19) --------- --------- ------- ----------- ----- ------------- --- --------------- Net change (69) (27) 2 (94) Net balance at December 31, 2006 18 24 -- 42 Plus reinsurance recoverables 96 23 (8) 111 ------ ------------ ---- -------------- -- ---------------- ----------------- - Balance at December 31, 2006 (2) $ 114 $ 47 $ (8) $ 153 ================== ================== ================== ================== Less reinsurance recoverables 96 23 (8) 111 ------ ------------ ---- -------------- -- ---------------- ----------------- - Net balance at December 31, 2006 18 24 -- 42 Incurred guaranteed benefits 7 (5) -- 2 Paid guarantee benefits (1) -- - - (1) ---------- ------- --------- --------- ------- ----------- -----

------------- Net change 6 (5) -- 1 Net balance at December 31, 2007 24 19 -- 43 Plus reinsurance recoverables 121 26 -- 147 -- Balance at December 31, 2007 (3) $ 145 $ 45 $ -- $ 190 ==

- ----------

(1) Included in the total liability balance at December 31, 2005 are reserves for variable annuity death benefits of $77 million, variable annuity income benefits of $20 million, variable annuity accumulation benefits of $(2) million and other guarantees of $51 million.

(2) Included in the total liability balance at December 31, 2006 are reserves for variable annuity death benefits of $89 million, variable annuity income benefits of $20 million, variable annuity accumulation benefits of $(8) million and other guarantees of $51 million.

(3) Included in the total liability balance at December 31, 2007 are reserves for variable annuity death benefits of $111 million, variable annuity income benefits of $23 million, variable annuity accumulation benefits of $0.4 million and other guarantees of $56 million.

9. REINSURANCE

The Company reinsures certain of its risks to other insurers primarily under yearly renewable term, coinsurance, and modified coinsurance agreements. These agreements result in a passing of the agreed-upon percentage of risk to the reinsurer in exchange for negotiated reinsurance premium payments. The Company cedes 100% of the morbidity risk on substantially all of its long-term care contracts. The Company cedes specified percentages of the mortality risk on certain life policies, depending upon the issue date and product, to a pool of fourteen unaffiliated reinsurers. Beginning in July 2007, for new life insurance contracts, the Company reinsured the mortality risk associated with coverage in excess of $3 million per life for contracts issued to individuals age 70 and over, and reinsured the mortality risk associated with coverage in excess of $5 million per life for most other contracts. Also beginning in July 2007, for certain large contracts that meet specific criteria, the Company's retention limit was increased to $10 million per life. In the period prior to July 2007, but subsequent to August 1998, the Company reinsured the mortality risk associated with coverage in excess of $2 million per life, except in 2006 in certain instances when specific criteria were met, it reinsured the mortality risk associated with coverage in excess of $5 million per life. For business sold prior to October 1998, the Company reinsured mortality risk in excess of specific amounts up to $1 million per life for individual life.

In addition, the Company has used reinsurance to effect the acquisition or disposition of certain blocks of business. As of December 31, 2007 and 2006, the Company had reinsurance recoverables of $166 million and $153 million, respectively due from subsidiaries of Citigroup and Scottish Re (U.S.) Inc. in connection with the disposition of substantially all of the direct response distribution business. In 2006, the Company ceded virtually all of its variable annuity exposure to Prudential (Note 3). Reinsurance recoverables associated with this disposition as of December 31, 2007 and 2006 amounted to $1,261 million and $1,490 million, respectively.

As of December 31, 2007, the gross life insurance in force was $502 billion of which $245 billion was ceded to the unaffiliated reinsurers.

The effects of reinsurance on life and annuity premiums and contract charges for the years ended December 31 are as follows:

($ IN

MILLIONS)	2007	2006	2005
PREMIUMS AND CONTRACT CHARGES			
Direct	$ 2,342	$ 2,326	$ 2,115
Assumed			
Affiliate	16	16	17
Non-affiliate	26	30	27
Ceded--non-affiliate	(940)	(787)	(606)
Premiums and contract charges, net of reinsurance	$ 1,444	$ 1,585	$ 1,553

The effects of reinsurance on contract benefits for the years ended December 31 are as follows:

($ IN MILLIONS)	2007	2006	2005
CONTRACT BENEFITS			
Direct	$ 1,973	$ 1,886	$ 1,824
Assumed			
Affiliate	10	11	10
Non-affiliate	27	23	21
Ceded--non-affiliate	(646)	(548)	(515)
Contract benefits, net of reinsurance	$ 1,364	$ 1,372	$ 1,340

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

The effects of reinsurance on interest credited to contractholder funds for the years ended December 31 are as follows:

($ IN MILLIONS)	2007	2006	2005
INTEREST CREDITED TO CONTRACTHOLDER FUNDS			
Direct	$ 2,644	$ 2,534	$ 2,277
Assumed			
Affiliate	13	24	32
Non-affiliate	18	26	35
Ceded--non-affiliate	(47)	(41)	(4)
Interest credited to contractholder funds, net of reinsurance	$ 2,628	$ 2,534	$ 2,340

Reinsurance recoverables at December 31 are summarized in the following table.

($ IN MILLIONS)	REINSURANCE RECOVERABLE ON PAID AND UNPAID CLAIMS 2007	2006
Annuities	$ 1,423	$ 1,654
Life insurance	1,365	1,217
Long-term care	526	427
Other	96	94
Total	$ 3,410	3,392

At both December 31, 2007 and 2006, approximately 88% of the Company's reinsurance recoverables are due from companies rated A- or better by S&P.

10. DEFERRED POLICY ACQUISITION AND SALES INDUCEMENT COSTS

Deferred policy acquisition costs for the years ended December 31 are as follows:

($ IN MILLIONS)	2007	2006	2005
BALANCE, BEGINNING OF YEAR	$ 3,485	$ 3,948	$ 3,176
Impact of adoption of SOP 05-1 (1)	(11)	--	--
Disposition of operation (2)	--	(726)	--
Acquisition costs deferred	547	742	766
Amortization charged to income	(518)	(538)	(568)
Effect of unrealized gains and losses	402	59	574
BALANCE, END OF YEAR	$ 3,905	$ 3,485	$ 3,948

- ----------

(1) The adoption of SOP 05-1 resulted in a $11 million adjustment to unamortized DAC related to the impact on future estimated gross profits from the changes in accounting for certain costs associated with contract continuations that no longer qualify for deferral. (see Note 2)

(2) In 2006, DAC was reduced related to the disposition through reinsurance agreements of substantially all of the Company's variable annuity business (see Note 3).

Net amortization charged to income, due to the realization of capital losses and (gains), includes $17 million, $50 million and $(126) million in 2007, 2006 and 2005, respectively.

As disclosed in Note 3, DAC and DSI balances were reduced during 2006 related to the disposal through reinsurance agreements of substantially all of the variable annuity business. During 2005, DAC and DSI amortization on this business was estimated using stochastic modeling and was significantly impacted by the anticipated return on the underlying funds. The Company's long-term expectation of separate accounts fund performance, net of fees, was approximately 7% in 2005. Whenever actual separate accounts fund performance based on the two most recent years varied from the expectation, the Company projected performance levels over the next five years such that the mean return over a seven-year period equaled the long-term expectation. This approach is commonly referred to as "reversion to the mean" and is commonly used by the life insurance industry as an appropriate method for amortizing variable annuity and life DAC and DSI. In applying the reversion to the mean process, the Company did not allow the future mean rates of return including fees projected over the five-year period to exceed 12.75% or fall below 0%. The Company periodically evaluated the results of utilization of this process to confirm that it was reasonably possible that variable annuity and life fund performance would revert to the expected long-term mean within this time horizon.

DSI activity for the twelve months ended December 31 was as follows:

($ IN MILLIONS)	2007	2006	2005
BALANCE, BEGINNING OF YEAR	$ 225	$ 237	$ 134
Impact of adoption of SOP 05-1 (1)	(2)	--	--
Disposition of operation (2)	--	(70)	--
Sales inducements deferred	64	105	99
Amortization charged to income	(57)	(48)	(74)
Effects of unrealized gains and losses	65	1	78
BALANCE, END OF YEAR	$ 295	$ 225	$ 237

- ----------

(1) The adoption of SOP 05-1 resulted in a $2 million adjustment to unamortized DSI related to the impact on future estimated gross profits from the changes in accounting for certain costs associated with contract continuations that no longer qualify for deferral.

(2) In 2006, DSI was reduced related to the disposition through reinsurance agreements of substantially all of Allstate Financial's variable annuity business (see Note 3).

11. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

LEASES

The Company was not involved in material operating lease obligations in 2007, 2006 and 2005, respectively.

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 New York Liquidation Bureau ("the Bureau") has publicly reported that Executive Life Insurance Company of New York ("Executive Life"), currently under its jurisdiction as part of a 1992 court-ordered rehabilitation plan, may only be able to meet future obligations of its annuity contacts for the next fifteen years due to an estimated $600 million shortfall in assets to fund those obligations. If Executive Life were to be declared insolvent in the future, the Company would likely have exposure to guaranty fund assessments or other costs.

Based on currently available information, the outcome of this situation is uncertain at this time. The Bureau may eventually take actions to address this situation that may lead to guaranty fund assessments or other costs to the Company. 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 market share in New York was approximately 5.5% in 2006 based on industry annuity premium.

GUARANTEES

The Company owns certain fixed income securities that obligate the Company to exchange credit risk or to forfeit principal due, depending on the nature or occurrence of specified credit events for the referenced entities. In the event all such specified credit events were to occur, the Company's maximum amount at risk on these fixed income securities, as measured by the amount of the aggregate initial investment, was $197 million at December 31, 2007. The obligations associated with these fixed income securities expire at various dates during the next seven years.

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 December 31, 2007.

REGULATION

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 and otherwise expand overall regulation of insurance products and the insurance industry. The ultimate changes and eventual effects of these initiatives on the Company's business, if any, are uncertain.

LEGAL AND REGULATORY PROCEEDINGS AND INQUIRIES

BACKGROUND

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

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

- The outcome on these matters may also be affected by decisions, verdicts, and settlements, and the timing of such decisions, verdicts and settlements, in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers or other entities.

- In the lawsuits, plaintiffs seek a variety of remedies including equitable relief in the form of injunctive and other remedies and monetary relief in the form of contractual and extra-contractual damages. In some cases, the monetary damages sought include punitive damages. Often specific information about the relief sought, such as the amount of damages, is not available because plaintiffs have not requested specific relief in their pleadings. In our experience, when specific monetary demands are made in pleadings, they bear little relation to the ultimate loss, if any, to the Company.

- In connection with regulatory examinations and proceedings, government authorities may seek various forms of relief, including penalties, restitution and changes in business practices. The Company may not be advised of the nature and extent of relief sought until the final stages of the examination or proceeding.

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

- Due to the complexity and scope of the matters disclosed in the "Proceedings" subsection below and the many uncertainties that exist, the ultimate outcome of these matters cannot be reasonably predicted. In the event of an unfavorable outcome in one or more of these matters, the ultimate liability may be in excess of amounts currently reserved and may be material to the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters described below as they are resolved over time is not likely to have a material adverse effect on the financial position of the Company.

PROCEEDINGS

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

AIC is defending certain matters relating to its agency program reorganization announced in 1999. These matters are in various stages of development.

- These matters include a lawsuit filed in 2001 by the U.S. Equal Employment Opportunity Commission ("EEOC") alleging retaliation under federal civil rights laws (the "EEOC I" suit) and a class action filed in 2001 by former employee agents alleging retaliation and age discrimination under the Age Discrimination in Employment Act ("ADEA"), breach of contract and ERISA violations (the "Romero I" suit). In 2004, in the consolidated EEOC I and Romero I litigation, the trial court issued a memorandum and order that, among other things, certified classes of agents, including a mandatory class of agents who had signed a release, for purposes of effecting the court's declaratory judgment that the release is voidable at the option of the release signer. The court also ordered that an agent who voids the release must return to AIC "any and all benefits received by the [agent] in exchange for signing the release." The court also stated that "on the undisputed facts of record, there is no basis for claims of age discrimination." The EEOC and plaintiffs have asked the court to clarify and/or reconsider its memorandum and order and in January 2007, the judge denied their request. In June 2007, the court granted AIC's motions for summary judgment. Following plaintiffs' filing of a notice of appeal, the Third Circuit issued an order in December 2007 stating that the notice of appeal was not taken from a final order within the meaning of the federal law and thus not appealable at this time. Responses to the order were filed in mid-December.

- The EEOC also filed another lawsuit in 2004 alleging age discrimination with respect to a policy

limiting the rehire of agents affected by the agency program reorganization ("the EEOC II" suit). In EEOC II, in 2006, the court granted partial summary judgment to the EEOC. Although the court did not determine that AIC was liable for age discrimination under the ADEA, it determined that the rehire policy resulted in a disparate impact, reserving for trial the determination on whether AIC had reasonable factors other than age to support the rehire policy. AIC's interlocutory appeal of the trial court's summary judgment order is now pending in the United States Court of Appeals for the Eighth Circuit.

- AIC is also defending a certified class action filed by former employee agents who terminated their employment prior to the agency program reorganization. These plaintiffs have asserted breach of contract and ERISA claims. The court approved the form of class notice which was sent to approximately 1,800 potential class members in November 2007. Fifteen individuals have opted out. AIC has moved for judgment on the pleadings and summary judgment.

- A putative nationwide class action has also been filed by former employee agents alleging various violations of ERISA, including a worker classification issue. These plaintiffs are challenging certain amendments to the Agents Pension Plan and are seeking to have exclusive agent independent contractors treated as employees for benefit purposes. This matter was dismissed with prejudice by the trial court, was the subject of further proceedings on appeal, and was reversed and remanded to the trial court in 2005. In June 2007, the court granted AIC's motion to dismiss the case. Following plaintiffs' filing of a notice of appeal, the Third Circuit issued an order in December 2007 stating that the notice of appeal was not taken from a final order within the meaning of the federal law and thus not appealable at this time. Responses to the order were filed in mid-December.

In all of these various matters, plaintiffs seek compensatory and punitive damages, and equitable relief. AIC has been vigorously defending these lawsuits and other matters related to its agency program reorganization.

OTHER MATTERS

Various other legal, governmental and regulatory actions, including state market conduct exams, and other governmental and regulatory inquiries are currently pending that involve the Company and specific aspects of its conduct of business. Like other members of the insurance industry, the Company is the target of a number of class action lawsuits and other types of proceedings, some of which involve claims for substantial or indeterminate amounts. These actions are based on a variety of issues and target a range of the Company's practices. The outcome of these disputes is currently unpredictable.

One or more of these matters could have an adverse effect on the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters described in this "Other Matters" subsection in excess of amounts currently reserved, as they are resolved over time is not likely to have a material effect on the operating results, cash flows or financial position of the Company.

12. INCOME TAXES

ALIC and its domestic subsidiaries (the "Allstate Life Group") join with the Corporation (the "Allstate Group") in the filing of a consolidated federal income tax return and are party to a federal income tax allocation agreement (the "Allstate Tax Sharing Agreement"). Under the Allstate Tax Sharing Agreement, the Allstate Life Group pays to or receives from the Corporation the amount, if any, by which the Allstate Group's federal income tax liability is affected by virtue of inclusion of the Allstate Life Group in the consolidated federal income tax return. Effectively, this results in the Allstate Life Group's annual income tax provision being computed, with adjustments, as if the Allstate Life Group filed a separate return.

The Internal Revenue Service ("IRS") is currently examining the Company's 2005 and 2006 federal income tax returns. The IRS has completed its examination of the Company's federal income tax returns through 2004 and the statute of limitations has expired on years prior to 2003. Any adjustments that may result from IRS examinations of tax returns are not expected to have a material effect on the results of operations, cash flows or financial position of the Company.

The Company adopted the provisions of FIN 48 on January 1, 2007. The Company had no liability for unrecognized tax benefits at January 1, 2007 or December 31, 2007, and believes it is reasonably possible that the liability balance will not significantly increase or decrease within the next twelve months. No amounts have been accrued for interest or penalties.

The components of the deferred income tax assets and liabilities at December 31 are as follows:

($ IN MILLIONS)	2007	2006
DEFERRED ASSETS		
Life and annuity reserves	$ 588	$ 682
Unrealized net capital losses	45	--
Other assets	62	48
Total deferred assets	695	730
DEFERRED LIABILITIES		
Deferred policy acquisition costs	(787)	(784)
Unrealized net capital gains	--	(175)
Other liabilities	(9)	(29)
Total deferred liabilities	(796)	(988)
Net deferred liability	$ (101)	$ (258)

Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized based on the assumption that certain levels of income will be achieved.

The components of income tax expense for the years ended December 31 are as follows:

($ IN MILLIONS)	2007	2006	2005
Current	$ 111	$ 136	$ 225
Deferred	69	60	(51)
Total income tax expense	$ 180	$ 196	$ 174

The Company paid income taxes of $68 million, $317 million and $156 million in 2007, 2006 and 2005, respectively. The Company had a current income tax receivable of $6 million and $49 million at December 31, 2007 and 2006, respectively.

A reconciliation of the statutory federal income tax rate to the effective income tax rate on income from operations for the years ended December 31 is as follows:

	2007	2006	2005
Statutory federal income tax rate	35.0%	35.0%	35.0%
Adjustment for prior year tax liabilities	(0.9)	(1.6)	(3.9)
Dividends received deduction	(2.7)	(2.7)	(2.5)
Tax credits	(2.3)	(0.5)	(0.3)
Other	1.3	1.1	1.1
Effective income tax rate	30.4%	31.3%	29.4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. CAPITAL STRUCTURE

DEBT OUTSTANDING

Total debt outstanding at December 31 consisted of the following:

($ IN MILLIONS)	2007	2006
6.18% Surplus Notes (1), due 2036	$ 100	$ 100
5.06% Surplus Notes (1), due 2035	100	100
Mandatorily redeemable preferred stock - Series A	--	6
Total long-term debt	200	206
Note payable to parent	--	500
Total debt	$ 200	$ 706

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(1) No payment of principle or interest is permitted on the surplus notes without the written approval of the Director of Insurance of the State of South Carolina (the "Director"), the domiciliary state insurance regulatory authority for the issuer of the notes, Allstate Re (see Note 5). The Director could prohibit the payment of interest and principle on the surplus notes if certain statutory capital requirements are not met. Permission to pay interest on the surplus notes was granted in both 2007 and 2006.

All of the Company's outstanding debt as of December 31, 2007 and 2006 relates to intercompany obligations. These obligations are discussed in Note 5 to the consolidated financial statements. The Company paid $21 million, $13 million and $6 million of interest on debt in 2007, 2006 and 2005, respectively.

14. STATUTORY FINANCIAL INFORMATION

ALIC and its subsidiaries prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the insurance department of the applicable state of domicile. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

All states require domiciled insurance companies to prepare statutory-basis financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the applicable insurance commissioner and/or director.

Statutory accounting practices primarily differ from GAAP since they require charging policy acquisition and certain sales inducement costs to expense as incurred, establishing life insurance reserves based on different actuarial assumptions, and valuing investments and establishing deferred taxes on a different basis.

Statutory net income of ALIC and its insurance subsidiaries for 2007, 2006 and 2005 was $172 million, $252 million and $266 million, respectively. Statutory capital and surplus was $2.62 billion and $3.36 billion as of December 31, 2007 and 2006, respectively.

DIVIDENDS

The ability of ALIC to pay dividends is dependent on business conditions, income, cash requirements of ALIC, receipt of dividends from its subsidiaries and other relevant factors. The payment of shareholder dividends by ALIC to AIC without the prior approval of the state insurance regulator is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. Notification and approval of intercompany lending activities is also required by the Illinois Department of Insurance ("IL DOI") for transactions that exceed a level that is based on a formula using statutory admitted assets and statutory surplus.

ALIC paid dividends of $725 million and $675 million in 2007 and 2006, respectively. These amounts were in excess of the $336 million and $366 million that were allowed under Illinois insurance law based on the 2006 and 2005 formula amounts, respectively. The Company received approval from the IL DOI for the portion of the 2007 and 2006 dividends in excess of this amount. Based on 2007 ALIC statutory capital and surplus, ALIC will not be able to pay dividends in 2008 without prior IL DOI approval.

15. BENEFIT PLANS

PENSION AND OTHER POSTRETIREMENT PLANS

Defined benefit pension plans, sponsored by AIC, cover most full-time employees, certain part-time employees and employee-agents. Benefits under the pension plans are based upon the employee's length of service and eligible annual compensation. A cash balance formula was added to the Allstate Retirement Plan effective January 1, 2003. All eligible employees hired before August 1, 2002 were provided with a one-time opportunity to choose between the cash balance formula and the final average pay formula. The cash balance formula applies to all eligible employees hired after August 1, 2002. AIC's funding policy for the pension plans is to make annual contributions at a minimum level that is at least in accordance with regulations under the Internal Revenue Code and in accordance with generally accepted actuarial principles. The allocated cost to the Company included in net income for the pension plans in 2007, 2006 and 2005 was $24 million, $37 million and $27 million, respectively.

AIC also provides certain health care and life insurance subsidies for employees hired before January 1, 2003 when they retire ("postretirement benefits"). Qualified employees may become eligible for these benefits if they retire in accordance with AIC's established retirement policy and are continuously insured under AIC's group plans or other approved plans in accordance with the plan's participation requirements. AIC shares the cost of the retiree medical benefits with retirees based on years of service, with AIC's share being subject to a 5% limit on annual medical cost inflation after retirement. AIC has the right to modify or terminate these pension and postretirement benefit plans. The allocated cost to the Company included in net income was $6 million, $7 million and $7 million for postretirement benefits other than pension plans in 2007, 2006 and 2005, respectively.

PROFIT SHARING PLANS

Employees of AIC are eligible to become members of The Savings and Profit Sharing Fund of Allstate Employees ("Allstate Plan"). The Corporation's contributions are based on the Corporation's matching obligation and performance. The Company's allocation of profit sharing expense from the Corporation was $12 million, $13 million and $7 million in 2007, 2006 and 2005, respectively.

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive (loss) income on a pre-tax and after-tax basis for the years ended December 31 are as follows:

($ IN MILLIONS)	2007			2006			2005		
	PRE-TAX	TAX	AFTER-TAX	PRE-TAX	TAX	AFTER-TAX	PRE-TAX	TAX	AFTER-TAX
Unrealized holding (losses) gains arising during the period, net of related offsets	$ (492)	$ 172	$ (320)	$ (493)	$ 172	$ (321)	$ (724)	$ 254	$ (470)
Less: reclassification adjustment of realized capital gains and losses	137	(48)	89	(89)	31	(58)	(69)	24	(45)
UNREALIZED NET CAPITAL (LOSSES) GAINS	(629)	220	(409)	(404)	141	(263)	(655)	230	(425)
Other comprehensive (loss) income	$ (629)	$ 220	$ (409)	$ (404)	$ 141	$ (263)	$ (655)	$ 230	$ (425)

17. QUARTERLY RESULTS (UNAUDITED)

FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER

($ IN MILLIONS)	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	$ 1,435	$ 1,349	$ 1,509	$ 1,360	$ 1,274	$ 1,352	$ 1,234	$ 1,502
Net income	149	96	187	56	56	122	20	154

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF
ALLSTATE LIFE INSURANCE COMPANY

We have audited the accompanying Consolidated Statements of Financial Position of Allstate Life Insurance Company and subsidiaries (the "Company", an affiliate of The Allstate Corporation) as of December 31, 2007 and 2006, and the related Consolidated Statements of Operations and Comprehensive Income, Shareholder's Equity, and Cash Flows for each of the three years in the period ended December 31, 2007. Our audits also included the consolidated financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Allstate Life Insurance Company and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for uncertainty in income taxes and accounting for deferred acquisition costs associated with internal replacements in 2007.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 13, 2008

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. We maintain disclosure controls and procedures as defined in Rule 13a-15(e) and 15(d)-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 recorded, processed, summarized and reported within the time periods specified by the Securities Exchange Act and made known to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING. Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) 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 internal control over financial reporting as of December 31, 2007 based on the criteria related to internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2007.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING. During the fiscal quarter ended December 31, 2007, 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.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

(1), (2), (3) AND (4) DISCLOSURE OF FEES -

The following fees have been, or are anticipated to be billed by Deloitte & Touche LLP, the member firms of Deloitte & Touche Tohmatsu, and their respective affiliates, for professional services rendered to us for the fiscal years ending December 31, 2007 and 2006.

	2007	2006
Audit fees (a)	$ 3,381,094	$ 3,207,000
Audit related fees (b)	15,219	19,250
TOTAL FEES	$ 3,396,313	$ 3,226,250

(a) Fees for audits of annual financial statements including financial statements for the separate accounts, reviews of quarterly financial statements, statutory audits, attest services, comfort letters, consents and review of documents filed with the Securities and Exchange Commission.

(b) Audit related fees relate to professional services such as accounting consultations relating to new accounting standards.

(5)(i) AND (ii) AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES -

The Audit Committee of The Allstate Corporation has established pre-approval policies and procedures for itself and its consolidated subsidiaries, including Allstate Life. Those policies and procedures are incorporated into this Item 14 (5) by reference to Exhibit 99 - The Allstate Corporation Policy Regarding Pre-Approval of Independent Auditors' Services (the "Pre-Approval Policy"). In addition, in 2005 the Audit Committee of Allstate Life adopted the Pre-Approval Policy, as it may be amended from time to time by the Audit Committee or the Board of Directors of the Corporation, as its own policy, provided that the Designated Member referred to in such policy need not be independent because the New York Stock Exchange corporate governance standards do not apply to Allstate Life. All of the services provided by Deloitte & Touche LLP to Allstate Life in 2006 and 2007 were pre-approved by The Allstate Corporation and Allstate Life Audit Committees.

PART IV

ITEM 15. (a) (1) EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements, notes thereto and related information of Allstate Life Insurance Company are included in Item 8.

Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Financial Position
Consolidated Statements of Shareholder's Equity
Consolidated Statements of Cash Flows
Notes to the Consolidated Financial Statements
Report of Independent Registered Public Accounting Firm

ITEM 15. (a) (2)

The following additional financial statement schedules and independent auditors' report are furnished herewith pursuant to the requirements of Form 10-K.

Allstate Life Insurance Company	Page

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Schedules required to be filed under the provisions of Regulation S-X Article 7: Schedule I - Summary of Investments - Other than Investments in Related Parties S-1 Schedule IV - Reinsurance S-2

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

ITEM 15. (a) (3)

The following is a list of the exhibits filed as part of this Form 10-K. The SEC File Number for the exhibits incorporated by reference is 000-31248 except as otherwise noted.

EXHIBIT NO. DOCUMENT DESCRIPTION
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- ----------

3(i) Articles of Amendment to the Articles of Incorporation of Allstate Life Insurance Company dated December 29, 1999. Incorporated herein by reference to Exhibit 3.1 to Allstate Life Insurance Company's Form 10 filed on April 24, 2002. 3(ii) Amended and Restated By-Laws of Allstate Life Insurance Company effective May 15, 2007. Incorporated herein by reference to

Exhibit 3(ii) to Allstate Life Insurance Company's Current Report on Form 8-K dated March 15, 2007. 4 See Exhibits 3 (i) and 3 (ii). 10.1 Form of Amended and Restated Service and Expense Agreement between Allstate Insurance Company, The Allstate Corporation and certain affiliates effective January 1, 2004. 10.2 New York Insurer Supplement to Amended and Restated Service and Expense Agreement between Allstate Insurance Company, The Allstate Corporation, Allstate Life Insurance Company of New York and Intramerica Life Insurance Company,

effective March 5, 2005. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended June 30, 2005.

10.3	Selling Agreement between Allstate Life Insurance Company, ALFS, Inc. (f/k/a Allstate Life Financial Services, Inc.) and Allstate Financial Services, LLC (f/k/a LSA Securities, Inc.) effective July 26, 1999. Incorporated herein by reference to Exhibit 10.6 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2003.
10.4	Amendment effective August 1, 1999 to Selling Agreement between Allstate Life Insurance Company, ALFS, Inc. and Allstate Financial Services, LLC effective July 26, 1999. Incorporated herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2004.
10.5	Amendment effective September 28, 2001 to Selling Agreement between Allstate Life Insurance Company, ALFS, Inc. and Allstate

Financial Services, LLC effective July 26, 1999. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2004.

10.6 Amendment effective February 15, 2002 to Selling Agreement between Allstate Life Insurance Company, ALFS, Inc. and Allstate Financial Services, LLC effective July 26, 1999. Incorporated herein by reference to Exhibit 10.3 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2004.

10.7 Amendment effective April 21, 2003 to Selling Agreement between Allstate Life Insurance Company, ALFS, Inc. and Allstate Financial Services, LLC effective July 26, 1999. Incorporated herein by reference to Exhibit 10.4 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2004.

10.8 Selling Agreement between Allstate Life Insurance Company of New York, ALFS, Inc. and Allstate Financial Services, LLC effective May 1 2005. Incorporated herein by reference to Exhibit 10.7 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2003.

10.9 Selling Agreement between Lincoln Benefit Life Company, ALFS, Inc. (f/k/a Allstate Life Financial Services, Inc.) and Allstate Financial Services, LLC (f/k/a LSA Securities, Inc.) effective August 2, 1999. Incorporated herein by reference to Exhibit 10.8 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2003.

10.10 First Amendment to Marketing Coordination and Administrative Services Agreement among Allstate Life Insurance Company, Allstate Financial Services, LLC and Allstate Insurance Company dated January 1, 2006. Incorporated herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

10.11 Marketing Coordination and Administrative Services Agreement among Allstate Insurance Company, Allstate Life Insurance Company and Allstate Financial Services, LLC effective January 1, 2003. Incorporated herein by reference to Exhibit 10.9 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2003.

10.12 Form of Investment Management Agreement among Allstate Investments, LLC, Allstate Insurance Company, The Allstate Corporation and certain affiliates effective January 1, 2007.

10.13 Investment Advisory Agreement by and between Allstate Insurance Company and Intramerica Life Insurance Company effective July 1, 1999. Incorporated herein by reference to Exhibit 10.29 to Allstate Life Insurance Company's Form 10 filed on April 24, 2002.

10.14 Investment Management Agreement between Allstate Investments, LLC and ALIC Reinsurance Company, effective July 1, 2005. Incorporated herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2005.

10.15 Assignment and Assumption Agreement dated as of January 1, 2002 among Allstate Insurance Company, Allstate Investments, LLC and Intramerica Life Insurance Company. Incorporated herein by reference to Exhibit 10.30 to Allstate Life Insurance Company's Form 10 filed on April 24, 2002.

10.16 Investment Advisory Agreement and Amendment to Service Agreement as of January 1, 2002 between Allstate Insurance Company, Allstate Investments, LLC and Allstate Life Insurance Company of New York. Incorporated herein by reference to Exhibit 10.31 to Allstate Life Insurance Company's Form 10 filed on April 24, 2002.

10.17 Cash Management Services Master Agreement between Allstate

Insurance Company and Allstate Bank (f/k/a Allstate Federal Savings Bank) dated March 16, 1999. Incorporated herein by reference to Exhibit 10.32 to Allstate Life Insurance Company's Form 10 filed on April 24, 2002.

10.18	Amendment No. 1 effective January 5, 2001 to Cash Management Services Master Agreement between Allstate Insurance Company and Allstate Bank dated March 16, 1999. Incorporated herein by reference to Exhibit 10.33 to Allstate Life Insurance Company's Form 10 filed on April 24, 2002.
10.19	Amendment No. 2 entered into November 8, 2002 to the Cash Management Services Master Agreement between Allstate Insurance Company, Allstate Bank and Allstate Motor Club, Inc. dated March 16, 1999.
10.20	Premium Depository Service Supplement dated as of September 30, 2005 to Cash Management Services Master Agreement between Allstate Insurance Company, Allstate Bank, Allstate Motor Club, Inc. and certain other parties.
10.21	Variable Annuity Service Supplement dated November 10, 2005 to Cash Management Services Agreement between Allstate Bank, Allstate Life Insurance Company of New York and certain other parties.
10.22	Sweep Agreement Service Supplement dated as of October 11, 2006 to Cash Management Services Master Agreement between Allstate Life Insurance Company, Allstate Bank, Allstate Motor Club, Inc. and certain other companies.
10.23	Agent Access Agreement among Allstate Insurance Company, Allstate New Jersey Insurance Company, Allstate Life Insurance Company and Allstate Bank effective January 1, 2002. Incorporated herein by reference to Exhibit 10.17 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2003.
10.24	Form of Tax Sharing Agreement among The Allstate Corporation and certain affiliates dated as of November 12, 1996.

10.25	Surplus Note Purchase Agreement between Allstate Life Insurance Company and Kennett Capital, Inc. effective, August 1, 2005. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2005.
10.26	Intercompany Loan Agreement among The Allstate Corporation, Allstate Life Insurance Company, Lincoln Benefit Life Company and other certain subsidiaries of The Allstate Corporation dated February 1, 1996. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2006.
10.27	Pledge and Security Agreement between Allstate Life Insurance Company and Kennett Capital, Inc. effective August 1, 2005. Incorporated herein by reference to Exhibit 10.3 to Allstate Life Insurance Company's Quarterly Report on Form 10-Q for quarter ended September 30, 2005.
10.28	Catastrophe Reinsurance Agreement between Allstate Life Insurance Company and American Heritage Life Insurance Company effective July 1, 2003. Incorporated herein by reference to Exhibit 10.29 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2003.
10.29	Retrocessional Reinsurance Agreement between Allstate Life Insurance Company and American Heritage Life Insurance Company effective December 31, 2004. Incorporated herein by reference to Exhibit 10.23 to Allstate Life Insurance Company's Annual Report on Form 10-K for 2004.
10.30	Reinsurance Agreement between Allstate Life Insurance Company and American Heritage Life Insurance Company effective December 31, 2004. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Current Report on Form 8-K

filed January 9, 2008.

10.31	Amendment No. 1 to Reinsurance Agreement between Allstate Life Insurance Company and American Heritage Life Insurance Company dated January 1, 2008. Incorporated herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Current Report on Form 8-K filed January 9, 2008.
10.32	Credit Agreement dated May 8, 2007, among The Allstate Corporation, Allstate Insurance Company and Allstate Life Insurance Company, as borrowers; the Lenders party thereto Wachovia Bank, National Association, as Syndication Agent; Bank of America, N.A. and Citibank, N.A., as Documentation Agents; Lehman Brothers Bank, FSB, Merrill Lynch Bank USA, Morgan Stanley Bank and William Street Commitment Corporation, as Co-Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent; incorporated herein by reference to Exhibit 10.1 to The Allstate Corporation's current report on Form 8-K filed May 9, 2007. (SEC File No. 001-11840)
10.33	Reinsurance and Administrative Services Agreement between American Heritage Life Insurance Company and Columbia Universal Life Insurance Company effective February 1, 1998. Incorporated herein by reference to Exhibit 10.3 to Allstate Life Insurance Company's Current Report on Form 8-K filed January 30, 2008.
10.34	Novation and Assignment Agreement among Allstate Life Insurance Company, American Heritage Life Insurance Company and Columbia Universal Life Insurance Company effective June 30, 2004. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Current Report on Form 8-K filed January 30, 2008.
10.35	Amendment to Reinsurance Agreement effective December 1, 2007, between American Heritage Life Insurance Company and Allstate Life Insurance Company. Incorporated

	herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Current Report on Form 8-K filed January 30, 2008.
10.36	Capital Support Agreement between Allstate Life Insurance Company and Allstate Insurance Company effective December 14, 2007. Incorporated herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Current Report on Form 8-K filed February 7, 2008.
10.37	Intercompany Liquidity Agreement between Allstate Life Insurance Company and Allstate Insurance Company effective January 1, 2008. Incorporated herein by reference to Exhibit 10.2 to Allstate Life Insurance Company's Current Report on Form 8-K filed February 7, 2008.
10.38	Agreement for the Settlement of State and Local Tax Credits among Allstate Insurance Company and certain of its affiliates, including Allstate Life Insurance Company effective January 1, 2007. Incorporated herein by reference to Exhibit 10.1 to Allstate Life Insurance Company's Current Report on Form 8-K filed February 21, 2008.
10.39	Selling Agreement and Addenda to Agreement between Allstate Life Insurance Company as successor in interest to Glenbrook Life and Annuity Company, ALFS, Inc. and Allstate Financial Services, LLC effective May 17, 2001, December 31, 2001 and November 18, 2002, respectively.
10.40	Limited Servicing Agreement between Allstate Life Insurance Company, Allstate Distributors, L.L.C. and Allstate Financial Services, LLC effective October 1, 2002.
10.41	Marketing Agreement between Allstate Life Insurance Company as successor in interest to Glenbrook Life and Annuity Company, ALFS, Inc. and Allstate Financial Services, LLC effective June 10, 2003.
23	Consent of Independent Registered Public Accounting Firm

31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32	Section 1350 Certifications
99	The Allstate Corporation Policy Regarding Pre-Approval of Independent Auditors' Services effective November 10, 2003. Incorporated herein by reference to Exhibit 99 (ii) to Allstate Life Insurance Company's Annual Report on Form 10-K for 2004.

ITEM 15. (b)

The exhibits are listed in Item 15. (a) (3) above.

ITEM 15. (c)

The financial statement schedules are listed in Item 15. (a) (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

March 14, 2008

/s/ SAMUEL H. PILCH

By: Samuel H. Pilch
(Controller)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

SIGNATURE
TITLE DATE

----- ----
/s/ JAMES
E. HOHMANN
President,
Chief
Executive
Officer
March 14,
2008 - ---

---- and a
Director
(Principal
Executive
Officer)
James E.
Hohmann
/s/ JOHN
C.
PINTOZZI
Senior
Vice
President,
Chief
Financial
March 14,
2008 - ---

Officer
and a
Director

(Principal
Financial
Officer)
John C.
Pintozzi
Chairman
of the
Board and
a Director
March 14,
2008 - ---

Thomas J.
Wilson, II
/s/ DAVID
A. BIRD
Director
March 14,
2008 - ---

---- David
A. Bird
/s/
MICHAEL B.
BOYLE
Director
March 14,
2008 - ---

Michael B.
Boyle
Director
March 14,
2008 - ---

---- Danny
L. Hale
/s/ JOHN
C. LOUNDS
Director
March 14,
2008 - ---

---- John
C. Lounds
/s/ GEORGE
E.
RUEBENSON
Director
March 14,
2008 - ---

George E.
Ruebenson
/s/ ERIC
A.
SIMONSON
Director
March 14,
2008 - ---

---- Eric
A.
Simonson

/s/ KEVIN
R. SLAWIN
Director
March 14,
2008 - ---

---- Kevin
R. Slawin
/s/
MICHAEL J.
VELOTTA
Director
March 14,
2008 - ---

Michael J.
Velotta
/s/
DOUGLAS B.
WELCH
Director
March 14,
2008 - ---

Douglas B.
Welch

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE I--SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES DECEMBER 31, 2007

AMOUNT AT COST/
WHICH SHOWN
AMORTIZED ON
BALANCE (IN
MILLIONS) COST
FAIR VALUE
SHEET ---------
------ --------
------ --------
------ TYPE OF
INVESTMENT
Fixed
Maturities:
Bonds: United
States
government,
government
agencies and
authorities $
2,848 $ 3,728 $
3,728 States,
municipalities
and political
subdivisions
4,235 4,311
4,311 Foreign
governments
1,814 2,185
2,185 Public
utilities 5,205
5,377 5,377
Convertibles
and bonds with
warrants
attached 1,497
1,505 1,505 All
other corporate
bonds 24,937

24,867 24,867
Asset-backed
securities
6,273 5,603
5,603 Mortgage-
backed
securities
3,499 3,490
3,490
Commercial
mortgage-backed
securities
7,698 7,388
7,388
Redeemable
preferred
stocks 14 15 15

- -------------
- -------------
- Total fixed
maturities
58,020 $ 58,469
58,469
================
==============
==============
Equity
Securities:
Common Stocks:
Public
utilities -- $
-- -- Banks,
trusts and
insurance
companies 36 34
34 Industrial,
miscellaneous
and all other
14 19 19 Non-
redeemable
preferred
stocks 52 49 49

- -------------
- -------------
- Total equity
securities 102
$ 102 102
================
==============
==============
Limited
partnership
interests 994
994 Mortgage
loans on real
estate 9,901
9,901 Real
estate -- --
Real estate
acquired in
satisfaction of
debt 1 1 Short-
term
investments 386
386 Derivative
instruments 464
455 Policy
loans 770 770
Other long-term
investments
1,336 1,336 ---
------------ -

Total
investments $
71,974 $ 72,414
================
==============

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES
SCHEDULE IV--REINSURANCE

PERCENTAGE CEDED ASSUMED OF AMOUNT GROSS TO OTHER FROM OTHER NET ASSUMED (IN MILLIONS) AMOUNT COMPANIES (1) COMPANIES AMOUNT TO NET ------------ ----- -------- -- ---------- ----------- - --------- ---

YEAR ENDED DECEMBER 31, 2007
Life insurance in force $ 490,484 $ 244,827 $ 11,490 $ 257,147 4.5%
Premiums and contract charges:
Life and annuities $ 2,168 $ 804 $ 42 $ 1,406 3.0%
Accident and health 174 136 -- 38 --%
------------ -- ---------- ----------- - --------- --- ------- -----
Total premiums and contract charges $ 2,342 $ 940 $ 42 $ 1,444 2.9%
============ ============ ============ ============ ============

YEAR ENDED DECEMBER 31, 2006
Life insurance in force $ 465,634 $ 236,278 $ 11,942 $ 241,298

5.0%
Premiums
and
contract
charges:
Life and
annuities $
2,138 $ 639
$ 45 $
1,544 2.9%
Accident
and health
188 148 1
41 2.4% ---
--------- -

- ---------
--- -------
----- Total
premiums
and
contract
charges $
2,326 $ 787
$ 46 $
1,585 2.9%
============
============
============
============
============
YEAR ENDED
DECEMBER
31, 2005
Life
insurance
in force $
434,965 $
223,194 $
9,400 $
221,171
4.3%
Premiums
and
contract
charges:
Life and
annuities $
1,928 $ 445
$ 43 $
1,526 2.8%
Accident
and health
187 161 1
27 3.7% ---
--------- -

- ---------
--- -------
----- Total
premiums
and
contract
charges $
2,115 $ 606
$ 44 $
1,553 2.8%
============
============
============
============
============

(1) No reinsurance or coinsurance income was netted against premium ceded in 2007, 2006 or 2005.

EXHIBIT 10.1

FORM OF
AMENDED AND RESTATED SERVICE AND EXPENSE AGREEMENT

AMONG

ALLSTATE INSURANCE COMPANY
AND
THE ALLSTATE CORPORATION
AND
CERTAIN AFFILIATES

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

WITNESSETH:

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

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

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

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

NOW, THEREFORE, it is agreed as follows:

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

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

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

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

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

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

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

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

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

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

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

In the event and to the extent that the books and records of an Affiliate are maintained hereunder in an electronic format, the following requirements shall apply. A computer terminal that is linked to the electronic system that generates the electronic records that constitute such Affiliate's books of account as they relate to the business covered by this Agreement, shall be kept and maintained at such Affiliate's principal office. During all normal business hours, there shall be ready availability and easy access through such terminal (either directly by personnel of such Affiliate's domestic insurance regulator or indirectly with the aid of such Affiliate's employees) to the electronic media used to maintain the records comprising such Affiliate's books of account hereunder. The electronic records shall be in a readable form. The Providing Parties shall maintain format integrity and compatibility of the electronic records that constitute an Affiliate's books of account hereunder. If the electronic system that created such records is to be replaced by a system with which the records would be incompatible, the Providing Parties shall convert such pre-existing records to a format that is compatible with the new system. The Providing Parties shall maintain acceptable backup of the records constituting an Affiliate's books of account hereunder.

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

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

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

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

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

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

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

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

15. This Agreement may be executed by the parties hereto in any number of

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

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

THE ALLSTATE CORPORATION

By:

[Various Allstate Affiliates]

SCHEDULE A

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

DESCRIPTION OF SERVICE	SCHEDULE
Finance Shared Services	A-1
Technical Shared Service - Information Technologies and Field Support	A-2
Human Resource Shared Services	A-3
Law and Regulation	A-4
Corporate Relations	A-5
Marketing and Research/Planning Center	A-6
Print Communication Center	A-7
Real Estate & Construction / Facilities	A-8

Schedule A-1
Finance Shared Services

PROVIDER SERVICES

- ACCOUNTING: Provide actual monthly, quarterly and annual financial results. Specific services include producing financial statements and consulting on account coding, reporting, accounting research, shared service administration, expense allocation administration accounting governance and policies, and maintenance of any required central accounting computer system.

- AUDITING: Perform internal audits, which meet Generally Accepted Auditing Standards (GAAS) at intervals deemed necessary by Allstate.

- CLAIM RESERVES: Provide risk management services including exposure analysis, risk retention and risk financing.

- FINANCE AND PLANNING: Provide services related to the segment of Allstate's annual operating plan, long-term strategic plan and capital management allocation.

- FINANCE INNOVATION: Provide reporting and analysis templates and database support.

- GENERAL: Provide financial administrative services to ensure compliance with

Service Provider's corporate policies

- - PURCHASING: Provide services related for graphic arts and printing for internal and external communications.

- - TAX: Comply with Federal and State tax filing requirements along with any tax research needed.

- - TREASURY: Provide cash management services, including the pass through of all fees associated with setting up and maintaining bank accounts.

- - PROCUREMENT: Strategic sourcing and the procuring of commodities inclusive of contract negotiation.

Schedule A-2
Technical Shared Service

PROVIDER SERVICES

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

INFORMATION TECHNOLOGIES:

- - Build and maintain systems necessary to process Affiliate's business.

- - Support of online networks and end-user/desktop applications.

- - Technical architecture design to include application development and end-user equipment via Technology Asset Management.

- - Enterprise office tools, software licenses, maintenance, upgrades, Microsoft Office and client software packages.

- - Telecommunications support for business applications to include equipment sourcing and voice-mail solutions.

- - Database production support and development for mainframe and distributed applications.

- - Enterprise Help Center for end-user problem resolution, equipment repair, system password resets.

FIELD SUPPORT

- - Process and pay invoices, expense accounts, and related bills.

- - Maintain necessary bank accounts. This would include, but would not be limited to, a depository account, refund account and investment accounts.

- - Deposit and balance remittance from Affiliate's clients. Process payments against client balances in the billing database.

- - Pay and track non-computer related fixed asset transactions.

- - Utilize the SAP general ledger system for financial recording.

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

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

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

Schedule A-3
Human Resource Shared Services

PROVIDER SERVICES

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

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

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

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

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

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

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

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

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

Schedule A-4
Legal Services

PROVIDER SERVICES

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

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

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

Schedule A-5
Corporate Relations

PROVIDER SERVICES

Support and implement communication strategies.

- - Development of communication packages, scripts, and presentations.

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

- - Media preparation for external use.

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

Schedule A-6
Marketing, Advertising, and Distribution

PROVIDER SERVICES

- - Provide market research, perform database analysis to identify target customers and utilize focus groups to determine customer preferences.

- - Support and implement marketing strategies.

- - Development of marketing strategies, coordination of print and/or media requirements.

- - Sourcing of marketing vendors.

- - Coordination of media/print advertising.

- - Assist in the development and implementation of distribution policy and practices, and provide other marketing and distribution support services.

- - Upon request of a life insurance Affiliate, Allstate shall assist such life insurance Affiliate in preparation of marketing material, assist in the recruitment, supervision, and product training of agents, assist in the development and implementation of distribution policy and practices, and provide other marketing and distribution support services. However, all decisions regarding the approval of marketing material and the acceptance, appointment or termination of agents shall be made by any such life insurance Affiliate.

Schedule A-7
Allstate Print Communication Center
Customer Document Processing

PROVIDER SERVICES

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

- - Provide programming support and consulting along with complete print project management.

- - Provide for storage and retention of documents and/or equipment.

Schedule A-8
Real Estate & Construction / Facilities

Provider Services

- - Real Estate Portfolio Management.

- - Capital improvement management and construction.

- - Engineering standards.

- - Building / Facility compliance to local and governmental codes.

- - Support of employee moves and relocation.

- - Housekeeping and Security

- - All other facilities necessary for the conduct of the business.

EXHIBIT A

INTERCOMPANY SERVICE AND EXPENSE ALLOCATION SUMMARY MATRIX
ALLSTATE INSURANCE COMPANY AND PROPERTY & CASUALTY AFFILIATES

EXPENSE LINE
ITEM BASIS OF
EXPENSE PER
U&I EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION***
- -----------
---------- --

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

---- 1. Claim Investigation and adjustment of policy claims for direct, No allocation - adjustment reinsurance assumed and ceded business. The more direct charge to services significant expenses and fees related to: (1) all outside company costs associated with independent adjusters, (2) lawyers for legal services in the defense, trial, or appeal of suits, (3) general court costs, (4) medical testimony, (5) expert and lay witnesses, (6) medical examinations for the purpose of trial and resolution of liability and (7) miscellaneous (appraisals, surveys, detective reports, audits, character reports, etc.). 2. Commission and All payments, reimbursements and allowances (on direct and No allocation - brokerage reinsurance assumed and ceded business) to managers, agents, direct charge to brokers, solicitors or

other
producer
types.
company based
on agent
contract

- ----------

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

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

*** Before consideration of any applicable reinsurance agreement.

EXPENSE LINE
ITEM BASIS OF
EXPENSE PER
U&I EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION***
- ----------
---------- --

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

---- 4.
Advertising
Typical
expenses
would include
services of:
(1)
advertising
Direct charge
by agents,
(2) public
relations
counsel, (3)
advertisements
in company
where known.
newspapers,
periodicals,
billboards,
pamphlets and
Allocated
items
literature
issued for
advertising
or
promotional
purposes,
handled as
follows: (4)
related paper
and printing
charges for
advertising
See Exhibit A
purposes, (5)
radio
broadcasts,
(6) prospect
and mailing

Appendix at
B; C 1; D
lists, (7)
signs and
medals for
agents and
(8)
television 1
and E 1 for
commercials
and
production.
explanation
of allocation
by type of
office 5.
Boards,
bureaus
Various dues,
assessments,
fees and
charges for
items such No
allocation -
and
associations
as: (1)
underwriting
boards,
rating
organizations,
direct charge
to
statistical
agencies,
inspection
and audit
bureaus, (2)
company
underwriters'
advisory and
service
organizations,
(3) accident
and loss
prevention
organizations,
(4) claim
organizations,
(5)
underwriting
syndicates,
pools and
associations,
assigned risk
plans. 6.
Surveys and
Costs to
support the
business
including:
(1) survey,
See Exhibit A
underwriting
credit, moral
hazard,
character
reports for
underwriting,
Appendix at
B; D 1;
reports (2)
appraisals
for
underwriting,
(3) fire
records, (4)
and E 1 for
inspection
and
engineering

billed
specifically,
(5) medical
explanation
of examiner
services
relating to
underwriting.
allocation by
type of
office 7.
Audit of
Auditing fees
and expenses
of
independent
auditors for
No allocation
- assureds'
auditing
payroll and
other premium
bases. direct
charge to
records
company 8.
Salary and
Salaries,
bonus,
overtime,
contingent
compensation,
and See
Exhibit A
related items
other
compensation
of employees.
This would
include
Appendix at
A; B; C
commission
and brokerage
to employees
when the
activities 1,
2; D 1, 2, 3,
4; E for
which the
commission is
paid are a
part of their
duties 2, 5;
and F 1, 2,
3, as
employees. 4
for
explanation
by type of
office

EXPENSE LINE ITEM
BASIS OF EXPENSE
PER U&I EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION*** - --

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-------------- 9.
Employee This
category includes

a variety of pension and insurance See Exhibit A relations and benefits for employees, as well as some miscellaneous Appendix at A; B; C welfare expenditures. The first area entails: (1) cost of 1, 2; D 1, 2, 3, 4; E retirement insurance, pensions or other retirement 2, 5; and F 1, 2, 3, allowances and funds irrevocably devoted to the payment of 4 for explanation by pensions or other employees' benefits, and (2) accident, type of office health and hospitalization insurance, group life insurance and workers' compensation insurance. The miscellaneous category may include the following items (1) training and welfare; (2) physical exams for employees or candidates; (3) gatherings, outings and entertainment; (4) education; and (5) donations to or on behalf of employees. 10. Insurance Costs of insurance for employee/agent fidelity or surety See Exhibit A bonds, public liability, burglary and robbery, automobiles Appendix at D 1; E 1; and office contents. and F 1, 2, 3, 4 for explanation by type of office 11. Directors fees Amounts relate to fees and other compensation paid to Direct charge to directors for attending Board or committee meetings. company 12. Travel and Major expense subcategories include: (1)

transportation,
See Exhibit A
travel items
hotel, meals,
telephone and
other related
costs associated
Appendix at A; B;
C for employees
traveling, (2)
expense for
transfer of 1, 2;
D 1, 2, 3, 4; E
employees, (3)
automobile rental
and license
plates, 2, 5; and
F 1, 2, 3,
depreciation,
repairs and other
operating costs of
4 for explanation
by automobiles (4)
transportation,
hotel and type of
office
meals/entertainment
of guests, (5)
dues and
subscriptions to
accounting, legal,
actuarial or
similar societies
and associations.
14. Equipment Rent
and repair of
furniture and
equipment, include
the See Exhibit A
related
depreciation
charges. Appendix
at A; B; C 1, 2; D
1, 2, 3, 4; E 1,
2, 3, 4; and F 1,
2, 3, 4

EXPENSE LINE
ITEM BASIS OF
EXPENSE PER U&I
EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION*** -

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- 15. Cost or
Rent and repair
of processing
equipment and
non-operating
Charged to
depreciation of
systems
electronic data
software,
including the
related
companies. See
EDP equipment
depreciation

and amortization. Exhibit A, Appendix and software at A; B; C2; D1, 2, 3, 4 16. Printing and Generally, printing, stationery and office supplies (paper See Exhibit A stationery stock, printed forms and manuals, Photostat copies, pens and Appendix at A; B; C pencils, etc.). Also included would be policies and policy 1, 2; D 1, 2, 3, 4; E forms, in-house employee publications, books, newspapers and 2, 5; and F 1, 2, 3, 4 periodicals including, tax and legal publications and services. 17. Postage, All express, freight and cartage expenses, postage, and See Exhibit A telephone, etc. telephone. Appendix at A; B; C 1, 2; D 1, 2, 3, 4; E 2, 5; and F 1, 2, 3, 4 18. Legal & auditing Legal fees and retainers excluding loss and salvage related, See Exhibit A auditing fees of independent auditors for examining records, Appendix at A; D 2, services of tax experts and counsel, custodian fees, notary 3, 4; E 2; and F 1, 2 and trustees' fees. 20. Taxes, licenses Several categories comprise this expense classification:

No allocation - and fees (1) state and local insurance taxes; (2) Insurance direct charge to Department licenses and fees; (3) payroll taxes; and (4) all company other, excluding real estate and federal income. Taxes, licenses and fees based on premiums and payments to state industrial commissions for administration of workers' compensation or other state benefit acts would be in the first classification. Expenses relating to the Insurance Department would include agents' licenses, filing fees, certificates of authority and fees and expenses of examination. Payroll related expenses normally include old age benefit and unemployment insurance taxes. More significant expenses in the all other section would be financial statement publication fees, legally mandated advertising and personal property and state income taxes.

EXPENSE LINE ITEM BASIS OF EXPENSE PER U&I EXHIBIT* EXPENSE CLASSIFICATION DESCRIPTION** ALLOCATION*** - -------------------- ---------- ---------------

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EXPENSE LINE ITEM BASIS OF EXPENSE PER U&I EXHIBIT* EXPENSE CLASSIFICATION DESCRIPTION** ALLOCATION***

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---- 6.5
Collection
and
Collection
charges on
checks and
drafts and
charges for
bank service
checking
accounts and
money orders.
charges

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

APPENDIX TO EXHIBIT A

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT B

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

EXPENSE LINE
ITEM PER
GENERAL BASIS
OF EXPENSE
EXPENSE EXHIBIT
2* EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION*** -

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1. Rent Rent
for all
premises
occupied by the
company,
including any
Direct charges
by adequate
rent for
occupancy of
its own
buildings, in
whole company
are based on or
in part, except
to the extent
that allocation
to other square
footage.
expense
classifications
on a functional
basis is
permitted
Allocated
expenses and
used. are
handled per
Exhibit B
Appendix at A;
B 1, 2; C 1, 2
and D 1, 2 2.
Salaries and
Salaries and
wages, bonuses
and incentive
compensation to
Agents'
compensation
wages
employees,
overtime
payments,
continuation of
salary during
is a direct
charge to
temporary
short-term
absences,
dismissal
allowances,
company. The
payments to
employees while
in training and

other remaining expenses in compensation to employees not specifically designated this category are herein, except to the extent that allocation to their allocated per Exhibit expense classifications is permitted and used. B Appendix at A; B 1, 2; C 1, 2; and D 1, 2 Contributions by company for pension and total permanent See Exhibit B disability benefits, life insurance benefits, accident, Appendix at A; B 1, health, hospitalization, medical, surgical, or other 2; C 1, 2; and

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

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

*** Before consideration of any applicable reinsurance agreement.

3.11	Contributions for benefit plans for employees	temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts. Appropriation of any other assignment of funds by company in connection with any benefit plan of the types enumerated herein.	D 1, 2
3.12	Contributions for benefit plans for agents	Contributions by company for pension and total permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts. Appropriation of any other assignment of funds by company in connection with any benefit plan of the types enumerated herein.	See Exhibit B Appendix at C 1, 2; and D 1, 2
3.21	Payments to employees under non- funded benefit plans	Payments by company under a program for pension and total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical or other temporary disability benefits where no contribution or appropriation is made prior to the payment of the benefit.	No allocation - direct charge to company
3.22	Payments to agents under non-funded benefit plans	Payments by company under a program for pension and total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical or other temporary disability benefits where no contribution or	No allocation - direct charge to company

appropriation is made prior to the payment of the benefit.

3.31 Other employee welfare	The net periodic postretirement benefit cost, meals to employees, contribution to employee associations or clubs, dental examinations, medical dispensary or convalescent home expenses for employees.	Agents' compensation is a direct charge to company. The remaining expenses in this category are allocated per Exhibit B Appendix at A; B 1, 2; C 1, 2; and D 1, 2

EXPENSE LINE ITEM PER GENERAL BASIS OF EXPENSE EXPENSE EXHIBIT* EXPENSE CLASSIFICATION DESCRIPTION** ALLOCATION*** -
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3.32 Other agent The net periodic postretirement benefit cost, meals to Agents' compensation welfare employees, contribution to employee associations or clubs, is a direct charge to dental examinations, medical dispensary or convalescent home company. The expenses for agents. remaining expenses in this category are allocated per Exhibit B Appendix at C 1, 2; and D 1, 2 4.1 Legal fees and Court costs, penalties and all fees or retainers for legal No allocation - expenses services or expenses in connection with matters before direct charge to administrative or legislative bodies. company 4.2 Medical

Fees to medical examiners in connection with new business See Exhibit B examination fees reinstatements, policy changes and applications for Appendix at D 1, 2 employment. 4.3 Inspection Fee for inspection reports in connection with new business, See Exhibit B report fees reinstatements, policy changes and applications for Appendix at D 1, 2; C employment. Cost of services furnished by the Medical Information Bureau. 4.4 Fees of public Include expenses relating to this category except exclude See Exhibit B accountants and examination fees made by State Departments and internal Appendix at A; B 1, consulting audits by company employees. 2; C 1, 2; and D 1, 2 actuaries 4.6 Expense of Payment to other than employees of fees and expenses for the See Exhibit B investigation investigation, litigation and settlement of policy claims. Appendix at D 1, 2 and settlement of policy claims

EXPENSE LINE ITEM PER GENERAL BASIS OF EXPENSE EXPENSE EXHIBIT*

EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION*** -

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5.1 Traveling
Traveling
expense of
officers, other
employees,
directors See
Exhibit B
expenses and
agents,
including
hotel, meals,
telephone,
telegraph and
Appendix at A;
B 1, postage
charges
incurred while
traveling. Also
include 2; C 1,
2; and D 1, 2
amounts allowed
employees for
use of their
own cars on
company
business and
the cost of, or
depreciation
on, and
maintenance and
running
expenses of
company-owned
automobiles.
5.2 Advertising
Newspaper,
magazine and
trade journal
advertising for
the See Exhibit
B purpose of
solicitation
and
conservation of
business.
Appendix At A,
B 1, Billboard,
sign and
telephone
directory,
television,
radio 2; C 1;
and D 1, 2
broadcasting
and motion
picture
advertising,
excluding
subjects
dealing wholly
with health and
welfare. All
canvassing or
other
literature,
such as
pamphlets,
circulars,
leaflets,
policy

illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents or through the mail for the purposes of solicitation and conservation of business. All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public. Printing, paper stock, etc. in connection with advertising. Prospect and mailing lists when used for advertising purposes. Fees and expenses of advertising agencies related to advertising. 5.3 Postage, Freight and cartage, cables, radiograms and teletype. Also See Exhibit B express, charges for use, installation and maintenance of related Appendix at A; B 1, telegraph and equipment if not included elsewhere. 2; C 1, 2; and D 1, 2 telephone 5.4 Printing and Policy forms, riders, supplementary contracts, applications, See Exhibit B stationery etc., rate books, instruction manuals, punch-cards, house Appendix at A; B 1, organs, and all other printed material which is not required 2; C 1, 2; and D 1, 2 to be included in any other expense

classification.
Office supplies
and pamphlets
on health,
welfare and
education
subjects. Also
include annual
reports to
policyholders
and
stockholders if
not included in
Line 5.2. 5.5
Cost or The
cost or
depreciation of
office machines
except for such
See Exhibit B
depreciation of
charges as may
be reported in
Line 5.3.
Appendix at A;
B 1, furniture
and 2; C 1, 2;
and D 1, 2
equipment

EXPENSE LINE
ITEM PER
GENERAL BASIS
OF EXPENSE
EXPENSE
EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION***
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\-- 5.6 Rental
of Rental of
office
machines
except for
such charges
as may be See
Exhibit B
equipment
reported in
Line 5.3.
Appendix at
A; B 1, 2; C
1, 2; and D
1, 2 5.7 Cost
or Include
cost,
depreciation
and
amortization
for EDP
Charged to
Companies
depreciation
of equipment
and operating
and non-
operating
systems

software. See
Exhibit B at
A; EDP
equipment B;
C and
software 6.1
Books and
Books,
newspapers,
periodicals,
etc.,
including
investment
See Exhibit B
periodicals
tax and legal
publications
and
information
services, and
Appendix at
A; B 1,
including all
such material
for company's
law
department
and 2; C 1,
2; and D 1, 2
libraries.
6.2 Bureau
and All dues
and
assessments
of
organizations
of which the
No allocation
- association
fees company
is a member.
All dues for
employees'
and agents'
direct charge
to
memberships
on the
company's
behalf.
company 6.3
Insurance,
Premiums for
Workers'
Compensation,
burglary,
holdup, See
Exhibit B
except on
real forgery
and the
public
liability
insurance,
fidelity or
Appendix at
A; B 1,
estate surety
bonds,
insurance on
contents of
company-
occupied 2; C
1, 2; and D
1, 2
buildings and
all other
insurance or
bonds not
included
elsewhere.

6.4
Miscellaneous
Uncollectible
losses due to
deficiencies,
defalcations,
Primarily a
direct losses
robbery, or
forgery,
except those
offset by
bonding
charge to
company.
companies'
payments.
Also include
Worker's
Compensation
Remaining
expenses
benefits not
covered by
insurance and
other
uninsured
losses are
allocated per
not included
elsewhere.
Exhibit B
Appendix at
A; and D 1, 2
6.5
Collection
and
Collection
charges on
checks and
drafts and
charges for
See Exhibit B
bank service
checking
accounts and
money orders.
Appendix at
A; and D
charges 1, 2
6.6 Sundry
general
Direct
expense of
local agency
meetings,
luncheons and
See Exhibit B
expenses
dinners,
tabulating
service
rendered by
outside
Appendix at
A; B 1,
organizations,
gifts and
donations.
Any portion
of 2; C 1, 2;
and D 1, 2
commissions
and expense
allowances on
reinsurance
assumed for
group
business
which
represents

specific
reimbursement
of expenses.
Reimbursement
to another
insurer for
expense of
jointly
underwritten
group
contracts.

EXPENSE LINE
ITEM PER
GENERAL BASIS
OF EXPENSE
EXPENSE
EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION***
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-- 6.7 Group
service
Administration
fees, service
fees, or any
other form of
See Exhibit B
and
allowance,
reimbursement
of expenses,
or
compensation
(other
Appendix at D
1, 2;
administration
than
commissions)
to agents,
brokers,
applicants,
and B fees
policyholders
or third
parties in
connection
with the
solicitation,
sale,
issuance,
service and
administration
of group
business. 6.8
Reimbursements
Report as a
negative
amount
administrative
fees, direct
No allocation
- by
uninsured
reimbursement
of expenses,
or other

similar receipts or direct charge to accident and credits attributable to uninsured accident and health plans company health plans and the uninsured portion of partially insured accident and health plans. 7.1 Agency expense All bona fide allowance for agency expense, but not No allocation - allowance allowances constituting additional compensation. direct charge to company 7.2 Agents' Agents' balances charged off less any amounts recovered No allocation - balances during the year. direct charge to charged off company 7.3 Agency Cost of banquets and rental of meeting rooms. Expenses of Primary dollars are a conferences all persons traveling to conferences and their expenses at direct charge to other than conferences. company. The local meetings remaining expenses in this category are allocated per Exhibit B Appendix at C 1; and D 1 9.1 Real estate The cost of repairs, maintenance, service, and operation of

Direct
charges by
expenses all
real estate
properties
including
insurance
whether
company are
based on
occupied by
the company
or not;
salaries and
other square
footage.
compensation
of managing
agents and
their
employees;
Allocated
expenses
expenses
incurred in
connection
with rental
of such are
handled per
properties;
legal fees
specifically
associated
with real
Exhibit B
Appendix at
estate
transactions
other than
sale; rent,
salaries and
A; B 1, 2; C
1, 2; wages,
and other
direct
expenses of
any branch of
Home and D 1,
2 Office
until engaged
solely in
real estate
work (not
real estate
and mortgages
combined).

EXPENSE LINE
ITEM PER
GENERAL BASIS
OF EXPENSE
EXPENSE
EXHIBIT*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION***
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-- 9.2
Investment

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

EXPENSE LINE
ITEM PER
TAXES,
LICENSES AND
FEES BASIS OF
EXPENSE
EXHIBIT 3*
EXPENSE
CLASSIFICATION
DESCRIPTION**
ALLOCATION***
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-- 1. Real
estate Those
taxes
directly
assessed
against
property
owned by the
Direct
charges by

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

unemployment
tax.

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

APPENDIX TO EXHIBIT B

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

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

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

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

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

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

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

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

EXHIBIT C

EXPENSE PROCESS OVERVIEW
ALLSTATE INSURANCE GROUP

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

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

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

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

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

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

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

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

- - ALLOCATIONS

THE EXPENSE ALLOCATION PROCESS CAN BE DIVIDED INTO 3 SUBCATEGORIES:

1. OFFICE - The objective of this phase of the allocation process is to properly transfer various support costs performed by one organization to another organization that they directly relate to. The basic justification for this cost transfer is efficiency gain, which is mutually beneficial to both parties. Certain processes are centrally performed on behalf of a number of entities, then allocated to the office/company being supported. Routine expenses of this nature often include support activities from the following functional areas: Accounting; Systems; Investments; Corporate Relations; Law and Regulation; and Human Resources. These costs cannot be directly expensed. It is necessary to provide for an appropriate method of allocation. An example of this method of allocation would relate to the accounting treatment of costs and expenses attributable to Allstate's Internal Audit Department (IAD). As part of the Allstate Corporate Home Office structure, IAD salaries and related expenses are allocated to other Affiliates companies and/or offices (i.e. data and profit centers) based on time and effort studies. The terms for this allocation are delineated in a separate agreement between the parties which is referred to as a Shared Service Agreement (SSA). The SSA is a vehicle which allows the parties to agree in advance on certain essential terms and conditions which include: a description of the services to be provided; the period covered; costs and standards. The SSA concept can be used to transfer expenses between Brands (e.g., Allstate, Ivantage, Indemnity, Life), between Shared Services (e.g., Finance, Investments, Human Resources, Technical) or between a Brand and Shared Service.

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

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

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

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

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

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

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

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

EXHIBIT D

DEFINITIONS

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

PROCESS FLOW

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

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

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

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

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

PROFIT CENTER -- Aligns expense to a distribution channel, geographic location and product grouping (i.e. Denver Region, Colorado, Standard Auto).

GENERAL

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

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

EXHIBIT E

TERMINATED AGREEMENTS

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

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

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

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

Administrative Services Agreement between Allstate Life Insurance Company and

ALFS, Inc. (f/k/a Allstate Life Financial Services, Inc.) effective May 1, 1999.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT 10.12

FORM OF
INVESTMENT MANAGEMENT AGREEMENT

AMONG

ALLSTATE INVESTMENTS, LLC

AND

ALLSTATE INSURANCE COMPANY

AND

THE ALLSTATE CORPORATION

AND

CERTAIN AFFILIATES

This Agreement made and effective as of January 1, 2007, among ALLSTATE INVESTMENTS, LLC, a Delaware limited liability company ("ALLSTATE INVESTMENTS"), ALLSTATE INSURANCE COMPANY, an Illinois insurance company ("Allstate"), THE ALLSTATE CORPORATION, a Delaware corporation and parent of Allstate and ALLSTATE INVESTMENTS ("Allcorp"), and those additional subsidiaries of Allcorp whose signatures appear below (individually an "Affiliate" and collectively with Allstate and Allcorp, the "Allstate Affiliates").

W I T N E S S E T H:

WHEREAS, ALLSTATE INVESTMENTS has been providing investment management services to certain of the Allstate Affiliates pursuant to those certain Investment Management Agreements, dated as of January 1, 2002, and April 29, 2003, which, by their terms, are terminating effective January 1, 2007, and January 1, 2008, respectively, and the parties hereto desire to continue such relationship and enter into a new Agreement for the rendering of investment management services, effective as of the date hereof, subject to the terms and conditions set forth herein.

NOW, THEREFORE, it is agreed as follows:

ARTICLE 1
INVESTMENT MANAGEMENT SERVICES

1.1 APPOINTMENT. Each Allstate Affiliate hereby engages ALLSTATE INVESTMENTS as the investment manager of its investment assets and grants ALLSTATE INVESTMENTS the power and authority to advise, manage, and direct the investment and reinvestment of such assets for the period and on the terms and conditions set forth herein. Such activities shall be conducted subject to and in accordance with the investment objectives, restrictions, and strategies set forth in the Investment Policy and

Investment Plan (the "Policy") adopted by the Board of Directors of each such Allstate Affiliate with respect to its respective investment portfolios, and in accordance with such other limitations and guidelines as may be established from time to time for such portfolios by such Boards (such investment objectives, restrictions, strategies, limitations, and guidelines herein referred to collectively as the "Investment Guidelines"). ALLSTATE INVESTMENTS hereby accepts such responsibility and agrees during such period to render the services and to assume the obligations herein set forth, all as more fully described in Exhibit A, attached hereto (the "Services"). Each of the Allstate Affiliates may from time to time reach agreement with ALLSTATE INVESTMENTS that only certain of the listed Services will be provided.

1.2 CHARGES AND EXPENSES. Each Allstate Affiliate agrees to pay ALLSTATE INVESTMENTS a fee for the Services equal to ALLSTATE INVESTMENTS' fully burdened basis point charge for the management of such Allstate Affiliate's portfolio. The fully burdened basis point charge is ALLSTATE INVESTMENTS' actual cost of managing the portfolios in which such Allstate Affiliate invests, including the provision of all administrative, reporting or other services required to manage the portfolios and provide the Services. To the extent any of ALLSTATE INVESTMENTS' costs are determined by allocations from any Allstate Affiliate, the allocation shall be made in accordance with the general provisions of the NAIC expense classification and allocation guidelines applicable to all inter-company allocations between Allstate and its insurance affiliates.

ALLSTATE INVESTMENTS shall maintain and make available for review by any Allstate Affiliate, or any regulator having jurisdiction over such Allstate Affiliate, documentation showing the calculation of all such charges. Any Allstate Affiliate may request a review of such charges for the Services and such review will occur promptly thereafter. All brokerage commissions and other direct transaction charges payable to third parties shall be in addition to any fees payable to ALLSTATE INVESTMENTS for Services and may be paid on each Allstate Affiliate's behalf from the assets in such entities portfolio or may be paid by ALLSTATE INVESTMENTS and reimbursed by such Allstate Affiliate.

1.3 PAYMENT. ALLSTATE INVESTMENTS will charge each Allstate Affiliate for the Services via the monthly expense allocation process, and payments will be through the monthly intercompany settlement process. The process will be completed by personnel of ALLSTATE INVESTMENTS and each of the Allstate Affiliates in the most timely and effective method available.

ARTICLE 2
MISCELLANEOUS PROVISIONS

2.1 PREVIOUS AGREEMENTS. Nothing in this Agreement shall be deemed to amend any previously executed agreement between the parties.

2.2 SCOPE OF SERVICES. The scope of, and the manner in which, ALLSTATE INVESTMENTS provides the Services to the Allstate Affiliates shall be reviewed periodically by ALLSTATE INVESTMENTS and the Allstate Affiliates.

2.3 STANDARD OF PERFORMANCE. ALLSTATE INVESTMENTS shall discharge its duties hereunder at all times in good faith and with that degree of prudence, diligence, care and skill which a prudent person rendering services as an institutional investment manager would exercise under similar circumstances. The provisions of this Agreement shall not be interpreted to imply any obligation on the part of ALLSTATE INVESTMENTS to observe any standard of care other than as set forth in this Section 2.3.

2.4 BOOKS AND RECORDS. Upon reasonable notice, and during normal business hours, each Allstate Affiliate shall be entitled to, at its own expense, inspect records that pertain to the computation of charges for the Services. ALLSTATE INVESTMENTS shall at all times maintain correct and complete books, records and accounts of all Services. Each Allstate Affiliate shall have unconditional right of ownership of any records prepared on its behalf under this Agreement.

2.5 LIABILITY OF ALLSTATE INVESTMENTS. In the absence of ALLSTATE INVESTMENTS' willful or negligent misconduct (or the willful or negligent misconduct of its officers, directors, agents, employees, controlling persons, shareholders, and any other person or entity affiliated with ALLSTATE INVESTMENTS or retained by it to perform or assist in the performance of its obligations under this Agreement), neither ALLSTATE INVESTMENTS nor any of its officers, directors, employees or agents shall be subject to liability to any Allstate Affiliate for any act or omission in the course of, or connected with, rendering services hereunder.

2.6 INDEPENDENT CONTRACTOR. ALLSTATE INVESTMENTS shall for all purposes be deemed to be an independent contractor. All persons performing duties hereunder at all times during the term of this agreement shall be under the supervision and control of ALLSTATE INVESTMENTS, and shall not be deemed employees of any Allstate Affiliate as a result of this Agreement and the Services provided hereunder. ALLSTATE INVESTMENTS shall have no power or authority to bind any Allstate Affiliate or to assume or create an obligation or responsibility, express or implied, on behalf of any Allstate Affiliate, nor shall it represent to anyone that it has such power or authority, except as expressly provided in this Agreement. Nothing in this Agreement shall be deemed to create a partnership between or among the parties, whether for purposes of taxation or otherwise.

2.7 ASSIGNMENT. ALLSTATE INVESTMENTS shall not assign its obligations or rights under this Agreement without the written consent of each Allstate Affiliate.

2.8 TERM, TERMINATION. This Agreement shall remain in effect for one year and shall be automatically renewed for subsequent one-year terms unless sooner terminated by either party pursuant to this Section 2.8. ALLSTATE INVESTMENTS may terminate this Agreement in its entirety, and each Allstate Affiliate may cancel its participation in the arrangements under this Agreement, each by giving six months written notice to the other parties to this Agreement; provided, however, that in the event that the affiliate relationship ceases to exist with respect to any Affiliate, this Agreement shall terminate immediately with respect to such Allstate Affiliate.

2.9 NOTICES. All communications provided for hereunder shall be in writing, and if to an Allstate Affiliate, mailed or delivered to such Allstate Affiliate at its office at the address listed in such Affiliate's Statutory Annual Statement Blank, Attention: Secretary, or if to an entity not filing a statutory Annual Statement Blank, mailed or delivered to its office at 3075 Sanders Road, Northbrook, Illinois 60062, Attention: Controller, or addressed to any party at the address such party may hereafter designate by written notice to the other parties.

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

THE ALLSTATE CORPORATION

By:

[Various Allstate Affiliates]

Exhibit A
INVESTMENT SERVICES

A. APPOINTMENT. This Exhibit A details the Services to be provided by ALLLSTATE INVESTMENTS pursuant to the Investment Management Agreement among ALLSTATE INVESTMENTS and certain Allstate Affiliates to which this Exhibit A is attached. For purposes of this Exhibit A, the investment portfolio of each Allstate Affiliate will be referred to as an Account

B. ALLSTATE INVESTMENTS AS AGENT. ALLSTATE INVESTMENTS shall be granted and exercise full investment discretion and authority in buying, selling or otherwise disposing of or managing the investment of the assets held in each Account and in the performance of the services rendered hereunder, and shall do so as each Allstate Affiliate's agent only, subject to ALLSTATE INVESTMENTS' adherence to the Policies and Investment Guidelines. Each Allstate Affiliate hereby authorizes ALLSTATE INVESTMENTS to exercise all such powers with respect to the assets of its respective Account as may be necessary or appropriate for the performance by ALLSTATE INVESTMENTS of its obligations under the Agreement, subject to the supervision of the Board of Directors of such Allstate affiliate (the "Board"), and any limitations contained herein.

C. INVESTMENT ADVISORY SERVICES. In furtherance of the foregoing, and in carrying out its obligations to manage the investment and reinvestment of the assets in each Account, ALLSTATE INVESTMENTS shall, as appropriate and consistent with the Investment Guidelines:

(a) perform research and obtain and evaluate such information relating to the economics, industries, businesses, markets and new investment structures, techniques, practices, and financial data as ALLSTATE INVESTMENTS deems appropriate in the discharge of its duties under this Agreement; (b) consult with and furnish to each Board recommendations with respect to overall investment strategies for each respective Account; (c) seek out and implement specific investment opportunities, consistent with such overall investment strategies approved by each Board, including making and carrying out day-to-day decisions to acquire or dispose of permissible investments, managing the investment of the assets of each Account, and providing or obtaining such services as may be necessary in managing, acquiring or disposing of investments; (d) regularly report to the Boards with respect to the implementation of investment strategies and any other activities in connection with management of each Account's assets, including furnishing to each Board, within 45 days after the end of each quarter, a report concerning investment activity during the quarter; (e) maintain all required accounts, records, memoranda, instructions or authorizations relating to the acquisition or disposition of investments for each Account; (f) determine the securities to be purchased or sold by each Account and place orders either directly with the issuer, with any broker-dealer or underwriter that specializes in the securities for which the order is made, or with any other broker or dealer that ALLSTATE INVESTMENTS selects; and (g) perform the services hereunder in a manner consistent with investment objectives and policies of

each Allstate Affiliate as detailed in the respective Investment Guidelines, as amended from time to time, and in compliance, as appropriate, with the applicable provisions of the insurance laws and regulations of each Allstate Affiliate's domicile, as amended and any other applicable laws.

D. ALLOCATION OF BROKERAGE. ALLSTATE INVESTMENTS is authorized in its sole discretion to select the brokers or dealers that will execute the purchases and sales of securities for each Account. In making such selection, ALLSTATE INVESTMENTS shall use its best efforts to obtain for each Account the most favorable net price and execution available taking into account all appropriate factors, including price, dealer spread or commission, if any, and size and difficulty of the transaction. If, in the judgment of ALLSTATE INVESTMENTS, an Allstate Affiliate would be benefited by supplemental investment research, ALLSTATE INVESTMENTS is authorized, but not obligated, to select brokers or dealers on the basis of research information, materials, or services they could furnish to ALLSTATE INVESTMENTS for potential use in supplementing ALLSTATE INVESTMENTS' own information and in making investment decisions for each Account. The expenses of ALLSTATE INVESTMENTS and the charges to an Allstate Affiliate may not necessarily be reduced as a result of receipt of such supplemental information. Subject to the above requirements, nothing shall prohibit ALLSTATE INVESTMENTS from selecting brokers or dealers with which it or any Allstate Affiliate is affiliated.

E. SERVICE TO OTHER CLIENTS. Each Allstate Affiliate acknowledges that ALLSTATE INVESTMENTS may perform services for clients other than the Allstate Affiliates that are similar to the services to be performed pursuant to this Agreement, and that ALLSTATE INVESTMENTS is free to do so provided that its services pursuant to this Agreement are not in any way impaired. Each Allstate Affiliate agrees that ALLSTATE INVESTMENTS may provide investment advice to any of its other clients that may differ from advice given to such Allstate Affiliate, or take action with respect to assets owned by it or its other clients that may differ from the action taken with respect to any Account and/or assets held therein, so long as ALLSTATE INVESTMENTS, to the extent reasonable and practicable, allocates investment opportunities to each Account on a fair and equitable basis relative to ALLSTATE INVESTMENTS' other clients. It is understood that ALLSTATE INVESTMENTS shall have no obligation to purchase or sell, or to recommend for purchase or sale for any Account, any security that ALLSTATE INVESTMENTS, its affiliates, employees or agents may purchase or sell for its or their own accounts or for the account of any other client, if, in the opinion of ALLSTATE INVESTMENTS, such transaction or investment appears unsuitable, impractical or undesirable for such Account. It is agreed that ALLSTATE INVESTMENTS may use any supplemental investment research obtained for the benefit of an Allstate Affiliate in providing investment advice to its other clients or its own accounts. Conversely, such supplemental information obtained by the placement of business for ALLSTATE INVESTMENTS or other entities advised by ALLSTATE INVESTMENTS will be considered by and may be useful to ALLSTATE INVESTMENTS in carrying out its obligations to each Allstate Affiliate.

F. ALLOCATION OF TRADES. It is acknowledged that securities held by an Allstate Affiliate may also be held by separate investment accounts or other funds for which ALLSTATE INVESTMENTS may act as a manager. If purchases or sales of securities for an Allstate Affiliate or other entities for which ALLSTATE INVESTMENTS acts as investment manager arise for consideration at or about the same time, each such Allstate Affiliate agrees that ALLSTATE INVESTMENTS may make transactions in such securities, insofar as feasible, for the respective entities in a manner deemed equitable to all. To the extent that transactions on behalf of more than one client of ALLSTATE INVESTMENTS during the same period may increase the demand for securities being purchased or the supply of securities being sold, each Allstate Affiliate recognizes that there may be an adverse effect on price.

It is agreed that, on occasions when ALLSTATE INVESTMENTS deems the purchase or sale of a security to be in the best interests of an Allstate Affiliate as well as other accounts or companies, it may, to the extent permitted by applicable laws and regulations, but will not be obligated to, aggregate the securities to be so sold or purchased for such Allstate Affiliate with those to be sold or purchased for other accounts or companies in order to obtain favorable execution and lower brokerage commissions. In that event, allocation of the securities purchased or sold, as well as the expenses incurred in the transaction, will be made by ALLSTATE INVESTMENTS in the manner it considers to be most equitable and consistent with its obligations to such Allstate Affiliate and to such other accounts or companies. Each Allstate Affiliate recognizes that in some cases this procedure may adversely affect the size of the position obtainable for such Allstate Affiliate.

G. CONTRACTS; AUTHORIZED SIGNATORIES. ALLSTATE INVESTMENTS shall have the full power, right and authority, as each Allstate Affiliate's agent, in accordance with this Agreement and the Investment Guidelines, to negotiate, apply for, enter into, execute, deliver, amend, modify and/or terminate legal documents of every kind and nature relating to or required by the investment of the assets of each Account. All such documents may be entered into in an Allstate Affiliate's name or in ALLSTATE INVESTMENTS' name (as agent for such Allstate Affiliate), as ALLSTATE INVESTMENTS shall determine, and all such documents shall be legally binding on such Allstate Affiliate. Those certain employees and officers of ALLSTATE INVESTMENTS who are authorized to execute transactions and sign documentation pursuant to the Policies and Procedures adopted pursuant to authorization of the ALLSTATE INVESTMENTS' Board of Directors, as they may be amended from time to time, shall also be authorized to the same extent to execute transactions and sign documentation on behalf of any Allstate Affiliate and/or ALLSTATE INVESTMENTS in connection with transactions entered into on behalf of the assets of any Account pursuant to this Agreement.

H. COMPLIANCE WITH LEGAL REQUIREMENTS. ALLSTATE INVESTMENTS shall make all reasonable efforts to comply with and cause to be complied with all applicable laws, rules, and regulations of each Allstate Affiliate's domicile, and any federal, state or municipal authority governing this Agreement, the services rendered

hereunder, each Account and the assets held therein. Without limiting the foregoing, ALLSTATE INVESTMENTS shall comply with all securities laws and other laws applicable to the services provided under this Agreement.

I. TRANSACTION PROCEDURES. The assets of each Account are or will be held in custody by the bank custodian(s) appointed by each Allstate Affiliate from time to time. ALLSTATE INVESTMENTS shall not act as custodian for the assets of any Account and shall not, under any circumstances, have or be deemed to have ownership, custody or physical control of any of the assets of any Account. ALLSTATE INVESTMENTS may, however, issue instructions to, and communicate with, the bank custodian for each Account as may be necessary and appropriate in connection with provision of its services pursuant to this Agreement. At the option of ALLSTATE INVESTMENTS, instructions by ALLSTATE INVESTMENTS to the bank custodian may be made orally or by computer, electronic instruction systems or telecommunications terminals. ALLSTATE INVESTMENTS will confirm that the bank custodian has effected such instructions either by access to the bank's computerized identification system or by telephonic confirmation. The bank custodian will confirm with ALLSTATE INVESTMENTS receipt of trade instructions orally or by computer for the Account. ALLSTATE INVESTMENTS will instruct all brokers, dealers and counterparties executing orders on behalf of the assets of an Account to forward to ALLSTATE INVESTMENTS copies of all confirmations.

J. RECORDKEEPING. ALLSTATE INVESTMENTS shall keep and maintain an accurate and detailed accounting of each transaction concerning the assets of each Account and of all receipts, disbursements, and other transactions relating to the purchase and sale transactions arising hereunder. ALLSTATE INVESTMENTS agrees to preserve such records for the greater of (i) six years; (ii) the required period pursuant to the insurance laws of an Allstate Affiliate's domicile and related regulations; or (iii) such other time period that an Allstate Affiliate may from time to time request. ALLSTATE INVESTMENTS acknowledges that all such records shall be the property of each Allstate Affiliate and shall be made available, within five (5) business days of receipt of a written request, to an Allstate Affiliate, its accountants, auditors or other representatives of the Allstate Affiliate for inspection and/or copying (at such Allstate Affiliate's expense) during regular business hours. In addition, ALLSTATE INVESTMENTS shall provide any materials, reasonably related to the investment advisory services provided hereunder, as may be reasonably requested in writing by the directors or officers of an Allstate Affiliate, or as may be required by any governmental agency with jurisdiction hereunder.

ALLSTATE INVESTMENTS further agrees to prepare and furnish to each Allstate Affiliate and to other persons designated by such Allstate Affiliate, at such regular intervals and other times as may be specified by such Allstate Affiliate from time to time (i) such balance sheets, income and expense statements and other financial statements and reports, and (ii) such other statements, reports and information, in each case regarding the assets of its Account as such Allstate Affiliate shall from time to time reasonably require.

In the event of termination of this Agreement for any reason, all such records or copies thereof shall be returned promptly to the respective Allstate Affiliate, free from any claim or retention of rights by ALLSTATE INVESTMENTS.

Exhibit 10.19

AMENDMENT NO. 2
TO THE
CASH MANAGEMENT SERVICES MASTER AGREEMENT

This AMENDMENT No. 2 (the "Amendment") is made and entered into this 8th day of November, 2002 by and among the undersigned companies.

WHEREAS, the parties to the Cash Management Services Master Agreement dated March 16, 1999 as amended January 5, 2001 (the "Agreement") desire to amend the Agreement to add Allstate Motor Club, Inc. ("AMC") as an additional party to the Agreement;

NOW THEREFORE, for and in consideration of the mutual agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree that the Agreement is hereby be amended as follows:

1. The definition of "Customer" in the first paragraph of the Agreement shall include AMC in addition to AIC, ALIC, LBL and AHL.

Except as otherwise amended hereby, the Agreement shall remain unchanged.

IN WITNESS HEREOF, the parties to the Agreement have caused this Amendment to be duly executed in duplicate by their respective officers on the dates shown below.

ALLSTATE BANK	ALLSTATE MOTOR CLUB, INC.
By: /s/ Clay S. Green	By: /s/ James P. Zils
Name: Clay S. Green	Name: James P. Zils
Title: President	Title: Vice President and Treasurer
Date: 1/7/03	Date: 4/4/03

ALLSTATE BANK

SERVICE SUPPLEMENT FOR ALLSTATE MOTOR CLUB
CASH SERVICES MASTER AGREEMENT
MAY 21, 2002

ACH FILE TRANSMISSION

All ACH files must be delivered in NACHA format to the Allstate Bank PEP+ system in the Great Lakes Data Center. Files received after 8:00PM CT will be processed on the next business day. Prior to January 1 of each year, Allstate Bank will provide a schedule of holidays for that year. Files will not be collected or transmitted on Allstate Bank holidays. All files must be confirmed by a fax transmission of file totals prior to processing of the file.

A transaction limit of $500.00 has been established for a single ACH item. Melodee Bowden, Mark Iwanski or a designee at the Great Lakes Data Center must notify Allstate Bank if a transaction will exceed this limit. Allstate Bank will increase the limit upon written notification via e-mail.

A daily exposure limit of $500,000 has been set for Allstate Motor Club. In the event that the file total on any day will exceed $500,000, Allstate Insurance Company must notify the Allstate Bank ACH Department PRIOR to transmitting the file. The Chief Financial Officer or Vice President of Operations must approve any file transmissions that exceed the limit. The ACH Department will notify Allstate Insurance Company when approval has been obtained and the file can be transmitted. The ACH Department will monitor compliance to the procedure on a monthly basis.

ACH PROCESSING SCHEDULE

All request for reversals, corrections, or changes need to be received by Allstate Bank prior to the transmission of the file to the Federal Reserve Bank (at approximately 4:00PM CT). In the event an item was transmitted before receiving the request, the originator will provide Allstate Bank with a letter of indemnification before the Bank requests return of the item from the RDFI (Receiving Depository Financial Institution). Allstate Bank, in turn, will contact the RDFI for a fax number and will send an indemnification letter requesting that the item be returned to the originator.

DAILY ACH SETTLEMENT PROCEDURES

Each time Allstate Bank transmits an ACH file to the Federal Reserve Bank, PEP+ produces a settlement report that indicates the dollar volume and quantity of ACH originated transactions which will settle the next business day. (The next morning, Allstate Bank receives an ACH statement from the Federal Reserve Bank of Chicago through the Fedline terminal that summarizes the total amount of ACH transactions that will settle that business day.) The report includes total originated ACH debits and credits (if any) and ACH returns which were processed that day.

After the ACH file is transmitted to the Federal Reserve Bank (at approximately 4:00PM CT), an Allstate Bank ACH employee will review the PEP+ settlement report. The ACH

operator will determine the total dollar amount of ACH transactions for Allstate Motor Club (AMC), including returns, which will settle the next business day. Each evening the ACH operator will send an e-mail message indicating either a request for funds to be wired from AIC to Allstate Bank or notification that Allstate Bank will send funds to AIC. This message will be addressed to "Forecast" with a copy to Tricia Baldwin, Melodee Bowden, Annie Dinkins, Caryl Quidayan, Donna Morrison, Lorrene Richardson, Ed St. John, Claudia Vroman, Debbie Bradel, Elena Tagle, Doug Carpenter, Marilyn Bradshaw, Nick Georgakopoulos, Clay Green and Shirley Faucett. Elena Tagle, Doug Carpenter or Debbie Bradel may originate the e-mail message from Allstate Bank.

FOR FUNDS DUE TO ALLSTATE MOTOR CLUB, on settlement date, Allstate Bank will initiate a wire transfer via Fedline to the Allstate Motor Club account at Bank of America, ABA 0710-0003-9, account number 8188000022. This transfer will be initiated following receipt of a credit from the Federal Reserve Bank (this occurs at 10:00AM CT).

Allstate Bank will post the following entry for company code 280 on SAP to represent the transfer:

Debit M20271021 9070000 ACH Settlement-I/C Allstate Motor Club
Credit M10150504 9070000 Cash, Federal Reserve Bank-ACH

FOR FUNDS DUE TO ALLSTATE BANK, on settlement date, Allstate Motor Club will initiate a wire transfer to the Allstate Bank, ABA 071974424 not later than 8:00AM CT to insure funds are received by Allstate Bank as early as possible.

Allstate Bank will post the following entry for company code 280 on SAP to represent the transfer:

Debit M10150504 9070000 Cash, Federal Reserve Bank-ACH
Credit M20271021 9070000 ACH Settlement-I/C Allstate Motor Club

The entries required to be recorded for Company 071 will be booked by an employee at the Atlantic Data Center. They will record the entry based on information received from the Forecast e-mail and the Treasury cash report. Daily, XXXXXX at the Atlantic Data Center will reconcile the balance in account Mxxxxxxxx on Company 071 to the balance in Allstate Bank Company 280 account M20271021.

Allstate will be assessed a charge equal to the fed funds rate for any overdrafts incurred at the Federal Reserve Bank as a result of late wires.

RETURN ITEM PROCESSING

Returns received with a return code of R01 (insufficient funds) and R09 (uncollected funds) will be held by Allstate Bank for 2 business days. These returns will be redistributed back to the Federal Reserve Bank for collection after 2 business days. All other returns will be retired back to Allstate Motor Club no later than the second business day after receipt. AMC will be charged only for retired returns.

Notification will be sent via e-mail to Smaruti Sura, Cecilia Flesch-Napoli and Lisa Bilotti for any valid return that cannot be retired back to Allstate Motor Club through PEP+. These returns will be settled with a manual return adjustment to the daily settlement wire. In the event of invalid R07 and R10 returns (as defined by NACHA timing), Allstate Bank will dishonor them as untimely and advise Smaruti Sura, Cecelia Flesch-Napoli and Lisa Bilotti by e-mail of the return's disposition.

MONTHLY ACCOUNT ANALYSIS PROCEDURES

In accordance with the Corporate Billing Policy, Allstate Bank will prepare a monthly account analysis statement, in arrears, (see Exhibit 1 for a sample statement). Copies of the statement will be sent to Smaruti Sura and Lisa Bilotti at Allstate Motor Club. Any amounts due will be deducted from the daily wire transfer settlement by the tenth business day of the following month.

Upon preparation of the statement Allstate Bank will record the following entry to company code 280 on SAP:

Debit M10300001 9070000 Accounts Receivable-ACH Fees-I/C-AIC
Credit M40220010 9070000 ACH Fee I/C-AIC Functional Area "OTHR"

Upon receipt of payment from Allstate Motor Club, Allstate Bank will record the following entry to company code 280 on SAP:

Debit M10150504 9010000 Federal Reserve Bank of Chicago
Credit M10300001 9070000 Accounts Receivable-ACH Fees-I/C-AIC

The entries required to be recorded for Company 071 will be booked by Smaruti Sura at Allstate Motor Club

ALLSTATE BANK CONTACT LIST

Below is a contact list for any questions pertaining to the ACH processing:

	PHONE NUMBER	PAGER #	
Debbie Bradel	847-968-6841	1-800-759-8888	PIN 1152223
Douglas Carpenter	847-968-6857	1-800-759-8888	PIN 1735143
Elena Tagle	847-968-6844		

You may also contact the wire hot line at 847-968-6857
Our fax number is 847-968-6717.

NOTE: THE INDIVIDUALS NAMED IN THIS DOCUMENT MAY BE CHANGED VIA WRITTEN COMMUNICATION TO THE DIRECTOR OF CASH OPERATIONS AT ALLSTATE BANK. ALLSTATE BANK WILL NOTIFY ALLSTATE MOTOR CLUB IN WRITING OF ANY CHANGE TO THE ALLSTATE BANK INDIVIDUALS NAMED IN THIS DOCUMENT.

Exhibit 10.20

ALLSTATE BANK

PREMIUM DEPOSITORY SERVICE SUPPLEMENT TO CASH MANAGEMENT SERVICES MASTER AGREEMENT

This PREMIUM DEPOSITORY Service Supplement dated as of September 30, 2005 amends the Cash Management Services Master Agreement, as amended (the "Agreement") between Allstate Bank, formerly known as Allstate Federal Savings Bank ("Bank"), Allstate Insurance Company ("AIC"), Allstate Motor Club, Inc. ("AMC") (together with AIC, "Customers") and certain other parties.

ESTABLISHMENT OF ACCOUNTS.

Under the Agreement and this Supplement, Bank will open new deposit accounts (the "Accounts") for AIC and AMC for the purpose of receiving certain aggregate premium payments in such initial amounts as the Bank and depositing companies shall agree. Deposits to and withdrawals from the Accounts will be made solely through electronic transfers by wire or through an automated clearinghouse ("ACH").

AGGREGATE PREMIUM PAYMENT FUND TRANSFERS. It is contemplated that certain companies (such as Paymentech, CCS, and Western Union) (the "Transferors") that receive, process and forward payments intended for AIC and/or AMG may each effect one or more electronic funds transfers to the AIC Account and/or one or more electronic funds transfers to the AMC Account each business day by wire or ACH.

Each business day, Bank will accept such electronic funds transfers from the Transferors for deposit into the Customers' account as applicable. The next business day, at the prompting of Treasury via a wire request, Bank will aggregate for each such Account the deposits received by Bank on the previous business day prior to the cut-off time established by Bank (the "Prior Receipts"). Bank shall then withdraw the Prior Receipts from each Account and electronically transfer the Prior Receipts from such Account to the bank account designated in writing from time to time by AIC or AMC, as the case may be (the "Recipient Account"). There shall be a single Recipient Account linked to each Account at all times (provided that AIC and AMC may use a joint Recipient Account if they choose).

As required or appropriate, Bank shall adjust transfers to the Recipient Account to reflect any reversals or necessary adjustments on prior deposits and withdrawals, or alternatively bill or make payment to AIC or AMC, as applicable.

MORTGAGEE PREMIUM PAYMENT FUND TRANSFERS.

Mortgagors on residential mortgage loans have contracted to obtain homeowners insurance through AIC. If required, these mortgagors escrow the premium payments through the servicers of the mortgagors (the "Servicers"). AIC typically bills the Servicers twice each month for the aggregate premiums owed by the mortgagors. It is contemplated that, upon receipt of such bills, the Servicers will process and forward the premium payments to the Bank for credit to an AIC Account by wire or ACH.

Each business day, Bank will accept such electronic funds transfers from the Servicers for deposit into the AIC Account. The next business day, at the prompting of Treasury via a wire request, the Bank will aggregate the deposits received by Bank on the previous business day prior to the cut-off time established by Bank (the "Mortgagee Premium Prior Receipts"). Bank shall then withdraw the Mortgagee Premium Prior Receipts from the Account and electronically transfer the Mortgagee Premium Prior Receipts from the Account to the bank account designated in writing from time to time by AIC (the "Mortgagee Premium Recipient Account").

As required or appropriate, Bank shall adjust transfers to the Mortgagee Premium Receipt Account to reflect any reversals or necessary adjustments on prior deposits and withdrawals, or alternatively bill or make payment to AIC, as applicable.

INTEREST AND FEES.

No interest will be paid on funds in the Accounts. Bank will charge Customers the applicable fees set forth on the Cash Management Pricing schedule under separate cover and as such schedule may be amended from time to time (the "Fee Schedule").

PROCEDURES.

Customers shall follow the operational and security procedures set forth in Exhibit A attached hereto as such procedures may be modified from time to time.

AMENDMENTS.

Notwithstanding any language in the Agreement to the contrary, Bank may effect amendments to this Service Supplement that apply to some but not all of the other parties to the Agreement by giving the requisite notice to the affected parties only.

STATUS OF AGREEMENT.

All provisions of the Agreement shall apply to the Services contemplated by this Supplement. However, in the event of any conflict between the terms of this Supplement and the other provisions of the Agreement, the terms of this Supplement shall control.

IN WITNESS WHEREOF, the affected parties have executed this Supplement which is effective as of the date first above written.

ALLSTATE INSURANCE COMPANY	ALLSTATE BANK
By: /s/ Barry S. Paul	By: /s/ Clay S. Green
Name: Barry S. Paul, Assistant Treasurer	Name: Clay S. Green
By: /s/ Nancy M. Bufalino	Title: President
Name: Nancy M. Bufalino, Assistant Treasurer	

ALLSTATE MOTOR CLUB, INC.

By: /s/ Barry S. Paul

Name: Barry S. Paul, Assistant Treasurer

By: /s/ Nancy M. Bufalino

Name: Nancy M. Bufalino

EXHIBIT A

OPERATIONAL AND SECURITY PROCEDURES

ISSUANCE OF PAYMENT ORDERS.

FORMAT, CUT-OFF TIME Orders for payment ("Payment Orders") are subject to Bank's acceptance, and will be received and processed only on business days the Bank is open. All outgoing Payment Orders received after 2:00 p.m. Central Time will be processed the next business day. Bank must receive requests for cancellations or amendments of Payment Orders no later than 2:00 p.m., Central Time, on the business day preceding the day for execution of the Payment Order.

INSUFFICIENT FUNDS. If honoring a Payment Order would cause the Account of Customers designated in the Payment Order to be overdrawn, Bank MAY, but has no obligation to, execute the Payment Order, and (a) create an overdraft in such Account, (b) transfer to the designated Account from any other account of Customers, funds sufficient to cover the deficiency in the designated Account. Customers promise to repay any such overdraft, plus any overdraft fee, on demand, and to pay Bank's costs of collection and reasonable attorneys fees.

REJECTION OF PAYMENT ORDER. Bank may notify Customers of its rejection of any Payment Order or request for an amendment or cancellation of a Payment Order by telephone, facsimile transmission, electronic transmission, or other written notice.

CANCELLATION OF PAYMENT ORDERS. Customers may cancel or amend a Payment Order only if Bank receives the communication before Bank's cut-off time and has a reasonable opportunity to act on it before accepting the Payment Order. However, Bank will have no liability if such cancellation or amendment is not effected. The communication of a cancellation or amendment must be presented in conformity with the same security procedures that have been agreed to for Payment Orders. In addition, prior to honoring any request to cancel or amend a Payment Order, the Bank may require the Customers to deliver an indemnification supported by a bond or other security in a form and amount acceptable to the Bank, and to take such other actions as reasonably requested by the Bank.

SECURITY PROCEDURES.

Customers and Bank have established a secure interface through which Customers communicates its Payment Orders to Bank. In the event that interface is not available, Customers will send Payment Orders to Bank via facsimile machine (847-968-6717) (or such other number designated by Bank). In the event that the Payment Order utilizes a repetitive template (that is, one in which all payment information is predefined and the only variable information is the dollar amount), no callback to Customers will be made. If the Payment Order is non-repetitive, Bank will rely on other security procedures including callbacks (to the Authorized Individual(s) as designated on the "Organization Account Authorization") and an authorized individual-specific personal identification number ("PIN") as the means of validating Payment Order information and monitoring transactions. Customers agree that any such security procedure is a commercially reasonable method of providing security against unauthorized payment orders in light of the amount of the Payment Order and other relevant factors.

ACCOUNT AGREEMENT.

Bank may issue administrative rules and procedures for time to time, which will be binding on Customers after it receives written notice of the rules and procedures. In addition, Bank's rights and obligations with respect to Customers' Account are subject to the terms of Bank's Deposit Agreement and Disclosure, as in effect from time to time.

REPORT OF DISCREPANCIES.

Customers must promptly report in writing any discrepancy between Customer's records of Payment Orders and the notice Customers receive of the execution of any Payment Order, Customers agree that fourteen (14) days is a reasonable time for Customers to notify Bank of discrepancies, including unauthorized and erroneous Payment Orders.

Customers wi11 provide Bank with all information reasonably requested in connection with any discrepancy. Except as otherwise required by law, Customers will not be entitled to interest on any refundable amount. If Bank can prove that Customers failed to perform any duties with respect to an erroneous payment and that Bank has incurred a loss as a result of the failure, Customers will be liable to Bank for the amount of the loss not exceeding the amount of the Payment Order.

NAME/IDENTIFYING NUMBER INCONSISTENCIES OR OTHER ERRORS.

In executing a Payment Order, Bank and other banks involved in the transfer may rely on the identifying number (e.g. Fedwire routing number or account number) of any credit party as instructed in the Payment Order, even if that number identifies a person different from the named beneficiary. Customers assume full responsibility for any inconsistency between the name and identifying number of any credit party. Bank is not responsible for detecting any error contained in Payment Orders sent by Customer to Bank.

BAI FILE TRANSMISSION SCHEDULE

For all business days, by 5 AM, Central Time, Bank will deliver to a Treasury-designated secured mailbox an encrypted Prior Day Balance file including account transactions, account balances and file totals.

For all business days, by 9 AM Central Time, Bank will deliver to a Treasury-designated secured mailbox an encrypted Current Day Balance file including account transactions and file totals.

Both of these files will follow BAI Cash Management Balance Reporting Specifications version 2 formatting rules. In cases where either of these files cannot be delivered by the time indicated, Allstate Bank IT will provide hourly problem resolution status to Treasury until the problem is corrected.

WIRE PROCESSING SCHEDULE

Bank will provide secure system access for Treasury to process payment orders between the hours of 8 AM and 3 PM, Central Time on all Bank business days. If that processing window must be extended on any given day, notice must be given to Bank prior to 2 PM, Central Time.

SECURITY

System access security includes usage of both client certificates and system userid/passwords following Allstate Financial Technology security standards.

BUSINESS CONTINUITY

DDA Failure prior to BAI Transmission:

Allstate Bank IT will open a problem ticket with Fidelity at a level of "Severity One". A "Sev-One" requires hourly updates by Fidelity. Bank also commits to provide hourly updates to Treasury until the issue is resolved.

DDA Failure during wire processing:

If the DDA system fails during the daily wire processing, the wire requests initiated by Treasury will back-up in the Browser's Pending Queue. In the event of such an occurrence, Bank will manually execute wires. And once the DDA is back online, the Bank will manually update the corresponding DDAs.

ALLSTATE BANK CONTACT LIST

Below is a contact list for any questions pertaining to wire processing:

Phone Number	Pager #
Doug Carpenter 847-968-6857	
Debbie Bradel 847-968-6841	1-800-759-8888 PIN 1152223

FAX NUMBER 847-968-6717

NOTE: THE INDIVIDUALS NAMED IN THIS DOCUMENT MAY BE CHANGED VIA WRITTEN COMMUNICATION TO THE DIRECTOR OF CASH OPERATIONS AT ALLSTATE BANK. ALLSTATE BANK WILL NOTIFY CUSTOMERS IN WRITING OF ANY CHANGE TO THE ALLSTATE BANK INDIVIDUALS NAMED IN THIS DOCUMENT.

MISCELLANEOUS

Customers will provide Bank with all information reasonably requested in connection with any discrepancy. Except as otherwise required by law, Customers will not be entitled to interest on any refundable amount. If Bank can prove that Customers failed to perform any duties with respect to an erroneous payment and that Bank has incurred a loss as a result of the failure, Customers will be liable to Bank for the amount of the loss not exceeding the amount of the Payment Order.

Exhibit 10.21

ALLSTATE BANK

VARIABLE ANNUITY SERVICE SUPPLEMENT TO CASH MANAGEMENT SERVICES MASTER AGREEMENT

This Service Supplement amends the Cash Management Services Master Agreement, as amended (the "Agreement") between Allstate Bank, formerly known as Allstate Federal Savings Bank ("Bank"), and certain other parties.

PARTIES TO THE AGREEMENT. The Agreement is hereby amended to include Allstate Life Insurance Company of New York ("ALICNY") as a party and as to ALICNY, New York law shall apply to the Agreement.

ESTABLISHMENT OF ACCOUNTS.

Under the Agreement and this Supplement, Bank will open new deposit accounts ("Account") for Allstate Life Insurance Company, Lincoln Benefit Life Company and Allstate Life Insurance Company of New York and any other party to the Agreement applying to the Bank for an account (together the "Annuity Companies" and individually each an "Annuity Company"). Deposits to and withdrawals from each Account will be made solely through electronic transfers by wire or through an automated clearinghouse ("ACH").

VARIABLE ANNUITY SERVICES FUND TRANSFERS.

(a) The Annuity Companies invest the funds received from the sale of variable annuities to their customers and, under their annuity contracts, must make payments to their customers on a periodic basis and/or upon termination or surrender of annuity contracts. The Annuity Companies need an efficient way to arrange for payments to their Customers. Bank, through the Accounts and the related fund transfer services it provides, can facilitate these payments.

(b) It is contemplated that each Annuity Company will arrange for wire or ACH transfers of funds to its Account from time to time, as needed, to provide funds required for anticipated payment obligations to its Customers. Bank will accept such electronic transfers. Pursuant to transfer instructions communicated to Bank by an Annuity Company in accordance with the Agreement, at the prompting of the treasury department for an Annuity Company, Bank will electronically transmit to an Account (the "Recipient Account") designated by such Annuity Company funds that have been deposited into such Annuity Company's Account, provided that Bank shall not be required: (i) to effect more than one electronic transfer from any Account on any single business day; or (ii) to transfer any funds that have not been received on a prior business day prior to the cut-off time established by Bank. There shall be a single Recipient Account linked to each Account at all times.

(c) As required or appropriate, Bank shall adjust transfers to the Recipient Account to reflect any reversals or necessary adjustments on prior deposits and withdrawals, or alternatively bill or make payment to the applicable Annuity Company.

INTEREST AND FEES. No interest will be paid on funds in the Accounts. Bank will charge each Annuity Company the applicable fees set forth on the ACH and Wire Transfer Pricing schedule to the Agreement, as such schedule may be modified from time to time (the "Fee Schedule").

OPERATIONAL AND SECURITY PROCEDURES. Each Annuity Company shall follow the operational and security procedures set forth in Exhibit A below and as set forth in the Agreement.

POTENTIAL OVERDRAFTS. Each Annuity Company promises to maintain reasonable procedures to assure that it does not incur overdrafts in its Account(s). Nevertheless, the parties acknowledge that overdrafts, including intraday overdrafts, may occur from time to time. In the event that Bank notifies any Annuity Company that one of its Accounts is overdrawn, the Annuity Company will use reasonable commercial efforts to cover the overdraft prior to the end of the day and will, in any event, cover the overdraft no later than the following business day, as early in the day as practicable.

STATUS OF AGREEMENT. All provisions of the Agreement shall apply to the Services contemplated by this Supplement. However, in the event of any conflict between the terms of this Supplement and the other provisions of the Agreement, the terms of this Supplement shall control.

AMENDMENTS.

Notwithstanding any language in the Agreement to the contrary, Bank may effect amendments to this Service Supplement that apply to some but not all of the other parties to the Agreement by giving the requisite notice to the affected parties only.

IN WITNESS WHEREOF, the affected parties have executed this Supplement which is effective as of the date first above written.

ALLSTATE LIFE INSURANCE COMPANY ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK LINCOLN BENEFIT LIFE COMPANY	ALLSTATE BANK
By: /s/ Barry S. Paul BARRY S. PAUL, ASSISTANT TREASURER	By: /s/ Clay S. Green Name: Clay S. Green
Name: /s/ Nancy M. Bufalino NANCY M. BUFALINO	Title: President

DATE: 11/10/2005

EXHIBIT A

Operational and Security Procedures

ISSUANCE OF PAYMENT ORDERS.

FORMAT, CUT-OFF TIME. Orders for payment ("Payment Orders") are subject to the Bank's acceptance, and will be received and processed only on Bank's funds transfer business days. All outgoing Payment Orders received after 2:00 p.m. Central Time will be processed the next business day. The Bank must receive requests for cancellations or amendments of Payment Orders not later than 2:00 p.m., Central Time, on the funds transfer business day preceding the day for execution of the Payment Order.

INSUFFICIENT FUNDS. If honoring a Payment Order would cause the Account of Customers designated in the Payment Order to be overdrawn, Bank MAY, but has no obligation to, execute the Payment Order, and (a) create an overdraft in such Account, (b) transfer to the designated Account from any other account of Customers, funds sufficient to cover the deficiency in the designated Account. Customers promise to repay any such overdraft, plus any overdraft fee, on demand, and to pay Bank's costs of collection and reasonable attorneys fees.

REJECTION OF PAYMENT ORDER. Bank may notify Customers of its rejection of any Payment Order or request for an amendment or cancellation of a Payment Order by telephone, facsimile transmission, electronic transmission, or other written notice.

CANCELLATION OF PAYMENT ORDERS. Customers may cancel or amend a Payment Order only if Bank receives the communication before Bank's cut-off time and has a reasonable opportunity to act on it before accepting the Payment Order. However, Bank will have no liability if such cancellation or amendment is not effected. The communication of a cancellation or amendment must be presented in conformity with the same security procedures that have been agreed to for Payment Orders. In addition, prior to honoring any request to cancel or amend a Payment Order, the Bank may require the Customers to deliver an indemnification supported by a bond or other security in a form and amount acceptable to the Bank, and to take such other actions as reasonably requested by the Bank.

SECURITY PROCEDURES.

Customers and Bank have established a secured interface through which Customers communicates its Payment Orders to Bank. In the event that interface is not available Customers will send Payment Orders to Bank via facsimile machine (847-968-6717) or other number designated by Bank. In the event that the Payment Order utilizes a repetitive template (that is, one in which all payment information is predefined and the only variable information is the dollar amount) no callback will be made. If the Payment Order is non-repetitive Bank will rely on other security procedures including callbacks (to the Authorized Individual(s) as designated on the "Organization Account Authorization" and an

Authorized Individual specific personal identification number ("PIN") as the MEANS of validating Payment Order information and monitoring transactions. Customers agrees that any such security procedure is a commercially reasonable method of providing security against unauthorized payment orders in light of the amount of the Payment Order and other relevant factors.

ACCOUNT AGREEMENT.

Bank may issue administrative rules and procedures for time to time, which will be binding on Customers after it receives written notice of the rules and procedures. In addition, Bank's rights and obligations with respect to Customers' Account are subject to the terms of Bank's Deposit Agreement and Disclosure, as in effect from time to time.

REPORT OF DISCREPANCIES.

Customers must promptly report in writing any discrepancy between Customer's records of Payment Orders and the notice Customers receive of the execution of any Payment Order. Customers agree that fourteen (14) days is a reasonable time for Customers to notify Bank of discrepancies, including unauthorized and erroneous Payment Orders.

Customers will provide Bank with all information reasonably requested in connection with any discrepancy. Except as otherwise required by law, Customers will not be entitled to interest on any refundable amount. If Bank can prove that Customers failed to perform any duties with respect to an erroneous payment and that Bank has incurred a loss as a result of the failure, Customers will be liable to Bank for the amount of the loss not exceeding the amount of the Payment Order.

NAME/IDENTIFYING NUMBER INCONSISTENCIES OR OTHER ERRORS.

In executing a Payment Order, Bank and other banks involved in the transfer may rely on the identifying number (e.g. Fedwire routing number or account number) of any credit party as instructed in the Payment Order, even if that number identifies a person different from the named beneficiary. Customers assume full responsibility for any inconsistency between the name and identifying number of any credit party. Bank is not responsible for detecting any error contained in Payment Order sent by Customer to Bank.

BAI FILE TRANSMISSION SCHEDULE

For all Bank business days, by 5AM, Allstate Bank will deliver to a Treasury provided location an encrypted Prior Day Balance file including account transactions, account balances and file totals.

For all Bank business days, by 9AM, Allstate Bank will deliver to a Treasury provided location an encrypted Current Day Balance file including account transactions and file totals.

Both of these files will follow BAI Cash Management Balance Reporting Specifications version 2 formatting rules. In cases where either of these files cannot be delivered by the time indicated, Allstate Bank IT will provide hourly problem resolution status to Treasury until the problem is corrected.

WIRE PROCESSING SCHEDULE

Allstate Bank will provide secure system access for Treasury to process payment orders between the hours of 8AM and 3PM on all bank business days. If that processing window must be extended on any given day, notice must be given to the bank prior to 2PM.

Security

System access security includes usage of both client certificates and system userid/passwords following Allstate Financial Technology security standards.

BUSINESS CONTINUITY

DDA Failure prior to BAI Transmission:

Allstate Bank IT will open a problem ticket with Fidelity at a level of "Severity One". A "Sev-One" requires hourly updates by Fidelity. Allstate Bank also commits to hourly updates of Allstate's Treasury department until the issue is resolved.

DDA Failure during wire processing:

If the DDA system fails during the daily wire processing, the wire requests initiated by Allstate's Treasury department will back-up in the Browser's Pending Queue. In the event of such an occurrence, Allstate Bank will manually execute wires. And once the DDA is back online, the Allstate Bank will manually update the corresponding DDAs.

ALLSTATE BANK CONTACT LIST

Below is a contact list for any questions pertaining to wire processing:

	Phone Number	Pager #
Doug Carpenter	847-968-6857	
Debbie Bradel	847-968-6841	1-800-759-8888 PIN 1152223

FAX NUMBER 847-968-6717

NOTE: THE INDIVIDUALS NAMED IN THIS DOCUMENT MAY BE CHANGED VIA WRITTEN COMMUNICATION TO THE DIRECTOR OF CASH OPERATIONS AT ALLSTATE BANK. ALLSTATE BANK WILL NOTIFY ANNUITY COMPANIES IN WRITING OF ANY CHANGE TO THE ALLSTATE BANK INDIVIDUALS NAMED IN THIS DOCUMENT.

MISCELLANEOUS.

Customers will provide Bank with all information reasonably requested in connection with any discrepancy. Except as otherwise required by law, Customers will not be entitled to interest on any refundable amount. If Bank can prove that Customers failed to perform any duties with respect to an erroneous payment and that Bank has incurred a loss as a result of the failure, Customers will be liable to Bank for the amount of the loss not exceeding the amount of the Payment Order.

Exhibit 10.22

ALLSTATE BANK

SWEEP AGREEMENT SERVICE SUPPLEMENT

This Sweep Agreement Service Supplement is dated as of October 11, 2006 and amends the Cash Management Services Master Agreement, as amended (the "Agreement") between Allstate Bank, formerly known as Allstate Federal Savings Bank ("Bank"), and certain other companies identified below (collectively, the "Companies" and each, a "Company").

Definitions. For the purposes of this Agreement, the following are defined terms:

BUSINESS DAY means any day on which Bank is open for general business other than a Saturday, Sunday or legal holiday.

CHECKING ACCOUNT means, for each Company, the non-interest bearing checking account in such Company's name identified on Bank's records.

MUTUAL FUND means, for each Company, the mutual fund made available by Bank and selected by such Company. The Mutual Fund shall be a no-load, open-end management investment company registered under the Investment Company Act that holds itself out as a money market fund. It shall not have a front-end or deferred sales charge and shall not provide for sales related expenses and/or service fees in excess of 0.25 of 1% of average net assets per annum. Bank is not responsible for recommending the Mutual Fund used by any Company under this Agreement and will not make any such recommendations. The selection of the Mutual Fund is solely the Company's responsibility.

SWEEP ACCOUNT means an account at the Mutual Fund, which is linked to the Checking Account from which balances are moved pursuant to this Agreement.

SWEEP AMOUNT means, on any Business Day, the collected balance of funds in a Company's Checking Account at the close of the immediately preceding Business Day, less any amount specified by the Company as a minimum balance that shall remain in the Company's Checking Account.

INVESTMENT AUTHORIZATION; SWEEP SERVICE. The Companies authorize and instruct Bank to debit and credit their respective Checking Accounts in accordance with this Agreement. The Companies understand that Bank has entered into an Agreement with a mutual fund company and/or its affiliate to execute and clear all mutual fund brokerage transactions and that a Sweep Account will be opened at each Mutual Fund on each Company's behalf and for the purposes set forth in this Agreement. On each Business Day, Bank will determine the Sweep Amount for each Company and, if the Sweep Amount is positive and exceeds the Mutual Fund's minimum investment amount, will transfer the Sweep Amount into the Sweep Account as an investment on the Company's behalf in the Mutual Fund. If a Company's Sweep Amount is negative, Bank will redeem amounts in such Company's Sweep Account, in increments of $1,000, up to the Sweep Amount or the amount invested in the Mutual Fund, whichever is less. Upon direction from any Company, Bank will also will redeem amounts in such Company's Sweep Account, in increments of $1,000, up to the amount invested in the Mutual Fund. The sweep service provided hereunder does not include any investment advice.

Dividends/Interest. Mutual Fund dividends are accrued daily and paid monthly. Any dividends will be credited to the Sweep Account once each month in the form of additional shares.

Statements/Confirmations. A Sweep Account statement will be sent to each Company each month. In accordance with 12 C.F.R. Section 551.100, the statement will show:

- each purchase and redemption effected for or with, and each dividend or distribution credited to or reinvested for, the Sweep Account during the period;

- the date of each transaction;

- the identity, number, and price of any securities purchased or redeemed in each transaction;

- the total number of shares of the securities in the Sweep Account;

- any remuneration Bank received or will receive in connection with the transaction; and

- a statement concerning additional information or documents the Company may request in writing.

The statement may be in more than one separate part and will be sent in lieu of a daily confirmation.

APPLICABLE RULES AND REGULATIONS. All Mutual Fund transactions are subject to the rules, regulations, and usages of the exchange or market (and it's clearing house, if any) where executed, and any applicable federal or state laws, rules and regulations.

PAYMENT UPON DEMAND. If after demand, any Company fails to pay any amounts owing Bank, Bank may close the Company's Sweep Account and/or liquidate the assets in an amount sufficient to pay the Company's indebtedness.

ACKNOWLEDGEMENT. The Companies understand that fund balances held in the Sweep Account:

- are not insured by the FDIC;

- are not deposits or other obligations of Bank;

- are not guaranteed by Bank

- are subject to investment risks, including possible loss of the principal invested.

FEES. The Companies understand that Bank may perform various roles and services in connection with this Agreement and that Bank receives fees for such services. The fees Bank currently receives from the available Mutual Funds and their affiliates in connection with this Agreement is .25 of 1% of average net assets per annum. Upon request, Bank will advise the Companies of any changes in these fees. The Companies expressly consent to Bank's receipt of such fees and agree to pay Bank, in addition to the fees Bank receives from the Mutual fiend or third parties, the amount required to net Bank 0.50 of 1% of average net assets per annum. Fees charged to the Companies may be changed upon thirty day's prior written notice.

LIMITATION OF LIABILITY. Bank shall not be liable for any damage, loss, liability or delay in the event that it is unable to sweep funds into or out of the Sweep Account on any given day, including as a result of the action or inaction of any Company or its agents, accidents, strikes, fire, flood, war, riot, equipment breakdown, electrical, mechanical or communication line failure, acts of God, acts or omission of third parties, market volatility, trading volumes, or any other cause which is beyond Bank's reasonable control. Bank's liability to any Company for any damage, loss, or liability, regardless of the form, shall not exceed the fees and charges incurred by such Company in connection with the Sweep Service for the one (1) month period prior to the time damages are suffered. The fees charged to the Companies for the performance of the Sweep Service shall be deemed to have been established in contemplation of these limitations on liability.

PRESUMPTION OF RECEIPT OF COMMUNICATIONS. Each Company agrees to notify Bank immediately of any non-delivery of a monthly statement or any errors or discrepancies between the Company's records and the information Bank provides concerning the Company's accounts or transactions. If a Company does not notify Bank of any errors within a reasonable time (not to exceed 14 days) of the statement mailing date, the statement will be considered correct.

TERMINATION. This Supplement may be terminated upon thirty day's prior written notice by any party to the others, or immediately with respect to any Company if its Checking Account is closed. Termination will not affect the rights or duties of any party arising out of transactions occurring prior to termination. In the event of termination, all Mutual Funds shares will be liquidated.

SEVERABILITY. In the event any provision of this Agreement is declared invalid or unenforceable, the remainder of this Agreement shall continue in fii1 1 force and effect.

ENTIRE AGREEMENT. This Supplement constitutes the entire agreement among the parties regarding the Sweep Sweep Service. Bank may change, delete or add to the terms and conditions of this Supplement upon 30 days written notice to the Companies. The Companies' continued use of the Sweep Account, after the effective date of the change, will indicate the Companies' agreement to the new terms and conditions.

NOTICE TO MUTUAL FUND COMPANIES

This is to advise you that each of the undersigned has instructed Bank to establish, on its behalf and as its agent, an account with you ("Account"). We appoint Bank as our exclusive agent to act for and on our behalf with respect to all matters regarding the Account. We acknowledge that no fiduciary relationship exists. You shall look solely to Bank with respect to orders or instructions regarding the Account. Any communications delivered to Bank shall be deemed to have been delivered to us. We agree to hold you harmless from and against any losses, costs or expenses arising in connection with the delivery or receipt by you of such communication(s) regarding the Account. The foregoing shall be effective as to the Account until written notice to the contrary is received by you and Bank.

IN WITNESS WHEREOF, the affected parties have executed this Supplement which is effective as of the date first above written.

Companies:

ALLSTATE LIFE INSURANCE COMPANY ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK LINCOLN BENEFIT LIFE COMPANY	ALLSTATE BANK
By: /s/ Steven C. Verney	By: /s/ Clay S. Green
Name: Steven C. Verney	Name: Clay S. Green
Title: Treasurer	Title: President
By: /s/ Barry S. Paul	
Name: Barry S. Paul	
Title: Assistant Treasurer	

Exhibit 10.24

FORM OF
TAX SHARING AGREEMENT

This Tax Sharing Agreement (the "Agreement"), dated as of this 12th day November, 1996, and effective for consolidated federal income tax returns filed after June 30, 1996, is entered into by and among The Allstate Corporation ("Parent") and the undersigned corporations, as includible corporations in the affiliated group (the "Allstate Group") of which Parent is the common parent (as such terms are used or defined in section 1504 of the Internal Revenue Code of 1986 (the "Code")).

WHEREAS the Allstate Group has filed a consolidated federal income tax return for the taxable year ended December 31, 1995 and intends to continue filing consolidated federal income tax returns in subsequent years; and

WHEREAS the parties hereto desire to enter into this agreement to fairly allocate among themselves the federal tax liabilities, credits, refunds, benefits, and similar items related to the consolidated federal income tax return for the taxable year ended December 31, 1995 and subsequent years;

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

ARTICLE I - REGULAR TAX

1.1 Subject to the adjustments provided in section 1.2 of this Agreement, the regular federal income tax liability of each member shall be determined pursuant to the principles used to determine earnings and profits under section 1552(a)(2) of the Code and Treasury Regulation section 1.1502-33(d)(3) using a fixed percentage of one hundred. Accordingly, each member shall, subject to the adjustments in section 1.2, generally be liable for the amount of tax it would ordinarily pay on a separate return basis.

1.2 In determining the separate return tax liability of each member for purposes of this Article, only the regular tax liability (without regard to the alternative minimum tax or alternative minimum tax credits) shall be taken into account. Additionally, items of income, deductions, credits and other similar items that may be limited or recharacterized on a consolidated basis (e.g., foreign tax credits, charitable contributions, section 1231 gains, etc.) shall be included in the determination of separate return liability as so limited or recharacterized. For purposes of this determination, any item that is limited on a consolidated basis shall be allocated to each member according to the ratio of (i) the amount of such item

generated by a member to (ii) the total amount of such items generated by the Allstate Group.

ARTICLE II - ALTERNATIVE MINIMUM TAX

2.1 If the Allstate Group has an alternative minimum tax ("AMT") liability for any year, such liability shall be allocated to each member according to the ratio of (i) the excess of any member's separate return tentative minimum tax for the year (whether such amount is positive or negative) over the member's separate return regular tax for such year (whether such amount is positive or negative) to (ii) the sum of such excess amounts for all members of the group. In determining each member's tentative minimum tax and regular tax, the adjustments provided in section 1.2 of this Agreement shall be made.

2.2 AMT credits originating in a tax year shall be allocated to each member according to the amount of AMT liability allocated for such year. Utilization of such credits shall be determined on a FIFO basis (i.e., AMT credits from the earliest available year shall be deemed utilized before credits from a later year are utilized). If only part of the amount of AMT paid for any year is utilized as a credit, such amount shall be allocated to the members in proportion to the amounts of AMT liability allocated to members for such year.

ARTICLE III - OTHER TAXES AND CREDITS

Other taxes (e.g., the environmental tax), credits (e.g., the foreign tax credit or the general business credit) or similar items paid, incurred or received by the Allstate Group shall be allocated to each member according to the ratio of the amount of any such item generated by the member on a separate return basis to the total of such item generated on a separate return basis by all members of the Allstate Group.

ARTICLE IV - TAX RETURN ADJUSTMENTS

4.1 As agent for the Allstate Group, Parent shall have the right to control in its sole discretion any audit of returns filed by the Group. However, Parent shall, in its reasonable discretion, permit any member that might have a liability or refund as a result of an adjustment to participate in the proceedings relating to such issue. In the event any member of the group wishes to amend its portion of any filed return, Parent shall have discretion, taking into account the consequences to the entire group, to file an amended return, to present the adjustments to be included on such amended return at the audit of the consolidated return to which the adjustments relate, or to take any other reasonable action.

4.2 In the event of adjustments to taxes (as a result of audits, filing of amended returns, carrybacks, or other similar items), allocations under this Agreement shall be redetermined as if the adjustments were included in the returns as originally filed. Interest or penalties related to such adjustments shall be allocated to the member which generated the adjustment.

4.3 In the event an adverse adjustment with respect to income or items of one member is offset by a favorable adjustment for another member, thereby resulting in either a smaller deficiency for the Allstate Group or smaller refund for the group, the member with the adverse adjustment shall pay interest at the overpayment rate specified in section 6621(a)(1) to the member with the favorable adjustment to compensate the member with the favorable adjustment for interest not received from the Government as a result of the adverse adjustment.

4.4(a) Any member may make a deposit or payment of any tax liability to stop the running of interest by paying such amount to Parent and providing written directions to transfer the amount to the Government. Parent shall transfer the amount as so directed as soon as practical but in no event later than fifteen business days after the amount has been received by Parent. Notwithstanding the foregoing, Parent may refuse to deposit any such amount with the Government if Parent determines in its sole discretion that it is not in the best interest of the group, taken as a whole, to make such a deposit. In such an event, Parent shall inform the member of its decision and return the amount received within fifteen business days of receipt.

(b) In the event a member which has made a deposit in the nature of a cash bond (the "original depositing member") wishes to secure a return of such deposit, such member shall notify Parent of its desire to have the deposit returned. Within ten business days of such notification, Parent shall determine whether other members of the Allstate group might utilize such deposit. Parent shall within such period notify any members who might have use of such deposit, and, if such members desire to assume all or any portion of the deposit, the members shall inform Parent within ten business days of notification of the amount of the deposit they wish to assume. Parent shall allocate the deposit among the members wishing to assume the deposit within twenty-five business days of the receipt of the notice from the original depositing member. If more than one member wishes to assume all or part of the deposit and the amounts requested to be assumed exceed the amount of the available deposit, Parent shall allocate the deposit to members in its reasonable discretion. Within five business days after allocation of the deposit to assuming members, such members shall pay to the original depositing member the respective portion of the deposit they assumed. Thereafter, the assuming member shall be treated as the original depositing member with respect to the

portion of the deposit assumed. To the extent a deposit is not assumed under this procedure, Parent shall within thirty business days of the receipt of the notice from the original depositing member take steps to secure the return of the deposit, and shall pay to the original depositing member the amount returned from the Government within three business days of receipt by Parent. Parent shall not be liable for any failure to identify a member as a potential user of the original depositing member's deposit or for any delays in securing the return of a deposit.

(c) In the event a deposit is applied by the Government to a liability of the Allstate Group without the consent of the original depositing member (such event is hereinafter referred to as a "misapplication" of the deposit), the member receiving the benefit of the misapplication of the deposit shall within fifteen business days of receipt of the earlier of actual knowledge of the misapplication of the deposit or notice from Parent of the misapplication of the deposit pay to the original depositing member (i) the amount of the deposit so misapplied and (ii) any interest saved by such member as a result of the misapplication of the deposit. If the member whose deposit was misapplied incurs additional interest costs (in excess of the interest paid pursuant to the previous sentence) that would not have been incurred absent the misapplication of the deposit, the member receiving the benefit of the misapplication shall also be liable to the original depositing member for such additional interest costs. The amount of such interest shall not exceed the interest incurred for the period from the time the deposit was originally made until the payment was made to the original depositing member pursuant to the first sentence of this subparagraph.

ARTICLE V - CARRYFORWARDS

The utilization of any carryforwards available to the Allstate Group and not expressly covered elsewhere in this Agreement shall be determined under the principles of the consolidated return regulations in effect at the time the carryforwards are used by the group.

ARTICLE VI - RETURNS AND PAYMENTS

6.1 Information required from members for the completion of tax returns (including estimated payments, extensions of time, and other required filings) shall be provided by each member according to the schedule reasonably determined by Parent. Payments of tax or liabilities allocated hereunder shall be made at the time and in the manner reasonably determined by Parent. Settlements of tax payments or refunds hereunder may at the reasonable discretion of Parent be made on an estimated basis, but final settlement for any return filed shall be made no later than 30 days after such return is filed except that, where a refund is due from the Government to the Parent, payment by the

parent to the appropriate member shall be made within 5 business days of the receipt of the refund. Parent may, in the interest of convenience, net payments due to and from a member or make payment to a member's direct or indirect parent, which shall then promptly make payment to the appropriate member. All payments shall be made in immediately available funds.

6.2 To the extent permitted by law, all tax returns shall be filed using accounting methods and practices consistent with those used in prior periods.

ARTICLE VII - ALLSTATE LIFE OF placeStateNEW YORK

7.1 This article shall apply solely with respect to the allocation and settlement of federal tax liabilities between Parent and Allstate Life Insurance Company of placeStateNew York ("ALICNY"). The other provisions of this Agreement shall continue to apply to ALICNY except to the extent they are inconsistent with the provisions of this Article VII.

7.2 The method of allocating tax liability provided in other articles of this Agreement are intended to comply with part (B) of paragraph 3 of placeStateNew York Insurance Department Circular Letter No. 33 (the "Circular"). To the extent the other articles of this Agreement result in a tax charge to ALICNY greater than the amount ALICNY would have paid if it had filed a separate return (as defined in paragraph 4 of the Circular), the amount due from ALICNY shall be limited to the separate return amount. To the extent the other articles of this Agreement provide for a payment to ALICNY for credits (as defined in part B of paragraph 3 of the Circular) generated by ALICNY in an amount less than the savings actually generated by the use of such credits on a consolidated basis, such payment shall be increased to the amount of the savings generated on a consolidated basis.

7.3 In order to help assure ALICNY's right to recoup federal taxes in the event of future net losses, Parent shall establish and maintain an escrow account consisting of assets eligible as an investment by ALICNY in an amount equal to the excess of the amount paid hereunder by ALICNY to Parent for any year over the actual payment made by Parent to the Government for such year. Escrow assets may be released to Parent at such time as the permissible period for loss carrybacks has expired.

7.4 All settlements under this Agreement shall be in cash or securities (at market value) eligible as investments for ALICNY. ALICNY agrees to record on its books payments received hereunder as contributed surplus.

7.5 This Agreement shall be terminated with respect to ALICNY if (a) the parties agree in writing to such termination, (b) ALICNY's membership in the affiliated group or consolidated group ceases or is terminated for any reason, or (c) the affiliated group fails to file a consolidated return for any taxable year. Notwithstanding the termination of the Agreement, the provisions of this Agreement shall remain in effect for any time period during the taxable year in which termination occurs for which the income of the terminating party must be included in the consolidated return. Additionally, notwithstanding the termination of this agreement, all materials, including, but not limited to, returns, supporting schedules, workpapers, correspondence and other documents related to the consolidated return shall be made available to and by ALICNY during regular business hours.

7.6 This Agreement shall not be assignable without the prior written consent of the other parties hereto.

7.7 ALICNY and Parent agree to negotiate in good faith to settle any dispute involving the interpretation of this Agreement. If any such dispute cannot be settled, such dispute shall be submitted to binding arbitration as follows:

(a) Parent and ALICNY shall select an arbitrator, who is a partner at a national accounting firm that has not represented either party in the preceding five years. If the parties are unable to agree upon an arbitrator, Parent's independent accountant shall select as the arbitrator a partner at a national accounting firm that has not represented either party in the preceding five years.

(b) The arbitration shall be conducted pursuant to the rules of the American Arbitration Association.

(c) The decision of the arbitrator shall be final and binding on Parent and ALICNY.

(d) Parent and ALICNY agree to pay their own costs of the arbitration proceeding, except that costs and fees of the arbitrator shall be shared equally.

7.8 To the extent that this Agreement pertains to ALICNY, it shall be governed under the laws of the State of placeStateNew York.

ARTICLE VIII - MISCELLANEOUS

8.1 Any dispute with respect to the interpretation of this Agreement or the treatment of any tax item not expressly covered by this Agreement shall be conclusively determined by Parent

according to the basic principles of this Agreement.

8.2 All parties shall cooperate in the exchange of information needed to fulfill the purposes of this Agreement. Each member agrees to cause its proper officers and employees to execute documents, statements, elections, certificates, schedules, and other similar items deemed necessary by Parent in order to carry out the intent of the provisions of applicable law and regulations.

8.3 This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. No assignment, however, shall relieve any party's obligations hereunder without the consent of the other parties.

8.4 Each member that acquires after the date of this Agreement an ownership interest in an entity that results in such entity becoming a member of the Allstate Group shall promptly cause such entity to adopt the provisions of this Agreement.

8.5 This Agreement may be modified only by written agreement of members affected by the modification. This Agreement shall be terminated with respect to any member as of the end of the day on which such member ceases to be a member of the Allstate Group, provided, however, that such member shall be subject to the obligations, duties and other terms and conditions of this Agreement for any period in which the terminating member's items were included in the consolidated federal income tax return of the Allstate Group. To the extent a company whose items of income and loss were included in the consolidated federal income tax return of the Allstate Group is determined not to be an includible member of the Allstate Group, this Agreement shall not apply to such company for any period in which it is not an includible member, and any payments, liabilities incurred, benefits received and other similar items under this Agreement shall be redetermined and repaid in a fair and equitable manner.

8.6 This Agreement shall be governed under the laws of the State of placeStateIllinois, except as provided otherwise in section 7.8 of this Agreement.

8.7 This Agreement may be executed in counterparts, each of which shall be considered an original.

IN WITNESS HEREOF, the parties have executed this Agreement on the date indicated:

The Allstate Corporation

By --------------------------------------- Date ---------------

[Various Allstate Affiliates]

EXHIBIT 10.39

GLENBROOK LIFE AND ANNUITY COMPANY

ADDENDUM TO SELLING AGREEMENT

This Addendum shall modify your Selling Agreement ("Agreement") with Glenbrook Life and Annuity Company ("Glenbrook Life") and ALFS, Inc. ("ALFS") as set forth below and in the attached Schedule A.

The attached Schedule A shall replace any previous Schedule A for the same product or; shall be an addition to the current Schedule A if the product was not part of your Selling Agreement prior to the effective date of this Amendment.

The acceptance of an application for this product, on or after the effective date of this Addendum, is subject to the rules of Glenbrook Life and ALFS and the provisions of your Selling Agreement. By submission of a Glenbrook Life application, acceptance of commissions, request for change of Agent of record and/or transfer of servicing to another BD in accordance with the Addendum, you agree to be bound by the provisions of this Addendum.

Effective date: November 18, 2002

BY /s/ Andrea Schur /s/ Lisa A. Burnell

Andrea Schur
Vice President
Glenbrook Life and Annuity Company

Lisa A. Burnell
Assistant Vice President
and Compliance Officer
ALFS, Inc.

SCHEDULE OF COMMISSIONS

SCHEDULE A

Subject to terms and conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued according to the following chart (based upon the option selected in writing by each Agent or Representative):

AIM LIFETIME AMERICA CLASSIC (SM) VARIABLE ANNUITY "STANDARD" OPTION

ISSUE AGE COMMISSION OPTIONS - ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ------ A B C - ------ ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- 6.25%* 5.00% 4.50%* 0- 80 no trail .25%

trail in
contract
years 2+**
1% trail
in
contract
years
8+***(1)
5.00%*
4.00%
3.50%* 81-
85 no
trail .25%
trail in
contract
years 2+**
1% trail
in
contract
years
8+***(1)
3.125%*
2.50%
2.55%* 86-
90 No
trail .25%
trail in
contract
years 2+**
1% trail
in
contract
years
8+***(1)

* = Based upon purchase payment.

** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

*** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 87th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 87th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

(1) Trail applies to Account Value less premium still within surrender charge period.

COMMISSION CHARGE BACKS

TRANSACTION
PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE
NOTE - ---

Surrender
During the
"free

look"
period
100% of
commission
N/A

COMMISSION DURING ANNUITIZATION

A B C - -------

0% if annuitize
in contract
years 0-7 .50%
if annuitize in
contract 0% if
annuitized in
years 8+ (if
surrender
charge Variable
contract years
1- 7 .25% if
annuitize in
contract year
1-7 remains at
annuitizations)
Annuitization(2)
.50% if
annuitize in
contract years
8+ .50'% if
annuitized in
1% if annuitize
in contract
years 8+
contract years
8+ (if no
surrender
charge remains
at
annuitizations)
0% if annuitize
in contract
years 1-7 0% if
annuitize in
contract years
0% if annuitize
in contract
years 0-7 Fixed
1-7
Annuitization(2)
.25% if
annuitized in
.25% if
annuitize in
contract years
contract years
8+ .25% if
annuitize in
contract years
8+ 8+

(2) No commission will be paid on payment coming from Guaranteed Minimum Income Benefit.

AIM LIFETIME AMERICA REGAL (SM) VARIABLE ANNUITY "SHORT SURRENDER" OPTION

ISSUE AGE
COMMISSION
OPTIONS -

------ A B
C - ------

3.75% 0-80
1% trail
in
contract
years N/A
N/A 4+**
(1) 3.00%
81-85 1%
trail in
contract
years N/A
N/A 4+**
(1) 1.875%
86-90 1%
trail in
contract
years N/A
N/A 4+**
(1)

* = Based upon purchase payment.

** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 39th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 39th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

(1) Trail applies to Account Value less premium still within surrender charge period.

COMMISSION CHARGE BACKS

TRANSACTION
PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE
NOTE - ---

Surrender
During the

"free
look" 100%
of
commission
N/A period

COMMISSION DURING ANNUITIZATION

A B C - -------

Variable 0% if
annuitized in
contract N/A
N/A
Annuitization(2)
years 1- 3 1'%
if annuitized
in contract
years 4+ Fixed
0% if annuitize
in contract
years N/A N/A
Annuitization(2)
1-3 .25% if
annuitized in
contract years
4+

(2) No commission will be paid on payment coming from Guaranteed Minimum Income Benefit.

AIM LIFETIME AMERICA FREEDOM (SM) VARIABLE ANNUITY "NO SURRENDER" OPTION

ISSUE AGE
COMMISSION
OPTIONS -

------ A B
C - ------

1.5% 0-80
1% trail
in
contract
years 2+**
N/A N/A
1.25% 81-
85 1%

trail in
contract
years 2+**
N/A N/A
1.00% 86-
90 1%
trail in
contract
years 2+**
N/A N/A

* = Based upon purchase payment.
** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

COMMISSION CHARGE BACKS

TRANSACTION
PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE
NOTE - ---

--- Full
or Partial
During the
"free
look"
Withdrawal
period
100% of
commission
N/A Full
or Partial
During the
"free
look"
Withdrawal
period
100% of
commission
N/A

COMMISSION DURING ANNUITIZATION

A B C - -------

Variable 1% in
contract years
2+ (regardless
Annuitization(2)
of when
contract is
annuitized) N/A
N/A .25% in

contract years
2+ Fixed
(regardless of
when contract
is N/A N/A
Annuitization(2)
annuitized)

(1) No commission will be paid on payment coming from Guaranteed Minimum Income Benefit.

GLENBROOK LIFE AND ANNUITY COMPANY

ADDENDUM TO SELLING AGREEMENT

This Addendum shall modify your Selling Agreement ("Agreement") with Glenbrook Life and Annuity Company ("Glenbrook Life") and ALFS, Inc. ("ALFS") as set forth below and in the attached Schedule A.

The attached Schedule A shall replace any previous Schedule A for the same product or; shall be an addition to the current Schedule A if the product was not part of your Selling Agreement prior to the effective date of this Amendment.

The acceptance of an application for this product, on or after the effective date of this Addendum, is subject to the rules of Glenbrook Life and ALFS and the provisions of your Selling Agreement. By submission of a Glenbrook Life application, acceptance of commissions, request for change of Agent of record and/or transfer of servicing to another BD in accordance with the Addendum, you agree to be bound by the provisions of this Addendum.

Effective date: December 31, 2001

By:

Andrea Schur	Lisa A. Burnell
Vice President	Assistant Vice President
Glenbrook Life and Annuity Company	and Compliance Officer
	ALFS, Inc.

The following revisions are made to the Commission Schedules that are a part of the Selling Agreement. The payment of commissions for this product is subject to the rules of Glenbrook Life and ALFS and the provision of your Selling Agreement.

SCHEDULE OF COMMISSIONS

SCHEDULE A

Subject to terms and conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued According to the following chart (based upon the option selected in writing by each Agent or Representative):

AIM LIFETIME AMERICA CLASSIC (SM) VARIABLE ANNUITY "STANDARD" OPTION

ISSUE AGE
COMMISSION
OPTIONS -

------ A B
C - ------

6.25%*
5.00%
4.50%* 0-
80 no
trail .25%
trail in
contract
years 2+**
1% trail
in
contract
years
8+***(1)
5.00%*
4.00%
3.50%* 81-
85 no
trail .25%
trail in
contract
years 2+**
1% trail
in
contract
years
8+***(1)
3.125%*
2.50%
2.55%* 86-
90 No
trail .25%
trail in
contract
years 2+**
1% trail
in
contract
years
8+***(1)

* = Based upon purchase payment.

** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

*** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 87th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 87th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

(1) Trail applies to Account Value less premium still within surrender charge period.

(2) No commission will be paid on payment coming from Guaranteed Minimum Income Benefit.

COMMISSION CHARGE BACKS

TRANSACTION
PERIOD OF
CHARGEBACK

CHARGEBACK
PLEASE
NOTE - ---

Surrender
During the
"free
look"
period
100% of
commission
N/A

COMMISSION DURING ANNUITIZATION

A B C - -------

0% if annuitize
in contract
years 0-7 .50%
if annuitize in
contract 0% if
annuitized in
.25% if
annuitize in
contract year
years 8+ (if
surrender
charge Variable
contract years
1- 7 1-7
remains at
annuitizations)
Annuitization(2)
.50% if
annuitize in
contract years
.50'% if
annuitized in
8+ 1% if
annuitize in
contract years
8+ contract
years 8+ (if no
surrender
charge remains
at
annuitizations)
0% if annuitize
in 0% if
annuitize in
contract years
contract years
1-7 1-7 0% if
annuitize in
contract years
0-7 Fixed
Annuitization(2)
.25% if
annuitized in
.25% if

annuitize in
contract years
.25% if
annuitize in
contract years
contract years
8+ 8+ 8+

AIM LIFETIME AMERICA REGAL (SM) VARIABLE ANNUITY "SHORT SURRENDER" OPTION

ISSUE AGE
COMMISSION
OPTIONS -

------ A B
C - ------

3.75% 0-80
1% trail
in
contract
years N/A
N/A 4+**
(1) 3.00%
81-85 1%
trail in
contract
years N/A
N/A 4+**
(1) 1.875%
86-90 1%
trail in
contract
years N/A
N/A 4+**
(1)

* = Based upon purchase payment.

** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 39th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 39th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

(1) Trail applies to Account Value less premium still within surrender charge period.

(2) No commission will be paid on payment coming from Guaranteed Minimum Income Benefit.

COMMISSION CHARGE BACKS

TRANSACTION

PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE
NOTE - ---

Surrender
During the
"free
look"
period
100% of
commission
N/A

COMMISSION DURING ANNUITIZATION

A B C - -------

0% if
annuitized in
contract years
1- 3 Variable
N/A N/A
Annuitization(2)
1'% if
annuitized in
contract years
4+ 0% if
annuitize in
contract years
1-3 Fixed N/A
N/A
Annuitization(2)
.25% if
annuitized in
contract years
4+

AIM LIFETIME AMERICA FREEDOM (SM) VARIABLE ANNUITY "NO SURRENDER" OPTION

ISSUE AGE
COMMISSION
OPTIONS -

------ A B
C - ------

1.5% 0-80 1% trail in contract years 2+** N/A N/A
1.25% 81-85 1% trail in contract years 2+** N/A N/A
1.00% 86-90 1% trail in contract years 2+** N/A N/A

* = Based upon purchase payment.
** = Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

(1) For Standard option C and Short Surrender option A, trail applies to account Value less Premium still within Surrender Charge period.
(2) No commission will be paid on payment coming from Guaranteed Minimum Income Benefit.

COMMISSION CHARGE BACKS

TRANSACTION PERIOD OF CHARGEBACK CHARGEBACK PLEASE NOTE - ---
----

--- Full or Partial During the "free look" Withdrawal period 100% of commission N/A Full or Partial During the "free look" Withdrawal

period
100% of
commission
N/A

COMMISSION DURING ANNUITIZATION

A B C - -------

Variable 1% in
contract years
2+ (regardless
Annuitization(2)
of when
contract is
annuitized) N/A
N/A .25% in
contract years
2+ Fixed
(regardless of
when contract
is N/A N/A
Annuitization(2)
annuitized)

SELLING AGREEMENT
GLENBROOK LIFE AND ANNUITY COMPANY

Agreement, made this day of by and among Glenbrook Life and Annuity Company ("Glenbrook"), an Arizona life insurance company; ALFS, Inc. ("ALFS"), a Delaware corporation: ("Broker-Dealer" or BD"), a Corporation; and ("Associated Insurance Agency"), a Corporation.

GLENBROOK LIFE AND ANNUITY COMPANY

BY: -----------------------------------

TITLE: -------------------------------

ALFS, INC.

BY: ---------------------------------

TITLE: -----------------------------

BROKER DEALER

- ------------------------------------
(NAME)

- ------------------------------------
(STREET ADDRESS)

- ------------------------------------
(CITY, STATE, ZIP)

BY: -----------------------------------

PRINT NAME: --------------------------

TITLE: -------------------------------

ASSOCIATED INSURANCE COMPANY

(NAME)

(STREET ADDRESS)

(CITY, STATE, ZIP)

BY: ---------------------------------

PRINT NAME: ------------------------

TITLE: -----------------------------

FOR STATES: ------------------------

WHEREAS, Glenbrook issues certain insurance products and group and individual insurance contracts/polices and certificates participating therein (collectively, "Contracts") described further in this Agreement and attached Schedules, some of which may be deemed securities ("Registered Contracts") under the Securities Act of 1933 ("1933 Act"); and

WHEREAS, Glenbrook has appointed ALFS< a broker/dealer, as the Underwriter of the Registered Contracts; and

WHEREAS, BD is a broker/dealer engaged in the sale of securities and other investment products; and

WHEREAS, in the event that Associated Insurance Agency and BD are the same person, the duties, responsibilities and privileges of Associated Insurance Agency under this Agreement shall be undertaken by BD; and

WHEREAS, Glenbrook and ALFS propose BD and Associated Insurance Agency to solicit sales of the contracts;

NOW THEREFORE, in consideration of the premises and mutual promises contained herein including the attached Schedule and Exhibits, the parties hereto agree as follows:

1. SUCCESSOR ORGANZATIONS

   a. Glenbrook shall, in its sole discretion, have the right to appoint a successor broker/dealer ("successor broker/dealer") to replace ALFS as Underwriter of the Registered Contracts. Upon appointment, successor broker/dealer shall assume all duties, responsibilities and privileges undertaken by ALFS under this Agreement. Glenbrook shall provide written notice of such change in appointment to BD and Associated Insurance Agency.

   b. Upon written notice to ALFS, BD shall have the right to appoint a successor BD to assume its duties, responsibilities and privileges under this Agreement. ALFS reserves the right to reject the appointment of any successor BD and shall provide written notice of such rejection to BD.

   c. Upon written notice to Glenbrook, Associated Insurance Agency shall have the right to appoint a successor Associated Insurance Agency or additional Associated Insurance Agencies to assume its duties, responsibilities and privileges under this Agreement. Glenbrook reserves the right to reject the appointment of any successor Associated Insurance Agency or additional Associated Insurance Agencies and shall provide written notice of such rejection to Associated Insurance Agency.

2. APPOINTMENT AND AUTHORIZATION

   ALFS hereby authorizes BD to solicit sales of the Contracts that are described more specifically in the Commission Schedule(s) attached hereto. Glenbrook hereby appoints Associated Insurance Agency to solicit sales of the Contracts. BD and Associated Insurance Agency accept such appointment and authorization, and each agrees to use its best efforts to find purchasers of the Contracts acceptable to Glenbrook.

3. REPRESENTATIONS

   a. Glenbrook, ALFS, BD and Associated Insurance Agency each represents to one another that it and the officers signing above have full power and authority to enter into this Agreement, and that this Agreement has been duty and validly executed by it and constitutes a legal, valid and binding agreement.

   b. ALFS represents to BD that ALFS (and any successor broker/dealer) is registered as a broker/dealer with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 ("1934 Act") and under the state securities laws of each jurisdiction in which such registration is required for underwriting the Contracts, and that it is a member of the National Association of Securities Dealers, Inc. (the "NASD").

   c. BD represents to ALFS that BD is, and at all times when performing its functions and fulfilling its obligations under this Agreement, will be, registered with the SEC as a broker/dealer under the 1934 Act and under the state securities laws of each jurisdiction in which such registration is required for the sale of the Contracts, and a member of the NASD. BD will notify ALFS in writing if such registration is terminated or suspended, and shall take all reasonable actions to reinstate such registrations.

d. BD represents to ALFS that BD has adopted supervisory procedures, and its compliance manual addresses: (i) maintenance of appropriate level of net capital; (ii) suitability review; (iii) misrepresentations; and (iv) churning/replacements.

e. Associated Insurance Agency represents to ALFS and Glenbrook that Associated Insurance Agency is, and at all times when performing its functions and fulfilling its obligations under this Agreement, will be, a properly licenses insurance agency in each jurisdiction in which such licensing is required for the sale of the Contracts.

f. Glenbrook represents to BD that the Registered Contracts, including any variable separate account(s) supporting such Registered Contracts, shall comply in all material respects with the registration and other applicable requirements of the 1933 Act and the Investment Company Act of 1940, and the rules and regulations there under, including the terms of any order of the SEC with respect thereto.

g. Glenbrook represents to BD and Associated Insurance Agency that the Contracts it issues have been filed and approved by the state insurance departments in such jurisdictions where it is authorized to transact business and such filing and approval are required prior to the issuance of Contracts therein.

h. Glenbrook represents to BD that the prospectuses included in Glenbrook's Registration Statement for the Registered Contracts, and in post-effective amendments thereto, and any supplements thereto, as filed or to be filed with the SEC, as of their respective effective dates, contain or will contain in all material respects all statements and information which are required to be contained therein by the 1933 Act and conform or will conform in all material respects to the requirements thereof.

4. COMPLIANCE WITH REGULATORY REQUIRMENTS

BD shall abide by all rules and regulation of the NASD governing the sale of the Variable Contracts, including, but not limited to, requirements regarding (i) net capital; (ii) suitability review; (iii) misrepresentations; and (iv) churning/replacements. BD and Associated insurance Agency shall comply with all applicable state and federal laws and the rules and regulations of governmental or regulatory agencies affecting or governing the sale of the Contracts. BD and Associated Insurance Agency shall comply with all applicable administrative procedures of Glenbrook and ALFS.

5. LICENSING AND/OR APPOINTMENT OF REPRENTATIVES

a. BD and Associated Insurance Agency are hereby specifically authorized to designate those registered representatives of BD, or individuals associated with the Associated Insurance Agency ("Agents"), proposed to be engaged in solicitation of sales of the Contracts for appointment by Glenbrook as individual insurance agents. BD and Associated Insurance Agency shall not propose a registered representative, or Agent, for appointment unless such representative, or Agent, is duly licenses as an insurance agent in the state(s) in which it is proposed that such representative, or Agent, engage in solicitations of sales of the Contracts. BD and Associated Insurance Agency together shall be responsible for registered representatives', and Agents', compliance with applicable state insurance agent licensing laws.

b. BD and Associate Insurance Agency shall assist Glenbrook and ALFS in the appointment of BD's registered representatives, and Agents, under applicable Insurance laws, to sell the Contracts. BD and Associated Insurance Agency shall comply with Glenbrook requirements for, including the General Letter of Recommendation (attached as Exhibit A), in submitting licensing or appointment documentation for proposed registered representatives and Agents. All such documentation shall be submitted by BD or Associated Insurance Agency to Glenbrook or its designated agent licensing administrator.

c. BD and Associated Insurance Agency agree to allow Glenbrook agent appointment information in the possession of any of Glenbrook's affiliates or subsidiaries to assist in appointing BD's registered representatives and Associated Insurance Agency's

Agents to sell the Contracts under applicable insurance laws.

d. Glenbrook reserves the right to refuse to appoint any such designated individual or, once appointed, to terminate or refuse to renew the appointment of any such designated individual. Only those registered representatives who are duly licenses as insurance agents and appointed by Glenbrook (herein, "Representatives") shall have authority to solicit sales of the Contracts. Only those Agents who are registered representatives of BD shall have authority to solicit sales of the Registered Contracts. Agents who are not registered representatives of BD shall be limited to selling those Contracts which are not Registered Contracts ("Fixed Contracts"). BD and Associated Insurance Agency shall notify ALFS immediately in writing if any Representative appointed by Glenbrook ceases to be a registered representative of BD or if any Representative or Agent ceases to be properly licensed in any state.

6. SUPERVISION OF REPRESENTATIVES AND AGENTS

a. BD shall have full responsibility for training and supervision of all Representatives and all other persons associated with BD who are involved directly or indirectly in the offer or sale of the Registered Contracts, and all such persons shall be subject to the control of BD with respect to such person's activities in connection with the sale of the Registered Contracts. Associated Insurance Agency shall have full responsibility for training and supervision of all Agents who are involved directly or indirectly in the offer or sale of the Contracts and for Agent's compliance with applicable state insurance laws.

b. Glenbrook and ALFS shall not have responsibility for the training and supervision of any Representative or Agency. BD and Associated Insurance Agency each agree to comply with Glenbrook's statement in support of the concepts in the Principles and Code of Ethical Market Conduct of the Insurance Marketplace Standards Association (the "IMSA Principles and Code"), as such statement may be amended from time to time, and to engage in active and fair competition as contemplated by the IMSA Principles and Code. A copy of Glenbrook's current statement in support of the IMSA Principles and Code is attached as Exhibit B.

c. Before Representatives engage in the solicitation of applications for the Registered Contracts, BD and Associated Insurance Agency will cause the Representatives (1) to be registered representatives of BD; (2) to be licensed, registered or otherwise qualified under applicable federal and state laws to engage in the sale of the Contracts; (3) to be trained in the sale of the Contracts; and (4) to limit solicitation of applications for the Contracts to jurisdictions where Glenbrook has authorized such solicitations.

d. Before Representatives or Agents engage in the solicitation of applications for the Fixed Contracts, Associated Insurance Agency will cause such individuals (1) to be licensed or otherwise qualified under applicable laws to engage in the sale of the Fixed Contracts; (2) to be trained in the sale of the Fixed Contracts; and (3) to limit solicitation of applications for the Fixed Contracts to jurisdictions where Glenbrook has authorized such solicitations.

e. BD is specifically charged with the responsibility of supervising and reviewing its Representatives' use of sales literature and advertising and all other communications with the public in connection with the Contracts. With regard to Registered Contracts, no sales solicitation, including the delivery of supplemental sales literature or other such materials, shall occur, be delivered to, or used with a prospective purchaser unless accompanied or preceded by the appropriate then current prospectus(es), the then current prospectus(es) for the underlying funds funding any variable contracts (the "Funds") and, where required by state insurance law, the then current statement of additional information for any variable contracts.

f. BD shall execute any electronic or telephone orders only in accordance with the current prospectus applicable to the Contracts and agrees, that in consideration for the telephone transfer privileges, Glenbrook will not be liable for any loss incurred as a result of acting upon electronic or telephone instructions containing unauthorized, incorrect or incomplete information received from BD or its representatives.

g. Upon request by Glenbrook, BD and Associated Insurance Agency shall furnish appropriate records or other documentation to evidence BD's and Associated Insurance Agency's diligent supervision.

h. In the event a Representative or Agent performs any unauthorized transaction(s) with respect to a Contract(s), BD shall bear sole responsibility, shall notify Glenbrook and shall act to terminate the sales activities of such Representative or Agent relating to the Contract(s).

i. In the event a Representative or Agent fails to meet the BD's or Associated Insurance Agency's rules and standards, BD or Associated Insurance Agency, as the case may be, shall notify Glenbrook and shall act to terminate the sales activities of such Representative or Agent relating to the Contracts.

7. SALES PROMOTION MATERIAL AND ADVERTISING

a. BD, Associated Insurance Agency, Agents and Representatives, in connection with the offer or sale of the Contracts or solicitation of a payment or other transaction under a Contract, shall not give any information or make any representations or statements, written or oral, concerning the Contracts or a Fund, inconsistent with information or representations contained, in the case of a Registered Contract, in the prospectus, statement of additional information and registration statement for the Contracts or such Fund, or in reports or proxy statements thereof, or in promotional, sales or advertising material or other information supplied and approved in writing by ALFS for such use, or in the case of Fixed Contracts, in the contracts or materials furnished by Glenbrook. BD, Associated Insurance Agency, Agents and Representatives may not modify or represent that they may modify any such prospectus, statement of additional information, registration statement, and promotional, sales or advertising materials.

b. No item of sales promotion materials or advertising relating to the Contracts, including any illustrations or software programs therefore, shall be used by BD, Associated Insurance Agency, Agents or Representatives unless the specific item has been provided by Glenbrook and ALFS or has first been approved in writing by Glenbrook and ALFS for use. Glenbrook and ALFS reserve the right to recall any material provided by them at any time for any reason, and BD and Associated Insurance Agency shall promptly comply with any such request for the return of material and shall not use such material thereafter.

8. SOLICITING APPLICATIONS AND PAYMENTS

a. All applications for Contracts shall be made on application forms supplied by Glenbrook. BD, Associated Insurance Agency, Agents and the Representatives shall not recommend the purchase of a Contract to a prospective purchaser unless it has reasonable grounds to believe that such purchase is suitable for the prospective purchaser and is in accordance with applicable regulations of any state Insurance commission, and with respect to Registered Contracts, the SEC and the NASD. While not limited to the following a determination of suitability shall be based on information concerning the prospective purchaser's insurance and investment objectives and financial situation and needs. All such determinations of suitability shall be approved by a Principal of BD before forwarding such application to Glenbrook and ALFS.

b. BD and Associated Insurance Agency shall review applications for completeness and correctness, as well as compliance with the suitability standards specified above. BD will promptly, but in no case later than the end of the next business day following receipt by BD or a Representative, forward to Glenbrook according to administrative procedures all complete and correct applications for suitable transactions, together with any payments received with the applications, without deduction for compensation unless there has been a mutual arrangement for net wire transmissions between ALFS, Glenbrook and BD. Glenbrook reserves the right to reject any Contract application and return any payment made in connection with an application that is rejected.

c. Contracts issued on accepted applications will be forwarded to BD for delivery to the Contract Owner according to procedures established by Glenbrook, unless Glenbrook has provided otherwise. BD shall cause each such Contract to be delivered to the respective Contract Owner within five days after BD's receipt. BD shall be liable to Glenbrook for any loss incurred by Glenbrook (including consequential damages and regulatory penalties) as a result of any delay by BD or a Representative in delivering such Contract.

d. BD, Associated Insurance Agency, Agents and Representatives shall not encourage a prospective purchaser to surrender or exchange a Contract in order to purchase another insurance policy or contract except when a change in circumstances makes the Contract an unsuitable investment for the Contract owner.

9. PAYMENTS RECEIVED BY BD

All premium payments (hereinafter collectively referred to as "Payments") are the property of Glenbrook and shall be transmitted to Glenbrook by BD immediately upon receipt by BD or Associated Insurance Agency or any Agent or Representative in accordance with the administrative procedures of Glenbrook, without any deduction or offset for any reason, including by example but no limitation any deduction or offset for compensation claimed by BD. CUSTOMER CHECKS SHALL BE MADE PAYABLE TO THE ORDER OF "GLENBROOK LIFE AND ANNUITY COMPANY." Glenbrook reserves the right to reject any Payment for any reason

10. COMMISSIONS PAYABLE

a. Commission's payable in connection with the Contracts shall be paid to Associated Insurance Agency according to the Commission Schedule(s) relating to this Agreement in effect at the time of receipt by Glenbrook of the payment or transaction request on which such commissions are based. If available, a Commission Option(s) may: (1) be elected by BD and Associated Insurance Agency on behalf of all of its Representatives or Agents or (2) may be elected by each Representative or Agent at the time of Application. Any election made and applied to a Contract may not be changed and will be in effect for the life of the Contract. Glenbrook and ALFS reserve the right to revise the Commission Schedule(s) for new business at any time upon at least thirty (30) days prior written notice to BD and Associated Insurance Agency.

b. Compensation to Representatives or Agents for Contracts solicited by the Representatives or Agents and issued by Glenbrook will be governed by agreements between BD or the Associated Insurance Agency and their respective Representatives or Agents any payment thereof will be the BD's or Associated Insurance Agency's sole responsibility.

11. REFUND OF COMMISSIONS

If Glenbrook is required to refund premiums or return contract values and waive surrender charges on any Contract for any reason, then commission will be adjusted with respect to said premiums or Contract as set forth in the Commission Schedule, and any commission previously paid for said premiums must be refunded to Glenbrook or ALFS. ALFS shall have the right to offset any such refundable commission against amounts otherwise payable by ALFS. ALFS agrees to notify BD and Associated Insurance Agency within thirty (30) days after it receives notice from Glenbrook of any premium refund or a commission charge back.

12. ASSOCIATED INSURANCE AGENCY

BD and the Associated Insurance Agency represent that they are in compliance with the terms and conditions of no-action letters issued by the staff of the SEC with respect to non-registration as a broker/dealer of an insurance agency associated with a registered broker/dealer. BD and Associated Insurance Agency shall notify ALFS immediately in writing if BD and/or such agency fail to comply with any such terms and conditions and shall take such measures as may be necessary to comply with any such terms and conditions. If Associated Insurance Agency is the same person as BD, this Paragraph 12 does not apply, and BD shall undertake all the duties, responsibilities and privileges under this Agreement.

13. HOLD HARMLESS AND INDEMNIFICATION PROVISIONS

a. No party to this agreement will be liable for any obligation, act or omission of any other party. BD and Associated Insurance Agency will hold harmless and indemnify Glenbrook and ALFS, and conversely, Glenbrook and ALFS will hold harmless and indemnify BD and Associated Insurance Agency for any loss or expense suffered as a result of the violation or noncompliance by the indemnifying party of or with any applicable law or regulation or any provision of this Agreement. Further, any BD violation or noncompliance by an associated person, as defined in Article 1 of the NASD By-Laws, would be covered under this provision.

b. Without limited the above paragraph, in situations when "as of" pricing is necessary in connection with the Contracts (and a loss is incurred to compensate the Contract owner for reduced Contract values) the party whose actions resulted in the loss will bear the costs according to pricing procedures established by Glenbrook.

14. NON-ASSIGNABILITY PROVISION

This Agreement may not be assigned by any party except by mutual consent of all other parties.

15. NON-WAIVER PROVISION

Failure of any party to terminate the Agreement for any of the causes set forth in this Agreement will not constitute a waiver of that party's right to terminate this Agreement at a later time for any of these causes.

16. AMENDMENTS

Except as stated in Paragraph 10, no amendment to this Agreement will be effective unless it is in writing and signed by all the parties hereto.

17. RECERTIFICATION

BD and Associated Insurance Agency shall, on a periodic basis determined by Glenbrook and ALFS, certify that they are in compliance with all terms and provisions of this Agreement.

18. INDEPENDENT CONTRACTORS

BD and its Representatives, and Associated Agency and its Agents, are independent contractors with respect to Glenbrook and ALFS.

19. NOTIFICATION OF CUSTOMERS COMPLIANTS OR DISCIPLINARY PROCEEDINGS

a. BD and Associated Insurance Agency agree to notify ALFS promptly of any customer complaints or disciplinary proceedings against BD, Associated Insurance Agency or any Representatives or Agents relating to the Contracts or any threatened or filed arbitration action or civil litigation arising out of solicitation of the Contracts.

b. BD and Associated Insurance Agency shall cooperate with Glenbrook in investigating and responding to any customer complaint, attorney demand, or inquiry received from state insurance departments or other regulatory agencies or legislative bodies, and in any settlement or trial of any actions arising out of the conduct of business under this Agreement.

c. Any response by BD or Associated Insurance Agency to an individual customer compliant will be sent to Glenbrook and ALFS for approval not less than five (5) business days prior to it being sent to the customer, except that if a more prompt response is required, the proposed response may be communicated by telephone, facsimile or in person.

20. BOOKS, ACCOUTNS AND RECORDS

a. BD and Associated Insurance Agency agree to maintain books, accounts and records so as to clearly and accurately disclose the nature and details of transactions relating to the Contracts and to assist Glenbrook and ALFS in the timely preparation of their respective books accounts and records. BD and Associated Insurance Agency shall upon request submit such books, accounts and records to the regulatory and administrative bodies which have jurisdiction over Glenbrook or the Funds.

b. Each party to this Agreement shall promptly furnish to the other parties any reports and information which another party may request for the purpose of meeting its reporting and record keeping

obligations under the insurance laws of any state, and under the federal and state securities laws or the rules of the NASD.

21. LIMITATIONS

No party other than Glenbrook shall have authority on behalf of Glenbrook to make, alter, or discharge any Contract issued by Glenbrook, to waive any forfeiture provision or to grant, permit, or extend the time of making any Payments, or to alter the forms which Glenbrook may prescribe or substitute other forms in place of those prescribed by Glenbrook or to enter into any proceeding in a court of law or before a regulatory agency in the name of or on behalf of Glenbrook.

22. CONFIDENTIALITY

Each party to this Agreement shall maintain the confidentiality of any material designated as proprietary by another party, and shall not use or disclose such information without the prior written consent of the party designating such material as proprietary.

23. TERMINATION

a. This Agreement may be terminated at the option of any party upon ten (10) days written notice to the other parties, or at the option of any party hereto upon the breach by any party of the covenants and terms of this Agreement. Paragraph 13 shall survive any such termination.

b. This Agreement may be terminated immediately for cause upon an event of default. Such termination shall be deemed to occur as of the date immediately preceding the event of default. An "event of default" shall occur when the first of the (i) BD or Associated Insurance Agency files for bankruptcy, or financial or corporate reorganization under federal or state insolvency law; (ii) applicable laws or regulations prohibit BD or Associated Insurance Agency from continued marketing of the Contracts.

24. NOTICE

a. In the event of sale, transfer or assignment of a controlling interest in BD or Associated Insurance Agency, notice shall be provided in writing to Glenbrook no less than thirty (30) days prior to the closing date.

b. All notices to Glenbrook and ALFS relating to this Agreement will be duly provided by certified or express mail to:

General Counsel
Glenbrook Life and Annuity Corporation
3100 Sanders Road
Northbrook, Illinois 60062

c. All notices to BD and Associated Insurance Agency will be duty provided if mailed to their respective address show on the Agency Specification/Signature Page(s).

25. SEVERABLITY

Should any provision of this Agreement be held unenforceable, those provisions not affected by the determination of unenforceability shall remain in full force and effect.

26. GOVERNING LAW

This Agreement will be construed in accordance with the laws of the State of Illinois.

EXHIBIT A

GENERAL LETTER OF RECOMMENDATION

BD hereby certifies to Glenbrook Life and Annuity Company ("Glenbrook") that all the following requirements will be fulfilled in conjunction with the submission of appointment papers for all applicants as agents of Glenbrook submitted by BD. BD will, upon request, forward proof of compliance with same to Glenbrook in a timely manner.

1. We have made a thorough and diligent inquiry and investigation relative to each applicant's identify, residence, business reputation, and experience and declare that each applicant is personally known to us, has been examined by us, is known to be of good moral character, has a good business reputation, is reliable, is financially responsible and is worthy of appointment as a variable contract agent of Glenbrook. This inquiry and background investigation has included a credit and criminal check on each applicant. Based upon our investigation, we vouch for each applicant and certify that each individual is trustworthy, competent and qualified to act as an agent for Glenbrook to hold himself out in good faith to the general public.

2. We have on file the appropriate state insurance department licensing forms (i.e. B-300, B-301), or U-4 form which was completed by each applicant. We have fulfilled all the necessary investigative requirements for the registration of each applicant as a registered representative thorough our NASD member firm, and each applicant is presently registered as a NASD registered representative.

   The above information in our files indicates no fact or condition which would disqualify the applicant from receiving a license or appointment and all the findings of all investigative information is favorable.

3. We certify that all educational requirements have been met for the specific state each applicant is licensed in; and that, all such persons have fulfilled the appropriate examination, education and training requirements.

4. We certify that each applicant will receive close and adequate supervision, and that we will make inspection when needed of any or all risks written by these applicants, to the end that the insurance interest of the public will be properly protected.

5. We will not permit any applicant to transact insurance as an agent until duly licensed and appointed by Glenbrook. No applicants have been given a contract or furnished supplies, nor have any applicants been permitted to write, solicit business, or act as an agent in any capacity on behalf of Glenbrook, and they will not be so permitted until the certificates of authority applied for is received.

EXHIBIT B

ETHICAL MARKET CONDUCT COMPLIANCE

BD and Associated Insurance Agency (also referred to as "you" or "your") are required to comply with Glenbrook's policies and procedures concerning the replacement of life insurance policies and annuity polices. A replacement occurs whenever an existing life insurance policy or annuity is terminated, converted or otherwise changed in value. For any transaction involving a replacement, Glenbrook requires you to:

1. recommend the replacement of an existing policy only when replacement is in the best interest of the customer;

2. fully disclose all relevant information to the customer, which information includes: a) comparison of old and new premiums, expenses and surrender charges, cash values, and death benefits; b) any loss of cash value or policy value by surrendering the existing policy; c) all guaranteed and maximum value of both policies; d) the fact that a new contestability and suicide period starts under the new policy; and e) the requirement that the customer must be re-underwritten for the new policy;

3. provide state-required replacement notices to customers on the same day the application is taken and indicate on the application that the transaction involves the full or partial replacement of an existing policy;

4. submit, all advertising materials intended to promote the sale of any Glenbrook product to the home office for approval prior to use;

5. immediately report to Glenbrook any customer complaints, whether written or oral, and assist Glenbrook in resolving the complaint to the satisfaction of all parties;

6. communicate these standards to any producers or office personnel that you directly supervise and request their agreement to be bound by these conditions as well.

Glenbrook and ALFS may terminate this Agreement without notice if you fail to comply with Glenbrook's rules and requirements concerning the replacement of life insurance and annuities and Glenbrook's rules and requirements concerning ethical market conduct.

Your right to any commissions or any other thing of value shall cease if you violate laws and regulations governing unfair trade practices, life insurance and annuity advertising, replacement of life insurance and annuities, sales illustrations and agent licensing.

By promoting the sale of a Glenbrook product to a customer, you agree to be bound by the terms and conditions of this Addendum without modification.

SCHEDULE A

SCHEDULE OF COMMISSIONS

Subject to terms and conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for Registered Contracts issued according to the following chart.

AIM LIFETIME PLUS SINGLE PREMIUM VARIABLE LIFE

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COMMISSION
OPTIONS --
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PLAN ISSUE
 AGE A B -
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   0-80
  7.50%*
 6.25%* No
trail .25%
  trail**
  Single
Life 81-85
  6.00%*
 5.00%* No
trail .25%
  trail**
   18-80
  7.50%*
 6.25%* No
trail .25%
  trail**
   Last
 Survivor
   81-85
  6.00%*
 5.00%* No
trail .25%
  trail**
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* = Based upon purchase payment

** = Trail commissions are based on the contract value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract has expired; the contract must be effect through the end of the contract quarter for a trail commission to be paid.

In the event a Partial Withdrawal occurs, trail commissions will continue to be paid in any quarter in which the contract remains in force.

In the event that any AIM LIFETIME PLUS Single Premium Variable Life is surrendered during the "free look" period, there will be a full chargeback of commission.

SCHEDULE A

SCHEDULE OF COMMISSIONS

Subject to terms and conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued according to the following chart (based upon the option selected in writing by each Agent or Representative):

AIM LIFETIME PLUS VARIABLE ANNUITY

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COMMISSION
 OPTIONS
ISSUE AGE
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- A B - --
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 --- 0-80
  5.75%*
4.75%* No
trail .25%
 trail**
  4.75%*
3.50%* 81-
  85 No
trail .25%
 trail**
  86-90
  2.50%*
1.25%* No
trail .25%
 trail**
```

*   = Based upon purchase payment

**   = Trail commissions are based on the contract value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

COMMISSION CHARGEBACKS

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TRANSACTION
 PERIOD OF
 CHARGEBACK
 CHARGEBACK
PLEASE NOTE
- ----------
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```

Surrender
During the
"free look"
100% of
commission
N/A period
For issue
ages 81-85
on
Annuitization
Months 1-12
following a
Commission
will be
Option B and
ages 86-90,
purchase
payment
adjusted to
equal 4.25%
Options A
and B, no
adjustment
will be made

SCHEDULE A

SCHEDULE OF COMMISSIONS

Subject to terms and conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued according to the following chart (based upon the option selected in writing by each Agent or Representative):

AIM LIFETIME PLUS II VARIABLE ANNUITY

COMMISSION
OPTIONS
ISSUE AGE

- A B - --

--- 0-80
5.75%*
4.75%* No
trail .25%
trail**
4.75%*
3.50%* 81-
85 No
trail .25%
trail**
86-90
2.75%*
2.25%* No
trail .25%
trail**

*   = Based upon purchase payment

**   = Trail commissions are based on the contract value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is

annuitized; the contract must be in effect through the end of the contract
quarter for a trail commission to be paid.

COMMISSION CHARGEBACKS

TRANSACTION
PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE NOTE
- ----------

Surrender
During the
"free look"
100% of
commission
N/A period
For issue
ages 81-85
on
Annuitization
Months 1-12
following a
Commission
will be
Option B and
ages 86-90,
purchase
payment
adjusted to
equal 4.25%
Options A
and B, no
adjustment
will be made

SCHEDULE A

SCHEDULE OF COMMISSIONS

Subject to terms and conditions of the Selling Agreement, Associated Insurance
Agency shall be compensated for VA Contracts issued according to the following
chart (based upon the option selected in writing by each Agent or
Representative):

AIM LIFETIME ENHANCED CHOICE VARIABLE ANNUITY

COMMISSION
OPTIONS
ISSUE AGE

- A B - --

--- 0-80
5.50%*
4.25%* No

trail .25%
trail**

* = Based upon purchase payment

** = Trail commissions are based on the contract value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

COMMISSION CHARGEBACKS

TRANSACTION
PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE NOTE
- ----------

Surrender
During the
"free look"
100% of
commission
N/A period
Annuitization
Months 1-12
following a
Commission
will be
purchase
payment
adjusted to
equal 4.25%
N/A

EXHIBIT 10.40

LIMITED SERVICING AGREEMENT
ALLSTATE LIFE INSURANCE COMPANY

Agreement, made this 1st day of October 2002, by and among Allstate Life Insurance Company ("Allstate Life"), an Illinois life insurance company; Allstate Distributors, L.L.C. ("ADLLC"), a Delaware limited liability company; Allstate Financial Services, LLC ("Broker-Dealer" or "BD"), a NE corporation; and ("Associated Insurance Agency"), a corporation.

ALLSTATE LIFE INSURANCE COMPANY	ALLSTATE DISTRIBUTORS, L.L.C.
By: ----------------------------------	By: ----------------------------------
Title: --------------------------------	Title: --------------------------------

BROKER DEALER	ASSOCIATED INSURANCE AGENCY
Allstate Financial Services, LLC	
(Name)	(Name)
2920 S 84th St.	
(Street Address)	(Street Address)
Lincoln, NE 68506	
(City, State, Zip)	(City, State, Zip)
By: ----------------------------------	By: ----------------------------------
Print Name: --------------------------	Print Name: --------------------------
Title: -------------------------------	Title: --------------------------------
	For States: --------------------------

WHEREAS, Allstate Life issues certain insurance products and group and individual insurance contracts/policies and certificates participating therein (collectively, "Contracts") described further in this Agreement and attached Schedules, some of which may be deemed securities ("Registered Contracts") under the Securities Act of 1933 ("1935 Act"); and

WHEREAS, Allstate Life has appointed ADLLC, a broker/dealer, as the Underwriter of the Registered Contracts; and

WHEREAS, BD is a broker/dealer engaged in the sale of securities and other investment products; and

WHEREAS, each Associated Insurance Agency Is an insurance agent in the states noted above; and

WHEREAS, in the event that Associated Insurance Agency and BD are the same person, the duties, responsibilities and privileges of Associated Insurance Agency under this Agreement shall be undertaken by BD; and

WHEREAS, Allstate Life and ADLLC propose to authorize BD and Associated Insurance Agency to service of the Contracts;

WHEREAS, This Agreement Is limited to and solely applies to those registered representatives of BD and agents of Associated Insurance Agency indicated on Schedule B who have been properly appointed by Allstate Life;

NOW THEREFORE, In consideration of the premises and mutual promises contained herein including the attached Schedule(s) and Exhibits, the parties hereto agree as follows:

SCHEDULE B

REPRESENTATIVES AUTORIZED TO SERVICE APPLICATIONS*
ON BEHALF OF THE FOLLOWING NAMED BROKER/DEALER

ENTER NAME OF BROKER/DEAFER:

Representative
Name
Representative
Social
Security No.
State to
Service in -

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

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

Glen Mitchell
###-##-####
ME Milton
Livingood
###-##-####
MN Joseph
Suozzo, Jr.
###-##-####
NJ James Mins
###-##-####
CA Dennis O'
Brien ###-##-
PA
Alfred Kulig
Jr. ###-##-
OH Linda
Davies ###-
##-#### IN
James Parolin
###-##-####
NH Thomas
Mladonicky
###-##-####
OH Milton
Scott ###-##-
PA James
Denvir ###-
##-#### PA
David Bunten
###-##-####
GA

*= cumulative or sequential

Return to:
Allstate Life Insurance Company
Attn. Broker/Dealer Contracting Manager 3100 Sanders Road
Suite N3B
Northbrook, Illinois 60062-7154 or Fax to: (847) 326-5979

1. SUCCESSOR ORGANIZATIONS

a. Allstate Life shall, in its sole discretion, have the right to appoint a successor broker/dealer ("successor broker/dealer) to replace ADLLC as Underwriter of the Registered Contracts, Upon appointment, successor broker/dealer shall assume all duties, responsibilities and privileges undertaken by ADLLC under this Agreement Allstate Life shall provide Witten notice of such change in appointment to BD and Associated Insurance Agency.

b. Upon written notice to ADLLC, BD shall have the right to appoint a successor BD to assume its duties. responsibilities and privileges under this Agreement. ADLLC reserves the right to reject the appointment of any successor BD and shall provide warren notice of such rejection to BD.

c. Upon written notice to Allstate tale, Associated insurance Agency shall have the right to appoint a successor Associated insurance Agency or additional Associated Insurance Agencies to assume its duties, responsibilities and privileges under this Agreement Allstate Life reserves the right to reject the appointment of any successor Associated Insurance Agency or additional Associated Insurance Agencies and shall provide written notice of such rejection to Associated Insurance Agency

2. APPOINTMENT AND AUTHORIZATION

ADLLC hereby authorizes BD to service sales of the Contracts that are described more specifically in the Commission Schedule(s) attached hereto. Allstate Life hereby appoints Associated insurance Agency to solicit and service sales of the Contra. BD and Associated Insurance Agency accept such appointment and authorization, and each agrees to use its best efforts to find purchasers of the Contracts acceptable to Allstate Life.

3. REPRESENTATIONS

a. Allstate Life, ADLLC, BD and Associated Insurance Agency each represents to one another that it and the officers signing above have full power and authority to enter into this Agreement, and that this Agreement has been duly and validly executed by it and constitutes a legal, valid and binding agreement on all parties including any successor organizations.

b. ADLLC represents to BD that ADLLC (and any successor broker/dealer) is registered as a broker/dealer with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 ("1934 Act") and under the state securities laws of each jurisdiction in which such registration is required for underwriting the Contracts, and that it is a member of the National Association of Securities Dealers, Inc. (the "NASD").

c. BD represents to ADLLC that BD is, and at all times when performing its functions and fulfilling its obligations under this Agreement, will be, registered with the SEC as a broker/dealer under the 1934 Act and under the state securities laws of each jurisdiction in which such registration is required for the sale of the Contracts, and a member of the NASD. BD will notify ADLLC in writing if such registration is terminated or suspended, and shall take all reasonable actions to reinstate such registrations.

d. BD represents to ADLLC that BD has adopted supervisory procedures, and its compliance manual addresses: (i) maintenance of appropriate level of net capital; (ii) suitability review; (iii) misrepresentations; and (iv) replacements.

e. Associated Insurance Agency represents to ADLLC and Allstate Life that Associated Insurance Agency is, and at all times when performing its functions and fulfilling its obligations under this Agreement, will be, a properly licensed insurance agency in each jurisdiction in which such licensing is required for the sale of the Contracts.

f. Allstate Life represents to BD that the Registered Contracts, including any variable separate account(s) supporting such Registered Contracts, shall comply in all material respects with the registration and other applicable requirements of the 1933 Act and the Investment Company Act of 1940, and the rules and regulations thereunder, including the terms of any order of the SEC with respect thereto.

g. Allstate Life represents to BD and Associated Insurance Agency that the Contracts it issues have been filed and approved by the state insurance departments in such jurisdictions where it is authorized to transact business and such filing and approval are required prior to the issuance of Contracts therein.

h. Allstate Life represents to BD that the prospectuses included in Allstate Life's Registration Statement for the Registered Contracts, and in post-effective amendments thereto, and any supplements thereto, as filed or to be filed with the SEC, as of their respective effective dates, contain or will contain in all material respects all statements and information which are required to be contained therein by the 1933 Act and conform or will conform in all material respects to the requirements thereof.

4. COMPLIANCE WITH REGULATORY REQUIREMENTS

BD shall abide by all rules and regulations OF the NASD governing the sale of the Variable Contracts, including, but not limited to, requirements regarding (i) net capital; (ii) suitability review; (iii) misrepresentations; and (iv) replacements. BD and Associated Insurance Agency shall comply with all applicable state and federal laws and the rules and regulations of governmental or regulatory agencies affecting or governing the sale of the Contracts. BD and Associated Insurance Agency shall comply with all applicable administrative procedures of Allstate Life and ADLLC.

5. LICENSING AND/OR APPOINTMENT OF REPRESENTATIVES

a. BD and Associated Insurance Agency are hereby specifically authorized to designate those registered representatives of BD, or individuals associated with the Associated Insurance Agency ("Agents"), proposed to be engaged in servicing of sales of the Contracts for appointment by Allstate Life as individual insurance agents. BD and Associated Insurance Agency shall not propose a registered representative, or Agent, for appointment unless such representative, or Agent, is duly licensed as an insurance agent in the state(s) in which it is proposed that such representative, or Agent, engage in solicitations and servicing of sales of the Contracts. BD and Associated Insurance Agency together shall be responsible for registered representatives, and Agents, compliance with applicable state insurance agent licensing laws.

b. BD and Associated Insurance Agency shall assist Allstate Life and ADLLC in the appointment of BD's registered representatives, and Agents, under applicable insurance laws, to sell the Contracts. BD and Associated Insurance Agency shall comply with Allstate Life requirements for, including the General Letter of Recommendation (attached as Exhibit A), in submitting licensing or appointment documentation for proposed registered representatives and Agents. All such documentation shall be submitted by BD or Associated Insurance Agency to Allstate Life or its designated agent licensing administrator.

c. BD and Associated Insurance Agency agree to allow Allstate Life to use any agent appointment information in the possession of any of Allstate Life's affiliates or subsidiaries to assist in appointing BD's registered representative and Associated Insurance Agency's Agents to sell the Contracts under applicable insurance laws.

d. Allstate Life reserves the right to refuse to appoint any such designated individual or, once appointed, to terminate or refuse to renew the appointment of any such designated individual. Only those registered representatives who are duly licensed as insurance agents and appointed by Allstate Life (herein, "Representatives") shall have authority to solicit and service sales of the Contracts. Only those Agents who are registered representatives of BD shall have authority to solicit and service sales of the Registered Contracts. Agents who are not registered representatives of BD shall be limited to selling and servicing those Contracts which are not Registered Contracts ("Fixed Contracts"). BD and Associated Insurance Agency shall notify ADLLC immediately in writing if any Representative appointed by Allstate Life ceases to be a registered representative of BD or if any Representative or Agent ceases to be properly licensed in any state.

6. SUPERVISION OF REPRESENTATIVES AND AGENTS

a. BD shall have full responsibility for training and supervision of all Representatives and all other persons associated with BD who are involved directly or indirectly in the offer or sale of the Registered Contracts, and all such persons shall be subject to the control of BD with respect to such persons' activities in connection with the sale of the Registered Contracts. Associated Insurance Agency shall have full responsibility for training and supervision of all Agents who are involved directly or indirectly in the offer or sale of the Contracts and for Agent's compliance with applicable state insurance laws.

b. Allstate Life and ADLLC shall not have responsibility for the training and supervision of any Representative or Agency. BD and Associated Insurance Agency each agree to comply with Allstate Life's statement in support of the concepts in the Principles and Code of Ethical Market Conduct of the Insurance Marketplace Standards Association (the "IMSA Principles and Code"), as such statement may be amended from time to time, and to engage in active and fair competition as contemplated by the IMSA Principles and Code. A copy of Allstate Life's current statement in support of the IMSA Principles and Code is attached as Exhibit B.

c. Before Representatives engage in the solicitation of applications for the Registered Contracts, BD and Associated Insurance Agency will cause the Representatives (1) to be registered representatives of BD; (2) to be licensed, registered or otherwise qualified under applicable federal and state laws to engage in the sale of the Contracts; (3) to be trained in the sale of the Contracts; and (4) to limit solicitation of applications for the Contracts to jurisdictions where Allstate Life has authorized such solicitations.

d. BD is specifically charted with the responsibility of supervising and reviewing its Representatives' use of sales literature and advertising and all other communications with the public in connection with the Contracts. With regard to Registered Contracts, no sales solicitation, including the delivery of supplemental sales literature or other such materials, shall occur, be delivered to, or used with a prospective purchaser unless accompanied or preceded by the appropriate then current prospectus(es), the then current prospectus(es) for the underlying funds funding any variable contracts (the "Funds") and, where required by state insurance law, the then current statement of additional information for any variable contracts.

e. BD shall execute any electronic or telephone orders only in accordance with the current prospectus applicable to the Contracts and agrees, that in consideration for the telephone transfer privileges, Allstate Life will not be liable for any loss incurred as a result of acting upon electronic or telephone instructions containing unauthorized, incorrect or incomplete information received from BD or its representatives.

f. Upon request by Allstate Life, BD and Associated Insurance Agency shall furnish appropriate records or other documentation to evidence BD's and Associated Insurance Agency's diligent supervision.

g. In the event a Representative or Agent performs any unauthorized transaction(s) with respect to a Contract(s), BD shall bear sole responsibility, shall notify Allstate Life and Shall act to terminate the sales activities of such Representative or Agent relating to the Contract(s).

h. In the event a Representative or Agent fails to meet the BD's or Associated Insurance Agency's rules and standards, BD or Associated Insurance Agency, as the case may be, shall notify Allstate Life and shall act to terminate the sales activities of such Representative or Agent relating to the Contracts.

7. SALES PROMOTION MATERIAL AND ADVERTISING

a. BD, Associated Insurance Agency, Agents and Representatives, in connection with the offer or sale of the Contracts or solicitation of a payment or other transaction under a Contract, shall not give any information or make any representations or statements, written or oral, concerning the Contracts or a Fund, inconsistent with information or representations contained, in the case of a Registered Contract, in the prospectus, statement of additional information and registration statement for the Contracts or such Fund, or in reports or proxy statements thereof, or in promotional, sales or advertising material or other information supplied and approved in writing by ADLLC for such use, or in the case of Fixed Contracts, in the contracts or materials furnished by Allstate Life. BD, Associated Insurance Agency, Agents and Representatives may not modify or represent that they may modify any such prospectus, statement of additional information, registration statement, promotional, sales or advertising materials.

b. No item of sales promotion materials or advertising relating to the Contracts, including any illustrations or software programs therefore, shall be used by BD, Associated Insurance Agency, Agents or Representatives unless the specific item has been provided by Allstate Life and ADLLC or has first been approved in writing by Allstate Life and ADLLC for use. Allstate Life and ADLLC reserve the right to recall any material provided by them at any time for any reason, and BD and Associated Insurance Agency shall promptly comply with any such request for the return of material and shall not use such material thereafter.

8. PAYMENTS RECEIVED BY BD

All premium payments (hereinafter collectively referred to as "Payments") are the property of Allstate Life and shall be transmitted to Allstate Life by BD immediately upon receipt by BD or Associated Insurance Agency or any Agent or Representative in accordance with the administrative procedures of Allstate Life, without any deduction or offset for any reason, including by example but not limitation any deduction or offset for compensation claimed by BD. CUSTOMER CHECKS SHALL BE MADE PAYABLE TO THE ORDER OF "ALLSTATE LIFE INSURANCE COMPANY." Allstate Life reserves the right to reject any Payment for any reason.

9. COMMISSIONS PAYABLE

a. Commissions payable in connection with the Contracts shall be paid to Associated Insurance Agency according to the Commission Schedule(s) relating to this Agreement in effect at the time of receipt by Allstate Life of the payment or transaction request on which such commissions are based. If available, a Commission Option(s) may: (1) be elected by BD and Associated Insurance Agency on behalf of all of its Representatives or Agents or (2) may be elected by each Representative or Agent at the time of Application. Any election made and applied to a Contract may not be changed and will be in effect for the life of the Contract. Allstate Life and ADLLC reserve the right to revise the Commission Schedule(s) for new business at any time upon at least thirty (30) days prior written notice to BD and Associated Insurance Agency.

b. Compensation to the Representatives or Agents for Contracts solicited by the Representatives or Agents and issued by Allstate Life will be governed by agreements between BD or the Associated Insurance Agency and their respective Representatives or Agents and payment thereof will be the BD's or Associated Insurance Agency's sole responsibility.

10. REFUND OF COMMISSIONS

If Allstate Life is required to refund premiums or return contract values and waive surrender charges on any Contract for any reason, then commission will be adjusted with respect to said premiums or Contract set forth in the Commission Schedule, and any commission previously paid for said premiums must be refunded to Allstate Life or ADLLC. ADLLC shall have the right to offset any such refundable commission against amounts otherwise payable by ADLLC . ADLLC agrees to notify BD and Associated Insurance Agency within thirty (30) days after it receives notice from Allstate Life or any premium refund or a commission charge back.

11. ASSOCIATED INSURANCE AGENCY

BD and the Associated Insurance Agency represent that they are in compliance with the terms and conditions of no-action letters issued by the staff of the SEC with respect to non-registration as a broker/dealer of an insurance agency associated with a registered broker/dealer. BD and Associated Insurance Agency shall notify ADLLC immediately in writing if BD and/or such agency fail to comply with any such terms and conditions and shall take such measures as may be necessary to comply with any such terms and conditions. If Associated Insurance Agency is the same person as BD, this Paragraph 11 does not apply, and BD shall undertake all the duties, responsibilities and privileges under this Agreement.

12. HOLD HARMLESS AND INDEMNIFICATION PROVISIONS

a. No party to this Agreement will be liable for any obligation, act or omission of any other party. BD and Associated Insurance Agency will hold harmless and indemnify Allstate Life and ADLLC, and conversely, Allstate Life and ADLLC will hold harmless and indemnify BD and Associated Insurance Agency for any loss or expense suffered as a result of the violation or noncompliance by the indemnifying party of or with any applicable law or regulation or any provision of this Agreement. Further, any BD violation or noncompliance by an associated person, as defined in Article 1 of the NASD By-Laws, would be covered under this provision.

b. Without limiting the above paragraph, in situations when "as of" pricing is necessary in connection with the Contracts (and a loss is incurred to compensate the Contract owner for reduced Contract values) the party whose actions resulted in the loss will bear the costs according to pricing procedures established by Allstate Life.

13. NON-ASSIGNABILITY PROVISION

This Agreement may not be assigned by any party except by mutual consent of all other parties.

14. NON-WAIVER PROVISION

Failure of any party to terminate the Agreement for any of the causes set forth in this Agreement will not constitute a waiver of that party's right to terminate this Agreement at a later time for any of these causes.

15. AMENDMENTS

Except as stated in Paragraph 9, no amendment to this Agreement will be effective unless it is in writing and signed by all the parties hereto. In addition, no modification to Schedule B of this Agreement will be effective unless Allstate Life and ADLLC receive the modification in writing and it is provided using the Schedule B attached to this Agreement. Modification to this Agreement may cumulatively list all agents subject to this Agreement or a separate Schedule B may be used for each agent. All modifications to Schedule B are incorporated by reference into this Agreement.

16. RECERTIFICATION

BD and Associated Insurance Agency shall, on a periodic basis determined by Allstate Life and ADLLC, certify that they are in compliance with all terms and provisions of this Agreement.

17. INDEPENDENT CONTRACTORS

BD and its Representatives, and Associated Insurance Agency and its Agents, are independent contractors with respect to Allstate Life and ADLLC.

18. NOTIFICATION OF CUSTOMER COMPLAINTS OR DISCIPLINARY PROCEEDINGS

a. BD and Associated Insurance Agency agree to notify ADLLC promptly of any verbal or written customer complaints or disciplinary proceedings against BD, Associated Insurance Agency or any Representatives or Agents relating to the Contracts or any threatened or filed arbitration action or civil litigation arising out of solicitation of the Contracts.

b. BD and Associated Insurance Agency shall cooperate with Allstate Life in investigating and responding to any customer complaint, attorney demand, or inquiry received from state insurance departments or other regulatory agencies or legislative bodies, and in any settlement or trial of any actions arising out of the conduct of business under this Agreement.

c. Any response by BD or Associated Insurance Agency to an individual customer complaint will be sent to Allstate Life and ADLLC for approval not less than five (5) business days prior to it being sent to the customer, except that if a more prompt response is required, the proposed response may be communicated by telephone, facsimile or in person.

19. BOOKS, ACCOUNTS AND RECORDS

a. BD and Associated Insurance Agency agree to maintain books, accounts and records so as to clearly and accurately disclose the nature and details of transactions relating to the Contracts and to assist Allstate Life and ADLLC in the timely preparation of their respective books, accounts and records. BD and Associated Insurance Agency shall upon request submit such books, accounts and records to the regulatory and administrative bodies which have jurisdiction over Allstate Life or the Funds.

b. Each party to this Agreement shall promptly furnish to the other parties any reports and information which another party may request for the purpose of meeting its reporting and record keeping obligations under the insurance laws of any state, and under the federal and state securities laws or the rules of the NASD.

20. PARTICIPATION IN FINANCIAL SERVICES GROUP INSURANCE TRUST

BD agrees to be a Participant, by its signature below on this Agreement, in the Financial Services Group Insurance Trust and/or Arkansas Financial Services Group Insurance Trust ("Trust(s)") which is administered by Allstate Life Insurance Company. BD agrees to be bound by the terms of the Participation Agreement(s) attached hereto as Exhibit C et. seq.

21. LIMITATIONS

No party other than Allstate Life shall have authority on behalf of Allstate Life to make, alter, or discharge any Contract issued by Allstate Life, to waive any forfeiture provision or to grant, permit, or extend the time of making any Payments, or to alter the forms which Allstate Life may prescribe or substitute other forms in place of those prescribed by Allstate Life or to enter into any proceeding in a court of law or before a regulatory agency in the name of or on behalf of Allstate Life.

22. CONFIDENTIALITY AND CONSUMER PRIVACY OBLIGATIONS

Each party to this Agreement shall maintain the confidentiality of any material designated as proprietary by another party, and shall not use or disclose such information without the prior written consent of the party designating such material as proprietary.

Each party to this Agreement agrees and warrants to each other:

a. That BD, Associated Insurance Agency, Allstate Life and ADLLC (all parties of the Selling Agreement) have complied with the privacy notice requirement as contained in Regulation S-P (17 CFR Part 248), promulgated under section 504 of the Gramm-Leach-Bliley Act).

b. That BD and Associated Insurance Agency are providing Allstate Life and ADLLC with certain Non-Public Personal Information about BD's consumers solely for the purpose of allowing Allstate Life and ADLLC to perform their obligations under the Agreement.

c. That all parties of the Selling Agreement shall use the Non-Public Personal Information solely to fulfill its contractual obligations under the Agreement; and shall not use the Non-Public Personal Information for their own benefit or the benefit of its affiliate(s) or any other party.

d. That all parties of the Selling Agreement shall not disclose the Non-Public Personal Information to any party, except as is necessary to fulfill its contractual obligations under the Agreement, or when such disclosure is made pursuant to a valid exception under Regulation S-P, sections 248.14-15 (i.e. ordinary course of business and requirement of law).

e. That "non-Public Personal Information" shall have the meaning as is used in Regulation S-P.

23. TERMINATION

a. This Agreement may be terminated at the option of any party upon ten (10) days written notice to the other parties, or at the option of any party hereto upon the breach by any party of the covenants and terms of this Agreement. Paragraph 12 shall survive any such termination.

b. This Agreement may be terminated immediately for causes upon an event of default. Such termination shall be deemed to occur as of the date immediately preceding the vent of default. An "event of default" shall occur when the first of the (i) BD or Associated Insurance Agency files for bankruptcy, or financial or corporate reorganization under federal or state insolvency law; (ii) applicable laws or regulations prohibit BD or Associated Insurance Agency from continued marketing of the Contracts.

24. NOTICE

a. In the event of sale, transfer or assignment of a controlling interest in BD or Agency, notice shall be provided in writing to Allstate Life no less than thirty (30) days prior to the closing date.

b. All notices to Allstate Life and ADLLC relating to this Agreement will be duly provided by certified or express mail to:

General Counsel
Allstate Life Insurance Company
3100 Sanders Road
Northbrook, Illinois 60062

c. All notices to BD and Associated Insurance Agency will be duly provided if mailed to their respective address shown on the Agency Specification/Signature Page(s).

25. SEVERABILITY

Should any provision of this Agreement be held unenforceable, those provisions not affected by the determination of unenforceability shall remain in full force and effect.

26. GOVERNING LAW

This Agreement will be construed in accordance with the laws of the State of Illinois.

EXHIBIT A

General Letter of Recommendation

BD hereby certifies to Allstate Life Insurance Company ("Allstate Life") that all the following requirements will be fulfilled in conjunction with the submission of appointment papers for all applicants as agents of Allstate Life submitted by BD. BD will, upon request, forward proof of compliance with same to Allstate Life in a timely manner.

1. We have made a thorough and diligent inquiry and investigation relative to each applicant's identity, residence, business reputation, and experience and declare that each applicant is personally known to us, has been examined by us, is known to be of good moral character, has a goad business reputation, is reliable, is financially responsible and is worthy of appointment as a variable contract agent of Allstate Life. This inquiry and background investigation has included a credit and criminal check on each applicant Based upon our investigation, we vouch for each applicant and Certify that each individual is trustworthy, competent and qualified to act as an agent for Allstate Life to hold himself out in good FAITH to the general public.

2. We have on file the appropriate state insurance department licensing forms or U-4 form which was completed by each applicant. We have fulfilled all the necessary investigative requirements for the registration of each applicant as a registered representative through our NASD member firm, and each applicant is presently registered as a NASD registered representative.

   The above information in our files indicates no fact or Condition which would disqualify the applicant from receiving a license or appointment and all the findings of all investigative information is favorable.

3. We certify that all educational requirements have been met for the specific state each applicant is licensed in, and that, all such persons have fulfilled the appropriate examination, education and training requirements.

4. We certify that each applicant will receive close and adequate supervision, and that we will make inspection when needed of any or all risks written by these applicants, to the end that the insurance interest of the public will be properly protected.

5. We will not permit any applicant to transact insurance as an agent until duly licensed and appointed by Allstate Life. No applicants have been given a contract or furnished supplies, nor have any applicants been permitted to write, solicit business, or act as an agent in any capacity on behalf of Allstate Life, and they will not be so permitted until the certificate of authority applied for is received.

EXHIBIT B

Ethical Market Conduct Compliance

BD and Associated Insurance Agency (also referred to as "you" or "your") are required to comply with Allstate Life's policies and procedures concerning the replacement of life insurance policies and annuity policies. A replacement occurs whenever an existing life insurance policy or annuity is terminated, converted or otherwise changed in value.

For any transaction involving a replacement, Allstate Life requires you to:

1. recommend the replacement of an existing policy only when replacement is in the best interest of the customer;

2. fully disclose all relevant information to the customer, which information includes; a) comparison of old and new premiums, expenses and surrender charges, cash values, and death benefits; b) any loss of cash value or policy value by surrendering the existing policy; c) all guaranteed and maximum value of both policies; d) the fact that a new contestability and suicide period starts under the new policy; and e) the requirement that the customer must be re-underwritten for the new policy;

3. provide state-required replacement notices to customers on the same day the application is taken and indicate on the application that the transaction involves the full or partial replacement of an existing policy;

4. proceed with replacement policies only after providing the customer with

proper information and ensuring that the replacement is in the customer's best interest and that their needs are met.

BD and Associated Insurance Agency are required to adhere to Allstate Life's rules and requirements concerning ethical market conduct, which require that you:

1. carefully evaluate the insurance needs and financial objectives of your clients, and use sales toots (e.g. policy illustrations and sales brochures) to determine that the insurance or annuity you are proposing meets these needs;

2. maintain a current license and valid appointment in all states in which you promote the sale of Allstate Life products to customers and keep current of changes in insurance laws and regulations by reviewing the bulletins and newsletters that Allstate Life publishes;

3. comply with Allstate Life policies concerning replacements, and refrain from providing false or misleading information about a competitor or completing product or otherwise making disparaging remarks about a competitor;

4. submit all advertising materials intended to promote the sale of any Allstate Life product to the home office for approval prior to use;

5. immediately report to Allstate Life any customer complaints, whether written or oral, and assist Allstate Life in resolving the complaint to the satisfaction of all parties;

6. communicate these standards to any producers or office personnel that you directly supervise and request their agreement to be bound by these conditions as well.

Allstate Life and ADLLC may terminate this Agreement without notice if you fair to comply with Allstate Life's rules and requirements concerning the replacement of life Insurance and annuities and Allstate Life's rules and requirements concerning ethical market conduct.

Your right to any commissions, or any other thing of value shall cease if you violate laws and regulations governing unfair trade practices, life insurance and annuity advertising, replacement of life insurance and annuities, sales illustrations and agent licensing.

By promoting the sale of an Allstate Life product to a customer, you agree to be bound by the terms and conditions of this Addendum without modification.

NAME: CITIBANK, F.S.B.

ILLINOIS PARTICIPATION AGREEMENT - ALIC ONLY

EXHIBIT C

PARTICIPATION AGREEMENT

This Participation Agreement is made between Allstate life Insurance Company (herein referred to as the "Administrator"), located at 3100 Sanders Road, Northbrook, Illinois, 60062, Administrator of the Financial Services Group Insurance Trust, (herein referred to as the "Trust") and Citibank, F.S.B., located in Chicago, Illinois (herein referred to as the "Trustee") and BD (hereinafter, together, with its affiliates and any successors thereto, referred to as Participant), the purpose of which is to afford qualifying persons group insurance benefits of the sort available under said Financial Services Group Insurance Trust.

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereby agree as follows:

1. Subject to the approval of the insurance Company, Administrator and Trustee agree to permit the Participant to become a participant under the Financial Services Group insurance Trust Agreement.

2. The Participant agrees to be bound by:

   a. the terms of the Trust Agreement, dated as of April 23, 1999, for the establishment of the Trust (the "Trust Agreement") as the same presently appears in writing and as from time to time amended in accordance with the provisions thereof (capitalized terms used herein without definition shall have the meaning ascribed thereto in the Trust Agreement); and

b. each and every provision of the policy(ies) of group insurance (and all riders and amendments thereto) issued to the Trust.

3. Notices required or permitted shall be given in writing and delivered in writing by United States Mail, postage prepaid. Notices to the Administrator or Participant shall be sent to the address provided on the first page of the Selling Agreement to which this Participation Agreement is an Exhibit to. Any party may inform the others of a change of address by written notice pursuant to this paragraph.

IN WITNESS WHEREOF, effective as of the date of the Selling Agreement, the parties hereto have caused these presents to be executed by their respective officers as described below:

ACCEPTED:

CITIBANK, F.S.B.
Trustee of the Financial Services
Group Insurance Trust

BY:

TITLE:

ADMINISTRATOR, Financial Services Group Insurance Trust
Acceptance of this Participation Agreement evidenced by signature on Selling Agreement and/or applicable Amendments.

Participant, Financial Services Group insurance Trust

Acceptance of this Participation Agreement evidenced by signature on Selling Agreement and/or applicable Amendments.

SCHEDULE A
SCHEDULE OF COMMISSIONS

Subject to terms and Conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued according to the following chart (based upon the option selected in writing by each Agent or Representative):

Putnam Allstate Advisor

Contract Level, Point of Sale Commission Options ISSUE AGE

- A B C D (Employee Plan) - --

5.00%+
5.00%+
2.00%+ 0%
0-80 no
trail .25%
trail++
.75%
trail++ no
trail
4.50%+
3.75%+
1.50%+ 0%
81-85 no
trail .25%
trail++
.75%
trail++ no
trail
3.00%+
2.50%+
1.00%+ 0%
86-90 no
trail .25%
trail++
.75%
trail++ no
trail

For corresponding Commissions during Annuitization, see chart below.

+ = Based upon purchase payment.
++ = Trail commissions are based on the Contract Value on the last day of each contract month beginning with the last day of the 13th contract month. One-twelfth of the trail commission will be paid each contract month beginning with the first contract month following the 13th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract month for a trail commission to be paid.

Commissions during Annuitization*
(corresponds to Contract Level, Point of Sale Commission Option selected)

A B C D - --

Contract
Contract
Contract
Contract
Contract
Contract All
Years Months
0-84 Months
85+ Months
13-84 Months
85+ Months
13-84 Months
85+ - ------

Variable
0.00% .40%
trail** .25%

trail** .40%
trail** .75%
trail** .40%
trail**
0.00%
Annuitization
Fixed 0.00%
.25% trail**
.25% trail**
.25% trail**
.25% trail**
.25% trail**
0.00%
Annuitization

* = Will not be paid on contracts annuitized under any Retirement Income Guarantee riders as defined in the governing prospectus.
** = Trail commissions are based on the hypothetical commuted value (present value of remaining annuity payments) of the annuitized plan selected. Trail commissions will be payable on the same frequency as the annuity payments selected by the Contract Owner (i.e. Contract month, Contract quarter, etc.).

Commission Chargebacks

Transaction
Period of
Chargeback
Chargeback -

During the
Full or
Partial
Withdrawal
"Free
look"/"right
to cancel"
period. 100%
of
commission.
- ----------

--
Annuitization
Contract
Months 1-12
1.00% of Up-
front
Commission

SCHEDULE A
SCHEDULE OF COMMISSIONS

Subject to terms and Conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued according to the following chart (based upon the option selected in writing by each Agent or Representative):

Putnam Allstate Advisor Plus

Contract

Level,
Point of
Sale
Commission
Options
ISSUE AGE

----- A B
- --------

5.50%+
4.50%+ 0-
80 no
trail .25%
trail++
2.75%+
2.25%+ 81-
85 no
trail .25%
trail++

For corresponding Commissions during Annuitization, see chart below.

+   =   Based upon purchase payment.
++   =   Trail commissions are based on the Contract Value on the last day of each contract month beginning with the last day of the 13th contract month. One-twelfth of the trail commission will be paid each contract month beginning with the first contract month following the 13th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract month for a trail commission to be paid.

Commissions during Annuitization*
(corresponds to Contract Level, Point of Sale Commission Option selected)

A B - ------

Contract
Contract
Contract
Contract
Months 0-96
Months 97+
Months 13-96
Months 97+ -

Variable
0.00% .40%

trail** .25%
trail** .40%
trail**
Annuitization
Fixed 0.00%
.25% trail**
.25% trail**
.25% trail**
Annuitization

* = Will not be paid on contracts annuitized under any Retirement Income Guarantee riders as defined in the governing prospectus.
** = Trail commissions are based on the hypothetical commuted value (present value of remaining annuity payments) of the annuitized plan selected. Trail commissions will be payable on the same frequency as the annuity payments selected by the Contract Owner (i.e. Contract month, Contract quarter, etc.).

Commission Chargebacks

Transaction
Period of
Chargeback
Chargeback -

During the
Full or
Partial
Withdrawal
"Free
look"/"right
to cancel"
period. 100%
of
commission.
- ----------

--
Annuitization
Contract
Months 1-12
2.00% of Up-
front
Commission
Contract
Months 13-24
1.00% of Up-
front
Commission

SCHEDULE A
SCHEDULE OF COMMISSIONS

Subject to terms and Conditions of the Selling Agreement, Associated Insurance Agency shall be compensated for VA Contracts issued according to the following chart (based upon the option selected in writing by each Agent or Representative):

Putnam Allstate Advisor Preferred

Issue Age

Contract Level, Point of Sale Commission Options	Up-Front +	Trail ++
0-80	2.00%	1.00%
81-85	1.50	1.00
86-90	1.00	1.00

For corresponding Commissions during Annuitization, see chart below.

\+ = Based upon purchase payment.
++ = Trail commissions are based on the Contract Value on the last day of each contract month beginning with the last day of the 13th contract month. One-twelfth of the trail commission will be paid each contract month beginning with the first contract month following the 13th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract month for a trail commission to be paid.

Commissions during Annuitization*
(corresponds to Contract Level, Point of Sale Commission Option selected)

	Months 0-12	Months 13+
Variable Annuitization	0.00%	1.00% trail**
Fixed Annuitization	0.00%	0.50% trail**

* = Will not be paid on contracts annuitized under any Retirement Income Guarantee riders as defined in the governing prospectus.
** = Trail commissions are based on the hypothetical commuted value (present value of remaining annuity payments) of the annuitized plan selected. Trail commissions will be payable on the same frequency as the annuity payments selected by the Contract Owner (i.e. Contract month, Contract quarter, etc.).

Commission Chargebacks

Transaction
Period of
Chargeback
Chargeback -

During the
Full or
Partial
Withdrawal
"Free
look"/"right
to cancel"
period. 100%
of
commission.
- ----------

--
Annuitization
Contract
Months 1-12
1.00% of Up-
front
Commission

NAME: REGIONS BANK
ARKANSAS PARTICIPATION AGREEMENT - ALIC ONLY

EXHIBIT C

PARTICIPATION AGREEMENT

This Participation Agreement is made between Allstate Life Insurance Company (herein referred to as the "Administrator"), located at 3100 Sanders Road, Northbrook, Illinois, 60062, Administrator of The Arkansas Financial Services Group Insurance Trust, (herein referred to as the "Trust") and Regions Bank, located in Little Rock, Arkansas (herein referred to as the "Trustee) and BD and/or Associated Insurance Agency (hereinafter, together, with its affiliates and any successors thereto, referred to as "Participant), the purpose of which is to afford qualifying persons group insurance benefits of the sort available under said Arkansas Financial Services Group Insurance Trust.

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereby agree as follows:

1. Subject to the approval of the Insurance Company, Administrator and Trustee agree to permit the Participant to become a participant under the Arkansas Financial Services Group Insurance Trust Agreement.

2. The Participant agrees to be bound by:

   a. the terms of the Trust Agreement, dated as of October 29, 1999, for the establishment of the Trust (the "Trust Agreement") as the same presently appears in writing and as from time to time amended in accordance with the provisions thereof (capitalized terms used herein without definition shall have the meaning ascribed thereto in the Trust Agreement); and

   b. each and every provision of the policy(ies) of group insurance (and all riders and amendments thereto) issued to the Trust.

3. Notices required or permitted shall be given in writing and delivered in writing by United States Mail, postage prepaid. Notices to the Administrator or Participant shall be sent to the address provided on the first page of the Selling Agreement to which this Participation Agreement is an Exhibit to. Any party may inform the others of a change of address by written notice pursuant to this paragraph.

IN WITNESS WHEREOF, effective as of the date of the Selling Agreement, the parties hereto have caused these presents to be executed by their respective officers as described below:

ACCEPTED:

REGIONS BANK
Trustee of The Arkansas Financial Services
Group Insurance Trust

BY: /s/ [ILLEGIBLE]

TITLE: SENIOR VICE PRESIDENT & PERSONAL TRUST MANAGER

Administrator, Arkansas Financial Services Group Insurance Trust

Acceptance of this Participation Agreement evidenced by signature on Selling Agreement and/or applicable Amendments.

Participant, Arkansas Financial Services Group insurance Trust

Acceptance of this Participation Agreement evidenced by signature on Selling Agreement and/or applicable Amendments.

NOTE: FOR USE WITH THE
REGIONS BANK/
ARKANSAS PARTICIPATION AGREEMENT - ALIC ONLY

SCHEDULE A

SCHEDULE OF COMMISSIONS

Subject to terms and conditions of the Selling Agreement, Associated Insurance Agency shall have available for sale and shall be compensated for Contracts issued according to the following chart:

Putnam Insured Investor
Term Life Insurance

Issue Age	Commission Options -
21-75	No commissions will be paid

EXHIBIT 10.41

MARKETING AGREEMENT
GLENBROOK LIFE AND ANNUITY COMPANY

Agreement, made this 10th day of June, 2003, by and among Glenbrook Life and Annuity Company ("Glenbrook Life"), an Arizona life insurance company: ALFS, Inc. ("ALFS"), a Delaware corporation; Allstate Financial Services, LLC ("Broker-Dealer" or "BD"), a corporation; and ("Associated Insurance Agency"), a corporation.

GLENBROOK LIFE AND ANNUITY COMPANY	ALFS, INC.
By: ------------------------------	By: -------------------------------
Title: ---------------------------	Title: -----------------------------

BROKER DEALER	ASSOCIATED INSURANCE AGENCY
Allstate Financial Services, LLC	
(Name)	(Name)
47-0826838	
(Tax ID Number)	(Tax ID Number)
2920 S. 84th St.	
(Street Address)	(Street Address)
Lincoln, NE 68506	
(City, State, Zip)	(City, State, Zip)
By: ---------------------------------	
By: ----------------------------------	By: --------------------------------
Title: --------------------------------	Title: ------------------------------
	For States: ------------------------

WHEREAS, Glenbrook Life issues certain insurance products and group and individual insurance contracts/policies and certificates participating therein (collectively, "Contracts") described further in this Agreement and attached Schedules, some of which may be deemed securities ("Registered Contracts") under the Securities Act of 1933 ("1933 Act"); and

WHEREAS, Glenbrook Life has appointed ALFS, a broker/dealer, as the Underwriter of the Registered Contracts: and

WHEREAS, BD is a broker/dealer engaged in the sale of securities and other investment products; and

WHEREAS, each Associated Insurance Agency is an insurance agent in the states noted above; and

WHEREAS, in the event that Associated Insurance Agency and BD are the same person, the duties, responsibilities and privileges of Associated Insurance Agency under this agreement shall be undertaken by BD; and

WHEREAS, Glenbrook Life and ALFS proposes to authorize BD and Associated Insurance Agency to solicit sales of the Contracts;

NOW THEREFORE, in consideration of the premises and mutual promises contained herein including the attached Schedule and Exhibits, the parties hereto agree as follows:

ASSOCIATED INSURANCE AGENCY	ASSOCIATED INSURANCE AGENCY
(Name)	(Name)

- ------------------------------------
(Tax ID Number)

- ------------------------------------
(Street Address)

- ------------------------------------
(City, State, Zip)

By: ---------------------------------

Print Name: -------------------------

Title: ------------------------------

For States: -------------------------

ASSOCIATED INSURANCE AGENCY

- ------------------------------------
(Name)

- ------------------------------------
(Tax ID Number)

- ------------------------------------
(Street Address)

- ------------------------------------
(City, State, Zip)

By: ---------------------------------

Print Name: -------------------------

Title: ------------------------------

For States: -------------------------

ASSOCIATED INSURANCE AGENCY

- ------------------------------------
(Name)

- ------------------------------------
(Tax ID Number)

- ------------------------------------
(Street Address)

- ------------------------------------
(City, State, Zip)

By: ---------------------------------

Print Name: -------------------------

Title: ------------------------------

For States: -------------------------

ASSOCIATED INSURANCE AGENCY

- ------------------------------------
(Name)

- ------------------------------------
(Tax ID Number)

- ------------------------------------
(Street Address)

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

(Tax ID Number)

(Street Address)

(City, State, Zip)

By: ---------------------------------

Print Name: -------------------------

Title: ------------------------------

For States: -------------------------

ASSOCIATED INSURANCE AGENCY

(Name)

(Tax ID Number)

(Street Address)

(City, State, Zip)

By: ---------------------------------

Print Name: -------------------------

Title: ------------------------------

For States: -------------------------

ASSOCIATED INSURANCE AGENCY

(Name)

(Tax ID Number)

(Street Address)

(City, State, Zip)

By: ---------------------------------

Print Name: -------------------------

Title: ------------------------------

For States: -------------------------

ASSOCIATED INSURANCE AGENCY

(Name)

(Tax ID Number)

(Street Address)

(City, State, Zip) (City, State, Zip)

By: ---------------------------------- By: ----------------------------------

Print Name: ------------------------- Print Name: -------------------------

Title: ------------------------------ Title: ------------------------------

For States: ------------------------- For States: -------------------------

ASSOCIATED INSURANCE AGENCY ASSOCIATED INSURANCE AGENCY

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

(Name) (Name)

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

(Tax ID Number) (Tax ID Number)

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

(Street Address) (Street Address)

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

(City, State, Zip) (City, State, Zip)

By: ---------------------------------- By: ----------------------------------

Print Name: ------------------------- Print Name: -------------------------

Title: ------------------------------ Title: ------------------------------

For States: ------------------------- For States: -------------------------

ASSOCIATED INSURANCE AGENCY ASSOCIATED INSURANCE AGENCY

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

(Name) (Name)

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

(Tax ID Number) (Tax ID Number)

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

(Street Address) (Street Address)

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

(City, State, Zip) (City, State, Zip)

By: ---------------------------------- By: ----------------------------------

Print Name: ------------------------- Print Name: -------------------------

Title: ------------------------------ Title: ------------------------------

For States: ------------------------- For States: -------------------------

1. SUCCESSOR ORGANIZATIONS

a. Glenbrook Life shall, in its sole discretion, have the right to appoint a successor broker/dealer (`successor broker/dealer") to replace ALFS as Underwriter of the Registered Contracts. Upon appointment, successor broker/dealer shall assume all duties, responsibilities and privileges undertaken by ALFS under this Agreement. Glenbrook Life shall provide written notice of such change in appointment to BD and Associated Insurance Agency.

b. Upon written notice of ALFS, BD shall have the right to appoint a successor BD to assume its duties, responsibilities and privileges under this Agreement. ALFS reserves the right to reject the appointment of any successor BD and shall provide written notice of such rejection to BD.

c. Upon written notice to Glenbrook Life, Associated Insurance Agency shall have the right to appoint a successor Associated Insurance Agency or additional Associated Insurance Agencies to assume its duties, responsibilities and privileges under this Agreement. Glenbrook Life reserves the right to reject the appointment of any successor Associated Insurance Agency or additional Associated Insurance Agencies and shall provide written notice of such rejection to Associated Insurance Agency.

2. APPOINTMENT AND AUTHORIZATION

ALFS hereby authorizes BD to solicit sales of the Contracts that are described more specifically in the Commission Schedule(s) attached hereto. Glenbrook Life hereby appoints Associated Insurance Agency to solicit sales of the Contracts. BD and Associated Insurance Agency accept such appointment and authorization, and each agrees to use its best efforts to find purchasers of the Contracts acceptable to Glenbrook Life.

3. REPRESENTATIONS

a. Glenbrook Life, ALFS, BD and Associated insurance Agency each represents to one another that it and the officers signing above have full power and authority to enter into this Agreement, and that this Agreement has been duly and validly executed by it and constitutes a legal, valid and binding agreement on all parties including any successor organizations.

b. ALFS represents to BD that ALFS (and any successor broker/dealer) is registered as a broker/dealer with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 ("1934 Act") and under the state securities laws of each jurisdiction in which such registration is required for underwriting the Contracts, and that it is a member of the National Association of Securities Dealers, Inc. (the "NASD").

c. BD represents to ALFS that BD is, and at all times when performing its functions and fulfilling its obligations under this Agreement, will be, registered with the SEC as a broker/dealer under the 1934 Act and under the state securities laws of each jurisdiction in which such registration is required for the sale of the Contracts, and a member of the NASD. BD will notify ALFS in writing if such registration is terminated or suspended, and shall take all reasonable actions to reinstate such registrations.

d. BD represents to ALFS that BD has adopted supervisory procedures, and its compliance manual addresses (i) maintenance of appropriate level of net capital (ii) suitability review; (iii) misrepresentations; and (iv) churning/replacements.

e. Associated Insurance Agency represents to ALFS and Glenbrook Life that Associated Insurance Agency is, and at all times when performing its functions and fulfilling its obligations under this Agreement, will be, a properly licensed insurance agency in each jurisdiction in which such licensing is required for the sale of the Contracts.

f. Glenbrook Life represents to BD that the Registered Contracts, including any variable separate account(s) supporting such Registered Contracts, shall comply in all material respects with the registration and other applicable requirements of the 1933 Act and the Investment Company Act of 1940, and the rules and regulations thereunder, including the terms of any order of the SEC with respect thereto.

g. Glenbrook Life represents to BD and Associated insurance Agency that the Contracts it issues have been filed and approved by the state insurance departments in such jurisdictions where it is authorized to transact business and such filing and approval are required prior to the issuance of Contracts therein.

h. Glenbrook Life represents to BD that the prospectuses included in Glenbrook Life's Registration Statement for the Registered Contracts, and in post-effective amendments thereto, and any supplements thereto, as filed or to be filed with the SEC, as of their respective effective dates, contain or will contain in all material respects all statements and information which are required to be contained therein by the 1933 Act and conform or will conform in all material respects to the requirements thereof.

4. COMPLIANCE WITH REGULATORY REQUIREMENTS

BD shall abide by all rules and regulations of the NASD governing the sale of the Variable Contracts, including, but not limited to, requirements regarding (i) net capital; (ii) suitability review (iii) misrepresentations; and (iv) churning/replacements. BD and Associated Insurance Agency shall comply with all applicable state and federal laws and the rules and regulations of governmental or regulatory agencies affecting or governing the sale of the Contracts. BD and Associated Insurance Agency shall comply with all applicable administrative procedures of Glenbrook Life and ALFS.

5. LICENSING AND/OR APPOINTMENT OF REPRESENTATIVES

a. BD and Associated Insurance Agency are hereby specifically authorized to designate those registered representatives of BD, or individuals associated with the Associated Insurance Agency ("Agents"), proposed to be engaged in solicitation of sales of the Contracts for appointment by Glenbrook Life as individual insurance agents. BD and Associated Insurance Agency shall not propose a registered representative, or Agent, for appointment unless such representative, or Agent, is duly licensed as an insurance agent in the state(s) in which it is proposed that such representative, or Agent, engage in solicitations of sales of the Contracts. BD and Associated Insurance Agency together shall be responsible for registered representatives', and Agents', compliance with applicable state insurance agent licensing laws.

b. BD and Associated Insurance Agency shall assist Glenbrook Life and ALFS in the appointment of BD's registered representatives, and Agents, under applicable insurance laws, to sell the Contracts. BD and Associated Insurance Agency shall comply with Glenbrook Life requirements for, including the General Letter of Recommendation (attached as Exhibit A), in submitting licensing or appointment documentation for proposed registered representatives and Agents. All such documentation shall be submitted by BD or Associated Insurance Agency to Glenbrook Life or its designated agent licensing administrator.

c. BD and Associated Insurance Agency agree to allow Glenbrook Life to use any agent appointment information in the possession of any of Glenbrook Life's affiliates or subsidiaries to assist in appointing BD's registered representatives and Associated Insurance Agency's Agents to sell the Contracts under applicable insurance laws.

d. Glenbrook Life reserves the right to refuse to appoint any such designated individual or, once appointed, to terminate or refuse to renew the appointment of any such designated individual. Only those registered representatives who are duly licensed as insurance agents and appointed by Glenbrook Life (herein, "Representatives") shall have authority to solicit sales of the Contracts. Only those Agents who are registered representatives of BD shall have authority to solicit sales of the Registered Contracts. Agents who are not registered representatives of BD shall be limited to selling those Contracts which are not Registered Contracts ("Fixed Contracts"). BD and Associated Insurance Agency shall notify ALFS immediately in writing if any Representative appointed by Glenbrook Life ceases to be a registered representative of BD or if any Representative or Agent ceases to be properly licensed in any state.

6. SUPERVISION OF REPRESENTATIVES AND AGENTS

a. BD shall have full responsibility for training and supervision of all Representatives and all other persons associated with BD who are involved directly or indirectly in the offer or sale of the Registered Contracts, and all such persons shall be subject to the control of BD with respect to such persons' activities in connection with the sale of the Registered Contracts. Associated Insurance Agency shall have fully responsibility for training

and supervision of all Agents who are involved directly or indirectly in the offer or sale of the Contracts and for Agent's compliance with applicable state insurance laws.

b. Glenbrook Life and ALFS shall not have responsibility for the training and supervision of any Representative or Agency. BD and Associated Insurance Agency each agree to comply with Glenbrook Life's statement in support of the concepts in the Principles and Code of Ethical Market Conduct of the Insurance Marketplace Standards Association (the "IMSA principles and Code"), as such statement may be amended from time to time, and to engage in active and fair competition as contemplated by the IMSA Principles and Code. A copy of Glenbrook Life's current statement in support of the IMSA principles and Code is attached as Exhibit B.

c. Before Representatives engage in the solicitation of applications for the Registered Contracts, BD and Associated Insurance Agency will cause the Representatives (1) to be registered representatives of BD; (2) to be licensed, registered or otherwise qualified under applicable federal and state laws to engage in the sale of the Contracts; (3) to be trained in the sale of the Contracts; and (4) to limit solicitation of applications for the Contracts to jurisdictions where Glenbrook life has authorized such solicitations.

d. Before Representatives or Agents engage in the solicitation of applications for the Fixed Contracts, Associated Insurance Agency will cause such individuals (1) to be licensed or otherwise qualified under applicable laws to engage in the sale of the Fixed Contracts; (2) to be trained in the sale of the Fixed Contracts; and (3) to limit solicitation of applications for the Fixed Contracts to jurisdictions where Glenbrook Life has authorized such solicitations.

e. BD is specifically charged with the responsibility of supervising and reviewing its Representatives' use of sales literature and advertising and all other communications with the public in connection with the Contracts. With regard to Registered Contracts, no sales solicitation, including the delivery of supplemental sales literature or other such materials, shall occur, be delivered to, or used with a prospective purchaser unless accompanied or preceded by the appropriate then current prospectus(es), the then current prospectus(es) for the underlying funds funding any variable contracts (the "Funds") and, where required by state insurance law, the then current statement of additional information for any variable contracts.

f. BD shall execute any electronic or telephone orders only in accordance with the current prospectus applicable to the Contracts and agrees, that in consideration for the telephone transfer privileges, Glenbrook Life will not be liable for any loss incurred as a result of acting upon electronic or telephone instructions containing unauthorized, incorrect or incomplete information received from BD or its representatives.

g. Upon request by Glenbrook Life, BD and Associated Insurance Agency shall furnish appropriate records or other documentation to evidence BD's and Associated Insurance Agency's diligent supervision.

h. In the event a Representative or Agent performs any unauthorized transaction(s) with respect to a Contract(s), BD shall bear sole responsibility, shall notify Glenbrook Life and shall act to terminate the sales activities of such Representative or Agent relating to the Contract(s).

i. In the event a Representative or Agent fails to meet the BD's or Associated Insurance Agency's rules and standards, BD or Associated Insurance Agency, as the case may be, shall notify Glenbrook Life and shall act to terminate the sales activities of such Representative or Agent relating to the Contracts.

7. SALES PROMOTION MATERIAL AND ADVERTISING

a. BD, Associated Insurance Agency, Agents and Representatives, in connection with the offer or sale of the Contracts or solicitation of a payment or other transaction under a Contract, shall not give any information or make any representations or statements, written or oral, concerning the Contracts or a Fund, inconsistent with information or representations contained, in the case of a Registered Contract, in the prospectus, statement of additional information and registration statement for the Contracts or such Fund, or in reports or proxy statements thereof, or in promotional sales or advertising material or other information supplied and approved in writing by ALFS for such use, or in the case of Fixed Contracts, in the contracts or materials furnished by Glenbrook Life. BD, Associated Insurance Agency, Agents and Representatives may not modify or represent that they may modify any such prospectus, statement of additional information, registration statement, promotional, sales or advertising materials.

b. No item of sales promotion materials or advertising relating to the Contracts, including any illustrations or software programs therefore, shall be used by BD, Associated Insurance Agency, Agents or Representatives unless the specific item has been provided by Glenbrook Life and ALFS or has first been approved in writing by Glenbrook Life and ALFS for use. Glenbrook Life and ALFS reserve the right to recall any material provided by them at any time for any reason, and BD and Associated Insurance Agency shall promptly comply with any such request for the return of material and shall not use such material thereafter.

8. SOLICITING APPLICATIONS AND PAYMENTS

a. All applications for Contracts shall be made on application forms supplied by Glenbrook Life. BD, Associated Insurance Agency, Agents and Representatives shall not recommend the purchase of a Contract to a prospective purchaser unless it has reasonable grounds to believe that such purchase is suitable for the prospective purchaser and is in accordance with applicable regulations of any state insurance commission, and with respect to Registered Contracts, the SEC and the NASD. While not limited to the following, a determination of suitability shall be based on information concerning the prospective purchaser's insurance and investment objectives and financial situation and needs. All such determinations of suitability shall be approved by a Principal of BD before forwarding such application to Glenbrook Life and ALFS.

b. BD and Associated Insurance Agency shall review applications for completeness and correctness, as well as compliable with the suitability standards specified above. BD will promptly, but in no case later than the end of the next business day following receipt by BD or a Representative, forward to Glenbrook Life according to administrative procedures all complete and correct applications for suitable transactions, together with any payments received with the applications, without deduction for compensation unless there has been a mutual arrangement for net wire transmissions between ALFS, Glenbrook Life and BD. Glenbrook Life reserves the right to reject any Contract applications and return any payment made in connection with an application that is rejected.

c. Contracts issued on accepted applications will be forwarded to BD for delivery to the Contract Owner according to procedures established by Glenbrook Life, unless Glenbrook Life has provided otherwise. BD shall cause each such Contract to be delivered to the respective Contract Owner within five days after BD's receipt. BD shall be liable to Glenbrook Life for any loss incurred by Glenbrook Life (including consequential damages and regulatory penalties) as a result of any delay by BD or a Representative in delivering such Contract.

d. BD, Associated Insurance Agency, Agents and Representatives shall not encourage a prospective purchaser to surrender or exchange a Contract in order to purchase another insurance policy or contract except when a change in circumstances makes the Contract an unsuitable investment for the Contract owner.

9. PAYMENTS RECEIVED BY BD

All premium payments (hereinafter collectively referred to as "Payments") are the property of Glenbrook Life and shall be transmitted to Glenbrook Life by BD immediately upon receipt by BD or Associated Insurance Agency or any Agent or Representative in accordance with the administrative procedures of Glenbrook Life, without any deduction or offset for any reason, including by example but not limitation any deduction or offset for compensation claimed by BD. CUSTOMER CHECKS SHALL BE MADE PAYABLE TO THE ORDER OF "GLENBROOK LIFE AND ANNUITY COMPANY". Glenbrook Life reserves the right to reject any Payment for any reason.

10. COMMISSIONS PAYABLE

a. Commissions payable in connection with the Contracts shall be paid to Associated Insurance Agency according to the Commission Schedule(s) relating to this Agreement in effect at the time of receipt by Glenbrook Life of the payment or transaction request on which such commissions are based. If available, a Commission Option(s) may: (-1) be elected by BD and Associated Insurance Agency on behalf of all of its Representatives or Agents or (2) may be elected by each Representative or Agent at the time of Application. Any election made and applied to a Contract may not be changed and will be in effect for the life of the Contract. Glenbrook Life and ALFS reserve the right to revise the Commission Schedule(s) for new business at any time upon at least thirty (30) days prior written notice to BD and Associated Insurance Agency.

b. Compensation to the Representative or Agents for contracts solicited by the Representatives or Agents and issued by Glenbrook Life will be governed by agreements between BD or the Associated Insurance Agency and their respective Representatives or Agents and payment thereof will be the BD's or Associated Insurance Agency's sole responsibility.

11. REFUND OF COMMISSIONS

If Glenbrook Life is required to refund premiums or return contract values and waive surrender charges on any Contract for any reason, then commission will be adjusted with respect to said premiums or Contract as set forth in the Commission Schedule, and any commission previously paid for said premiums must be refunded to Glenbrook Life or ALFS. ALFS shall have the right to offset any such refundable commission against amounts otherwise payable by ALFS. ALFS agrees to notify BD and Associated Insurance Agency with thirty (30) days after it receives notice from Glenbrook Life of any premium refund or a commission charge back.

12. ASSOCIATED INSURANCE AGENCY

BD and the Associated Insurance Agency represent that they are in compliable with the terms and conditions or no-action letters issued by the staff of the SEC with respect to non-registration as a broker/dealer of an insurance agency associated with a registered broker/dealer. BD and Associated Insurance Agency shall notify ALFS immediately in writing if BD and/or such agency fail to comply with any such terms and conditions and shall take such measures as may be necessary to comply with any such terms and conditions. If Associated Insurance Agency is the same person as BD, this Paragraph 12 does not apply, and BD shall undertake all the duties, responsibilities and privileges under this Agreement.

13. HOLD HARMLESS AND INDEMNIFICATION PROVISIONS

a. No party to this Agreement will be liable for any obligations, act or omission of any other party. BD and Associated Insurance Agency will hold harmless and indemnify Glenbrook Life and ALFS, and conversely, Glenbrook Life and ALFS will hold harmless and indemnify BD and Associated Insurance Agency for any loss or expense suffered as a result of the violation or noncompliance by the indemnifying party of or with any applicable law or regulation or any provision of this Agreement. Further, any BD violation or noncompliance by an associated person, as defined in Article 1 of the NASD By-Laws, would be covered under this provision.

b. Without limiting the above paragraph, in situations when "as of" pricing is necessary in connection with the Contracts (and a loss is incurred to compensate the Contract owner for reduced Contract values) the party whose actions resulted in the loss will bear the costs according to pricing procedures established by Glenbrook Life.

14. NON-ASSIGNABILITY PROVISON

This Agreement may be not assigned by any party except by mutual consent of all other parties.

15. NON-WAIVER PROVISION

Failure of any party to terminate the Agreement for any of the causes set forth in this Agreement will not constitute a waiver of that party's right to terminate this Agreement at a later time for any of these causes.

16. AMENDMENTS

Except as stated in Paragraph 10, no amendment to this Agreement will be effective unless it is in writing and signed by all the parties herein.

17. RECERTIFICATION

BD and Associated Insurance Agency shall, on a periodic basis determined by Glenbrook Life and ALFS, certify that they are in compliance with all terms and provisions of this Agreement.

18. INDEPENDENT CONTRACTS

BD and its Representatives , and Associated Insurance Agency and its Agents, are independent contractors with respect to Glenbrook Life and ALFS.

19. NOTIFICATION OF CUSTOMER COMPLAINTS OR DISCIPLINARY PROCEEDINGS

a. BD and Associated Insurance Agency agree to notify ALFS promptly of any verbal or written customer complaints or disciplinary proceedings against BD, Associated Insurance Agency or any Representatives or Agents relating to the Contracts or any threatened or filed arbitration action or civil litigation arising out of solicitation of the Contracts.

b. BD and Associated Insurance Agency shall cooperate with Glenbrook Life in investigating and responding to any customer complaint, attorney demand, or inquiry received from state insurance departments or other regulatory agencies or legislative bodies, and in any settlement or trial of any actions arising out of the conduct of business under this Agreement.

c. Any responses by BD or Associated Insurance Agency to an individual customer complaint will be sent to Glenbrook Life and ALFS for approval not less than five (5) business days prior to it being sent to the customer, except that if a more prompt response is required, the proposed response may be communicated by telephone, facsimile or in person.

20. BOOKS, ACCOUNTS AND RECORDS

a. BD and Associated Insurance Agency agree to maintain books, accounts and records so as to clearly and accurately disclose the nature and details of transactions relating to the Contracts and to assist Glenbrook Life and ALFS in the timely preparation of their respective books, accounts and records. BD and Associated Insurance Agency shall upon request submit such books, accounts and records to the regulatory and administrative bodies which have jurisdiction over Glenbrook Life or the Funds.

b. Each party to this Agreement shall promptly furnish to the other parties any reports and information which another party may request for the purposes of meeting its reporting and record keeping obligations under the insurance laws of any state, and under the federal and state securities laws or the rules of the NASD.

21. PARTICIPATION IN GROUP INSURANCE TRUSTS

BD agrees to be a participant, by its signature on this Selling Agreement in the Group Trust(s) as indicated in the Participation Agreement(s) attached hereto as Exhibit C et Seq. and agree to be bound by the terms of the Participation Agreement(s).

22. LIMITATIONS

No party other than Glenbrook Life shall have authority on behalf of Glenbrook Life to make, alter, or discharge any contract issued by Glenbrook Life, to waive any forfeiture provision or to grant, permit, or extend the time of making any Payments, or to alter the forms which Glenbrook Life may prescribe or substitute other forms in place of those prescribed by Glenbrook Life or to enter into any proceeding in a court of law or before a regulatory agency in the name of or on behalf of Glenbrook Life.

23. CONFIDENTIALITY AND CONSUMER PRIVACY OBLIGATIONS

a. All information supplied by (or at the direction of) Glenbrook to Associated Insurance Agency, or by (or at the direction of) Associated Insurance Agency to Glenbrook pursuant to this Agreement or in connection with the performance of services hereunder shall be treated as confidential by the receiving party during the term of this Agreement and for a period of three years thereafter and maintained by it in confidence in accordance with the same treatment that the receiving party accords to its own most confidential business information; provided, however, that:

    1. the foregoing shall not apply to information that:

        a. has become, or becomes generally available to the public other than as a result of disclosure in violation of this Section;
        b. has been independently developed by the receiving party without using confidential information from the disclosing party; or
        c. was, or becomes, available to the receiving party from a third party who, to the knowledge of the receiving party, is not under any confidentiality obligations to the disclosing party.

    2. the foregoing shall not prohibit disclosure by the receiving party:

        a. to its affiliates and its and their respective directors, officers, employees, attorneys, accountants and advisors, provided that such persons are advised of the confidentiality of such information and undertake to maintain the confidentiality thereof in accordance with this Section;
        b. to the extent necessary to comply with applicable law or legal process or the requirements of any regulatory authority having jurisdiction over the receiving party or as part of the normal reporting or review procedures to any such regulatory authority; or
        c. in connection with the enforcement of its rights and remedies under the Agreement or in order to defend itself in a legal proceeding to which it is made a party.

b. In addition, there are special rules that apply to certain records relating to the Contracts.

c. All records required for continuing administration of the Contracts by Glenbrook shall be the property of Glenbrook. "Records", as used in this paragraph 24, includes receipt, disclosure, point of sale documents and notations and all cumulative data developed in the normal course of Glenbrook's business which is intended to perpetuate the Contracts and identify Contract Owners. Bank customer lists shall remain the property of the Bank (and Associated Insurance Agency) and shall not be used by Glenbrook or provide to any third party for solicitation or sale of any other products. Associated Insurance Agency will be allowed to keep a copy of any Records that are deemed necessary for the continued servicing of the

Bank and Associated Insurance Agency customers and/or compliance with regulatory requirements.

d. No party shall disclose, voluntarily, any tape, books, reference manuals, instructions or data which concern any party's business and which are exchanged during the negotiation and performance of this Agreement. When this Agreement terminates or expires, the parties shall return all such tapes, books, reference manuals, instructions or data in their possession. This paragraph shall not apply to those Records which would be the property of Glenbrook as provided above.

e. BD and Associated Insurance Agency may disclose Records only if Glenbrook has authorized disclosure and if the disclosure is permitted by the applicable federal or state law governing privacy of records. Glenbrook shall authorize disclosure when required by government regulation of Associated Insurance Agency or Banks or pursuant to a subpoena or any other court order which mandates disclosure. Associated Insurance Agency must notify Glenbrook and allow Glenbrook sufficient time to authorize disclosure or to intervene in the judicial proceeding so as to protect its interest.

f. Each party to this Agreement agrees and warrants to each other:

1. That BD, Associated Insurance Agency, Glenbrook and ALFS (all parties of the Selling Agreement) have complied with the privacy notice requirement as contained in Regulation S-P (17 CFR Part 248), promulgated under section 504 of the Gramm-Leach-Bliley Act).
2. That BD and Associated Insurance Agency are providing Glenbrook and ALFS with certain Non-Public Personal Information about BD's consumers solely for the purposes of allowing Glenbrook and ALFS to perform their obligations under the Agreement.
3. That all parties of the Selling Agreement shall use the Non-Public Personal Information solely to fulfill its contractual obligations under the Agreement; and shall not use the Non-Public Personal Information for their own benefit of the benefit of its affiliate(s) or any other party.
4. That all parties of the Selling Agreement shall not disclose the Non-Public Personal Information to any party, except as is necessary to fulfill its contractual obligations under the Agreement, or when such disclosure is made pursuant to a valid exception under Regulation S-P, sections 248, 14-15 (i.e., ordinary course of business and requirement of law).
5. That "Non-Public Personal Information" shall have the meaning as is used in Regulation S-P.

24. TERMINATION

a. This Agreement may be terminated at the option of any party upon ten (10) days written notice to the other parties, or at the option of any party hereto upon the breach by any party of the covenants and terms of this Agreement. Paragraph 13 shall survive any such termination.

b. This Agreement may be terminated immediately for cause upon an event of default. Such termination shall be deemed to occur as of the date immediately preceding the event of default. An "event of default" shall occur when the first of the (i) BD or Associated Insurance Agency files for bankruptcy, or financial or corporate reorganization under federal or state insolvency law, (ii) applicable laws or regulations prohibit BD or Associated Insurance Agency from continued marketing of the Contracts.

25. NOTICE

a. In the event of sale, transfer or assignment of a controlling interest in BD or Agency, notice shall be provided in writing to Glenbrook Life no less than thirty (30) days prior to the closing date.

b. All notices to Glenbrook Life and ALFS relating to this agreement will be duly provided by certified or express mail to:

General Counsel
Glenbrook Life and Annuity Company
3100 Sanders Road
Northbrook, Illinois 60062

c. All notices to BD and Associated Insurance Agency will be duly provided if mailed to their respective addresses as shown on the Agency Specification/Signature Page(s).

26. SEVERABILITY

Should any provision of this Agreement be held unenforceable, those provisions not affected by the determination of unenforceability shall remain in full force and effect.

27. GOVERNING LAW

This Agreement will be constructed in accordance with the laws of the State of Illinois.

EXHIBIT A

GENERAL LETTER OF RECOMMENDATION

BD hereby certifies to Glenbrook Life and Annuity Company ("Glenbrook Life") that all the following requirements will be fulfilled in conjunction with the submission of appointment papers for all applicants as agents of Glenbrook Life submitted by BD. BD will, upon request, forward proof of compliance with same to Glenbrook Life in a timely manner.

1. We have made a thorough and diligent inquiry and investigation relative to each applicant's identify, residence, business reputation, and experience and declare that each applicant is personally known to us, has been examined by us, is known to be of good moral character, has a good business reputation, is reliable, is financially responsible and is worthy of appointment as a variable contract agent of Glenbrook Life. This inquiry and background investigation has included a credit and criminal check on each applicant. Based upon our investigation, we vouch for each applicant and certify that each individual is trustworthy, competent and qualified to act as an agent for Glenbrook Life to hold himself out in good faith to the general public.

2. We have on file the appropriate state insurance department licensing forms (i.e., B-300, B-301), or U-4 form which was completed by each applicant. We have fulfilled all the necessary investigative requirements for the registration of each applicant as a registered representative through our NASD member firm, and each applicant is presently registered as a NASD registered representative.

   The above information in our files indicates no fact or condition which would disqualify the applicant from receiving a license or appointment and all findings of all investigative information is favorable.

3. We certify that all educational requirements have been met for the specific state each applicant is licensed in, and that, all such persons have fulfilled the appropriate examination, education and training requirements.

4. We certify that each applicant will receive close and adequate supervision, and that we will make inspection when needed of any or all risks written by these applicants, to the end that the insurance interest of the public will be properly protected.

5. We will not permit any applicant to transact insurance as an agent until duly licensed and appointed by Glenbrook Life. No applicants have been given a contract or furnished supplies, nor have any applicants been permitted to write, solicit business, or act as an agent in any capacity on behalf of Glenbrook Life, and they will not be so permitted until the certificate of authority applied for is received.

EXHIBIT B

ETHICAL MARKET CONDUCT COMPLIANCE

BD and Associated Insurance Agency (also referred to as "you" or "your") are required to comply with Glenbrook Life's policies and procedures concerning the replacement of life insurance policies and annuity policies. A replacement occurs whenever an existing life insurance policy or annuity is terminated, converted or otherwise changed in value. For any transaction involving a replacement, Glenbrook Life requires you to:

(1) recommend the replacement of an existing policy only when replacement is in the best interest of the customer;
(2) fully disclose all relevant information to the customer, which information includes a) comparison of old and new premiums, expenses and surrender charges, cash values, and deal benefits; b) any loss of case value or policy value by surrendering the existing policy; c) all guaranteed and maximum value of both policies; d) the fact that a new contestability and suicide period starts under the new policy; and e) the requirement that the customer must be re-underwritten for the new policy;

(3) provide state-required replacement notices to customers on the same day the application is taken and indicate on the application that the transaction involves the full or partial replacement of an existing policy;
(4) never recommend that a customer cancel an existing policy until a new policy is in force and the customer has determined that the new policy is acceptable.

BD and Associated Insurance Agency are required to adhere to Glenbrook Life's rules and requirements concerning ethical market conduct, which require that you:

(1) carefully evaluate the insurance needs and financial objectives of your clients, and use sales tools (e.g., policy illustrations and sales brochures) to determine that the insurance or annuity you are proposing meets these needs;
(2) maintain a current license and valid appointment in all states in which you promote the sale of Glenbrook Life products to customers and keep current of changes in insurance laws and regulations by reviewing the bulletins and newsletters that Glenbrook Life publishes;
(3) comply with Glenbrook Life policies concerning replacements, and refrain from providing false or misleading information about a competitor or competing product or otherwise making disparaging remarks about a competitor;
(4) submit all advertising materials intended to promote the sale of any Glenbrook Life product to the home office for approval prior to use;
(5) immediately report to Glenbrook Life any customer complaints, whether written or oral, and assist Glenbrook Life in resolving the complaint to the satisfaction of all parties;
(6) communicate those standards to any producers or officer personnel that you directly supervise and request their agreement to be bound by these conditions as well.

Glenbrook Life and ALFS may terminate this Agreement without notice if you fail to comply with Glenbrook Life's rules and requirements concerning the replacement of life insurance and annuities and Glenbrook Life's rules and requirements concerning ethical market conduct.

Your right to any commissions, or any other thing of value shall cease if you violate laws and regulations governing unfair trade practices, life insurance and annuity advertising, replacement of life insurance and annuities, sales illustrations and agent licensing.

By promoting the sale of a Glenbrook Life product to a customer, you agree to be bound by the terms and conditions of this Addendum without modification.

EXHIBIT C

PARTICIPATION AGREEMENT

This Participation Agreement is made between Glenbrook Life and Annuity Company (herein referred to as the "Administrator"), located at 3100 Sanders Road, Northbrook, Illinois, 60062, Administrator of the Financial Services Group Insurance Trust, (herein referred to as the "Trust") and Citibank, F.S.B., located in Chicago, Illinois (herein referred to as the "Trustee") and BD (hereinafter, together, with its affiliates and any successors thereto, referred to as "Participant"), the purpose of which is to afford qualifying persons group insurance benefits of the sort available under said Financial Services Group Insurance Trust.

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereby agree as follows:

1. Subject to the approval of the Insurance Company, Administrator and Trustee agree to permit the Participant to become a participant under the Financial Services Group Insurance Trust Agreement.
2. The Participant agrees to be bound by:
   a. The terms of the Trust Agreement, dated as of January 30, 1997, for the establishment of the Trust (the "Trust Agreement") as the same presently appears in writing and as from time to time amended in accordance with the provisions thereof (capitalized terms used herein without definition shall have the meaning ascribed thereto in the Trust Agreement); and
   b. Each and every provision of the policy(ies) of group insurance (and all riders and amendments thereto) issued to the Trust.
3. Notices required or permitted shall be given in writing and delivered in writing by United States Mail, postage prepaid. Notices to the Administrator or Participant shall be sent to the address provided on

the first page of the Selling Agreement to which this Participation Agreement is an Exhibit. Any party may inform the others of a change of address by written notice pursuant to this paragraph.

IN WITNESS WHEREOF, effective as of the date of the Selling Agreement, the parties hereto have caused these presents to be executed by their respective officers as described below:

ACCEPTED:

CITIBANK, F.S.B.

Trustee of the Financial Services
Group Insurance Trust

BY:

TITLE:

Administrator, Financial Services Group Insurance Trust	Participant, Financial Services Group Insurance Trust
Acceptance of this Participation Agreement evidenced by signature on Marketing Agreement and/or applicable Amendments	Acceptance of this Participation Agreement evidenced by signature on Marketing Agreement and/or applicable Amendments

SERVICE ONLY
NO NEW APPLICATIONS EFFECTIVE MAY 1, 2003
ADDITIONS ONLY

SCHEDULE A
SCHEDULE OF COMMISSIONS

The Allstate Provider Variable Annuity
Flexible Premium Deferred Variable Annuity

ISSUE AGE
COMMISSIONS
OPTIONS 0-
80 6.25%
81-85
5.00% 86-
90 3.125%

SERVICE ONLY
NO NEW APPLICATIONS EFFECTIVE MAY 1, 2003
ADDITIONS ONLY

SCHEDULE A
SCHEDULE OF COMMISSIONS

The Allstate Provider Ultra Variable Annuity
Flexible Premium Deferred Variable Annuity

COMMISSION
OPTIONS
ISSUE AGE

---- A B C
D E - ----

-- 0-80
6.25%*
5.00%*
3.50%*
2.00%*
5.00%* No
Trail .25%
Trail**
.50%
Trail**
.75%
Trail**
1.00%
Trail***
81-85
5.00%*
4.00%*
2.80%*
1.60%*
4.00%* No
Trail .25%
Trail**
.50%
Trail**
.75%
Trail**
1.00%
Trail***
86-90
3.125%*
2.50%*
1.75%*
1.00%*
2.50%* No
Trail .25%
Trail**
.50%
Trail**
.75%
Trail**
1.00%
Trail***

*   =   Based upon purchase payment.

**   =   Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 15th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 15th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

*** =   Trail commissions are based on the Contract Value on the last day of each contract quarter beginning with the last day of the 87th contract month. Trail commissions will be paid each calendar quarter beginning with the first calendar quarter following the 87th contract month and ending when the contract is annuitized; the contract must be in effect through the end of the contract quarter for a trail commission to be paid.

Periodic additional compensation may be offered as mutually agreed to in writing, documented outside of this agreement, and incorporated herein by reference.

COMMISSION CHARGEBACKS

TRANSACTION
PERIOD OF
CHARGEBACK
CHARGEBACK
PLEASE
NOTE - ---

Full or
Partial
Withdrawal
During the
"free
look" 100%
of
commission
N/A period

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements of our report dated March 13, 2008, relating to the financial statements and financial statement schedules of Allstate Life Insurance Company (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in method of accounting for uncertainty in income taxes and accounting for deferred acquisition costs associated with internal replacements in 2007), appearing in this Annual Report on Form 10-K of Allstate Life Insurance Company for the year ended December 31, 2007.

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  FORM S-3
REGISTRATION
  STATEMENT
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     N-4
REGISTRATION
  STATEMENT
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/s/ Deloitte & Touche LLP

Chicago, Illinois
March 13, 2008

EXHIBIT 31.1

CERTIFICATIONS

I, James E. Hohmann, certify that:

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

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

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

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

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

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

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

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

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

March 14, 2008

/s/ James E. Hohmann

James E. Hohmann
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, John C. Pintozzi, certify that:

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

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

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

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

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

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

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

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

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

March 14, 2008

/s/ John C. Pintozzi

John C. Pintozzi
Senior Vice President and
Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

Each of the undersigned hereby certifies that to his knowledge the report on Form 10-K for the fiscal year ended December 31, 2007 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.

March 14, 2008

/s/ James E. Hohmann

James E. Hohmann
President and Chief Executive Officer

/s/ John C. Pintozzi

John C. Pintozzi
Senior Vice President and Chief Financial Officer