



# Allmerica Financial Corporation

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## Q3 2005 Earnings Results

To be read only in conjunction with the conference call  
scheduled for October 26, 2005.



# Forward-Looking Statements

Certain statements in this presentation, including responses to your questions, contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Use of the words “believes”, “anticipates”, “expects”, “projections”, “outlook”, “should” and similar expressions is intended to identify forward-looking statements. In particular this presentation may include forward-looking statements with respect to earnings growth, return on equity, anticipated price changes in our property and casualty business, estimated hurricane losses, future dividends, premium growth, retention, expense management, underwriting conditions, loss development, new product availability and impact, capital levels, ratings, projected proceeds from the variable life insurance and annuity transaction, and the estimated loss on disposal of the variable life insurance and annuity business.

The company cautions investors that forward-looking statements are not guarantees of future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company’s Annual Report and other documents filed by Allmerica with the Securities and Exchange Commission, which are also available at [www.allmerica.com](http://www.allmerica.com) under “Investor Relations”. We assume no obligation to update this presentation, which speaks as of today’s date.

These uncertainties include the possibility of adverse catastrophe experience (including terrorism) and severe weather, the uncertainties in estimating property and casualty losses, the ability to increase or maintain certain property and casualty insurance rates, the impact of new product introductions (such as the multi-variate private passenger auto product), adverse loss development and adverse trends in mortality and morbidity, changes in the current favorable frequency and loss trends generally being experienced industry-wide, changes in the stock and financial markets, the ability to improve renewal rates and increase new property and casualty policy counts, changes from assumed surrender activities and assumed stock market returns, adverse selection in underwriting activities and surrender patterns, investment impairments, heightened competition (including rate pressure), adverse and evolving state and federal legislation or regulation, adverse regulatory actions, particularly relating to the on-going investigations being conducted by the SEC, financial ratings actions, and various other factors.

Certain factors related to the variable life insurance and annuity transaction could cause actual results to differ materially from those anticipated, including: (1) the successful consummation of the transactions with Goldman Sachs in a timely manner; (2) the various conditions to the consummation of such transactions being satisfied or waived without the imposition of material burdens or expenses; (3) the required regulatory approvals of the transactions being obtained in a timely manner without the imposition of any material restrictions or burdens, and regulatory approval for future dividend requests from FAFLIC; (4) the uncertainties as to the gross or net proceeds to be received by AFC, including the uncertainty as to the effects of the various purchase price adjustments and expenses incurred by AFC; (5) the shareholder approval of the AIT Fund reorganization; (6) the uncertainties of the purchase price hedge to effectively hedge the purchase price as currently estimated and at a cost consistent with expectations; (7) the impact of policyholder surrenders on the purchase price adjustment, which are not hedged; (8) the impact of contingent liabilities, including litigation and regulatory matters, assumed by the holding company in connection with the transaction; and (9) the statutory results of operations of the Life Companies segment until close, which will impact the statutory surplus of AFLIAC and consequently the ultimate purchase price.

The discussion in this presentation of Allmerica’s financial performance includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as segment income after taxes and written premiums excluding reinsurance reinstatement premiums. A reconciliation of non-GAAP measures to the closest GAAP measure is included in both the press release and statistical supplement, which are posted on our website.



# AFC Third Quarter Earnings

Opening Remarks by Fred Eppinger



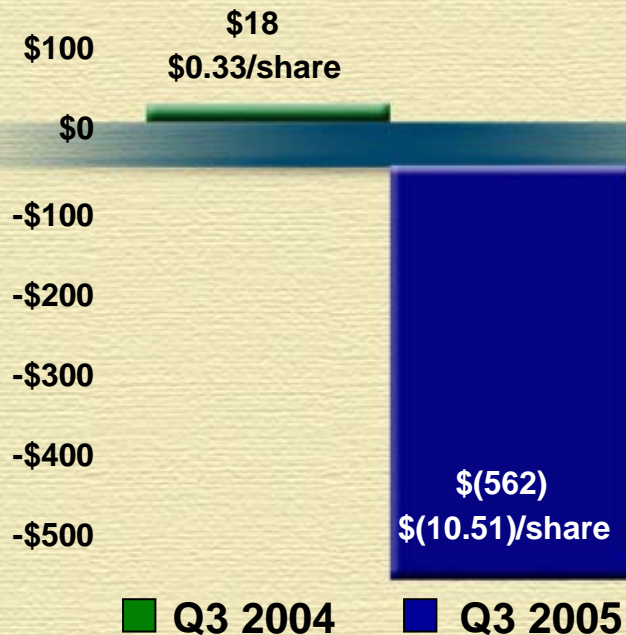
# AFC Third Quarter Earnings

Financial Review by Ed Parry

# AFC Results For The Quarter

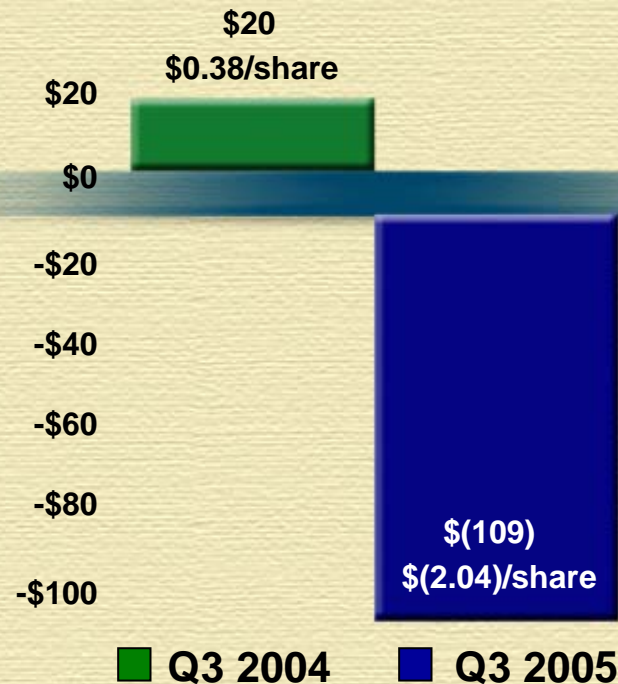
## Net (Loss) Income

(\$ in millions, except per share)



## Segment (Loss) Income After Taxes <sup>(1)</sup>

(\$ in millions, except per share)



*Net Loss in Q3 2005 includes losses, net of taxes, of \$475M, or \$8.87 per share, on the disposal of the variable life and annuity business and \$140M, or \$2.62 per share, for Hurricane Katrina.*

*<sup>(1)</sup> Segment (Loss) Income After Taxes is a non-GAAP financial measure that is reconciled to net income in the press release and statistical supplement, both of which are posted on our website.*



# AFC Segment Results

(\$ in millions)	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>\$ Change</u>	<u>% Change</u>
Property & Casualty	(\$128)	\$37	(\$165)	NM
Life Companies (continuing operations)	(1)	(2)	1	57%
Interest expense on debt	(10)	(10)	-	-
Federal income tax benefit (expense)	30	(5)	35	NM
<b>Total segment (loss) income after taxes<sup>(1)</sup></b>	<b>(\$109)</b>	<b>\$20</b>	<b>(\$129)</b>	<b>NM</b>
<b>Pre-tax Net Impact of Catastrophes</b>	<b>\$246</b>	<b>\$62</b>	<b>\$184</b>	<b>NM</b>

<sup>(1)</sup> Segment (Loss) Income After Taxes is a non-GAAP financial measure that is reconciled to net income in the press release and statistical supplement, both of which are posted on our website.



# PL Operating Highlights

	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>Change</u>
Segment Earnings	\$(28)M	\$42M	\$(70)M

- Higher catastrophe related losses \$(78) M
- Higher favorable development of prior-year loss and LAE reserves \$6 M
- Certain lower expenses offset by a decrease in earned premium —



# CL Operating Highlights

	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>Change</u>
Segment Earnings	\$(101)M	\$(7)M	\$(94)M

- Higher catastrophe related losses \$(106) M
- Favorable development of prior-year loss and LAE reserves versus adverse development in the prior year \$ 15 M
- Certain lower expenses offset by a slight increase in current accident year loss ratio —



# Net Written Premium

(\$ in millions)

## Written Premium Excluding 2005 Reinsurance Reinstatement Premiums<sup>(1)</sup>



<sup>(1)</sup> Written premium excluding 2005 reinsurance reinstatement premium in a non-GAAP financial response that is reconciled to written premiums as follows: Net written premiums in the third quarter of 2005, including such reinstatement premiums, were \$354, \$188, and \$542 for PL, CL, and Total respectively.



# Life Companies Highlights Projected Proceeds

*(\$ in millions)*

	<b><u>Original Projection</u></b>	<b><u>Current Projection</u></b>
Cash proceeds at closing	\$275	\$255
Projected dividends from subsidiaries	<u>40</u>	<u>55</u>
Total projected cash proceeds	315	310
Deferred proceeds	<u>70</u>	<u>30</u>
Total projected proceeds	<u>\$385</u>	<u>\$340</u>

The change in proceeds is driven by:

- A \$60M decrease in the projected statutory adjusted capital for AFLIAC at closing, primarily resulting from lower expected utilization of Net Operating Loss tax carryforwards. This is a result of lower 2005 Property and Casualty income as a result of Hurricane Katrina.
- Partially offset by \$15 million in additional cash available to the Holding Company expected to be received from certain non-insurance subsidiaries.



# Life Companies Highlights Projected GAAP Loss on Sale

Original projected GAAP Loss on Sale	\$ (385)M
• Adjustment for lower than expected projected proceeds	( 60)M
• Change in estimated AFLIAC GAAP equity at closing	( 30)M
Current projected GAAP Loss on Sale	<u><u>\$ (475)M</u></u>



# AFC Third Quarter Earnings

Business Update by Marita Zuraitis

# Q&A