# 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)

Illinois0-31248(State or other(Commissionjurisdiction of incorporation)File Number)

3100 Sanders Road, Northbrook, Illinois

60062

(Address of principal executive offices)

(Zip Code)

36-2554642

(IRS Employer

Identification No.)

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:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o 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, |    |         |    |         |  |  |
|---|-------------------------|----|---------|----|---------|--|--|
|   | <br>2010                |    | 2009    |    | 2008    |  |  |
| Revenues  |                         |    |         |    |         |  |  |
| Premiums  | \$<br>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 | <br>(636)               |    | (1,276) |    | (2,434) |  |  |
| Sales and other realized capital gains and losses                 | `123 <sup>´</sup>       |    | 856     |    | (618)   |  |  |
| Total realized capital gains and losses                           | <br>(513)               |    | (420)   |    | (3,052) |  |  |
| · ·   | <br>3,830               |    | 4,087   |    | 2,164   |  |  |
| Costs and expenses  |                         |    |         |    |         |  |  |
| 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  | <br>44                  |    | 42      |    | 16      |  |  |

3 902

4.753

4.796

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

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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| Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total accumulated other comprehensive income (loss)  Total shareholder's equity  5,632  4,386  | (\$ in millions, except par value data)                  | December 31, |        | 31,                 |         |
|---|--|--------------|--------|---------------------|---------|
| Prised Income securities, at fair value (amortized cost \$47,486 and \$49,842)   \$48,214   \$47,685   \$40,000   \$40,0     |  |              | 2010   |                     | 2009    |
| Prisent   Pris  | Assets   |              |        |                     |         |
| Fixed income securities, at fair value (cost \$164 and \$159)         \$6.553         7.780           Equity securities, at fair value (cost \$164 and \$159)         211         1.83           Equity securities, at fair value (cost \$164 and \$159)         211         1.93           Short-term, at fair value (amortized cost \$1,257 and \$1,669)         1.257         1.669           Policy loans         8.81         8.23           Other         59.42         60.217           Total investments         2.982         3.664           Deferred policy acquisition costs         4.277         4.016           Accrued investment income         5.22         5.40           Deferred policy acquisition costs         4.20         9.63           Reinsurance recoverables         4.277         4.016           Accrued investment income         5.22         5.40           Deferred income taxes         4.20         9.63           Separate Accounts         8.66         9.072           Total assets         4.64,458         \$ 5.85           Reserve for life-contingent contract benefits         1.275         1.256           Contractanoider funds         \$ 46,458         \$ 5.85           Reserve for life-contingent contract benefits         1.8         1.4  |  |              |        |                     |         |
| Bounts and Faculty Securities, at fair value (cost \$164 and \$159)         211         138           Equity securities, at fair value (cost \$164 and \$159)         1,272         1,028           Short-term, at fair value (amortized cost \$1,257 and \$1,669)         1,272         1,669           Policy loans         841         823           Other         59,442         60,217           Cash         118         145           Deferred policy acquisition costs         2,92         3,664           Reinsurance recoverables         4,277         4,016           Accrued investment income         522         540           Deferred income taxes         -         203           Other assets         3,676         9,072           Total assets         4,647         4,016           Contract holder funds         8,676         9,072           Total assets         4,648         5,088           Contract holder funds         \$ 46,458         \$ 5,085           Reserve for life-contingent contract benefits         2,7         12,256           Unearned premiums         1,27         12,256           Unearned premiums         1,454         1,432           Payable to affilializes and accrued expenses         1,45         1,4   |  | \$           | 48.214 | \$                  | 47.658  |
| Page   |  | •            | ,      | •                   |         |
| Limited partnership interests   |  |              | ,      |                     | ,       |
| Short-term, at fair value (amortized cost \$1,257 and \$1,669)   1,267   1,669   1,004   1,076   1,004   1,076   1,004   1,076   1,004   1,076   1,004   1,076   1,004   1,076   1,004   1,076   1,004   1,076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,004   1,0076   1,0  |  |              |        |                     |         |
| Policy loans  |  |              | ,      |                     | ,       |
| Other         1.094         1.076           Total investments         59,442         60,217           Cash         118         145           Deferred policy acquisition costs         2,982         3,664           Reinsurance recoverables         4,277         4,016           Accrued investment income         552         54           Deferred income taxes         420         963           Other assets         420         963           Separate Accounts         8,676         9,072           Total assets         12,752         12,580           Contractholder funds         \$ 46,458         \$ 50,850           Reserve for life-contingent contract benefits         12,752         12,256           Uneamed premiums         27         3,30           Payable to affiliates, net         27         3,67           Other inibilities and accrued expenses         1,454         1,452           Deferred income taxes         677         675           Separate Accounts         677         675           Separate Accounts         70,805         74,343           Packedemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued         5         5           Redeem  |  |              | ,      |                     | ,       |
| Total investments         59,442         60,217           Cash         118         145           Deferred policy acquisition costs         2,982         3,664           Accrued investment income         522         540           Accrued investment income         522         540           Deferred income taxes         420         963           Separate Accounts         8,676         9,072           Total assets         76,437         \$ 78,820           Liabilities         \$ 46,458         \$ 50,850           Contractholider funds         \$ 46,458         \$ 50,850           Reserve for life-contingent contract benefits         12,752         12,256           Uneamed premiums         27         30           Payable to affiliates, net         118         1119           Other liabilities and accrued expenses         1,454         1,432           Deferred income taxes         6,43         5,77           Separate Accounts         8,676         9,072           Separate Accounts         70,805         74,434           Separate preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued   | · · · · · · · · · · · · · · · · · · ·                    |              | _      |                     |         |
| Deferred policy acquisition costs         2,882         3,684           Reinsurance recoverables         4,277         4,016           Accrued investment income         522         540           Deferred income taxes         203         60         9,072           Separate Accounts         8,676         9,072           Total assets         76,437         \$ 78,202           Total assets         76,437         \$ 78,202           Liabilities         \$ 46,458         \$ 50,850           Reserve for life-contingent contract benefits         12,752         12,256           Reserve for life-contingent contract benefits         12,752         12,556           Reserve for life-contingent contract benefits         12,752         12,256           Uneranted preferred stock devices         11,81         111           Interactive devices of the contract devices of the state of the contract devices of the state of the country of the state of the country of the state of  |  |              |        |                     |         |
| Deferred policy acquisition costs         2,882         3,684           Reinsurance recoverables         4,277         4,016           Accrued investment income         522         540           Deferred income taxes         203         60           Separate Accounts         8,676         9,072           Total assets         76,437         \$76,820           Contraction of the contingent contract benefits         12,752         12,256           Contractinolder funds         \$46,458         \$0,850           Reserve for life-contingent contract benefits         12,752         12,256           Reserve for life-contingent contract benefits         12,752         12,566           Reserve for life-contingent contract benefits         12,752         12,256           Deferred income taxes         164         1,422           Deferred income ta  | Cash   |              | 118    |                     | 1/15    |
| Reinsurance recoverables         4,277         4,016           Accrued investment income         522         540           Deferred income taxes  |  |              |        |                     |         |
| Accrued investment income         522         5.40           Deferred income taxes         203         363         5.90         203         367         9.072         9.072         5.00         3.00         9.072         5.00   |  |              | ,      |                     | ,       |
| Deferred income taxes         203           Other assets         420         963           Separate Accounts         8.676         9.072           Total assets         \$ 76.437         \$ 78.820           Liabilities         \$ 12.752         \$ 2.820           Contractholder funds         \$ 27         30           Reserve for life-contingent contract benefits         12.752         12.752           Unearned premiums         27         30           Payable to adflitates, net         118         1118         1119           Other liabilities and accrued expenses         1,454         1,432           Deferred income taxes         643         -           Notes due to related parties         643         -           Stareholder's Equity         70,805         74,434           Shareholder's Equity         5         5           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         -         -           Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued         -         -           Redeemable preferred stock - series B, \$100 par value, 23,800 shares  |  |              | ,      |                     | ,       |
| Obter assets         420 963           Separate Accounts         8.676 9.072           Total assets         \$ 76.437 \$ 78.820           Liabilities           Contractholder funds         46.458 \$ 50.850           Reserve for life-contingent contract benefits         12.752 12.256           Unearned premiums         27 30           Payable to affiliates, net         11.81 119           Other liabilities and accrued expenses         643 6.77 675           Deferred income taxes         643 6.77 675           Separate Accounts         8.676 9.072           Separate Accounts         8.676 9.075           Separate Accounts         8.676 9.075           Separate Accounts         8.676 9.075           Separate Accounts         8.676 9.075           Total liabilities         17.0805         74.434           Predeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued         6 -  |  |              |        |                     |         |
| Separate Accounts         8,676         9,072           Total assets         76,437         8,826           Liabilities         Contract/holder 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         44,34         1,425           Deferred income taxes         677         675           Separate Accounts         70,805         74,434           Separate Accounts         677         675           Separate Accounts         8,5100 par value, 1,500,000 shares authorized, none issued         -         -         -           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued         -         -         - <td< td=""><td></td><td></td><td></td><td></td><td></td></td<>  |  |              |        |                     |         |
| Total assets   \$ 76,820   \$ 78,820   \$ 78,820   \$ 12,525   \$ 2,525   \$ 2,256   \$ 2,2 |  |              |        |                     |         |
| Liabilities         \$ 46,458         \$ 50,850           Contractholder funds         \$ 46,458         \$ 50,850           Reserve for life-contingent contract benefits         12,752         12,256           Unearned premiums         27         30           Payable to affiliates, net         11,8         11,19           Other liabilities and accrued expenses         643         1,454           Deferred income taxes         643            Notes due to related parties         643            Separate Accounts         8,676         9,072           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stoc  | '  | φ            |        |                     |         |
| 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           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares   | Total assets   | Φ            | 70,437 | <b>-</b> Ψ <u> </u> | 70,020  |
| 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           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$100 par val   |  |              |        |                     |         |
| 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           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred  |  | \$           | -,     | \$                  | ,       |
| 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           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$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             Redeemable preferred 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):         (100)         (274)           Unrealized net capital gains and losses         587         (1,146)           Unrealized net   | · · · · · · · · · · · · · · · · · · ·                    |              | ,      |                     | ,       |
| 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           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued         5         5           Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$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             Redeemable preferred stock - series B, \$100 par value, 2,3800 shares authorized and issurance reserves         3         1,900           Additional capital paid-in         3,189         3,189         3,189           Redeemable preferred stock - series B, \$100 par value, 23,800 shares authorized a   |  |              |        |                     |         |
| Deferred income taxes         643   |  |              |        |                     |         |
| Notes due to related parties         677         675           Separate Accounts         8,676         9,072           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued             Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued             Common stock, \$227 par value, 23,800 shares authorized and outstanding         5         5         5           Additional capital paid-in         3,189         3,189         3,189           Retained income         1,913         1,969           Accumulated other comprehensive income (loss):          (100)         (274)           Unrealized net capital gains and losses:          1,913         1,969           Unrealized net capital gains and losses         587         (1,146)         (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         525         (777)           Total accumulated other comprehensive income (loss)         525  | · ·  |              | , -    |                     | 1,432   |
| Separate Accounts         8,676         9,072           Total liabilities         70,805         74,434           Shareholder's Equity           Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued         -         -           Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued         -         -           Common stock, \$227 par value, 23,800 shares authorized and outstanding         5         5           Additional capital paid-in         3,189         3,189           Retained income         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         525         (777)           Total accumulated other comprehensive income (loss)         525         (777)           Total shareholder's equity         5,632         4,386   |  |              |        |                     |         |
| Shareholder's Equity Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued 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 Additional capital paid-in Retained income Accumulated other comprehensive income (loss): Unrealized net capital gains and losses: Unrealized net capital gains and losses: Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves 38 643 Total unrealized net capital gains and losses Total unrealized net capital gains and losses  Total accumulated other comprehensive income (loss)  Total shareholder's equity  5,632 4,386  |  |              |        |                     |         |
| Shareholder's Equity Redeemable preferred stock - series A, \$100 par value, 1,500,000 shares authorized, none issued Redeemable preferred stock - series B, \$100 par value, 1,500,000 shares authorized, none issued Common stock, \$227 par value, 23,800 shares authorized and outstanding Additional capital paid-in Retained income Accumulated other comprehensive income (loss):  Unrealized net capital gains and losses: Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total shareholder's equity  5,632  4,386  | ·  |              | -,     |                     |         |
| 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 Additional capital paid-in Retained income Accumulated other comprehensive income (loss):  Unrealized net capital gains and losses: Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total accumulated other comprehensive income (loss)  Total shareholder's equity  5,632 4,386   | Total liabilities  |              | 70,805 |                     | 74,434  |
| 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  Additional capital paid-in  Retained income  Accumulated other comprehensive income (loss):  Unrealized net capital gains and losses:  Unrealized net capital losses on fixed income securities with OTTI  Other unrealized net capital gains and losses  Unrealized adjustment to DAC, DSI and insurance reserves  Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total shareholder's equity  5,632  4,386   | Shareholder's Equity                                     |              |        |                     |         |
| Common stock, \$227 par value, 23,800 shares authorized and outstanding Additional capital paid-in Retained income Accumulated other comprehensive income (loss): Unrealized net capital gains and losses: Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total shareholder's equity  5 5 5 5 7 8 1,1460  |  |              |        |                     |         |
| 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 525 (777)  Total accumulated other comprehensive income (loss) 55,632 4,386   |  |              |        |                     |         |
| Retained income Accumulated other comprehensive income (loss):  Unrealized net capital gains and losses:  Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total shareholder's equity  1,913 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,969 1,914 1,916  |  |              | -      |                     | -       |
| Accumulated other comprehensive income (loss):  Unrealized net capital gains and losses:  Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses Total unrealized net capital gains and losses Total unrealized net capital gains and losses Total shareholder's equity  |  |              | ,      |                     | 3,189   |
| Unrealized net capital gains and losses:  Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses Total unrealized net capital gains and losses Total unrealized net capital gains and losses Total shareholder's equity  Intelligent DAC, DSI and insurance reserves Intelligent DAC, DSI and Intelligent   |  |              | 1,913  |                     | 1,969   |
| Unrealized net capital losses on fixed income securities with OTTI Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses Total unrealized net capital gains and losses Total unrealized net capital gains and losses Total accumulated other comprehensive income (loss)  Total shareholder's equity  1,146) 1,146  |  |              |        |                     |         |
| Other unrealized net capital gains and losses Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total unrealized net capital gains and losses  Total accumulated other comprehensive income (loss)  Total shareholder's equity  1,146) 1,14  |  |              |        |                     |         |
| Unrealized adjustment to DAC, DSI and insurance reserves Total unrealized net capital gains and losses  Total accumulated other comprehensive income (loss)  Total shareholder's equity  5,632  4,386   |  |              |        |                     | (274)   |
| Total unrealized net capital gains and losses 525 (777)  Total accumulated other comprehensive income (loss) 525 (777)  Total shareholder's equity 5,632 4,386  | Other unrealized net capital gains and losses            |              | 587    |                     | (1,146) |
| Total accumulated other comprehensive income (loss) 525 (777)  Total shareholder's equity 5,632 4,386   | Unrealized adjustment to DAC, DSI and insurance reserves |              | 38     |                     | 643     |
| Total shareholder's equity 5,632 4,386  | Total unrealized net capital gains and losses            |              | 525    |                     | (777)   |
|   | Total accumulated other comprehensive income (loss)      |              | 525    |                     | (777)   |
|   | Total shareholder's equity                               | _            | 5,632  |                     | 4,386   |
| Total liabilities and shareholder's equity \$   | Total liabilities and shareholder's equity               | \$           | 76,437 | \$                  | 78,820  |

### **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.

2

### 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 pe riodic 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 compa ny 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    |
| Operating income  | \$                      | 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)     |
| Net loss  | \$                      | (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 ret urn 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.

For the twelve months ended December 31, 2010 2009

| Return on equity Numerator:             |    |  |            |         |  |  |
|---|----|--|------------|---------|--|--|
| Net loss                                | \$ | (28)                                     | \$         | (547)   |  |  |
| Denominator:                            | Ψ  | (=0)                                     | = *==      | (0 )    |  |  |
| 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)%                                   | = <u> </u> | (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 <u>/s/ Samuel H. Pilch</u>

Name: Samuel H. Pilch Title: Group Vice President and Controller

Date: February 11, 2011