THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION OF

FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY

Worcester, Massachusetts

As of December 31, 2004

NAIC GROUP CODE 0088

NAIC COMPANY CODE 69140

EMPLOYERS ID NO. 04-1867050

FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
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May 24, 2006

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Honorable Commissioners and Directors:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY
Worcester, Massachusetts

at its home office located at 440 Lincoln Street, Worcester, Massachusetts 01653. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The First Allmerica Financial Life Insurance Company (hereinafter referred to as "the Company" or "FAFLIC") was last examined as of December 31, 2000 under the association plan of the National Association of Insurance Commissioners ("NAIC") by the Massachusetts Division of Insurance ("the Division"). The current association plan examination was conducted also by the Division and covers the four year period from January 1, 2001 through December 31, 2004, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. All NAIC zones were invited to participate, however no zones chose to participate in the examination. The Division conducted a concurrent examination of the Company's immediate parent, Allmerica Financial Life Insurance and Annuity Company ("AFLIAC") and a separate examination report has been issued for that company.

The current examination was conducted in accordance with standards and procedures established by the NAIC Financial Condition (E) Committee and prescribed by the NAIC as well as with the requirements of the *NAIC Financial Examiners' Handbook* and in accordance with Massachusetts General Laws.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' pension and benefit plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company has been audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm in accordance with 211 CMR 23.00. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2001 through 2004. A review and use of the certified public accountants' work papers were made to the extent deemed appropriate and effective. Representatives from the independent accounting, consulting and actuarial firm of Ernst & Young LLP ("E&Y"), were engaged by the Division to complete certain procedures and examine certain actuarial items and other areas as directed, principally policy reserves. E&Y's Assurance and Advisory Business Services unit was engaged by the Division to evaluate the adequacy and effectiveness of the information technology ("IT") systems controls to determine the level of reliance to be placed on summary information generated by the data processing systems.

<u>Status of Prior Examination Findings</u>

The current financial examination included a review to verify the current status of any exception conditions commented upon in the previous Report of Examination. The December 31, 2000 Report of Examination did not have any exception conditions.

Affidavits confirming distribution of the prior Report of Examination as of December 31, 2000, were signed by all members of the Board of Directors.

HISTORY

The Company, a stock company, was incorporated as State Mutual Life Assurance Company of America, on March 16, 1844 under the laws of the Commonwealth of Massachusetts and commenced business on June 1, 1845. The Company was originally organized as a mutual life insurance company, and operated as such until October 16, 1995. Effective on this date, the Company converted to a stock life insurance company pursuant to a Plan of Reorganization and adopted their present title. As part of the Plan of Reorganization the Company became a wholly-owned subsidiary of Allmerica Financial Corporation ("AFC"), an insurance holding company incorporated in the State of Delaware. Pursuant to the Plan of Reorganization, AFC issued 37.5 million shares of its common stock to eligible policyholders. AFC also issued 12.7 million shares of its common stock in a public offering, and contributed approximately $393 million of the proceeds, resulting from this public offering and a debt issuance, to the Company in the form of paid-in and contributed surplus.

Effective July 1, 1999 the Allmerica Financial Corporation entities engaged in an extraordinary distribution by way of an "unstacking transaction". This unstacking transaction was accomplished by having Allmerica Asset Management, Inc. merge/liquidate into SMA Financial. SMA Financial is the surviving entity and changed its name to Allmerica Asset Management, Inc. Allmerica Asset Management, Inc./SMA Financial (AAM/SMA) contributed Allmerica Investments, Inc., Allmerica Investment Management Company, Inc., Allmerica Financial Investment Management Services, Inc. and Allmerica Financial Services Insurance Agency, Inc. to AFLIAC in exchange for one additional share of AFLIAC. AAM/SMA then distributed AFLIAC and Allmerica Trust Company, N.A. to the Company. As a result of the above transfers, the Company's investment in the common stock of its affiliates was increased by $855 million. AFC contributed $125 million to the Company in exchange for one additional share of the Company's common stock issued to AFC. AFC owned all 500,001 shares of the Company's stock. The Company then distributed AAM/SMA to AFC.

Effective December 30, 2002 and in connection with AFC's restructuring activities, AFLIAC, previously a Delaware domiciled insurance company, became a Commonwealth of Massachusetts domiciled insurance company. Effective December 31, 2002 the Division approved an extraordinary dividend of the Company's wholly owned subsidiary, AFLIAC to AFC. Immediately following this transaction, the Company became a direct subsidiary of

AFLIAC with AFLIAC now owning all 500,001 shares of the Company's outstanding shares of common stock.

As part of the approval of the above extraordinary distribution or "unstacking transaction", the Company required the prior approval of the Massachusetts Commissioner of Insurance (the "Commissioner") for the payment of any dividend to AFC for the years 2000 and 2001. Additionally for a six year period following July 1, 1999, AFC agreed to maintain the Company's Risk Based Capital ("RBC") ratio at a minimum of 225%. The Company's parent, AFC, entered into a new agreement with the Division in 2002, which superseded the prior agreement, whereby AFC would indefinitely maintain the RBC ratio of the Company at a minimum of 100% of the NAIC Company Action Level (i.e., the level was reduced from 225% to 100%, but the time period was made indefinite). Shortly thereafter, however, and in connection with the transaction in December 2002 whereby the Company became a direct subsidiary of AFLIAC (which in turn became a direct subsidiary of AFC), this commitment was terminated and instead AFC agreed to maintain AFLIAC's RBC at a 100% RBC ratio. Finally, in December 2005 and in connection with the sale of AFLIAC described under "Subsequent Events", AFC (renamed "The Hanover Insurance Group, Inc.") agreed to maintain the Company's RBC at 100% of the Company Action Level, and the prior commitment on behalf of AFLIAC was terminated. The Company's RBC ratio at December 31, 2004 was 678%.

The Company continues to be licensed in all fifty states, the District of Columbia, the US Virgin Islands, and Canada. Prior to September 30, 2002, the Company manufactured and sold variable annuities, variable universal life and traditional life insurance products, as well as certain group retirement products. As a result of the cumulative effect of the significant decline in the equity markets as well as rating agency actions, the Company discontinued all new sales of proprietary variable annuities and life insurance products.

Capital Stock

The Company's Restated Articles of Organization, dated October 16, 1995, authorized the Company to issue 1,000,000 shares of common stock with a par value of $10.00. As of December 31, 2004, the Company had issued 500,001 shares of common stock with an aggregate par value of $5,000,010.

Capital Contributions

In 2001 the Company received a paid-in surplus contribution of $130 million from AFC consisting of cash and bond securities. Simultaneously, due to the deteriorating financial condition of the Company's wholly owned subsidiary, AFLIAC, the Company contributed $130 million of paid-in surplus to AFLIAC. In 2002 the Company received $188 million of paid-in surplus contributions from AFC and the Company contributed $244 million to AFLIAC consisting of cash and bond securities.

Dividends to Stockholder

Pursuant to Massachusetts statutes, the maximum amount of dividends and other distributions that an insurer may pay in any twelve month period, without prior approval of the Commissioner, is limited to the greater of the Company's statutory net gains from operations of the preceding year or 10% of the statutory policyholders' surplus as of the preceding December 31. During the current four year examination period the Company's only dividend payment to stockholders was on December 31, 2002 in the amount of $264,858,539 which was paid to its then parent and 100% stockholder AFC, consisting of 100% of the common stock of AFLAIC. This extraordinary dividend was approved by the Commonwealth of Massachusetts Commissioner of Insurance.

Growth of Company

The growth of the Company for the years 2001 through 2004 is depicted in the following schedule, which was prepared from the Company's Annual Statements.

Year	Admitted Assets	Net Premiums Written	Surplus
2004	$ 3,851,124,159	$ 60,831,087	$ 178,644,116
2003	4,309,841,042	159,265,995	117,800,623
2002	4,843,040,551	413,652,525	157,192,820
2001	6,502,948,090	446,434,091	372,866,097

MANAGEMENT

Annual Meeting

In accordance with the revised bylaws, effective April 13, 2000, the annual meeting of the stockholders shall be held on the third Tuesday in March, if not a legal holiday, and if a legal holiday, then the next business day, at the principal offices of the corporation in Massachusetts, or at such other time and place as may be determined from time to time by the board of directors. A quorum shall consist of a majority of the votes entitled to be cast, or as may be required by law. The minutes of the annual meeting indicate that a quorum was obtained at each annual meeting held during the examination period.

Board of Directors

The bylaws provide that except as reserved for the stockholders by law or by the articles of organization, the business of the corporation shall be managed by the board of directors who shall have and may exercise all the powers of the corporation. In particular, and without limiting the generality of the foregoing, the directors may at any time and from time to time issue all or any part of the unissued capital stock of the corporation authorized under the articles or organization and may determine, subject to any requirements of law, the consideration for which stock is to be issued and the manner of allocating such consideration between capital and surplus.

The number of directors shall be not less than seven nor more than fifteen. The number of directors may be increased or decreased from time to time by either the stockholders or the directors by a vote of a majority then in office. No directors need be a stockholder. Each director shall hold office until the next annual meeting and / or until his or her successor is duly elected and qualified. At December 31, 2004, the board was comprised of seven directors, which is in compliance with the Company bylaws. Directors duly elected and serving at December 31, 2004, with their business affiliation, follows:

Directors	Business Affiliation
Frederick H. Eppinger	President & Chief Executive Officer of AFC
Bonnie K. Haase	Vice President and Chief Human Resources Officer
J. Kendall Huber	Senior Vice President and General Counsel
John P. Kavanaugh	Vice President and Chief Investment Officer
Edward J. Parry, III	Vice President and Chief Financial Officer
Michael A. Reardon	President and Chief Executive Officer
Gregory D. Tranter	Vice President and Chief Information Officer

The bylaws do not specify the number of meetings to be held during a year. The minutes of the board of directors meetings indicated that meetings were held twelve times during 2004. At any meeting a majority of the directors then in office shall constitute a quorum, provided however, that at least five directors must be present to constitute a quorum. The minutes indicate that a quorum was obtained at all meetings of the board of directors held during the examination period.

Committees of the Board of Directors

The bylaws of the Company provide that the directors may, by vote of a majority of the directors then in office, elect from their number an executive committee or a finance committee and other committees and delegate to any such committee or committees some of the powers of the directors. Except as the directors may otherwise determine, any such committee may make rules for the conduct of its business. The board elected a Compliance Committee on August 30, 2004. Its members were J. Kendall Huber, Michael A. Reardon and John P. Kavanaugh. The Compliance Committee held a joint meeting (AFLIAC/FAFLIC) on September 17, 2004.

Officers

The bylaws of the Company provide that the officers of the Company shall consist of a Chairman of the Board (if such officer be deemed desirable), a President, Vice-Presidents (including such Executive Vice Presidents, Senior Vice Presidents, Second Vice Presidents, and Assistant Vice Presidents as the directors may elect), a Treasurer, a Secretary, Assistant Secretaries and Assistant Treasurers, and such other officers as the directors may from time to time in their discretion elect or appoint. Any officer may be, but need not be, a director or stockholder.

Officers may be elected by the board of directors at the annual meeting following the annual stockholder meeting or at any regular meeting, and shall hold office until the next regular election of officers and until their successors are elected and qualified. The directors may remove any officer at their discretion, and vacancies in any office may be filled by the directors.

If a Chairman of the Board is elected, said chairman shall have all the duties and powers specified in the bylaws and those as may be determined by the board. The chief executive officer shall be the chairman of the board, if any, the president, or any other officer as may be designated by the directors, and shall have general charge and supervision of the business of the corporation. The elected senior officers and their respective titles at December 31, 2004 are as follows:

Officers	Title
Michael A. Reardon	President and Chief Executive Officer
Charles F. Cronin	Vice President and Secretary
Mark C. McGivney	Vice President and Treasurer
Dan R. Spafford	Vice President and Actuary
Warren E. Barnes	Vice President and Corporate Controller
John W. Chandler, Jr.	Vice President
David J. Firstenberg	Vice President
Bonnie K. Haase	Vice President
J. Kendall Huber	Senior Vice President and General Counsel
John P. Kavanaugh	Vice President and Chief Investment Officer
Richard W. Lavey	Vice President
Edward J. Parry, III	Vice President and Chief Financial Officer
Gregory D. Tranter	Vice President, Chief Information Officer

Conflict of Interest Procedures

The Company has adopted, by resolution of the board of directors, a formal Statement of Policy pertaining to conflict of interest in accordance with Question 14 of the General Interrogatories of the Annual Statement. The Company has an established procedure for the disclosure to the board of directors of any potential financial transaction, investment, material interest or activity and affiliation on the part of any director, officer, or key employee, which might be contrary to the policy statement.

Annually, all directors, officers, and employees whose duties require them to transact any business, the nature of which might be contrary to the conflict of interest policy, are required to complete a Conflict of Interest Questionnaire. The completed questionnaires were reviewed with no discrepancies noted regarding conflicts of interest as reflected in the Company's 2004 Annual Statement responses to General Interrogatories.

Corporate Records

Bylaws and Articles of Incorporation

The bylaws and articles of organization and amendments thereto were examined as part of this examination. During the examination period there were not any changes made to these documents.

Board of Directors Minutes

Our review of the minutes of the board of directors and committees in place for the period under the statutory examination indicated that all meetings were held in accordance with the Company bylaws and laws of the Commonwealth of Massachusetts. Actions of the board and committees were ratified at each meeting either by vote or consent.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L. c. 175 ss. 180M-180Q.

AFFILIATED COMPANIES

Per Form B, as filed with the Division and amended as of March 15, 2004, the Company is a member of a holding company system and is subject to the registration requirements of Chapter 175, Section 206C of the Massachusetts General Laws. The Company is a wholly owned subsidiary of AFLIAC and the ultimate controlling entity is AFC, a publicly traded holding company.

Prior to December 31, 2002, the Company was the parent company of AFLIAC. Subsequent to this date the Company became a direct subsidiary of AFLAIC and AFLIAC became a subsidiary of AFC.

Formal List of Subsidiaries and Affiliates	State of Domicile or Incorporation
Allmerica Financial Corporation	Delaware
Opus Investment Management, Inc.	Massachusetts
The Hanover Insurance Company	New Hampshire
Citizens Insurance Company of America	Michigan

Formal List of Subsidiaries and Affiliates	State of Domicile or Incorporation
Allmerica Financial Life Insurance and Annuity Company	**Massachusetts**
VeraVest Investments, Inc.	Massachusetts
Allmerica Financial Investment Management Services, Inc.	Massachusetts
Allmerica Financial Services Insurance Agency, Inc.	Massachusetts
Allmerica Investments Insurance Agency Inc. of Alabama	Alabama
First Allmerica Financial Life Insurance Company	**Massachusetts**
Allmerica Trust Company, N.A.	Federally Chartered
Allmerica Investments Insurance Agency Inc. of Florida	Florida
Allmerica Investments Insurance Agency Inc. of Georgia	Georgia
Allmerica Investments Insurance Agency Inc. of Kentucky	Kentucky
Allmerica Investments Insurance Agency Inc. of Mississippi	Mississippi

Transactions and Agreements with Subsidiaries and Affiliates

Guarantees

The Company's ultimate parent, AFC, entered into an agreement with the Division in December 2002, whereby AFC will indefinitely maintain the RBC ratio of the Company at a minimum of 100% of the NAIC Company Action Level. This agreement replaced an earlier commitment that AFC maintain a 225% RBC ratio, which was due to expire in 2005. These agreements were subsequently superseded, but the Company is currently the beneficiary of a commitment from its parent company that its RBC ratio will be maintained at 100% of the Company Action Level (see "History"). The Company's RBC ratio at December 31, 2004 was 678%.

Management and Service Agreements

All entities within the holding company system executed a Consolidated Service Agreement, which was amended effective January 1, 2004. Under this agreement, each company agrees to provide any other company within the holding company system with such services as it may require for its operations. Charges under the agreement are made under a cost allocation policy designed to provide fairness and equity in the establishment of service charges between affiliates and lines of business. Both the consolidated service agreement and the corresponding cost allocation method were examined and no material exceptions were noted.

Tax Sharing Agreement

AFC, its life insurance subsidiaries including the Company, and its non-insurance domestic subsidiaries file a life-nonlife consolidated federal income tax return. Entities included within the consolidated group are segregated into either a life insurance or non-life insurance company subgroup. The consolidation of these subgroups is subject to certain statutory restrictions on the percentage of eligible non-life taxable operating losses that can be applied to offset life company taxable income. All federal income taxes for all subsidiaries in the consolidated return are calculated on a separate return basis. Any current tax liability is paid to AFC. Tax benefits resulting from taxable operating losses or credits of the subsidiaries are not reimbursed to the subsidiary until such losses or credits can be utilized by the subsidiary on a separate return basis. Companies in the AFC group are parties to a separate consolidated income tax agreement with an effective date of December 31, 2002.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L. c. 175 s. 60. The aggregate limit of liability exceeds the NAIC suggested minimum. The Company also has in place numerous other insurance coverages including "all risk" property coverage, executive liability coverage, excess catastrophe liability coverage, and an electronic and computer crime bond.

EMPLOYEE AND AGENT'S WELFARE AND PENSION PLANS

The Company, as the common employer for all AFC Companies, provides multiple benefit plans to employees and agents of these affiliated Companies, including retirement plans. The salaries of employees and agents covered by these plans and the expenses of these plans are charged to the affiliated Companies in accordance with the provisions in the intercompany cost sharing agreement.

The Company offers various insurance plans, including health, dental, short-term disability or salary continuance benefits, long-term disability, and several life insurance options to all full-time and qualified part-time employees. In order to participate, qualified employees must agree to pay their share of the plan's cost of benefits by salary deduction.

The Company provides retirement benefits to substantially all of its employees under a defined benefit plan. This plan is based on a defined benefit cash balance formula, whereby the Company annually provides an allocation to each eligible employee based on a percentage of that employee's salary. The 2004 and 2003 allocations were based on 5.5% and 5.0% respectively, of each eligible employee's salary. In addition to the cash balance allocation, certain group employees, who have met specified age and service requirements as of December 31, 1994, are eligible for a grand-fathered benefit based primarily on the employees' years of service and compensation during their highest five consecutive plan years of employment. This plan is partially funded.

The Company has a defined contribution 401(k) plan for its employees, whereby the Company matches employee elective 401(k) contributions, up to a maximum percentage determined annually by the board of directors. During 2004 and 2003 the Company matched 50% of employees' contributions up to 6% of eligible compensation. This plan is partially funded.

The Company, as the common employer for all AFC Companies, provides post retirement medical and death benefits to certain full-time employees, retirees and their dependents and former agents of these affiliated Companies. The costs of these plans are charged to the affiliated Companies in accordance with an intercompany cost sharing agreement. Generally, active employees become eligible after the age of 40 with at least 15 years of service and former agents become eligible at age 55 with at least 15 years of service. Spousal coverage is provided for up to two years after death of the retiree. Benefits include hospital and major medical, and a death benefit equal to the retiree's final compensation up to certain limits. The medical plans have varying co-payment and deductibles depending on the plan. These post retirement plans are unfunded.

STATUTORY DEPOSITS

The statutory deposits of the Company as of December 31, 2004 were as follows:

Location	Description of Deposit	Par Value	Statement Value	Market Value
California	Bank of America CD 2.080% due 07/12/05	$ 3,404,631	$ 3,404,631	$ 3,404,631
California	Federal Home Loan Mortgage Note 5.625% due 03/15/11	14,500,000	15,598,270	15,673,630
California	US Treasury Bonds 7.250% due 05/15/16	196,000	193,576	245,337
Canada	Canada, Government Of Notes 6.000% due 02/15/10	2,000,000	1,673,366	1,703,833
Georgia	US Treasury Bonds 10.375% due 11/15/12	50,000	50,037	59,614
Kansas	US Treasury Bonds 10.375% due 11/15/12	100,000	100,073	119,227
Kentucky	US Treasury Notes 6.500% due 02/15/10	500,000	570,010	566,075
Louisiana	Hancock Bank CD 0.800% due 07/09/05	20,000	20,000	20,000
New Mexico	US Treasury Bonds 7.250% due 05/15/16	200,000	197,526	250,344
North Carolina	US Treasury Notes 6.500% due 02/15/10	200,000	228,004	226,430
North Carolina	US Treasury Bonds 10.375% due 11/12/12	100,000	100,073	119,227
North Carolina	US Treasury Bonds 9.250% due 02/15/16	100,000	114,509	142,746
Puerto Rico	US Treasury Notes 6.500% due 02/15/10	820,000	934,816	928,363
South Carolina	US Treasury Bonds 7.250% due 05/15/16	1,000,000	987,631	1,251,720
Virginia	US Treasury Notes 7.500% due 02/15/05	300,000	300,441	301,992
Virginia	US Treasury Notes 6.500% due 08/15/05	200,000	200,207	204,868
Virgin Islands	US Treasury Notes 6.500% due 02/15/10	500,000	570,010	566,075
	Totals – Not All Policyholders	24,190,631	25,243,180	25,784,112
	Totals – All Policyholders	6,890,000	7,127,167	7,660,357
	TOTAL ALL LOCATIONS	$31,080,631	$32,370,347	$33,444,469

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed to write business in all fifty states, the District of Columbia, the U.S. Virgin Islands, and Canada. Prior to September 30, 2002, the Company manufactured and sold variable annuities, variable universal life and traditional life insurance products, as well as certain group retirement products. As a result of the cumulative effect of the significant decline in the equity markets, as well as rating agency actions, the Company discontinued all new sales of proprietary variable annuities and life insurance products.

Prior to September 30, 2002 the Company's products were distributed primarily through three distribution channels: (1) Agency, which consisted of a career agency force; (2) Select, which consisted of a network of third party broker/dealers; and (3) Partners, which included distributors of various mutual funds.

<u>Treatment of Policyholders</u>

Claims Settlement Practices

Procedures performed in conjunction with claims testwork disclosed no unusual practices which would indicate that the Company does not settle claims on a timely and equitable basis.

Policyholder Complaints

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. The Division's Consumer Services Section was consulted as part of the examination planning process. The review disclosed no indications that would lead the examination team to believe that a pattern of unfair consumer practices existed. A sample of complaints against the company were reviewed, and of those reviewed, it would appear that the Company responded in an overall timely manner.

Dividends to Policyholders

Prior to its demutualization, the Company issued participating policies, the dividend feature of which was preserved through the creation of the "Closed Block" (See separate discussion of Closed Block in this report). The Company annually determines the amount of divisible surplus available as dividends to eligible policyholders associated with the Closed Block. Policyholder dividends paid during the examination period are as follows:

Year	Dividends to Policyholders
2004	$ 23,449,736
2003	23,348,114
2002	24,649,595
2001	26,472,606

<u>REINSURANCE</u>

Consistent with the general practice in the life insurance industry, the Company is a party to numerous reinsurance agreements. The majority of the Company's involvement in reinsurance contracts is as the ceding company, whereby the Company seeks to reduce net liability on individual risks, provide protection against large losses, and obtain a greater diversification of risk. In recent years the Company has expanded its use of reinsurance to exit certain lines of business and facilitate its plan to discontinue a major operating unit.

Since the Company has a number of reinsurance agreements, which have been in place for many years, only those significant treaties entered into during the period covered by this examination will be noted below. A summary of the Company's reinsurance program, broken out by product type, is as follows.

Ceded Reinsurance

Individual Annuities

The Company implemented a guaranteed minimum death benefit ("GMDB") mortality reinsurance program effective December 1, 2002 covering the incidence of mortality on variable annuity policies. Under this program, the Company pays the reinsurers monthly premiums based on the net amount at risk on the variable annuity business. The reinsurers then reimburse the Company for the net amount at risk portion of qualified variable annuity claims. Under this program, the Company retains the market risk associated with the net amount at risk on the variable business.

Individual Life

The Company retention on any one life is $2 million. Automatic treaties are in place, on an annual or yearly renewable term basis, which provides coverage up to three times this $2 million retention. Policies issued with face values of $8 million or greater are reinsured on a facultative basis. This facultative coverage may be provided by one or several reinsurers.

Group Life

The Company's maximum retention under group life business is $500,000. The Company has in place a number of reinsurance contracts/treaties to cover exposures greater than the net retention. Different treaties are in place based on effective dates of the policies being reinsured. Policies reinsured include traditional and variable life products, along with associated policy riders, such as accidental death and dismemberment (AD&D), waiver of premium, extended death benefits, and supplemental travel accident riders.

Two major treaties were entered into by the Company during the examination period. In 1999 and 2000, as part of the sale of its Employee Benefits Services ("EBS") business, the Company entered into an assumption treaty with Great-West Life and Annuity Insurance Company, whereby Great-West assumed 100% of the EBS business, including group life business issued under the Company's EBS business unit. Effective April 1, 2000, the Company entered into a 100% indemnity coinsurance agreement with Reliastar Life Insurance Company to cede basically all discontinued operations other than EBS group life policies and waiver of premium claims. The Company continues to retain their "traditional" group life business.

Individual Accident and Health

In the second quarter of 1997, the Company entered into an agreement to cede substantially all of the Company's individual disability income business under a 100% coinsurance agreement to Metropolitan Life Insurance Company.

Group Accident and Health

As part of its plan to discontinue writing and exit this type of business, the Company has entered into two specific reinsurance agreements intended to limit its exposure to future losses under this captioned business. As noted previously with the discontinuance of its EBS business segment, the Company also entered into an agreement with Great-West Life and Annuity Insurance Company to cede all EBS group accident and health business. Group long-term disability policies were ceded to Reliastar Life Insurance Company under a 100% indemnity coinsurance agreements effective April 1, 2000.

In addition to the above, the Company has purchased catastrophe excess of loss coverage on medical and long-term disability and other business written through health reinsurance pools and associations, which the Company participated in via its now discontinued segment, Corporate Risk Management Services ("CRMS").

Assumed Reinsurance

Individual Life

The Company entered into two material reinsurance contracts, effective January 1, 1998 and January 1, 1999, with Transamerica Occidental Life Insurance Company. These contracts are both 40% quota share and structured on a modified coinsurance basis. Policies covered are defined as flexible variable premium life policies.

In addition to the above, the Company has had in place under this caption an inter-company agreement with its wholly owned subsidiary, AFLIAC. This business assumed by the Company consists of numerous policy plans, and includes all amounts over AFLIAC's $2 million dollar retention. All business assumed is then retroceded as previously noted.

Group Accident and Health

The Company assumes group accident and health business primarily via its participation in a number of pooling arrangements, its participation ratio in any one pool being relatively small. This business was part of the operations of the Company's Corporate Risk Management Services ("CRMS") segment, which includes the EBS unit and as previously noted, is a discontinued operation. The Company ceased assuming new business in these pools in the third quarter of 1998, subject to certain contractual obligations. The Company still has run-off business associated with these pools and underwriting associations.

SUBSEQUENT EVENTS

On December 1, 2005 the Company's ultimate parent, Allmerica Financial Corporation changed its name to The Hanover Insurance Group, Inc. ("The Hanover") and the company's stock will trade on the New York Stock Exchange under the stock ticker symbol "THG".

On December 30, 2005, The Hanover Insurance Group, Inc. sold all of the outstanding shares of capital stock of AFLIAC, a life insurance subsidiary representing approximately 95% of THG's run-off variable life insurance and annuity business to The Goldman Sachs Group, Inc. ("Goldman Sachs"). In addition and in connection with the sale of AFLIAC to Goldman Sachs, the Company ceded to AFLIAC in a 100% modified co-insurance agreement, its variable life insurance and annuity business. This transaction, which was also completed on December 30, 2005, was approved by the Division. In connection with these transactions, Allmerica Investment Trust ("AIT") agreed to transfer certain assets and liabilities of its funds to certain Goldman Sachs Variable Insurance Trust managed funds through a fund reorganization transaction. Finally, THG agreed to sell to Goldman Sachs all of the outstanding shares of capital stock of Allmerica Financial Investment Management Service, Inc. ("AFIMS"), its investment advisory subsidiary, concurrently with the consummation of a fund reorganization transaction. The fund reorganization transaction was consummated on January 9, 2006.

Total proceeds from the sale were $318.8 million, comprised of $284.0 million of proceeds from the sale of AFLIAC, proceeds from the sale of AFIMS of $26.2 million and proceeds from the ceding commission related to the reinsurance of the FAFLIC variable business of $8.6 million. Included in the proceeds from the sale of AFLIAC is $46.7 million of proceeds expected to be deferred and paid over a three year period, with 50% being received in the first year and 25% in the following two years.

In connection with the sale, the Massachusetts Division of Insurance approved a cash dividend of $48.6 million from FAFLIC, including the $8.6 million ceding commission received related to the reinsurance of 100% of the variable business of FAFLIC, and for the distribution of other non-insurance subsidiaries, from which the holding company received $15.4 million of additional funds.

The Hanover and Goldman Sachs have made various representations, warranties and covenants in the Stock Purchase Agreement entered into in connection with the transaction. The Hanover has agreed to indemnify Goldman Sachs for the breaches of The Hanover's representations, warranties and covenants. THG has also agreed to indemnify Goldman Sachs for certain litigation, regulatory matters and other liabilities relating to the pre-closing activities of the business that was sold.

In connection with these agreements, THG will provide transition services until the earlier of eighteen months from the December 30, 2005 closing or when the operations of AFLIAC, and the FAFLIC business to be reinsured, can be transferred to Goldman Sachs. These services include policy and claims processing, accounting and reporting, and other administrative services. This transition period is currently expected to extend into the fourth quarter of 2006. In the first quarter of 2006, THG incurred a loss of $5 million after-tax, primarily related to the transition costs described above. For the remaining nine months of 2006, THG anticipates incurring an estimated $10 million of additional costs after-tax, related to these transition costs. Upon conclusion of this transition services agreement, there will be no continuing cash flows associated with the business that is being disposed.

On March 31, 2006, the Company established a reserve pursuant to SSAP 5, which reserve was related to certain historical processing errors relating to tax reporting to certain policyholders and others with respect to the annuity business coinsured by AFLIAC in connection with the transaction with Goldman Sachs. See "Subsequent Events". This provision was based on the Company's preliminary estimate of expenses, reimbursements and other costs of remediating such errors. The Company has reported that it does not expect this matter to be material to the Company's financial results of operations or financial position.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires and through a review of the work performed by the Company's independent Certified Public Accountants. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and the Division retained the services of E&Y's Assurance and Advisory Business Services Unit to evaluate the adequacy of the IT controls. No material deficiencies were noted.

The Company uses an automated general ledger system. Trial balances were traced from the general ledger and supporting documents to the 2004 Annual Statement. No material deficiencies were noted.

FINANCIAL STATEMENTS

The following financial statements reflect the assets, liabilities, capital and surplus as determined by our examination, showing the Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2004, together with a Summary of Operations for the year ended December 31, 2004, Statement of Capital and Surplus as of December 31, 2004, and a Reconciliation of Capital and Surplus for the four year period ended December 31, 2004.

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division and the NAIC as of December 31, 2004.

First Allmerica Financial Life Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2004

Assets	**As Reported by the Company**	**Examination Changes**	**Per Statutory Examination**
Bonds	$2,338,806,751	$ 0	$2,338,806,751
Stocks:			
Preferred stocks	4,774,111		4,774,111
Common stocks	5,678,562		5,678,562
Mortgage loans on real estate: First liens	64,895,327		64,895,327
Real estate:			
Properties occupied by the company	70,750,611		70,750,611
Properties held for production of income	14,384,632		14,384,632
Cash, cash equivalents and short-term investments	135,683,413		135,683,413
Contract loans	148,316,032		148,316,032
Other invested assets	92,740,604		92,740,604
Receivable for securities	562,091		562,091
Aggregate write-ins for invested assets	127,936,525		127,936,525
Subtotals, cash and invested assets	3,004,528,659		3,004,528,659
Investment income due and accrued	44,012,370		44,012,370
Premiums and considerations:			
Uncollected premiums and agents' balances	4,238,254		4,238,254
Deferred premiums booked but not yet due	3,590,196		3,590,196
Reinsurance ceded:			
Amounts recoverable from reinsurers	9,073,684		9,073,684
Other amounts receivable under reins. contracts	30,204		30,204
Current federal income tax recoverable	31,336,613		31,336,613
Net deferred tax asset	15,836,401		15,836,401
Guaranty funds receivable or on deposit	753,127		753,127
Electronic data processing equipment	3,817,021		3,817,021
Receivable from parent, subsidiaries and affiliates	53,438,033		53,438,033
Aggregate write-ins for other than invested assets	18,145,418		18,145,418
Total assets excluding Separate Accounts business	3,188,799,980		3,188,799,980
From Separate Accounts statement	662,324,179		662,324,179
Total Assets	$3,851,124,159	$ 0	$3,851,124,159

First Allmerica Financial Life Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2004

Liabilities	**As Reported by the Company**	**Examination Changes**	**Per Statutory Examination**
Aggregate reserve for life contracts	$ 1,218,786,553	$ 0	$ 1,218,786,553
Aggregate reserve for accident and health contracts	70,404,896		70,404,896
Liability for deopsit-type contracts	1,259,592,877		1,259,592,877
Contract claims:			
Life	5,409,469		5,409,469
Accident and health	51,499,010		51,499,010
Policyholders' dividends due and unpaid	759,493		759,493
Provision for policyholders' dividends and coupons payable in following calendar year-estimated amounts:			
Dividends apportioned to 12/31/05	21,000,000		21,000,000
Premiums and annuity considerations received in advance	240,441		240,441
Interest maintenance reserve	6,068,007		6,068,007
Commissions to agents due or accrued	21,561		21,561
Commissions and expense allowances payable on reinsurance assumed	746,647		746,647
General expenses due or accrued	326,732,946		326,732,946
Transfers to Separate Accounts due or accrued	(23,671,343)		(23,671,343)
Taxes, licenses and fees due or accrued, excluding federal income taxes	6,106,915		6,106,915
Unearned investment income	2,132		2,132
Amounts withheld or retained by company as agent or trustee	1,762,184		1,762,184
Remittances and items not allocated	3,244,076		3,244,076
Asset valuation reserve	13,558,569		13,558,569
Reinsurance in unauthorized companies	1,072,141		1,072,141
Payable for securities	8,139,055		8,139,055
Aggregate write-ins for liabilities	34,079,927		34,079,927
Total liabilities excluding Separate Accounts	3,005,555,556		3,005,555,556
From Separate Accounts statement	661,924,477		661,924,477
Total Liabilities	3,667,480,033		3,667,480,033
Common capital stock	5,000,010		5,000,010
Gross paid in and contributed surplus	735,506,474		735,506,474
Aggregate write-ins for special surplus funds	3,767,879		3,767,879
Unassigned funds (surplus)	(560,630,237)		(560,630,237)
Total Surplus	178,644,116		178,644,116
Total Capital and Surplus	183,644,126		183,644,126
Total Liabilities, Capital and Surplus	$ 3,851,124,159	$ 0	$ 3,851,124,159

First Allmerica Financial Life Insurance Company
Summary of Operations
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premium and annuity considerations	$ 60,831,087	$ 0	$ 60,831,087
Considerations for supplementary contracts with life contingencies	17,862		17,862
Net investment income	141,188,402		141,188,402
Amortization of interest maintenance reserve	(338,567)		(338,567)
Separate Accounts net gain from operations	39,906		39,906
Commissions and expense allowances on reinsurance ceded	110,091		110,091
Reserve adjustments on reinsurance ceded	(147,087)		(147,087)
Income from fees associated with investment management, administration and contract guarantees from Sep. Accounts	8,152,243		8,152,243
Aggregate write-ins for miscellaneous income	94,183,970		94,183,970
Total	304,037,907		304,037,907
Death benefits	36,365,766		36,365,766
Matured endowments	191,410		191,410
Annuity benefits	55,056,445		55,056,445
Disability benefits and benefits under A&H policies	11,282,191		11,282,191
Surrender benefits and withdrawals for life contracts	310,138,900		310,138,900
Interest on contracts or deposit-type funds	50,010,563		50,010,563
Payments on supplementary contracts with life contingencies	676,293		676,293
Increase in aggregate reserves for life and accident and health contracts	(174,978,026)		- (174,978,026)
Totals	288,743,542		288,743,542
Commissions on premiums, annuity considerations and deposit-type contract funds	1,332,649		1,332,649
Commissions and expense allowances on reinsurance assumed	4,505,606		4,505,606
General insurance expenses	30,780,843		30,780,843
Insurance taxes, licenses and fees, excl. federal income taxes	1,693,116		1,693,116
Increase in loading on deferred and uncollected premiums	64,482		64,482
Net transfers to or (from) Separate Accounts	(136,933,682)		(136,933,682)
Aggregate write-ins for deductions	461,308		461,308
Totals	190,647,864		190,647,864
Net gain from operations before dividends to policyholders and federal income taxes	113,390,043		113,390,043
Dividends to policyholders	23,449,736		23,449,736
Net gain from operations after dividends to policyholders and before federal income taxes	89,940,307		89,940,307
Federal income taxes incurred (excluding tax on capital gains)	(38,678,009)		(38,678,009)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	128,618,316		128,618,316
Net realized capital gains or (losses)	(3,851,547)		(3,851,547)
Net Income	$ 124,766,769	$ 0	$ 124,766,769

First Allmerica Financial Life Insurance Company
Capital and Surplus
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Capital and surplus, December 31, 2003	$ 122,800,633	$ 0	$ 122,800,633
Net income	124,766,769		124,766,769
Change in net unrealized capital gains or losses	(95,142,386)		(95,142,386)
Change in net deferred income tax	(10,373,182)		(10,373,182)
Change in nonadmitted assets and related items	14,535,561		14,535,561
Change in liability for reinsurance in unauthorized companies	(302,795)		(302,795)
Change in asset valuation reserve	29,430,541		29,430,541
Surplus withdrawn from Separate Accounts during period	23,397		23,397
Other changes in surplus in Separate Accounts statement	(65,968)		(65,968)
Aggregate write-ins for gains and losses in surplus	(2,028,444)		(2,028,444)
Net change in capital and surplus for the year	60,843,493		60,843,493
Capital and surplus, December 31, 2004	$ 183,644,126	$ 0	$ 183,644,126

First Allmerica Financial Life Insurance Company
Reconciliation of Capital and Surplus
For the Four Year Period Ended December 31, 2004

	2004	2003	2002	2001
Capital and surplus, December 31, prior year	$122,800,633	$162,192,830	$377,866,107	$528,466,533
Net income	124,766,769	(96,091,234)	18,057,284	(44,883,859)
Change in net unrealized capital gains or (losses)	(95,142,386)	60,527,983	(177,687,502)	(223,809,820)
Change in net deferred income tax	(10,373,182)	16,134,353	16,075,141	36,235,507
Change in non-admitted assets and related items	14,535,561	(11,184,899)	(8,742,766)	8,948,119
Change in liability for reinsurance in unauthorized companies	(302,795)	2,721,243	(2,328,760)	3,500,402
Change in asset valuation reserve	29,430,541	(16,275,367)	15,312,325	28,546,424
Surplus (contributed to) withdrawn from Separate Accounts during period	23,397	1,092,984	128,567	(130,459)
Other changes in surplus in Separate Accounts statement	(65,968)	(1,395,704)	224,456	107,977
Cumulative effect of changes in accounting principles				45,019,605
Capital changes - paid in			188,000,000	30,000,000
Dividends to stockholders			(264,858,539)	
Aggregate write-ins for gains and (losses) in surplus	(2,028,444)	5,078,444	146,518	(34,134,323)
Net change in capital and surplus for the year	60,843,493	(39,392,197)	(215,673,276)	(150,600,427)
Capital and surplus, December 31, current year	$183,644,126	$122,800,633	$162,192,830	$377,866,107

SEPARATE ACCOUNTS

Sections 132F and 132G of Chapter 175 of the Massachusetts General Laws were enacted in 1960 and 1968 respectively, and amended several times thereafter. These laws provide for the establishment by life companies of one or more separate investment accounts, independent of the insurer's general investment account.

For individual insurance, the separate accounts held by the Company relate to variable annuities or life insurance of both a guaranteed and non-guaranteed return nature. The net investment return of the separate account is credited directly to the policyholder and can be positive or negative. The variable annuities provide a minimum guaranteed death benefit, the nature of which has varied over time. In 1996, the Company began offering a minimum guaranteed death benefit that is adjusted annually to the current account value. The assets and liabilities of these accounts are carried at market value, and the business has been included in the Company's General Account annual statement.

In 1997, the Company began offering annuities with market value adjustments. While there are guarantees associated with these annuities, returns above this guaranteed level may be subject to market value adjustments which can be positive or negative. The assets and liabilities of these annuities are carried at market value.

For group insurance, the separate accounts held by the Company relate to group annuity contracts, which fund defined contribution and defined benefit plans. The assets and liabilities of these accounts are carried primarily at market value.

SEPARATE ACCOUNTS - FINANCIAL STATEMENTS

A Statement of Assets, Liabilities and Surplus as of December 31, 2004, and a Summary of Operations for the year ended December 31, 2004, and a Reconciliation of Surplus for the year ended December 31, 2004, as determined by this examination, are presented.

First Allmerica Financial Life Insurance Company
Separate Account Business
Statement of Assets, Liabilities, and Surplus
As of December 31, 2004

Assets	**As Reported by the Company**	**Examination Changes**	**Per Statutory Examination**
Bonds	$ 7,542,228	$ 0	$ 7,542,228
Common stocks	654,276,088		654,276,088
Cash on deposit	7,479		7,479
Short term investments	339,050		339,050
Investment income due and accrued	159,334		159,334
Total Assets	$ 662,324,179	$ 0	$ 662,324,179
Liabilities and Surplus			
Aggregate reserve for life, annuity and accident and health contracts	$ 524,931,875	$ 0	$ 524,931,875
Liability for deposit-type contracts	113,321,226		113,321,226
Interest maintenance reserve	40,817		40,817
Charges for investment management, administration and contract guarantees due or accrued	(319,592)		0 (319,592)
Other transfers to general account due or accrued	23,990,968		23,990,968
Aggregate write-ins for liabilities	(40,817)		(40,817)
Total Liabilities	661,924,477		661,924,477
Aggregate write-ins for special surplus funds	399,702		399,702
Total Surplus	399,702		399,702
Total Liabilities and Surplus	$ 662,324,179	$ 0	$ 662,324,179

First Allmerica Financial Life Insurance Company
Separate Account Business
Summary of Operations
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Transfers to separate accounts:			
Net premiums and annuity considerations for life and accident and health contracts	$ 12,099,112	$ 0	$ 12,099,112
Transfers on account of deposit-type contracts	(19,884,006)		(19,884,006)
Net investment income and capital gains and losses	59,059,954		59,059,954
Totals	51,275,060		51,275,060
DEDUCT:			
Transfers from the separate accounts on account of contract benefits:			
Death benefits	7,457,917		7,457,917
Annuity benefits	515,736		515,736
Aggregate write-ins for other transfers from separate accounts on account of contract benefits	120,288,917		120,288,917
Transfers on account of policy loans	446,265		446,265
Net transfer of reserves from or (to) Separate Accounts	7,895,121		7,895,121
Other transfers from the Separate Accounts:			
Aggregate write-ins for other transfers from Separate Accounts	(6,293,043)		(6,293,043)
Fees associated with charges for investment management, administration and contract guarantees	13,499,336		13,499,336
Increase in aggregate reserve for life and accident and health contracts	(78,257,987)		(78,257,987)
Increase in liability for deposit-type contracts	(14,321,317)		(14,321,317)
Aggregate write-ins for reserves and funds	4,212		4,212
Totals	51,235,157		51,235,157
Net gain from operations	$ 39,903	$ 0	$ 39,903

First Allmerica Financial Life Insurance Company
Separate Account Business
Reconciliation of Surplus
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus, December 31, 2003	$ 340,629	$ 0	$ 340,629
Net gain from operations	39,903		39,903
Surplus contributed or (withdrawn) during year	(23,397)		(23,397)
Aggregate write-ins for gains and losses in surplus	42,567		42,567
Surplus, December 31, 2004	$ 399,702	$ 0	$ 399,702

CLOSED BLOCK

The Company established and began operating a closed block (the "Closed Block") for the benefit of the participating policies included therein, consisting of certain individual life insurance participating policies, individual deferred annuity contracts and supplementary contracts not involving life contingencies which were in force as of the Company's demutualization on October 16, 1995; such policies constitute the "Closed Block Business". The purpose of the Closed Block is to protect the policy dividend expectations of certain dividend paying policies and contracts. Unless the Commissioner consents to an earlier termination, the Closed Block will continue to be in effect until the date none of the Closed Block policies are in force. The Company allocated to the Closed Block assets in an amount that is expected to produce cash flows which, together with future revenues from the Closed Block business, are reasonably sufficient to support the Closed Block business, including provision for payment of policy benefits, certain future expenses and taxes and for continuation of policyholder dividend scales payable in 1994 so long as the experience underlying such dividend scales continues. The Company expects that the factors underlying such experience will fluctuate in the future and policyholder dividend scales for Closed Block business will be set accordingly.

Although the assets and income allocated to the Closed Block inure solely to the benefit of the holders of policies included in the Closed Block, the excess of Closed Block liabilities over Closed Block assets as measured on a GAAP basis represent the expected future post-tax income from the Closed Block which may be recognized in income over the period the policies and contracts in the Closed Block remain in force. If the actual income from the Closed Block in any given period equals or exceeds the expected income for such period as determined at the inception of the Closed Block, the expected income would be recognized in income for that period. Further, cumulative actual Closed Block income in excess of the expected income would not inure to the shareholders and would be recorded as an additional liability for policyholder dividend obligations. This accrual for future dividends effectively limits the actual Closed Block income recognized in income to the Closed Block income expected to emerge from operation of the Closed Block as determined at inception.

CLOSED BLOCK – FINANCIAL STATEMENTS

A Statement of Assets, Liabilities and Surplus as of December 31, 2004, and a Summary of Operations for the year ended December 31, 2004, and a Reconciliation of Surplus for the year ended December 31, 2004, as determined by this examination, are presented.

First Allmerica Financial Life Insurance Company
Closed Block Business
Statement of Assets, Liabilities, and Surplus
As of December 31, 2004

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	$505,192,415	$ 0	$505,192,415
Mortgage loans on real estate - First liens	31,359,721		31,359,721
Cash	20,099,621		20,099,621
Contract loans	144,404,101		144,404,101
Investment income due and accrued	11,367,249		11,367,249
Premiums and considerations:			0
Uncollected premiums and agents' balances in the			0
course of collection	1,299,031		1,299,031
Deferred premiums, agents' balances and installments			0
booked but deferred and not yet due	4,621,275		4,621,275
Guaranty funds receivable or on deposit	(214,184)		(214,184)
Aggregate write-ins for other than invested assets	1,040,585		1,040,585
Total Assets	$719,169,814	$ 0	$719,169,814

Liabilities and Surplus	As Reported by the Company	Examination Changes	Per Statutory Examination
Aggregate reserve for life contracts	$667,948,421	$ 0	$667,948,421
Liability for deposit-type contracts	89,164,030		89,164,030
Contract claims: Life	3,971,353		3,971,353
Policyholders' dividends due and unpaid	47,825		47,825
Dividends apportioned for payment	21,000,000		21,000,000
Premiums and annuity considerations received in advanc	240,441		240,441
Taxes, licenses, fees due or accrued excluding federal income taxes	517,343		517,343
Current federal income taxes	8,541,290		8,541,290
Unearned investment income	2,132		2,132
Payable for securities	8,087,396		8,087,396
Total Liabilities	799,520,231		799,520,231
Unassigned funds (surplus)	(80,350,417)		(80,350,417)
Total Surplus	(80,350,417)		(80,350,417)
Total Liabilities and Surplus	$719,169,814	$ 0	$719,169,814

First Allmerica Financial Life Insurance Company
Closed Block Business
Summary of Operations
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums and annuity considerations	$ 30,799,805	$ 0	$ 30,799,805
Net investment income	43,131,563		43,131,563
Commissions and expense allowances on reinsurance ceded	598		598
Total	73,931,966		73,931,966
Death benefits	33,582,837		33,582,837
Matured endowments	191,410		191,410
Disability benefits and benefits under A&H policies	868,029		868,029
Surrender benefits and withdrawals for life contracts	23,640,194		23,640,194
Interest and adjustments on contracts or deposit-type funds	3,022,507		3,022,507
Payments on supplementary contracts with life contingencies	17,341		17,341
Increase in aggregate reserves for life and A&H contracts	(17,000,692)		(17,000,692)
Sub-total	44,321,626		44,321,626
Insurance taxes, licenses and fees, excluding federal income taxes	97,144		97,144
Increase in loading on deferred and uncollected premiums	64,482		64,482
Total	161,626		161,626
Net gain from operations before dividends to policyholders and federal income taxes	29,448,714		29,448,714
Dividends to policyholders	20,638,237		20,638,237
Net gain from operations after dividends to policyholders and before federal income taxes	8,810,477		8,810,477
Federal income taxes incurred (excluding tax on capital gains)	1,872,304		1,872,304
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	6,938,173		6,938,173
Net realized capital gains or (losses)	(3,966,464)		(3,966,464)
Net Income	$ 2,971,709	$ 0	$ 2,971,709

First Allmerica Financial Life Insurance Company
Closed Block Business
Reconciliation of Surplus
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus, December 31, 2003	$ (83,322,126)	$ 0	$ (83,322,126)
Net Income	2,971,709		2,971,709
Change in net deferred income tax	2,437,082		2,437,082
Change in nonadmitted assets and related items	(2,437,082)		(2,437,082)
Net change in capital and suplus for the year	2,971,709		2,971,709
Surplus, December 31, 2004	$ (80,350,417)	$ 0	$ (80,350,417)

ACKNOWLEDGEMENT

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company to all examiners during the course of the examination.

The assistance of representatives from Ernst & Young LLP is hereby acknowledged. In addition to the undersigned, the following individuals representing the Commonwealth of Massachusetts participated in this examination and the findings thereof:

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