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ALLMERICA FINANCIAL CORP
Form 11-K
June 27, 2005

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, 2004

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

04-3263626

(State or other jurisdiction of
incorporation or organization)

(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, 2004 and 2003

The Allmerica Financial Agents' Retirement Plan
December 31, 2004 and 2003

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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 Registered Public Accounting Firm

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, 2004 and 2003, 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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

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financial statements taken as a whole. The Supplemental Schedule of Assets (Held at End of Year) as of December 31, 2004 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. The 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.

Boston, Massachusetts
June 22, 2005

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

| | 2004 | |
|--|---------------|----|
| | | |
| Assets | | |
| Investments, at fair value: | | |
| Non-affiliated mutual funds: | | |
| Fidelity Equity - Income Fund | \$ 4,215,339* | \$ |
| Spartan U.S. Equity Index Fund | 2,032,724* | |
| PIMCO Total Return Fund - Administrative Class | 1,270,302* | |
| Fidelity Retirement Money Market Portfolio | 1,148,764* | |
| Artisan Mid Cap Fund | 1,148,745* | |
| American Funds Growth Fund of America - Class R4 | 1,018,404* | |
| Fidelity Low - Priced Stock Fund | 904,532* | |
| Fidelity Diversified International Fund | 516,923 | |
| Fidelity Small Cap Stock Fund | 500,123 | |
| Fidelity Freedom 2000 Fund | 16,460 | |
| Fidelity Freedom Income Fund | 6,185 | |
| Fidelity Freedom 2010 Fund | 1,585 | |
| Fidelity Freedom 2040 Fund | 989 | |
| Fidelity Advisor Equity Income Fund | - | |
| Dreyfus Cash Management Plus Fund | - | |
| SSgA S&P 500 Index Fund | - | |
| Putnam Vista Fund | - | |
| Dreyfus Premier Core Bond Fund | - | |
| CRM Small Cap Value Fund | - | |
| Alliance Bernstein Premier Growth Institutional Fund | - | |
| TCW Galileo Small Cap Growth Fund | - | |
| MFS High-Income Fund | - | |
| | 12,781,075 | |
| Commingled Pools: | | |
| Fidelity Managed Income Portfolio II - Class 2 | 2,703,276* | |
| Allmerica Financial Corporation Stock Fund: | | |
| Allmerica Financial Corporation Stock | 751,241 | |
| Cash and equivalents | 24,261 | |
| | | |

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| | | |
|--|---------------|-------|
| | 775,502 | |
| Investment with First Allmerica Financial Life Insurance Company, at contract value: | | |
| Fixed Fund | - | |
| Participant loans | 36,136 | |
| | ----- | |
| | 16,295,989 | |
| | ----- | |
| Other receivables | - | |
| | ----- | |
| Net assets available for benefits | \$ 16,295,989 | \$ |
| | ===== | ===== |

* Amount represents 5% or more of net assets available for benefits at December 31, 2004.

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,

| | 2004 | 2003 |
|--|---------------|-----------|
| | ----- | ----- |
| Net investment gains: | | |
| Net appreciation of: | | |
| Non-affiliated mutual funds | \$ 1,057,741 | \$ 5,135 |
| Allmerica Financial Corporation Stock Fund | 116,635 | 3,106 |
| Interest and dividend income | 669,875 | 471 |
| Other gains | - | 148 |
| | ----- | ----- |
| Total net investment gains | 1,844,251 | 8,861 |
| | ----- | ----- |
| Benefit payments | (17,912,767) | (48,615) |
| | ----- | ----- |
| Net decrease during year | (16,068,516) | (39,754) |
| Net assets available for benefits, beginning of year | 32,364,505 | 72,118 |
| | ----- | ----- |
| Net assets available for benefits, end of year | \$ 16,295,989 | \$ 32,364 |
| | ===== | ===== |

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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 common-law employees and insurance agents previously employed by First Allmerica Financial Life Insurance Company ("FAFLIC", "the Sponsor" or "the Company") and Allmerica Financial Life Insurance and Annuity Company ("AFLIAC"). FAFLIC and AFLIAC are wholly-owned subsidiaries of Allmerica Financial Corporation ("AFC").

During 2002, the Sponsor adopted a restructuring plan related to its life insurance and annuity business. As a result of this initiative, all agent contracts were terminated as of December 31, 2002, which resulted in a partial termination of the Plan (see Note 4 - Plan partial termination).

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").

On October 13, 2003, the Board of Directors of First Allmerica Financial Life Insurance Company voted to change its recordkeeper from Hewitt Associates LLC to Fidelity Management Trust Company, effective January 1, 2004. Additionally, the Board of Directors voted to appoint Fidelity Management Trust Company as Trustee of the Plan and the AFC Stock Fund, effective January 1, 2004. The Fixed Fund, which had been held by the Sponsor, was liquidated at fair value effective January 1, 2004 upon the appointment of Fidelity Management Trust Company as the recordkeeper and Trustee. These funds were reinvested in other investment vehicles offered by the Plan. Prior to January 1, 2004, the Plan's recordkeeper was Hewitt Associates, LLC and the Trustee of the Plan and the AFC Stock Fund was State Street Bank and Trust Company.

Eligibility

The Company no longer employs any eligible insurance agents (see Note 4 - Plan partial termination).

Employer contributions

No contributions were made for the 2004 or 2003 Plan years pursuant to the aforementioned provisions of the Plan's partial termination (see Note 4 - Plan partial termination).

NOTE 1 - Description of plan (continued)

Reallocated forfeitures

Forfeitures of employer contributions related to nonvested participants who terminated prior to 2002 were transferred to the Fidelity Retirement Money Market Fund on January 1, 2004. Prior to that, the balances were invested in the Dreyfus Cash Management Plus Fund. In accordance with rules and procedures that were approved by the Internal Revenue Service ("IRS"), these balances, which were forfeited prior to 2002, were reallocated in 2004. Forfeitures in the amount of \$1,333,435 were reallocated to the Plan's investment vehicles based upon the investment elections of each eligible participant.

Participant accounts

Due to the partial termination of the Plan (see Note 4 - Plan partial termination), participants in the Plan were not eligible to make 401(k) contributions during 2004 and 2003.

For existing accounts that remain in the Plan, each participant has the ability to continue to monitor and re-direct their funds in accordance with the provisions of the Plan. All investment income is reinvested in the same investment vehicle and is credited to the respective participant account. Upon termination of the Plan, account balances will be distributed to each participant in accordance with IRS regulations (see Note 5 - Other matters).

Participant loans

Effective January 1, 2003, no new loans could be initiated by participants. Participants with outstanding loan balances were allowed to repay outstanding balances through December 31, 2004. The outstanding loan balance at December 31, 2004 was \$36,136. In accordance with IRS regulations, such delinquent loans will be considered participant distributions in 2005. Loans made to participants prior to January 1, 2003, were secured by the vested portion of the participant's account up to the limit as defined in the Plan document. Loans varied in duration, depending upon purpose, and were at an interest rate determined by the Plan Administrator. A participant was limited to a maximum of two loans outstanding at any one time from all plans of the Company combined. Loan fees were not charged to participants. Interest income on participant loans totaled \$2,101 and \$50,141 in 2004 and 2003, respectively.

Distributions and vesting provisions

At December 31, 2002, all employer contributions for participants became 100% vested, pursuant to the Plan's partial termination (see Note 4 - Plan partial termination). Prior to the Plan's partial termination, vested account balances were payable in the event of retirement, death, or separation from service (including disability) as defined in the Plan document. After the Plan's partial termination,

NOTE 1 - Description of plan (continued)

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account balances are payable at the request of the participant. Distributions to participants are payable either through a lump sum payment or through periodic payments. If a lump sum distribution is elected, the participant has the option of taking their balance in the AFC Stock Fund in-kind.

All account balances were fully vested at December 31, 2004 and 2003.

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 liquidation basis of accounting, in accordance with generally accepted accounting principles. There currently is no difference between the liquidation and accrual bases of accounting for this Plan.

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 Fund, which was liquidated effective January 1, 2004, was held in the Sponsor's general account and provided for guaranteed rates of interest, reset annually. The credited interest rate was 1.85% for monies invested during 2003. The average rate of return for the Fixed Fund for the year ended December 31, 2003 was 4.22%.

The insurance contracts that were underlying the Fixed Fund were fully benefit-responsive and were 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 were recorded at contract value, which approximated fair value at December 31, 2003.

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NOTE 2 - Significant accounting policies (continued)

Investments in non-affiliated mutual funds are priced using the end of day fair market value of the underlying funds as recorded by Fidelity Management Trust Company in 2004 and as recorded by State Street Bank and Trust Company in 2003, which are based on the published net asset values of the funds.

Investments in Fidelity Managed Income Portfolio II - Class 2, a commingled

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pool of the Fidelity Group Trust for Employee Benefit Plans, are priced daily. This pool primarily invests in short or long-term contracts issued by insurance companies ("GICs"), investment contracts issued by commercial banks ("BICs"), synthetic investment contracts, fixed income securities, and money market mutual funds. The portfolio seeks to maintain a stable \$1 unit price. Investments in GICs, BICs and synthetic investment contracts are carried at contract value as they provide for fully benefit-responsive withdrawals. Fixed income securities for which quotations are readily available are valued at their most recent bid price. For those securities for which quotations are not readily available, the security is valued based upon a method that the Trustee of the portfolio deems to be reflective of fair value. Investments in money market funds are valued at the net asset value each day.

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. The average investment return for 2004 and 2003 was 6.42% and 190.75%, respectively.

Participant loans are valued at their outstanding values, which approximate fair value.

Purchases and sales of securities are accounted for as of the trade date. Dividends are recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Net appreciation (depreciation) on the fair value of investments include realized gains and (losses) and unrealized appreciation (depreciation) of the investments.

Administrative expenses and other fees

Expenses related to the management of investments are reflected in the value of each investment vehicle in 2004. All other fees incurred in 2004 in the administration of the Plan were paid by the Sponsor.

During 2003, Hewitt Associates LLC maintained agreements with certain non-affiliated mutual funds and for such agreements received a portion of certain asset-based fees (12b-1 fees) charged by the fund. These fees were calculated based on the average daily net asset value of Plan assets in each respective fund. These fees were used to reduce charges by Hewitt Associates LLC to the Sponsor for certain administrative and professional services. In addition, the

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NOTE 2 - Significant accounting policies (continued)

Sponsor paid all other expenses incurred in 2003 in the administration of the Plan.

Payment of benefits

Benefits are recorded when paid.

NOTE 3 - Federal income taxes

The IRS has determined and informed the Sponsor by a letter dated July 10, 2002, that the Plan is qualified and the trust established under the Plan is tax exempt under the appropriate sections of the Internal Revenue Code.

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The Plan Administrator believes that the Plan continues to be designed and is currently being operated in compliance with the applicable provisions of the Internal Revenue Code. Therefore, no provision for income tax is required.

NOTE 4 - Plan partial termination

The Plan provides that in the event the Plan is wholly or partially terminated, or upon the complete discontinuance of contributions under the Plan by the Sponsor, each affected participant's interest in the Plan's assets as of the termination date shall become 100% vested and nonforfeitable. As such, in accordance with Plan provisions, the Sponsor vested all agents 100% as of December 31, 2002, including previously terminated agents whose non-vested account balances had not been forfeited by December 31, 2002. In addition, upon termination of the Plan, the assets become either payable to the participant or applied to purchase a nonforfeitable retirement annuity at the participant's option.

As a result of the termination of all agent contracts, there will be no future agent or Sponsor contributions to the Plan. For the agents' current balances, each agent has the option to roll over their funds to another qualified plan or individual retirement account, receive a distribution, or remain in the Plan until such time that the Plan is fully terminated. For those accounts that remain in the Plan, each agent has the ability to continue to monitor and direct their funds, in accordance with Plan provisions.

NOTE 5 - Other matters

On June 22, 2004, the Board of Directors of FAFLIC voted to terminate the Plan as a result of the aforementioned termination of agent contracts. On July 1, 2004, the Sponsor filed with the IRS a request to terminate the Plan. Pending approval from the IRS, the Sponsor will develop a plan regarding the timing and the distribution of Plan assets.

Effective January 1, 2003, certain agents became employees of the Company. The AFC Board of Directors approved eligibility for immediate participation in The

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NOTE 5 - Other matters (continued)

Allmerica Financial Employees' 401(k) Matched Savings Plan for these former agents.

NOTE 6 - Subsequent events

During the first five months of 2005, there have been participant initiated withdrawals of approximately \$1.8 million, primarily resulting from the aforementioned termination of agent contracts.

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The Allmerica Financial Agents' Retirement Plan
Form 5500, Schedule H, Line 4i
Schedule of Assets (Held at End of Year)
At December 31, 2004

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| Identity of Issue | Description of Investments | Shares or Units | Curre |
|--|--|-----------------|--------|
| Investments with non-affiliated mutual funds: | | | |
| *Fidelity Equity - Income Fund | Diversified portfolio of large-cap value companies. | 79,866 | \$ 4,2 |
| *Spartan U.S. Equity Index Fund | Common stocks primarily those included in the S&P Composite Stock Index. | 47,427 | 2,0 |
| PIMCO Total Return Fund - Administrative Class | Invests primarily in debt securities, such as: U.S. government securities, corporate bonds, and mortgage-related securities. | 119,054 | 1,2 |
| *Fidelity Retirement Money Market Portfolio | Invests in U.S. dollar-denominated money market securities of domestic and foreign issuers as well as repurchase agreements. | 1,148,764 | 1,1 |
| Artisan Mid Cap Fund | Long-term capital growth fund of mid-size companies. | 38,861 | 1,1 |
| American Funds Growth Fund of America - Class R4 | Large-cap growth fund invested primarily in common stocks. | 37,400 | 1,0 |
| *Fidelity Low - Priced Stock Fund | Small-cap blend fund seeking capital appreciation. | 22,472 | 9 |
| *Fidelity Diversified International Fund | Large-cap growth fund invested primarily in non-U.S. dollar-denominated common stocks. | 18,049 | 5 |
| *Fidelity Small Cap Stock Fund | Small-cap fund focused on long-term growth of capital by investing in both growth and value oriented securities. | 27,540 | 5 |
| *Fidelity Freedom 2000 Fund | Conservative allocation fund invested in Fidelity equity, fixed-income, and money market funds. Target to investors already in retirement. | 1,363 | |

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| Identity of Issue | Description of Investments | Shares or Units | Current |
|---|---|-----------------|------------------|
| *Fidelity Freedom Income Fund | Invests in a combination of Fidelity equity, fixed-income, and money market funds. Designed for investors already in retirement. | 549 | \$ |
| *Fidelity Freedom 2010 Fund | Invests in a combination of Fidelity equity, fixed-income, and money market funds. Targeted to investors expected to retire around the year 2010. | 116 | |
| *Fidelity Freedom 2040 Fund | Large-cap blend fund that invests in a combination of Fidelity equity, fixed income, and money market funds. Targeted to investors expected to retire around the year 2040. | 120 | |
| Commingled Pool: | | | |
| *Fidelity Managed Income Portfolio II - Class 2 | Stable value fund invested in investment contracts issued by insurance companies and other financial institutions, and in fixed income securities. | 2,703,277 | 2,7 |
| *Allmerica Financial Corporation Stock Fund: | | | |
| *Allmerica Financial Corporation Stock | Common stock traded on the New York Stock Exchange. | | 7 |
| Cash and equivalents | | | 24 |
| *Participant loans | Interest rates from 5.75% to 7.75%. | | |
| Total investments | | | \$ 16,2 ===== |

* 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)

/s/ John Taylor

Plan Administrator: First Allmerica Financial
Life Insurance Company by John Taylor
Vice President, Compensation and Benefits

June 24, 2005

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Exhibit Index

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

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