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) July 24, 2007

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 Number)

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:

- 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 Condensed Consolidated Statements of Operations for the three-month and six- month periods ended June 30, 2007 and 2006 and Condensed Consolidated Statements of Financial Position as of June 30, 2007 and December 31, 2006, prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and certain non-GAAP and operating measures:

ALLSTATE LIFE INSURANCE COMPANY AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

		Three Months Ended June 30,					Six Months Ended June 30,				
(\$ in millions)	Es	st. 2007		2006		Est. 2007		2006			
Revenues											
Premiums	\$	122	\$	146	\$	277	\$	263			
Contract charges		230		277		458		562			
Net investment income		1,053		1,017		2,083		1,991			
Realized capital gains and losses		104		(80)		126		(107)			
		1,509		1,360		2,944		2,709			
Costs and expenses											
Contract benefits		331		327		705		653			
Interest credited to contractholder funds		660		635		1,295		1,238			
Amortization of deferred policy acquisition costs		166		176		281		281			
Operating costs and expenses		73		98		160		201			
Restructuring and related charges		(1)		3		(1)		18			

	1,	229	1,239	2.440)	2,391
Gain (loss) on disposition of operations		2	(35)3	<u> </u>	(88)
Income from operations before income tax expense Income tax expense		282 95	86 30	507 171	· <u>-</u> _	230 78
Net income	\$	187	\$ 56	\$ 336	\$	152

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

Montgage loans	millions, except par value data)		June 30, 007 (Est.)	December 31, 2006		
Fixed income securities, at fair value (amortized cost \$61,760 and \$60,851) \$0,804 \$0,805 \$0,8	Assets					
Morgage loans	Investments					
Policy loans	Fixed income securities, at fair value (amortized cost \$61,760 and \$60,851)	\$	62,403	\$	62,439	
Short-term	Mortgage loans		9,084		8,690	
Policy loans Other 747 (25 cm) 75 (25 cm) <t< td=""><td>Equity securities</td><td></td><td>855</td><td></td><td>533</td></t<>	Equity securities		855		533	
Other 1,045 9.00 Total investments 75,343 74,160 Cash 1,711 22 Deferred policy acquisition costs 3,748 3,438 Accined investment income 679 66 Other assets 77,39 5 Separate Accounts 16,225 16,173 Total assets \$ 100,260 \$ 98,72 Contractholder funds \$ 10,026 \$ 98,72 Reserve for Ilfe-contingent contract benefits 11,02 10,25 Reserve for Ilfe-contingent contract benefits 11,02 10,25 <td></td> <td></td> <td></td> <td></td> <td>805</td>					805	
Total investments 75,343 74,100 Cash 171 2.7 Deferred policy acquisition costs 3,718 3,48 Reinstrance recoverables, net 3,385 3,387 3,385 3,387 3,385 3,387 3,385 3,387 3,385 3,385 3,385 3,385 3,385 3,385 3,385 3,385 3,385 3,385 <	Policy loans				752	
Cash 171 27 Deferred policy acquisition costs 3,718 3,48 Reinsurance recoverables, net 3,365 3,385 Accrued investment income 679 66 Other assets 739 55 Separate Accounts 16,225 16,17 Total assets \$ 100,260 \$ 98,75 Liabilities Contractholder funds \$ 61,173 \$ 00,55 Reserve for life-contingent contract benefits 12,081 12,281 Unearned premiums 33 3 Payable to affiliates, net 119 6 Other liabilities and accrued expenses 4,542 3,22 Deferred income taxes 250 25 Note payable to parent 250 25 Long-term debt 90,20 20 Separate Accounts 94,623 39,32 Total liabilities 39,623 39,32 Compaterm debt 94,623 39,32 Compaterm debt 94,623 39,32 Co	Other		1,045		941	
Deferred policy acquisition costs 3,18 3,48 Reinsurance recoverables, net 3,385 3,385 3,68 Accrued intestment income 679 66 66 Other assets 739 55 Separate Accounts 16,225 16,17 Total assets \$ 100,260 \$ 98,75 Liabilities Contractholder funds \$ 10,081 \$ 12,26 Reserve for life-contingent contract benefits 12,081 \$ 22,00 Uneamed premiums 33 \$ 5 Payable to affiliates, net 19,081 \$ 2,20 Other liabilities and accrued expenses 4,542 3,22 Deferred income taxes 250 25 Note payable to parent 200 20 Sparate Accounts 9,462 3,22 Sparate Accounts 9,462 39,24 Stackendale preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — — Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued — — </td <td>Total investments</td> <td></td> <td>75,343</td> <td></td> <td>74,160</td>	Total investments		75,343		74,160	
Reinsurance recoverables, net 3,385 3,385 Accrued investment income 679 678 Other assets 16,225 16,125 Separate Accounts 16,225 16,125 Total assets \$ 100,205 \$ 98,785 Contractholder funds \$ 61,173 \$ 60,505 Reserve for life-contingent contract benefits 12,081 12,201 Uneamed premiums 33 3 Payable to affiliates, net 119 6 Other liabilities and accrued expenses 4,542 3,22 Deferred income taxes 25 5 Note payable to parent 20 26 Long-term debt 200 20 Separate Accounts 16,225 16,17 Total liabilities 94,622 39,26 Shareholder's Equity 2 5 Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued — — Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued — — —					273	
Actual investment income 679 66 Other assets 739 56 Separate Accounts 16,225 16,17 Total assets \$ 100,260 \$ 88,75 Liabilities **** ***** Contractholder funds \$ 12,081 12,201 Reserve for life-contingent contract benefits 12,081 12,201 Uneamed premiums 33 3 Byayble to affiliates, net 33 3 Other liabilities and accrued expenses 250 25 Othered income taxes 250 25 Note payable to parent 200 20 Separate Accounts 200 20 Separate Accounts 34,622 32,25 Total liabilities 34,623 32,26 Shareholder's Equity 8 4,622 Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued — — Commons tock, \$227 par value, 23,800 sha					3,485	
Other assets 739 55 Separate Accounts 16,225 16,17 Total assets \$100,266 \$98,75 Liabilities \$100,266 \$98,75 Contractholder funds \$61,173 \$60,50 Reserve for life-contingent contract benefits \$12,081 \$12,081 Unearmed premiums \$33 \$32 Payable to affiliates, net \$119 \$6 Other liabilities and accrued expenses \$4,542 32 Deferred income taxes \$20 22 Note payable to parent \$2 22 Long-term debt \$2 22 Separate Accounts \$94,623 33,262 Storetholder's Equity \$2 33,262 Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued \$3,262 Common stock, \$227 par value, 23,800 shares authorized and outstanding \$1,10 Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued \$1,10 \$1,10 Common stock, \$227 par value, 23,800 shares authorized and outstanding \$1,10					3,392	
Separate Accounts 16,25 16,15 Total assets \$ 100,260 \$ 8,70 Liabilities \$ 61,173 \$ 60,55 Contractholder funds \$ 12,081 12,201 Reserve for life-contingent contract benefits 12,081 12,201 Unearned premiums 33 3 Payable to affiliates, net 1119 8 Other liabilities and accrued expenses 250 25 Note payable to parent 20 20 Soparate Accounts 20 20 Separate Accounts 30,30 30,30 Total liabilities 30,40 30,30 Separate Accounts 30,40 30,30 Separate Accounts 30,40 30,30 Total liabilities 30,40 30,30 Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued 30,30 Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued 31,10 30,30 Redeemable preferred stock — series B, \$100 par value, 1,500,000 shares authorized, none issued 31,10					689	
Total assets \$ 100,260 \$ 98,75 Liabilities \$ 61,173 \$ 60,55 Contractholder funds \$ 61,173 \$ 60,55 Reserve for life-contingent contract benefits 12,081 12,221 Unearned premiums 33 3 Payable to affiliates, net 1119 8 Other liabilities and accrued expenses 4,542 3,225 Deferred income taxes 250 25 Note payable to parent 200 20 Long-term debt 200 20 Separate Accounts 16,225 16,12 Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — — 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 — Accumulated other comprehensive income: 1,108 1,116 Unrealized net capital gains and losses 142 <td></td> <td></td> <td></td> <td></td> <td>585</td>					585	
Liabilities \$ 61,173 \$ 60,56 Reserve for life-contingent contract benefits 12,081 12,201 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 12,081 12,201 </td <td>Separate Accounts</td> <td></td> <td>16,225</td> <td></td> <td>16,174</td>	Separate Accounts		16,225		16,174	
Contractholder funds \$ 61,173 \$ 60,50 Reserve for life-contingent contract benefits 12,081 12,261 Unearned premiums 33 3 Payable to affiliates, net 119 8 Other liabilities and accrued expenses 4,542 3,22 Deferred income taxes 250 25 Note payable to parent — 55 Long-term debt 200 20 Separate Accounts 16,225 16,17 Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — — 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 — Additional capital paid-in 1,108 1,10 Retained income 4,382 4,05 Accumulated other comprehensive income: 142 32 Total accumulated other comprehensive income: 142 </td <td>Total assets</td> <td>\$</td> <td>100,260</td> <td>\$</td> <td>98,758</td>	Total assets	\$	100,260	\$	98,758	
Reserve for life-contingent contract benefits 12,081 12,20 Unearned premiums 33 3 Payable to affiliates, net 119 82 Other liabilities and accrued expenses 4,542 3,23 Deferred income taxes 250 25 Note payable to parent - 55 Long-term debt 200 200 Separate Accounts 16,225 16,17 Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock—series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding - - 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 - - Additional capital paid-in 1,108 1,10 1,10 Retained income 4,382 4,0 Accumulated other comprehensive income: 142 32 Total accumulated other comprehensive income 5,637 5,48	Liabilities					
Unearned premiums 33 35 Payable to affiliates, net 119 8 Other liabilities and accrued expenses 4,542 3,23 Deferred income taxes 250 25 Note payable to parent — 50 Long-term debt 200 20 Separate Accounts 16,225 16,17 Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — — 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 — — Additional capital paid-in 1,108 1,10 1,10 Retained income 4,382 4,05 Accumulated other comprehensive income: 142 32 Unrealized net capital gains and losses 142 32 Total accumulated other comprehensive income 5,637 5,48	Contractholder funds	\$	61,173	\$	60,565	
Payable to affiliates, net 119 8 Other liabilities and accrued expenses 4,542 3,23 Deferred income taxes 250 25 Note payable to parent — 55 Long-term debt 200 20 Separate Accounts 16,225 16,13 Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — — 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 — — Additional capital paid-in 1,108 1,10 Retained income 4,382 4,05 Accumulated other comprehensive income: — — Unrealized net capital gains and losses 142 32 Total accumulated other comprehensive income 142 32 Total shareholder's equity 5,637 5,48			12,081		12,204	
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Deferred income taxes 250 25 Note payable to parent — 55 Long-term debt 200 200 Separate Accounts 16,225 16,17 Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding — — 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 — — — Additional capital paid-in 1,108 1,10 1,10 1,10 1,10 1,10 1,10 1,10 1,0			119		84	
Note payable to parent Long-term debt Separate Accounts Total liabilities 94,623 93,26 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding 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: Unrealized net capital gains and losses Total accumulated other comprehensive income 142 33 Total shareholder's equity 5,637 5,48	-				3,235	
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Separate Accounts 16,225 16,17 Total liabilities 9,4623 93,26 Shareholder's Equity Redeemable preferred stock—series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding ——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 Additional capital paid-in 1,108 1,108 1,100 Retained income 4,382 4,050 Accumulated other comprehensive income: Unrealized net capital gains and losses 142 32 Total accumulated other comprehensive income 15,637 5,49 Total shareholder's equity 5,5037 5,49					500	
Total liabilities 94,623 93,266 Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding ————————————————————————————————————					206	
Shareholder's Equity Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding 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 Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses 142 32 Total accumulated other comprehensive income 142 32 Total shareholder's equity 5,637 5,48	Separate Accounts		16,225		16,174	
Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding ————————————————————————————————————	Total liabilities		94,623		93,260	
Redeemable preferred stock — series A, \$100 par value, 1,500,000 shares authorized, none and 49,230 shares issued and outstanding ————————————————————————————————————	Shareholder's Equity					
and outstanding 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: Unrealized net capital gains and losses Total accumulated other comprehensive income 142 32 Total shareholder's equity 5,637 5,45						
Common stock, \$227 par value, 23,800 shares authorized and outstanding Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income 142 32 Total shareholder's equity 5 142 5 5 5 7 7 7 7 7 7 7 7 7 7	and outstanding		_		5	
Additional capital paid-in Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income 142 32 Total shareholder's equity 15,637 5,45					_	
Retained income Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income 142 32 Total shareholder's equity 5,637 5,45					5	
Accumulated other comprehensive income: Unrealized net capital gains and losses Total accumulated other comprehensive income 142 32 Total shareholder's equity 5,637 5,45					1,108	
Unrealized net capital gains and losses14232Total accumulated other comprehensive income14232Total shareholder's equity5,6375,49			4,382		4,055	
Total accumulated other comprehensive income 142 32 Total shareholder's equity 5,637 5,49						
Total shareholder's equity 5,637 5,49	Unrealized net capital gains and losses		142		325	
	Total accumulated other comprehensive income		142		325	
Total liabilities and shareholder's equity \$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	Total shareholder's equity		5,637		5,498	
	Total liabilities and shareholder's equity	\$	100,260	\$	98,758	

Definitions of Non-GAAP and Operating Financial Measures

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

Operating income is net income, 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,
- · amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements ("DSI"), to the extent that they resulted from the recognition of certain realized capital gains and losses,
- · (loss) gain 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 is the GAAP measure that is most directly comparable to operating income.

We use operating income 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, (loss) gain on disposition of operations and adjustments for other significant non-recurring, infrequent or unusual items. Realized capital gains and losses and (loss) gain 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, including to enhance or maintain investment margin, operating income 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, 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 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 is used by management along with the other components of net income to assess our performance. We use adjusted measures of operating income in incentive compensation. Therefore, we believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. We note that investors, financial analysts and financial and business media organizations 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 and representative measurement of the Company and management's performance. Operating income should not be considered as a substitute for net income and does not reflect the overall profitability of our business. Therefore, we believe it is useful for investors to have operating income and net income when evaluating our performance.

3

The following table reconciles operating income and net income.

	Three Months Ended June 30,				Six Months Ended June 30,			
(\$ in millions)	Est	t. 2007		2006		st. 2007		2006
Operating income	\$ 141		\$	143	\$ 283		\$ 275	
Realized capital gains and losses		104		(80)		126		(107)
Income tax (expense) benefit		(37)		29		(45)		38
Realized capital gains and losses, after-tax		67		(51)		81		(69)
DAC and DSI amortization relating to realized capital gains and losses, after-tax		(15)		(3)		(15)		24
Reclassification of periodic settlements and accruals on non-hedge derivative instruments,								
after-tax		(7)		(9)		(15)		(19)
Gains (loss) on disposition of operations, after-tax		1		(24)		2		(59)
Net income	\$	187	\$	56	\$	336	\$	152

Operating income return on equity is a ratio that uses a non-GAAP measure. It is calculated by dividing the rolling 12-month operating income by the average of shareholder's equity at the beginning and at the end of the 12-month period, after excluding the effect of unrealized net capital gains. Return on equity is the most directly comparable GAAP measure. We use operating income as the numerator for the same reasons we use operating income, as discussed above. We use average shareholder's equity excluding the effect of unrealized net capital gains 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 is unrelated to the insurance underwriting process. We use it to supplement our evaluation of net income 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 return on equity because it eliminates the effect of items 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: the after-tax effects of realized and unrealized capital gains and losses, and the cumulative effect of change in accounting principle. 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 return on equity from return on equity is the transparency and understanding of their significance to return on equity variability and profitability while recogni

be considered as a substitute for net income and does not reflect the overall profitability of our business. Therefore, we believe it is useful for investors to have operating income return on equity and return on equity when evaluating our performance. The following table shows the reconciliation.

(\$ in millions)	For the twelve months ended June 30,							
	E	st. 2007		2006				
Return on equity								
Numerator:								
Net income	\$	612	\$	414				
Denominator:								
Beginning shareholder's equity		5,492		6,320				
Ending shareholder's equity		5,637		5,492				
Average shareholder's equity	\$	5,565	\$	5,906				
Return on equity		11.0%)	7.0%				

4

(\$ in millions)	For the twelve				
	Est. 2007	2006			
Operating income return on equity					
Numerator:					
Operating income \$	547	\$ 557			
		·			
Denominator:					
Beginning shareholder's equity	5,492	6,320			
Unrealized net capital gains	45	952			
Adjusted beginning shareholder's equity	5,447	5,368			
Ending shareholder's equity	5,637	5,492			
Unrealized net capital gains	142	45			
Adjusted ending shareholder's equity	5,495	5,447			
Average shareholder's equity \$	5,471	\$ 5,408			
Operating income return on equity	10.0%	10.3%			

Operating Measure

We believe that investors' understanding of our performance is enhanced by our disclosure of the following operating financial measure. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

Premiums and deposits is an operating measure that we use to analyze production trends for sales. It includes premiums on insurance policies and annuities and all deposits and other funds received from customers on deposit-type products, which we account for under GAAP as increases to liabilities rather than as revenue.

The following table illustrates where premiums and deposits are reflected in the condensed consolidated financial statements.

	Three Months Ended June 30,				Six Months Ended June 30,				
(\$ in millions)	Est. 2007 2006		2006	2006 Est. 2007		_	2006		
Premiums and deposits excluding variable annuities	\$	2,658	\$	3,778	\$	5,067	\$	5,797	
Variable annuity deposits (1)	_			243	_			678	
Total premiums and deposits		2,658		4,021		5,067		6,475	
Deposits to contractholder funds		(2,503)		(3,634)		(4,731)		(5,570)	
Deposits to separate accounts		(34)		(243)		(67)		(648)	
Change in unearned premiums and other adjustments		1		2		8		6	
Premiums	\$	122	\$	146	\$	277	\$	263	

(1) Disposed through reinsurance effective June 1, 2006.

5

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, thereunto duly authorized.

By <u>/s/ Samuel H. Pilch</u>

Name: Samuel H. Pilch

Title: Group Vice President and Controller

July 24, 2007