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ALLMERICA FINANCIAL CORP
Form 11-K
June 27, 2002

FORM 11-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from: to _____
Commission file number: 1-13754

THE ALLMERICA FINANCIAL
AGENTS' RETIREMENT PLAN
(Full title of the plan)

ALLMERICA FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3263626
(I.R.S. Employer
Identification Number)

440 Lincoln Street, Worcester, Massachusetts 01653
(Address of principal executive offices)
(Zip Code)

(508) 855-1000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed
since last report)

The Allmerica Financial
Agents' Retirement Plan
Financial Statements
and Additional Information
December 31, 2001 and 2000

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The Allmerica Financial Agents' Retirement Plan
December 31, 2001 and 2000

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* Other schedules required by the Department of Labor Rules and Regulations on reporting and disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Report of Independent Accountants

To the Participants and Administrator of
The Allmerica Financial Agents' Retirement Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of The Allmerica Financial Agents' Retirement Plan (the "Plan") at December 31, 2001 and 2000, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 24, 2002

The Allmerica Financial Agents' Retirement Plan
Statements of Net Assets Available for Benefits
At December 31,

2001

2000

Assets

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Investments, at fair value:

Non-Affiliated Mutual Funds:		
Fidelity Advisor Income Fund	\$ 19,376,191 *	\$ -
SSGA S&P 500 Index Fund	13,452,705 *	-
Putnam Vista Fund	8,779,815 *	-
Berger International Fund	7,012,399 *	-
Alliance Premier Growth Fund	7,341,007 *	-
Dreyfus Premier Core Bond Fund	5,604,057 *	-
CRM Small Cap Value Fund	5,056,647 *	-
Dreyfus Cash Management Plus Fund	3,417,585	-
TCW Galileo Small Cap Fund	1,301,274	-
MFS High Yield Income Fund	210,472	-
Investments with First Allmerica Financial Life Insurance Company		
Separate Investment Accounts:		
Growth Stock Fund	-	22,458,614
Indexed Stock Fund	-	15,641,349
Select Aggressive Growth Fund	-	13,037,915
Select International Equity Fund	-	9,684,478
Select Growth Fund	-	8,949,581
Balanced Fund	-	4,575,795
Select Capital Appreciation Fund	-	4,273,109
Money Market Fund	-	2,475,865
Diversified Bond Fund	-	762,169
Government Securities Fund	-	137,201
	-----	-----
	71,552,152	81,996,076
Allmerica Financial Corporation Stock Fund, at fair value	9,671,994 *	13,971,974
Investment with First Allmerica Financial Life Insurance Company, at contract value:		
Fixed Interest Fund	7,508,611 *	6,840,130
Participant loans	3,338,356	3,588,501
Other assets	243,996	278,855
	-----	-----
	92,315,109	106,675,536
	-----	-----
Employer's contribution receivable	3,206,675	3,387,089
Participants' contribution receivable	167,827	-
	-----	-----
	3,374,502	3,387,089
	-----	-----
Net assets available for benefits	\$ 95,689,611	\$ 110,062,625
	=====	=====

* Amount represents five percent or more of net assets available for benefits at December 31, 2001

The accompanying notes are an integral part of these financial statements.

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The Allmerica Financial Agents' Retirement Plan
 Statements of Changes in Net Assets Available for Benefits
 For the Years Ended December 31,

	2001	2000
Investment (loss) income:		
Net (depreciation) appreciation of:		
Non-Affiliated Mutual Funds	\$ (7,881,571)	\$ -
Separate Investment Accounts	(4,840,116)	(9,487,133)
Allmerica Financial Corporation		
Stock Fund	(5,277,344)	3,954,761
Interest and dividend income	1,611,364	776,235
	(16,387,667)	(4,756,137)
Contributions:		
Employer contributions	3,259,614	3,387,089
Participant contributions	3,305,432	3,049,801
Reallocated forfeitures	(52,940)	(78,845)
	6,512,106	6,358,045
Total (deductions) additions	(9,875,561)	1,601,908
Benefit payments	(4,503,053)	(8,405,557)
Purchase of life insurance and annuity contracts	5,600	7,463
Total deductions	(4,497,453)	(8,398,094)
Net decrease during year	(14,373,014)	(6,796,186)
Net assets available for benefits, beginning of year	110,062,625	116,858,811
Net assets available for benefits, end of year	\$ 95,689,611	\$ 110,062,625

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The accompanying notes are an integral part of these financial statements.

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The Allmerica Financial Agents' Retirement Plan
Notes to Financial Statements

NOTE 1 - Description of plan

The following description of The Allmerica Financial Agents' Retirement Plan ("the Plan") is provided for general informational purposes only. More complete information is provided in the Summary Plan Description, which is available from the Plan Administrator.

General

The Plan is a defined contribution plan for certain employees and insurance agents of First Allmerica Financial Life Insurance Company ("FAFLIC", "the Sponsor" or "Company") and Allmerica Financial Life Insurance and Annuity Company ("AFLIAC"). FAFLIC and AFLIAC are wholly-owned subsidiaries of Allmerica Financial Corporation ("AFC").

The Plan is administered by the Sponsor ("the Plan Administrator") and is subject to the provisions of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Trustee of the Plan is State Street Bank and Trust. The Plan's recordkeeper is Hewitt Associates LLC.

In June 2001, the Board of Directors of the Company appointed State Street Bank and Trust Company the Trustee of the Plan and of the AFC Stock Fund, replacing Investors Bank & Trust Company. The Sponsor continues to hold those assets invested in its Fixed Interest Fund.

Eligibility

Any eligible insurance agent is permitted to participate in the Plan on the first day of employment with the Company, as defined by the Plan document.

Employer contributions

For each Plan year, the employer will contribute a minimum contribution of 7% of the total eligible compensation paid all eligible participants during the year comprised of up to 2% as a 401(k) employer contribution, with the remainder comprised of an employer profit sharing contribution. Participants are eligible to receive this contribution once they have completed one year of service from the first of the quarter following their date of hire, and provided they are employed on December 31st. Based on the Sponsor's before-tax profits and the discretion of the Sponsor's Board of Directors, the Sponsor may contribute more than the 7% contribution, subject to the established limitations under ERISA. Employer contributions are allocated to the same investment vehicles as the participant contributions.

The Allmerica Financial Agents' Retirement Plan
Notes to Financial Statements

NOTE 1 - Description of plan (continued)

Reallocated forfeitures

Forfeitures of employer contributions related to nonvested terminated participants have been transferred to the Dreyfus Cash Management Plus Fund in 2001, and to either the Money Market Fund or the Fixed Interest Fund in 2000, where they remain until the Plan Administrator reallocates them to the remaining eligible participants of the Plan. Forfeited amounts supplement the employer contributions and are allocated to the Plan's investment vehicles based upon the investment elections of each eligible participant. The Board of Directors has authorized the Plan to use forfeitures to reduce employer contributions in the current year beginning in 2001. Forfeitures in the amount of \$64,754 were used to reduce employer contributions in 2001.

Participant accounts

Active participants in the Plan are eligible to make 401(k) contributions through the use of a salary reduction plan up to a maximum of \$10,500 for 2001 and 2000.

Beginning June 12, 2001, participants were no longer able to direct their contributions to or maintain balances in the Separate Investment Accounts of the Sponsor. These investment options have been replaced with non-affiliated mutual funds.

As directed by participant election, contributions after June 12, 2001 may be invested in the Fixed Interest Fund, the non-affiliated mutual funds or the Allmerica Financial Corporation Stock Fund. All investment income is reinvested in the same investment vehicle and is credited to the respective participant account.

Participant loans

Loans made to participants are secured by the vested portion of the participant's account up to the limit as defined in the Plan document. Loans vary in duration, depending upon purpose, and are at an interest rate determined by the Plan Administrator. A participant is limited to a maximum of two loans outstanding at any one time from all plans of the Company combined. Loan fees are not charged to participants. Interest income on participant loans totaled \$270,557 and \$286,065 in 2001 and 2000, respectively.

Distributions and vesting provisions

Vested account balances become payable upon retirement, death, or separation from service (including disability) as defined in the Plan document.

A participant's profit sharing account balance becomes 100% vested upon his or her death or becoming totally and permanently disabled or upon attaining normal retirement age (age 65). In addition, a participant's 401(k) account balance, including the employer 401(k) contribution allocated to this account, rollover account, after-tax

NOTE 1 - Description of plan (continued)

voluntary contribution account and tax deductible voluntary contribution account are 100% vested.

The employer contributions other than the employer 401(k) amount shall be 100% vested after completion of 5 years of service.

The amounts vested at December 31, 2001 and 2000 were \$89,501,468 and \$104,236,862, respectively.

Payments from the fund are subject to limitations and requirements specified in the Plan document.

NOTE 2 - Significant accounting policies

Significant accounting and reporting policies followed by the Plan are summarized as follows:

Basis of presentation

The accompanying financial statements have been presented on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of investments

The Fixed Interest Fund is held in the Sponsor's general account and provides for guaranteed rates of interest reset annually. The credited interest rates were 5.84% and 5.75% for monies invested during 2001 and 2000, respectively.

The investment contracts held by the Fixed Interest Fund of the Plan are fully benefit-responsive and are therefore exempt from fair value accounting for certain contracts under the provisions of Statement of Position 94-4, "Reporting Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Plans". As such, these investments are recorded at contract value, which approximates fair value at December 31, 2001 and 2000.

The Allmerica Financial Agents' Retirement Plan
Notes to Financial Statements

NOTE 2 - Significant accounting policies (continued)

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Investments in non-affiliated mutual funds are priced using the end of day fair market value of the underlying funds as recorded by State Street Bank and Trust Company. The Separate Investment Accounts are pooled investment accounts established as funding vehicles for qualified corporate retirement programs administered by the Sponsor. Separate Investment Account funds are segregated into accounts with specific investment objectives. Investments in Separate Investment Accounts are stated at current value based on the market value of the underlying securities as determined by the Sponsor, primarily through the use of quoted prices. The investment returns of the non-affiliated mutual funds and the Separate Investment Accounts of the Sponsor were as follows:

Non-Affiliated Mutual Funds	Period from July 1, 2001 to December 31, 2001	Year Ended December 31, 2000
Fidelity Advisor Income Fund	(3.45)%	n/a
SSGA S&P 500 Index Fund	(6.60)%	n/a
Putnam Vista Fund	(13.86)%	n/a
Berger International Fund	(9.31)%	n/a
Alliance Premier Growth Fund	(10.94)%	n/a
Dreyfus Premier Core Bond Fund	0.52 %	n/a
CRM Small Cap Value Fund	3.44 %	n/a
Dreyfus Cash Management Plus Fund	1.44 %	n/a
TCW Galileo Small Cap Fund	(21.32)%	n/a
MFS High Yield Income Fund	0.31 %	n/a

Separate Investment Accounts	Period from January 1, 2001 to June 30, 2001	Year Ended December 31, 2000
Growth Stock Fund	(8.97)%	(9.46)%
Indexed Stock Fund	(7.21)%	(8.75)%
Select Aggressive Growth Fund	(12.36)%	(23.89)%
Select International Equity Fund	(14.23)%	(8.08)%
Select Growth Fund	(14.84)%	(17.14)%
Balanced Fund	(0.88)%	12.53 %
Select Capital Appreciation Fund	(0.35)%	7.85 %
Money Market Fund	3.29 %	6.70 %
Diversified Bond Fund	3.41 %	11.11 %
Government Securities Fund	3.32 %	10.87 %

Due to participant-directed investment activity, actual investment returns experienced by the participants in the Plan may differ from those displayed in the above Fund returns.

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NOTE 2 - Significant accounting policies (continued)

The AFC Stock Fund is a collective trust established by Allmerica Trust Company, N.A. (a wholly-owned subsidiary of AFC). The AFC Stock Fund is stated at fair value as determined by quoted market prices of both AFC common stock and cash equivalents held in the Fund. Beginning June 12, 2001, State Street Bank and Trust Company became the Trustee of the Fund. The average investment return for 2001 and 2000 was (37.46)% and 30.47%, respectively.

Purchases and sales of securities are accounted for as of the trade date.

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Other assets

Other assets represent the value of individual annuities purchased from the Sponsor and the annual interest earned plus the cash surrender value of life insurance contracts held within the Plan.

In addition, the Plan is a policyholder of a non-participating group annuity contract issued by FAFLIC, formerly State Mutual Life Assurance Company of America ("State Mutual"). As such, in 1995 the Plan received the de minimis amount of consideration in State Mutual's demutualization in the form of stock in AFC, the new publicly-traded holding company of FAFLIC. The Plan received 28 shares of AFC stock with a per share value of \$21 and a total value of \$588. This award is not allocated to individual participants of the Plan. These shares have been included in "Other assets" in the Statement of Net Assets Available for Benefits at December 31, 2001 and 2000.

Administrative expenses

Hewitt Associates LLC maintains agreements with certain of the non-affiliated retail investment fund companies and for such agreements receives a portion of 12b-1 fees. The reimbursement is calculated based on the value of each respective options' average daily net assets. These reimbursements are used to reduce fees charged by Hewitt Associates LLC to the Sponsor for certain administrative and professional services.

Beginning June 12, 2001, State Street Bank and Trust Company provides certain trustee services for the plan. These fees are voluntarily assumed and paid directly by the Sponsor. The Sponsor pays all other expenses incurred in the administration of the plan.

NOTE 3 - Federal income taxes

The Internal Revenue Service determined and informed the Sponsor by a letter dated June 3, 1996 that the Plan is qualified and the trust established under the Plan is tax-exempt under the appropriate sections of the Internal Revenue Code. The Plan has been amended since receiving the determination letter and a new plan document has been drafted and new determination letter has been requested as of November 15, 2001. The Plan Administrator believes that the Plan is designed and is currently being

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operated in compliance with the applicable provisions of the Internal Revenue Code. Therefore, no provision for income tax is required.

NOTE 4 - Plan termination

Although the Sponsor has not expressed any intent to terminate the Plan or discontinue contributions, it may do so at any time. Should the Plan terminate or discontinue contributions, the Plan provides that each participant's interest in the Plan's assets as of the termination date shall become 100% vested and nonforfeitable and either payable to the participant or applied to purchase a nonforfeitable retirement annuity at the participant's option.

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The Allmerica Financial Agents' Retirement Plan
 Schedule of Assets Held for Investment Purposes at End of Year
 Form 5500, Schedule H, Part IV, Line 4i
 At December 31, 2001

Identity of Issue	Description of Investments	Shares or Units	Current Value
Investment with First Allmerica Financial Life Insurance Company:**			
Fixed Interest Fund	Interest rates from 4.65% to 5.90%		\$ 7,508,61
Investments with Non-Affiliated Mutual Funds:			
Fidelity Advisor Income Fund	Diversified portfolio of mid- to large-cap value companies.	790,220	19,376,19
SSGA S&P 500 Index Fund	Common stocks which comprise S&P 500 Composite Stock Index.	711,031	13,452,70
Putnam Vista Fund	Growth oriented, mid-cap fund with domestic focus.	1,016,182	8,779,81
Berger International Fund	Portfolio of value oriented, foreign mid- and large-cap multinational companies (sub-advised by Bank of Ireland Asset Management)	670,401	7,012,39
Alliance Premier Growth Fund	Large-cap growth fund investing companies with above average earnings growth.	693,857	7,341,00
Dreyfus Premier Core Bond Fund	Broad-based, intermediate-term bond fund designed to offer diversified exposure to the domestic fixed-income market.	560,911	5,604,05
CRM Small Cap Value Fund	Small-cap fund focused on long term capital appreciation by investing in value oriented securities.	243,577	5,056,64

The Allmerica Financial Agents' Retirement Plan
 Schedule of Assets Held for Investment Purposes at End of Year (continued)

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Form 5500, Schedule H, Part IV, Line 4i

At December 31, 2001

Identity of Issue	Description of Investments	Share or Units	Current
Investments with Non-Affiliated Mutual Funds (continued):			
Dreyfus Cash Management Plus Fund	Short-term money market fund that invests primarily in high-quality domestic and foreign U.S. Dollar denominated money market instruments.	335,716	3,4
TCW Galileo Small Cap Fund	Small- to mid-Cap aggressive growth fund	69,290	1,3
MFS High Yield Income Fund	Portfolio that seeks high current income by investing in higher yielding, lower rated debt of financially weaker companies	21,611	2
Allmerica Financial Corporation Stock Fund	Common stock traded on the New York Stock Exchange and cash equivalents	212,334	9,6
Participant Loans	Interest rates from 6.0% to 10.5%		3,3
Other Assets	Individual annuities and life insurance purchased from the First Allmerica Financial Life Insurance Company and 28 shares of non-participant directed AFC common stock**		2
Total Investments			\$92,3 =====

* Amount represents five percent or more of net assets available for benefits.

** Represents party-in-interest

SIGNATURES

"The Plan". Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned

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hereunto duly authorized.

THE ALLMERICA FINANCIAL
AGENTS' RETIREMENT PLAN
(Name of Plan)

Plan Administrator: First Allmerica Financial
Life Insurance Company by Barbara Z. Rieck
Manager of Retirement Services

June 25, 2002

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Exhibit Index

Exhibit 23.1 Consent of Independent Accountants

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Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-578) of Allmerica Financial Corporation of our report dated June 24, 2002 relating to the financial statements of The Allmerica Financial Agents' Retirement Plan, which appears in this Form 11-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
June 24, 2002