



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY

Brighton, Massachusetts

As of December 31, 2019

NAIC GROUP CODE 3891

NAIC COMPANY CODE 69140

EMPLOYER ID NUMBER 04-1867050

First Allmerica Financial Life Insurance Company

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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GARY D. ANDERSON
COMMISSIONER OF INSURANCE

May 26, 2021

The Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

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

at its home office located at 20 Guest Street, Brighton, MA 02135-2017. Due to the COVID-19 pandemic, the examination was conducted remotely. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

First Allmerica Financial Life Insurance Company (“FAFLIC” or “Company”) was last examined as of December 31, 2014 by the Massachusetts Division of Insurance (“Division”). This current examination is part of a Multi-State Coordinated Group examination conducted by the Indiana Department of Insurance as the lead state with the Division, the Iowa Department of Insurance and Vermont Department of Insurance as participating states and covers the five-year period from January 1, 2015 through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by PricewaterhouseCoopers, LLP (“PwC”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for the calendar years 2015 through 2019. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

Representatives from the firm Risk & Regulatory Consulting, LLC (“RRC”) were engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included a review of accounting records, information systems and information technology general controls (“ITGC’s”), reinsurance, investments and actuarially determined loss and loss adjustment expense reserves as of December 31, 2019.

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The Indiana Department of Insurance, as the lead state, contracted with The Thomas Consulting Group to perform the IT review and JP Consulting to serve as the Investment Specialists for the lead and participating states.

RRC was also engaged to conduct a concurrent examination of Commonwealth Annuity and Life Insurance Company (“CwA”). The examination is the subject of a separate report.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings during the previous examination and there are no significant findings related to the current examination.

COMPANY HISTORY

General

First Allmerica Financial Life Insurance Company was incorporated as a mutual insurance company, known 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. Effective October 16, 1995, the Company converted to a stock life insurance company pursuant to a Plan of Reorganization (the “De-Mutualization Plan”) and adopted its present name. As part of the De-Mutualization Plan, the Company became a wholly-owned subsidiary of Allmerica Financial Corporation, which subsequently changed to its current name, The Hanover Insurance Group, Inc. (“THG”), effective December 1, 2005. Pursuant to the De-Mutualization Plan, THG issued 37.5 million shares of its common stock to eligible policyholders of the Company. THG also issued 12.7 million shares of its common stock in a public offering, and contributed approximately \$393 million of the proceeds from the public offering (and a related debt issuance) to the Company in the form of paid-in and contributed surplus.

Effective July 1, 1999, THG’s subsidiaries engaged in an “unstacking transaction,” which involved several changes in THG holding company infrastructure. This unstacking transaction was accomplished by first having a subsidiary of the Company, known as Allmerica Asset Management, Inc., merge into another subsidiary of the Company, known as SMA Financial Corp., which was the surviving entity in the transaction. SMA Financial Corp. then changed its name to Allmerica Asset Management, Inc. (“AAM”). AAM contributed certain subsidiaries that had been owned by SMA Financial Corp. (i.e., Allmerica Investments, Inc., Allmerica Investment Management Company, Inc., Allmerica Financial Investment Management Services, Inc. and Allmerica Financial Services Insurance Agency, Inc.) to Allmerica Financial Life Insurance and Annuity Company (“AFLIAC”) in exchange for one share of common stock. AAM then distributed AFLIAC and another subsidiary, Allmerica Trust Company, N.A., to the Company, and the Company distributed AAM to THG. As a result of these transactions, the Company’s investment in the common stock of its affiliates was increased by \$855 million. THG further contributed \$125 million to the Company in exchange for one additional share of the Company’s

First Allmerica Financial Life Insurance Company

common stock. With the result that THG owned all 500,001 of the issued and outstanding shares of the Company's common stock.

In 2001, the Company received a paid-in surplus contribution of \$130 million from THG consisting of cash and bond securities, which the Company then contributed to its then wholly owned subsidiary, Allmerica Financial Life Insurance and Annuity Company. In 2002, the Company received \$188 million of paid-in surplus contribution from THG, and the Company contributed \$244 million consisting of cash and bond securities to AFLIAC. Effective December 30, 2002, and in connection with THG's ongoing restructuring activities, AFLIAC, previously a Delaware-domiciled insurance company, re-domesticated and became a Massachusetts-domiciled insurance company. Also, effective December 31, 2002, the Division approved an extraordinary dividend of all of AFLIAC's issued and outstanding stock to THG, and then contribution of all 500,001 shares of the Company's stock to AFLIAC. As a result of these transactions, the Company became a direct wholly owned subsidiary of AFLIAC.

On December 30, 2005, THG sold all outstanding shares of capital stock of AFLIAC to The Goldman Sachs Group, Inc. ("Goldman Sachs"), and the Company ceded 100% of the variable life insurance and annuity business to AFLIAC in a 100% coinsurance/modified coinsurance agreement. On December 30, 2005, immediately prior to its acquisition by Goldman Sachs, AFLIAC made certain distributions to the Company and THG, as follows: AFLIAC contributed all of the outstanding shares of capital stock of certain of its subsidiaries (Allmerica Financial Investment Management Services, Inc. ("AFIMS") and VeraVest Investments, Inc.) and transferred to the Company certain other assets and liabilities; and AFLIAC distributed all of the capital stock of the Company, AFIMS, and VeraVest Investments, Inc. to THG.

In connection with the sale of Commonwealth Annuity and Life Insurance Company ("CwA"), the Division approved a cash dividend of \$48.6 million from the Company to THG, including the \$8.6 million ceding commission received related to the reinsurance transaction, and approved the distribution of other non-insurance subsidiaries to THG (including AFIMS, which THG subsequently transferred to Goldman Sachs). AFLIAC changed its name, effective September 1, 2006, to Commonwealth Annuity and Life Insurance Company.

On January 2, 2009, following the approval of the Division, Commonwealth Annuity acquired the Company by purchasing 100% of its issued and outstanding common stock, consisting of 500,001 shares. The terms of the purchase are set forth in the Stock Purchase Agreement dated July 30, 2008, by and between Commonwealth Annuity and THG ("Stock Purchase Agreement"). In connection with the acquisition of the Company by Commonwealth Annuity, approval was obtained from the Division for a pre-close dividend from the Company consisting of designated admitted and non-admitted assets with a statutory book value of approximately \$136.3 million, which was paid to THG on January 2, 2009. As part of the sale agreement, THG also contributed \$6.4 million to the Company as a capital contribution. Additionally, coincident with the transaction, the Company and The Hanover Insurance Company ("HIC") entered a reinsurance transaction whereby HIC reinsured the Company's discontinued accident and health insurance business through a 100% coinsurance agreement totaling \$119.5 million in assets. HIC also agreed to service the accident and health business.

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THG and Goldman Sachs have made various representations, warranties, and covenants in the Stock Purchase Agreement. THG agreed to indemnify Goldman Sachs for any breaches of THG'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.

On December 17, 2012, FAFLIC declared an extraordinary dividend of \$25.0 million payable to its stockholders of record, CwA. Payment of the dividend was approved by the Division. The dividend was paid on January 29, 2013.

On April 30, 2013, Goldman Sachs contributed several of its insurance subsidiaries, including FAFLIC, to Global Atlantic Financial Group ("GAFG"), and sold approximately 78% of the ordinary shares of GAFG to third party investors. As a result of this transaction, CwA, parent company of FAFLIC, became a wholly owned subsidiary of Global Atlantic (Fin) Company ("Finco"), a Delaware company, which is a wholly owned subsidiary of GAFG.

On January 2, 2014, Finco acquired Forethought Financial Group, Inc. ("FFG"), a privately held, diversified financial services organization that owned life insurance entities. Finco restructured the ownership of certain subsidiaries, after which FAFLIC became an indirect subsidiary of FFG. FAFLIC continues to be a wholly-owned subsidiary of CwA.

On June 30, 2016, the Company paid a \$75 million extraordinary dividend to its parent, CwA, comprised of \$10.4 million cash and \$64.6 transfer of invested assets that was approved by the Division.

On December 29, 2017, the Company received \$50 million capital contribution from its parent, CwA. The capital contribution was comprised of \$24.1 million cash and \$25.9 million transfer of invested assets.

Dividends to Policyholders

The Company issued the following dividends to policyholders during the period under examination:

2015	\$ 2,304,193
2016	192,101
2017	228,974
2018	184,935
2019	787,049

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors (“Board”) and its Committees for the period under examination were read, and they indicated that all meetings were held in accordance with the Company’s bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board.

Articles of Organization and Bylaws

The Articles of Organization and bylaws of the Company were read. The bylaws were amended and restated in March 2016 with key changes including updates to the number of Board members, committees to consist of two or more directors of the Company and powers and duties of each of the Officers of the Company. The bylaws state that annual meetings of the stockholders are to be held, whereby, among other things, election of directors is to take place.

Board of Directors

According to the bylaws, the Company’s business shall be managed under the direction of its Board. The number of directors shall be not less than five nor more than fifteen, with the specific number to be determined from time to time by the Board. Directors need not be stockholders. Each director shall hold office until the next annual meeting and until his or her successor is duly elected and qualified. As of December 31, 2019, the Company’s Board of Directors consisted of the following individuals:

<u>Name of Director</u>	<u>Title</u>
Robert Michael Arena Jr.	Chairman, Co-President of Global Atlantic Financial Group
David Allen Jacoby	Chief Accounting Officer, Global Atlantic Financial Group
Hanben Kim Lee	Chief Financial Officer, Global Atlantic Financial Group
Eric David Todd	Managing Director, Global Atlantic Financial Group
David Paul Wilken	President, Traditional Life at Global Atlantic Financial Group

Officers

Pursuant to the bylaws, officers of the Company shall be elected annually by the Board. The officers of the Company shall be a President, Secretary, Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers, or other officers as may from time to time be elected by the Board. One person may hold the offices of and perform the duties of any two or more

First Allmerica Financial Life Insurance Company

officers. Officers need not be stockholders of the Company or citizens or residents of the Commonwealth of Massachusetts or the United States of America.

Senior officers of the Company as of December 31, 2019 were as follows:

<u>Name of Officers</u>	<u>Title</u>
Robert Michael Arena, Jr.	President
Anup Agarwal	Chief Investment Officer
Robert James Egan	Senior Vice President and Appointed Actuary
Padma Elmgart	Chief Technology Officer
Susan Lorraine Fiengo	Senior Vice President
Kathryn Freund	Vice President, Assistant General Counsel and Secretary
John Nicholas Giamalis	Senior Vice President and Treasurer
Jane Spanier Grosso	Senior Vice President and Controller
Maureen Helen Henderson	Senior Vice President
Brian Michael Hendry	Chief Audit Executive
David Allen Jacoby	Chief Financial Officer
Douglas Jaworski	Vice President and Chief Information Security Officer
Virginia Hope Johnson	Senior Vice President, Associate General Counsel and Assistant Secretary
Kevin Michael Kimmerling	Senior Vice President, Associate General Counsel and Assistant Secretary
Victoria Lau	Senior Vice President
Hanben Kim Lee	Executive Vice President
Emily Anne LeMay	Senior Vice President
Juan Mazzini	Senior Vice President
Samuel Ramos	Chief Legal Officer and General Counsel
Jason Michael Roach	Senior Vice President
Peter John Rugel	Chief Operations Officer
Kelly Rutherford	Senior Vice President
Lauren Scott	Senior Vice President and Head of Regulatory and Government Affairs
Andrew Mead Shainberg	Chief Compliance Officer
Natalie Rose Wagner	Vice President, SEC 38a-1 Chief Compliance Officer, Privacy Officer, Anti-Money Laundering Officer and Special Investigative Unit Officer
David Weiss	Senior Vice President
Edward Wilson	Chief Risk Officer

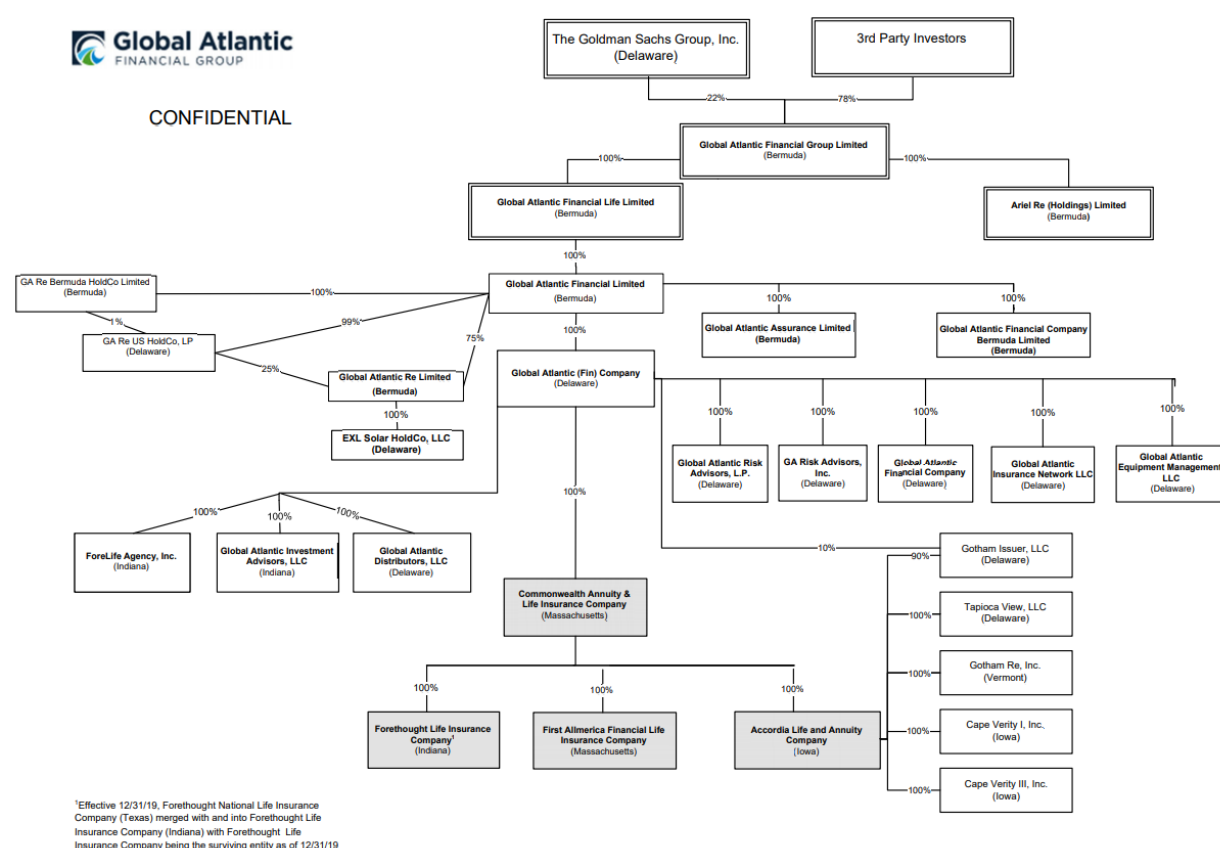
Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00. As of the date of

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examination, Goldman Sachs was the ultimate controlling party. On February 1, 2021, KKR & Co. Inc. (“KKR”) completed the acquisition of GAFG through its indirect subsidiary Magnolia Parent LLC. As a result, Magnolia Parent LLC (now known as The Global Atlantic Financial Group LLC), an indirect KKR subsidiary, became the new holding company of GAFG’s business.

Organizational Chart



Transactions and Agreements with Subsidiaries and Affiliates

Services and Expense Agreement

Effective April 30, 2013, the Company entered into a Services and Expense Agreement with GAFG and Finco under which GAFG and Finco and their affiliates agreed to provide personnel, management services, administrative support, the use of facilities and such other services as the parties may agree to from time to time, which has been amended from time to time.

Administrative Services Agreements

The Company has entered into administrative service agreements with Goldman Sachs Asset Management, L.P. (“GSAM”), a related party of GS, to receive management services and

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investment advisory services, respectively. The administrative service agreement is to receive services which are routine in nature.

The Company has agreements with affiliated parties to receive and pay certain fee income and expenses related to policyholder administration. This agreement terminated as a result of the KKR acquisition in February 2021.

Participation Agreement

The Company entered into a Participation Agreement with the Goldman Sachs Variable Insurance Trust (“GSVIT”) and GSAM, dated November 1, 2000, whereby GSAM serves as investment advisor for the sale of GSVIT funds to FAFLIC’s group variable life separate accounts. FAFLIC also entered into an Administrative Services Agreement with Goldman Sachs, date November 1, 2000, whereby Goldman Sachs compensates FAFLIC for service provided to group variable life policyholders with investments in the funds of GSVIT managed by GSAM.

The Company entered into a Participation Agreement with GSVIT and GSAM, as of January 2, 2006, whereby GSAM serves as investment advisor for the sale of GSVIT funds to FAFLIC’s individual variable annuity and variable life separate accounts. FAFLIC entered into an Administrative Services Agreement with GSAM, dated July 28, 2006, whereby GSAM compensates FAFLIC for services provided with respect to variable annuity and variable life policyholders with investments in the funds of GSVIT managed by GSAM. FAFLIC also entered into an Investor Services Agreement – Service Class Shares with Goldman Sachs, dated July 28, 2006, whereby Goldman Sachs compensated FAFLIC for distribution and shareholders services provided by GSVIT.

Underwriting and Administrative Service Agreements

The Company entered into Underwriting and Administrative Services Agreements with Epoch Securities, Inc. (“Epoch”) and CwA dated January 22, 2008 and May 1, 2008, as consolidated April 30, 2010, whereby Epoch provides principal underwriting services and CwA provides certain administrative services in connection with the distribution and servicing of the variable annuity contracts and variable life policies issued by FAFLIC. This agreement terminated in 2016.

Omnibus Agreement

Goldman Sachs entered into an Omnibus Amendment Agreement with THG and FAFLIC dated July 20, 2008, to amend a number of agreements that were executed in connections with the acquisition in 2005 of CwA by Goldman Sachs from THG. The Omnibus Amendment revised the terms of various agreements to reflect the re-affiliation of the Registrants that resulted from the acquisition. The agreements that were amended are: the Stock Purchase Agreement, dated August 22, 2005, between Goldman Sachs and THG; the Core Coinsurance Agreements, the Core Administrative Services Agreement and the Non-Core Administrative Services Agreement, each dated December 30, 2005, and each between the Registrants; and the Non-Core Coinsurance Agreement, dates May 30, 2006, between the Registrants.

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Investment Management Agreement

The Company and Goldman Sachs Asset Management, L.P. (“GSAM”) entered into a Discretionary Advisory Agreement, dated January 4, 2009, whereby GSAM provides investment management service to the Company. The Company pays GSAM an annual investment management fee based upon the market value of assets under management. This fee is consistent with the arms-length rates GSAM charges to non-affiliates, including other third party insurance companies.

Funds Withheld Agreements

The Company has funds withheld agreements with related parties. All intercompany balances related to funds withheld agreements are settled subsequent to year end.

The Company administers a variable annuity pension plan on behalf of a group of companies. This block of business is not subject to reinsurance.

Guarantees

On December 19, 2012, CwA entered into an agreement to guarantee the performance of the Company, related to a reinsured block of fixed annuities.

On April 30, 2013, GAFG entered into an agreement with the Massachusetts Division of Insurance to maintain the Company’s RBC ratio at a minimum of 100% of the NAIC Company Action Level of RBC. This agreement terminated in 2018.

Tax Allocation Agreement

Effective October 2, 2013 and January 2, 2014, under a joinder agreement, the Company became party to a Tax Allocation Agreement with various affiliates within the GAFG holding company system. This agreement provides for the filing of consolidated federal income tax returns by GAFG on behalf of the insurers and non-insurer affiliates in the holding company system and the allocation of tax liabilities among those entities.

Agreements with Third Party Administrators

In addition to the management and service arrangements with affiliates, the Company has outsourced policyholder administration to certain third party administrators. The Company has outsourced administration of its traditional life insurance policies and pension products to Se2, an affiliate of Security Benefit Corporation, under the terms of a third party administration agreement (the “TPA Agreement”). Administration of its variable life and variable annuity block has also been outsourced to Se2, under the terms of a third party administration agreement (the “Master Agreement”) between Se2 and CwA and its affiliates, including the Company. Under the TPA Agreement and Master Agreement, Se2 provides customary administrative services, including

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operations of a call center, premium accounting, claims payments and disbursements. Se2 does not market or underwrite new policies on behalf of the Company.

In connection with reinsurance transactions, the Company and CwA may from time to time enter into administrative services agreements with the ceding insurance companies. Administration of the reinsured blocks of fixed business are subcontracted to third party administrators, including LOGiQ³, pursuant to the terms of third party administration agreements between the respective service providers and CwA and its affiliates, including the Company.

As part of its acquisition by CwA, the Company entered into a number of agreements with THG pertaining to the Company's discontinued accident and health insurance business. The purpose of the transactions relating to this business was to transfer all liability for, and responsibility to administer, such business to THG.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in 50 states, the District of Columbia, American Samoa, Guam and U.S. Virgin Islands with the largest numbers of insurance risks written in New York, New Jersey and Florida. The Company reported \$617.5 million of 2019 direct premium written in the Commonwealth of Massachusetts.

Treatment of Policyholders – Market Conduct

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. During the claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

REINSURANCE TRANSACTIONS

The Company seeks to diversify risk and limit its overall financial exposure by reinsuring certain levels of risk through acquisition and cessions with other insurance companies or reinsurer. In addition, consistent with the overall business strategy, the Company assumes certain policy risks written by other insurance companies on a coinsurance basis.

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.

First Allmerica Financial Life Insurance Company

The significant reinsurance transactions and agreements in place as of December 31, 2019 are as follows:

Assumed Reinsurance – Affiliate

The Company did not enter into any new assumed reinsurance agreements with affiliates during the examination period. Existing agreements with CwA, effective April 1, 2006 and April 13, 2013, whereby the Company assumes business retroceded by CwA, remain in effect.

Assumed Reinsurance – Non-Affiliate

Effective January 5, 2019, the Company entered into an agreement with USAA Life Insurance Company of New York (“USAA”), whereby the Company assumes a block of fixed annuity contracts issued by USAA.

Effective January 1, 2019, the Company entered into a coinsurance with funds withheld agreement with Athene Life Insurance of New York, whereby the Company assumes 100% of certain life insurance policies. The Company also provides administrative services for the policies reinsured.

Ceded Reinsurance – Affiliate

The Company did not enter into any new ceded reinsurance agreements with affiliates during the examination period. Existing agreements with CwA, effective December 31, 2005, and Accordia, effective October 1, 2013, whereby the Company cedes business to such related parties, remain in effect.

Ceded Reinsurance – Non-Affiliate

Effective April 1, 2015, the Company entered into a monthly renewable term reinsurance agreement with The Lincoln National Life Insurance Company. Under the agreement, the Company cedes 100% of a block of life business.

Effective December 1, 2015, the Company entered into a coinsurance agreement with Ameritas Life Insurance Corp whereby it ceded approximately 99% of its closed block of business.

Effective July 1, 2016, the Company entered into an excess of loss reinsurance agreement with Partner Reinsurance Europe ES. The business covered under this agreement consists of interest sensitive life, index universal life, whole life and term in-force as of June 30, 2016 with an effective date through June 30, 2021. The reinsurance percentage is 66.2% in excess of 125% of expected claims from the effective date of this treaty, and the parties may increase the reinsurance percentage up to 100% with 30 days’ prior written notice, commencing after those 30 days by way of mutual agreement.

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2019. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2019

Statement of Income for the Year Ended December 31, 2019

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2019

First Allmerica Financial Life Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds

As of December 31, 2019

	Per Annual Statement
ASSETS	
Bonds	\$ 2,215,950,223
Mortgage loans on real estate:	
First liens	9,697,358
Cash, cash equivalents and short-term investments	121,372,878
Contract loans	46,215,298
Derivatives	22,363,206
Other Invested Assets	15,387,936
Receivables for securities	162,611
Subtotals, cash and invested assets	2,431,149,510
Investment income due and accrued	31,232,886
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	2,002,887
Deferred premiums and agents' balances and installments booked but deferred and not yet due	11,684,106
Reinsurance:	
Amounts recoverable from reinsurers	21,914,721
Funds held by or deposited with reinsured companies	570,342,508
Other amounts receivable under reinsurance contracts	24,740,607
Current federal and foreign income tax recoverable and interest thereon	1,144,200
Net deferred tax asset	9,554,749
Guaranty funds receivable or on deposit	135,505
Health care and other amounts receivable	275,478
Aggregate write-ins for other than invested assets	1,876,055
Total Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	3,106,053,212
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	127,777,695
Total Assets	\$ 3,233,830,907

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Statement of Assets, Liabilities, Surplus and Other Funds (Continued)

As of December 31, 2019

	Per Annual Statement
LIABILITIES	
Aggregate reserve for life contracts	\$1,371,954,438
Liability for deposit-type contracts	299,278,184
Contract claims:	
Life	12,745,540
Policyholders' dividends/refunds to members and coupons due and unpaid	277,066
Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year - estimated amounts:	
Policyholders' dividends and refunds to members apportioned for payment	364,531
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	342,103
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance, including assumed and ceded	38,696,195
Interest maintenance reserve	52,325,740
General expenses due or accrued	1,436,473
Transfers to Separate Accounts due or accrued	(3,767,700)
Taxes, licenses and fees due or accrued, excluding federal income taxes	920,512
Unearned investment income	204
Amounts withheld or retained by reporting entity as agent or trustee	35,560
Remittances and items not allocated	16,897,957
Liability for benefits for employees and agents if not included above	3,088,824
Miscellaneous liabilities:	
Asset valuation reserve	11,300,553
Funds held under reinsurance treaties with unauthorized and certified	741,366,608
Payable to parent, subsidiaries and affiliates	1,103,612
Funds held under coinsurance	276,737,262
Derivatives	780,780
Aggregate write-ins	34,534,012
Total Liabilities excluding Separate Accounts business	2,860,418,454
From Separate Accounts Statement	127,777,695
Total Liabilities	2,988,196,149
Common capital stock	5,000,010
Gross paid in and contributed surplus	552,977,661
Aggregate write-ins for special surplus funds	2,250,000
Unassigned funds (surplus)	(314,592,913)
Total Capital and Surplus	245,634,758
Total Liabilities, Surplus and Other Funds	\$ 3,233,830,907

First Allmerica Financial Life Insurance Company

Statement of Income

For the Year Ended December 31, 2019

	Per Annual Statement
Premiums and annuity considerations for life and accident and health contracts	\$ 41,353,004
Considerations for supplementary contracts with life contingencies	348,803
Net Investment Income	127,180,170
Amortization of Interest Maintenance Reserve	5,625,354
Commissions and expense allowances on reinsurance ceded	12,421,591
Miscellaneous Income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	19,310,701
Aggregate write-ins for miscellaneous income	40,694,427
Total	<u>246,934,050</u>
Death benefits	52,618,921
Matured endowments	6,076
Annuity benefits	26,720,837
Disability benefits and benefits under accident and health contracts	399,101
Surrender benefits and withdrawals for life contracts	41,498,147
Interest and adjustments on contracts or contract or deposit-type contract funds	(500,516)
Increase in aggregate reserves for life and accident and health contracts	(434,426)
Totals	<u>120,308,140</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	1,516,542
Commissions and expense allowances on reinsurance assumed	2,997,120
General insurance expenses and fraternal expenses	22,147,906
Insurance taxes, licenses and fees, excluding federal income taxes	2,423,669
Increase in loading on deferred and uncollected premiums	2,436,625
Net transfers to or (from) Separate Accounts net of reinsurance	1,212,069
Aggregate write-ins for deductions	93,425,647
Total other income	<u>246,467,718</u>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	466,332
Dividends to policyholders and refunds to members	<u>787,049</u>
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	(320,717)
Federal and foreign income taxes incurred	<u>(8,858,179)</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	8,537,462
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax	(14,319,954)
Net income or (loss)	<u><u>\$ (5,782,492)</u></u>

First Allmerica Financial Life Insurance Company

Reconciliation of Capital and Surplus

For Each Year in the Five-Year Period Ended December 31, 2019

	2019	2018	2017	2016	2015
Capital and surplus, December 31, prior year	\$ 224,026,260	\$ 240,304,653	\$ 184,765,030	\$ 237,641,122	\$ 216,437,528
Net income (loss)	(5,782,492)	9,209,777	28,722,774	8,556,697	22,278,771
Change in net unrealized capital gains (losses) less capital gains tax	15,640,667	(20,309,443)	4,777,213	15,168,957	(5,425,818)
Change in net unrealized foreign exchange capital gain (loss)	-	20	291	-	-
Change in net deferred income tax	(6,451,451)	(662,919)	(9,493,627)	4,269,986	6,508,712
Change in nonadmitted assets	17,280,923	(2,049,321)	(18,338,621)	(2,260,003)	(719,322)
Change in asset valuation reserve	3,513,385	583,389	(654,749)	(348,948)	(2,321,699)
Capital changes:					
Transferred to surplus	-	-	-	113,658,000	-
Surplus adjustment:					
Paid in	-	-	50,000,000	(75,000,000)	-
Transferred from capital	-	-	-	(113,658,000)	882,950
Change in surplus as a result of reinsurance	(2,731,330)	(3,049,896)	(3,240,096)	(3,262,782)	-
Aggregate write-ins for gains and losses in surplus	138,796	-	3,766,438	-	-
Change in surplus as regards policyholders for the year	21,608,498	(16,278,393)	55,539,623	(52,876,093)	21,203,594
Surplus as regards policyholders, December 31, current year	<u>\$ 245,634,758</u>	<u>\$ 224,026,260</u>	<u>\$ 240,304,653</u>	<u>\$ 184,765,030</u>	<u>\$ 237,641,122</u>

SEPARATE ACCOUNTS

Section 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. In 2001, the Company began offering a minimum guaranteed death benefit that may be the highest accumulated value on any contract anniversary date prior to the date of death (as increased for subsequent payments and proportionately reduced for subsequent withdrawals). 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 adjustment. While there are guarantees associated with these annuities, returns above the 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.

First Allmerica Financial Life Insurance Company

SEPARATE ACCOUNTS FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2019. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities and Surplus as of December 31, 2019

Summary of Operations for the Year Ended December 31, 2019

Reconciliation of Surplus for the Year Ended December 31, 2019

First Allmerica Financial Life Insurance Company

Separate Account Business

Statement of Assets, Liabilities and Surplus

As of December 31, 2019

	Per Annual Statement
ASSETS	
Bonds	\$ 232,336
Common stocks	126,726,332
Cash and cash equivalents	814,053
Investment income due and accrued	4,974
Total assets	<u>\$ 127,777,695</u>
LIABILITIES	
Aggregate reserve	\$ 114,149,075
Liability for deposit-type contracts	\$ 12,674,866
Other transfers to general account due or accrued	953,754
Total liabilities	<u>127,777,695</u>
Total surplus	-
Total liabilities and surplus	<u>\$ 127,777,695</u>

First Allmerica Financial Life Insurance Company

Separate Account Business

Summary Account Operations

For the Year Ended December 31, 2019

	Per Annual Statement
Transfer to separate accounts:	
Net premiums and annuity considerations	\$ 1,654,266
Transfers on account of deposit-type contracts	(153,599)
Net investment income and capital gains and losses	<u>29,086,031</u>
Totals	<u>30,586,698</u>
Transfers from the separate accounts on account of contract benefits:	
Annuity benefits	1,400,198
Payments on supplementary contracts with life contingencies	408,403
Surrender benefits and withdrawals for life contracts	7,785,886
Transfer on account of policy loans	93,179
Net transfer of reserves from or (to) separate accounts	908,541
Other transfers from the separate accounts:	
Aggregate write-ins for other transfers from separate accounts	(39,659)
on account of contract benefits	
Fees associated with charges for investment management,	3,996,973
administration and contract guarantees	
Increase in aggregate reserve	13,599,369
Increase in liability for deposit-type contracts	<u>2,410,620</u>
Totals	<u>30,563,510</u>
Net gain from operations	<u>\$ 23,188</u>

First Allmerica Financial Life Insurance Company

Separate Accounts Business

Reconciliation of Surplus

As of December 31, 2019

	<u>Per Annual Statement</u>
Surplus, December 31 prior year	\$ -
Net gain from operations	23,188
Surplus contributed or (withdrawn) during year	(23,188)
Surplus, December 31	<u><u>\$ -</u></u>

**ANALYSIS OF CHANGE IN FINANCIAL STATEMENTS RESULTING
FROM THE EXAMINATION**

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

The Division engaged the services of an independent consulting actuary from RRC to perform a review of the statutory reserves of the Company as of December 31, 2019.

Based on the procedures performed, the consulting actuary concluded that, it appears that the aggregate net amounts which were reported by the Company met or exceeded the statutory minimums of the Commonwealth of Massachusetts. The reserves reported by the Company were deemed to be reasonable in light of the liabilities they support, and materially in compliance with Massachusetts laws.

SUBSEQUENT EVENTS

Reinsurance Transactions

Effective October 1, 2020, FAFLIC entered into a coinsurance with funds withheld agreement with Accordia, whereby FAFLIC cedes life business.

Capital Transactions

On December 18, 2020, the Company made a \$100 million cash extraordinary dividend to its parent, CwA. This was approved by the Division with no issues or concerns noted.

KKR Acquisition

On February 1, 2021, KKR & Co. Inc. ("KKR") completed the acquisition of GAFG following the merger of GAFG and Magnolia Merger Sub Limited, a KKR subsidiary, with GAFG as the surviving entity of the merger transaction, as contemplated by the Merger Agreement. The total purchase price for the transaction was \$4.7 billion, subject to certain post-closing purchase price adjustments as provided in the Merger Agreement. Prior to the merger, Magnolia Merger Sub Limited was a Bermuda exempted company, a direct wholly owned subsidiary of Magnolia Parent LLC (now known as The Global Atlantic Financial Group, LLC' ("TGAFG")) and became the new holding company of GAFG's business. Also in connection with the closing, certain previous shareholders of GAFG and Global Atlantic Financial Life Limited ("GAFLL") elected to participate in an equity roll-over to become shareholders of TGAFG, and the new co-investors agreed to fund in cash a portion of the purchase price to become shareholders of

First Allmerica Financial Life Insurance Company

TGAFG. Following these roll-overs and coinvestments, KKR now owns 61.1% of TGAFG as of the closing. In addition, the aforementioned roll-over syndication process was used to generate \$250 million of additional equity capital to fund Global Atlantic's business needs. KKR is now the investment manager of the Company.

COVID-19

The COVID-19 outbreak is currently impacting the United States and many countries around the world. Due to the recent and rapidly evolving nature of these events, the Company is unable to estimate the full impact at this time. However, at this time, the Company does not believe the situation will materially impact the Company's liquidity or capital position.

SUMMARY OF RECOMMENDATIONS

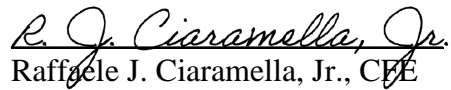
There are no recommendations being made as part of this examination report.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by RRC and the following examiners participating in this examination is acknowledged.

Maria Gannon, CFE, Supervising Examiner
Carla Mallqui, CFE, Financial Examiner II
Steven Tsimitsos, CFE, Financial Examiner II


Raffaele J. Ciaramella, Jr., CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance