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FOR IMMEDIATE RELEASE

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A.M. Best Rates Allmerica Financial Commercial Paper and Affirms Debt and Financial Strength Ratings

OLDWICK, N.J., July 20, 2001—A.M. Best Co. has assigned an AMB-1 rating to the commercial paper program of **Allmerica Financial Corp.** (AFC), Worcester, Massachusetts. In addition, the “a-” rating of the company’s senior debt, the “bbb+” rating of its capital securities and the A (Excellent) financial strength ratings of its life and property and casualty subsidiaries have been affirmed.

The ratings reflect AFC’s excellent financial flexibility, historically favorable earnings, significant market share in variable annuities, diverse asset accumulation and property and casualty product lines offered by multiple distribution channels. AFC’s property and casualty operations have offered stability to the organization through its balanced mix of personal and commercial lines business, good geographic spread of risk and strong agency relationships. Offsetting considerations are the intense competitive environment in which its business lines operate, concentration of the life company’s product offerings in variable annuities, a product vulnerable to equity market performance and the reliance of variable annuity sales growth on a few large independent marketing organizations.

AFC’s financial flexibility is excellent due to its conservative financial leverage, with long-term debt and capital securities to total capital at 17% at year-end 2000 and strong coverage at over 10 times. Financial flexibility was further improved by the reorganization of the property

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and casualty companies under AFC with an intermediate holding company to facilitate capital allocation and cash flow within AFC. Capital needs for fueling recent rapid growth of variable products have been met through dividends from the property and casualty subsidiaries. Going forward, capital requirements of the life companies may increase as variable products begin to offer bonuses and higher guarantees.

The recent decline in equity market valuations has impacted variable annuity sales and reduced assets under management and fee income, especially in the first quarter of 2001. Sales growth has also been impacted by declines in production at one of the company's large distribution partners; however, the company continues to maintain its position among the 20 largest writers of variable annuities. The company recognizes the importance of distribution diversity and continues to direct its efforts at broadening its distribution channels.

Over the last several years, earnings for the property and casualty companies were strong, largely due to positive reserve development, although the competitive environment has pressured margins. However, earnings in 2000 and the first quarter of 2001 were significantly impacted by weather-related claims. Going forward, the impact of positive reserve development on earnings is expected to be insignificant.

AFC's asset quality and liquidity are good. Most of its assets are in separate accounts and wrap third party mutual funds. General account assets managed by the company have a somewhat high exposure to high-yield bonds when compared with the industry norm. AFC believes it has a competitive advantage in credit risk management, which it utilizes to augment yield and capital gains by investing selectively in mezzanine and below investment-grade credit risks.

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Allmerica Financial Corp. is a publicly traded financial services holding company whose subsidiaries operate in two primary businesses—asset accumulation and risk management. The asset accumulation segment markets insurance and retirement savings products and services to individual and institutional clients through career agents, brokers and financial planners. The risk management segment markets property and casualty insurance through independent agents and at the worksite. As of March 31, 2001, the company reported consolidated assets and shareholders' equity of \$30.6 billion and \$2.5 billion, respectively.

The following debt ratings have been assigned:

- **Allmerica Financial Corp.**—commercial paper rating of AMB-1

The following debt ratings have been affirmed:

- **Allmerica Financial Corp.**—“a-” rating on senior debt; fixed rate 7.625% due 2025
- **AFC Capital Trust**—“bbb+” rating on preferred securities; fixed rate 8.207% due 2027

The A (Excellent) financial strength ratings of the following life and property/casualty subsidiaries of Allmerica Financial Corp. have been affirmed:

- **Allmerica Financial Life Insurance and Annuity Co.**
- **First Allmerica Financial Life Insurance Co.**
- **Allmerica Property & Casualty Companies:**
 - Hanover Insurance Co.
 - Allmerica Financial Alliance Insurance Co.
 - Allmerica Financial Benefit Insurance Co.
 - Citizens Insurance Company of Illinois
 - Hanover Lloyd's Insurance Co.
 - Massachusetts Bay Insurance Co.
 - Hanover American Insurance Co.
 - Citizens Insurance Company of America
 - Citizens Insurance Company of the Midwest
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