

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 13F

FORM 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: SEPTEMBER 30, 2006  
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Check here if Amendment ; Amendment Number: -----

This Amendment (Check only one.):  is a restatement.  
 adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: ALLSTATE LIFE INSURANCE COMPANY  
-----  
Address: 3075 SANDERS ROAD, SUITE G4A  
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NORTHBROOK, IL. 60062-7127  
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Form 13F File Number: 28-01037

The institutional manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: JAMES ZILS  
-----  
Title: VICE PRESIDENT INVESTMENT OPERATIONS  
-----  
Phone: 847-402-3073  
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Signature, Place, and Date of Signing:

/s/ JAMES ZILS	NORTHBROOK, IL.	11/8/2006
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[Signature]	[City, State]	[Date]

Report Type (Check only one.):

- 13F HOLDINGS REPORT. (Check here if all holdings of this reporting manager are reported in this report.)
- 13F NOTICE. (Check here if no holdings reported are in this report, and all holdings are reported by other reporting manager(s).)
- 13F COMBINATION REPORT. (Check here if a portion of the holdings for this reporting manager are reported in this report and a portion are reported by other reporting manager(s).)

List of Other Managers Reporting for this Manager:

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers: ONE  
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Form 13F Information Table Entry Total: 69  
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Form 13F Information Table Value Total: 345,668 (THOUSAND)  
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List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional investment managers with respect to which this report is filed, other than the manager filing this report.

[If there are no entries in this list, state "NONE" and omit the column headings and list entries.]

No.	Form 13F File Number	Name
1	028-10298	ALLSTATE INVESTMENTS LLC



## FORM 13F INFORMATION TABLE

NAME OF ISSUER	TITLE OF CLASS	CUSIP	VALUE	SHARES/ PRN AMT	SH/ PUT/ PRN CALL	INVSTMT DSCRETN	OTHER MANAGERS	VOTING AUTHORITY		
								SOLE	SHARED	NONE
3M COMPANY	COMMON	88579Y101	521	7,000	SH	DEFINED	1	X		
DUKE ENERGY CORP	COMMON	26441C105	4,002	132,500	SH	DEFINED	1	X		
PPL CORPORATION	COMMON	69351T106	3,389	103,000	SH	DEFINED	1	X		
TRAVELERS PPTY CASUALTY	REDEEMABLE P/S	89420G307	10,119	411,000	SH	DEFINED	1	X		
3M COMPANY 0% 11/21/2032 AFFILIATED MANAGERS GRP 2.793750% 02/25/2033	DEBT	88579YAB7	8,384	9,500,000	PRN	DEFINED	1	X		
ALLERGAN INC 1.500000% 04/01/2026	DEBT	018490AL6	2,105	2,000,000	PRN	DEFINED	1	X		
ALZA CORP 0% 07/28/2020	DEBT	02261WAB5	6,016	6,750,000	PRN	DEFINED	1	X		
AMDOCS LIMITED .500000% 03/15/2024	DEBT	02342TAD1	4,521	4,250,000	PRN	DEFINED	1	X		
AMERICAN EXPRESS 1.850000% 12/01/2033	DEBT	025816AS8	8,343	8,250,000	PRN	DEFINED	1	X		
AMERICAN FINANCIAL GROUP 1.486100% 06/02/2033	DEBT	025932AD6	2,195	4,000,000	PRN	DEFINED	1	X		
AMERICAN INTL GROUP .500000% 05/15/2007	DEBT	026874AN7	2,544	2,650,000	PRN	DEFINED	1	X		
AMERICAN INTL GROUP 0% 11/09/2031	DEBT	026874AP2	1,400	2,000,000	PRN	DEFINED	1	X		
AMGEN INC 0% 03/01/2032	DEBT	031162AL4	3,507	4,700,000	PRN	DEFINED	1	X		
AON CORP 3.500000% 11/15/2012	DEBT	037389AT0	596	375,000	PRN	DEFINED	1	X		
BAUSCH & LOMB INC 4.421880% 08/01/2023	DEBT	071707AM5	1,167	1,000,000	PRN	DEFINED	1	X		
BEST BUY 2.250000% 01/15/2022	DEBT	086516AF8	6,413	5,300,000	PRN	DEFINED	1	X		
BLACKROCK INC 2.625000% 02/15/2035	DEBT	09247XAB7	4,526	3,000,000	PRN	DEFINED	1	X		
BRISTOL-MYERS SQUIBB 2.510000% 09/15/2023	DEBT	110122AN8	12,022	12,000,000	PRN	DEFINED	1	X		
CAESARS ENTERTAINMENT 3.598750% 04/15/2024	DEBT	127687AB7	6,396	5,350,000	PRN	DEFINED	1	X		
CARNIVAL CORP 1.132000% 04/29/2033	DEBT	143658AV4	8,565	12,000,000	PRN	DEFINED	1	X		
CARNIVAL CORP 2.000000% 04/15/2021	DEBT	143658AN2	5,321	4,300,000	PRN	DEFINED	1	X		
CENTERPOINT ENERGY INC 3.750000% 05/15/2023	DEBT	15189TAM9	2,550	2,000,000	PRN	DEFINED	1	X		
CENTURYTEL INC 4.750000% 08/01/2032	DEBT	156700AH9	1,583	1,500,000	PRN	DEFINED	1	X		
COOPER CAMERON CORP 1.500000% 05/15/2024	DEBT	216640AE2	4,108	2,750,000	PRN	DEFINED	1	X		
COSTCO WHOLESALE CORP 0% 08/19/2017	DEBT	22160QAC6	361	320,000	PRN	DEFINED	1	X		
CSX CORP 0% 10/30/2021	DEBT	126408GA5	8,669	7,300,000	PRN	DEFINED	1	X		
DANAHER CORP 0% 01/22/2021	DEBT	235851AF9	8,596	8,500,000	PRN	DEFINED	1	X		
DEVON ENERGY CORPORATION 4.900000% 08/15/2008	DEBT	25179MAA1	8,166	6,500,000	PRN	DEFINED	1	X		
DEVON ENERGY CORPORATION 4.950000% 08/15/2008	DEBT	25179MAB9	1,382	1,100,000	PRN	DEFINED	1	X		
DIAMOND OFFSHORE DRILL 1.500000% 04/15/2031	DEBT	25271CAE2	754	500,000	PRN	DEFINED	1	X		
DOMINION RESOURCES INC 2.125000% 12/15/2023	DEBT	25746UAT6	4,510	4,250,000	PRN	DEFINED	1	X		
ELECTRONICIS FOR IMAGING 1.500000% 06/01/2023	DEBT	286082AA0	1,556	1,500,000	PRN	DEFINED	1	X		
FLUOR CORP 1.500000% 02/15/2024	DEBT	343412AA0	4,680	3,250,000	PRN	DEFINED	1	X		
FOUR SEASONS HTL 1.875000% 07/30/2024	DEBT	35100EAE4	2,218	2,000,000	PRN	DEFINED	1	X		
GATX CORP 7.500000% 02/01/2007	DEBT	361448AC7	2,318	1,900,000	PRN	DEFINED	1	X		
GENZYME CORP 1.250000% 12/01/2023	DEBT	372917AN4	6,351	5,800,000	PRN	DEFINED	1	X		
HARRIS CORP 3.500000% 08/15/2022	DEBT	413875AH8	594	300,000	PRN	DEFINED	1	X		
HASBRO INC 2.750000% 12/01/2021	DEBT	418056AN7	1,118	1,000,000	PRN	DEFINED	1	X		
HCC INSURANCE HOLDINGS 1.300000% 04/01/2023	DEBT	404132AB8	6,869	4,725,000	PRN	DEFINED	1	X		
HEALTH MANAGEMENT ASSOC 1.500000% 08/01/2023	DEBT	421933AF9	3,056	3,000,000	PRN	DEFINED	1	X		
HEWLETT-PACKARD CO 0% 10/14/2017	DEBT	428236AC7	3,788	5,500,000	PRN	DEFINED	1	X		
INTEL CORP 2.950000% 12/15/2035	DEBT	458140AD2	3,441	3,850,000	PRN	DEFINED	1	X		
INTL GAME TECHNOLOGY 0% 01/29/2033	DEBT	459902AM4	7,766	8,800,000	PRN	DEFINED	1	X		
LABORATORY CP	DEBT	50540RAC6	6,859	7,750,000	PRN	DEFINED	1	X		
LEHMAN BROTHERS HOLDINGS .250000% 05/08/2010	DEBT	524908FN5	1,397	1,500,000	PRN	DEFINED	1	X		

LIBERTY MEDIA CORP 3.250000% 03/15/2031	DEBT	530715AR2	1,608	2,000,000	PRN	DEFINED	1	X
LOCKHEED MARTIN CORP 3.018130% 08/15/2033	DEBT	539830AP4	10,129	8,000,000	PRN	DEFINED	1	X
LOWE'S COMPANIES INC .861000% 10/19/2021	DEBT	548661CG0	9,579	9,750,000	PRN	DEFINED	1	X
MANOR CARE INC 2.125000% 08/01/2035	DEBT	564055AM3	8,890	7,250,000	PRN	DEFINED	1	X
MASCO CORP 0% 07/20/2031	DEBT	574599BB1	10,230	22,000,000	PRN	DEFINED	1	X
MEDTRONIC INC 1.625000% 04/15/2013	DEBT	585055AM8	2,431	2,500,000	PRN	DEFINED	1	X
MERRILL LYNCH & CO 0% 03/13/2032	DEBT	590188W46	10,050	8,600,000	PRN	DEFINED	1	X
NABORS INDUSTRIES INC 0% 06/15/2023	DEBT	629568AL0	1,043	1,000,000	PRN	DEFINED	1	X
NEXTEL COMMUNIC DEBT	DEBT	65332VAY9	8,116	8,250,000	PRN	DEFINED	1	X
OMNICOM GROUP 0% 07/01/2038	DEBT	681919AT3	7,622	7,500,000	PRN	DEFINED	1	X
RPM INTERNATIONAL INC. 1.389000% 05/13/2033	DEBT	749685AK9	3,256	5,750,000	PRN	DEFINED	1	X
SCHLUMBERGER LIMITED 2.125000% 06/01/2023	DEBT	806857AD0	974	600,000	PRN	DEFINED	1	X
SLM CORP 3.110630% 07/25/2035	DEBT	78442PAC0	7,518	7,500,000	PRN	DEFINED	1	X
ST JUDE MEDICAL INC 2.800000% 12/15/2035	DEBT	790849AB9	5,452	5,500,000	PRN	DEFINED	1	X
TEVA PHARMACEUT FIN BV .375000% 11/15/2022	DEBT	88164MAB4	1,585	1,000,000	PRN	DEFINED	1	X
TEVA PHARMACEUT FIN BV 1.750000% 02/01/2026	DEBT	88165FAA0	2,850	3,000,000	PRN	DEFINED	1	X
TEVA PHARMACEUT FIN LLC .250000% 02/01/2024	DEBT	88164RAB3	2,926	2,700,000	PRN	DEFINED	1	X
TJX COMPANIES INC 0% 02/13/2021	DEBT	872540AL3	7,507	8,050,000	PRN	DEFINED	1	X
TRANSOCEAN INC 1.500000% 05/15/2021	DEBT	893830AD1	4,849	4,500,000	PRN	DEFINED	1	X
TYCO INTL GROUP SA 3.125000% 01/15/2023	DEBT	902118BG2	10,925	8,300,000	PRN	DEFINED	1	X
WALT DISNEY COMPANY 2.125000% 04/15/2023	DEBT	254687AU0	10,125	9,000,000	PRN	DEFINED	1	X
WELLS FARGO COMPANY 4.898750% 05/01/2033	DEBT	949746FA4	9,598	9,500,000	PRN	DEFINED	1	X
WYETH 2.390000% 01/15/2024	DEBT	983024AD2	12,800	11,750,000	PRN	DEFINED	1	X

"STOCK"		4	18,030	653,500				
DEBT		65	327,638	327,370,000				
REPORT TOTALS		69	345,668	328,023,500				