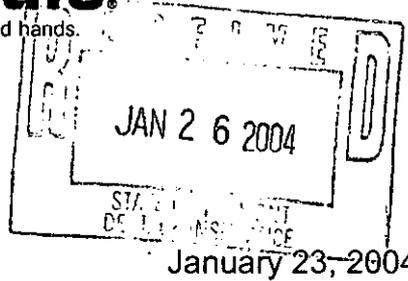




**Allstate.**

You're in good hands.



**Angela Fontana, CPCU**  
Associate Counsel

Financial Law & Regulation

Ms. Rebecca C. Heintz  
Enforcement Attorney/Insurance Division  
Department of Banking, Insurance, Securities and Health Care Administration  
State of Vermont  
89 Main Street, Drawer 20  
Montpelier, VT 05620-3101

**RE: Market Conduct Examination  
Northbrook Life Insurance Company**

Dear Ms. Heintz:

Thank you for the opportunity to provide a response to the Market Conduct Examination Report of Northbrook Life Insurance Company.

Please note that effective January 1, 2003, Northbrook Life Insurance Company merged into Allstate Life Insurance Company. As a result, any references herein to current or future actions or practices by "the Company" pertain to actions and practices by Allstate Life Insurance Company.

The Company's response is divided by categories listed in the report for which the Company has a response. Any recommendation relating to such category for which the Department is requesting action by the Company is listed below in bold type in the exact same language as the recommendation appears in the Summary of Recommendations. The Company's response follows each recommendation and is in plain type.

### **COMPLAINTS**

**Recommendation: It is recommended the Company add the reason code "Refusal to Insure" to its complaint handling system and provide proof to the Department that this has been accomplished.**

Allstate Life Insurance Company

3100 Sanders Road, Suite J5B Northbrook, IL 60062-7154 Phone 847.402.9365 Fax 847.402.3781 Email [afontana@allstate.com](mailto:afontana@allstate.com)

RESPONSE: This reason code has been added to the Company's complaint handling system as of October 2002. Please see the enclosed Exhibit A, which confirms that this reason has been added to the list of reason codes.

**Recommendation: It is recommended the Company immediately develop and maintain procedures for filing a summary of its complaint record and provide written evidence to the Department that this procedure has been completed.**

RESPONSE: The Company has implemented procedures for filing a summary of its complaint record. Please see the enclosed Exhibit B, which demonstrates the process flow to help ensure that this requirement is satisfied on an annual basis.

### **MARKETING AND SALES**

**Recommendation: It is recommended that the Company develop guidelines and establish a monitoring system to assure that all producers are being informed of changes in Vermont statutes and regulations and have received adequate training to assure compliance with all requirements.**

RESPONSE: It is the practice of the Company to communicate regulatory and legal requirements to contracted financial services firms. Since producers are employees of the contracted financial services firms, any training they receive is prepared and provided by such firms. The Company recently implemented a process where notifications of certain new requirements that require action (e.g., new form requirements, new disclosure requirements, etc.) by the producers are sent directly to all impacted producers.

The Company has already taken steps towards implementing certain processes to help monitor whether appropriate communications to producers has occurred. Such processes include the examination of quality review and spot check results, which can be good indicators of compliance with regulatory requirements. The Company has plans to increase the occurrence of quality reviews and spot checks in the future.

The Company will also be enhancing its customer survey process on or around March 1, 2004. The revised surveys will provide the Company with a better opportunity to help detect potential problem issues. In addition, the Company

will be conducting analyses using freelook and complaint reports in an effort to identify any trends that may reflect that the contracted financial services firms are not following compliance requirements.

**Recommendation: It is recommended the Company establish a procedure and a monitoring system to assure each appointed producer is provided a written statement of its position as to the acceptability of replacements and the appropriateness of such transactions.**

RESPONSE: It is the practice of the Company to communicate regulatory and legal requirements, including those involving replacement activity, directly to the contracted financial services firms. The firms will then communicate necessary information to the producers since these producers are employees of the contracted financial services firms. To further enhance the Company's ability to communicate important information, including its position on the acceptability of replacement activity, the Company has a web site, which the Company intends to make available to appointed producers.

The Company has recently taken steps to monitor new business activity, which the Company believes will help it ensure that producers have an understanding of the Company's position and legal and regulatory requirements. For example, customer surveys are currently sent out to 100% of new business customers obtained through contracted financial services firms. On or around March 1, 2004, these surveys will be revised to ask whether the policy or contract was a result of a replacement transaction. The Company will then examine survey reports to help identify trends that may require corrective action. In addition, the Company will be conducting analyses using freelook and complaint reports in an effort to monitor its new business and other activity to help determine if producers are following requirements. Finally, the Company is planning to conduct regular service center quality review / spot checks to help identify potential negative trends and to help ensure producer compliance with the Company's position on acceptable replacement activity.

**Recommendation: To assure the requirements of Reg. I-2001-03 are being met it is recommended the Company establish written procedures for the New Business Team.**

RESPONSE: The Company has established written procedures for the New Business Team for business received via paper applications. With respect to

electronic applications (received via Remote Process Entry), the Company is reviewing this process for enhancements and will establish written procedures for the New Business Team.

**Recommendation: It is recommended the Company incorporate the statement required by Regulation I-2001-03 §(4)(C) into its Northbrook applications and provide proof to the Department that this has been accomplished.**

RESPONSE: The applications have been revised and now include the statement required by Regulation I-2001-03 §(4)(C). Enclosed as Exhibit C is a copy of the transmittal letter and accompanying application to the Department dated May 19, 2003, and approved by the Department on July 23, 2003.

**Recommendation: It is recommended the Company develop and implement procedures to insure that when an existing policy or contract is being replaced that all producers present the required notice regarding replacements to the applicant as required of Vermont Regulation I-2001-03 §(4)(D).**

RESPONSE: For paper applications, the Company has already implemented procedures regarding the required notice for replacements. With respect to electronic applications (received via Remote Process Entry), the Company is in the process of developing procedures to help ensure that the required notice is received for impacted new business.

**Recommendation: It is recommended the Company develop and implement procedures to insure that all documents required by Regulation I-2001-03 §3 are submitted to the insurer with the application and that producers include a statement identifying sales materials used and provide copies of any individualized sales materials, including illustrations, used in the transaction.**

RESPONSE: For paper applications, the Company has already implemented procedures regarding the sales material requirement, including the statement signed by the producer regarding the appropriate use of sales materials. With respect to electronic applications (received via Remote Process Entry), the Company is developing procedures to help improve its process.

Ms. Rebecca C. Heintz  
January 23, 2004  
Page 5

**Recommendation:** It is recommended the Company establish suitability guidelines and procedures for the contracted financial services firms and establish a monitoring system to assure all appointed producers are following these guidelines.

RESPONSE: All contracted financial services firms with which the Company has selling agreements are legally required and contractually obligated to the Company to supervise their registered representatives for compliance with the applicable NASD and SEC rules, including suitability requirements. Although it is the Company's position that it is not legally required to establish a monitoring system, the Company plans to leverage some new processes being implemented from which valuable information can be obtained to help monitor the acceptability of sales. For example, the Company will begin using revised customer surveys on or around March 1, 2004, for all new business customers from the financial services firms that will inquire, in part, if the customer and his or her representative discussed the customer's current financial situation to help determine if the product met his or her needs. In addition, the Company will be conducting analyses using freelook and complaint reports in an effort to identify any trends that may reflect that the contracted financial services firms are not following compliance requirements.

Thank you again for the opportunity to provide a response to the Market Conduct Examination Report of Northbrook Life Insurance Company. Please contact me at (847) 402-9365 or Dave Henreckson at (847) 402-5695 if you have any questions or require any additional information.

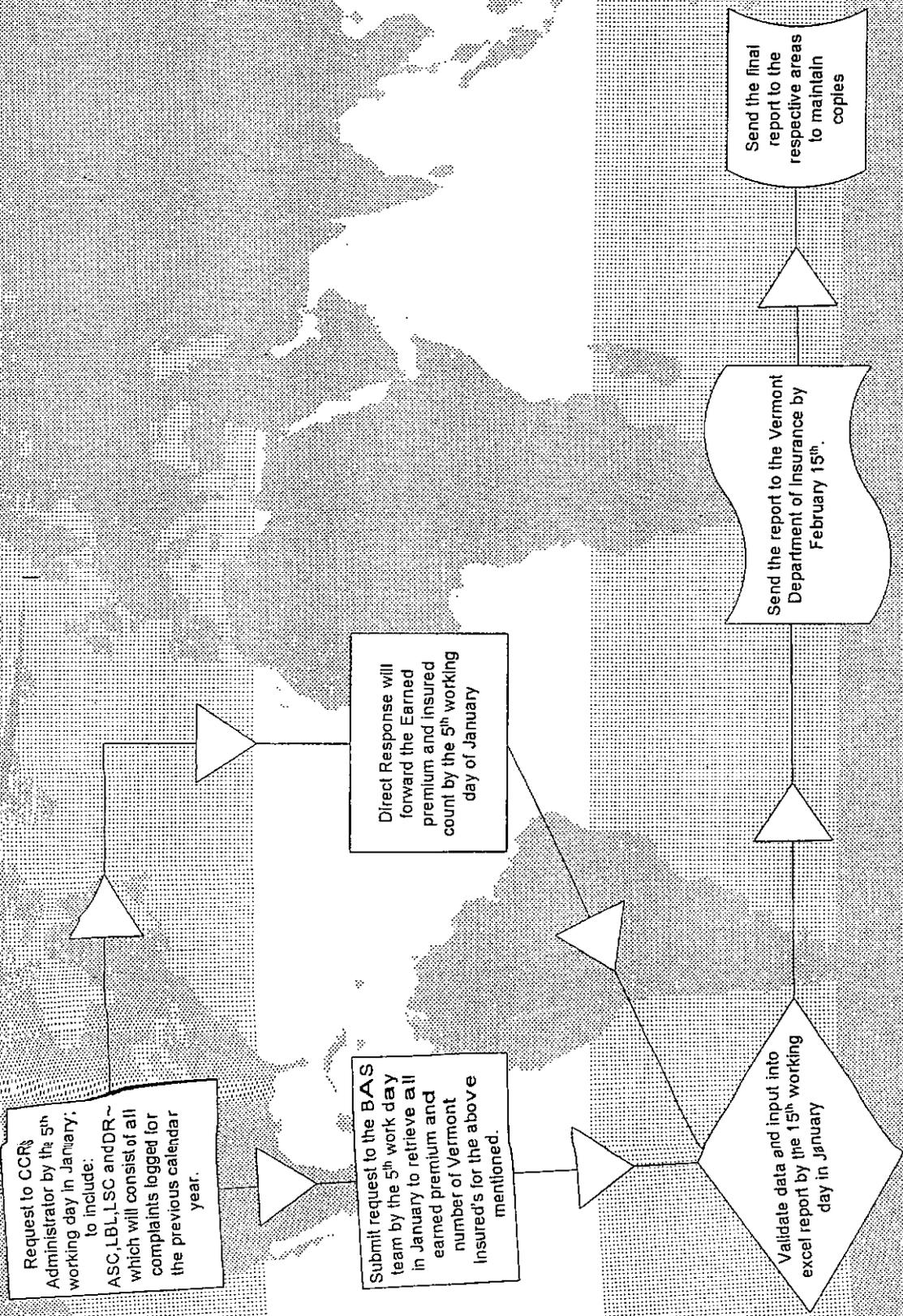
Sincerely,



c: Dave Henreckson  
Linda Jung



Allstate Financial  
Vermont 76-1 Complaint Record



VERMONT COMPLAINT SUMMARY SHEET

Company Name: Allstate Life Insurance Company  
 Calendar Year:  
 \* List total number of complains for each category

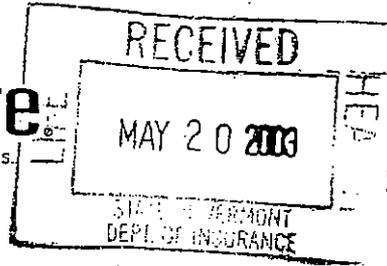
FUNCTION CODE	Automobile	Fire	Homeowners - Farm owners	Crop	Inland Marine	Individual Life	Group Life	Annuities	Individual Health - Accident & Sickness	Group Health - Accident & Sickness	Group Health - Accident & Sickness	Workers Compensation	Liability Ins. Other than Auto	Mobile Home	Miscellaneous	Totals - All Lines
Underwriting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Company Underwriting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Individual's Application	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cancellation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rescission	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonrenewal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premiums & Rating	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delays	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Refusal to insure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MARKETING AND SALES																
General Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mass Market Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agent handling	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividend Illustration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delays	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Alleged Misleading statement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS																
Claim procedure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delays	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unsatisfied Settlement Offer	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Natural Disaster Adjusting	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unsatisfied settlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Denial of claim	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
POLICYHOLDER SERVICE																
Failure to respond	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delays	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS																
TOTAL COMPLAINTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Earned Premium for VT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of VT Insureds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Complaints / 1000 VT Insureds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Morgan  
Stamping  
APP Info



**Allstate**

You're in good hands.



Lynda Young  
Senior Product &  
Financial Analyst

May 19, 2003

Honorable John Crowley  
Commissioner of Insurance  
Division of Insurance  
Department of Banking, Insurance, & Securities  
89 Main Street, Drawer 20  
Montpelier, VT 05620-3101

Contract Development  
and Filing

Attn: Mr. Thomas J. Crompton

RE: NLR729VT REPL      Application  
VT Filing Number:      7572

DEPT. FILE NO.	9319
APPROVED ON	7/23/03
DECLINED ON	
EFFECTIVE ON	
BY:	

NAIC#: 00S-601S6

Dear Mr. Crompton:

Enclosed for your review and approval please find single copies of the above-listed forms.

The enclosed application is new and will replace the previously approved application outlined below. The enclosed application is to be used with Allstate Life Insurance Company's ("ALIC") annuity programs.

Also in follow up to your letter dated March 24, 2003 (copy enclosed) we will address your following points:

1. *You have referenced a previously approved filing. Please list that form(s) including the company form number, a brief narrative of the form, the Vermont filing number and the Vermont approval date. If you have a stamped approval please include that paper in your response.*

Per your request -- enclosed are copies of the stamped approval letters for all of the previously approved forms that this application will be used with.

2. **ACKNOWLEDGEMENT:** *You need to add language above the signature line of your application which indicates that the applicant understands and acknowledges:*
  - a. *That the contract is variable, employs the use of segregated accounts and that the applicant has received a current prospectus for the contract and the underlying accounts.*
  - b. *That any benefits, value or payments based on performance of the segregated accounts may vary and are NOT guaranteed by your company, any other insurance company; are NOT guaranteed by the U.S. Government or any State Government; are NOT Federally insured by the FDIC, the Federal Reserve Board or any other agency, Federal or State.*
  - c. *Additionally, you need to employ language which states, in essence, that all risk is born by the insured unless the contract allows some funds to be placed in the Company's General Account.*

We feel that we have addressed all of the points requested from the earlier filing. I have provided you with a marked copy and a clean copy of the application. On the marked copy I have identified the areas you requested with the corresponding number on your letter of March 24, 2003.

3. *NON-SPECIFIC VARIABLE LANGUAGE: Your filing contains some pages which are marked as variable either in their entirety or almost so. As such, you must remove the variable language and re-file. In GROUP policies the Department accepts those variables which would be truly specific to a given account or specifically unique only to the contractholder, however if the Company sees the need to change material and substantial parts of the contract, it must be refilled as a new plan.*

All bracketing has been removed except for around the variable sub-accounts and optional riders.

NLR729VT REPL

NLR729VT REPL will replace application NLR729 which was approved on November 4, 1999. This application will be used with form numbers NLU906VT (Contract – approved November 4, 1999), NLU920 (Amendatory Endorsement – approved April 24, 2000) and NLU963 (Amendatory Endorsement – approved March 25, 2002).

We have added the following information to the new, enclosed applications:

1. Northbrook Life Insurance Company has changed to Allstate Life Insurance Company – the companies merged effective 1/1/03;
2. We have expanded the Replacement Information section;
3. In the Owner Section we added SS/TIN and the Citizenship question;
4. In the Signature Section we added W9 tax language and Vermont variable language;
5. Fund changes which include: UIF Mid Cap Value changing its name to UIF Mid-Cap Core and Putnam International Growth Fund is changing its name to Putnam International Equity; and
6. Removed the Performance Income Benefit Option (GuMBI); and Performance Benefit Combination Option (GuMBI Combination).

There are no other changes on these applications.

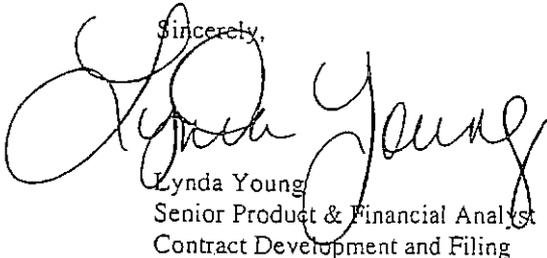
These forms have been generated by our home office computer system. These forms may also be generated using other hardware, which can result in changes in formatting (e.g., typeface, margins, page breaks), but the contents will remain unaffected.

Enclosed is the filing fee.

This letter is submitted in duplicate so that a copy may be used to acknowledge review and approval. Two overnight express envelopes and completed airbills are enclosed for returning approval and any correspondence. This mailing will not impose any charges on your Department.

If you have any questions, please feel free to contact me at the address, phone, or e-mail on my letterhead. Thank you for your consideration of this matter.

Sincerely,



Lynda Young  
Senior Product & Financial Analyst  
Contract Development and Filing

PREFERRED CONTRACT VA

FLEXIBLE PREMIUM DEFERRED VARIABLE ANNUITY

ISSUED BY: ALLSTATE LIFE INSURANCE COMPANY, NORTHBROOK, ILLINOIS

PO Box 94040, Palatine, IL 60094-4040

NLR729VT REPL

OWNER(S)

If the owner is a trust or other non-living entity, it is a surviving owner and will receive any death benefit due regardless of any beneficiaries designated on the contract.

Name John Doe M Birthdate 01/01/60
Address 100 S Main St Downtown, IL Soc. Sec. No./TIN 123-456-789

Name M F Birthdate
Address Soc. Sec. No./TIN

Are the Owner(s), Annuitant, and Beneficiary(ies) U.S. Citizens? Yes No

OWNER TYPE

- Individual Non Grantor Trust Corporate/Association Tax Exempt/NonProfit Organization Minor
Partnership Grantor Trust Custodial Account Qualified Plan/Type

ANNUITANT

Leave blank if Annuitant is the same as sole Owner; otherwise complete.

Name M F Birthdate
Address Soc. Sec. No./TIN
Relationship to Owner

BENEFICIARY(IES)

Include additional Beneficiary information under Special Instructions.

Name Relationship to Owner
Soc. Sec. No./TIN Birthdate %
Address City State Zip
Name Relationship to Owner
Soc. Sec. No./TIN Birthdate %
Address City State Zip

PURCHASE PAYMENT/ PLAN OPTIONS

Total Purchase Payment \$
PORTFOLIO SELECTION

- AIM Variable Insurance Funds
Capital Appreciation %
Growth %
Premier Equity %
AllianceBernstein Variable Products Series Fund, Inc.
Growth %
Growth & Income %
Premier Growth %
LSA Variable Series Trust
LSA Aggressive Growth %
Morgan Stanley VIS
Aggressive Equity %
Capital Growth %
Dividend Growth %
Equity %
Global Advantage %
Global Div. Growth %
High Yield %
Income Builder %
Information %
Limited Duration %
Money Market %
Pacific Growth %
Quality Income Plus %
S&P 500 Index %
Strategist %
Utilities %

- Morgan Stanley UIF
Emerging Markets Equity %
Equity Growth %
International Magnum %
Mid-Cap Core %
Mid-Cap Growth %
U.S. Real Estate %
Putnam Variable Trust
Growth & Income %
International Equity %
Small Cap Value %
Voyager %
Van Kampen Life Investment Trust
Comstock %
Emerging Growth %
Fixed Account (if available) %
DCA Fixed Account %

Total 100%

Plan Options (Choose one from options available in your state. If none is selected, base policy will apply):
Performance Death Benefit Option (Highest Anniversary Value); or
Death Benefit Combination Option (Best of the Best)

PREFERRED CLIENT VA  
 FLEXIBLE PREMIUM DEFERRED VARIABLE ANNUITY  
 ISSUED BY: ALLSTATE LIFE INSURANCE COMPANY, NORTHBROOK, ILLINOIS  
 PO Box 94040, Palatine, IL 60094-4040

NLR729VT REPL

TAX QUALIFIED PLAN

Yes  No (If Yes, complete the following.)

<input type="checkbox"/> Traditional IRA	<input type="checkbox"/> Roth IRA	<input type="checkbox"/> SEP-IRA	<input type="checkbox"/> Other _____
<input type="checkbox"/> Rollover	<input type="checkbox"/> 401 (a) (pension)	<input type="checkbox"/> Employer	
<input type="checkbox"/> Transfer	<input type="checkbox"/> 403 (b) (TSA)	<input type="checkbox"/> Employee	
<input type="checkbox"/> Contribution \$ _____	Contribution Year _____		

(attach Form 5305 for SEP)

REPLACEMENT INFORMATION

Do you have any existing annuity or life insurance contracts?  Yes  No  
 Will this annuity replace or change any existing annuity or life insurance?  Yes  No (If Yes, complete the following.)  
 Company \_\_\_\_\_ Policy No. \_\_\_\_\_  
 Cost basis amount \_\_\_\_\_ Policy Date \_\_\_\_\_

SPECIAL INSTRUCTIONS

SIGNATURE(S)  
 (contract applications and certificate enrollments are referred to as applications.)

A copy of this application signed by the Representative will be the receipt for the first purchase payment. If Allstate Life Insurance Company ("Allstate Life") declines this application, Allstate Life will have no liability except to return the first purchase payment.

I have read the above statements and represent that they are complete and true to the best of my knowledge and belief. I agree that this application shall be a part of the annuity issued by Allstate Life. By accepting the annuity issued, I agree to any additions or corrections to this application. Allstate Life will obtain written agreement from me for any change in the benefits, type of plan, or birthdates.

Annuities and insurance products are not insured by the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board, National Credit Union Association (NCUA), National Credit Union Share Insurance Fund (NCUSIF), or any other agency of the United States, or the bank or credit union, or an affiliate of the bank or credit union. Annuities are not obligations of any bank. The financial institution does not guarantee performance by the insurer issuing the annuity. Variable annuities involve investment risk, including potential loss of principal. Any benefits, values or payments based on performance of the segregated accounts may vary (increase or decrease) and are NOT guaranteed by our company, or any other insurance company, and are not guaranteed by the U.S. government or any state government. The owner bears all risk for amounts allocated to the variable portfolios. Variable annuities are not protected by the Securities Investor Protection Corporation (SIPC) as to the loss of the principal amount invested.

I understand that annuity values and income payments based on the investment experience of a separate account are variable and not guaranteed as to dollar amount. I acknowledge receipt of the current prospectus for the Flexible Premium Deferred Variable Annuity.

Under penalties of perjury, I certify that:

1. The number on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

The Internal Revenue Service does not require your consent to any provisions of this document other than the certification required to avoid backup withholding.

Signed at Waukegan IL Date 6/1/03  
 City State  
 Owner(s) John Doe  
 Annuitant \_\_\_\_\_

FINANCIAL ADVISOR USE ONLY

To the best of my knowledge the insured has an existing annuity or life insurance contract.  Yes  No  
 Do you have any reason to believe that the annuity applied for is to replace or change any existing annuity or life insurance?  Yes  No  
 FA Name (Please print) Frank Smith Phone No. XXX-XXX-XXXX  
 FA Signature Frank Smith Branch/FA No. \_\_\_\_\_