

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

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

Date of report (Date of earliest event reported) February 11, 2011

### Allstate Life Insurance Company

(Exact name of registrant as specified in charter)

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

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

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

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

**60062**  
(Zip Code)

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

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

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

## Section 2 – Financial Information

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

The registrant furnishes below its Consolidated Statements of Operations for the three years ended December 31, 2010, 2009 and 2008 and Consolidated Statements of Financial Position as of December 31, 2010 and 2009, prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and certain non-GAAP measures:

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

(\$ in millions)

	Year Ended December 31,		
	2010	2009	2008
<b>Revenues</b>			
Premiums	\$ 592	\$ 581	\$ 585
Contract charges	991	952	911
Net investment income	2,760	2,974	3,720
Realized capital gains and losses:			
Total other-than-temporary impairment losses	(591)	(1,592)	(2,434)
Portion of loss recognized in other comprehensive income	(45)	316	--
Net other-than-temporary impairment losses recognized in earnings	(636)	(1,276)	(2,434)
Sales and other realized capital gains and losses	123	856	(618)
Total realized capital gains and losses	(513)	(420)	(3,052)
	3,830	4,087	2,164
<b>Costs and expenses</b>			
Contract benefits	1,496	1,402	1,397
Interest credited to contractholder funds	1,764	2,076	2,356
Amortization of deferred policy acquisition costs	272	888	643
Operating costs and expenses	329	321	383
Restructuring and related charges	(3)	24	1
Interest expense	44	42	16
	3,902	4,753	4,796

<b>Gain (loss) on disposition of operations</b>	6	7	(4)
<b>Loss from operations before income tax benefit</b>	(66)	(659)	(2,636)
Income tax benefit	(38)	(112)	(946)
<b>Net loss</b>	<u>\$ (28)</u>	<u>\$ (547)</u>	<u>\$ (1,690)</u>

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

(\$ in millions, except par value data)

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Investments		
Fixed income securities, at fair value (amortized cost \$47,486 and \$49,842)	\$ 48,214	\$ 47,658
Mortgage loans	6,553	7,780
Equity securities, at fair value (cost \$164 and \$159)	211	183
Limited partnership interests	1,272	1,028
Short-term, at fair value (amortized cost \$1,257 and \$1,669)	1,257	1,669
Policy loans	841	823
Other	1,094	1,076
Total investments	<u>59,442</u>	<u>60,217</u>
Cash	118	145
Deferred policy acquisition costs	2,982	3,664
Reinsurance recoverables	4,277	4,016
Accrued investment income	522	540
Deferred income taxes	--	203
Other assets	420	963
Separate Accounts	8,676	9,072
<b>Total assets</b>	<u>\$ 76,437</u>	<u>\$ 78,820</u>
<b>Liabilities</b>		
Contractholder funds	\$ 46,458	\$ 50,850
Reserve for life-contingent contract benefits	12,752	12,256
Unearned premiums	27	30
Payable to affiliates, net	118	119
Other liabilities and accrued expenses	1,454	1,432
Deferred income taxes	643	--
Notes due to related parties	677	675
Separate Accounts	8,676	9,072
<b>Total liabilities</b>	<u>70,805</u>	<u>74,434</u>
<b>Shareholder's Equity</b>		
Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued	--	--
Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued	--	--
Common stock, \$227 par value, 23,800 shares authorized and outstanding	5	5
Additional capital paid-in	3,189	3,189
Retained income	1,913	1,969
Accumulated other comprehensive income (loss):		
Unrealized net capital gains and losses:		
Unrealized net capital losses on fixed income securities with OTTI	(100)	(274)
Other unrealized net capital gains and losses	587	(1,146)
Unrealized adjustment to DAC, DSI and insurance reserves	38	643
Total unrealized net capital gains and losses	<u>525</u>	<u>(777)</u>
Total accumulated other comprehensive income (loss)	<u>525</u>	<u>(777)</u>
<b>Total shareholder's equity</b>	<u>5,632</u>	<u>4,386</u>
<b>Total liabilities and shareholder's equity</b>	<u>\$ 76,437</u>	<u>\$ 78,820</u>

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**Definitions of Non-GAAP Measures**

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

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

- realized capital gains and losses, after-tax, except for periodic settlements and accruals on non-hedge derivative instruments, which are reported with realized capital gains and losses but included in operating income (loss),
- amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI"), to the extent they resulted from the recognition of certain realized capital gains and losses,

- gain (loss) on disposition of operations, after-tax, and
- adjustments for other significant non-recurring, infrequent or unusual items, when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, or (b) there has been no similar charge or gain within the prior two years.

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

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

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The following table reconciles operating income and net loss.

(\$ in millions)

	Year Ended December 31,		
	2010	2009	2008
<b>Operating income</b>	\$ 387	\$ 268	\$ 419
Realized capital gains and losses	(513)	(420)	(3,052)
Income tax benefit	179	11	1,067
Realized capital gains and losses, after-tax	(334)	(409)	(1,985)
DAC and DSI (amortization) accretion relating to realized capital gains and losses, after-tax	(34)	(177)	385
DAC and DSI unlocking relating to realized capital gains and losses, after-tax	(18)	(224)	(274)
Non-recurring charge for DAC, after-tax	--	--	(219)
Reclassification of periodic settlements and accruals on non-hedge derivative instruments, after-tax	(33)	(9)	(13)
Gain (loss) on disposition of operations, after-tax	4	4	(3)
<b>Net loss</b>	\$ (28)	\$ (547)	\$ (1,690)

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

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

(\$ in millions)

For the twelve months ended December 31,	
2010	2009

**Return on equity**

Numerator:

Net loss

\$ (28)      \$ (547)

Denominator:

Beginning shareholder's equity

\$ 4,386      \$ 2,209

Ending shareholder's equity

5,632      4,386

Average shareholder's equity

\$ 5,009      \$ 3,298

Return on equity

(0.6)%      (16.6)%

(\$ in millions)

**For the twelve months ended  
December 31,****2010****2009****Operating income return on equity**

Numerator:

Operating income

\$ 387      \$ 268

Denominator:

Beginning shareholder's equity

\$ 4,386      \$ 2,209

Unrealized net capital gains and losses

(777)      (2,337)

Adjusted beginning shareholder's equity

5,163      4,546

Ending shareholder's equity

5,632      4,386

Unrealized net capital gains and losses

525      (777)

Adjusted ending shareholder's equity

5,107      5,163

Average adjusted shareholder's equity

\$ 5,135      \$ 4,855

Operating income return on equity

7.5%      5.5%

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## SIGNATURES

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

ALLSTATE LIFE INSURANCE COMPANY

By /s/ Samuel H. Pilch

Name: Samuel H. Pilch

Title: Group Vice President and Controller

Date: February 11, 2011

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