

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

**ALLSTATE ASSURANCE CO SEPARATE ACCOUNT B**

CIK: 110230 | IRS No.: 420932587 | Fiscal Year End: 1231  
Type: 485BPOS | Act: 33 | File No.: 002-27135 | Film No.: 05791087

Mailing Address	Business Address
1 FOUNTAIN SQUARE SUITE 756 LAW DEPARTMENT CHATTANOOGA TN 37402	1 FOUNTAIN SQUARE SUITE 756 LAW DEPARTMENT CHATTANOOGA TN 37402 6157558935

**ALLSTATE ASSURANCE CO SEPARATE ACCOUNT B**

CIK: 110230 | IRS No.: 420932587 | Fiscal Year End: 1231  
Type: 485BPOS | Act: 40 | File No.: 811-01525 | Film No.: 05791088

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM N-3**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**Pre-Effective Amendment No. \_\_  
Post-Effective Amendment No. 55**

and/or

**REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**

**Amendment No. 30**

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**ALLSTATE ASSURANCE COMPANY SEPARATE ACCOUNT B**

(Exact Name of Registrant)

**ALLSTATE ASSURANCE COMPANY**

(Name of Insurance Company)

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**3100 Sanders Road, Suite J5B, Northbrook, Illinois, 60062**

(Address of Insurance Company's Principal Executive Offices) (Zip Code)

**Insurance Company's Telephone Number, including Area Code (847) 402-5000**

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**Director of Illinois**

**Department of Insurance**

**320 West Washington Street**

**Springfield, Illinois 62767**

(Name and Address of Agent for Service)

**Approximate Date of Proposed Public Offering N/A**

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It is proposed that this filing will become effective (check appropriate box):

immediately upon filing pursuant to paragraph (b)

- on **May 2, 2005** pursuant to paragraph (b)
- 60 days after filing, pursuant to paragraph (a)(1)
- on (date) pursuant to paragraph (a)(1)
- 75 days after filing pursuant to paragraph (a)(2)
- on (date) pursuant to paragraph (a)(2) of rule 485.

If appropriate, check the following box:

- this post-effective amendment designates a new effective date for a previously filed post-effective amendment.
-

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**ALLSTATE ASSURANCE COMPANY SEPARATE ACCOUNT B  
VARIABLE ANNUITY CONTRACTS  
SOLD BY  
ALLSTATE ASSURANCE COMPANY  
NORTHBROOK, ILLINOIS 60062  
(847) 402-5000**

**PROSPECTUS**

**PART A**

This Prospectus describes the following Variable Annuity Contracts (“Contracts”) offered by Allstate Assurance Company (“Company”). They are:

1. Individual Single Purchase Payment Variable Annuity Contract (“Single”);
2. Individual Flexible Installment Purchase Payment Variable Annuity Contracts (“Flexible”);
3. Individual Variable Annuity Contracts used to fund IRA’ s (“IRA”);
4. Individual Variable Annuity Contracts used to fund HR-10 Plans (“HR10”);
5. Individual Variable Annuity Contracts used to fund Ind. 403(b) plans (“Ind 403(b)”); and
6. Group Variable Annuity Contracts used to fund 403(b) plans (“Grp403(b)”).

Note: The public offering of Contracts of Separate Account B and Separate Account C, which was subsequently merged with Separate Account B, was discontinued on February 1, 1984.

No further offering of Contracts of the Separate Accounts is made hereby.

The information contained herein is intended solely for the information and use of holders of contracts issued prior to February 1, 1984.

The purchase payments received pursuant to the Contracts are invested in Allstate Assurance Company Separate Account B (“Separate Account”), a separate account of the Company.

The primary investment objective of the Separate Account is long-term capital growth. The assets of the Separate Account will usually be invested in common stock. From time to time, management may decide to invest in preferred stock and debt obligations. When deemed necessary for defensive purposes, the Separate Account may hold short-term obligations, such as U.S. Government securities and certificates of deposit. The Contracts are subject to the risks associated with common stock investment and changing economic conditions. There can be no assurance that the investment objective will be attained.

This Prospectus sets forth information about the Contracts and the Separate Account that a prospective investor ought to know before investing and should be kept for future reference. A Statement of Additional Information (“SAI”), about the Company, the Separate Account and the Contracts has been filed with the Securities and Exchange Commission and is available, without charge, upon written or oral request received by the Company. Information contained in the SAI has been incorporated into the Prospectus by reference. The SAI, Annual and Semi-Annual Reports to Shareholders, and other information about the Contracts and the Company can be obtained and shareholder inquiries can be made by calling Linda Daughetee at (800) 718-8824, or sending a written request to Allstate Assurance Company, c/o Susan Roth, UnumProvident Corporation, 1 Fountain Square, Chattanooga, Tennessee, 37402. The Company does not have a web site available for

purposes of viewing the above-listed information. However, the Securities and Exchange Commission maintains a web site (<http://www.sec.gov>) that contains the Statement of Additional Information, material incorporated by reference and other information regarding the Company. Please refer to the Statement of Additional Information and its Table of Contents following page 32.

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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Please read this Prospectus carefully and retain it for future reference. The date of this Prospectus is May 2, 2005. The date of the Statement of Additional Information is May 2, 2005.

### **DEFINITIONS**

**Accumulation Unit**-an accounting device used to determine the value of a contract before annuity payments begin. The value of the Accumulation Unit varies in accordance with the investment experience of the Separate Account.

**Annuitant**-the person or persons whose life determines the duration of annuity payments involving life contingencies.

**Annuity**-a series of payments generally for life or for life with specified minimums.

**Annuity Commencement Date**-the date on which annuity payments will begin.

**Annuity Unit**-an accounting device used to determine the amount of annuity payments.

**Contract Owner**-the person or entity with legal rights of ownership of the annuity contract.

**Fixed Annuity**-an annuity with payments fixed in amount throughout the annuity period.

**Plan**-an employer pension plan, profit sharing plan, or annuity purchase plan under which benefits are to be provided by the Variable Annuity Contracts described herein.

**Purchase Payments**-payments to the Company, after specific deductions, under an annuity contract.

**Variable Annuity**-an annuity providing for payments varying in amount in accordance with the investment experience of the Separate Account.

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**SYNOPSIS**

	<u>Single</u>	<u>Flexible</u>	<u>IRA</u>	<u>HR10</u>	<u>Ind 403(b)</u>	<u>Grp 403(b)</u>
<i>Contractowner Transaction Expenses</i>						
Sales Load Imposed on Purchases (as a percentage of purchase payments)	6	% 8	% 8	% 8	% 6	% 6
Deferred Sales Load (as a percentage of purchase payments or amount surrendered, as applicable)						
Surrender Fees (as a percentage of amount surrendered, if applicable)						
Exchange Fee						
Annual Contract Fee						
Annual Expenses (as a percentage of average net assets)						
Management Fees	.5	% .5	% .5	% .5	% .5	% .5
Mortality and Expense Risk Fees	.7	% .7	% .7	% .7	% .7	% .7
Other Expenses						
<b>Total Annual Expenses</b>	<b>1.2</b>	<b>% 1.2</b>	<b>% 1.2</b>	<b>% 1.2</b>	<b>% 1.2</b>	<b>% 1.2</b>

**EXAMPLES**

<b>SINGLE</b>	<b>1 YEAR</b>	<b>3 YEARS</b>	<b>5 YEARS</b>	<b>10 YEARS</b>
If you surrender your contract at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34
If you annuitize at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34

If you do not surrender your contract:

You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets: \$71.56 \$96.01 \$122.34 \$197.34

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	<u>1</u>	<u>3</u>	<u>5</u>	<u>10</u>
<b>FLEXIBLE</b>	<b>YEAR</b>	<b>YEARS</b>	<b>YEARS</b>	<b>YEARS</b>
If you surrender your contract at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
If you annuitize at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
If you do not surrender your contract: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
<b>IRA</b>	<u>1</u>	<u>3</u>	<u>5</u>	<u>10</u>
	<b>YEAR</b>	<b>YEARS</b>	<b>YEARS</b>	<b>YEARS</b>
If you surrender your contract at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
If you annuitize at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
If you do not surrender your contract: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
<b>HR10</b>	<u>1</u>	<u>3</u>	<u>5</u>	<u>10</u>
	<b>YEAR</b>	<b>YEARS</b>	<b>YEARS</b>	<b>YEARS</b>
If you surrender your contract at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
If you annuitize at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
If you do not surrender your contract: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$91.32	\$115.24	\$141.01	\$214.42
<b>Ind.403(b)</b>	<u>1</u>	<u>3</u>	<u>5</u>	<u>10</u>
	<b>YEAR</b>	<b>YEARS</b>	<b>YEARS</b>	<b>YEARS</b>
If you surrender your contract at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34
If you annuitize at the end of the applicable time period: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34
If you do not surrender your contract: You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34



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<b>Grp.403(b)</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>10</b>
	<b>YEAR</b>	<b>YEARS</b>	<b>YEARS</b>	<b>YEARS</b>
If you surrender your contract at the end of the applicable time period:				
You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34
If you annuitize at the end of the applicable time period:				
You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34
If you do not surrender your contract:				
You would pay the following expenses on a \$1,000 investment, assuming 5% annual return on assets:	\$71.56	\$96.01	\$122.34	\$197.34

The Examples should not be considered a representation of past or future expenses. Actual expenses may be greater or less than those shown. This fee table is designed to summarize and illustrate all of the deductions and expenses described beginning on page 12 for the Contracts offered by this Prospectus. State premium taxes, as described on page 13, may also apply.

## GENERAL INFORMATION

The Separate Account is registered under the Investment Company Act of 1940 (“1940 Act”) as an open-end diversified investment company. It is the separate account through which the Company sets aside, separate and apart from its general assets, assets attributable to the variable portion of its variable annuity contracts. Registration under the 1940 Act does not involve supervision of management or investment practices or policies by the Securities and Exchange Commission.

The variable annuity contracts previously offered by the Company in the Separate Account include group and individual contracts designed for use in deferred compensation, association, payroll deduction and individual retirement plans, and contracts designed to provide benefits under annuity plans adopted by public school systems and certain tax exempt organizations which qualify for tax deferred treatment under Section 403(b) of the Internal Revenue Code (“Code”); as an individual retirement or an individual retirement account adopted by an individual pursuant to Section 408 of the Code (IRA’ s) and individual non-trusteed plans established pursuant to the Self-Employed Individuals Tax Retirement Act of 1962, as amended (HR-10 plans).

This Prospectus generally describes only the variable portion of Contracts issued by the Company, except where fixed accumulation or fixed annuity payments are specifically mentioned. Fixed annuities are funded by the Company’ s general assets and are not placed in the Separate Account.

The portion of contract values placed in the Separate Account are subject to the investment risks inherent in any equity investment. These risks include changing economic conditions as well as the risks inherent in management’ s ability to make appropriate investment choices. There is no guarantee under a variable annuity contract that the variable annuity payments or the accumulation values will equal or exceed total purchase payments.

All Contracts contain the Company’ s promise that on the annuity commencement date the contractowner or annuitant may elect to have provided an annuity payable for the lifetime of the annuitant provided the initial monthly annuity payment equals or exceeds \$25. If the initial monthly annuity payment would be less than \$25, payment shall be made at less frequent intervals or the value of the account shall be distributed in a lump sum as selected by the annuitant. The annuity payment will be based on the contract value and in case of variable annuity payments, will be affected only by the investment performance of the Separate Account and not by adverse mortality experience or by increases in the Company’ s expenses above those assumed and for which deductions are provided in the contract. Owners of individual Contracts and participants in group Contracts to which variable accumulation units are credited have the right to vote on particular questions affecting the management of the Separate Account. (see Voting Rights, page 15)

Withdrawal or redemption of funds from certain Contracts may result in tax penalties. (see Federal Tax Status, page 29)

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Per Accumulation Unit Income and Capital Changes (information provided for the latest five fiscal years has been audited):

	Year Ended December 31,									
	2004		2003		2002		2001		2000	
Investment income	\$0.23		\$0.11		\$0.11		\$0.12		\$0.12	
Expenses	0.18		0.14		0.15		0.19		0.22	
Net investment income (loss)	(0.05 )		(0.03 )		(0.04 )		(0.08 )		(0.10 )	
Net realized and unrealized gains (losses) on securities	1.16		3.72		(5.07 )		(1.28 )		(2.42 )	
Net increase (decrease) in accumulation unit value	1.21		3.69		(5.11 )		(1.36 )		(2.52 )	
Accumulation unit value at beginning of period	13.88		10.19		15.30		16.66		19.18	
Accumulation unit value at end of period	15.09		13.88		10.19		15.30		16.66	
Expenses to average net assets	1.20 %		1.21 %		1.19 %		1.21 %		1.20 %	
Net investment income to average net assets	(0.38 )%		(0.25 )%		(0.34 )%		(0.51 )%		(0.55 )%	
Portfolio turnover rate	5 %		3 %		1 %		12 %		1 %	
Number of accumulation units outstanding at end of period	179,114		205,266		211,880		238,382		361,853	
	1999		1998		1997		1996		1995	
Investment income	\$0.12		\$0.10		\$0.10		\$0.11		\$0.13	

Expenses	0.20	0.14	0.12	0.09	0.07
Net investment income (loss)	(0.08 )	(0.04 )	(0.02 )	.02	.06
Net realized and unrealized gains (losses) on securities	4.07	3.85	2.96	1.51	1.44
Net increase (decrease) in accumulation unit value	3.99	3.81	2.94	1.53	1.50
Accumulation unit value at beginning of period	15.19	11.38	8.44	6.91	5.41
Accumulation unit value at end of period	19.18	15.19	11.38	8.44	6.91
Expenses to average net assets	1.22 %	1.07 %	1.16 %	1.20 %	1.21 %
Net investment income to average net assets	(0.51 )%	(0.30 )%	(0.16 )%	0.30 %	0.89
Portfolio turnover rate	14 %	11 %	25 %	28 %	101 %
Number of accumulation units outstanding at end of period	609,502	1,043,607	1,310,831	1,538,926	1,767,394

## DESCRIPTION OF THE COMPANY AND THE SEPARATE ACCOUNT

Allstate (formerly Provident National Assurance Company) Assurance Company (“Company”) is a stock life insurance company organized under laws of the State of Illinois. Previously, the company was organized under the laws of the State of Iowa. In accordance with the provisions of the Iowa Insurance Code, Separate Account B was established by the Company on August 21, 1967.

On November 27, 1974, all of the outstanding shares of stock of the Company were purchased by Provident Life and Accident Insurance Company (“Provident”), Chattanooga, Tennessee. Provident was organized in 1887 under the laws of the State of Tennessee.

On September 29, 1978, the Company changed its domicile from Des Moines, Iowa, to Chattanooga, Tennessee, pursuant to Section 56-202(b) of the Tennessee Code Annotated. As a result of the redomestication, the Company became a Tennessee corporation. In early 1996, as the result of corporate restructuring, the Company became a direct wholly owned subsidiary of Provident Companies, Inc., whose stock was publicly held and traded on the New York Stock Exchange as of December 31, 2000. On February 1, 2001, all of the outstanding shares of the Company were purchased by Allstate Life Insurance Company (“Allstate”), and the Home Office of the Company became located at 3100 Sanders Road, Suite J5B, Northbrook, Illinois, 60062. Effective November 7, 2001, the Company’s Articles of Reorganization were approved by the Illinois Department of Insurance, the Company’s name was changed to Allstate Assurance Company, and its state of domicile was changed from Tennessee to Illinois. Allstate, itself and/or through its subsidiaries, markets a broad line of life insurance, annuity and group pension products through diverse distribution channels. As of December 31, 2004, Allstate and its subsidiaries had assets of over \$149.7 billion. Allstate is a wholly owned subsidiary of Allstate Insurance Company which, in turn, is a wholly owned subsidiary of The Allstate Corporation. Allstate is an Illinois stock life insurance company.

Income, gains and losses, whether or not realized, resulting from assets allocated to the Separate Account are, in accordance with applicable variable annuity contracts, credited to or charged against the Separate Account without regard to other income gains or losses of the Company. Under the provisions of Illinois law, the assets in the Separate Account are not chargeable with liabilities arising out of any other business the Company may conduct. However, obligations arising under the Contracts are the obligation of the Company. The Separate Account, though an integral part of the Company, is registered as an open-end diversified management investment company under the Investment Company Act of 1940. Under Illinois law, regulation of the Company by the Insurance Commissioner of the State of Illinois includes regulation of the Separate Account. Registration with the Securities and Exchange Commission (“SEC”) does not involve supervision of management or investment practices or policies of the Separate Account or the Company by the SEC.

### A. Investment Policies and Restrictions

#### I. Fundamental

The investment policies listed below are, except as noted, fundamental to the Separate Account and may not be changed without prior approval by a vote of a majority of the holders of outstanding voting securities.

1. The investment objective of the Separate Account is long-term capital growth.

To the extent feasible, assets of the Separate Account will be kept fully invested and amounts will be held in cash only (a) temporarily, pending investment in accordance with the investment policy; and (b) to the extent necessary to make normal contract payments.

2. Investments will not be concentrated in particular industries or groups of industries and no more than 25% of the assets of the Separate Account will be invested in any one industry.

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3. The Separate Account does not intend to engage in the purchase and sale of interests in real estate, but reserves freedom of action to do so. However, it will not make any such purchase if the value of any real estate held plus the amount proposed to be acquired (subject to the provisions of policy 10 below) amounts to more than 10% of the value of the Separate Account's assets. The Separate Account may invest in deeds of trust to real estate or marketable interests in real estate investment trusts.

4. No purchase or sale of commodities or of commodity contracts will be made.

5. No money will be borrowed.

6. No loan of funds or other assets will be made, except through the acquisition of a portion of an issue of bonds, debentures or other evidence of indebtedness which are publicly distributed.

7. No securities of other issuers will be underwritten.

8. Not more than 5% of the voting securities of any one issuer will be acquired.

9. No purchase of securities will be made if, as a result of such purchase, more than the greater of \$5,000 or 5% of the total value of the assets of the Separate Account will be invested in the securities of any one issuer (other than the United States or its instrumentalities).

10. The Separate Account will not invest more than 10% of the value of its assets in securities or other investments (including real estate and restricted securities) which are subject to legal or contractual restrictions upon resale or are not otherwise readily marketable.

Since the inception of the Separate Account, no purchases of restricted securities have been made. Moreover, management has no current intention of investing in such securities in the future.

11. No purchase of warrants or options to purchase securities will be made if, as a result of such purchase, more than 2% of the assets of the Separate Account will be invested in such warrants and options.

Since the inception of the Separate Account, no purchases of warrants or options have been made. Moreover, management has no current intention of investing in such securities in the future.

12. Dividends from the net investment income and capital gains distributions of the Separate Account will be retained and reinvested by the Separate Account.

## II. Other

The policies and objectives below may be changed by action of the Board of Managers.

1. All investments of assets of the Separate Account are restricted to those permitted under the regulations adopted by the Illinois Insurance Commissioner with respect to investments made by segregated variable annuity accounts established by insurance companies. Investments of the Separate Account will be in compliance with the regulations, including the provision that all common stock investments shall be in stock which is listed or admitted to trading on a securities exchange registered under the Securities Exchange Act of 1934 or which is publicly held and has been traded in the over-the-counter market and as to which current stock market quotations are readily available.

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2. So long as the Company is licensed to conduct variable annuity business in the State of New York, the investment of assets of the Separate Account will be subject to the following restrictions, unless otherwise permitted by New York law: (a) no investment shall be made which will result in the ownership of more than 5% of the total outstanding common stock of any corporation; or (b) not more than 10% of the aggregate value of the assets of the Separate Account shall be invested at any time in common stocks which do not meet the criteria for investments by life insurance companies under New York law.
3. Purchases will not be made on the margin.
4. Short sales of securities will not be made.
5. Limited amounts of securities of one or more investment companies may be acquired up to a maximum of 10%, in the aggregate, of the assets of the Separate Account, provided that no investment will be made in the securities of any one investment company if immediately after such investment more than 3% of the outstanding voting securities of such company will be owned by the Separate Account nor more than 5% of the value of the Separate Account's assets will be invested in such company.
6. No investments in the securities of a company will be made for the purpose of exercising control of management.
7. Purchases will be made for investment purposes and not for short-term trading purposes. However, freedom of action is reserved to make such changes in the Separate Account's portfolio as are considered necessary or desirable, including the realization of short-term capital appreciation when appropriate.
8. No participation will be made in joint or joint and several securities trading accounts.

A description of the Separate Account's policies and procedures with respect to the disclosure of the Separate Account's portfolio securities is available in the Statement of Additional Information, immediately following page 32.

The Board of Managers has elected not to adopt policies and procedures with respect to the frequent transfers of contract value among sub-accounts. Because Contracts of the Separate Account are no longer being offered and sold, publicly and because the contracts do not offer sub-accounts, the frequent transfer of contract value among sub-accounts does not present a risk to contractowners, participants, annuitants, or beneficiaries. As a result, the Board of Managers has concluded that such policies and procedures are unnecessary.

### B. Principle Risk Factors

The Separate Account invests in a diversified portfolio of common stocks. Common stocks are inherently volatile and their prices may decline substantially at times due to economic, competitive, regulatory, or other factors. In addition, the portfolio's returns may differ materially from its benchmark, the S&P 500 index, due to differences in industry weightings and specific stock weightings. The Separate Account generally invests in mid-to-large capitalization growth stocks and this class of stocks may also perform materially differently from the S&P 500 index for long periods of time due primarily to changes in forecasted relative earnings and interest rates.

## MANAGEMENT

The property and business of the Separate Account are managed by a Board of Managers selected by the owners of the Contracts to which variable accumulation units are credited. A majority of the Separate Account's three managers are not deemed to be "interested persons" of the Separate Account or the Company as defined in the 1940 Act.

The Board of Managers has the following responsibilities and duties:

- a) to select and approve annually an independent certified public accountant;
- b) to execute and approve annually an agreement providing for sales and administrative services;
- c) to execute and approve annually an agreement providing for investment advisory services;
- d) to recommend any changes in the fundamental investment policies of the Separate Account; and
- e) to authorize all investments of the assets of the Separate Account in accordance with the fundamental investment policies of the Separate Account, and to submit semi-annual and annual reports to the Contractowners.

The Company serves as the investment adviser of the Separate Account and its principal offices are located at 3100 Sanders Road, Suite J5B, Northbrook, Illinois, 60062. The Company is an indirect wholly owned subsidiary of The Allstate Corporation, which is an Illinois stock life insurance company. The Company serves as an insurer, and as an investment adviser to the Separate Account.

PRIMCO is a Tennessee Limited Liability Company and serves as the sub-adviser to the Company. It is owned by UnumProvident Corporation which is a Delaware holding company. PRIMCO is registered with The Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940. Its principal offices are located at 1 Fountain Square, Chattanooga, Tennessee, 37402.

Pursuant to an investment advisory agreement ("Investment Advisory Agreement"), the Company currently acts as investment adviser ("Investment Adviser") to the Separate Account, and also assumes certain expenses and mortality and expense risks in connection with the variable annuity contracts. The Company has retained PRIMCO to act as an investment sub-adviser ("Investment Sub-Adviser") to the Separate Accounts pursuant to an investment sub-advisory agreement ("Investment Sub-Advisory Agreement").

The Investment Sub-Adviser continuously provides the Board of Managers with an investment program and recommendations on the purchase and sale of investments. The Investment Sub-Adviser is guided by the investment policies and restrictions promulgated by the Board of Managers of the Separate Account. Moreover, the Board reviews all actions taken by the Investment Adviser and Investment Sub-Adviser with regard to investments.

The Investment Adviser receives a monthly fee from the Separate Account equal to approximately 0.50% on an annual basis. No part of the investment advisory fees are derived from the sales and administrative expense fees described below.

The Investment Advisory Agreement was last approved on February 14, 2005, by the Board of Managers. Contractowners of the Separate Account last approved the investment advisory agreement on December 22, 2000, to be effective as of February 1, 2001. A discussion regarding the basis for the Board of Managers approving the Investment Advisory Agreement will be available in the Semi-Annual Report to Shareholders for the period ending June 30, 2005.

The Separate Account is the sole client for whom the Company provides investment advisory services.

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The Investment Advisory Agreement allows the Company to employ, at its own expense, the Investment Sub-Adviser. On December 22, 2000, the contractowners approved the Investment Sub-Advisory Agreement between the Company and PRIMCO, which became effective on February 1, 2001. This Investment Sub-Advisory Agreement is substantially identical to the Sub-Advisory Agreement originally entered into by the Company and PRIMCO on June 25, 1998. PRIMCO is registered with the Securities and Exchange Commission as an investment adviser. Its principal offices are located at 1 Fountain Square, Chattanooga, Tennessee 37402. PRIMCO is a Tennessee limited liability company organized in October 1997. It is owned by Provident Companies, Inc. and two of its subsidiaries, Provident Life and Accident Insurance Company and The Paul Revere Life Insurance Company. Its predecessor was The Paul Revere Investment Management Company, with whom it was merged in 1997. The managers of PRIMCO are officers of UnumProvident. The personnel currently employed by PRIMCO consist primarily of individuals who previously worked for Provident Companies, Inc., or its insurance subsidiaries. Thus, the same personnel who has provided investment services to the Company and the Separate Account will continue to do so, but they are employed by a different legal entity.

As well as providing investment management services to the Provident companies, PRIMCO also provides investment management services to other insurance companies. As of December 31, 2004, PRIMCO had over \$35.9 billion in assets under management.

Under the Investment Sub-Advisory Agreement, PRIMCO, subject to the supervision of the Company and the Board of Managers of the Separate Account, is responsible for providing investment advisory services to the Company for the Separate Account in accordance with investment objectives and guidelines provided by the Company. In providing these services, PRIMCO is authorized to buy, sell, exchange, convert and otherwise trade in securities in the portfolio, and place orders for the execution of such transactions with or through such brokers, dealers, or issuers as it selects. PRIMCO provides the Company with a value of the portfolio on a daily basis. PRIMCO provides such reports to the Company and the Board of Managers as are reasonably required, and attends meetings of the Board of Managers on a quarterly basis.

The Company pays PRIMCO compensation in the amount of .15% per annum, based on the average market value of the Separate Account as of the last business day of each calendar month in the quarter. The fee is payable quarterly by the Company.

The portfolio managers for the Separate Account are Michael J. Updegraff and Ben S. Miller. Mr. Updegraff's title is Senior Investment Officer and he has nineteen years of service. For the last five years, Mr. Updegraff has been involved as a credit analyst for the High Yield and Investment Grade bond portfolios in various industry sectors. Mr. Miller's title is Vice President-Head of Research & Below Investment Grade Securities. He has eighteen years of service. For the last five years, Mr. Miller has managed High Yield portfolios.

## **DEDUCTIONS AND EXPENSES**

### A. Sales and Administrative Functions and Expenses

#### I. General

The Company previously acted as principal underwriter and provides all sales and administrative services in connection with the Contracts and the Separate Account. The Company deducts a sales and administrative expense fee to cover these services as set forth below.

As a consequence of an Asset Transfer and Acquisition Agreement entered into by Provident Companies, Inc., et al. and American General Corporation, et al., dated as of December 8, 1997, The Variable Annuity Life Insurance Company ("VALIC") became the Administrator of the Separate Account pursuant to the Separate Account Administrative Services Agreement entered into with VALIC in June 1998. The change in Administrator does not result in any changes in administrative and sales fees.

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In connection with the sale of the Company by UnumProvident Corporation to Allstate, the Company entered into an Administrative Services Agreement with The Paul Revere Life Insurance Company ("Paul Revere") dated as of September 10, 2000 which provides that Paul Revere will perform those administrative services required to be performed with respect to the Separate Account to the extent not performed by VALIC pursuant to the VALIC Administrative Services Agreement.

Administrative expense includes such items as fees and expenses of the Board of Managers, salaries, rent, postage, telephone, travel, legal, actuarial and accounting fees, custodian fees, printing, office equipment, stationery and plan administration cost. The charge for administrative expense is designed only to reimburse the Company for its actual administrative expense, and the Company does not expect to recover from the charge or any modification thereof any amount above its accumulated expenses in administering the contracts.

When applicable, a deduction will be made for premium taxes imposed by some states or municipalities. These taxes currently range from .5% to a maximum of 3.5%.

### II. Tax Qualified Contracts

Under Contracts subject to Sections 401, 403(b) and 408 of the Code, the annuity purchase rates and the deductions for sales and administrative expenses, the investment advisory fee and the contingency fees, as contained in the Contracts when issued, will be applicable to cumulative purchase payments made under the Contract up to \$100,000. Purchase payments made thereafter may be made only upon approval by the Company and will be subject to terms and conditions as required by the Company, but in no event will fees and expenses exceed those applied to purchase payments up to \$100,000. The group contracts may not be modified during the first contract year.

Under the individual contract used to fund IRA' s and HR-10 plans, the Company deducts a sales and administrative fee of 8.0% from each purchase payment (of which 7.0% is for sales expense and 1.0% is for administrative expense).

Under the individual or group contract used to fund plans qualifying under Section 403(b) of the Code, the Company deducts sales and administrative expense fees in accordance with the following schedule:

<u>Cumulative Purchase Payment</u>	<u>Percentage Deduction</u>	<u>Portion For Sales Expense</u>	<u>Portion For Administrative Expense</u>
First \$10,000	6.0 %	5.0 %	1.0 %
Balance	4.0 %	3.0 %	1.0 %

### III. Non Tax Qualified Contracts

Under non tax qualified single purchase payment variable annuity contracts, the sales and administrative expense fee is calculated as follows:

<u>Single Purchase Payment</u>	<u>Percentage Deduction</u>	<u>Portion For Sales Expense</u>	<u>Portion For Administrative Expense</u>
First \$25,000	6.0 %	4.5 %	1.5 %

Next \$25,000	5.0	%	4.0	%	1.0	%
Next \$25,000	3.0	%	2.5	%	0.5	%
Balance	2.0	%	1.5	%	0.5	%

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Under non tax qualified flexible installment purchase payment variable annuity contracts, the sales and administrative expense fee is calculated as follows:

<u>Single Purchase Payment</u>	<u>Percentage Deduction</u>		<u>Portion For Sales Expense</u>		<u>Portion For Administrative Expense</u>	
First \$25,000	8.0	%	7.0	%	1.0	%
Next \$25,000	6.0	%	5.0	%	1.0	%
Next \$25,000	5.0	%	4.0	%	1.0	%
Balance	4.0	%	3.0	%	1.0	%

#### IV. Underwriting Agreement

Until March 2002, the Company served as the underwriter for the Separate Account. As approved by the Board of Managers on February 7, 2002, the Underwriting Agreement between the Company and the Separate Account was terminated and an Underwriting Agreement between the Separate Account and ALFS, Inc., an affiliated broker-dealer of the Company, was entered into effective as of March 30, 2002.

#### B. Expense and Mortality and Expense Risk Assumptions

Although variable annuity payments made under the Contracts will vary in accordance with the investment performance of the Separate Account, the payments will not be affected by (a) the Company's actual expenses, if greater or less than the deductions provided for in the Contract, or (b) the Company's actual mortality experience among annuitants after retirement.

The Company provides an expense assurance by assuming the risk that the administrative fee may be insufficient to cover the actual administrative costs.

The Company also assumes the risk that actual mortality of annuitants may be less than was assumed in calculating the annuity rates. The contingent mortality assurance provided by the Company under the Contracts is the Company's contractual obligation to continue to make monthly annuity payments, determined in accordance with the annuity tables and other provisions contained in the Contracts, to each annuitant regardless of how long he lives and regardless of how long all annuitants as a group live. This obligation assures an annuitant that neither his longevity nor an improvement in life expectancy generally will have any adverse effect on the monthly annuity payments he will receive under the Contract and relieves the annuitant from the risk that he will outlive the funds which he has accumulated for retirement. The assurance is based on the Company's actuarial determination of expected mortality rates among annuitants. If the future proves that the Company's actuarial determination of expected mortality rates among annuitants was erroneous because, as a group, their longevity is longer than anticipated, the Company must provide amounts from its general funds to fulfill its contractual obligation. In that event, the Company may incur a loss. Conversely, if longevity among annuitants is lower than anticipated, a gain may result to the Company. The Company also provides a minimum death benefit.

For providing expense assurances and for the assumption of the mortality risks, a charge of .70% on an annual basis is deducted from the current net asset value of the Separate Account per valuation day. Under the VALIC Administrative Services Agreement, these fees are paid from the Company to VALIC.

C. Brokerage Expenses and Portfolio Turnover

PRIMCO has responsibility for placing orders for the purchase and sale of portfolio securities of the Separate Account under the Investment Sub-Advisory Agreement. With respect to such purchases and sales, the primary objective is to obtain the most favorable prices and execution of orders on behalf of the Separate Account. With respect to transactions executed in the over-the-counter market, PRIMCO will deal only with principal market makers unless more favorable prices are otherwise available.

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PRIMCO does not expect to use any one particular broker or dealer but, subject to obtaining the best prices and executions, brokers who provide statistical information and supplemental research to PRIMCO for pricing and appraisal services utilized by PRIMCO may receive orders for transactions. It is not possible to determine the exact value of such statistical information and supplemental research provided to PRIMCO. Such information and research is used by PRIMCO for the benefit of all its investment accounts and no allocation of services or the costs therefore is made nor is such an allocation possible.

The advisory fee paid by the Company to PRIMCO will not be reduced as a consequence of PRIMCO's receipt of brokerage and research services. To the extent that the Separate Account's portfolio transactions are used to obtain such services, the brokerage commissions paid by the Separate Account will exceed those that might otherwise be paid by an amount which cannot be determined. Such services are useful and of value to PRIMCO in serving both the Separate Account and other clients and conversely such service obtained by placement of brokerage business of other clients would be useful to PRIMCO in carrying out its obligations to the Separate Account. While such services are not expected to reduce the expenses of PRIMCO, through the use of the services, PRIMCO avoids the additional expense which would be incurred if it should attempt to develop comparable information through its own staff. There were no gross purchase payments received for the year-ended December 31, 2004.

The Separate Account will purchase securities for long-term capital growth and not for short-term trading purposes, although in certain circumstances (such as during periods of pronounced market instability) it may sell securities held for a short period if considered necessary or desirable. Accordingly, the Separate Account's annual rate of turnover ordinarily will not exceed 50%. In 2004, the portfolio turnover rate was 5%.

### **GENERAL DESCRIPTION OF VARIABLE ANNUITY CONTRACTS**

ALFS, Inc., which is currently underwriter for the Separate Account, is registered with the Securities and Exchange Commission as a broker dealer and is a member of the National Association of Securities Dealers, Inc. The public offering of Contracts of the Separate Account was discontinued on February 1, 1984. No further offering of Contracts of the Separate Account is made hereby.

The information contained herein is intended solely for the information and use of holders of Contracts issued prior to February 1, 1984.

### **TYPES OF CONTRACTS**

An individual contract is offered for IRA's, nontransferable deferred annuities and individual non-trusted HR-10 plans. The contracts offered for use in plans qualifying under Section 403(b) of the Code are an individual contract, under which the contractowner and annuitant are the same, and a group contract under which a master contract is issued to the employer who is the contract holder and which covers all participating employees, each of whom receives a certificate which summarizes the provisions of the master group contract and evidences his participation in the contract.

Single purchase payment variable annuity contracts and flexible installment purchase payment variable annuity contracts, each available only on an individual basis are also offered. Purchase payments under flexible purchase payment variable annuity contracts may be made at such intervals as desired, but are usually made on an annual, semi-annual, quarterly or monthly basis.

### **VOTING RIGHTS**

Contractowners will have the right to vote at annual meetings of contractowners on the following matters:

1. Initial approval of and any amendment to an investment advisory agreement or sub-advisory agreement;
2. Ratification of the selection of independent public accountants for Separate Account B;

3. Election of members to the Board of Managers of Separate Account B;

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4. Any change in the fundamental investment policies of Separate Account B or other policies requiring contractowners' approval (see Investment Policies and Restrictions, I. Fundamental, page 8); and
5. The transaction of such other business as may properly come before the meeting.

The number of votes which a contractowner may cast prior to the time annuity payments begin is equal to the dollar value of the accumulation units in the variable portion of his contract as of the record date, each dollar of value representing one vote and each fraction of a dollar of value representing a like fraction of a vote. Contract values will be rounded to the nearest cent to determine the total vote a contractowner may be entitled to cast. After annuity payments begin, a contractowner or annuitant may cast one vote for each dollar and a fraction of a vote for each fraction of a dollar (rounded to the nearest cent) of the value of the valuation reserves maintained by the Company in Separate Account B with respect to the annuitant under the contract, pursuant to the Illinois Insurance Code and regulations thereunder. Once annuity payments begin, the total number of votes which the annuitant may cast will generally decrease during the payment period.

The determination of the number of votes to be cast will be made as of a date (record date) within 90 days prior to the meeting of contractowners, and the contractowner will receive at least 20 days written notice of the meeting and of the number of votes to which he is entitled. The contractowner will be entitled to vote only if he was the owner on the record date and on the date of the meeting.

### **COMBINED FIXED AND VARIABLE BENEFITS**

In addition to fully variable benefits, the contracts permit purchase payments (in increments of 10%) to be applied to provide all, only a portion or none of the benefits as variable annuity accumulations with the balance (which is not held in Separate Account B) being applied to provide fixed-dollar annuity accumulations.

### **TRANSFER BETWEEN ACCOUNTS**

The contractowner may direct the transfer of the value of all or a portion of the accumulation units between the fixed-dollar annuity portion of the contract and the variable annuity portion. Such transfers shall not be permitted more often than once each contract year. Such transfers shall be effected without the imposition of additional sales and administrative expense charges.

### **ASSIGNMENT**

In general, assignment of a contract or an annuitant's account is not permitted. No assignment shall be binding on the Company until it is received by the Company at its Home Office in Northbrook, Illinois.

### **CONTRACT MODIFICATIONS**

The contracts provide that the sales and administrative fees, the annuity purchase rates, the investment advisory fee and the contingency fees, as contained in the contract when issued, will be applicable for cumulative purchase payments up to \$100,000. In addition, modifications to these provisions may not be made to the group contract during the first contract year. Payments in excess of \$100,000 under any contract may be made only upon approval by the Company and will be subject to such terms and conditions as are required by the Company at that time however, in no event will fees and expenses exceed those applied to purchase payments up to \$100,000. Contractowners or annuitants not covered prior to any modification will be subject to these terms and conditions.

The contractowner, in the case of an individual contract, or the contract holder, in the case of a group contract, and the Company may by agreement in writing change the terms of the contract in order to conform to the requirements of Sections 401, 403(b) or 408 of the Code or such section or sections as may from time to time revise or replace Sections 401, 403(b) or 408, or where applicable, to permit the deduction of contributions made by the contractowner under Section 404 of the Code or such section or sections as may from time to time revise or replace Section 404. The changes may be made retroactive to the effective date of the contract or to any date thereafter.



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The Company further reserves the right to unilaterally effect such changes in the contract as may be required by any federal, state or other body which may have jurisdiction over the provisions of the contract.

### **INACTIVE ANNUITANT' S ACCOUNT**

In the case of the group contract, if the contract is terminated or the annuitant ceases to be employed by the contract holder, the annuitant may:

- A. Elect to have the value of his individual account transferred to an individual annuity contract on a form then regularly issued by the Company under which benefits and provisions are most nearly similar to those provided by the certificate issued under this contract;
- B. If he is at least 50 years of age, elect commencement of an annuity under one of the annuity options described on page 18;
- C. If he becomes an eligible annuitant under a similar contract issued by the Company, elect to transfer the value of his individual account to a certificate issued under such contract;
- D. Elect to receive the termination value of his individual account in a single sum; or
- E. Elect to rollover the termination value into an IRA.

In the event no election is made within 90 days of the cessation of purchase payments, (A) will automatically take effect.

If the annuitant ceased to have purchase payments remitted by the contract holder, but remains in his employ, he shall be deemed an inactive annuitant until such time as purchase payments are resumed, annuity payments commence or the account is surrendered.

### **EXPERIENCE RATING**

The Company may make a determination of actual sales and administrative costs applicable to each group contract on an annual basis. If such calculation is made and the actual costs exceed the amount deducted for sales and administrative expense, no additional deduction is made from the value of the contract. If, however, the amount deducted for such expense exceeds actual costs, the Company may at its discretion allocate all, a portion or none of such excess as an experience rating credit. To date, the Company has not experience rated any contract.

### **ANNUITY PERIOD**

The variable annuity payments to the annuitant are determined on the basis of (a) the mortality table specified in the contract which reflects the age and sex of the annuitant and the type of annuity payment option selected, and (b) the investment performance of Separate Account B. The dollar amount of the variable annuity payments will not be affected by adverse mortality experience or by an increase in the Company' s expenses in excess of the sales and administrative expenses provided for in the contract. The dollar amount of the payments will, however, reflect investment gains and losses and investment income of Separate Account B occurring both before and after retirement, and thus the payments will vary with the investment experience of Separate Account B.

## ELECTION OF RETIREMENT DATE AND FORM OF ANNUITY

Annuity payments will begin on the date and under the annuity options as provided for in the contract.

When not specified in the plan (except an individual retirement annuity and an individual retirement account), the date on which annuity payments are to begin and the form of the options chosen are to be elected in writing at least 30 days prior to the date annuity payments are to begin. The date may be the first of any month between the annuitant's 50th and 75th birthdays. (To avoid penalties for premature distributions to an owner-employee under an HR-10 plan, or with respect to an IRA, the date selected must be no earlier than age 59 1/2.) The option may be any of those shown below.

A participant under an IRA or an owner-employee under an HR-10 plan must elect to begin receiving benefits before the end of the tax year in which he reaches age 70 1/2 or become subject to a Code requirement that his entire interest be distributed in a lump sum. If no such election to begin receiving benefits is made by persons participating in plans qualifying under Section 403(b) of the Code, benefits will be payable beginning at age 65 under the second option (as described below) with 120 monthly payments guaranteed.

No election of any option for any payee may be made under these contracts unless such election will produce a first monthly payment of at least \$25 to that payee. If a combination benefit is elected, no election may be made unless the first monthly payment from each account would be \$25 to the payee. If, at any time, any payment to be made to any payee in either account becomes less than \$25 the Company shall have the right to change the frequency of payments to such intervals as will result in the payment of at least \$25 per account per payment.

### OPTIONAL ANNUITY FORMS

Option 1—Life Annuity. An annuity payable monthly during the lifetime of the annuitant, ceasing with the last payment due prior to the death of the annuitant. This option offers the maximum level of monthly payments since there is no assurance of a minimum number of payments or provision for a death benefit for beneficiaries. It would be possible under this option for the annuitant to receive only one annuity payment if he died prior to the due date of the second annuity payment, two if he died prior to the third annuity payment date, etc.

Option 2—Life Annuity with 120 or 180 Monthly Payments Guaranteed. An annuity payable monthly during the lifetime of the annuitant, ceasing with the last payment due prior to the death of the annuitant but with the assurance that if, at the death of the annuitant, payments have been made for less than 120 or 180 months as elected, annuity payments will be continued during the remainder of said period to the designated beneficiary. The beneficiary may elect to receive the present value of such remaining guaranteed payments in a lump sum at any time. If the beneficiary dies while receiving annuity payments, the present value of the then current dollar amount of the remaining guaranteed number of annuity payments will be paid in a lump sum to the estate of the beneficiary, or to the contingent beneficiary if one has been selected.

Option 3—Unit Refund Life Annuity. An annuity payable monthly during the lifetime of the payee, ceasing with the last payment due prior to the death of the payee; provided that at the death of the payee, the beneficiary will receive an additional payment of the then dollar value of a number of annuity units equal to the excess, if any, of (a) over (b) where (a) is the total dollar amount applied under the option divided by the annuity unit value at the date of commencement of annuity payments, and (b) is the number of annuity units represented by each monthly payment multiplied by the number of monthly payments made. For example, if \$20,000 were applied on the annuity commencement date to the purchase of the annuity under this option, the annuity unit value on that date was \$2, the number of annuity units represented by each monthly annuity payment was 61, fifteen installments were made prior to the date of death and the value of an annuity unit on the date of the annuitant's death was \$2.10, the amount paid to the beneficiary would be:

$$\underline{[\$20,000 - (61)(15)] \times \$2.10}$$

\$2

which would be (10,000-915) X \$2.10 or 9,085 X \$2.10 or \$19,078.50.



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Option 4–Joint and Last Survivor Annuity. An annuity payable monthly during the joint lifetime of the annuitant and a designated second person and thereafter during the remaining lifetime of the survivor, ceasing with the last payment due prior to the death of the survivor. It would be possible under this option for the annuitants to receive only one annuity payment if both die prior to the due date of the second annuity payment, two if they died prior to the third annuity payment date, etc.

Option 5–Payments for a Designated Period. An amount payable monthly for a number of years selected which may be from 1 to 30 years.

Option 6–Payments of a Specified Dollar Amount. Fixed payments of a specified dollar amount (not less than \$75 per \$1,000 of termination value) until the amount of such value is exhausted.

Option 7–Interest Income. The termination value is left on deposit with the Company in its General Account and interest is paid thereon at the rate of 3% per year, with interest payments being made annually, semi-annually, quarterly or monthly, as requested. Principal is paid on request in the manner described under Surrender for Redemption, page 20.

Under individual retirement annuity and individual retirement account plans, Options 2, 3 and 4 above are restricted by Section 408 of the Code to require that anticipated payments under these options not exceed the life expectancy of the annuitant or the life expectancy of the annuitant and the annuitant's spouse. Under such plans, Option 4 is available only for the annuitant and the annuitant's spouse.

If one of the first four options is elected, the person electing the option may further elect to have the termination value, less any premium taxes then payable, applied to provide a variable annuity, a fixed-dollar annuity or a combination of both. When a transfer of accumulation units from one account to another is required, such request must be received by the Company at least one year prior to the annuity commencement date. Transfers from the General Account to Separate Account B and from Separate Account B to the General Account shall be effected without the imposition of additional sales or administrative expense fees. Selection of Options 5, 6 and 7 would result in a loss of mortality assurance charges which have been paid during the accumulation period and annuity periods since none of these options are based on the life of the annuitant. Upon election of Option 7, which is available only on a fixed dollar basis, funds attributable to an annuitant's interest in Separate Account B are transferred to the Company's General Account. All of the other options are available on a fixed, variable or combined fixed and variable basis.

These options are available on a fixed, variable or a combined fixed and variable basis. Subject to agreement by the Company and compliance with Code requirements, arrangements may be made for a form of annuity on a variable or fixed annuity basis other than those set forth above.

### **DETERMINATION OF AMOUNT OF FIRST MONTHLY ANNUITY PAYMENT**

The amount of the first monthly payment will be determined by the termination value of the contract, the form of annuity selected and the sex and adjusted age of the annuitant.

The termination value of the contract or a participant's account is determined by multiplying the value of an accumulation unit as of the close of business on the fifth valuation day immediately preceding the date the first annuity payment is due, by the number of accumulation units credited to the annuitant as of the former date. The termination value will be reduced by any state premium taxes then payable. When imposed, such premium taxes currently range from 0.5% to 3.5%.

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The contracts contain tables indicating the dollar amount of the first monthly payment under each optional form of annuity for each \$1,000 of the termination value of the contract and a formula for determining the adjusted age. These are determined from the Progressive Annuity Table which assumes births in the year 1900 and a net investment return of 3 1/2% per annum. The first monthly annuity payment is determined by multiplying the termination value of the contract or account (expressed in thousands) by the amount of the first monthly payment per \$1,000 of value, in accordance with the tables in the contract.

The contracts contain a provision that the first monthly payment will not be less than 103% of the first monthly payment available under a then currently issued single purchase payment annuity, if a single purchase payment were made equal to the value which is being applied under the contract to provide annuity benefits. This provision assures the annuitant that if, at retirement, the annuity rates then applicable to new single purchase payment annuity contracts are significantly more favorable than those provided in this contract, he will be given the option of selecting the new annuity rates. In the case of the variable annuity, any such changes in annuity purchase rates would be based upon changes in mortality and expense experience and not upon changes in the assumed investment return.

### **ASSUMED INVESTMENT RETURN**

The assumed investment return in the annuity purchase rates for both the contracts is 3 1/2%. Subject to the agreement of the Company, the contractowner may select an assumed investment return rate up to the maximum permitted by state law or regulation. The assumed investment return is used to determine the first monthly payment. It should not be inferred that such rate of return will bear any relationship to the actual net investment experience of the Separate Account. The maximum rate currently permitted by the Company is 6%.

The variable annuity payment will remain level during periods when the net investment return is equal to the assumed investment return, increase during periods when the net investment return exceeds the assumed investment return and decrease during periods when the net investment return is less than the assumed investment return. An assumed investment return greater than 3 1/2% would produce a higher initial variable annuity payment but a more slowly rising series of subsequent payments in a period during which the value of the annuity units in increasing or a more rapidly falling series of subsequent payments in a period during which the value of the annuity unit is decreasing. An assumed investment rate of less than 3 1/2% (not available under these contracts) would have the opposite effect.

### **DETERMINATION OF AMOUNT OF SECOND AND SUBSEQUENT MONTHLY ANNUITY PAYMENTS**

The amount of the first monthly variable annuity payment (as determined above) is divided by the value of an annuity unit as of the close of business on the fifth valuation day immediately preceding the date on which the payment is due, to determine the number of annuity units represented by the first payment. The number of annuity units remains fixed during the annuity period and in each subsequent month the dollar value of the variable annuity payment is determined by multiplying this fixed number of annuity units by the then value of an annuity unit (as of the close of business on the fifth valuation day before payment) calculated as set forth below.

### **ILLUSTRATION OF DETERMINATION OF ANNUITY PAYMENTS**

Assume an annuitant on the date of his retirement has 40,000 accumulation units credited to the contract or account and that the value of an accumulation unit on the fifth valuation day prior to the annuity commencement date is \$1.150000 producing a total value of \$46,000. Assume also that the annuitant elects an option for which the table in his contract indicates the first monthly payment is \$6.57 per \$1,000 of value applied. The annuitant's first monthly payment would then be 46 multiplied by \$6.57 or \$302.22.

Assume further that the annuity unit value as of the close of business on the fifth valuation day immediately preceding the date on which the first annuity payment is made is \$1.100000. By dividing this into the first monthly payment of \$302.22, the number of annuity units represented by that payment is determined to be 274.745. The value of this same number of annuity units will be paid in each subsequent month.

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Assume further that the annuity unit value as of the close of business on the fifth valuation day immediately preceding the date on which the second monthly payment is due is \$1.105000. The second monthly payment is then determined by multiplying the fixed number of annuity units (274.745) by the current annuity unit value (\$1.105000) which produces a second monthly payment of \$303.59.

### **VALUE OF AN ANNUITY UNIT**

The value of an annuity unit was established at \$1.00 on December 1, 1967, and for any date thereafter is determined in the same manner as is the value of an accumulation unit except that the result of each such daily determination is multiplied, in the case of the annuity unit, by a factor of .999861, to neutralize the assumed net investment return of 3 1/2% per annum already built into the annuity tables contained in the contract, thus preventing the crediting of "double interest". Similar adjustments are made for assumed investment returns other than 3 1/2%. For example, if on a given valuation day, Separate Account B had investment income of \$4,000, net realized capital gains of \$6,000 and net unrealized capital losses of \$3,000, and on the preceding valuation day the value of an annuity unit was \$1.150000 and the total value of the asset of Separate Account B was \$5,000,000, the value of an annuity unit on that day would be  $\$1.151555 \times .999861$ , or \$1.151395 (compare Value of an Accumulation Unit, page 22).

In determining the value of the assets of Separate Account B each security included on the New York Stock Exchange-Composite Transactions is valued at the last reported sale price next preceding valuation. If there has been no sale on such day, then the value of such security is taken to be the average between the reported bid and asked prices at the time as of which the value is being ascertained. Any security not traded on a securities exchange but traded in the over-the-counter market is valued at the last quoted bid price. Any securities or other assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Board of Managers.

### **DEATH BENEFIT**

In the event the annuitant dies during the accumulation period and upon receipt of proof of death by the Company, a death benefit will be payable equal to the greater of (a) the termination value of his fixed and variable individual accounts or (b) 100% of the total purchase payments (before any deductions therefrom) made under the contract.

If one or more partial surrenders occurred prior to the death of the annuitant, then the total purchase payments made on his behalf will, for purposes of calculating the minimum death benefit, be reduced in the same proportion as the number of accumulation units cancelled bears to the number of accumulation units credited to the contract prior to such partial surrender(s).

In lieu of payment in one sum, the contractowner may elect that the death benefit be applied under any one of the Optional Annuity Forms described below to provide annuity payments to the beneficiary. If the contractowner has not made such an election, the beneficiary may do so after the death of the annuitant. The contractowner or the beneficiary, whichever selects the optional method of settlement, may designate contingent beneficiaries to receive any further amounts due should the first beneficiary die before completion of the specified payments.

Under an IRA, if the annuitant dies before receiving the entire interest under his contract, or if the distribution has commenced to the annuitant's spouse and such spouse dies before the entire interest has been distributed, then the remaining interest must, within five years after the death of the annuitant or annuitant's spouse, be (1) distributed to the annuitant's beneficiary or the annuitant's spouse's beneficiary or (2) used to purchase an immediate annuity for such beneficiary which will be payable for the life of said beneficiary or a term certain not extending beyond the life expectancy of said beneficiary.

The manner in which the annuity payments to the beneficiary are determined and in which they may vary from month to month are the same as applicable to the annuitant as described under Annuity Period, below.

## PURCHASES AND CONTRACT VALUE

### Purchase Payments

The usual minimum purchase payment for an annuitant under contracts used to qualify under Section 403(b) of the Code is \$10. The usual maximum issue age is 60, but inclusion of annuitants at higher ages will be considered under certain circumstances. In the case of IRA's, the minimum purchase payment is \$50 and the minimum anticipated purchase payments must equal at least \$600 annually. In all other cases minimum payment requirements, if any, are specified in the respective plans.

### Crediting Accumulation Units

During the period prior to the time annuity payments begin, the Company receives purchase payments, deducts the sales and administrative expense fees, together with such premium taxes as may be applicable, and credits the balance of the purchase payment to the contract in accumulation units (see Sales and Administrative Functions and Expenses, page 11). The number of accumulation units credited is determined by the valuation of an accumulation unit next computed after the purchase payment is received. If a purchase payment accompanies an application, the Company will, within five business days, either (a) process and accept the application, issue the contract or certificate and credit the accumulation units; or (b) reject the application and return the purchase payment.

The value of a contract or an individual's account, at any time during the accumulation period, can be determined by multiplying the number of accumulation units credited to such contract or account by the current accumulation unit value. Each contractowner will be advised periodically of the number of accumulation units credited to the contract, the current accumulation unit value and the total value of the contract.

### Value of an Accumulation Unit

Accumulation units are valued for each day on which the New York Stock Exchange is open.

The value of an accumulation unit was established at \$1.00 on October 1, 1967. This value is redetermined on each valuation day, as follows: the net increase or decrease, expressed as a percentage, in the value of the securities and other assets in Separate Account B for that day, resulting from investment income, realized and unrealized capital gains and losses, and the daily deductions for the investment advisory fee and for the contingency fees, is applied to increase or decrease the value of an accumulation unit as determined on the preceding valuation day. For example, if on a given valuation day Separate Account B had an investment income of \$4,000, net realized capital gains of \$6,000 and net unrealized capital losses of \$3,000, and on the preceding valuation day the value of an accumulation unit was \$1.150000 and the total value of the assets of Separate Account B was \$5,000,000, the value of an accumulation unit on that day would be

$$\begin{array}{r} \$1.150000 \quad \text{plus} \quad \$4,000+ \quad \$6,000 - \quad \$3,000 \\ \\ \\ \$5,000,000 - \quad 0000481 \end{array}$$

$$X \quad \$1.150000, \text{ or}$$

$$\$1.150000 \quad \text{plus} \quad (.001400 - .000048) \quad X \quad 1.150000; \text{ which would be}$$

\$1.150000 plus \$.001555, or \$1.151555.

The value of a contract varies with the performance of the investments of Separate Account B and there is no assurance that such value will equal or exceed the purchase payments made.

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In determining the value of the assets of Separate Account B, each security included on the New York Stock Exchange-Composite Transactions is valued at the last reported sale price next preceding valuation. If there has been no sale on such day, then the value of such security is taken to be the average between the reported bid and asked prices at the time as of which the value is being ascertained. Any security not traded on a securities exchange but traded in the over-the-counter market is valued at the last quoted bid price. Any securities or other assets for which market quotations are not readily available are valued at fair value as determined in good faith by the Board of Managers. The Company reserves the right to make valuations at times when the New York Stock Exchange is closed, but in no event will valuation be performed more often than 253 times per calendar year. When the New York Stock Exchange is closed, securities or other assets are valued at fair value as determined in good faith by the Board of Managers.

Events or circumstances affecting the value of Separate Account securities that occur between the closing of the principal markets on which they trade and the time the net asset value of Accumulation Units is determined, such as foreign securities trading on foreign exchanges that may close before the time the net asset value is determined, may be reflected in the Separate Account's calculation of net asset value when the Company or PRIMCO deems that the particular event or circumstance would materially affect the Separate Account's net asset value. Such events or circumstances may be company specific, such as an earnings reports, country or region specific, such as a natural disaster, or global in nature. Such events or circumstances also may include price movements in the U.S. securities markets.

The effect of fair value pricing as described above is that securities may not be priced on the basis of quotations from the primary market in which they are traded, but rather may be priced by another method that the Board of Managers believes reflects fair value. As such, fair value pricing is based on subjective judgments and it is possible that fair value may differ materially from the value realized on a sale. This policy is intended to assure that the Separate Account's net asset value fairly reflects security values as of the time of pricing.

### **Suspension of the Group Contract**

The group contract provides for suspension on any contract anniversary if the contractowner fails to consent to a modification as provided for in the contract. Effective with such suspension, no new annuitants may be covered, but further purchase payments will be accepted as they apply to annuitants covered prior to such suspension.

## **REDEMPTIONS**

At any time during the accumulation period and prior to the commencement of annuity payments: (a) for contracts used in IRA's the annuitant may surrender the contract for redemption; (b) for contracts under HR-10 plans, the annuitant may surrender the contract for redemption to the extent permitted in the plan; and (c) for contracts used in plans qualifying under Section 403(b) of the Code, an annuitant may surrender the contract or certificate for redemption. Contracts under which a variable annuity is paid for a fixed period of time may be partially or wholly redeemed. Surrender for redemption is effected by sending a written request for surrender to the Company accompanied by the contract or certificate. There is no charge or fee for surrender for redemption.

When surrendering a contract or certificate for redemption, an annuitant may avail himself of the following options:

- A. If the annuitant is at least 50 years of age, the termination value (as determined below) may be used to provide annuity payments beginning immediately under the selected option (but see Federal Tax Status, page 18, as to IRA's and HR-10 plans);
- B. Without regard to the age of the annuitant, a lump sum payment may be received in an amount equal to the termination value. The termination value is computed by the Company (as of the close of business on the day on which the notice of intent to surrender for redemption, together with the contract or certificate is received at the Home Office of the Company, or if that day is a holiday, or if the notice is received after the close of business on the New York Stock Exchange, on the next valuation day) by multiplying the number of accumulation units credited to the annuitant by the value of an accumulation unit at that time. Payment of the termination value will be made within seven days after the notice to surrender for redemption, together with the contract or certificate, is received at the Home Office of the Company. The right of redemption or the date of



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payment upon redemption may be postponed only at times when the New York Stock Exchange is closed (other than for holidays or weekends), or in the event the Securities and Exchange Commission determines either that trading on the New York Stock Exchange is restricted or that an emergency has been determined by the Securities and Exchange Commission to exist, or for such other periods as the Securities and Exchange Commission may by order permit.

In addition, when permitted by the plan and/or the provisions of the Code, a portion of the termination value of the contract or participant's account may be surrendered subject to the following limitations:

- A. No more than one such partial surrender for redemption may be allowed on behalf of any annuitant in any one contract year; and
- B. No partial surrender for redemption will be permitted as a result of which the current value of the accumulation units remaining in the contract falls below \$10.

For IRA's if annuity payments have not commenced prior to the close of the annuitant's tax year in which he attains age 70 1/2, then, not later than the close of such tax year, the Company will distribute in one sum to the annuitant the annuitant's entire interest in the contract.

## TAXES

What are some of the federal tax consequences which affect these contracts?

### A. General

**SINCE THE TAX LAW IS COMPLEX AND SINCE TAX CONSEQUENCES WILL VARY ACCORDING TO THE ACTUAL STATUS OF THE CONTRACTOWNER INVOLVED AND THE TYPE OF PLAN UNDER WHICH THE CONTRACT IS PURCHASED, LEGAL AND TAX ADVICE MAY BE NEEDED BY A PERSON, TRUSTEE, OR OTHER ENTITY CONTEMPLATING THE PURCHASE OF A CONTRACT DESCRIBED HEREIN.**

It should be understood that any detailed description of the federal income tax consequences regarding the purchase of these contracts cannot be made in this Prospectus and that special tax rules may be applicable with respect to certain purchase situations not discussed herein. In addition, no attempt is made here to consider any applicable state or other tax laws. For detailed information, a qualified tax adviser should always be consulted. The discussion here and in Appendix I commencing on page 29 is based on the Company's understanding of existing federal income tax laws as they are currently interpreted.

### B. Taxation of the Company and the Separate Account

The separate account is taxed as part of the Company which is taxed as a life insurance company in accordance with the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, the separate account will not be taxed as a "regulated investment company" under subchapter M of Chapter 1 of the Code. Investment income and any realized capital gains on the assets of the separate account are reinvested and are taken into account in determining the value of the Accumulation and Annuity Units (See "Value of an Accumulation Unit," page 22). As a result, such investment income and realized capital gains are automatically applied to increase reserves under the contract.

No taxes are due on interest, dividends and short-term or long-term capital gains earned by the separate account with respect to qualified or non-qualified contracts.

### C. Taxation of Annuities—General Provisions Affecting Purchasers Other than Qualified Retirement Plans

Section 72 of the Code governs the taxation of annuities in general.

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### 1. Non-Natural Persons, Corporations, Etc.

Section 72 contains provisions for contractowners which are non-natural persons. Non-natural persons include corporations, trusts, and partnerships. The annual net increase in the value of the contract is currently includable in the gross income of a non-natural person unless the non-natural person holds the contract as an agent for a natural person. There is an exception from current inclusion for certain annuities held in tax-qualified retirement arrangements, certain annuities held by structured settlement companies, certain annuities held by an employer with respect to a terminated tax-qualified retirement plan and certain immediate annuities. A non-natural person which is a tax-exempt entity for federal tax purposes will not be subject to income tax as a result of this provision.

If the contractowner is not an individual, the primary annuitant shall be treated as the contractowner for purposes of making distributions which are required to be made upon the death of the contractowner. If there is a change in the primary annuitant, such change shall be treated as the death of the contractowner.

### 2. Other Contractowners (Natural Persons).

A contractowner is not taxed on increases in the value of the contract until an amount is received or deemed received, e.g., in the form of a lump sum payment (full or partial value of a contract) or as annuity payments under the settlement option elected.

The provisions of Section 72 of the Code concerning distributions are summarized briefly below. Also summarized are special rules affecting distributions from contracts obtained in a tax-free exchange for other annuity contracts or life insurance contracts which were purchased prior to August 14, 1982.

#### a. Distributions Prior to the Annuity Commencement Date.

- i. Total premium payments, less amounts received which were not includable in gross income equal the “investments in the contract” under Section 72 of the Code.
- ii. To the extent that the value of the contract (ignoring any surrender charges except on a full surrender) exceeds the “investment in the contract,” such excess constitutes the “income on the contract.”
- iii. Any amount received or deemed received prior to the annuity commencement date (e.g., upon a partial surrender) is deemed to come first from any such “income on the contract” and then from “investment in the contract,” and for these purposes such “income on the contract” shall be computed by reference to any aggregation rule in subparagraph 2.c., below. As a result, any such amount received or deemed received (1) shall be includable in gross income to the extent that such amount does not exceed any such “income on the contract,” and (2) shall not be includable in gross income to the extent that such amount does exceed any such “income on the contract.” If at the time that any amount is received or deemed received there is no “income on the contract” (e.g., because the gross value of the contract does not exceed the “investment in the contract” and no aggregation rule applies), then such amount received or deemed received will not be includable in gross income, and will simply reduce the “investment in the contract.”
- iv. The receipt of any amount as a loan under the contract or the assignment or pledge of any portion of the value of the contract shall be treated as an amount received for purposes of this subparagraph a. and the next subparagraph b.
- v. In general, the transfer of the contract, without full and adequate consideration, will be treated as an amount received for purposes of this subparagraph a. and the next subparagraph b. This transfer rule does not apply, however, to certain transfers of property between spouses or incident to divorce.

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### b. Distributions After Annuity Commencement Date.

Annuity payments made periodically after the annuity commencement date are includable in gross income to the extent the payments exceed the amount determined by the application of the ratio of the “investment in the contract” to the total amount of the payments to be made after the annuity commencement date (the “exclusion ratio”).

- i. When the total of amounts excluded from income by application of the exclusion ratio is equal to the investment in the contract as of the annuity commencement date, any additional payments (including surrenders) will be entirely includable in gross income.
- ii. If the annuity payments cease by reason of the death of the annuitant and, as of the date of death, the amount of annuity payments excluded from gross income by the exclusion ratio does not exceed the investment in the contract as of the annuity commencement date, then the remaining portion of unrecovered investment shall be allowed as a deduction for the last taxable year of the annuitant.
- iii. Generally, nonperiodic amounts received or deemed received after the annuity commencement date are not entitled to any exclusion ratio and shall be fully includable in gross income. However, upon a full surrender after such date, only the excess of the amount received (after any surrender charge) over the remaining “investment in the contract” shall be includable in gross income (except to the extent that the aggregation rule referred to in the next subparagraph c. may apply).

### c. Aggregation of Two or More Annuity Contracts.

Contracts issued after October 21, 1988, by the same insurer (or affiliated insurer) to the same contractowner within the same calendar year (other than certain contracts held in connection with a tax-qualified retirement arrangement) will be treated as one annuity contract for the purpose of determining the taxation of distributions prior to the annuity commencement date. An annuity contract received in a tax-free exchange for another annuity contract or life insurance contract may be treated as a new contract for this purpose. The Company believes that for any annuity subject to such aggregation, the values under the contracts and the investment in the contracts will be added together to determine the taxation under subparagraph 2.a., above, of amounts received or deemed received prior to the annuity commencement date. Withdrawals will first be treated as withdrawals of income until all of the income from all such contracts is withdrawn. As of the date of this Prospectus, there are no regulations interpreting this provision.

### d. 10% Penalty Tax—Applicable to Certain Withdrawals and Annuity Payments.

- i. If any amount is received or deemed received on the contract (before or after the annuity commencement date), the Code applies a penalty tax equal to 10% of the portion of the amount includable in gross income, unless an exception applies.
- ii. The 10% penalty tax will not apply to the following distributions (exceptions vary based upon the precise plan involved):
  1. Distributions made on or after the date the recipient has attained the age of 59 1/2.
  2. Distributions made on or after the death of the holder or where the holder is not an individual, the death of the primary annuitant.
  3. Distributions attributable to a recipient’s becoming disabled.
  4. A distribution that is part of a scheduled series of substantially equal periodic payments for the life (or life expectancy) of the recipient (or the joint lives or life expectancies of the recipient and the recipient’s beneficiary).

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5. Distributions of amounts which are allocable to the “investment in the contract” prior to August 14, 1982, (see next subparagraph e.).

e. Special Provisions Affecting Contracts Obtained through a Tax-Free Exchange of Other Annuity or Life Insurance Contracts Purchased prior to August 14, 1982.

If the contract was obtained by a tax-free exchange of a life insurance or annuity contract purchased prior to August 14, 1982, then any amount received or deemed received prior to the annuity commencement date shall be deemed to come (1) first from the amount of the “investment in the contract” prior to August 14, 1982 (“pre-8/14/82 investment”) carried over from the prior contract, (2) then from the portion of the “income on the contract” (carried over to, as well as accumulating in, the successor contract) that is attributable to such pre-8/14/82 investment, (3) then from the remaining “income on the contract,” and (4) last from the remaining “investment in the contract.” As a result, to the extent that such amount received or deemed received does not exceed such pre-8/14/82 investment, such amount is not includable in gross income. In addition, to the extent that such amount received or deemed received does not exceed the sum of (a) such pre- 8/14/82 investment and (b) the “income on the contract” attributable thereto, such amount is not subject to the 10% penalty tax. In all other respects, amounts received or deemed received from such post-exchange contracts are generally subject to the rules described in this subparagraph 2.

f. Required Distributions.

i. Death Of Contractowner Or Primary Annuitant

Subject to the alternative election or spouse beneficiary provisions in ii. or iii., below:

1. If any contractowner dies on or after the annuity commencement date and before the entire interest in the contract has been distributed, the remaining portion of such interest shall be distributed at least as rapidly as under the method of distribution being used as of the date of such death;
2. If any contractowner dies before the annuity commencement date, the entire interest in the contract will be distributed within five years after such death; and
3. If the contractowner is not an individual, then for purposes of 1. or 2., above, the primary annuitant under the contract shall be treated as the contractowner, and any change in the primary annuitant shall be treated as the death of the contractowner. The primary annuitant is the individual, the events in the life of whom are of primary importance in affecting the timing or amount of the payout under the contract.

ii. Alternative Election to Satisfy Distribution Requirements

If any portion of the interest of a contractowner described in i., above, is payable to or for the benefit of a designated beneficiary, such beneficiary may elect to have the portion distributed over a period that does not extend beyond the life or life expectancy of the beneficiary. The election and payments must begin within a year of the death.

iii. Spouse Beneficiary

If any portion of the interest of a contractowner is payable to or for the benefit of his or her spouse, and the annuitant or contingent annuitant is living, such spouse shall be treated as the contractowner of such portion for purposes of section i., above.

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### 3. Diversification Requirements.

Section 817 of the Code provides that a variable annuity contract will not be treated as an annuity contract for any period during which the investments made by the separate account or underlying fund are not adequately diversified in accordance with regulations prescribed by the Treasury Department. If a contract is not treated as an annuity contract, the contractowner will be subject to income tax on the annual increases in cash value.

The Treasury Department has issued diversification regulations which generally require, among other things, that no more than 55% of the value of the total assets of the segregated asset account underlying a variable contract is represented by any one investment, no more than 70% is represented by any two investments, no more than 80% is represented by any three investments, and no more than 90% is represented by any four investments. In determining whether the diversification standards are met, all securities of the same issuer, all interests in the same real property project, and all interests in the same commodity are each treated as a single investment. In addition, in the case of government securities, each government agency or instrumentality shall be treated as a separate issuer.

A separate account must be in compliance with the diversification standards on the last day of each calendar quarter or within 30 days after the quarter ends. If an insurance company inadvertently fails to meet the diversification requirements, the company may comply within a reasonable period and avoid the taxation of contract income on an ongoing basis. However, either the company or the contractowner must agree to pay the tax due for the period during which the diversification requirements were not met.

The Company monitors the diversification of investments in the separate accounts and tests for diversification as required by the Code. The Company intends to administer all contracts subject to the diversification requirements in a manner that will maintain adequate diversification.

### 4. Ownership of the Assets in the Separate Account.

In order for a variable annuity contract to qualify for tax deferral, assets in the segregated asset accounts supporting the variable contract must be considered to be owned by the insurance company and not by the variable contractowner for tax purposes. The Internal Revenue Service (“IRS”) has issued several rulings which discuss investor control. The IRS has ruled that certain incidents of ownership by the contractowner, such as the ability to select and control investments in a separate account, could cause the contractowner to be treated as the owner of the assets for tax purposes.

Further, in the explanation to the temporary Section 817 diversification regulations, the Treasury Department noted that the temporary regulations “do not provide guidance concerning the circumstances in which investor control of the investments of a segregated asset account may cause the investor, rather than the insurance company, to be treated as the owner of the assets in the account.” The explanation further indicates that “the temporary regulations provide that in appropriate cases a segregated asset account may include multiple sub-accounts, but do not specify the extent to which policyholders may direct their investments to particular sub-accounts without being treated as the owners of the underlying assets. Guidance on this and other issues will be provided in regulations or revenue rulings under Section 817(d), relating to the definition of variable contract.” The final regulations issued under Section 817 do not provide guidance regarding investor control, and as of the date of this Prospectus, no other such guidance has been issued. Further, the Company does not know if or in what form such guidance will be issued. In addition, although regulations are generally issued with prospective effect, it is possible that regulations may be issued with retroactive effect. Due to the lack of specific guidance regarding the issue of investor control, there is necessarily some uncertainty regarding whether a contractowner could be considered the owner of the assets for tax purposes. The Company reserves the right to modify the contracts as necessary, to prevent contractowners from being considered the owners of the assets in the separate accounts.

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### D. Federal Income Tax Withholding

The portion of a distribution which is taxable income to the recipient will be subject to federal income tax withholding, pursuant to Section 3405, of the Code. The application of this provision is summarized below:

#### 1. Non-Periodic Distributions

The portion of a non-periodic distribution which constitutes taxable income will be subject to federal income tax withholding unless the recipient elects not to have taxes withheld. If an election not to have taxes withheld is not provided, 10% of the taxable distribution will be withheld as federal income tax. Election forms will be provided at the time distributions are requested. If the necessary election forms are not submitted to the Company, the Company will automatically withhold 10% of the taxable distribution.

#### 2. Periodic Distributions (distributions payable over a period greater than one year)

The portion of a periodic distribution which constitutes taxable income will be subject to federal income tax withholding as if the recipient were married claiming three exemptions, unless the recipient elects otherwise. A recipient may elect not to have income taxes withheld or to have income taxes withheld at a different rate by providing a completed election form. Election forms will be provided at the time distributions are requested.

### E. General Provisions Affecting Qualified Retirement Plans

The contract may be used for a number of tax-qualified retirement plans. If the contract is being purchased with respect to some form of tax-qualified retirement plan, please refer to Appendix I, commencing on page 29, for information relative to the types of plans for which it may be used and the general explanation of the tax features of such plans.

### F. Annuity Purchases By Nonresident Aliens And Foreign Corporations

The discussion above provides general information regarding U.S. federal income tax consequences to annuity purchasers that are U.S. citizens or residents. Purchasers that are not U.S. citizens or residents will generally be subject to U.S. federal income tax and withholding on annuity distributions at a 30% rate, unless a lower treaty rate applies. In addition, purchasers may be subject to state premium tax, other state and/or municipal taxes, and taxes that may be imposed by the purchaser's country of citizenship or residence. Prospective purchasers are advised to consult with a qualified tax advisor regarding U.S., state, and foreign taxation with respect to an annuity purchase.

## Appendix I - Information Regarding Tax-Qualified Retirement Plans

The tax rules applicable to tax qualified contractowners, including restrictions on contributions and distributions, taxation of distributions, and tax penalties, vary according to the type of plan as well as the terms and conditions of the plan itself. Various tax penalties may apply to contributions in excess of specified limits, to distributions in excess of specified limits, distributions which do not satisfy certain requirements and certain other transactions with respect to qualified plans. Accordingly, this summary provides only general information about the tax rules associated with use of the contract by a qualified plan. Contractowners, plan participants, and beneficiaries are cautioned that the rights and benefits of any person to benefits are controlled by the terms and conditions of the plan regardless of the terms and conditions of the contract. Some qualified plans are subject to distribution and other requirements which are not incorporated into the Company's administrative procedures. Owners, participants and beneficiaries are responsible for determining that contributions, distributions and other transactions comply with applicable law. Because of the complexity of these rules, owners, participants and beneficiaries are encouraged to consult their own tax advisers as to specific tax consequences.

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### A. Tax-Qualified Pension or Profit-Sharing Plans

Provisions of the Code permit eligible employers to establish tax-qualified pension or profit sharing plans (described in Section 401(a) and 401(k), if applicable, and exempt from taxation under Section 501 (a) of the Code), and Simplified Employee Pension Plans (described in Section 408(k)). Such plans are subject to limitations on the amount that may be contributed, the persons who may be eligible and the time when distributions must commence. Employers intending to use these contracts in connection with such plans should seek competent tax and other legal advice.

### B. Tax Sheltered Annuities Under Section 403(b)

Section 403(b) of the Code permits public school employees and employees of certain types of charitable, educational and scientific organizations specified in Section 501(c) (3) of the Code to purchase annuity contracts, and, subject to certain limitations, exclude such contributions from gross income. Generally, such contributions may not exceed the lesser of \$12,000 or 100% of the employee's "includable compensation" for his most recent full year employment, subject to other adjustments. Special provisions may allow some employees to elect a different overall limitation.

Tax-sheltered annuity programs under Section 403(b) are subject to a prohibition against distributions from the contract attributable to contributions made pursuant to a salary reduction agreement unless such distribution is made:

- (1) after the participating employee attains age 59 <sup>1</sup>/<sub>2</sub>;
- (2) upon separation from service;
- (3) upon death or disability; or
- (4) in the case of hardship (and in the case of hardship, any income attributable to such contributions may not be distributed).

Generally, the above restrictions do not apply to distributions attributable to cash values or other amounts held under a Section 403(b) contract as of December 31, 1988.

### C. Individual Retirement Annuities Under Section 408

Section 408 of the Code permits eligible individuals to establish individual retirement programs through the purchase of Individual Retirement Annuities ("IRAs"). IRAs are subject to limitations on the amount that may be contributed, the contributions that may be deducted from taxable income, the persons who may be eligible and the time when distributions may commence. Also distributions from certain qualified plans may be "rolled-over" on a tax-deferred basis to an IRA.

### D. Tax Penalties

Distributions from retirement plans are generally taxed under Section 72 of the Code. Under these rules, a portion of each distribution may be excludable from income. The excludable amount is the portion of the distribution which bears the same ratio as the after-tax contributions bear to the expected return.

#### 1. Premature Distribution

Distributions from a qualified plan before the participant attains age 59 <sup>1</sup>/<sub>2</sub> are generally subject to an additional tax equal to 10% of the taxable portion of the distribution. The 10% penalty does not apply to distributions made after the employee's death, on account of disability, for eligible medical expenses and distributions in the form of a life annuity and, except in the case of an IRA, certain distributions after separation from service after age 55. For these purposes "life annuity" means a scheduled series of substantially equal periodic payments for the life or life expectancy of the participant (or the joint lives or life expectancies of the participant and beneficiary).



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### 2. Minimum Distribution Tax

If the amount distributed is less than the minimum required distribution for the year, the participant is subject to a 50% tax on the amount that was not properly distributed.

An individual's interest in a tax-qualified retirement plan must generally be distributed, or begin to be distributed, not later than April 1 of the calendar year following the later of (i) the calendar year in which the individual attains age 70 1/2 or (ii) the calendar year in which the individual retires from service with the employer sponsoring the plan ("required beginning date"). However, the required beginning date for an individual who is a five (5) percent owner (as defined in the Code), or who is the owner of an IRA, is April 1 of the calendar year following the calendar year in which the individual attains age 70 1/2. The entire interest of the participant must be distributed beginning no later than this required beginning date over a period which may not extend beyond a maximum of the life expectancy of the participant and a designated beneficiary. Each annual distribution must equal or exceed a "minimum distribution amount" which is determined by dividing the account balance by the applicable life expectancy. This account balance is generally based upon the account value as of the close of business on the last day of the previous calendar year. In addition, minimum distribution incidental benefit rules may require a larger annual distribution.

If an individual dies before reaching his or her required beginning date, the individual's entire interest must generally be distributed within five years of the individual's death. However, this rule will be deemed satisfied, if distributions begin before the close of the calendar year following the individual's death to a designated beneficiary (or over a period not extending beyond the life expectancy of the beneficiary). If the beneficiary is the individual's surviving spouse, distributions may be delayed until the individual would have attained age 70 1/2.

If an individual dies after reaching his or her required beginning date or after distributions have commenced, the individual's interest must generally be distributed at least as rapidly as under the method of distribution in effect at the time of the individual's death.

### 3. Withholding

In general, distributions from IRAs are subject to regular wage withholding rules.

Periodic distributions from other tax-qualified retirement plans that are made for a specified period of ten years or for the life or life expectancy of the participant (or the joint lives or life expectancies of the participant and the beneficiary) are generally subject to federal income tax withholding as if the recipient were married claiming three exemptions, unless the recipient elects otherwise. The recipient of periodic distributions may generally elect not to have withholding apply or to have income taxes withheld at a different rate by providing a completed election form.

Other distributions from such other tax-qualified retirement plans are generally subject to mandatory income tax withholding at the flat rate of 20% unless such distributions are:

- (1) the non-taxable portion of the distribution;
- (2) required minimum distributions; or
- (3) direct transfer distributions.

Direct transfer distributions are direct payments to an IRA or to another eligible retirement plan under Section 401 (a) (31) of the Code.

## **CHANGES IN OPERATION OF THE SEPARATE ACCOUNT**

The Company reserves the right, subject to compliance with applicable law, (1) to operate the Separate Account as a management investment company under the 1940 Act or in any other form permitted by law, (2) to deregister the Separate Account under the 1940 Act in accordance with the requirements of the 1940 Act, and (3) to substitute the shares of any other registered investment company for the Fund shares held by the Separate Account, in the event that Fund shares are unavailable for Separate Account investment, or if the Company shall determine that further investment in such fund shares is inappropriate in view of the purpose of the Separate Account. In no event will the changes described above be made without notice to contractowners in accordance with the 1940 Act.

The Company reserves the right, subject to compliance with applicable law, to change the name of the Separate Account.

## **LEGAL PROCEEDINGS**

There are no material legal proceedings pending to which the Company or the Separate Account is a party or of which property of either of them is subject.

## **LEGAL OPINION**

Legal matters relating to Federal securities laws applicable to the Contracts as well as all matters relating to Federal income tax laws have been passed upon by Susan N. Roth, and legal matters relating to the insurance laws of the State of Illinois have been passed upon by Michael J. Velotta.

**ALLSTATE ASSURANCE COMPANY SEPARATE ACCOUNT B  
VARIABLE ANNUITY CONTRACTS  
SOLD BY  
ALLSTATE ASSURANCE COMPANY  
NORTHBROOK, ILLINOIS 60062  
(847) 402-5000**

**STATEMENT OF ADDITIONAL INFORMATION**

**TO BE USED WITH MAY 2, 2005 PROSPECTUS**

**PART B**

This Statement of Additional Information should be used to supplement information provided by the May 2, 2005 Prospectus, which describes Variable Annuity Contracts (“Contracts”) offered by Allstate Assurance Company (“Company”).

This Statement of Additional Information is not a Prospectus. The Statement of Additional Information should be read with the Prospectus. The Prospectus sets forth information about the Contracts and Allstate Assurance Company Separate Account B (“Separate Account”) that an investor ought to know. The Prospectus may be obtained, without charge, upon written or oral request by calling Linda Daughetee at (800) 718-8824, or sending a written request to Allstate Assurance Company, c/o Susan Roth, UnumProvident Corporation, 1 Fountain Square, Chattanooga, Tennessee, 37402. Please refer to the Table of Contents for a cross-reference index to the Prospectus.

The date of this Statement of Additional Information is May 2, 2005.

The date of the Prospectus is May 2, 2005.

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**GENERAL INFORMATION AND HISTORY OF  
THE COMPANY AND THE  
SEPARATE ACCOUNT**

The Company serves as insurer and as investment adviser to the Separate Account. Allstate Assurance Company (“Company”) is a stock life insurance company currently organized under the laws of the State of Illinois. The Company was originally organized under the laws of the State of Iowa on June 28, 1967. In accordance with the provisions of the Iowa Insurance Code, the Separate Account was established by the Company on August 21, 1967.

On November 27, 1974, all of the outstanding shares of stock of the Company were purchased by Provident Life and Accident Insurance Company (“Provident”), Chattanooga, Tennessee. Provident was organized in 1887 under the laws of the State of Tennessee.

On September 29, 1978, the Company changed its domicile from Des Moines, Iowa, to Chattanooga, Tennessee, pursuant to Section 56-202(b) of the Tennessee Code Annotated. As a result of the redomestication, the Company became a Tennessee corporation. In early 1996, as the result of corporate restructuring, the Company became a direct wholly owned subsidiary of Provident Companies, Inc., whose stock is publicly held and traded on the New York Stock Exchange. On February 1, 2001, all of the outstanding shares of stock of the Company were purchased by Allstate Life Insurance Company (“Allstate”), an Illinois insurance company.

Allstate, itself and/or through its subsidiaries, markets a broad line of life insurance, annuity and group pension products through diverse distribution channels. As of December 31, 2004, Allstate and its subsidiaries had assets of \$149.7 billion. Allstate is a wholly owned subsidiary of Allstate Insurance Company which, in turn, is a wholly owned subsidiary of The Allstate Corporation. Allstate is an Illinois stock insurance company.

Under the provisions of Illinois law, the assets in the Separate Account are not chargeable with liabilities arising out of any other business the Company may conduct. The Separate Account, though an integral part of the Company, is registered as an open-end diversified management investment company under the Investment Company Act of 1940. Under Illinois law, regulation of the Company by the Insurance Commissioner of the State of Illinois includes regulation of the Separate Account. Registration with the Securities and Exchange Commission (“SEC”) does not involve supervision of management or investment practices or policies of the Separate Account or the Company by the SEC.

The Company is taxed as a life insurance company under Sub-Chapter L of the Internal Revenue Code. Although the operations of the Separate Account are accounted for separately from other operations of the Company for purposes of federal taxation, the Separate Account is not separately taxed as a regulated investment company or otherwise as a taxable entity separate from the Company. Under existing federal income tax laws, the income (consisting primarily of interest, dividends and net capital gains) of the Separate Account, to the extent that it is applied to increase reserves under variable annuity contracts, is not taxable to the Company.

The Rules and Regulations of the Separate Account provide for a three-member Board of Managers, members being elected at annual meetings for one-year terms. A majority of the Board of Managers will not be “interested persons” as defined in Section 2(a) of the 1940 Act.

Investment custodial services are provided through an agreement between the Company and Chase Manhattan Bank, N.A., 3 Chase MetroTech Center, 6<sup>th</sup> Floor, Brooklyn, New York, 11245. The Separate Account’s independent certified public accountant is Ernst & Young LLP, Republic Centre, Suite 1500, 633 Chestnut Street, Chattanooga, Tennessee, 37450.

A Registration Statement has been filed with the Securities and Exchange Commission (“SEC”) under the Securities Act of 1933, as amended, with respect to the contracts and the Separate Account discussed in the Prospectus. Not all of the information set forth in the Registration Statement, amendments and exhibits thereto has been included in the Prospectus. Statements contained in the Prospectus concerning the content of the contracts and legal instruments are only summaries. For a complete statement of the terms of these documents, reference should be made to the instruments filed with the SEC.

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The laws and regulations of the states in which the Company is licensed contain various requirements as to the amounts of stockholder's equity, which the Company is required to maintain. The Company's statutory capital and surplus of \$7,627 thousand and \$11,095 thousand as of December 31, 2004 and 2003 respectively, is in compliance with the requirements of all such states. The Company is subject to various state insurance regulatory restrictions that limit the maximum amounts of dividends available for payment without prior approval. Under current law, the Company cannot distribute any dividends without prior approval of the Illinois Department of Insurance. Statutory net income for 2004, 2003 and 2002 was \$513 thousand, \$489 thousand and \$232 thousand, respectively. On December 29, 2004, the Company paid a cash dividend distribution of \$1.5 million and a partial liquidation distribution of \$2.5 million to Allstate Life Insurance Company, its parent. On January 31, 2001, the Company paid a cash dividend of \$10,300,000 to UnumProvident Corporation, its parent at that time.

The public offering of Contracts of the Separate Account was discontinued on February 1, 1984. No further offering of the contracts of the Separate Account is made hereby.

### **INVESTMENT OBJECTIVES AND POLICIES**

The primary investment objective of the Separate Account is long-term capital growth. The assets of the Separate Account will usually be invested in a diversified portfolio of equities, which will be primarily common stocks, with such changes as may seem advisable, from time to time, to take into account changes in the outlook for particular industries or companies.

There may be times when management feels that conditions are such that continued investment in a portfolio made up primarily of common stocks does not appear to be the best method of seeking the objective of the Separate Account. At such times, a larger proportion of the assets may be invested in preferred stocks, corporate bonds or debentures (which may or may not be convertible into stocks), stock warrants or options (puts or calls), or real estate.

Periodically, and in limited amounts, the Separate Account may hold funds in the form of short-term obligations, such as U.S. Treasury Bills, bankers' acceptances, certificates of deposit and commercial paper. This permits a return on cash balances held prior to investments of these funds in securities.

As the Contracts are subject to the risks associated with common stock investments and changing economic conditions, there can be no assurance that the investment objective will be attained. Please refer to the Prospectus for a description of all fundamental and non-fundamental investment policies.

Fundamental investment policies may not be changed without the approval of a majority in interest of the owners of annuity Contracts to which variable accumulation units are credited. A majority in interest of the owners of variable annuity Contracts means the vote of (a) 67% or more of the vote of the Contractowners present and entitled to vote at the meeting, if Contractowners who hold with the power to vote over 50% of the variable accumulation units outstanding are present.

The Separate Account does not disclose its portfolio securities to any person, other than in public filings in which portfolio securities are required to be disclosed.

Changes in the Separate Account's investments are reviewed by the Board of Managers. The aggregate portfolio turnover rates for the years 2004, 2003 and 2002 were 5%, 3% and 1%.

MANAGEMENT

INFORMATION CONCERNING MEMBERS OF THE BOARD OF MANAGERS

(1) Name, Address and Age	(2) Position(s) Held with the Separate Account	(3) Term of Office and Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Separate Account Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee For Director
Henry E. Blaine (75) 1 Fountain Square Chattanooga, TN 37402	Member	2004-2005 27 years of service	B&B Enterprises, Partner; Consultant	1	None
H. Grant Law, Jr. (58) 1 Fountain Square Chattanooga, TN 37402	Member	2004-2005 13 years of service	President, Newton Chevrolet, Inc. and Newton GMC- Mitsubishi, Inc.	1	None

The member of the Board of Managers listed below is an “interested person” of the Separate Account within the meaning of Section 2(a)(19) of the Investment Company Act of 1940.

(1) Name, Address and Age	(2) Position(s) Held with the Separate Account	(3) Term of Office and Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Separate Account Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee For Director
David G. Fussell * (57) 1 Fountain Square Chattanooga, TN 37402	Chairman	2004-2005 10 years of service	SVP of UnumProvident Corporation	1	None

\* Officer of PRIMCO (the investment sub-advisor of the Separate Account) and other subsidiaries within the UnumProvident Corporation holding company system.

None of the members of the Board of Managers who are not “interested persons” of the Separate Account within the meaning of Section 2(a)(19) of the Investment Company Act of 1940 owns beneficially or of record securities of the Company or any of its affiliates.

## REMUNERATION OF THE BOARD OF MANAGERS

UnumProvident paid all expenses relative to the operation of the Separate Account including fees and expenses of the members of the Board of Managers as well as expenses for the audit of the Separate Account. Members of the Board of Managers who are also active or retired officers, directors or employees of the Company or the Investment Sub-Adviser do not receive any fees from the Separate Account. These members are deemed to be interested persons and receive direct remuneration or an indirect benefit as active or retired officers and/or stockholders of the Company. The total aggregate remuneration paid by the Separate Account to all members of the Board of Managers for the fiscal year ended December 31, 2004 was \$8,000. This amount represents consideration paid for attendance at meetings of the Board of Managers. Reimbursement for expenses incurred may also be made if and when applicable.

### COMPENSATION TABLE

(1) Name of Person, Position	(2) Aggregate Compensation From Registrant	(3) Pension or Retirement Benefits Accrued As Part of Fund Expenses	(4) Estimated Annual Benefits Upon Retirement	(5) Total Compensation From Registrant and Fund Complex Paid to Directors
David G. Fussell, Chairman	\$ 0	\$ 0	\$ 0	\$ 0
Henry E. Blaine, Member	\$ 4,000	\$ 0	\$ 0	\$ 4,000
H. Grant Law, Jr., Member	\$ 4,000	\$ 0	\$ 0	\$ 4,000

### DIRECTOR' S OWNERSHIP OF REGISTRANT' S SECURITIES

(1) Name of Director	(2) Dollar Range of Equity Securities in the Registrant	(3) Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Family of Investment Companies
David G. Fussell	None	None
Henry E. Blaine	None	None



## ELECTION OF THE BOARD OF MANAGERS

The Board of Managers of the Separate Account is elected annually by the owners of Contracts for which reserves are maintained in the Separate Account. Under the terms of the 1940 Act, the Separate Account must have a Board of Managers, not more than sixty-percent of the members of which are deemed to be “interested persons” of the Separate Account or its Investment Adviser/Principal Underwriter as defined in the 1940 Act. Two members of the Board of Managers whose terms continue, namely Mr. Blaine and Mr. Law, are not deemed to be “interested persons” as defined in the 1940 Act.

### Audit Committee of the Board of Managers

The Audit Committee is responsible for the following functions:

- a. Review the scope, plan, timing and results of the audit;
- b. Review with auditors and management the appropriateness and the implementation of applicable procedures for internal auditing, accounting and financial control; and
- c. Review of auditors’ opinion and discussion with auditors of their experiences in conducting the audit.

Members of the Audit Committee include Henry E. Blaine and H. Grant Law. The Audit Committee met twice during its last fiscal year (2004). The Board of Managers has not adopted a written charter for the Audit Committee. The Separate Account does not have nominating or compensation committees.

### Approval of the Investment Advisory Agreement by the Board of Managers

In determining to approve the most recent annual extension of the Investment Advisory Agreement and the Sub-Advisory Agreement (collectively, the “Investment Advisory Agreements”), the Board of Managers considered (1) the reasonableness of the compensation payable to the Company and PRIMCO under the Investment Advisory Agreements; (2) the performance records of the Company and PRIMCO; (3) the nature and quality of the services expected to be provided by the Company and PRIMCO with respect to the Separate Account; (4) the historical investment management reputation of the Company and PRIMCO, and the qualifications and experience of the investment management personnel of the Company and PRIMCO; and (5) the disciplinary history of the Company and PRIMCO.

### Code of Ethics

The Separate Account, the Company, PRIMCO, and ALFS, Inc. have each adopted a code of ethics pursuant to Rule 17j-1 under the Investment Company Act of 1940, as amended. These codes of ethics permit personnel subject to the codes to invest in securities, including securities that may be purchased or held by the Separate Account, subject to certain restrictions.

These codes of ethics can be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (212) 942-8090. The codes of ethics are also available on the EDGAR database on the SEC’s at <http://www.sec.gov>. Copies of the codes of ethics may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC’s Public Reference Section, Washington, D.C. 20549-0102.

## INVESTMENT ADVISORY AND OTHER SERVICES

### Investment Advisory Agreement

The Company currently serves as investment adviser to the Separate Account pursuant to an investment advisory agreement (“Investment Advisory Agreement”), which was approved by Contractowners on December 29, 2000. The Investment Advisory Agreement must be renewed each year by a majority of the Separate Account’s Board of Managers who are not parties to the agreement or interested persons of any such party.

Under the Investment Advisory Agreement, the Company provides “investment advisory services” to the Separate Account. In that connection, it is required specifically to provide the Board of Managers continuously with an investment program for its approval or rejection and, if rejected, to submit another program for consideration.

Pursuant to the Investment Advisory Agreement, the Company is responsible for all duties related to the investment, reinvestment and safekeeping of the assets of the Separate Account and for all expenses attributable to performing its investment advisory services, including costs, if any, of compensating officers and employees of the Company connected with providing investment advisory services to the Separate Account.

In connection with the Company’s obligations under the Investment Advisory Agreement, the Company bears the cost of all service and expenses attributable to the maintenance and operation of the Separate Account (other than costs relating to the administration and distribution of the variable annuity contracts which are provided for in the current Sales and Administration Agreement for the Separate Account). These costs include, among other things: fees paid to PRIMCO pursuant to the investment sub-advisory agreement between the Company and PRIMCO (“Investment Sub-Advisory Agreement”), as described below; fees required by federal and state securities regulatory authorities and the National Association of Securities Dealers, Inc., costs of maintaining the books and records of the Separate Account; determining the net asset value of the Separate Account, including salaries, rent, postage, telephone, travel, office equipment and stationery. All brokerage commissions and other fees relating to purchases and sales of investments for the Separate Account are paid out of the assets of the Separate Account.

For its advisory services to the Separate Account under the Investment Advisory Agreement, the Company charges an amount which equals, on an annual basis, 0.5% of the average daily net asset value of the Separate Account. This charge is paid semi-monthly by the Separate Account. At December 31, 2004, the net asset value for the Separate Account was \$15.09. For the fiscal years ended December 31, 2004, 2003 and 2002, the Company received fees under the agreement aggregating \$16,954, \$15,670, and \$18,672, respectively.

### Sales and Administrative Services Agreement

The Company also performs administrative functions pursuant to a Sales and Administrative Services Agreement between the Company and the Separate Account, dated August 21, 1967, and amended on February 21, 1979.

As a consequence of an Asset Transfer and Acquisition Agreement entered into by Provident Companies, Inc., et. al. and American General Corporation, et. al., dated as of December 8, 1997, the Variable Annuity Life Insurance company became the Administrator of the Separate Account pursuant to the Separate Account Administrative Services Agreement, dated May 15, 1998, between the Company and The Variable Annuity Life Insurance Company. The change in Administrator did not result in any changes in administrative and sales fee.

Under the Sales and Administrative Services Agreement, the Company performs administrative functions relative to variable annuity contracts, receiving as compensation the sales and administration charge deducted from purchase payments as described in the Prospectus. The total sales and administration charges received by the Company in 2004, 2003 and 2002 were \$0, \$664 and \$652, respectively.

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The Company also received \$23,736, \$21,939 and \$26,142, from the Separate Account during 2004, 2003 and 2002, respectively, as its charge for assuming the mortality and expense risks under its variable annuity contracts, this representing a charge on each valuation date of an amount which, on an annual basis, equals .70% of the average daily net asset value of the Separate Account as permitted under the Sales and Administrative Services Agreement. At the present time the Company believes there are no statutory or regulatory limitations on the expenses that may be deducted from the Separate Account, but the Company assures that all expense deductions, other than for taxes, will not exceed 2% annually based upon the average daily net asset value of the Separate Account.

### Investment Sub-Advisory Agreement

Under the Investment Advisory Agreement between the Separate Account and the Company, the Company is specifically authorized to employ one or more sub-advisors in connection with the services to be performed and obligations to be assumed by the Company. On December 22, 2000, the contractowners approved the Investment Sub-Advisory Agreement between the Company and PRIMCO, which became effective February 1, 2001. The Investment Sub-Advisory Agreement was substantially identical to the Sub-Advisory Agreement originally entered into by the Company and PRIMCO on June 25, 1998.

Under the Investment Sub-Advisory Agreement, PRIMCO, subject to the supervision of the Company and the Board of Managers of the Separate Account, is responsible for providing investment advisory services to the Company for the Separate Account in accordance with investment objectives and guidelines provided by the Company. In providing these services, PRIMCO is authorized to buy, sell, exchange, convert and otherwise trade in securities in the portfolio, and place orders for the execution of such transactions with or through such brokers, dealers, or issuers as it selects. PRIMCO provides the Company with a value of the portfolio on a daily basis. PRIMCO provides such reports to the Company and the Board of Managers as are reasonably required and attends meetings of the Board of Managers on a quarterly basis.

For providing such investment sub-advisory services, the Company pays PRIMCO compensation in the amount of .15% per annum, based on the average market value of the Separate Account as of the last business day of each calendar month in the quarter. The fee is payable quarterly by the Company.

PRIMCO is a Tennessee Limited Liability Company organized in October 1997. It is owned by UnumProvident Corporation. PRIMCO is registered with the SEC as an investment adviser. Its principal offices are located at 1 Fountain Square, Chattanooga, Tennessee 37402. Its predecessor was The Paul Revere Investment Management Company, with whom it was merged in 1997. The managers of PRIMCO are also officers of UnumProvident Corporation. The members of the Board of Governors of PRIMCO are officers of UnumProvident Corporation. The personnel employed by PRIMCO consist primarily of individuals who were previously employed in the investment operations of Provident Companies, Inc. or its insurance subsidiaries. Thus, the same personnel who has provided investment services to the company and to the Separate Account continue to do so, but they are employed by a different legal entity.

As well as providing investment management services to the Company, PRIMCO also provides investment management services to the Provident companies. As of December 31, 2004, PRIMCO had over \$35.9 billion in assets under management.

## **PROXY VOTING POLICIES AND PROCEDURES**

The Separate Account has delegated the authority to vote proxies to the Company and has authorized the Company to delegate proxy voting authority to PRIMCO. PRIMCO's Proxy Voting Policy and Procedures are attached to this Statement of Additional Information as Appendix A (the "Proxy Voting Policy").

Information regarding how the Separate Account voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling collect (423) 294-8913 and on the U.S. Securities and Exchange Commission's website at <http://www.sec.gov>.

## **CUSTODIAN**

Investment custodial services are provided through an agreement between the Company and JPMorgan Chase Bank's responsibilities include safeguarding and controlling the Separate Account's cash and securities, handling the receipt and delivery of securities, and collecting interest and dividends on the Separate Account's investments.

## **INDEPENDENT PUBLIC ACCOUNTANTS**

The Separate Account's independent certified public accountant is Ernst & Young LLP, Republic Centre, Suite 1500, 633 Chestnut Street, Chattanooga, Tennessee, 37450. Ernst & Young conducts annual audits of the Separate Account's financial statements.

## **OWNERSHIP AND CONTROL**

As of December 31, 2004, the members of the Board of Managers of the Separate Account and the directors and principal officers of the Company as a group, through their ownership of individual variable annuity contracts, owned beneficially and of record no units.

## **EXPERTS**

The financial statements of Allstate Assurance Company Separate Account B for each of the two years ended December 31, 2004 and 2003 included in this Statement of Additional Information have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing herein, and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The statutory-basis financial statements of Allstate Assurance Company as of December 31, 2004 and 2003 and for each of the two years in the period ended December 31, 2004 included in this Statement of Additional Information have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion on such statutory-basis financial statements; includes an explanatory paragraph that indicates that the financial statements were prepared in accordance with accounting practices prescribed or permitted by the Illinois Insurance Department, which differ from and are not in accordance with accounting principles generally accepted in the United States of America; and expresses an opinion that the financial statements are not fairly presented in conformity with accounting principles generally accepted in the United States of America), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## **PORTFOLIO MANAGERS**

The portfolio managers for the Separate Account are Michael J. Updegraff and Ben S. Miller. Mr. Updegraff's title is Senior Investment Officer and he has nineteen years of service. For the last five years, Mr. Updegraff has been involved as a credit analyst for the High Yield and Investment Grade bond portfolios in various industry sectors. Mr. Miller's title is Vice President-Head of Research & Below Investment Grade Securities. He has eighteen years of service. For the last five years, Mr. Miller has managed High Yield portfolios.

The compensation structure for portfolio managers includes base, bonus and long-term incentive (for officers of the Company). The base salary range for the job is determined by using market data for jobs with similar job functions. Actual pay within the range is determined based upon individual knowledge, skills, abilities and reviews of each manager's job performance.

The bonus plan for investment professionals creates a "pool" based on net investment income and other factors. Each participant has goals related to fulfilling various job responsibilities including managing the Separate Account in accordance with investment guidelines and their performance is measured based on the achievement of those goals as well as their contribution to the overall pool.

The long-term incentive for officers is based on market data for comparable jobs as well as corporate achievement against goals. Each participant's actual grant is based on their individual performance.

## BROKERAGE ALLOCATION

PRIMCO, as a sub-adviser to the Company, selects the securities for purchase and sale by the Separate Account. Changes in the Separate Account's investments are reviewed by the Board of Managers.

The Company has no set formula for the distribution of brokerage business in connection with the placing of orders for the purchase and sale of investments. The primary consideration in placing portfolio security transactions with broker/dealers is execution at the most favorable prices and in the most effective manner possible.

PRIMCO attempts to achieve this result by selecting broker/dealers to execute portfolio transactions on behalf of the Separate Account and its other clients on the basis of their professional capability, the value and quality of the brokerage services and the level of their brokerage commissions. In the case of securities traded in the over-the-counter market (where no stated commissions are paid but prices include a dealer's markup or markdown), PRIMCO normally seeks to deal directly with the primary market makers unless, in its opinion, best execution is available elsewhere. In the case of such securities purchased from underwriters, the cost of such securities generally includes a fixed underwriting commission or concession. From time-to-time soliciting dealer fees may be available to PRIMCO on the tender of Separate Account portfolio securities in so-called "Tender or Exchange Offers." Such soliciting dealer fees will be, in effect, recaptured for the Separate Account by PRIMCO to the extent possible. At present, no other recapture agreements are in effect. Brokerage business is not allocated based on the sale of variable annuity contracts.

Under the Investment Sub-Advisory Agreement and as permitted by Section 28(e) of the Securities Exchange Act of 1934, PRIMCO may cause the Separate Account to pay a broker /dealer who provides brokerage and research services to the Separate Account and to PRIMCO, an amount of commission for effecting a securities transaction for the Separate Account in excess of the amount other broker/dealers would have charged for the transaction. PRIMCO may do this if it determines in good faith that the greater commission is reasonable in relation to the value of the brokerage research services provided by the executing broker/dealer viewed in terms of either a particular transaction or PRIMCO's overall responsibility to the Separate Account or to its other clients. Not all such service are useful or of value in advising the Separate Account.

The term "broker and research services" includes advice as to the value of the securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or of purchasers or sellers of securities. It also includes furnishing analysis reports and reports concerning issues, industries, securities, economic factors, trends, portfolio strategies, performance of accounts, as well as effecting securities transactions and performing functions incidental thereto such as clearance and settlement.

Although commissions paid on every transaction will, in the judgment of PRIMCO, be reasonable in relation to the value of the brokerage services provided, commissions exceeding those which another broker/dealer might charge may be paid to broker/dealers who were selected to execute transactions on behalf of the Separate Account and PRIMCO's other clients. This could occur, in part, when a broker/dealer provides advice as to the availability of securities or purchasers or sellers of securities and services in effecting securities transactions and performing functions incidental thereto such as clearance and settlement.

Broker/dealers may be willing to furnish statistical research and other factual information or services ("research") to PRIMCO for no consideration other than brokerage and underwriting commissions. Securities may be bought or sold through such broker/dealers but, at present, unless otherwise directed by the Separate Account, a commission higher than one charged will not be paid to such a firm solely because it provided such "research" to PRIMCO.

PRIMCO's investment management personnel attempt to evaluate the quality of "research" provided by brokers. Results of this effort are sometimes used by PRIMCO as a consideration in selection of brokers to execute portfolio transactions. However, PRIMCO is unable to quantify the amount of commission which was paid as a result of such "research" because a substantial number of transactions were affected through brokers who provide "research" but were selected principally because of their execution capabilities.



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In certain instances, there may be securities which are suitable for the Separate Account's portfolio as well as that of one or more of the other clients of PRIMCO. Investment decisions for the Separate Account and for PRIMCO's other clients are made with a view to achieving their respective investment objectives. It may develop that a particular security is bought or sold for only one client even though it might be held by or bought or sold for other clients. Likewise, a particular security may be bought for one or more clients when one or more other clients are selling that same security. Some simultaneous transactions are unavoidable because several clients have similar investment objectives. When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed to be equitable to each. It is recognized in some cases this system could have a detrimental effect on the price or volume of the securities as far as the Separate Account is concerned. In other cases, it is believed that the Separate Account's ability to participate in volume transactions will produce better transaction results for the Separate Account.

Brokerage commissions paid in the years ended December 31, 2004, 2003 and 2002 amounted to \$2,077, \$654, and \$1,415, respectively. Brokerage commissions were paid to 2 brokers in 2004. No brokerage commission was paid to any broker who was or is an affiliated person of the Company, the Separate Account or PRIMCO.

### **UNDERWRITERS**

Until March 2002, the Company served as the underwriter for the Separate Account. As approved by the Board of Managers on February 7, 2002, the Underwriting Agreement between the Company and the Separate Account was terminated and an Underwriting Agreement between the Separate Account and ALFS, Inc., an affiliated broker-dealer of the Company, was entered into effective as of March 30, 2002. Both ALFS, Inc. and the Company are wholly owned subsidiaries of Allstate Life Insurance Company. Contracts are no longer being offered or sold to the public.

APPENDIX A

**Provident Investment Management, LLC**  
**Proxy Voting Policy and Procedures**

**November 30, 2004**

Under Rule 206(4)-6 of the Investment Advisers Act of 1940, any adviser that exercises voting authority with respect to client securities must adopt proxy voting policies and procedures. Provident Investment Management LLC (the “Firm”) exercises proxy voting authority for advised or sub-advised client accounts, including registered investment companies. In addition, the Firm provides proxy voting recommendations to affiliate agency accounts. The Firm has adopted the following Proxy Voting Policy and Procedures to ensure that client proxies are voted in the best interest of the clients’ accounts and are not affected by any material conflicts of interest within the Firm.

With respect to securities held in client accounts, the Firm shall vote in the best interest of clients without regard to the Firm’ s interest. Generally, the Firm will support company managements which, in its opinion, have the intent and ability to maximize shareholder wealth over the long-term. Long-term shareholder value need not be sacrificed in favor of short-term gains. Proposals that diminish the rights of shareholders or diminish management or board accountability to the shareholders will typically be opposed. However, reasonable measures that provide the board or management with flexibility for negotiation during unsolicited takeover attempts might be supported provided that such measures do not deter every potential acquisition. Likewise, compensation plans that appear excessive relative to comparable companies’ compensation packages and/or appear unreasonable in light of the performance of the issuer will typically be opposed. Matters involving social issues or corporate responsibility will be evaluated principally based on their likely impact on the economic value of the issuer. On occasion, votes may be withheld for certain directors to show our disfavor with a company’ s chief executive or particular directors. See “Pre-Determined Proxy Voting Policy”.

The Firm has adopted a variety of methods to ensure that proxy votes are not affected by conflicts of interest. In cases where the Firm votes securities in accordance with its pre-determined policy, the vote is insulated from potential conflicts of interest that the Firm may have. Only in those instances when the Firm determines that it is in the best interest of clients to vote securities contrary to its pre-determined policy, does the potential for a conflict arise.

Conflicts of interest may arise when the Firm or an affiliate has a relationship with an issuer (e.g, a routine relationship such as a checking account) whether the Firm has knowledge of the relationship or not. For purposes of the policy, a “material conflict of interest” is defined as a non-routine relationship between the issuer of a security and the Firm or an affiliate of which the Firm has actual knowledge that may affect the Firm’ s judgment in voting securities in the best interest of client accounts. Material conflicts may arise when the Firm or an affiliate serves as investment advisor or fiduciary for the issuer or when an affiliate has a significant relationship with the issuer.

In instances where the Firm has determined that it is not in the best interest of their clients to follow the pre-determined policy, the Senior Vice President - Investments must approve any recommendations for votes. In the event that the Firm determines that there is a material conflict of interest with respect to the proxy vote, the conflict of interest and the Firm’ s recommendation must be disclosed to the client and consent or direction must be obtained from the client. All votes in which the Firm has chosen to override the pre-determined policy will be reviewed on a quarterly basis by the President of the Firm or the Board of Managers for Allstate Assurance Company Separate Account B. The Proxy Voting Coordinator is responsible for maintaining the documentation regarding any vote recommendations or vote overrides.

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AUDITED FINANCIAL STATEMENTS

Allstate Assurance Company Separate Account B Years Ended December 31, 2004 and 2003

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*Allstate Assurance Company Separate Account B*  
*Audited Financial Statements*

*December 31, 2004*

<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	1
<a href="#"><u>Statements of Assets and Liabilities</u></a>	2
<a href="#"><u>Statements of Operations</u></a>	3
<a href="#"><u>Statements of Changes in Variable Annuity Contract Owners' Equity</u></a>	4
<a href="#"><u>Schedule of Investments</u></a>	5
<a href="#"><u>Supplementary Information</u></a>	8
<a href="#"><u>Notes to Financial Statements</u></a>	10
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Managers and Contract Owners  
Allstate Assurance Company  
Separate Account B

We have audited the accompanying statements of assets and liabilities of Allstate Assurance Company Separate Account B (the Fund), as of December 31, 2004 and 2003, including the schedule of investments as of December 31, 2004, and the related statements of operations and changes in contract owners' equity for each of the three years in the period ended December 31, 2004, and the supplementary information for each of the ten years in the period then ended. These financial statements and supplementary information are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and supplementary information based on our audits.

We conducted our audits 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 and supplementary information are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplementary information, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2004 and 2003, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and supplementary information referred to above present fairly, in all material respects, the financial position of Allstate Assurance Company Separate Account B at December 31, 2004 and 2003, the results of its operations and the changes in contract owners' equity for each of the three years in the period ended December 31, 2004, and the supplementary information for each of the ten years in the period then ended, in conformity with accounting principles generally accepted in the United States.

/s/Ernst & Young LLP

Chattanooga, Tennessee  
February 9, 2005

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**STATEMENTS OF ASSETS AND LIABILITIES**

**Allstate Assurance Company Separate Account B**

	December 31	
	2004	2003
<b>ASSETS</b>		
Common stocks—at market value (Cost: 2004 – \$2,169,964; 2003 – \$2,742,119)	\$3,365,505	\$3,580,256
Cash	17,314	9,129
Accrued dividends and interest	2,581	3,302
<b>TOTAL ASSETS</b>	<b>\$3,385,400</b>	<b>\$3,592,687</b>
<b>LIABILITIES AND CONTRACT OWNERS' EQUITY</b>		
Amounts payable for terminations and variable annuity benefits	\$19,858	\$18,964
Management fee and other amounts due Allstate Assurance Company	3,392	3,774
<b>TOTAL LIABILITIES</b>	<b>23,250</b>	<b>22,738</b>
Contract owners' equity:		
Deferred annuity contracts terminable by owners—(accumulation units outstanding: 2004 – 179,113.695; 2003 – 205,266.468; unit value: 2004 – \$15.094382; 2003 – \$13.879698)	2,703,611	2,849,037
Annuity contracts in pay-out period	658,539	720,912

**TOTAL CONTRACT OWNERS' EQUITY**

\$3,362,150    \$3,569,949

See accompanying notes to financial statements.

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**STATEMENTS OF OPERATIONS**

**Allstate Assurance Company Separate Account B**

	Year Ended December 31		
	2004	2003	2002
<b>INVESTMENT INCOME (LOSS)</b>			
Income:			
Dividends	\$53,494	\$29,924	\$30,475
Interest	–	–	1,712
	53,494	29,924	32,187
Expenses – Note C:			
Investment advisory services	16,954	15,670	18,672
Mortality and expense assurances	23,736	21,939	26,142
	40,690	37,609	44,814
<b>NET INVESTMENT INCOME (LOSS)</b>	12,804	(7,685 )	(12,627 )
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS–NOTE A</b>			
Net realized gain (loss) from investment transactions (excluding short-term securities):			
Proceeds from sales	660,621	329,928	565,130

Cost of investments sold	752,752	402,536	854,163
Net realized loss	(92,131 )	(72,608 )	(289,033 )
Net unrealized appreciation (depreciation) of investments:			
At end of year	1,195,541	838,137	(228,157 )
At beginning of year	838,137	(228,157 )	1,036,762
Increase (decrease) in net unrealized appreciation of investments	357,404	1,066,294	(1,264,919)
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	265,273	993,686	(1,553,952)
<b>INCREASE (DECREASE) IN CONTRACT OWNERS' EQUITY FROM INVESTMENT ACTIVITIES</b>	\$278,077	\$986,001	\$(1,566,579)
Ratio of expenses to total investment income	76.06 %	125.68 %	139.23 %

See accompanying notes to financial statements.

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**STATEMENTS OF CHANGES IN VARIABLE ANNUITY CONTRACT OWNERS' EQUITY**

**Allstate Assurance Company Separate Account B**

	Year Ended December 31		
	2004	2003	2002
<b>BALANCE AT BEGINNING OF YEAR</b>	\$3,569,949	\$2,832,679	\$4,976,436
<b>FROM INVESTMENT ACTIVITIES:</b>			
Net investment income (loss)	12,804	(7,685 )	(12,627 )
Net realized loss on investments	(92,131 )	(72,608 )	(289,033 )
Increase (decrease) in net unrealized appreciation of investments	357,404	1,066,294	(1,264,919)
Increase (decrease) in contract owners' equity from investment activities	278,077	986,001	(1,566,579)
<b>FROM VARIABLE ANNUITY CONTRACT TRANSACTIONS:</b>			
Net contract purchase payments (Units purchased):			
2004 – 0;			
2003 – 0;			
2002 – 34.986;	–	–	468
Terminations and death benefits (Units terminated):			
2004 – 26,149.761;	(368,887 )	(77,393 )	(336,045 )

2003 – 4,021.295;

2002 – 27,359.250;

Variable annuity benefits paid (Number of units):

2004 – 8,311.967;

(116,989 ) (171,338 ) (241,601 )

2003 – 5,327.145;

2002 – 19,980.281;

Decrease in contract owners' equity from variable annuity contract transactions

(485,876 ) (248,731 ) (577,178 )

**NET INCREASE (DECREASE) IN CONTRACT OWNERS' EQUITY**

(207,799 ) 737,270 (2,143,757)

**BALANCE AT END OF YEAR**

\$3,362,150 \$3,569,949 \$2,832,679

See accompanying notes to financial statements.

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**SCHEDULE OF INVESTMENTS**

*Allstate Assurance Company Separate Account B*

*December 31, 2004*

	<u>Number of Shares</u>	<u>Market Value</u>
<b>COMMON STOCKS</b>		
<b>CAPITAL GOODS (19.9%)</b>		
Allied Waste Industries, Inc. *	6,000	\$55,680
Corning, Inc. *	3,000	35,310
Emerson Electric Company	800	56,080
General Electric Company	3,400	124,100
International Paper Company	1,600	67,200
Textron, Inc.	1,500	110,700
Tyco International, Ltd.	4,100	146,534
Waste Management, Inc.	2,500	74,850
		<u>670,454</u>
<b>CONSUMER GOODS (18.0%)</b>		
Lear Corporation	1,700	103,717
Lowe' s Companies, Inc.	2,300	132,457

Masco Corporation	3,000	109,590
Newell Rubbermaid, Inc.	2,500	60,475
Office Depot, Inc. *	4,600	79,856
PepsiCo, Inc.	1,300	67,860
Staples, Inc. *	1,500	50,565
		604,520

#### CONSUMER SERVICES (9.3%)

Comcast Corporation, Class A *	3,600	118,224
Time Warner, Inc. *	4,000	77,760
Viacom, Inc. Class B	900	32,751
Wal-Mart Stores, Inc.	1,600	84,512
		313,247

#### ENERGY (7.5%)

Grant Prideco, Inc. *	3,000	60,150
Schlumberger, Ltd.	1,000	66,950
Weatherford International, Inc. *	2,400	123,120
		250,220

See accompanying notes to financial statements.

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*SCHEDULE OF INVESTMENTS - Continued*

*Allstate Assurance Company Separate Account B*

*December 31, 2004*

	<u>Number of Shares</u>	<u>Market Value</u>
<b>COMMON STOCKS - Continued</b>		
<b>FINANCIAL (18.5%)</b>		
Affiliated Managers Group, Inc. *	2,000	\$135,480
American Express Company	2,700	152,199
American International Group, Inc.	500	32,835
Bank of America Corporation	2,000	93,980
Citigroup, Inc.	1,500	72,270
J.P. Morgan Chase and Co.	2,050	79,971
Morgan Stanley	1,000	55,520
		<u>622,255</u>
<b>HEALTH CARE (3.3%)</b>		
Eli Lilly and Company	500	28,375
Johnson & Johnson	764	48,453
Medtronic, Inc.	700	34,769

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111,597

**TECHNOLOGY - HARDWARE (5.7%)**

Cisco Systems, Inc. *	5,500	106,150
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Freescale Semiconductor, Inc. Class B *	276	5,067
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Intel Corporation	3,400	79,526
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**TECHNOLOGY - SOFTWARE & SERVICES (12.3%)**

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190,743

First Data Corporation	2,000	85,080
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Microsoft Corporation	4,200	112,182
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Oracle Corporation *	4,800	65,856
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Yahoo!, Inc. *	4,000	150,720
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413,838

See accompanying notes to financial statements.

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*SCHEDULE OF INVESTMENTS - Continued*

*Allstate Assurance Company Separate Account B*

*December 31, 2004*

	<u>Number of Shares</u>	<u>Market Value</u>
<b>COMMON STOCKS - Continued</b>		
<b>TELECOMMUNICATIONS (5.6%)</b>		
Motorola, Inc.	2,500	\$43,000
Sanmina-SCI Corporation *	7,496	63,491
Vodafone Airtouch, PLC - ADR	3,000	82,140
		188,631
<b>TOTAL COMMON STOCK (100.1%)</b>		3,365,505
<b>TOTAL INVESTMENTS (100.1%)</b>		3,365,505
<b>CASH AND RECEIVABLES LESS LIABILITIES (-0.1%)</b>		(3,355 )
<b>TOTAL CONTRACT OWNERS' EQUITY (100.0%)</b>		\$3,362,150

\* Non-income producing security  
ADR - American Depository Receipt

See accompanying notes to financial statements.

[Table of Contents](#)**SUPPLEMENTARY INFORMATION****Allstate Assurance Company Separate Account B**

Selected data for an accumulation unit outstanding (including both deferred annuity contracts terminable by owners and annuity contracts in pay-out period) throughout each period excluding sales loads:

	Year Ended December 31					
	2004	2003	2002	2001	2000	1999
Investment income	\$0.23	\$0.11	\$0.11	\$0.11	\$0.12	\$0.12
Expenses	0.18	0.14	0.15	0.19	0.22	0.20
Net investment income (loss)	0.05	(0.03 )	(0.04 )	(0.08 )	(0.10 )	(0.08 )
Net realized and unrealized gain (loss) on investments	1.16	3.72	(5.07 )	(1.28 )	(2.42 )	4.07
Net increase (decrease) in contract owners' equity	1.21	3.69	(5.11 )	(1.36 )	(2.52 )	3.99
Net contract owners' equity:						
Beginning of year	13.88	10.19	15.30	16.66	19.18	15.19
End of year	\$15.09	\$13.88	\$10.19	\$15.30	\$16.66	\$19.18
Ratio of expenses to average contract owners' equity	1.20 %	1.21 %	1.19 %	1.21 %	1.20 %	1.22 %
Ratio of net investment loss to average contract owners' equity	(0.38 )%	(0.25 )%	(0.34 )%	(0.51 )%	(0.55 )%	(0.51 )%

Portfolio turnover

5 % 0 % 1 % 12 % 1 % 14 %

Number of deferred annuity contracts terminable  
by owners accumulation units outstanding at  
end of year

179,114 205,266 211,880 238,382 361,853 609,502

See accompanying notes to financial statements.

[Table of Contents](#)**SUPPLEMENTARY INFORMATION - Continued****Allstate Assurance Company Separate Account B**

Selected data for an accumulation unit outstanding (including both deferred annuity contracts terminable by owners and annuity contracts in pay-out period) throughout each period excluding sales loads:

	Year Ended December 31				
	1998	1997	1996	1995	1994
Investment income	\$0.10	\$0.10	\$0.11	\$0.13	\$0.15
Expenses	0.14	0.12	0.09	0.07	0.07
Net investment income (loss)	(0.04 )	(0.02 )	0.02	0.06	0.08
Net realized and unrealized gain (loss) on investments	3.85	2.96	1.51	1.44	(0.32 )
Net increase (decrease) in contract owners' equity	3.81	2.94	1.53	1.50	(0.24 )
Net contract owners' equity:					
Beginning of year	11.38	8.44	6.91	5.41	5.65
End of year	\$15.19	\$11.38	\$8.44	\$6.91	\$5.41
Ratio of expenses to average contract owners' equity	1.07 %	1.16 %	1.20 %	1.21 %	1.21 %
Ratio of net investment income (loss) to average contract owners' equity	(0.30 )%	(0.16 )%	0.30 %	0.89 %	1.72 %

Portfolio turnover	11	%	25	%	28	%	101	%	70	%
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Number of deferred annuity contracts terminable by owners accumulation units outstanding at end of year	1,043,607	1,310,831	1,538,926	1,767,394	2,097,793
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See accompanying notes to financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

**Allstate Assurance Company Separate Account B**

**December 31, 2004**

**NOTE A—INVESTMENTS AND ACCOUNTING POLICIES**

Separate Account B is a segregated investment account of Allstate Assurance Company (formerly Provident National Assurance Company) and is registered under the Investment Company Act of 1940, as amended, as an open-end diversified management investment company. Certain administrative services of Separate Account B are provided by The Variable Annuity Life Insurance Company (“VALIC”) under a contract dated May 15, 1998. These services include processing of unit transactions and daily unit value calculations subsequent to December 1, 1998 as well as accounting and other services. On February 1, 2001 UnumProvident Corporation sold the Provident National Assurance Company corporate shell, including the Separate Account B assets and liabilities, to Allstate Life Insurance Company. This transaction had no impact on the contract owners of Separate Account B.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in those statements and accompanying notes. Actual results may differ from such estimates.

Common stocks are valued at published market quotations which represent the closing sales price for securities traded on a national stock exchange or the mean between the quoted bid and asked prices for those traded over-the-counter.

Realized and unrealized gains and losses are credited to, or charged to, contract owners' equity. The identified cost basis has been used in determining realized gains and losses on sales of investments. There were gross unrealized gains of \$1,394,033 and gross unrealized losses of \$198,492 at December 31, 2004. Security transactions are recorded on the day after the securities are purchased or sold. Dividends are taken into income on an accrual basis as of the ex-dividend date.

A summary of the cost of investments purchased and proceeds from investments sold for the three years ended December 31, 2004 is shown below.

	Year Ended December 31		
	2004	2003	2002
Cost of investments purchased	\$180,597	\$-	\$40,931
Proceeds from investments sold	\$660,622	\$329,928	\$565,130

The aggregate cost of investments for federal income tax purposes is the same as that presented in the Statements of Assets and Liabilities.

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*NOTES TO FINANCIAL STATEMENTS - Continued*

*Allstate Assurance Company Separate Account B*

*December 31, 2004*

**NOTE B—FEDERAL INCOME TAXES**

Operations of Separate Account B will form a part of the income tax return of Allstate Assurance Company, which is taxed as a “life insurance company” under the Internal Revenue Code.

Under current law, no federal income taxes are payable with respect to Separate Account B.

**NOTE C—EXPENSES**

Deductions are made by Allstate Assurance Company at the end of each valuation period for investment advisory services and for mortality and expense assurances, which on an annual basis are approximately .50% and .70%, respectively, of the net assets of Separate Account B.

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*ACCUMULATION UNIT VALUE TABLE*

*Allstate Assurance Company Separate Account B*

<u>End of Month</u>	<u>Accumulation Unit Value</u>
December 1968	1.036279
December 1969	1.080379
December 1970	1.030039
December 1971	1.178612
December 1972	1.403795
December 1973	1.126624
December 1974	0.863269
December 1975	1.022844
December 1976	1.156853
December 1977	1.064425
December 1978	1.094150
December 1979	1.219189
December 1980	1.555258
December 1981	1.473246
December 1982	1.812441

December 1983	2.132092
December 1984	2.029912
December 1985	2.480050
December 1986	2.743444
December 1987	2.734169
December 1988	3.087892
December 1989	3.812606
December 1990	3.736441
December 1991	5.036212
December 1992	5.028547
December 1993	5.646864
December 1994	5.410722
March 1995	5.656995
June	6.194660
September	6.505252
December	6.908158
March 1996	7.309625

June	7.593667
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September	7.851947
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December	8.435567
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March 1997	8.468896
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June	10.238554
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September	11.146167
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December	11.384926
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March 1998	12.975484
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June	13.465013
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September	11.758633
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December	15.192155
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March 1999	15.889579
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June	17.218781
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September	15.844714
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December	19.180992
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March 2000	19.749348
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June	19.048870
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September	17.707495
December	16.659801
March 2001	14.835643
June	16.233254
September	13.226137
December	15.297123
March 2002	14.625826
June	12.053638
September	9.364676
December	10.188983
March 2003	9.728625
June	11.721042
September	12.329500
December	13.879698
January 2004	14.342099
February	14.346252
March	14.120048

April	13.722748
May	13.977814
June	14.422906
July	13.704553
August	13.498754
September	13.795096
October	14.122112
November	14.655888
December	15.094382

Initial contributions to Separate Account B were received on February 1, 1968, prior to which time the unit value was set at 1.000000

The above indicates the accumulation unit value on the last valuation day of each year from December 1968 through December 1994, on the last valuation day of each quarter from March 1995 through December 2003, and on the last valuation day of each month beginning January 2004. The results shown should not be considered as a representation of the results which may be realized in the future.

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**ALLSTATE ASSURANCE COMPANY**

**Statutory-basis Financial Statements as of and for the Years Ended December 31, 2004 and 2003, and Independent Auditors' Report**

ALLSTATE ASSURANCE COMPANY

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Allstate Assurance Company

We have audited the accompanying Statutory-basis Statements of Financial Position of Allstate Assurance Company (the "Company") (an affiliate of The Allstate Corporation) as of December 31, 2004 and 2003, and the related Statutory-basis Statements of Operations, Changes in Capital and Surplus, and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 2 to the statutory-basis financial statements, the Company has prepared these financial statements using accounting practices prescribed or permitted by the Illinois Division of Insurance, and such practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2004 or 2003, or the results of its operations and its cash flows for the years then ended.

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
April 18, 2005

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ALLSTATE ASSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003

(in thousands, except par value and share data)

	2004	2003
<b>ADMITTED ASSETS</b>		
Bonds (NAIC fair value: \$8,037 and \$10,765)	\$7,301	\$9,799
Common stocks (cost: \$5 and \$323)	5	323
Cash, cash equivalents and short-term investments	490	790
Subtotals, cash and invested assets	7,796	10,912
Investment income due and accrued	87	130
Net deferred tax asset	115	115
Other assets	15	7
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	3,385	3,593
Total	\$11,398	\$14,757
<b>LIABILITIES</b>		
Interest maintenance reserve	\$221	\$-
General expenses due or accrued	-	13

Current federal and foreign income taxes	140	30
Asset valuation reserve	3	22
Payable to parent, subsidiaries and affiliates	22	4
From Separate Accounts Statement	3,385	3,593
<b>Total liabilities</b>	<b>3,771</b>	<b>3,662</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 9)</b>		
<b>CAPITAL AND SURPLUS</b>		
Common capital stock (\$3 par value, 1,000,000 shares authorized, issued and outstanding)	3,000	3,000
Gross paid in and contributed surplus	4,374	6,889
Unassigned funds (surplus)	253	1,206
<b>Total capital and surplus</b>	<b>7,627</b>	<b>11,095</b>
<b>Total liabilities, capital and surplus</b>	<b>\$11,398</b>	<b>\$14,757</b>

See notes to statutory-basis financial statements.

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ALLSTATE ASSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

(in thousands)

	2004	2003
Net investment income	\$546	\$542
Amortization of interest maintenance reserve	3	-
Commissions and expense allowances on reinsurance ceded	11	8
Other income	12	11
Total revenues	572	561
Other (income) expenses	(26)	21
Total (income) expenses	(26)	21
Net gain from operations after dividends to policyholders but before federal income taxes	598	540
Federal and foreign income taxes incurred (excluding tax on capital gains)	85	51
Net income	\$513	\$489

See notes to statutory-basis financial statements.

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ALLSTATE ASSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

(in thousands)

	2004	2003
Capital and surplus, December 31, prior year	\$11,095	\$10,617
Net income	513	489
Change in net deferred income tax	(109 )	-
Change in nonadmitted assets and related items	109	9
Change in asset valuation reserve	19	(20 )
Paid in surplus adjustment - partial liquidation distribution	(2,515)	-
Dividends to stockholders	(1,485)	-
Capital and surplus, December 31, current year	\$7,627	\$11,095

See notes to statutory-basis financial statements.

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ALLSTATE ASSURANCE COMPANY

STATUTORY-BASIS STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

(in thousands)

	2004	2003
<b>Cash from operations:</b>		
Net investment income	\$660	\$596
Miscellaneous income	15	16
<b>Total</b>	<b>675</b>	<b>612</b>
Commissions, expenses paid and aggregate write-ins for deductions	13	(22 )
Federal and foreign income taxes paid	(95 )	(10 )
<b>Total</b>	<b>(82 )</b>	<b>(32 )</b>
<b>Net cash from operations</b>	<b>593</b>	<b>580</b>
<b>Cash from investments:</b>		
Proceeds from investments sold, matured or repaid	3,350	1
Cost of investments acquired (long-term only)	(262 )	(840 )
<b>Net cash from investments</b>	<b>3,088</b>	<b>(839 )</b>

**Cash from financing and miscellaneous sources:**

Capital and paid in surplus, less treasury stock	(2,515)	–
Dividends to stockholders	(1,485)	–
Other cash provided (applied)	19	(10 )
Net cash from financing and miscellaneous sources	(3,981)	(10 )

**Reconciliation of cash and short-term investments:**

Net change in cash and short-term investments	(300 )	(269 )
Cash and short-term investments, beginning of year	790	1,059
Cash and short-term investments, end of period	\$490	\$790

See notes to statutory-basis financial statements.

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### ALLSTATE ASSURANCE COMPANY

#### NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

##### 1. General

###### **Nature of operations**

Allstate Assurance Company (the "Company") is a wholly owned subsidiary of Allstate Life Insurance Company ("ALIC"), an insurance company domiciled in the state of Illinois. ALIC is wholly owned by Allstate Insurance Company ("AIC"), a wholly owned subsidiary of The Allstate Corporation (the "Corporation").

The Company is licensed to conduct business in all 50 states and the District of Columbia. In 2004, annuity premiums represented 100% of the Company's total direct statutory premiums and annuity considerations. The two states contributing the largest portion of the Company's statutory premiums and annuity considerations were New York and Tennessee. Paul Revere Life Insurance Company and American General Life Insurance Company serve as third party administrators.

The Company has closed blocks of deferred and immediate fixed annuity business, and a closed variable annuity product, the assets and liabilities of which are held in Separate Account B. The Company reinsures 100% of its business with unaffiliated reinsurers, which is further explained in Note 2.

The Company monitors economic and regulatory developments that have the potential to impact its business. The ability of banks to affiliate with insurers may have a material adverse effect on all of the Company's product lines by substantially increasing the number, size and financial strength of potential competitors. Furthermore, federal and state laws and regulations affect the taxation of insurance companies and life insurance and annuity products. Congress and various state legislatures have considered proposals that, if enacted, could impose a greater tax burden on the Company or could have an adverse impact on the tax treatment of some insurance products offered by the Company, including favorable policyholder tax treatment currently applicable to life insurance and annuities. Legislation that reduced the federal income tax rates applicable to certain dividends and capital gains realized by individuals, or other proposals, if adopted, that reduce the taxation, or permit the establishment, of certain products or investments that may compete with life insurance or annuities could have an adverse effect on the Company's financial position or ability to sell such products and could result in the surrender of some existing contracts and policies. In addition, changes in the federal estate tax laws have negatively affected the demand for the types of life insurance used in estate planning.

##### 2. Summary of Significant Accounting Policies

###### **Basis of presentation**

The Company prepares its financial statements in conformity with accounting practices prescribed or permitted by the Illinois Division of Insurance ("IL DOI"). Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The state of Illinois requires its domestic insurance companies to prepare financial statements in conformity with the NAIC Accounting Practices and Procedures Manual ("APPM"), subject to any deviations prescribed or permitted by the IL DOI.

Accounting practices and procedures of the NAIC as prescribed or permitted by the IL DOI comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant differences relevant to the Company are as follows:

- a. Investments in bonds are generally stated at amortized cost, while under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company' s ability and intent to hold or trade the securities.
- b. Investments in common stocks are valued as prescribed by the NAIC Securities Valuation Office ("SVO"), while under GAAP, common stocks are reported at fair value.
- c. The APPM requires that outstanding checks be recorded as negative cash, where as GAAP classifies such checks as other liabilities.

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### ALLSTATE ASSURANCE COMPANY

#### NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

- d. Costs that vary with and are primarily related to acquiring life insurance and investment business, principally agents' and brokers' remuneration, certain underwriting costs and direct mail solicitation expenses, are expensed as incurred, while under GAAP, they are deferred and amortized to income either over the premium paying period of the related policies in proportion to the estimated revenue on such business or in relation to the present value of estimated gross profits on such business over the estimated lives of the contracts.
- e. Both GAAP and the APPM require a provision for deferred taxes on temporary differences between the reporting and tax bases of assets and liabilities. However, per the APPM, there are limitations as to the amount of deferred tax assets that may be reported as an admitted asset.
- f. Statutory policy reserves are based on mortality and interest assumptions prescribed or permitted by state statutes, without consideration of withdrawals. Statutory policy reserves generally differ from policy reserves under GAAP, which are based on the Company's estimates of mortality, interest and withdrawals. The effect, if any, on reserves due to a change in valuation basis is recorded directly to unassigned surplus rather than included in the determination of net gain from operations.
- g. The asset valuation reserve and interest maintenance reserve are required by the APPM, but not GAAP.
- h. The effects of reinsurance are netted against the corresponding assets or liabilities versus reported on a gross basis for GAAP.
- i. Certain assets, principally prepaid commissions, are designated as nonadmitted assets and are charged directly to unassigned surplus, while under GAAP, nonadmitted assets are reinstated to the balance sheet, net of any valuation allowance.
- j. GAAP requires the presentation of comprehensive income and its components in the financial statements, which is not required by the APPM.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the IL DOI requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Reclassifications**

To conform to the 2004 presentation, certain amounts in the prior year's financial statements and notes have been reclassified.

#### **Investments**

Investments are stated at values prescribed by the NAIC. Bonds are stated at amortized cost using the scientific interest method with two exceptions. Bonds with an NAIC designation of 6 are carried at the lower of amortized cost or fair value, with the difference reflected in unassigned surplus. In addition, bonds with an NAIC designation of 6\* are carried at zero. 6\* means the NAIC designation was assigned by the SVO due to inadequate certification of interest and principal payments.

Common stocks are carried at NAIC fair value. The differences between cost and NAIC fair value are recorded as a change in net unrealized capital gains (losses), which is a component of unassigned surplus.

Short-term investments include investments whose maturities at the time of acquisition are one year or less and are stated at amortized cost, which approximates fair value.

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded at the ex-dividend date. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt.

Realized capital gains and losses include gains and losses on investment dispositions and write-downs in value due to other than temporary declines in fair value. Realized capital gains and losses are determined on a specific identification basis and recorded in the Statements of Operations.

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### ALLSTATE ASSURANCE COMPANY

### NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2004 AND 2003

The Company writes down to fair value any bond or equity security that is classified as other than temporarily impaired in the period the security is deemed to be other than temporarily impaired. Inherent in the Company's evaluation of a particular security are assumptions and estimates about the operations of the issuer and its future earnings potential. Some of the factors considered in evaluating whether a decline in fair value is other than temporary are: 1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) the recoverability of principal and interest; 3) the duration and extent to which the fair value has been less than cost for equity securities or amortized cost for bonds; 4) the financial condition, near-term and long-term prospects of the issuer, including relevant industry conditions and trends, and implications of rating agency actions and offering prices; and 5) the specific reasons that a security is in a significant unrealized loss position, including market conditions which could affect access to liquidity.

All due and accrued investment income is included in surplus except for amounts that are over 90 days past due, which are nonadmitted. All due and accrued investment income deemed uncollectible is written off in the period it is determined to be uncollectible. All due and accrued investment income was admitted at December 31, 2004 and 2003.

#### **Premium and annuity considerations**

Premiums for all single and flexible annuity products are recognized as revenue when collected.

#### **Reserves for policy benefits**

Benefit reserves for annuity products are calculated according to the Commissioners' Annuity Reserve Valuation Method ("CARVM") with appropriate statutory interest and mortality assumptions. Reserve interest rates for annuity products ranged from 2.50% to 13.25% at both December 31, 2004 and 2003.

#### **Asset valuation ("AVR") and interest maintenance ("IMR") reserves**

The Company establishes certain reserves as promulgated by the NAIC. The AVR is determined by formula and is based on the Company's holdings of mortgages, investments in real estate, bonds, stocks and other invested assets. This valuation reserve requires an appropriation of surplus to provide for possible losses on these investments. Realized and unrealized capital gains and losses, net of tax, other than those resulting from interest rate changes, are added or charged to the AVR.

The IMR is used to defer realized capital gains and losses, net of tax, on sales and calls of bonds and certain investments which result from interest rate changes. These gains and losses are then amortized into investment income over the originally planned remaining years to maturity of the underlying investment. Make whole fees and prepayment penalties are recorded as investment income and not included in IMR.

#### **Reinsurance**

The Company has reinsurance agreements whereby all premiums and annuity considerations and policy benefits are ceded to external reinsurers. Amounts reinsured under coinsurance agreements are reflected net of reinsurance in the Statements of Financial Position and the Statements of Operations. Reinsurance does not extinguish the Company's primary liability under the policies written.

#### **Income taxes**

The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based on the difference between the statutory financial statement and tax bases of assets and liabilities at the enacted tax rates. The assets giving rise to such differences were goodwill and investments. Deferred income taxes also arise from unrealized gains and losses on equity securities carried at fair value. The net change in deferred tax assets and liabilities is applied directly to unassigned surplus. The nonadmitted portion of a gross deferred tax asset is determined by applying the rules prescribed by Statement of Statutory Accounting Principles (“SSAP”) No. 10, Income Taxes.

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

**Separate Account**

The Separate Account held by the Company is for variable annuities which the Company discontinued offering on February 1, 1984. The variable annuity contractholders bear the investment risk that the Separate Account's funds may not meet their stated investment objectives. The assets of the Separate Account are carried at fair value. Separate Account liabilities represent the contractholders' claim to the related assets and are carried at the fair value of the assets.

Separate Account premium deposits, benefit expenses and contract charges for mortality risk and policy administration are recorded by the Company and reflected in the Statements of Operations. Investment income and realized and unrealized capital gains and losses of the variable annuity assets accrue directly to the contractholders and, therefore, are not included in the Company's Statements of Operations.

**3. Investments**

**NAIC fair values**

The statement value, gross unrealized gains, gross unrealized losses and NAIC fair value of the Company's bonds were as follows:

(in thousands)	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Fair Value
<b><u>At December 31, 2004</u></b>				

U.S. governments	\$ 7,301	\$ 736	\$ -	\$8,037
------------------	----------	--------	------	---------

(in thousands)	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Fair Value
<b><u>At December 31, 2003</u></b>				

U.S. governments	\$9,799	\$ 1,002	\$ (36 )	\$10,765
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**Scheduled maturities**

The scheduled maturities for bonds were as follows at December 31, 2004:

(in thousands)	Statement Value	NAIC Fair Value
----------------	--------------------	--------------------

Due after ten years

\$7,301

\$ 8,037

Actual maturities may differ from those scheduled as a result of prepayments by the issuers.

### Net realized capital gains and losses

(in thousands)	Gross Realized Gains	Gross Realized Losses	Net Realized Gains (Losses)
<b><u>Year Ended December 31, 2004</u></b>			
Bonds	\$ 375	\$ (31 )	\$ 344
Transferred to IMR			(224 )
Capital gain tax expense			(120 )
Net realized capital gains (losses)			\$ -

Proceeds from sales of bonds, exclusive of calls and maturities, were \$2.8 million in 2004.

The Company did not have any realized capital gains and losses from investment securities in 2003.

There were no investment impairments recorded in 2004 or 2003.

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

4. Financial Instruments

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. The fair value estimates of financial instruments presented below are not necessarily indicative of the amounts the Company may pay or receive in actual market transactions. Potential taxes and other transaction costs have not been considered in estimating fair value. The disclosures that follow do not reflect the fair value of the Company as a whole, since certain of the Company's assets (including net deferred tax asset) and liabilities are not considered financial instruments and are not carried at fair value. Other assets and liabilities considered financial instruments, such as investment income due and accrued, amounts related to the Separate Account and short-term investments, are generally of a short-term nature. Their carrying values are deemed to approximate fair value.

**Financial assets**

The statement value and fair value of financial assets at December 31 were as follows:

(in thousands)	2004		2003	
	Statement Value	Fair Value	Statement Value	Fair Value
Bonds	\$ 7,301	\$8,037	\$ 9,799	\$10,765
Unaffiliated common stocks	5	5	323	323
Short-term investments	490	490	790	790
Separate Account	3,385	3,385	3,593	3,593

Fair values of bonds are based on valid NAIC market prices as determined by the SVO. For exchange-traded bonds, if a valid NAIC market price is not available, fair value is based upon quoted market prices or dealer quotes. For non-exchange traded bonds, if a valid NAIC market price is not available, fair value is determined by either independent third party pricing sources or widely accepted pricing valuation models which utilize internally developed ratings and independent third party data.

Unaffiliated common stocks are valued based on market prices as determined by the SVO.

Short-term investments are highly liquid investments with maturities of one year or less. Their statement values are deemed to approximate fair value.

Separate Account assets are carried in the Statements of Financial Position at fair value based on quoted market prices.

**Financial liabilities**

The statement value and fair value of financial liabilities at December 31 were as follows:

(in thousands)	2004		2003	
	Statement	Fair	Statement	Fair
	Value	Value	Value	Value
Separate Account	\$ 3,385	\$3,385	\$ 3,593	\$3,593

Separate Account liabilities are carried at the fair value of the underlying assets.

## 5. Income Taxes

The following were income taxes incurred by the Company in the current and prior years that will be available for recoupment in the event of future net losses:

(in thousands)	
2004	\$211
2003	57
2002	22

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

The provision for incurred income taxes for the years ended December 31 was:

(in thousands)	2004	2003
Federal income tax - excluding net capital gains (losses)	\$85	\$51
Federal income tax on net capital gains (losses)	120	-
Federal income taxes incurred	\$205	\$51

The provision for federal income taxes incurred was different from that which would have been obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference were as follows at December 31:

(in thousands)	2004	Effective Tax Rate	2003	Effective Tax Rate
Provision computed at statutory rate	\$330	35.0 %	\$189	35.0 %
Change in net deferred income taxes	(116)	(12.3 )	(133)	(24.7 )
Prior year true-up	(7 )	(0.7 )	(5 )	(0.9 )
IMR amortization	(1 )	(0.1 )	-	-
Other	(1 )	(0.1 )	-	-
Total statutory income taxes	\$205	21.8 %	\$51	9.4 %

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds were as follows at December 31:

(in thousands)

	2004	2003
Total of gross deferred tax assets	\$1,462	\$1,571
Total of gross deferred tax liabilities	-	-
Net deferred tax asset	1,462	1,571
Deferred tax asset nonadmitted	1,347	1,456
Net admitted deferred tax asset	\$115	\$115
(Increase) decrease in nonadmitted asset	\$109	

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities were as follows at December 31:

(in thousands)

	2004	2003
<b>Deferred tax assets:</b>		
Tax goodwill	\$1,279	\$1,394
Investments	183	177
Total deferred tax assets	1,462	1,571
Nonadmitted deferred tax assets	1,347	1,456
Net admitted deferred tax assets	\$115	\$115

The change in net deferred income tax was comprised of the following at December 31 (this analysis is exclusive of nonadmitted assets, as the change in nonadmitted assets is reported separately from the change in net deferred income taxes in the Statements of Changes in Capital and Surplus):

(in thousands)

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Total deferred tax assets	\$1,462	\$1,571	\$(109)
Total deferred tax liabilities	-	-	-
Net deferred tax asset	\$1,462	\$1,571	(109)
Tax effect of unrealized gains (losses)			-
Change in net deferred income tax			(109)
Adjustment to prior year tax liabilities			(7 )
Change in net deferred income tax relating to the provision			\$(116)

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

(in thousands)

	2003	2002	Change
Total deferred tax assets	\$1,571	\$1,571	\$-
Total deferred tax liabilities	-	-	-
Net deferred tax asset	\$1,571	\$1,571	-
Tax effect of unrealized gains (losses)			-
Change in net deferred income tax			-
Adjustment to prior year tax liabilities			(133)
Change in net deferred income tax relating to the provision			\$(133)

The Company will file a separate federal income tax return for the year ended December 31, 2004 directly with the Internal Revenue Service.

**6. Information Concerning Parent, Subsidiaries and Affiliates**

One transaction was entered into by the Company with related parties in 2004 and none in 2003 that involved more than 1/2 of 1% of the Company's admitted assets. Reinsurance agreements and cost allocation transactions in accordance with intercompany agreement provisions were excluded. On December 29, 2004, the Company paid a cash dividend distribution of \$1.5 million and a partial liquidation distribution of \$2.5 million to ALIC, its parent, both which were approved by the IL DOI.

**Related party transactions**

The Company reported the following amounts as payable to affiliates at December 31:

(in thousands)

2004      2003

Allstate Insurance Company	\$21	\$ 3
Allstate Investments, LLC	1	1
<b>Total</b>	<b>\$22</b>	<b>\$ 4</b>

Intercompany receivables and payables are generally cash settled at least quarterly.

**Related party agreements**

The Company entered into an Investment Management Agreement with Allstate Investments, LLC (“AILLC”) whereby AILLC provides investment management services and advice to the Company.

The Company also entered into an underwriting agreement with ALFS, Inc. in 2002 whereby ALFS, Inc. serves as principal underwriter for Allstate Assurance Company Separate Account B.

The Company, AIC and the Corporation entered into a Service and Expense Agreement (the “Agreement”) pursuant to which AIC furnishes a variety of services to the Company. The Agreement provides for the cost sharing and allocation of operating expenses among these parties.

Substantially all general insurance expenses were a result of these agreements.

**7. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

The Company utilizes the services of AIC employees. AIC provides various benefits, including defined benefit pension plans, certain health care and life insurance benefits for certain retired employees and participation in The Savings and Profit Sharing Fund of Allstate Employees. The Company was allocated an appropriate share of the costs associated with these benefits in accordance with the Agreement. All amounts allocated to the Company for these benefits, except those related to investment expenses, are ceded 100% to the assuming reinsurer. The Company’s allocated share of these benefits was immaterial in 2004 and 2003.

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

8. Capital and Surplus and Dividend Restrictions

**Dividend restrictions**

The ability of the Company to pay dividends is dependent on business conditions, income, cash requirements of the Company and other relevant factors. The Company cannot distribute any dividends to its shareholder in 2005 without prior approval of the IL DOI. This amount is formula driven based on net income and capital and surplus as specified by Illinois insurance law. Dividends are not cumulative.

**Unassigned surplus**

The components contributing to the cumulative increase or (reduction) of unassigned surplus at December 31 were as follows:

(in thousands)

	2004	2003
Nonadmitted assets and related items	\$(1,347)	\$(1,456)
Asset valuation reserve	(3 )	(22 )

9. Commitments and Contingencies

**Regulation and legal proceedings**

The Company is subject to changing social, economic and regulatory conditions. Recent state and federal regulatory initiatives and proceedings have included efforts to impose additional regulations regarding agent and broker compensation and otherwise expand overall regulation of insurance products and the insurance industry. The ultimate changes and eventual effects of these initiatives on the Company's business, if any, are uncertain.

Regulatory bodies and enforcement authorities have contacted the Company and some of its affiliates and have requested information relating to various insurance products and practices, including such areas as variable annuity market timing and late trading. The Company and some of its affiliates have also received interrogatories and demands to produce information from authorities seeking information relevant to on-going investigations into the possible violation of antitrust or insurance laws by unnamed parties and, in particular, seeking information as to whether any person engaged in activities for the purpose of price fixing, market allocation, or bid rigging. The Company believes that these inquiries are similar to those made to many financial services companies as part of industry-wide investigations by various authorities into the practices, policies and procedures relating to insurance and financial services products. The Company and its affiliates have responded and will continue to respond to these information requests and investigations. The Company at the present time is not aware of any systemic problems with respect to such products and practices that may have a material adverse effect on the Company's financial condition.

Various legal and regulatory actions are currently pending that involve affiliates of the Company and/or the Company and specific aspects of their conduct of business, which, in the case of affiliates, may be similar to the Company's conduct of business. Like other members of the insurance industry, the Company potentially could be the target of additional lawsuits based on a variety of issues, some

of which could involve claims for substantial or indeterminate amounts. The outcome of the pending disputes is currently unpredictable. However, at this time, based on their present status, it is the opinion of management that the ultimate liability, if any, in one or more of these other actions is not expected to have a material effect on the results of operations, liquidity or financial position of the Company.

### **Guaranty fund assessments**

The Company is contingently liable for possible future assessments by various state guaranty associations under regulatory requirements for insolvencies and impairments of unaffiliated insurance companies. These assessments, if any, are generally recoverable through a reduction of future premium taxes and will be accounted for as prescribed by the IL DOI.

### **Marketing and compliance issues**

State insurance laws and regulations include numerous provisions governing the marketplace activities of insurers, including provisions governing the form and content of disclosure to consumers, illustrations, advertising, sales practices and complaint handling. State regulatory authorities enforce these provisions through periodic market conduct examinations.

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

10. Reinsurance

The Company had previously written single premium annuities. This single premium annuity business of the Company was transferred to the Paul Revere Life Insurance Company via an indemnity reinsurance agreement effective December 31, 2000. Reserves and related assets of \$179.4 million at December 31, 2000 were transferred in accordance with the agreement. Reserve credits taken were \$161.9 million and \$166.5 million, respectively, at December 31, 2004 and 2003.

During 1998, the Company reinsured, on a 100% coinsurance basis, its in-force block of individual tax-sheltered annuity business with The Variable Annuity Life Insurance Company, an affiliate of American General Corporation. Reinsurance ceded information under the terms of the reinsurance agreement was as follows:

(in thousands)	2004		2003	
	Amount	% of Total	Amount	% of Total
Annuity and other fund deposits	\$359		\$237	
Surrender benefits and other fund withdrawals	1,056		1,106	

11. Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

Withdrawal characteristics of annuity reserves and deposit-type contracts and other liabilities without life or disability contingencies were as follows at December 31:

(in thousands)	2004	
	Amount	% of Total
<b>Annuity reserves and deposit fund liabilities</b>		
Subject to discretionary withdrawal:		
At fair value	\$3,362	2 %
At book value without adjustment (minimal or no charge or adjustment)	18,067	10
Not subject to discretionary withdrawal	161,020	88

Total (gross)	182,449	100	%
Reinsurance ceded	179,087		
Total (net)	\$3,362		

(in thousands)

2003

Amount % of Total

**Annuity reserves and deposit fund liabilities**

Subject to discretionary withdrawal:

At fair value	\$2,849	2	%
At book value without adjustment (minimal or no charge or adjustment)	17,793	9	
Not subject to discretionary withdrawal	167,170	89	
Total (gross)	187,812	100	%
Reinsurance ceded	184,242		
Total (net)	\$3,570		

The following information was obtained from the applicable Exhibit in the Company' s December 31, 2004 and 2003 Separate Account Annual Statements, which were filed with the state of Illinois, and was provided to reconcile annuity actuarial reserves and deposit liabilities by withdrawal characteristics:

(in thousands)

2004

2003

**Separate Account Annual Statements:**

Exhibit 3, Total annuities (net)

\$658 \$721

Exhibit 4, Liability for deposit type contracts

2,704 2,849

Total

\$3,362 \$3,570

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ALLSTATE ASSURANCE COMPANY

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

12. Separate Account

**General nature and characteristics of Separate Account business**

The Company's Separate Account is registered under the Investment Company Act of 1940 as an open-end diversified investment company and is registered with the Securities and Exchange Commission ("SEC"). It is the Separate Account through which the Company sets aside, separate and apart from its general assets, assets attributable to the variable portion of its variable annuity contracts. Registration under the Investment Company Act of 1940 does not involve supervision of management or investment practices or policies by the SEC. Income, gains and losses, whether or not realized, resulting from assets allocated to the Separate Account are, in accordance with applicable variable annuity contracts, credited to or charged against the Separate Account without regard to other income gains or losses of the Company.

The Separate Account primarily invests in common stock, however, there may be times that holding common stock may not be the best method of achieving the Separate Account's primary objective and thus assets may also be invested in preferred stocks, corporate bonds, stock warrants or options or real estate. The primary investment objective of the Separate Account is long-term growth. There can be no assurance that the investment objective will be attained.

(in thousands)	<u>2004</u> Nonguaranteed Separate Account	<u>2003</u> Nonguaranteed Separate Account
<b>At December 31:</b>		
<b>Reserves by valuation basis</b>		
Fair Value	\$ 3,362	\$ 3,570
<b>Reserves by withdrawal characteristics</b>		
Subject to discretionary withdrawal		
At fair value	\$ 2,704	\$ 2,849
Not subject to discretionary withdrawal	658	721

Total	\$ 3,362	\$ 3,570
<b>Transfers as reported in the Summary of Operations of the Separate Account Annual Statements</b>	\$ (117 )	\$ (171 )

Reconciliation of net transfers to or (from) the Separate Account for the years ended December 31 was as follows:

(in thousands)

	2004	2003
<b>Transfers as reported in the Summary of Operations of the Separate Account Annual Statements:</b>		
Transfers from Separate Account	\$(117)	\$(171)
Net transfers from Separate Account	(117)	(171)
<b>Reconciling adjustments:</b>		
Reinsurance ceded	117	171
Transfers as reported in the Statements of Operations	\$-	\$-

### 13. September 11 events

The Company did not incur any losses as a result of the tragedy of the September 11, 2001 attack on the World Trade Center in New York City, the Pentagon in Washington D.C., and the plane crash in Pennsylvania. Furthermore, management does not expect any future contingencies or unpaid claims or losses related to these events to have a material impact on the Company's financial statements.

**ALLSTATE ASSURANCE COMPANY SEPARATE ACCOUNT B  
VARIABLE ANNUITY CONTRACTS  
SOLD BY  
ALLSTATE ASSURANCE COMPANY  
NORTHBROOK, ILLINOIS 60062  
(847) 402-5000**

**OTHER INFORMATION**

**PART C**

**Item 29. Financial Statements and Exhibits.**

**INCLUDED IN PROSPECTUS**

Per unit income and capital changes and variable annuity unit values – condensed financial information for the ten (10) years ended December 31, 2004

**INCLUDED IN STATEMENT OF ADDITIONAL INFORMATION**

Allstate Assurance Company Separate Account B

Report of Independent Auditors, Statements of Assets and Liabilities, Statements of Operations, Statements of Changes in Variable Annuity Contract Owners' Equity, Schedule of Investments, Supplementary Information, Notes to Financial Statements

Allstate Assurance Company

Report of Independent Auditors, Statements of Financial Position–Statutory Basis, Statements of Operations–Statutory Basis, Statements of Changes in Capital and Surplus–Statutory Basis, Statements of Cash Flows–Statutory Basis, Notes to Financial Statements–Statutory Basis

## EXHIBITS

The following exhibits which are marked with an asterisk (\*) are incorporated herein by reference (pursuant to Regulation Section 230.447 and Section 270.8b-32 and in accordance with Rule 24 of the Commission's Rules of Practice) to the registration statement filed by Registrant under the Securities Act of 1933 or specified amendments thereto.

- \* (1) Resolutions of Board of Directors of the Company creating Separate Account B as filed with the initial registration statement
- \* (2) Rules and Regulations of the Registrant (Post - Effective Amendments Nos. 26 and 27, December 17, 1979, and April 3, 1980, respectively)
- \* (3) Custodian Agreement with respect to securities of the Registrant (Post Effective Amendment No. 23; April 3, 1978)
- \* (4.1) Investment Advisory Agreement (Post-Effective Amendment No. 23; April 3, 1978)
- \* (4.2) Sub-Advisory Agreement (Post-Effective Amendment No. 49; May 3, 1999)
- \* (5) Underwriting or distribution contract (Post-Effective Amendment No. 23; April 3, 1978)
- \* (6) Form of variable annuity contracts (Post-Effective Amendment No. 26; December 17, 1979)
- \* (7) Form of variable annuity application (filed with variable annuity contracts - see Item 6 above)
- \* (8) Certificate of Incorporation of the insurance company (Post-Effective Amendment No. 37; April 30, 1987); By-Laws (Post Effective Amendment No. 41, April 30, 1991).
- (9) None
- (10) None
- \* (11) Separate Account Administrative Services Agreement (Post - Effective Amendment No. 49; May 3, 1999)
- \* (12) Opinion of Counsel (filed with Registrant's initial Registration Statement)
- (13) (A) Consent of Independent Auditors and Consent of Independent Registered Public Accounting Firm  
(B) Consent of Counsel
- (14) Financial statement not included in Item 27
- (15) None
- (16) Code of Ethics

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**Item 30. DIRECTORS AND OFFICERS OF THE INSURANCE COMPANY**

Allstate Assurance Company, formerly Provident National Assurance Company. Name change effective as of November 7, 2001.

(1) Name and Address	(2) Positions and Offices with Insurance Company	(3) Positions and Offices with Registrant
Principal Address _____ John C. Lounds 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Director, Senior Vice President	
John C. Pintozzi 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Director, Senior Vice President and Chief Financial Officer	
Michael J. Velotta 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Director, General Counsel and Secretary	
Casey J. Sylla 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Director, Chairman of the Board and President	
Douglas B. Welch 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Director, Vice President	
Thomas W. Evans 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Senior Vice President	
Anson J. Glacy, Jr. 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Vice President	
Karen C. Gardner 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Vice President-Tax	
Samuel H. Pilch 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Group Vice President and Controller	
Eric A. Simonson 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Senior Vice President and Chief Investment Officer	
Steven C. Verney 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Treasurer	

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**Item 30. DIRECTORS AND OFFICERS OF THE INSURANCE COMPANY (Continued)**

(1) Name and Address	(2) Positions and Offices	(3) Positions and Offices
Principal Address _____	with Insurance Company _____	with Registrant _____
Robert L. Park 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Vice President and Chief Compliance Officer	
Joanne M. Derrig 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Assistant Vice President and Chief Privacy Officer	
Errol Cramer 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Assistant Vice President and Appointed Actuary	
Joseph P. Rath 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Assistant Vice President, Assistant General Counsel and Assistant Secretary	
Mary J. McGinn 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Assistant Secretary	
Kristine E. Leston 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Assistant Secretary	
Bruce A. Teichner 3100 Sanders Road, Suite J5B Northbrook, Illinois, 60062	Assistant General Counsel and Assistant Secretary	
Barry S. Paul 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Treasurer	
Nancy M. Bufalino 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Treasurer	

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**Item 31. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE INSURANCE COMPANY OR REGISTRANT**

**OPERATING SUBSIDIARIES WHICH ARE 100% DIRECTLY OR INDIRECTLY OWNED BY THE ALLSTATE CORPORATION**

The Allstate Corporation (Delaware Holding Company)

Allstate Insurance Company (Illinois)

Allstate International Insurance Holdings, Inc. (Delaware)

Allstate Non-Insurance Holdings, Inc. (Delaware)

Allstate Bank

American Heritage Life Investment Corporation (Delaware)

Kennett Capital, Inc.(Delaware)

Allstate Holdings, LLC

(Subsidiary of Allstate Insurance Company)

Allstate Floridian Insurance Company (Illinois)

Allstate Floridian Indemnity Company (Illinois)

Allstate Insurance Company

(Subsidiary of The Allstate Corporation)

Allstate Fire and Casualty Insurance Company (Illinois)

Allstate Financial, LCC (Delaware)

Allstate Financial Corporation (Illinois)

Allstate Financial Services, LLC (Delaware)

Allstate Holdings, LLC (Delaware)

Allstate Indemnity Company (Illinois)

Allstate Insurance Company of Canada (Canada)

Allstate International Insurance Holdings, Inc. (Delaware)

Allstate Life Insurance Company (Illinois)

Allstate North American Insurance Company (Illinois)

Allstate Property and Casualty Insurance Company (Illinois)

Allstate Texas Lloyd' s, Inc. (Texas)

New Jersey Holdings, LLC (Delaware)

Northbrook Holdings, LLC (Nebraska)

Ivantage Group, LLC (DE)

Tech-Cor, LLC (Delaware)

Allstate Insurance Company of Canada

(Subsidiary of Allstate Insurance Company)

Allstate Life Insurance Company of Canada (Canada)

Pafco Insurance Company (Canada)

Pembridge Insurance Company (Canada)

Allstate International Insurance Holdings, Inc.

(Subsidiary of The Allstate Corporation)

Allstate Reinsurance Ltd. (Bermuda)

Pembridge America Inc. (Florida)



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**Item 31. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE INSURANCE COMPANY OR REGISTRANT (Continued)**

**OPERATING SUBSIDIARIES WHICH ARE 100% DIRECTLY OR INDIRECTLY OWNED BY THE ALLSTATE CORPORATION**

Allstate Life Insurance Company

(Subsidiary of Allstate Insurance Company)

AFDW, Inc. (Oregon)

Allstate Distributors, L.L.C. (Delaware)

AFD, Inc. (Illinois)

ALFS, Inc. (Delaware)

Allstate Life Insurance Company of New York (New York)

Allstate Assignment Company (Nebraska)

Allstate Settlement Corporation (Nebraska)

Charter National Life Insurance Company (Illinois)

Glenbrook Life and Annuity Company (Arizona)

Intramerica Life Insurance Company (New York)

Lincoln Benefit Life Company (Nebraska)

LSA Asset Management, LLC (Delaware)

Allstate Assurance Company (Illinois)

Surety Life Insurance Company (Nebraska)

New Jersey Holdings, LLC

(Subsidiary of Allstate Insurance Company)

Allstate New Jersey Insurance Company (Illinois)

Allstate New Jersey Insurance Company

(Subsidiary of New Jersey Holdings, LLC)

Encompass Insurance Company of New Jersey

Allstate Non-Insurance Holdings, Inc.

(Subsidiary of The Allstate Corporation)

Allstate Investment Management Company (Delaware)

Allstate Investments, LLC (Delaware)

Allstate Motor Club, Inc. (Delaware)

Allstate Motor Club of Canada Inc. (Canada)

Northbrook Services, Inc. (Delaware)

Northbrook Technology of Northern Ireland, Limited (Northern Ireland)

Sterling Collision Centers, Inc. (Delaware)

Roadway Protection Auto Club, Inc. (Delaware)

Allstate Texas Lloyd' s, Inc.

(Subsidiary of Allstate Insurance Company)

Allstate Texas Lloyd' s (Texas)

American Heritage Life Investment Corporation

(Subsidiary of The Allstate Corporation)

American Heritage Life Insurance Company (Florida)

American Heritage Service Company (Florida)

Colonial Reinsurance, Ltd. (British Virgin Islands)

E.R.J. Insurance Group, Inc. (Florida)

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**Item 31. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE INSURANCE COMPANY OR REGISTRANT (Continued)**

**OPERATING SUBSIDIARIES WHICH ARE 100% DIRECTLY OR INDIRECTLY OWNED BY THE ALLSTATE CORPORATION**

American Heritage Life Insurance Company

(Subsidiary of American Heritage Life Investment Corporation)

Columbia Universal Life Insurance Company (Texas)

Concord Heritage Life Insurance Company, Inc. (New Hampshire)

Fidelity International Company Limited (Bahamas)

First Colonial Insurance Company (Florida)

Keystone State Life Insurance Company (Pennsylvania)

Deerbrook Insurance Company

(Subsidiary of Northbrook Indemnity Company)

Deerbrook General Agency, Inc. (Texas)

Fidelity International Company, Limited

(Subsidiary of American Heritage Life Insurance Company)

Fidelity International Insurance Company, Limited (Bahamas)

Ivantage Group, LLC

(Subsidiary of Allstate Insurance Company)

Ivantage Select Agency, Inc. (Illinois)

Northbrook Indemnity Company (Illinois)

Keystone State Life Insurance Company

(Subsidiary of American Heritage Life Insurance Company)

KSL Marketing Inc. (Pennsylvania)

Northbrook Indemnity Company

(Subsidiary of Ivantage Group, LLC)

Deerbrook Insurance Company (Illinois)

Encompass Indemnity Company (Florida)

Encompass Insurance Company (Illinois)

Sterling Collision Centers, Inc.

(Subsidiary of Allstate Non-Insurance Holdings, Inc.)

Bob Thompson Enterprises, Inc. (Pennsylvania)

Pacific Painters, Inc. (Texas)

Champions Pride Electronics and Trim, Inc., d/b/a Champion's Pride Collision (Texas)

JSI Collision Centers, Inc. (Ohio)

Westborn Collision, Inc. (Michigan)

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**Item 32. Number of Contractowners.** The number of contractowners in Separate Account B as of 12/31/2004 was 142.

**Item 33. Indemnification.** The Indemnification Agreement is included as part of Exhibit 1 under Item 29.

**Item 34. Business and Other Connections of Investment Advisor.**

The Investment Advisor is a life insurance company licensed to do business in all 50 states and the District of Columbia. Currently, it provides services to variable contract separate accounts. For information concerning profession, location and employment of officers and directors, see Item 30 above. The Investment Advisor and principal underwriters share some officer and director commonality.

**Item 35. Principal Underwriters.**

(a) ALFS, Inc.

(b)

(1) Name and Address Principal Address _____	(2) Positions and Offices with Insurance Company _____	(3) Positions and Offices with Registrant _____
John E. Smith 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Director, President and Chief Executive Officer	
Michael J. Velotta 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Director and Secretary	
Casey J. Sylla 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Director	
Marian Goll 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Vice President, Treasurer and Financial Operations Principal	
Andrea J. Schur 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Vice President	
Maribel V. Gerstner 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Vice President and Compliance Officer	
Joanne M. Derrig 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Vice President and Chief Privacy Officer	
Joseph P. Rath 3100 Sanders Road, Suite J5B Northbrook, IL 60062	Vice President, General Counsel and Assistant Secretary	

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**Item 35. Principal Underwriters.**

**(b) Continued.**

<b>(1)</b> <b>Name and Address</b> <b>Principal Address</b> _____	<b>(2)</b> <b>Positions and Offices</b> <b>with Insurance Company</b> _____	<b>(3)</b> <b>Positions and Offices</b> <b>with Registrant</b> _____
William F. Emmons 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Secretary	
Mary J. McGinn 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Secretary	
Barry S. Paul 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Treasurer	
Steven C. Verney 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Treasurer	
Nancy M. Bufalino 3100 Sanders Road, Suite J5B Northbrook, Illinois 60062	Assistant Treasurer	

**(c)** Not applicable - total payments were less than \$2,000.

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**Item 36. Location of Account and Records**

Each account book or other document required to be maintained by Section 31(a) of the Investment Company Act of 1940 and the rules (17 CFI 270.31A-1 to 31A-3) promulgated thereunder are held by Liz Barton, American General Corporation, 205 East 10th Street, Amarillo, Texas 79101, and Eric Alexander, American General Corporation, 205 East 10th Street, Amarillo, Texas 79101.

**Item 37. Management Services.**

None.

**Item 38. Undertakings.**

The Registrant hereby undertakes to:

- (a) file a post-effective amendment using financial statements of the Registrant which need not be certified, within four to six months from the effective date of the Registrant's 1933 Act registration statement;
- (b) file a post-effective amendment to this registration statement as frequently as is necessary to ensure that the audited financial statements in the registration statement are never more than 16 months old for so long as payments under the variable annuity contracts may be accepted;
- (c) include either (1) as part of any application to purchase a contract offered by the prospectus, a space that an applicant can check to request a Statement of Additional Information, or (2) a post card or similar written communication affixed to or included in the prospectus that the applicant can remove to send for a Statement of Additional Information; and
- (d) deliver any Statement of Additional Information and any financial statements required to be made available under this Form promptly upon written request or oral request.

The Registrant hereby represents that any contract offered by the prospectus and which is issued pursuant to Section 403(b) of the Internal Revenue Code ("Code") of 1986, as amended, is issued by the Registrant in reliance upon, and in compliance with, the Securities and Exchange Commission's industry-wide no-action letter to the American Council of Life Insurance (publicly available November 28, 1988) which permits withdrawal restrictions to the extent necessary to comply with Code Section 403(b)(11).

**SIGNATURES**

As required by the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets the requirements of Securities Act Rule 485(b) for effectiveness of this Registration Statement and has caused this Registration Statement to be signed on its behalf, in the City of Chattanooga, State of Tennessee, on the 29<sup>th</sup> day of April, 2005.

**ALLSTATE ASSURANCE COMPANY  
SEPARATE ACCOUNT B**

/s/ David G. Fussell

\_\_\_\_\_

David G. Fussell

Chairman, Board of Managers

**SIGNATURES**

As required by the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets the requirements of Securities Act Rule 485(b) for effectiveness of this Registration Statement and has caused this Registration Statement to be signed on its behalf, in the City of Northbrook, State of Illinois, on the 29<sup>th</sup> day of April, 2005.

**ALLSTATE ASSURANCE COMPANY**

/s/ Casey J. Sylla \_\_\_\_\_

Casey J. Sylla

Chairman of the Board and President

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**SIGNATURES**

As required by the Securities Act of 1933, this Post-Effective Amendment No. 55 to this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<b>SIGNATURE</b> _____	<b>TITLE</b> _____	<b>DATE</b> _____
/s/ David G. Fussell _____ David G. Fussell	Chairman and Member of the Board of Managers (Principal Executive Officer and Principal Financial Accounting Officer)	April 29, 2005
/s/ Henry E. Blaine _____ Henry E. Blaine	Member, Board of Managers	April 29, 2005
/s/ H. Grant Law, Jr. _____ H. Grant Law, Jr.	Member, Board of Managers	April 29, 2005
/s/ Susan N. Roth _____ Susan N. Roth	Secretary, Board of Managers and Chief Compliance Officer	April 29, 2005

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 55 to this Registration Statement has been signed below by the following persons on April 29, 2005, in the capacities indicated.

<b>SIGNATURE</b>	<b>TITLE</b>
* /s/ John C. Lounds _____ John C. Lounds	Director and Senior Vice President
* /s/ Michael J. Velotta _____ Michael J. Velotta	Director, General Counsel and Secretary
* /s/ John C. Pintozzi _____ John C. Pintozzi	Director, Senior Vice President and Chief Financial Officer
* /s/ Casey J. Sylla _____ Casey J. Sylla	Director, Chairman of the Board and President
* /s/ Douglas B. Welch _____ Douglas B. Welch	Director and Vice President
/s/ Susan N. Roth _____ Susan N. Roth Attorney-in-Fact	For all of the Directors
*ByPower of Attorney filed herewith.	_____

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northbrook, State of Illinois, on the 29<sup>th</sup> day of April, 2005.

**ALLSTATE ASSURANCE COMPANY**

/s/ Casey J. Sylla \_\_\_\_\_

Casey J. Sylla

Chairman of the Board and President

**EXHIBIT 13(A)**  
**CONSENT OF INDEPENDENT AUDITORS**

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated February 9, 2005, with respect to the financial statements and supplementary information of Allstate Assurance Company Separate Account B in this Amendment No. 30 under the Investment Company Act of 1940 to the Registration Statement and in the Disclosure Checklist.

/s/ Ernst & Young LLP

Chattanooga, Tennessee  
April 29, 2005

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Post-Effective Amendment No. 55 to Registration Statement No. 2-27135 of Allstate Assurance Company Separate Account B of Allstate Assurance Company (the "Company") on Form N-3 of our report dated April 18, 2005 relating to the statutory-basis financial statements of the Company, as of and for the years ended December 31, 2004 and 2003 (which report expresses an unqualified opinion on such statutory-basis financial statements; includes an explanatory paragraph that indicates that the financial statements were prepared in accordance with accounting practices prescribed or permitted by the Illinois Insurance Department, which differ from and are not in accordance with accounting principles generally accepted in the United States of America; and expresses an opinion that the financial statements are not fairly presented in conformity with accounting principles generally accepted in the United States of America) appearing in the Statement of Additional Information (which is incorporated by reference in the Prospectus of Allstate Assurance Company Separate Account B), which is part of such Registration Statement, and to the reference to us under the heading "Experts" in such Statement of Additional Information.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
April 29, 2005

CONSENT OF COUNSEL

I hereby consent to the use of my name in the disclosure statement included as part of this Post-Effective Amendment No. 55 to this Registration Statement and to the reference made to me under the caption "Legal Opinion" in such disclosure statement.

/s/ Susan N. Roth

\_\_\_\_\_  
Susan N. Roth

Chattanooga, Tennessee

April 29, 2005

**RULE 17J-1 CODE OF ETHICS****ALLSTATE ASSURANCE COMPANY  
SEPARATE ACCOUNT B****ALLSTATE ASSURANCE COMPANY****PROVIDENT INVESTMENT MANAGEMENT, LLC****I. DUTY OF CARE AND LOYALTY**

This Code of Ethics (“Code”) is based on the principle that the officers, managers and certain other persons of the Allstate Assurance Company Separate Account B (“Fund”), Allstate Assurance Company (“Adviser”), and Provident Investment Management, LLC (“Sub-Adviser”) owe a fiduciary duty to, among others, the Fund, and the contract owners and participants of the Fund. The Code applies to every director, manager, officer, general partner, Portfolio Manager, or Advisory Person of the Fund, Adviser and Sub-Adviser as described below and required by SEC Rule 17j-1(a)(1) (“Access Persons”). All such Access Persons must avoid activities, interests, relationships or conflicts of interest that might interfere with making decisions in the best interests of the Fund and its contract owners.

**II. DUTY OF CARE AND LOYALTY**

Access Persons may not:

1. Employ any device, scheme or artifice to defraud the Fund;
2. Make and untrue statement of a material fact to the Fund or omit to state a material fact necessary in order to make the statements made to the Fund, in light of the circumstances under which they are made, not misleading;
3. Engage in any act practice or course of business that operates or would operate as a fraud of deceit on the Fund; or
4. Engage in any manipulative practice with respect to the Fund.

Questionable situations should be resolved in favor of the Fund and technical compliance with the Code’s procedures will not necessarily insulate from scrutiny any trades or other situations that indicate an abuse of your duties.

### III. IMPLEMENTATION OF THE CODE

The Chief Compliance Officer of the Fund, Adviser and Sub-Adviser will be responsible for implementation of this Code, including the issuance of procedures, forms and guidelines as deemed necessary for such implementation. Any questions concerning this Code should be directed to the Chief Compliance Officer.

### IV. ACCESS PERSON REPORTING REQUIREMENTS

Every Access Person of the Fund must provide to the Chief Compliance Officer personal holdings disclosure reports as described below. Each report must include the date that the report was submitted to the Chief Compliance Officer. The Chief Compliance Officer will identify all Access Persons who are required to make reports under Section IV of this Code and will inform those persons of their reporting obligations. A list of all persons required to make reports under this section will be maintained as described in Section XIII of this Code. An Access Person of the Adviser does not need to make the reports described below to the extent information required in the report would duplicate information required to be recorded by Rule 204-2(a)(13) under the Advisers Act (generally that information contained in reports provided under the Adviser's Code of Ethics adopted pursuant to Rule 204A-1 under the Advisers Act).

#### **A. Initial Holdings Report.**

No later than 10 days after the person becomes an Access Person, each Access Person, except for Independent Fund Managers, must submit an Initial Holdings Report including the title, number of shares, and principal amount of each Covered Security in which the Access Person had any direct or indirect beneficial ownership when the person became an Access Person (such information must be current as of a date no more than 45 days prior to the date the person becomes an Access Person). In addition, with respect to brokerage accounts, the Initial Holdings Report must include the name of any broker, dealer, or bank with whom the Access Person maintained an account in which Securities were held for the direct or indirect benefit of the Access Person as of the date the person became an Access Person. The report must also indicate the date it is submitted by the Access Person.

#### **B. Quarterly Transaction Report.**

No later than 30 days after the end of a calendar quarter, each Access Person must submit a Quarterly Transaction Report that contains the following:

1. **Transaction Summaries.** A summary of all transactions conducted during the quarter in Covered Securities in which the Access Person had any direct or beneficial ownership and indicating the status of any and all outside directorships. The Transaction Summaries must include:
  - a. The nature and date of the transaction (i.e. purchase, sale, or any other type of acquisition or disposition);

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- b. The title, interest rate, maturity date (if applicable), number of shares, and principal amount of each Covered Security involved;
  - c. The name of the broker, dealer or bank with or through which the transaction was effected;
  - d. The price of the Covered Security at which the transaction was effected; and
  - e. The date the report is submitted by the Access Person.
2. **Accounts Report.** In addition, with respect to brokerage accounts, the Quarterly Transaction Report must include the name of any broker, dealer, or bank with whom an account was established during the quarter in which Securities were held for the direct or indirect benefit of the Access Person and the date such account was established.

Access Persons are not required to submit a Quarterly Transaction Report with respect to:

1. Securities held in accounts over which the Access Person had no direct or indirect control or influence;
2. Transactions effected pursuant to an automatic investment plan; or
3. Duplicate information contained in broker trade confirmations or account statements that the Adviser holds in its records, as long as the Adviser receives the confirmations or statements no later than 30 days after the end of the applicable calendar quarter.

Independent Fund Managers are not required to submit Quarterly Transaction Reports as required by this section unless the Independent Fund Manager knew or, in the course of fulfilling his or her official duties as a Fund Manager, should have known, that during the fifteen day period immediately before or after the Independent Fund Manager's transaction in a Covered Security, the Fund purchased or sold the Covered Security, or the Fund or its investment adviser considered purchasing or selling the Covered Security.

In the event that an Access Person is required by this section to file a Quarterly Transaction Report for a period in which he or she cannot identify any personal holdings or transactions which would require reporting, the Access Person will instead file a signed Certification of Exemption, certifying that he or she is not required to report any holdings or transactions in the said period.

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### **C. Annual Holdings Report.**

According to a schedule adopted by the Chief Compliance Officer, each Access Person must submit an Annual Holdings Report which is current as of a date no more than 45 days before the report is submitted. The Annual Holdings Report must include the following:

1. **Holdings Summary.** The title, number of shares, and principal amount of each Covered Security in which the Access Person had any direct or indirect beneficial ownership. In addition, with respect to brokerage accounts, the Annual Holdings Report must include the name of any broker, dealer, or bank with whom the Access Person maintained an account in which Securities were held for the direct or indirect benefit of the Access Person. The report must also indicate the date it is submitted by the Access Person. Independent Fund Managers do not need to submit a Holdings Summary.
2. **Annual Certification of Compliance.** Each Annual Holdings Report will also include an Annual Certification of Compliance, signed by the Access Person, in which the Access Person certifies that he or she has read and understands this Code, has complied with the requirements of this Code, and has reported all Securities Transactions in Accounts required to be disclosed or reported pursuant to the requirements of this Code.

### **V. PRE-CLEARANCE REQUIREMENTS**

#### **A. Request for Preclearance**

In order to attempt to obtain preclearance from the Chief Compliance Officer, an Access Person must submit in writing a completed and executed Access Person Preclearance Request Form (Appendix 1), which shall set forth the details of the proposed transaction. Preclearance of the transaction as described on such Form shall be evidenced by the signature of the Chief Compliance Officer thereon. The Chief Compliance Officer shall retain a copy with all required signatures and a copy placed in the Access Person's file.

#### **B. Conditions to be Satisfied**

Upon written request from an Access Person as provided in Section V.A. above, the Chief Compliance Officer shall have the sole discretion to preclear a personal Securities Transaction, without being required to specify any reason for such determination. The Chief Compliance Officer shall make such determination in accordance with the descriptions of exempt transactions noted in Section VII below.

### **C. Additional Factors to be Considered**

In addition to the factors set forth above, the Chief Compliance Officer may take into account, among other factors, each of the following:

1. Whether the amount or nature of the transaction is likely to affect the price or market for the security.
2. Whether the Access Person making the proposed purchase or sale is likely to benefit from purchases or sales being made or being considered by an Advisory Client.

Preclearance granted to an Access Person in accordance with this Code is only effective for five (5) business days from (and including) the date of such preclearance. If the trade is not made within five (5) business days, a new clearance must be obtained.

### **VI. PROHIBITED TRANSACTIONS**

All Advisory Persons and their Immediate Families are prohibited from engaging in any of the following Securities Transactions in Accounts, absent pre-approval of the transaction from the Chief Compliance Officer as described in Section V of this Code.

- A. Any transaction in a Covered Security while in possession of material nonpublic information regarding the Covered Security or the issuer of the Covered Security. This prohibition applies to all Access Persons;
- B. Transactions intended to raise, lower, or maintain the price of any Covered Security or to create a false appearance of active trading. This prohibition applies to all Access Persons;
- C. Purchases or sales of Covered Securities, or writing an option to purchase or sell a Covered Security, at a time when the Person has knowledge of an intention to purchase or sell that Covered Security on behalf of the Fund. This prohibition applies whether the Securities Transaction is in the same (two purchases) or the opposite (a purchase and sale) direction of the transaction of the Fund. This prohibition applies to all Access Persons;
- D. Any purchase or sale of Covered Securities, including writing an option to purchase or sell a Covered Security, on any day during which the Fund has a pending “buy” or “sell” order in the same Covered Security until that order is executed or withdrawn, unless an explanation of why the trade is necessary is provided and provision is made for the Fund trade to take precedence, in terms of price, over the trade in question;
- E. Any acquisition of Securities in an Initial Public Offering (other than a new offering of a registered open-end investment company);

- F. Any acquisition of Covered Securities in a Limited Offering or private placement. The Chief Compliance Officer may give permission after considering, among other factors, whether the investment opportunity should be reserved for the Fund and whether the opportunity is being offered to the Advisory Person by virtue of his or her position. In the event any Advisory Person is authorized to acquire and has acquired Covered Securities in a Limited Offering, he or she is required to disclose that investment to the Chief Compliance Officer if the investment plays a part in any subsequent consideration of an investment in the issuer by the Fund. The decision to purchase Securities of the issuer by the Fund must be authorized by the Chief Compliance Officer. A record of any approval granted under this paragraph and the reasons for such approval will be maintained as described in Section XIII of this Code;
- G. Purchases of a Portfolio Security within 60 days of a sale of the Portfolio Security, and sales of a Portfolio Security within 60 days of a purchase of the Portfolio Security absent an agreement to give up all profits of the transaction; and
- H. Purchases or sales of Covered Securities, or writing an option to purchase or sell a Covered Security, within seven calendar days of a purchase or sale of the same Covered Securities by the Fund.

## VII. EXEMPTIONS

The following Securities Transactions are exempt from the preclearance requirements set forth in Section V and the prohibitions set forth in Section VI:

Purchases or sales of shares of registered open-end investment companies;

Purchases or sales effected in any account over which the Access Person (i) has no direct or indirect influence or control, or (ii) has given discretionary investment authority to an independent third party;

Purchases or sales that are non-volitional on the part of the Access Person;

Purchases that are part of an automatic dividend reinvestment plan; or

Purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of its securities, to the extent such rights were acquired from the issuer, and sales of such rights so acquired.

## VIII. CONFIDENTIALITY

All information obtained from any Access Person hereunder shall be kept in strict confidence, except that reports of Securities Transactions hereunder will be made available to the SEC or any other regulatory or self-regulatory to the extent required by law or regulation.

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## IX. GIFTS

### A. Accepting Gifts

On occasion, because of their position with Adviser and Sub-Adviser, or the Fund, the Portfolio Manager or other Advisory Persons may be offered, or may receive without notice, gifts from clients, outside vendors, or other persons who do business or are seeking to do business with Adviser and Sub-Adviser, or the Fund. Solicitation of such gifts or gratuities is unprofessional and is strictly prohibited. This provision shall not apply to gifts received from immediate family members who give any such gifts in that capacity.

Acceptance of extraordinary or extravagant gifts is not permissible. Any such gifts must be declined or returned in order to protect the reputation and integrity of Adviser and Sub-Adviser, and the Fund. Gifts of a nominal value (i.e., gifts with a reasonable value of no more \$100 a year) and customary business lunches, dinners, entertainment (e.g., sporting events), and promotional items (e.g., pens, mugs, T-shirts) may be accepted.

If any gift is received that might be prohibited under this Code, the Portfolio Manager or Advisory Person involved must immediately inform the Chief Compliance Officer.

### B. Giving Gifts

The Portfolio Manager and other Advisory Persons may not give any gift with a value in excess of \$100 per year to persons associated with securities or financial organizations, other member organization, including exchanges, commodity firms, news media, or clients of Adviser and Sub-Adviser. This provision shall not apply to gifts to immediate family members given in that capacity.

## X. INVESTIGATIONS AND REVIEWS

### A. Investigating Violations of the Code

The Chief Compliance Officer is responsible for investigating any reported or suspected violation of the Code and imposing sanctions. Any such investigation may be delegated to the UnumProvident Corporation Office of Business Practices and Ethics (“OBPE.”).

### B. Annual Reports

The Chief Compliance Officer will review the Code at least once a year, in light of legal and business developments and experience in implementing the Code, and will prepare an annual report to the Fund’ s Board of Managers. The report will:

1. Describe any issues arising under this Code since the last report to the Board of Managers, including but not limited to, information about material violations of the Code and sanctions imposed in response to the material violations; and
2. Certify that the Fund, Adviser and Sub-Adviser has adopted procedures reasonably necessary to prevent Access Persons from violating the Code.

## **XI. REMEDIES**

### **A. Sanctions**

If the Chief Compliance Officer or OBPE determines that any Access Person has committed a violation of this Code, the Chief Compliance Officer or OBPE may recommend the imposition of such sanctions, subject to review as set forth below, as it deems appropriate, including reversal of the transaction(s) in question and forfeiture of any profit or absorption of any loss derived therefrom, a letter of censure, or suspension or termination of the employment of the violator for cause.

### **B. Review**

Whenever the Chief Compliance Officer or OBPE determines that any Access Person has committed a violation of this Code that merits remedial action, it will report to the President of the Fund or Adviser, as applicable, information relating to the investigation of the violation, including any recommended sanctions. The President of the Fund or Adviser, as applicable, shall have the power to modify or increase the sanction as he or she deems appropriate. In performing this function, the President of the Fund or Adviser, as applicable, shall have access to all information considered by the Chief Compliance Officer in relation to the case.

## **XII. APPROVAL OF CODES AND MATERIAL AMENDMENTS THERETO**

- A. The Board of Managers of the Fund, including a majority of the independent Managers thereof, shall approve the Codes of Ethics of the Fund, the Adviser, the Sub-Adviser and the principal underwriter of the Fund. No principal underwriter of the Fund or investment adviser or sub-adviser to the Fund may be appointed subsequent to adoption of the Code of Ethics unless and until the Code of Ethics of that entity has been approved by the Board of Managers of the Fund, including a majority of the independent Managers thereof. Following initial approval of the Code of Ethics of the Adviser, the Sub-Adviser or the principal underwriter of the Fund, any material change to such Code must be approved by the Board of Managers of the Fund, including the independent Managers thereof, within six months of said amendment. No amendment of this Code may be made unless and until approved by the Board of Managers of the Fund, including a majority of the independent Managers thereof.

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- B.** In approving a Code of Ethics, the Board of Managers shall have secured a certificate from the entity that adopted the Code that it has adopted procedures reasonably necessary to prevent its access persons from violating the Code in question.

### **XIII. RECORDKEEPING**

A copy of all of the following information, supplied pursuant to this Code, will be retained at the principal place of business of the Fund for at least five years after the end of the fiscal year in which the report is submitted:

- A.** A copy of the current Code of Ethics, in addition to a copy of any Code of Ethics in effect at any time within the past five years;
- B.** A record of any violation of this Code, and of any action taken as a result of the violation;
- C.** A copy of each Personal Holdings Report (including Initial Holdings Reports, Quarterly Transaction Reports, and Annual Holdings Reports), including any information submitted in lieu of such reports (as described in Section IV), or Certifications of Exemption submitted by Access Persons (as described in Section IV);
- D.** A list of all persons, currently or within the last five years, who are or were required to make Personal Holdings Reports, and the names of the Chief Compliance Officer and other persons who are or were responsible for reviewing those reports (as described in Section IV of this Code);
- E.** The Annual Report of the Chief Compliance Officer (as described in Section XII).
- F.** A record of any pre-clearance approval of investments, and the reasons for such approval (as described in Section V); and
- G.** A record of any approval granted for acquisition of Securities in an Initial Public Offering or Limited Offering and the reasons for such approval (as described in Sections VI.E and VI.F);

All such reports and information will be made available for reasonable periodic or any other special inspection by the Chief Compliance Officer, the Chief Compliance Officer, any party to which any investigation is referred by any of the foregoing, the Securities and Exchange Commission, any self-regulatory organization, and any state securities commission.

Enclosures forming part of this Code: Procedures and Definitions Appendix.

**ALLSTATE ASSURANCE COMPANY**  
**SEPARATE ACCOUNT B**  
CODE OF ETHICS  
DEFINITIONS

I. Definitions

**Access Person** is defined as any director, officer, general partner, or Advisory Person of the Fund or the Fund' s investment adviser, including sub-advisers. If an investment adviser' s primary business is advising Funds or other advisory clients, all of the investment advisor' s directors, officers and general partners are presumed to be Access Persons of any Fund advised by the investment adviser. All of a Fund' s directors, officers, and general partners are presumed to be Access Persons.

**Advisory Person** is defined as any director, officer, general partner or employee of the Fund or investment adviser (or of any company in a control relationship to the Fund or investment adviser) who, in connection with his or her regular functions or duties, makes, participates in, or obtains information regarding the purchase or sale of Covered Securities by the Fund, or whose functions relate to the making of any recommendations with respect to purchases or sales, and any natural person in a control relationship to the Fund or investment adviser who obtains information concerning recommendations made to the Fund with regard to the purchase or sale of Covered Securities by the Fund.

**Account** is defined as the following securities accounts: any personal account; any joint or tenant-in-common account in which the person has an interest or is a participant; any account for which the person acts as trustee, executor, or custodian; any account over which the person has investment discretion or otherwise can exercise control (other than non-related clients' accounts over which the person has investment discretion), including the accounts of entities controlled directly or indirectly by the person; any other account in which the person has a direct or indirect Beneficial Interest and any account in which an Immediate Family member has a Beneficial Interest; provided, however that Account shall not include any Securities Account over which the Person has no investment discretion and cannot exercise control over any investment decisions; including any blind trusts.

**Beneficial Ownership/Interest** means a direct or indirect "pecuniary interest" (as defined in subparagraph (a)(2) of Rule 16a-1 under the Securities Exchange Act of 1934) that is held or shared by a person directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, in a security. The term "pecuniary interest," as it is defined under the 1934 Act, is generally understood to mean having the opportunity to share, directly or indirectly, in any profit or loss on a transaction in Securities, including but not limited to all joint accounts, partnerships and trusts. An Access Person is presumed to have Beneficial Ownership of any immediate family member' s account.

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**Covered Security** is defined as a security as defined in section 2(a)(36) of the Investment Company Act of 1940, as amended, (“1940 Act”), except that it does not include direct obligations of the United States government, bankers’ acceptances, bank certificates of deposit, commercial paper, high quality short-term debt instruments, repurchase agreements, or shares issued by open-end funds.

**Immediate Family** is defined as a person’s spouse, a person’s minor child, any adult residing in the same household as the person, any relative dependant on the person for financial support, and any other person designated by the Chief Compliance Officer.

**Independent Fund Director** is defined as a director of the Fund who is not an “interested person” of the fund within the meaning of Section 2(a)(19) of 1940 Act, 15.

**Initial Public Offering** is defined as an offering of securities registered under the Securities Act of 1933, as amended (the “1933 Act”), the issuer of which, immediately before the registration, was not subject to the reporting requirements of sections 13 or 15(d) of the Securities Exchange Act of 1934.

**Limited Offering** is defined as an offering that is exempt from registration under the 1933 Act pursuant to section 4(2) or section 4(6) or 77d(6)) or pursuant to Rule 504, Rule 505, or Rule 506 under the 1933 Act.

**Portfolio Manager** is defined as the person with principal day-to-day responsibility for managing the Fund’s portfolios.

**Portfolio Securities** is defined as stocks, notes, bonds, debentures, or other evidences of indebtedness, and all derivative investments, such as options and warrants, being held by the Fund, or presently being contemplated for purchase by the Fund.

**Securities Transaction** is defined as a purchase or sale of securities, or writing an option to purchase or sell a Covered Security.

## ACCESS PERSON PRECLEARANCE REQUEST FORM

Chief Compliance Officer:

On each of the dates proposed below, I hereby request permission to effect a transaction in the securities indicated below on behalf of myself, my Immediate Family (as defined in the Code of Ethics dated \_\_\_\_\_ (the "Code") adopted pursuant to Rule 17j-1 under the Investment Company Act of 1940, as amended), trusts of which I am trustee or another account in which I have a beneficial interest or legal title, and which are required to be pre-approved pursuant to the Code.

(Use approximate dates and amounts of proposed transactions.)

<u>Name of Security</u>	<u>Proposed Date of Transaction</u>	<u>No. of Shares or Principal Amount</u>	<u>Dollar Amount Of Transaction</u>	<u>Nature of Transaction (Purchase, Sale, Other)</u>	<u>Broker/Dealer or Bank</u>	<u>Price</u>
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Name: \_\_\_\_\_

Title: \_\_\_\_\_

Entity: \_\_\_\_\_

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Permission Granted

Permission Denied

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Chief Compliance Officer

**POWER OF ATTORNEY OF DIRECTOR OF  
ALLSTATE ASSURANCE COMPANY**

KNOW ALL MEN BY THESE PRESENTS, that the undersigned directors of Allstate Assurance Company, an Illinois insurance company, which proposes to file with the Securities and Exchange Commission, under the provisions of the Investment Company Act of 1940, or amendment to Form N-3, each hereby constitutes and appoints Susan N. Roth as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution to do any and all acts and things and execute, for him or her and in his or her name, place and stead, said form and any and all amendments thereto and to file the same, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or her substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of April 29, 2005.

**SIGNATURE**

/s/ John C. Lounds

John C. Lounds

/s/ John C. Pintozzi

John C. Pintozzi

/s/ Casey J. Sylla

Casey J. Sylla

/s/ Michael J. Velotta

Michael J. Velotta

/s/ Douglas B. Welch

Douglas B. Welch

**TITLE**

Director and Senior Vice President

Director, Senior Vice President and Chief Financial Officer

Director, Chairman of the Board and President

Director, General Counsel and Secretary

Director and Vice President