

MONY GROUP INC
Form 10-K
March 27, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

Commission file number: 1-14603

THE MONY GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3976138
(I.R.S. Employer
Identification No.)

1740 Broadway
New York, New York 10019

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(212) 708-2000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$0.01 per share
(Title of Class)

New York Stock Exchange
(Name of each exchange on which registered)

Securities Registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of June 28, 2002 (the last business day of the Registrant's most recently completed second fiscal quarter) was \$1,627,078,260. All executive officers of the Registrant and all persons filing a Schedule 13D with the Commission have been deemed to be affiliates of the Registrant solely for the purpose of the foregoing calculation.

As of March 17, 2003 there were outstanding 47,005,377 shares of Common Stock, \$0.01 par value per share, of the Registrant.

Documents Incorporated by Reference: Portions of the Registrant's proxy statement for the Registrant's 2002 Annual Meeting of Shareholders were incorporated by reference in Parts II and III of this Form 10K.

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Forward-Looking Statements

The Company's management has made in this report, and from time to time may make in its public filings and press releases as well as in oral presentations and discussions, forward-looking statements concerning the Company's operations, economic performance, prospects and financial condition. Forward-looking statements include, among other things, discussions concerning the Company's potential exposure to market risks, as well as statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. The Company claims the protection afforded by the safe harbor for forward-looking statements as set forth in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to many risks and uncertainties. Actual results could differ materially from those anticipated by forward-looking statements due to a number of important factors including the following: The Company could have further venture capital losses; the Company could be subjected to further downgrades by rating agencies of the Company's senior debt ratings and the claims-paying and financial-strength ratings of its insurance subsidiaries; the Company could be required to take a goodwill impairment charge relating to its investment in Advest if the market deteriorates further; the Company could have to accelerate amortization of deferred policy acquisition costs if market conditions continue to deteriorate; the Company could have to write off investments in certain securities if the issuers' financial condition deteriorates; actual death-claim experience could differ from the Company's mortality assumptions; the Company could have liability from as-yet-unknown litigation and claims; larger settlements or judgments than the Company anticipates could result in pending cases due to unforeseen developments; and changes in laws, including tax laws, could affect the demand for the Company's products. The Company does not undertake to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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The MONY Group Inc. (the *MONY Group*), through its subsidiaries (MONY Group and its subsidiaries are collectively referred to herein as the *Company*), provides life insurance, annuities, corporate-owned and bank-owned life insurance (COLI and BOLI), mutual funds, securities brokerage, securities trading, asset management, business and estate planning, trust, and investment banking products and services. The Company distributes its products and services through Retail and Wholesale distribution channels. The Company's Retail distribution channels are comprised of (i) the career agency sales force operated by its principal life insurance operating subsidiary, and (ii) financial advisors and account executives of its securities broker dealer subsidiaries. The Company's Wholesale distribution channel is comprised of (i) MONY Partners, a division of MONY Life, (ii) independent third party insurance brokerage general agencies and securities broker dealers and (iii) its corporate marketing team which markets COLI and BOLI products. For the year ended December 31, 2002, Retail distribution accounted for approximately 22.8%, and 43.5% of sales of protection and accumulation products, respectively, and 100.0% of Retail Brokerage and Investment Banking revenues, while Wholesale distribution accounted for 77.2% and 56.5% of sales of protection and accumulation products, respectively. The Company principally sells its products in all 50 of the United States, the District of Columbia, the U.S. Virgin Islands, Guam and the Commonwealth of Puerto Rico, and currently insures or provides other financial products and services to more than one million individuals.

MONY Group's principal operating subsidiaries are MONY Life Insurance Company (*MONY Life*), formerly known as The Mutual Life Insurance Company of New York, and The Advest Group, Inc. (*Advest*). MONY Life's principal wholly owned direct and indirect operating subsidiaries include: (i) MONY Life Insurance Company of America (*MLOA*), an Arizona domiciled life insurance company, (ii) Enterprise Capital Management (*Enterprise*), a distributor of both proprietary and non-proprietary mutual funds, (iii) U.S. Financial Life Insurance Company (*USFL*), an Ohio domiciled insurer underwriting specialty risk life insurance business, (iv) MONY Securities Corporation (*MSC*), a registered securities broker-dealer and investment advisor whose products and services are distributed through MONY Life's career agency sales force, (v) Trusted Securities Advisors Corp. (*Trusted Advisors*), which distributes investment products and services through a network of accounting professionals, (vi) MONY Brokerage, Inc. (*MBI*), a licensed insurance broker, which principally provides MONY Life's career agency sales force with access to life, annuity, small group health, and specialty insurance products written by other insurance companies so they can meet the insurance and investment needs of their customers, and (vii) MONY International Holdings (*MIH*), which through its Brazilian domiciled insurance brokerage subsidiary, principally provides insurance brokerage services to unaffiliated third party insurance companies in Brazil and, to a lesser extent since its reorganization in 2001, life insurance, annuity and investment products, as well as trust services, to nationals of certain Latin American countries through its Cayman Island based insurance and banking subsidiaries (MONY Life Insurance Company of the Americas, Ltd. and MONY Bank & Trust Company of the Americas, Ltd. respectively). Advest, through its principal operating subsidiaries, Advest, Inc., a securities broker-dealer, Advest Bank and Trust Company, a federal savings bank, and Boston Advisors, Inc. (*Boston Advisors*) a registered investment advisory firm, provides diversified financial services including securities brokerage, securities trading, investment banking, trust, and asset management services.

On February 27, 2002, the MONY Group formed MONY Holdings, LLC (*MONY Holdings*) as a downstream, wholly owned, holding company of the MONY Group. MONY Group formed MONY Holdings for the purpose of issuing debt tied to the performance of the Closed Block Business (see Notes 1 and 19 to the Consolidated Financial Statements) within MONY Life. On April 30, 2002, the date MONY Holdings commenced its operations, MONY Holdings, through a structured financing tied to the performance of the Closed Block Business within MONY Life, issued \$300.0 million of floating rate insured debt securities (the *Insured Notes*) in a private placement and the MONY Group, pursuant to the terms of the structured financing, transferred all of its ownership interest in MONY Life to MONY Holdings. Other than activities related to servicing the Insured Notes in accordance with the note indenture and its ownership interest in MONY Life, MONY Holdings has no operations and engages in no other activities.

Proceeds to MONY Holdings from the issuance of the Insured Notes, after all offering and other related expenses, were approximately \$292.6 million. Of this amount, \$60.0 million was deposited in a debt service coverage account (the DSCA), pursuant to the terms of the note indenture, to provide liquidity and collateral for the payment of interest and principal on the Insured Notes and the balance of approximately \$232.6 million was distributed to MONY Group in the form of a dividend. The Insured Notes mature on January 21, 2017. *See Note 20 to the Consolidated Financial Statements.*

Information About Business Segments

For management and reporting purposes, the Company's business is organized in three principal reportable segments: the Protection Products segment, the Accumulation Products segment, and the Retail Brokerage and Investment Banking segment. Substantially all of the Company's other business activities are combined and reported in the Other Products segment. Certain amounts not allocated to the segments are reported as reconciling items. *See Note 7 to the Consolidated Financial Statements.* The Company formed the Retail Brokerage and Investment Banking segment in 2001 in connection with its acquisitions of Advest and Matrix Private Equities, Inc and Matrix Capital Markets, Inc. (together, Matrix). In addition to these companies, this segment includes the revenues, expenses, assets and liabilities of MSC. In prior years MSC was reported in the Company's Other Products segment. Accordingly, segment disclosures for years prior to 2001 have been restated to conform to the current period presentation.

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Protection Products

The Company offers a diverse portfolio of protection products consisting primarily of traditional life insurance, variable universal life insurance (VUL) and universal life insurance (UL).

The Company's traditional protection products consist of whole life and term insurance products. The whole life insurance products vary in their level of premiums and guaranteed cash values, providing flexibility to the Company's primary marketplace of high net worth individuals including small business owners, pre-retirees and family builders with varying needs. The Company's term insurance products include annual renewable term insurance, term insurance providing coverage for a limited number of years and term insurance featuring a level premium for a variable number of years.

Through USFL, the Company offers term and universal life insurance products designed for the special risk market, focusing on customers with treatable medical conditions. USFL specializes in manufacturing and underwriting life insurance policies for individuals considered special medical risks using its proprietary Clinical Underwriting risk evaluation process. USFL primarily distributes its products through brokerage general agencies.

The Company's VUL product provides all of the premium and death benefit flexibility associated with a UL product type. In addition, it provides the policyholder with the ability to direct the investment of premiums in a wide variety of investment funds with different objectives, including a guaranteed interest account. The Company also offers a regular UL product with interest credits that are based on the Company's general investment portfolio which is primarily investment grade, fixed interest debt securities.

The Company also offers an Interest Sensitive Whole Life product which is a hybrid product featuring the comparatively higher degree of predictable growth and guarantees associated with a traditional whole life product and the upward growth potential associated with interest credits on new money typical within a UL product.

The Company's COLI and BOLI products, which are offered through MLOA, are flexible premium VUL products designed for corporate plan sponsors and banks. This product is specifically designed to have sub-accounts which purchase shares of externally managed mutual funds, as well as proprietary mutual funds available from MONY Life's MONY Series Fund and Enterprise's Enterprise Accumulation Trust (EAT), or a guaranteed interest account.

Several of the Company's protection products are designed to meet the needs of customers for estate planning. Survivorship life products insure two lives and provide for the payment of death benefits upon the death of the last surviving insured. A variety of policy riders are available for the Company's protection products. These riders are designed to provide additional benefits or flexibility at the option of the policyholder. They include riders that permit waiver of premium payments upon the occurrence of a covered disability, pay higher benefits in the event of accidental death, allow the purchase of additional coverage without evidence of insurability and permit the addition of term insurance on either the insured or the insured's spouse or dependent children.

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The following tables present the Protection Products segment sales of life insurance and life insurance in force data for the periods indicated. Management uses this information to measure the Company's sales production from period to period by product. The amounts presented with respect to life insurance sales represent annualized statutory-basis premiums. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - New Business Information*.

Protection Products Segment Sales

	For the Year Ended December 31,		
	2002	2001	2000
	(\$ in millions)		
Sales:			
Traditional life (1)	\$ 51.5	\$ 44.7	\$ 41.2
Universal life	38.0	31.6	22.2
Variable universal life	38.3	61.8	74.8
Group universal life	3.0	1.5	2.5
COLI and BOLI	148.2	75.1	125.3
	\$ 279.0	\$ 214.7	\$ 266.0
	\$ 279.0	\$ 214.7	\$ 266.0

(1) Consists of whole life and term life policies.

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	As of December 31,		
	2002	2001	2000
(\$ in millions)			
Protection Products:			
Traditional life: (1)			
Number of policies (in thousands)	839.1	857.3	879.5
Life reserves	\$ 7,447.0	\$ 7,374.8	\$ 7,283.7
Face amounts	\$ 82,598.6	\$ 73,678.2	\$ 67,015.7
Universal life:			
Number of policies (in thousands)	74.0	74.7	76.4
Life reserves	\$ 765.4	\$ 711.2	\$ 681.2
Face amounts	\$ 10,790.2	\$ 10,843.6	\$ 10,951.6
Variable universal life:			
Number of policies (in thousands)	62.5	62.0	52.0
Account values	\$ 385.0	\$ 402.4	\$ 359.1
Face amounts	\$ 15,171.7	\$ 15,031.0	\$ 12,372.0
Group universal life:			
Number of policies (in thousands)	41.8	43.9	47.3
Life reserves	\$ 70.3	\$ 66.7	\$ 64.1
Face amounts	\$ 1,497.3	\$ 1,571.4	\$ 1,683.0
COLI and BOLI			
Numbers of policies (in thousands)	5.5	4.0	3.0
Life reserves	\$ 495.3	\$ 369.0	\$ 298.2
Face amounts	\$ 3,618.5	\$ 3,199.5	\$ 2,426.7

- (1) Excludes disability income insurance business, which is no longer offered. As of December 31, 1997 all existing in force disability income has been reinsured. The reserves for such business as of December 31, 2002, 2001, and 2000, were \$374.3 million, \$378.0 million, and \$383.4 million, respectively.

Accumulation Products

The Company's annuity products within the Accumulation Products segment focus on the savings and retirement needs of the growing number of individuals who are preparing for retirement or have already retired. The Company offers a variety of accumulation and pay-out products, such as flexible premium variable annuities (FPVA), flexible premium deferred annuities (FPDA), single premium immediate annuities (SPIA) and proprietary retail mutual funds. The Company's annuity and mutual fund products offer numerous investment alternatives to meet the customer's individual investment objectives.

The FPVA is a tax-deferred annuity contract that provides the contractholder with the flexibility to vary payments. In addition, after the annuity's accumulation period, contractholders have the option to receive a lump sum distribution or elect various other pay-out options over the life of the annuitant. Funds may be placed in one or more of the available guaranteed interest accounts or in one of a number of other variable investment options offered through the Company's separate accounts. The FPDA is a tax-deferred annuity which offers a choice of guaranteed interest periods into which the contractholder can allocate payments into one or more of these periods to fit their time horizon. The SPIA contract provides for a single premium payment that is immediately annuitized to provide the annuitant with a guaranteed level income for life.

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Variable annuity contractholders have a range of investment options in which to invest the assets held under their contracts. Currently, these options are comprised of two proprietary fund families and eleven non-proprietary fund families consisting of 24 and 36 different investment options (or mutual funds), respectively, with a wide array of investment objectives. As of December 31, 2002, proprietary and non-proprietary funds accounted for approximately 79.0% and 21.0%, respectively, of variable annuity assets under management.

By offering a variable annuity with a wide variety of variable investment options and guaranteed interest accounts, the Company believes it has the ability to grow profitably in a variety of market environments. The guaranteed interest account within the Company's variable annuities are generally more attractive to customers during periods of rising interest rates and/or declining equity securities markets, whereas variable investment options are generally more attractive to customers during periods of market expansion and for customers with a higher risk tolerance. In addition, the Company offers an FPDA product for those customers who want guaranteed interest rates over a variety of guaranteed interest periods.

The Company believes that it benefits from a shift towards separate account variable annuity products, as this reduces the Company's investment risks and capital requirements because the investment risk in such accounts is borne by the contractholder.

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The wide array of investment fund options offered through the Company's separate accounts also permits contractholders to choose more aggressive or conservative investment strategies without affecting the composition and quality of assets in the Company's general account. The Company believes there will be a continuation in the trend among U.S. employers away from defined benefit plans (under which the employer makes the investment decisions) toward employee-directed defined contribution retirement and savings plans (which allow employees to choose from a variety of investment options), which will benefit its accumulation business. In 2002, 87.0% and 13.0% of the Company's total annuity sales came from retail and wholesale distribution, respectively, compared to 99.6% and 0.4% in 2001.

At December 31, 2002, approximately 85.0% of the Company's career financial professionals were licensed through MSC to sell variable annuities (with 85.0% having National Association of Securities Dealers (NASD) Series 6 licenses and 59.0% having NASD Series 7 licenses).

The following table sets forth the total account value of the principal products offered by the Company in its Accumulation Products segment.

Accumulation Products Segment Assets Under Management

	As of December 31,		
	2002	2001	2000
	(\$ in millions)		
Individual variable annuities (1) (2)	\$ 3,244.9	\$ 3,867.6	\$ 4,368.5
Individual fixed annuities (1) (2)	815.7	728.2	758.2
Proprietary mutual funds	3,695.3	4,396.6	4,841.8
	<u>\$ 7,755.9</u>	<u>\$ 8,992.4</u>	<u>\$ 9,968.5</u>

(1) Individual variable annuity contracts in force were approximately 99.0 thousand, 103.0 thousand and 105.0 thousand, respectively, and individual fixed annuity contracts in force were 15.7 thousand, 9.1 thousand and 10.4 thousand, respectively, for each of the years ended December 31, 2002, 2001 and 2000.

(2) Represents account values for annuities.

The Company offers proprietary retail mutual funds through Enterprise. Enterprise is the registered investment advisor of The Enterprise Group of Funds, a mutual fund family that provides investors with a broad range of investment alternatives through 24 separate investment portfolios. In addition, EAT, for which Enterprise is also the registered investment advisor, is the principal funding vehicle for the Company's variable annuities and VUL insurance products. EAT provides investors with a broad range of investment alternatives through 17 separate investment portfolios. Enterprise is also the registered investment advisor of Enterprise Global Funds plc (EGF plc) which is comprised of 11 separate investment portfolios. EGF plc represents Enterprise's overseas arm of investment management services. Altogether, the Enterprise fund companies have in excess of \$5.6 billion in assets under management. The Company earns investment management fees on the assets managed in connection with both its variable annuities and its proprietary retail mutual funds. In addition, the Company has entered into agreements with Fidelity Variable Insurance Products Fund, Janus Aspen Series, Dreyfus Variable Investment Fund, Alger American Fund, Invesco Variable Investment Funds, Inc., Pimco Variable Insurance Trust, Lord Abbett Series Fund, Morgan Stanley The Universal Institutional Funds, Inc., PBHG Insurance Series Fund and MFS Variable Insurance Trust to provide additional investment choices for the Company's variable annuities and VUL products. The Company has agreements with T. Rowe Price, The Vanguard Group and Van Eck Worldwide Insurance Trust for its variable COLI product.

The Company offers a variety of proprietary retail mutual funds to retail customers. Enterprise's wholly owned subsidiary, Enterprise Fund Distributors, Inc., acts as the broker-dealer in distributing shares in the Enterprise Group of Funds through MSC and third-party broker-dealer firms. In addition, Enterprise markets EAT as a funding vehicle for variable product offerings of third-party insurance companies, initially concentrating on small and mid-size insurance companies.

Retail Brokerage and Investment Banking

The Retail Brokerage and Investment Banking segment is comprised of the operations of Advest, Matrix and MSC.

Advest is comprised of the following principal operating subsidiaries or divisions: (i) Advest, Inc., (ii) the Lebenthal division of Advest, Inc. (formerly Lebenthal & Co., Inc.) and (iii) Boston Advisors. Advest's principal operating subsidiary, Advest, Inc., a regional broker/dealer, provides securities brokerage, investment banking, institutional sales, trading and asset management services to retail and institutional investors through 100 sales offices in 18 states and Washington, DC. Advest's Boston Advisors subsidiary, an investment advisory firm, manages the financial assets of individuals, endowment funds and retirement plans, as well as four money funds. Over \$1.7 billion of funds designated for investment in money funds by brokerage clients of Advest, Inc. are invested in the funds managed by Boston Advisors. Managed accounts, including the funds of Babson United Investment Advisors, Inc. (an Advest subsidiary) and Lebenthal Asset Management, Inc. (a division of Advest), total \$4.0 billion. Advest's Advest Bank and Trust Company subsidiary, an FDIC-insured, federal savings bank, provides trust and custody services primarily through the branch network of Advest, Inc.

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On November 30, 2001, Advest completed the acquisition of Lebenthal & Co., Inc. (Lebenthal), in a merger transaction. Since its founding in 1925, Lebenthal has specialized in the sale of municipal bonds to individual investors. In recent years, Lebenthal has significantly expanded its product offerings to include stocks, mutual funds, annuities, insurance, estate planning, money management, and retirement accounts. Lebenthal's investment advisory subsidiary, Lebenthal Asset Management, Inc., acts as investment advisor to a family of municipal bond investment companies and private accounts. Effective June 8, 2002, Lebenthal merged with Advest, Inc. and Lebenthal Asset Management, Inc. merged with Boston Advisors. *See Note 1 to the Consolidated Financial Statements.*

On May 31, 2002, Boston Advisors completed the acquisition of substantially all of the assets of Babson-United Investment Advisors, Inc. (Babson-United). Babson-United has provided independent, unbiased investment information and investment counseling services to individuals and institutions since 1904. At the date of acquisition Babson-United managed approximately \$1.3 billion for 580 clients across the country.

Matrix is a middle market investment bank specializing in merger and acquisition services. Services offered by Matrix include exclusive sales and divestitures, acquisition searches and buy-side engagements, management buyouts, financial services and valuations.

MSC is a registered securities broker-dealer and investment advisor and a member of NASD. MSC performs brokerage and other investment services relating to a wide range of securities, including mutual funds, stocks, bonds, limited partnership interests (primarily in real estate, oil and gas and equipment leasing) and tax-exempt unit investment trusts. For the years ended December 31, 2002, 2001, and 2000, 24%, 37%, and 43%, respectively, of the investment products sold by MSC were shares in mutual funds in the Enterprise Group of Funds. MSC's products and services are distributed through registered representatives who belong to the Company's career agency sales force. MSC transacts business in all 50 of the United States, the District of Columbia and Puerto Rico. Sales of non-proprietary investment products were \$312.0 million, \$290.0 million, and \$381.0 million, for the years ended December 31, 2002, 2001 and 2000, respectively.

Other Products

The Company's Other Products segment primarily consists of MBI and certain lines of insurance business no longer written by the Company (the Run-Off Businesses). Through MBI, the Company provides its career agency sales force with access to life, annuity, small group health and specialty insurance products written by other carriers to meet the insurance and investment needs of its customers. MBI is licensed as an insurance broker in Delaware and most other states. The Run-Off Businesses primarily consist of group life and health insurance and the group pension business that was not included in the Group Pension Transaction. *See Note 11 to the Consolidated Financial Statements.*

Financial information with respect to each of the Company's business segments is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 7 to the Consolidated Financial Statements.

Marketing and Distribution

The Company's marketing strategy focuses on high net worth individuals including small business owners and higher income individuals, particularly family builders and pre-retirees. The Company believes this strategy capitalizes on the Company's key strengths, namely its wide range of protection, accumulation, securities brokerage, investment planning, and investment banking products and services, as well as its Retail

and Wholesale distribution systems.

Retail Distribution

The Company actively manages its Retail distribution to ensure that expertise is properly leveraged across the organization so that customers needs can be optimally managed. Following is a brief overview of the Company's Retail distribution channel.

Career Agency System

The Company believes that its career agency system provides a competitive advantage in the marketplace. Distribution through career financial professionals allows the Company to establish closer relationships with customers than is typical of insurers using third party brokers, thereby enhancing the ability of the Company to evaluate customer needs and underwriting risks.

The Company's career agency distribution system consisted of 1,502 domestic career financial professionals at December 31, 2002. The sales force is organized as a managerial agency system, which is comprised of 38 agency managers as of December 31, 2002, who supervise the marketing and sales activities of financial professionals. Such professionals are managed by experience and productivity level within defined marketing territories in the United States.

The Company segregates its career agency sales force into four groups (tiers) according to experience and productivity levels and assigns agency managers to tiers based on their skill sets and the particular needs and goals of such tiers. There is a tier for new financial professionals with little or no experience in the industry, a tier for experienced financial professionals who are producing at superior levels, and two tiers in between. The Company believes that this tiering system is unique in the life insurance

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industry and gives the Company a competitive advantage in the marketplace. For example, by having certain managers responsible solely for recruiting and providing necessary support systems for new recruits, the Company is able to increase the quality of new financial professionals recruited each year. The Company believes that the tiering system allows the Company to attract and retain already established and successful financial professionals by providing an environment in which such financial professionals can compete favorably with other producer groups, such as third-party brokers or general agents and to attract and retain other financial professionals by providing marketing and training support that is responsive to their career development needs.

The agency managers are all employees of the Company, while the career financial professionals are all independent contractors and not employees of the Company. The Company's compensation arrangements with career financial professionals contain incentives for them to solicit applications for products issued by MONY Life and MLOA and for products issued by insurance companies not affiliated with the Company, made available by the Company through MBI and MSC. Those incentives include increased levels of expense reimbursement, sales awards and certain other benefits.

The Company's compensation structure provides a salary plus incentive compensation system for all of its agency managers and sales managers, designed to more closely align the interests of the managers with those of the Company. The Company has several programs to recruit and train its career financial professionals. As a result of its recruiting programs and the alignment of its new financial professionals financing program with its productivity-driven commission plus expense reimbursement arrangement, the Company hired 507 new financial professionals in 2002.

Advest

The Company, through its wholly-owned subsidiary, Advest, distributes investment products and services through 573 financial advisors. Advest Inc., one of the country's leading regional financial services firms, is headquartered in Hartford, CT. Advest provides financial, securities brokerage, trading, investment banking, trust, and other advisory services to its clients through a network of more than 100 offices in 18 states and the District of Columbia. Advest is a member of the New York, American, and other principal stock exchanges.

Lebenthal has long been one of the most respected names in the financial services industry. The firm was founded in 1925 and became a division of Advest in 2002. Through a series of creative advertising campaigns, innovative sales tools, and investor education, Lebenthal has established itself as a household name in the Northeast and is particularly well known for its expertise in the municipal bond area.

Boston Advisors manages the financial assets of individuals, endowment funds and retirement plans from their location in Boston, Massachusetts. In addition, Boston Advisors manages four money funds.

Advest Bank and Trust Company, an FDIC-insured, federal savings bank, provides trust and custody services primarily through Advest's branch network.

Trusted Advisors

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Through Trusted Advisors, the Company sells a variety of financial products and services to customers through certified public accountants and other tax professionals who are licensed agents and registered representatives of the Company.

Wholesale Distribution

The following is a brief overview of the Wholesale distribution channel.

MONY Partners

During 2001 MONY Partners was formed as a division of MONY Life. MONY Partners wholesales the Company's individual life and annuity products through MONY Life's career agency sales force, Trusted Advisors' representatives, Advest financial advisors, independent brokerage agents and independent securities broker-dealers. The Company believes that MONY Partners has a competitive advantage in the independent brokerage marketplace in being able to offer brokers competitive products, as well as access to the multiple services, channels and experience within the Company's organization. For example, broker general agents or securities broker-dealers have an opportunity to grow revenue by utilizing: (i) Matrix's merger and acquisition advisory services; (ii) MONY Life's estate planning and seminar marketing resources; and (iii) cross-selling arrangements with Trusted Advisors' representatives.

Other Wholesale Distribution channels

The Company utilizes wholesalers to sell its mutual fund products through third party broker-dealers. The Company continually attempts to expand the number of these specialized sales agents distributing its products.

USFL distributes certain protection products through 223 insurance brokerage general agencies located in 49 states. USFL specializes in manufacturing and underwriting term and universal life insurance policies for individuals considered special medical risks using its proprietary Clinical Underwriting risk evaluation process.

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Through its corporate marketing group, the Company distributes COLI and BOLI products to small to mid-size business owners as well as corporate CEOs, CFOs and benefits administrators to develop retirement plans.

Pricing and Underwriting

Insurance underwriting involves a determination of the type and amount of risk which an insurer is willing to accept. The Company's underwriters evaluate each policy application on the basis of information provided by the applicant and others. The Company follows detailed and uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage to qualified applicants. The long-term profitability of the Company's products is affected by the degree to which future experience deviates from these assumptions.

Reinsurance

The Company uses a variety of indemnity reinsurance agreements with reinsurers to control its loss exposure. Under the terms of reinsurance agreements, the reinsurers will be liable to reimburse the Company for the portion of paid claims ceded to it in accordance with the reinsurance agreement. However, the Company remains contingently liable for all benefits payable even if the reinsurers fail to meet their obligations to the Company.

Life insurance business written by MONY Life and MLOA is primarily ceded on a yearly renewable term basis under various reinsurance contracts, except for the Company's level term product, which utilizes a coinsurance agreement. The Company's general practice is to retain no more than \$4.0 million of risk on any one person for individual products and \$6.0 million for last survivor products. The total amount of reinsured life insurance in force on this basis was \$24.9 billion, \$20.7 billion, and \$16.7 billion at December 31, 2002, 2001, and 2000, respectively. As of December 31, 1997, 100% of the Company's individual disability income insurance business was reinsured on an indemnity basis.

The Company retains 100% of the risk in connection with the return of premium death benefit for its variable annuity products. The benefits in connection with guaranteed minimum death benefits in excess of the return of premium benefit, which are offered under certain of the Company's annuity contracts, are 100% reinsured up to specified limits. Benefits in connection with the earnings increase benefit rider under the new variable annuity are similarly reinsured. The guaranteed minimum income benefit in the new variable annuity product is 100% reinsured up to individual and aggregate limits as well as limits which are based on benefit utilization.

USFL has automatic and facultative treaties for new business. USFL's retention is \$750,000 per single life products and \$1.0 million on last survivor products. New UL business is ceded on a yearly renewable term basis. New term business is ceded on both a coinsurance and yearly renewable term basis. USFL has a number of automatic and facultative treaties that are closed to new business, on either a yearly renewable term or coinsurance basis, which cover approximately 20% of its older business.

The following table presents the Company's principal reinsurers and the percentage of total reinsurance recoverable reported in the Company's Consolidated Financial Statements at December 31, 2002 that was due from each reinsurer, including reinsurance recoverable reported in the

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Consolidated Financial Statements under the caption Amounts Due From Reinsurers (which amounted to \$695.2 million) and indemnity reinsurance in connection with the Group Pension Transaction (which amounted to \$68.6 million). See *Notes 11 and 13 to the Consolidated Financial Statements*.

Reinsurers:

Centre Life Reinsurance, Ltd.	47.8%
Aegon and its subsidiaries (1)	21.0
Life Reassurance Corp. of America	8.3
All Other (2)	22.9
	<hr/>
	100.0%
	<hr/>

(1) Includes the Final Value Payment. See *Note 11 to the Consolidated Financial Statements*

(2) No one reinsurer included herein exceeds 10% of the Company's reinsurance recoverable.

International Business

MIH, through its Brazilian domiciled insurance brokerage subsidiary, principally provides insurance brokerage services to unaffiliated third party insurance companies in Brazil. In addition, on a more limited basis since its reorganization in 2001, MIH, through its Cayman Island based insurance and banking subsidiaries (MONY Life Insurance Company of the Americas, Ltd. and MONY Bank & Trust Company of the Americas, Ltd., respectively), provides life insurance, annuity and investment products, as well as trust services, to nationals of certain Latin American countries.

Table of Contents**Ratings**

Third party ratings of claims-paying ability and financial strength have become an increasingly important factor in establishing the competitive position of insurance companies. Ratings are important to maintaining public confidence in the Company's life insurance subsidiaries and their ability to meet their obligations. Rating organizations continually review the financial performance and condition of insurers. Any lowering of the Company's life insurance subsidiaries' ratings could have a material adverse effect on the Company's ability to market its products and retain its current policyholders.

A.M. Best's ratings for insurance companies currently range from A++ to F, and some companies are not rated. A.M. Best publications indicate that A ratings are assigned to those companies that in A.M. Best's opinion have achieved excellent overall performance when compared to the standards established by A.M. Best. A companies are considered to have a strong ability to meet their obligations to policyholders over a long period of time.

Moody's Investor Service (Moody's) ratings for insurance companies currently range from Aaa to C; Standard & Poors (S&P) ratings for insurance companies range from AAA to CCC-; and Fitch IBCA (Fitch) ratings for insurance companies range from AAA to CCC-. In evaluating a company's financial and operating performance, Moody's, S&P and Fitch review, among other things, its profitability, leverage and liquidity as well as its book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its policy reserves and the experience and competence of its management.

The following table presents the claims-paying ability and financial strength ratings of the Company's domestic life insurance subsidiaries as of December 31, 2002:

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>A.M. Best</u>
MONY Life	A+ (Strong)	A2 (Good)	A+ (Strong)	A (Excellent)
MLOA	A+ (Strong)	A2 (Good)	A+ (Strong)	A (Excellent)
USFL				A (Excellent)

In addition to the claims-paying ability and financial strength ratings of its insurance company subsidiaries, the aforementioned rating agencies also rate the financial strength of the Company to meet its obligations to investors with respect to debt that it has issued.

The following table presents the ratings assigned by the aforementioned ratings agencies to each of the Company's outstanding debt obligations as of December 31, 2002:

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>A.M. Best</u>
The MONY Group Inc. 8.35% Senior Notes	BBB+ (Strong)	Baa2 (Investment Grade)	BBB+ (High Credit Quality)	bbb+ (Strong)

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7.45% Senior Notes Commercial Paper	BBB+ (Strong) A-2 (Good)	Baa2 (Investment Grade) P-2 (Strong)	BBB+ (High Credit Quality) F-2 (Moderately Strong)	bbb+ (Strong) AMB-2 (Acceptable)
MONY Holdings, LLC Series A Floating Rate	AAA	Aaa (Exceptional Financial Security)	AAA (Highest Credit Quality)	aaa (Exceptional)
Insured Notes	(Extremely Strong)			
MONY Life Surplus Notes	A- (Strong)	Baa1 (Medium Grade)	A- (Average)	N/A

The foregoing ratings reflect each rating agency's current opinion of the various companies' claims-paying ability, financial strength, operating performance and ability to meet their obligations and are not evaluations directed toward the protection of investors in the common stock of the MONY Group. Such factors are of concern to policyholders, insurance agents and intermediaries, as well as holders of its debt obligations.

Competition

The Company believes that competition in its lines of business is based on service, product features, price, compensation structure, perceived financial strength, claims-paying ratings and name recognition. The Company competes with a large number of other insurers as well as non-insurance financial services companies, such as banks, broker-dealers and asset managers, many of which have greater financial resources, offer alternative products or more competitive pricing and, with respect to other insurers, have higher claims paying ability ratings than the Company. Competition exists for individual consumers and agents and other distributors of insurance and investment products.

The Gramm-Leach-Bliley Act of 1999 permits business combinations of commercial banks, insurers and securities firms under one holding company. The ability of banks to affiliate with insurance companies and to offer annuity products of life

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insurance companies may materially adversely affect all of the Company's product lines by substantially increasing the number, size and financial strength of potential competitors.

The Company must attract and retain productive financial professionals to sell its insurance and annuity products. Strong competition exists among insurance companies for financial professionals with demonstrated ability. Management believes that the key bases of competition among insurance companies for financial professionals with demonstrated ability include a company's financial position and the services provided to, and relationships developed with, these financial professionals in addition to compensation and product structure.

Regulation

General Regulation at the State Level

MONY Life is licensed to transact its insurance business in, and is subject to regulation and supervision by, all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam and the U.S. Virgin Islands. MLOA is licensed and regulated in all states other than New York, and USFL is licensed and regulated in all states other than New York and the District of Columbia.

The laws of the various states establish state insurance departments with broad administrative powers to approve policy form, and for certain lines of insurance, approve rates, grant and revoke licenses to transact business, regulate trade practices, license agents, require statutory financial statements and prescribe the type and amount of investments permitted. In addition, the New York Insurance Department imposes additional regulations including restrictions on certain selling expenses. The aforementioned regulation by the state insurance departments is for the benefit of policyholders, not stockholders.

The MONY Group is not regulated as an insurance company but will, as the direct or indirect owner of the capital stock of MONY Life, MLOA and USFL be subject to the insurance holding company acts of the states in which MONY Life, MLOA and USFL are domiciled (or deemed to be commercially domiciled). Most states have enacted legislation that requires each insurance holding company and each insurance company in an insurance holding company system to register with the insurance regulatory authority of the insurance company's state of domicile and, periodically to furnish financial and other information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within such system. The Company is subject to the insurance holding company laws in New York, Arizona and Ohio. Under such laws, all transactions within an insurance holding company system affecting insurers must be fair and equitable and each insurer's policyholder surplus following any such transaction must be both reasonable in relation to its outstanding liabilities and adequate for its needs. The New York, Arizona and Ohio insurance holding company laws also require prior notice or regulatory approval of the change of control of an insurer or its holding company and of material inter-corporate transfers of assets or other material transactions within the holding company structure. Generally, under such laws, a state insurance authority must approve in advance the direct or indirect acquisition of 10% or more of the voting securities of an insurance company domiciled in its state. Under the New York Insurance Law, for a period of five years following the effective date of the plan of reorganization (November 16, 1998), no person may acquire beneficial ownership of 5% or more of the outstanding shares of common stock without the prior approval of the New York State Superintendent of Insurance (the New York Superintendent). Certain affiliates of Goldman Sachs & Co., one of the underwriters of the MONY Group's initial public offering, have received a conditional waiver of this rule from the New York Superintendent in connection with the potential exercise of warrants they hold prior to the end of such five-year period. See *Determination of Non-Control*.

In recent years, a number of life and annuity insurers have been the subject of regulatory proceedings and litigation relating to alleged improper life insurance pricing and sales practices. Some of these insurers have incurred or paid substantial amounts in connection with the resolution of

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such matters. See *Note 16 to the Consolidated Financial Statements*. In addition, state insurance regulatory authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to insurers' compliance with applicable insurance laws and regulations.

MONY Life, MLOA and USFL continuously monitor sales, marketing and advertising practices and related activities of their financial professionals and personnel, and provide continuing education and training in an effort to ensure compliance with applicable insurance laws and regulations. Non-compliance with such applicable laws and regulations could have a material adverse effect on the Company.

The National Association of Insurance Commissioners (the "NAIC") has established a program of accrediting state insurance departments. NAIC accreditation permits accredited states to conduct periodic examinations of insurance companies domiciled in such states. NAIC-accredited states will not accept reports of examination of insurance companies from unaccredited states except under limited circumstances. As a direct result, insurers domiciled in unaccredited states may be subject to financial examination by accredited states in which they are licensed, in addition to any examinations conducted by their domiciliary states. The accreditation of the New York Insurance Department, MONY Life's principal insurance regulator, has been suspended as a result of the New York legislature's failure to adopt certain model NAIC regulations. MONY Life believes that the suspension of the NAIC accreditation of the New York Insurance Department, even if continued, will not have a significant impact upon its ability to conduct its insurance businesses.

Table of Contents*Shareholder Dividend Restrictions*

The payment of dividends by MONY Life is regulated under state insurance law. Under the New York Insurance Law, MONY Life may distribute a dividend without the prior approval of the New York Superintendent, where the aggregate amount of such dividends in any calendar year does not exceed the lesser of: (a) ten percent of its statutory surplus to policyholders as of the immediately preceding calendar year, or (b) its statutory net gain from operations for the immediately preceding calendar year, not including realized capital gains. If MONY Life does not satisfy the criteria mentioned above, it can only distribute dividends to its shareholders upon giving notice of its intentions to the New York Superintendent no less than thirty days in advance of such declaration, subject to the Superintendent disapproving such distribution by giving written notice to MONY Life within thirty days thereafter that the financial condition of MONY Life does not warrant such distribution. In addition, Arizona and Ohio insurance laws contain restrictions on the abilities of MLOA and USFL, respectively, to pay dividends to MONY Life. MONY Life's inability to pay dividends to the MONY Group in the future in an amount sufficient for the MONY Group to pay dividends to its shareholders would have a material adverse effect on the MONY Group and the market value of its common stock. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*. In 2002, MONY Life paid a dividend to MONY Holdings in the amount of \$90.0 million, of which \$15.6 million was retained by MONY Holdings in its DSCA sub-account CBB (see *Note 20 to the Consolidated Financial Statements*) and \$74.4 million was paid by MONY Holdings in the form of a dividend to the MONY Group.

Risk-Based Capital Requirements

To enhance the regulation of insurer solvency, the NAIC has adopted a model law to implement Risk Based Capital (RBC) requirements for life insurance companies. The requirements are designed to monitor capital adequacy and to raise the level of protection that statutory surplus provides for policyholders. The model law measures four major areas of risk facing life insurers: (i) the risk of loss from asset defaults and asset value fluctuation; (ii) the risk of loss from adverse mortality and morbidity experience; (iii) the risk of loss from mismatching of asset and liability cash flow due to changing interest rates and (iv) business risks. Insurers having less statutory surplus than required by the RBC model formula will be subject to varying degrees of regulatory action depending on the level of capital inadequacy.

The RBC formula provides a mechanism for the calculation of an insurance company's Authorized Control Level (ACL) RBC and its total adjusted capital. The model law sets forth the points at which a superintendent of insurance is authorized and expected to take regulatory action. The first level is known as the Company Action Level (CAL) RBC, which is set at twice the ACL RBC. The second level is the Regulatory Action Level (RAL) RBC, set at 1.5 times the ACL RBC. The third is the ACL RBC, and the fourth is the Mandatory Control Level (MCL) RBC, set at 70% of the ACL RBC.

Insurance regulators may take actions ranging in severity from reviewing financial plans if adjusted capital is greater than the RAL RBC but less than the CAL RBC to placing the insurance company under regulatory control if adjusted capital is less than the MCL. The adjusted RBC capital ratios of all the Company's insurance subsidiaries at December 31, 2002 and 2001 were in excess of the CAL.

Determination of Non-Control

On December 30, 1997, certain affiliates of Goldman Sachs & Co. (the Investors), entered into an investment agreement with the Company (the Investment Agreement), pursuant to which (i) the Investors purchased \$115.0 million face amount 9.5% coupon surplus notes (MONY Notes)

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and (ii) warrants (the Warrants) to purchase from the Company (after giving effect to the Offerings) in the aggregate 7.0% of the fully diluted common stock as of the first date following such effectiveness on which shares of common stock were first issued to policyholders. All of the MONY Notes were repurchased in 2000.

The New York Superintendent issued a determination pursuant to Section 1501(c) of the New York Insurance Law, dated December 29, 1997, that the Investors would not control MONY Life as a result of the transactions contemplated by the Investment Agreement, subject to certain notice and approval requirements, and certain commitments by the Investors. The Investors have agreed to the following notice and approval requirements: (i) the Investors and their affiliates will notify the New York Superintendent before exercising the Warrants or selling any of the Warrants; (ii) the Investors and their affiliates must notify the New York Superintendent before the sale of any securities of MONY Life, the MONY Group or any of their affiliates acquired pursuant to the Investment Agreement; (iii) the notice and non-disapproval requirements of Sections 1505(c) and (d) of the New York Insurance Law (relating to transactions within a holding company system) apply to transactions between the Investors and the MONY Group or any affiliate, except transactions in the ordinary course of the Investors' business other than transactions involving investment management or investment advisory services performed by the Investors for or on behalf of the MONY Group or any affiliate, to which (along with certain other transactions) the notice requirements of Section 1505(d) of the New York Insurance Law will apply; and (iv) the Investors will provide to the New York Superintendent quarterly and annual reports of transactions between the Investors and the MONY Group or any affiliate. The Investors have also made commitments to the New York Superintendent as follows: (i) every transaction between the Investors and the MONY Group or any affiliate will comply with the standards of the New York Insurance Law related to transactions within a holding company system; (ii) the Investors will be subject to New York Insurance Law requirements regarding examinations by the New York Superintendent and violations and penalties in the context of the MONY Group system; (iii) the Investors will not acquire, directly or indirectly, any security issued by the MONY Group or any affiliate except pursuant to the Investment Agreement or in the ordinary course of their business; (iv) the Investors will not exercise the rights of security holders to vote (except for certain major corporate transactions), propose directors in opposition to management, solicit proxies, call special meetings, or dispose or threaten to dispose of securities as a

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condition for corporate action or non-action by the MONY Group or any affiliate; (v) the Investors may have one representative (with certain restrictions on activities) on the boards of MONY Life, the MONY Group, or a key subsidiary thereof as long as such boards have at least 13 members; and (vi) the Investors will not otherwise cause, or attempt to cause, the direction of the management or policies of, or otherwise exercise control over, the MONY Group or any affiliate. The determination of non-control will remain in effect until revoked by the New York Superintendent in accordance with the New York Insurance Law, at the request of the Investors or upon the initiative of the New York Superintendent, or the Investors own less than 2% of the equity securities of the MONY Group.

Assessments Against Insurers

Insurance guaranty association laws exist in all states, the District of Columbia and Puerto Rico. Insurers doing business in any of these jurisdictions can be assessed for policyholder losses incurred by insolvent insurance companies. These arrangements provide certain levels of protection to policyholders from losses under insurance policies (and certificates issued under group insurance policies issued by life insurance companies) issued by insurance companies that become impaired or insolvent. Typically, assessments are levied (up to prescribed limits) on member insurers on a basis which is related to the member insurer's proportionate share of the business written by all member insurers in the appropriate state.

Securities Laws

The MONY Group, certain of its subsidiaries and certain policies and contracts offered by such subsidiaries are subject to various levels of regulation under the federal securities laws administered by the Securities and Exchange Commission (the Commission) and under certain state securities laws. Certain separate accounts and a variety of mutual funds and other pooled investment vehicles are registered under the Investment Company Act of 1940, as amended (the Investment Company Act). Certain annuity contracts and insurance policies issued by subsidiaries are registered under the Securities Act of 1933, as amended (the Securities Act), and certain other subsidiaries of the MONY Group are registered as broker-dealers under the Securities Exchange Act of 1934, as amended (the Exchange Act).

Certain of the MONY Group's subsidiaries are investment advisors registered under the Investment Advisers Act of 1940, as amended (the Investment Advisers Act). Certain investment companies managed by such subsidiaries are registered with the Commission under the Investment Company Act and the shares of certain of these entities are qualified for sale in certain states in the United States and the District of Columbia. Certain subsidiaries of the MONY Group are also subject to the Commission's net capital rules.

All aspects of the MONY Group's subsidiaries' investment advisory activities are subject to various federal and state laws and regulations in jurisdictions in which they conduct business. These laws and regulations are primarily intended to benefit investment advisory clients and investment company shareholders and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible sanctions which may be imposed include the suspension of individual employees, limitations on the activities in which the investment advisor may engage, suspension or revocation of the investment advisor's registration as an advisor, censure and fines.

Certain of MONY Group's subsidiaries may also be subject to similar laws and regulations in the states and foreign countries in which they provide investment advisory services, offer the products described above, or conduct other securities related activities.

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Savings and Loan Holding Company Regulation

The MONY Group is a registered savings and loan holding company by virtue of its indirect ownership of Advest Bank and Trust Company. As a registered savings and loan holding company, the MONY Group is subject to holding company regulation by the U.S. Office of Thrift Supervision.

ERISA Considerations

The Company offers certain products and services, including investment advisory services, to (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Internal Revenue Code of 1986, as amended (Code) and (ii) individual retirement accounts and individual retirement annuities (IRAs) that are subject to the Code. Accordingly, while engaging in these activities the Company is subject to the standards and limitations imposed by ERISA and the Code, and the regulations, rulings and exemptions thereunder, where applicable. These include the requirement under ERISA that fiduciaries perform their duties solely in the interests of ERISA plan participants and beneficiaries and the requirement under ERISA and the Code that fiduciaries and certain parties in interest may not cause an ERISA-covered plan or IRA to engage in certain prohibited transactions with respect to such plans and IRAs. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation.

Potential Tax Legislation

Congress has, from time to time, considered legislation that could eliminate or reduce the advantage of deferral of income taxation on the accretion of value within certain annuities and life insurance products. Passage of any such legislation could

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adversely affect purchases of annuities and life insurance. Additionally, legislation has been proposed to repeal the federal estate tax that could adversely affect the purchase of life insurance.

Employees

As of December 31, 2002, the Company had 4,014 employees, of which 513 were Advest financial advisors. No employees are covered by a collective bargaining agreement. In addition, as of December 31, 2002, the Company was represented by 1,639 full time domestic and international career financial professionals who are all independent contractors and are not employees of the Company. The Company believes that its employee and financial professional relations are satisfactory.

Available Information

MONY Group's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports are available free of charge on the MONY Group's internet website at www.mony.com. These reports and amendments are posted on this website as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission.

ITEM 1A. Executive Officers of the Registrant

The names of the executive officers of the Company and their respective ages and positions are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael I. Roth	57	Chairman of the Board, Chief Executive Officer and Director of the MONY Group
Samuel J. Foti	51	President, Chief Operating Officer and Director of the MONY Group
Richard Daddario	55	Executive Vice President and Chief Financial Officer of the MONY Group
Kenneth M. Levine	56	Executive Vice President, Chief Investment Officer and Director of the MONY Group
Steven G. Orluck	50	Executive Vice President of the MONY Group
Lee M. Smith	59	Vice President and Corporate Secretary of the MONY Group
Bart R. Schwartz	50	Senior Vice President and General Counsel of the MONY Group
Richard E. Connors	50	Senior Vice President of MONY Life
Evelyn L. Peos	46	Senior Vice President of MONY Life
Michael Slipowitz	44	Senior Vice President and Chief Actuary of MONY Life
Victor Ugolyn	55	Senior Vice President of MONY Life
Grant W. Kurtz	60	Chairman, President and Chief Executive Officer of Advest
Arnold Brousell	45	Vice President, Controller and Chief Accounting Officer of the MONY Group
Kimberly Windrow	45	Senior Vice President of MONY Life

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Officers of the Company are elected annually and serve until their retirement, resignation, death or removal.

Set forth below is a description of the business positions during at least the past five years for the executive officers of the Company.

Michael I. Roth has been a Director, Chairman and Chief Executive Officer of the MONY Group since 1997. He has been Chairman of the Board (since 1993) and Chief Executive Officer (since 1993) of MONY Life and has been a Director since 1991. Mr. Roth is a Director of the American Council of Life Insurance, The Life Insurance Council of New York, Insurance Marketplace Standards Association, Enterprise Foundation (a charitable foundation which develops housing and which is not affiliated with the Enterprise Group of Funds), Metropolitan Development Association of Syracuse and Central New York, Enterprise Group of Funds, Inc., Enterprise Accumulation Trust, Pitney Bowes, Inc., The Partnership for New York City, Committee to Encourage Corporate Philanthropy, The Twin Towers Fund, and Interpublic Group of Companies. Mr. Roth also serves on the Board of Governors of the United Way of Tri-State and is a member of the Lincoln Center Consolidated Corporate Fund Leadership Committee.

Samuel J. Foti has been a Director, President and Chief Operating Officer of the MONY Group since 1997. He has been President and Chief Operating Officer (since 1994) of MONY Life and has been a Director since 1993. Mr. Foti is also a Trustee of The American College, where he served as Chair of the Board of Trustees from 2000 to 2002. He previously served on the board of directors of the Life Insurance Marketing and Research Association (LIMRA), where he served as Chairman from 1996 to 1997.

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Richard Daddario has been Executive Vice President and Chief Financial Officer of the MONY Group since 1997. He has been Executive Vice President and Chief Financial Officer of MONY Life since 1994. Prior to being appointed Executive Vice President and Chief Financial Officer of MONY Life, he served as Senior Vice President and Corporate Controller. Mr. Daddario has been with MONY Life for 13 years.

Kenneth M. Levine has been a Director, Executive Vice President and Chief Investment Officer of the MONY Group since 1997. He has also been a Director (since 1994) and Executive Vice President (since 1990) and Chief Investment Officer (since 1991) of MONY Life. Prior to that time, Mr. Levine held various management positions within MONY Life.

Steven G. Orluck has been Executive Vice President of the MONY Group since May 2002. He has been Executive Vice President and Chief Distribution Officer of MONY Life since March 2002. Prior to that time, he was Senior Vice President of Complementary Distribution of MONY Life. Mr. Orluck joined MONY after 24 years in marketing and sales with Metropolitan Life Insurance Co.

Lee M. Smith has been Vice President and Corporate Secretary of the MONY Group since 1999. Mr. Smith has been Vice President Government Relations of MONY Life (since 1999) and Vice President for Government Relations of MONY Life (from 1985 to 1999). Prior to that time, he held several positions with MONY Life. Mr. Smith has been with MONY Life for 21 years.

Bart R. Schwartz has been Senior Vice President and General Counsel of the MONY Group and of MONY Life since June 2000. Prior to joining the Company in 2000, Mr. Schwartz was Senior Vice President and General Counsel of Willis Corroon Corporation.

Richard E. Connors has been Senior Vice President (since 1994) and Head of the Annuities Division (since 2001) of MONY Life. He has also served as Senior Vice President of Marketing (from 1994 to 2001), Regional Vice President – Western Region (from 1991 to 1994) of MONY Life, Vice President – Small Business Marketing (from 1990 to 1991) and Vice President – Manpower Development (from 1988 to 1990). Mr. Connors has been with MONY Life for 15 years.

Evelyn L. Peos has been Senior Vice President of MONY Life since March 2002. Mrs. Peos was Vice President (from 1993-2002) and Vice President – Individual Product Actuary (from 1988 to 1993) of MONY Life. Prior to that time, she held several positions with MONY Life. Mrs. Peos has been with MONY Life for 24 years.

Michael Slipowitz has been Senior Vice President (since March 2002) and Chief Actuary (since January 2002) of MONY Life. He also served as Vice President of MONY Life from 1993 to 2001. Prior to that time, Mr. Slipowitz held various positions with MONY Life. Mr. Slipowitz has been with MONY Life for 22 years.

Victor Ugolyn has been Senior Vice President of MONY Life since 1991. He has also been Chairman and Chief Executive Officer of Enterprise Capital Management, Inc. (since 1991); Enterprise Group of Funds, Inc. (since 1991); Enterprise Accumulation Trust (since 1994); and Enterprise Fund Distributors, Inc. (since 1991); Chairman of MONY Securities Corporation (since 1991); and Chairman and President of Enterprise Global Funds plc (since 2001). Mr. Ugolyn has been with MONY Life for 12 years.

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Grant W. Kurtz has been Chairman (since 2001), Chief Executive Officer (since 1999) and President (since 1995) of Advest. Mr. Kurtz joined Advest in 1985 after 20 years with the Ohio Company to take the role of Regional Sales Manager and, in 1987, became National Sales Manager. He has been Chairman (since 2001), Chief Executive Officer (since 1999) and President (since 1990) of Advest, Inc.

Arnold Brousell has been Vice President, Controller and Chief Accounting Officer of the MONY Group since October 2002. Prior to that time, Mr. Brousell was Vice President – Financial Reporting and Chief Accounting Officer of the MONY Group since March 2002. Prior to that time, Mr. Brousell was Vice President – Financial Reporting (from 1998-2002) and Assistant Vice President (from 1997-1998) of MONY Life. Mr. Brousell joined MONY Life in 1997 after 14 years of providing accounting and auditing services for Big 4 public accounting firms, including PricewaterhouseCoopers LLP and Deloitte & Touche LLP.

Kimberly Windrow has been Senior Vice President of MONY Life since March 2002. Prior to that time, she was Vice President, Human Resources (from 2001-2002) of MONY Life. Prior to joining MONY Life in 2001, Ms. Windrow was Senior Vice President, Human Resources for Willis North America.

ITEM 2. *Properties*

The Company leases its headquarters building which is located at 1740 Broadway, New York, New York and consists of approximately 267,000 square feet. The Company also occupies facilities in Syracuse, New York for use in its insurance operations, which consist of approximately 578,000 square feet in the aggregate. The Company also leases all 209 of its agency and its subsidiary offices, which consist of approximately 1,185,000 square feet in the aggregate. The Company believes that such properties are suitable and adequate for its current and anticipated business operations.

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ITEM 3. *Legal Proceedings*

See Note 16 to the Consolidated Financial Statements. In addition to the matters discussed therein, in the ordinary course of its business the Company is involved in various other legal actions and proceedings (some of which involve demands for unspecified damages), none of which is expected to have a material adverse effect on the Company.

ITEM 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter ended December 31, 2002.

Table of Contents**PART II****ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters**

The MONY Group's common stock is traded on the New York Stock Exchange (NYSE) under the trading symbol MNY.

The following table presents the high and low closing prices for the common stock of the MONY Group on the NYSE for the period indicated and the quarterly dividends declared per share.

	<u>High</u>	<u>Low</u>	<u>Dividends</u>
2002			
First Quarter	\$ 40.61	\$ 34.32	\$
Second Quarter	\$ 41.63	\$ 32.45	\$
Third Quarter	\$ 34.15	\$ 24.27	\$
Fourth Quarter	\$ 27.82	\$ 21.88	\$ 0.45
2001			
First Quarter	\$ 50.81	\$ 32.35	\$
Second Quarter	\$ 40.82	\$ 32.30	\$
Third Quarter	\$ 41.00	\$ 30.81	\$
Fourth Quarter	\$ 34.57	\$ 30.17	\$ 0.45

As of March 17, 2003, the closing price of the MONY Group's common stock was \$20.88. There were 520,509 holders of common stock at March 17, 2003.

The MONY Group expects to continue to pay an annual dividend on its common stock in 2003. Future dividend decisions will be made by the Board of Directors on the basis of a number of factors, including the operating results and financial requirements of the MONY Group and the impact of regulatory restrictions. See *Business Regulation* and *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*.

Disclosure regarding Securities Authorized for Issuance under Equity Compensation Plan Information is set forth in the definitive proxy statement for the MONY Group's 2003 annual meeting of shareholders (the Proxy Statement) filed or to be filed by the MONY Group with the Commission within 120 days after the end of the last fiscal year covered by this Report on Form 10-K.

Table of Contents**ITEM 6. Selected Financial Data**

The following table sets forth selected financial data for the Company. The Selected Financial Data as of December 31, 2002 and 2001 and for each of the years in the three-year period ended December 31, 2002 has been derived from audited financial statements included herein. The selected financial data as of December 31, 2000, 1999 and 1998 and for each of the years in the two-year period ended December 31, 1999 has been derived from audited financial statements not included herein. The Selected Financial Data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company's Consolidated Financial Statements and the notes thereto and the other financial information included elsewhere herein.

	As of and for the Year Ended December 31,				
	2002(4)	2001(4)	2000	1999	1998
	(\$ in millions, except per share amounts)				
Consolidated Income Statement Data (1)(6):					
Revenues:					
Premiums	\$ 690.4	\$ 695.3	\$ 700.5	\$ 717.1	\$ 721.8
Universal life and investment-type product policy fees	200.5	207.2	205.8	196.3	151.6
Net investment income	737.3	684.8	978.1	902.3	735.7
Net realized (losses)/gains on investments	(153.0)	(12.3)	37.5	125.1	171.1
Group Pension Profits(2)	82.3	30.7	37.1	63.0	56.8
Retail brokerage and investment banking revenues	397.1	350.8	59.7	63.4	76.1
Other income	139.9	147.1	163.6	133.8	87.1
Total revenues	2,094.5	2,103.6	2,182.3	2,201.0	2,000.2
Total benefits and expenses	2,126.5	2,197.0	1,786.2	1,820.4	1,733.2
(Loss)/income from continuing operations before income tax	(32.0)	(93.4)	396.1	380.6	267.0
Income tax (benefit) expense	(11.2)	(32.6)	133.8	132.0	103.0
(Loss)/income from continuing operations	(20.8)	(60.8)	262.3	248.6	164.0
Discontinued operations loss from real estate to be disposed of net of income tax benefit of \$1.4 million	(2.5)				
Extraordinary item net of tax			37.7		
Net (loss) income	\$ (23.3)	\$ (60.8)	\$ 224.6	\$ 248.6	\$ 164.0
Basic (loss) earnings per share(3)	\$ (0.49)	\$ (1.25)	\$ 4.83	\$ 5.26	\$ 0.19
Diluted (loss) earnings per share(3)(5)	\$ (0.49)	\$ (1.25)	\$ 4.70	\$ 5.20	\$ 0.18
Cash dividends per common share	\$ 0.45	\$ 0.45	\$ 0.45	\$ 0.40	N/A
Consolidated Balance Sheet Data (1)(2)(6):					
Total assets	\$ 19,925.7	\$ 25,656.6	\$ 24,575.3	\$ 24,736.3	\$ 24,958.2
Total debt	\$ 883.3	\$ 903.1	\$ 623.4	\$ 298.8	\$ 375.4
Total liabilities	\$ 17,927.2	\$ 23,604.4	\$ 22,536.4	\$ 22,910.8	\$ 23,180.6
Shareholders' equity	\$ 1,998.5	\$ 2,052.2	\$ 2,038.9	\$ 1,825.5	\$ 1,777.6

(1) On January 1, 2001, the Company adopted the provisions of the American Institute of Certified Public Accountants Statement of Position 00-3, Accounting by Insurance Enterprises for Demutualizations and Formations of Mutual Insurance Holding Companies for Certain Long-Duration Participating Contracts (SOP 00-3). SOP 00-3 provides guidance with respect to accounting for demutualizations and

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requires, among other things, that (i) Closed Block assets, liabilities, revenues and expenses should be displayed in financial statements combined with all other assets, liabilities, revenues and expenses outside the Closed Block, and (ii) demutualization expenses be classified as a single line item within income from continuing operations. In accordance with SOP 00-3 the Consolidated Financial Statements for years prior to 2001 have been restated as necessary to conform to the requirements of SOP 00-3.

- (2) See Note 11 to the Consolidated Financial Statements regarding the Group Pension Transaction.
- (3) Prior to the demutualization of MONY Life on November 16, 1998, the Company had no common stock outstanding and, accordingly, did not report earnings per share. In accordance with accounting principles generally accepted in the United States of America (GAAP), per share amounts presented for 1998 include only the results of operations for the period from November 16, 1998 (the effective date of demutualization) through December 31, 1998. On a pro forma basis, assuming the demutualization occurred January 1, 1998, basic and diluted earnings per share would have been \$4.05 for the year ended December 31, 1998.
- (4) The Company s results of operations for the years ended December 31, 2002 and 2001 include reorganization charges aggregating \$7.7 million and reorganization and other charges aggregating \$146.1 million, respectively, before taxes. For details of such charges and the line items in which they are reflected, see Note 24 to the Consolidated Financial Statements.
- (5) 1,227,397 and 1,333,745 incremental shares from assumed conversion of dilutive securities were not included in the computation of per share amounts for the years ended December 31, 2002 and 2001, respectively, because to do so would be antidilutive.
- (6) See Notes 2 and 18 to the Consolidated Financial Statements regarding the Closed Block.

Table of Contents**ITEM 7.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis addresses the financial condition and results of operations of the Company for the periods indicated. The discussion and analysis of the Company's financial condition and results of operations presented below should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and related footnotes and other financial information included elsewhere herein.

Organization and Business

The MONY Group Inc. (the "MONY Group"), through its subsidiaries (MONY Group and its subsidiaries are collectively referred to herein as the Company), provides life insurance, annuities, corporate-owned and bank-owned life insurance (COLI and BOLI), mutual funds, securities brokerage, securities trading, asset management, business and estate planning, trust, and investment banking products and services. The Company distributes its products and services through Retail and Wholesale distribution channels. The Company's Retail distribution channels are comprised of (i) the career agency sales force operated by its principal life insurance operating subsidiary, and (ii) financial advisors and account executives of its securities broker dealer subsidiaries. The Company's Wholesale channel is comprised of (i) MONY Partners, a division of MONY Life, (ii) independent third party insurance brokerage general agencies and securities broker dealers and (iii) its corporate marketing team which markets COLI and BOLI products. For the year ended December 31, 2002, Retail distribution accounted for approximately 22.8%, and 43.5% of sales of protection and accumulation products, respectively, and 100.0% of Retail Brokerage and Investment Banking revenues, while Wholesale distribution accounted for 77.2% and 56.5% of sales of protection and accumulation products, respectively. The Company principally sells its products in all 50 of the United States, the District of Columbia, the U.S. Virgin Islands, Guam and the Commonwealth of Puerto Rico, and currently insures or provides other financial products and services to more than one million individuals.

MONY Group's principal operating subsidiaries are MONY Life Insurance Company (MONY Life), formerly known as The Mutual Life Insurance Company of New York, and The Advest Group, Inc. (Advest). MONY Life's principal wholly owned direct and indirect operating subsidiaries include: (i) MONY Life Insurance Company of America (MLOA), an Arizona domiciled life insurance company, (ii) Enterprise Capital Management (Enterprise), a distributor of both proprietary and non-proprietary mutual funds, (iii) U.S. Financial Life Insurance Company (USFL), an Ohio domiciled insurer underwriting specialty risk life insurance business, (iv) MONY Securities Corporation (MSC), a registered securities broker-dealer and investment advisor whose products and services are distributed through MONY Life's career agency sales force, (v) Trusted Securities Advisors Corp. (Trusted Advisors), which distributes investment products and services through a network of accounting professionals, (vi) MONY Brokerage, Inc. (MBI), a licensed insurance broker, which principally provides MONY Life's career agency sales force with access to life, annuity, small group health, and specialty insurance products written by other insurance companies so they can meet the insurance and investment needs of their customers, and (vii) MONY International Holdings (MIH), which through its Brazilian domiciled insurance brokerage subsidiary, principally provides insurance brokerage services to unaffiliated third party insurance companies in Brazil and, to a lesser extent since its reorganization in 2001, life insurance, annuity and investment products, as well as trust services, to nationals of certain Latin American countries through its Cayman Island based insurance and banking subsidiaries (MONY Life Insurance Company of the Americas, Ltd. and MONY Bank & Trust of the Americas, Ltd, respectively). Advest, through its principal operating subsidiaries, Advest, Inc., a securities broker-dealer, Advest Bank and Trust Company, a federal savings bank, and Boston Advisors, a registered investment advisory firm, provides diversified financial services including securities brokerage, securities trading, investment banking, trust, and asset management services.

See Part I Item 1, Business and Notes 1 and 7 to the Consolidated Financial Statements for further information regarding the Company's organization and business.

General Discussion of Factors Affecting Profitability

The Company derives its revenues principally from: (i) premiums on individual life insurance, (ii) insurance, administrative and surrender charges on universal life and annuity products, (iii) asset management fees from separate account and mutual fund products, (iv) net investment income on general account assets, (v) the Group Pension Profits (which ceased as of December 31, 2002 - see *Note 11 to the Consolidated Financial Statements*), and (vi) commissions from securities and insurance brokerage operations. The Company's expenses consist of insurance benefits provided to policyholders, interest credited on policyholders' account balances, dividends to policyholders, the cost of selling and servicing the various products sold by the Company, including commissions to sales representatives (net of any deferrals) and general business expenses.

The Company's profitability depends in large part upon (i) price movements and trends in the securities markets, (ii) the amount of its assets and its third-party assets under management, (iii) the adequacy of its product pricing (which is primarily a function of competitive conditions, management's ability to assess and manage trends in mortality and morbidity experience as compared to the level of benefit payments, and its ability to maintain expenses within pricing assumptions), (iv) supply and demand for the kinds of products and services offered by the Company (see *Note 7 to the Consolidated Financial Statements* for the principal products and services offered by the Company), (v) the maintenance of the Company's target spreads between

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credited rates on policyholders' account balances and the rate of earnings on its investments, (vi) the amount of time purchasers of our insurance and annuity products hold and renew their contracts with us (referred to as "persistence"), which affects our ability to recover the costs incurred to sell such policies and contracts, (vii) the ability to manage the market and credit risks associated with its invested assets, (viii) returns on venture capital investments, (ix) the investment performance of its mutual fund and variable product offerings, and (x) commission and fee revenue from securities brokerage and investment banking operations which fluctuate with trading volume. External factors, such as general economic conditions and the securities markets, as well as legislation and regulation of the insurance marketplace and products, may also affect the Company's profitability. In addition, downgrades of the claims paying ability ratings of our insurance subsidiaries by Nationally Recognized Statistical Rating Organizations may affect our ability to compete in the marketplace for our products and services. Similarly, downgrades of MONY Group's credit ratings may affect our ability to access the debt markets to raise additional capital, which could affect the Company's liquidity and ability to support the capital of our insurance subsidiaries.

Potential Forward Looking Risks Affecting Profitability

The results of operations of the Company's businesses, particularly the businesses comprising its Accumulation Products segment and the businesses comprising its Retail Brokerage and Investment Banking segment, are highly sensitive to general economic and securities market conditions. Such conditions include the level of valuations in the securities markets, the level of interest rates, consumer sentiment, the level of retail securities trading volume, and the consensus economic and securities market outlook. Set forth below is a discussion of certain matters that may adversely impact the Company's results of operations in the event of a continuation or worsening of current economic and securities market conditions, as well as other matters that could adversely affect its future earnings:

Further Declines in Securities Market Prices Could Reduce the Value of Certain Intangible Assets on the Company's Balance Sheet

The Company Might Have to Amortize or Write-Off Deferred Policy Acquisition Costs Sooner Than Planned. In accordance with GAAP, deferred policy acquisition costs ("DPAC") (policy acquisition costs represent costs that vary with and primarily relate to the production of business, such as commissions paid to financial professionals and brokers) are amortized on a basis consistent with how earnings emerge from the underlying products that gave rise to such DPAC. Such amortization is calculated based on the actual amount of earnings that have emerged to date relative to management's best estimate of the total amount of such earnings expected to emerge over the life of such business. This calculation requires the Company to make assumptions about future investment yields, contract charges, interest crediting rates, mortality rates, lapse rates, expense levels, policyholder dividends and policy duration. In addition, to the extent that the present value of estimated future earnings expected to emerge over the remaining life of the business is not sufficient to recover the remaining DPAC balance, GAAP requires that such excess DPAC amount be immediately charged to earnings. Accordingly, changes in the Company's assumptions underlying DPAC or actual results that differ significantly from management's prior estimates may materially affect the rate at which the Company amortizes or writes-off DPAC, which may materially affect its financial position and results of operations. Also, to the extent that circumstances lead management to conclude that the business, after writing off all DPAC, will not ultimately be profitable, the Company would be required to record its best estimate of the loss in the period such determination was made. While management believes such a scenario is unlikely, a sustained deterioration in the securities markets will significantly impact such determination and may require the Company to recognize a loss that could materially affect its financial position and results of operations.

At December 31, 2002 the carrying value of our DPAC was \$1.2 billion. Approximately \$133.8 million of this amount pertains to the Company's annuity in force business. The profit margins from this business, over which the related DPAC is amortized, are particularly sensitive to changes in assumed investment returns and asset valuations. With respect to the investment return assumptions which underlie the amortization of the Company's annuity DPAC, the accounting policy applied, which is referred to as the "reversion to the mean" method, assumes a rate of return over the life of the business of 8.0%. In applying this method, the future assumed rate of return assumption is adjusted based on actual returns to date so that the ultimate rate of return over the expected life of the business is always 8.0%. However, the Company's policy is to never exceed a future rate of return assumption in excess of 10.0%. Accordingly, the ultimate rate of return over the life of such business may be less than 8.0%. In addition, in applying the "reversion to the mean" method the Company's policy does not provide for a floor on the assumed future rate of return. Accordingly, actual returns to date sufficiently in excess of the ultimate assumed rate of return of 8.0% may result in a future rate of return assumption that could actually be negative.

While the Company's current best estimate for the ultimate investment return underlying this business is 8.0%, a continuing deterioration in the securities markets (whether with regard to investment returns or asset valuations) could require the Company to revise its estimate of the ultimate profitability of this business. This could result in accelerated amortization and/or a charge to earnings to reflect the amount of DPAC which may not be recoverable from the estimated present value of future profits expected to emerge from this business. Such an event, should it occur, may materially affect the Company's financial position and results of operations.

During 2002, the Company revised its estimate of the ultimate amount of gross profits to be earned from its annuity in force block of business. This revision reflects the decline in annuity in force account values during the year due primarily to the deterioration of the equity securities markets. As a result of this revised estimate, the Company recorded a charge of

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\$16.3 million during 2002 to reflect the amount of DPAC amortization that should have been recorded through December 31, 2002 based on the Company's best estimate of the ultimate gross profits from the annuity in force business. In addition, the Company recorded a charge of \$1.6 million representing its best estimate of the amount of annuity in force DPAC that is not recoverable based on the estimated present value of future gross profits expected to emerge from this business.

The Company's calculation of annuity product DPAC asset balances as of December 31, 2002 incorporates an assumption of 10% returns in 2003 and later for all funds underlying variable annuity products. This assumption is consistent with the reversion to the mean method described above. The assumption of future returns impacts the Company's expectation of both future fee income and future expenses, including the cost of the death benefit guarantees. The Company's anticipated earnings for 2003, which were disclosed at its Investment Community meeting on January 16, 2003 were predicated on a 7% return, which built in \$3.0 million of variable annuity DPAC unlocking. Within a narrow range, any deviation from 7% will change earnings by approximately \$1.0 million per 1% change in return. For example, a return of 8% would lead to a \$1 million gain relative to plan, and a return of 6% would lead to a \$1 million loss. However, if returns fall substantially below 3 or 4%, the Company may need to take additional loss recognition writeoffs. These writeoffs have a larger immediate impact than DPAC unlocking, in that the entire amount of DPAC deemed non-recoverable must be written off at once, rather than over the life of the product. Every additional drop of 1% in this range would decrease earnings by approximately \$2 million. For example, 2003 returns of 0% would decrease pre-tax earnings by approximately \$11.0 million.

The Company Might Have to Write-Off Some Goodwill. The carrying value of goodwill in the Company's Retail Brokerage and Investment Banking segment was \$191.4 million at December 31, 2002. Based on the Company's estimate of the fair value of these businesses, the Company concluded that no impairment of such goodwill exists as on December 31, 2002. However, if securities market conditions worsen or if there is a prolonged downturn in retail securities trading volumes, the Company might conclude, in the future, that all or a portion of such goodwill is impaired and must be written off.

The Company May Be Required to Recognize in its Earnings Other Than Temporary Impairment Charges on its Investments in Fixed Maturity and Equity Securities, as Well as Mark to Market Losses on Certain of its Venture Capital Investments

Management's assessment of whether an investment in a debt or equity security is other than temporarily impaired is based primarily on the following factors:

management's analysis of the issuer's financial condition and trends therein;

the value of any collateral or guaranty;

the investment's position in the issuer's capital structure;

management's analysis of industry fundamentals;

management's assessment of the macro economic outlook; and

the consideration of other factors, including: any actions by rating agencies affecting the issuer, the period of time the fair value of a security has been at less than its cost, the Company's expectations regarding the period of time required for a recovery of any current unrealized loss, and other relevant facts regarding the issuer.

Changes in the factors discussed above (particularly, a sustained or continuing decline in the prices of securities or a deterioration in the credit quality of issuers or a deterioration in industry or issuer fundamentals or in the macro economic outlook) may significantly affect the Company's determination of whether a security is other than temporarily impaired, which may require the Company to recognize an other than temporary

impairment charge that could be material to its financial position and results of operations. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Investments - Other Than Temporary Impairment Charges On Investments in Fixed Maturity Securities and Common Stocks*.

The Company makes investments in partnerships specializing in venture capital investing. The Company's investments are in the form of limited partnership interests. The Company generally limits these investments to no more than 2% to 3% of its total invested assets. In accordance with GAAP, certain of the Company's investments in these partnerships are accounted for under the equity method of accounting, while the balance of the portfolio is accounted for at estimated fair value with changes in fair value recorded in other comprehensive income. Generally, substantially all the Company's partnership investments acquired before May 1995 are accounted for at fair value, while those acquired after May 1995 are accounted for under the equity method of accounting. Because the underlying partnerships are required under GAAP to mark their investment portfolios to market and report changes in such market value through their earnings, the Company's earnings will reflect the pro rata share of such mark to market adjustment if the Company accounts for the partnership investment under the equity method. With respect to partnerships accounted for at fair value, there will be no impact on the Company's earnings until: (i) the underlying investments held by the partnership are distributed to the Company by the partnership, or (ii) the underlying investments held by the partnership are sold by the partnership and the proceeds distributed to the Company, or (iii) an

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impairment of the Company's investment in the partnership is determined to exist. Historically, venture capital investments have had a significant impact on the Company's earnings. The Company's future earnings from venture capital investments could be adversely affected when market valuations deteriorate, which could materially affect the Company's results of operations and financial position. At December 31, 2002, the carrying value of the Company's venture capital investments was \$186.2 million, of which \$92.0 million is accounted for under the equity method and \$94.2 million is accounted for at fair value.

Further Declines in Securities Market Prices Could Increase the Company's Liabilities and Expenses

Certain of the Company's annuity products have contractual provisions which guarantee minimum death benefits. These provisions require the Company to pay the beneficiary any excess of the guaranteed minimum benefit over the fund value of the annuity contract in addition to the payment of the fund value. It is the Company's practice to establish reserves for the payment of any guaranteed minimum death benefit claims on the basis of its outlook for mortality experience and the amount at risk on the annuity contracts. At December 31, 2002, the Company's net amount at risk (or the aggregate amount by which the guaranteed values exceeded the cash values of the Company's in force annuity contracts) totaled approximately \$776.0 million. At December 31, 2002, the Company carried a reserve of approximately \$6.5 million with respect to such claims. However, additional reserves for such claims may need to be established, particularly if there is a sustained or continuing deterioration in the securities markets. In addition, the American Institute of Certified Public Accountants (AICPA) is deliberating the issuance of guidance concerning the establishment of such reserves. This guidance may require the Company to change its methodology for determining the amount of reserves that should be established for such claims. Accordingly, upon the adoption of any new guidance issued by the AICPA, the Company might then have to establish additional reserves.

Further Declines in Securities Market Prices Could Decrease Our Revenues

As discussed above under the caption *General Discussion of Factors Affecting Profitability*, revenues from the Company's separate account and mutual fund products depend, in large part, upon the amount of assets it has under management. Accordingly, a continuing or sustained deterioration in the securities markets can adversely affect the Company's revenues which could be material to its results of operations and financial position.

Continuing Weakness in the Securities Markets Could Result in Increased Pension Costs

As required under GAAP, both the rate of return assumption for 2002 on assets funding the Company's pension liabilities and the discount rate used to determine those liabilities were established at the end of December 31, 2001. The Company made these assumptions on the basis of historical returns on such assets, its outlook for future returns, the long-term outlook for such returns in the marketplace, and yields available on high-quality corporate bonds. However, due to deteriorating economic conditions, the decline in securities market valuations and interest rates, the Company lowered both its assumed rate of return assumption from 10.0% to 8.0% and the discount rate assumption from 7.3% to 6.6%, which will cause an increase in the Company's net periodic pension expense in 2003 and thereafter. In addition, the deterioration of the securities markets during 2002 has resulted in a decline in the fair value of the assets funding the Company's pension obligations. As a result, the Company's net periodic pension expense will increase in 2003 and thereafter due to the requirement under GAAP to amortize unrealized gains and losses through net periodic pension costs over a period of time. The Company expects that the effect of changing the assumed rate of return on assets funding the Company's pension liabilities and the decline in the fair value of such assets, as well as changing the discount rate, will result in lower earnings in 2003 of approximately \$23.0 million before tax, as compared to those reported in 2002. In addition, a continuing deterioration in the securities markets may require further changes in the assumed rate of return on assets funding the Company's pension liabilities and the discount rate, which may have a material adverse effect on the Company's results of operations and financial position.

While the market value of assets exceeded the Company's pension liabilities at December 31, 2002, any unfunded liability at December 31, 2003 will either cause the Company to contribute assets to the pension plan in an amount sufficient to eliminate any unfunded position or,

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as required by GAAP, the Company will be required to charge to comprehensive income the full amount of any prepaid benefit cost at such date. At December 31, 2002, prepaid benefit costs aggregated \$151.0 million. While management expects that, in the event of an underfunded position, it would make a contribution to the Company's pension to avoid such a charge to comprehensive income, this will ultimately depend upon the total amount of any such underfunding, which largely is dependent upon the market values of assets backing the pension plan, and the amount of pension plan liabilities, at December 31, 2003. It should be noted that, in the event a company is required to charge its prepaid benefit cost asset to comprehensive income due to an underfunded position, in accordance with GAAP, a company may reestablish that asset if the market value of assets supporting the pension plan increase, the plan liabilities decrease, and/or subsequent contributions to the pension plan cause the plan be in a funded position.

The Company's Expenses May Increase if it Chooses or Becomes Required to Adopt the Fair Value Recognition Provisions of SFAS No. 123 and Recognize Expense for the Issuance of Certain Employee Stock Based Compensation

Presently there is a significant debate within industry, the accounting profession and among securities analysts and regulators as to the propriety of the current generally accepted accounting practice provided in Accounting Principles Board Opinion

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No. 25, *Accounting for Stock Issued to Employees* (Opinion No. 25), which provides for the application of the intrinsic value based method of accounting. For certain stock based compensation plans (including certain stock option plans), the guidance provided in Opinion No. 25 does not require companies to recognize compensation expense. Recently, certain companies, in response to this debate, have announced their intention to adopt the generally accepted accounting guidance prescribed under SFAS No. 123, *Accounting for Stock-Based Compensation*, which provides for the application of the fair value based method of accounting. In accordance with this method, all forms of employee stock-based compensation are measured at fair value at the date of grant and expensed over the requisite service or vesting period. If the Company chooses to adopt these provisions of SFAS No. 123 or if it becomes required to adopt such provisions as a result of action by the Financial Accounting Standards Board, the adoption will result in additional expense recognition in an amount that may be material to the Company's results of operations.

Segments

The Company's business is organized in three principal reportable segments: the Protection Products segment, the Accumulation Products segment, and the Retail Brokerage and Investment Banking segment. Substantially all of the Company's other business activities are combined and reported in the Other Products segment. Certain amounts, which are not allocated to the segments, are reported as reconciling items. Reconciling items are principally comprised of: (i) revenues and expenses associated with contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group, (iii) revenues and expenses of MONY Holdings, since its formation and commencement of operations in 2002 *see Note 1 to the Consolidated Financial Statements*, and (iv) certain charges associated with the Company's reorganization activities in 2002 and 2001 *see Reorganization and Other Charges* for further details. The Company formed the Retail Brokerage and Investment Banking segment in 2001 in connection with its acquisitions of Advest and Matrix. In addition to these companies, this segment includes the revenues, expenses, assets and liabilities of MSC. In prior years MSC was reported in the Company's Other Products segment. Accordingly, segment disclosures for years prior to 2001 have been restated to conform to the current period presentation. See Note 7 to the Consolidated Financial Statements for further information regarding the Company's reportable segments.

Critical Accounting Policies

Preparation of the Company's financial statements in accordance with GAAP requires the application of accounting policies that often involve significant use of judgment. Differences between estimated and actual results and changes in facts and circumstances that cause management to revise its estimates may materially affect the Company's results of operations and financial position.

The following is a discussion of the critical accounting policies that, in the Company's view, require significant use of judgment. See Note 3 of the Consolidated Financial Statements for a complete description of the Company's significant accounting policies.

Investments

The Company records investments in fixed maturity securities and equity securities available for sale, trading account securities and certain investments in venture capital partnerships at fair value in its consolidated balance sheet. In most cases, the Company determines fair values using quoted market prices. However, the valuation of certain investments, such as private placement fixed maturity securities, requires the use of assumptions and estimates related to interest rates, default rates, and the timing of cash flows because quoted market prices are not available. At December 31, 2002, the carrying value of private placement fixed maturity securities was \$3,173.1 million.

The Company records changes in the fair values of investments in fixed maturity securities and equity securities available for sale that are not considered to be other than temporarily impaired in other comprehensive income. The Company reports changes in the value of venture capital investments accounted for using the equity method and trading securities in the consolidated statement of operations. For investments the Company considers to be other than temporarily impaired, the Company records an impairment loss, which is reflected in realized gains (losses) on investments see *Management's Discussion and Analysis of Financial Condition and Results of Operations Investments Other Than Temporary Impairment Charges On Investments in Fixed Maturity Securities and Common Stocks*. Determining whether a security is other than temporarily impaired requires the use of estimates and significant judgment. The Company's financial position and results of operations are therefore affected by changes in circumstances that affect the value of these investments and the Company's determination as to whether the investments are other than temporarily impaired.

The Company records mortgage loans on real estate at their unpaid principal balances, net of valuation allowances. Valuation allowances are established for the excess of the carrying value of a mortgage loan over its estimated fair value when the loan is considered to be impaired. Mortgage loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Estimated fair value is based on either the present value of expected future cash flows discounted at the loan's original effective interest rate, or the loan's observable market price (if considered to be a practical expedient), or the fair value of the collateral if the loan is collateral dependent and if foreclosure of the loan is considered probable. In addition, the Company records an estimate for incurred but not reported defaults. The Company bases its estimate for incurred but not reported defaults on historical default rates and the current mortgage portfolio composition. The Company's financial position and operating results are therefore sensitive to: (i) changes in the estimated cash flows from mortgages, (ii) the value of the collateral, and (iii) changes in the economic environment in general. At December 31, 2002 and 2001, the valuation allowance on these mortgage loans was \$22.7 million and \$28.4 million, respectively.

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Deferred policy acquisition costs and insurance reserves

The Company values DPAC and insurance reserves in accordance with the relevant GAAP pronouncements: generally Statement of Financial Accounting Standard (SFAS) 60 for term and whole life insurance products, SFAS 97 for universal life and investment-type contracts, and SFAS 120 for traditional participating life insurance contracts. The valuation of DPAC and insurance reserves requires management to assume future investment yields, mortality rates, lapse rates, expense levels, policyholder dividends and policy duration. For many of the Company s products, amortization of DPAC varies with profit margins of the policies and contracts supporting the DPAC balances. The Company must periodically evaluate the recoverability of DPAC and the adequacy of its reserves based on historical and projected future results. Changes in management s assumptions or actual results that differ significantly from management s estimates may materially affect the Company s financial position and results of operations see *Management s Discussion and Analysis of Financial Condition and Results of Operations Potential Forward Looking Risks Affecting Profitability*.

Goodwill and intangible assets

The Company s assets include goodwill and intangible assets, which are primarily related to its 2001 acquisition of Advest. In accordance with SFAS 142, the Company must reevaluate the valuation of the goodwill and intangible assets at least annually by comparing the fair value and carrying value of the reporting unit to which the goodwill and intangible assets relate. If the carrying value of the reporting unit exceeds its fair value, the Company must recognize an impairment loss for the excess of carrying value over fair value. The estimate of a reporting unit s fair value considers various valuation methodologies and in certain cases, requires the use of assumptions and estimates regarding the reporting unit s future cash flows and discount rates. Changes in the business supporting the goodwill and intangible assets may affect management s assessment of the recoverability of goodwill and intangible assets see *Management s Discussion and Analysis of Financial Condition and Results of Operations Potential Forward Looking Risks Affecting Profitability*.

Litigation, contingencies and restructuring charges

Accounting for litigation, contingencies and restructuring charges requires the Company to estimate the expected costs of events which have already occurred but which the Company has not completely resolved. As discussed in Note 16 to the Consolidated Financial Statements, the Company is party to various legal actions and proceedings in connection with its businesses. To the extent the losses are probable and reasonably estimable, the Company records liabilities related to these matters in accordance with the provisions of SFAS 5 and Financial Accounting Standards Board (FASB) Interpretation 14. Judgments or settlements exceeding established loss reserves or changes in the circumstances requiring management to update its loss estimate may materially affect the Company s financial position and results of operations.

As discussed in Note 24 to the Consolidated Financial Statements, in both 2002 and 2001 the Company established reserves related to the reorganization of certain of its businesses. These reserves are primarily related to the estimated costs of employee terminations and benefits, lease abandonments and other costs directly related to the Company s reorganization plans and incremental to the Company s normal operating costs. Although management does not expect significant changes to its reorganization plans, the actual costs related to these plans may differ from management s estimates.

Other Significant Estimates

In addition to the items discussed above, the application of GAAP requires management to make other estimates and assumptions. For example, accounting for pension and other post-retirement and post-employment benefits requires estimates of future returns on plan assets, expected increases in compensation levels and trends in health care costs. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Potential Forward Looking Risks Affecting Profitability*. Also see *Note 9 to the Consolidated Financial Statements*. Another example is the recognition of deferred tax assets, which depends upon management's assumptions with respect to the Company's ability to realize the deferred tax benefit. See *Note 10 to the Consolidated Financial Statements*.

Reorganization and Other Charges

During the fourth quarter of 2002 and 2001, the Company recorded Reorganization and Other charges aggregating approximately \$7.7 million and \$146.1 million, respectively. Of these charges, \$7.7 million and \$19.0 million, respectively, met the definition of "restructure charges" as defined by Emerging Issues Task Force Consensus 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The 2002 restructure charge consisted of severance and related benefits resulting from headcount reductions of 161 and 26 in the Company's home office and career agency system, respectively, as well as losses from abandonment of certain leased offices and equipment. The 2001 restructure charge consisted of severance and related benefits of \$10.3 million resulting from headcount reductions of 117 and 240 in the Company's home office and career agency system, respectively, and \$8.7 million of other miscellaneous items. The balance of the charge in 2001, \$127.0 million, was unrelated to the Company's restructure activities and consisted of: (i) impairments of certain invested assets and valuation related write-downs of private equity securities held in the Company's equity method venture capital portfolio; (ii) the write-off of deferred sales charges in the Company's mutual fund business to reflect revised estimates of recoverability which are principally due to the decline in the value of the Company's internet funds; (iii) write-downs of certain information technology assets; and (iv) other miscellaneous items.

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The following tables summarize the components of the aforementioned charges recorded during 2002 and 2001, respectively. None of the charges referred to below as Reorganization Charges have been allocated to the Company's operating segments, however, the charges in 2001 referred to as Other Charges have been allocated to the Company's operating segments. All Reorganization Charges incurred in 2002 and 2001 are reported as reconciling items.

2002:	Operating	Net Realized Losses	Total
	(\$ in millions)		
Reorganization Charges:			
Severance benefits and incentive compensation	\$ 6.6	\$	\$ 6.6
Leased offices and equipment	1.1		1.1
Total Reorganization Charges before tax(1)	\$ 7.7	\$	\$ 7.7
Total Reorganization Charges after tax	\$ 5.0	\$	\$ 5.0

(1) All of the reorganization charges recorded in 2002 meet the definition of restructuring charges as defined by EITF 94-3.

2001:	Operating	Net Realized Losses	Total
	(\$ in millions)		
Reorganization Charges:			
Severance benefits and incentive compensation	\$ 22.8	\$	\$ 22.8
Leased offices and equipment	8.7		8.7
Deferred policy acquisition costs	17.0		17.0
Other	8.3		8.3
Subtotal Reorganization Charges	56.8		56.8
Other Charges:			
Asset impairments and valuation related write-downs	29.9	20.1	50.0
Deferred sales charges	7.0		7.0
Information technology assets	9.4		9.4
Other	22.9		22.9
Subtotal Other Charges	69.2	20.1	89.3
Total Reorganization and Other Charges before tax	\$ 126.0	\$ 20.1	\$ 146.1
Total Reorganization and Other Charges after tax	\$ 81.9	\$ 13.1	\$ 95.0

All charges referred to as Reorganization Charges included in the table above, except \$17.0 million related to deferred policy acquisition costs in 2001 and \$5.3 million related to investment expenses in 2001, are included in Other Operating Costs and Expenses in the Company's 2001 consolidated statement of income and comprehensive income.

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The Company had a liability at December 31, 2001 relating to such charges of approximately \$12.6 million, which is included in Accounts payable and other liabilities in the Company's consolidated balance sheet.

The following table indicates the line items in the Company's consolidated and segmented income statements for the year ended December 31, 2001 that the Other Charges in the table above are reflected in.

	Protection	Accumulation	Retail Brokerage and Investment Banking	Other/ Reconciling	Total
	_____	_____	_____	_____	_____
	(\$ in millions)				
Premiums	\$ 1.0	\$	\$	\$	\$ 1.0
Net investment income	20.3	3.8		8.6	32.7
Group pension profit	2.5				2.5
Benefits to policyholders	1.8	3.9			5.7
Amortization of deferred policy acquisition costs		2.0		17.0	19.0
Other operating costs and expenses	17.6	10.3	1.7	35.5	65.1
	_____	_____	_____	_____	_____
Total Other Operating Charges	43.2	20.0	1.7	61.1	126.0
	_____	_____	_____	_____	_____
Net realized losses on investments	14.9	2.8		2.4	20.1
	_____	_____	_____	_____	_____
Total Other Charges	\$ 58.1	\$ 22.8	\$ 1.7	\$ 63.5	\$ 146.1
	_____	_____	_____	_____	_____

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Set forth below is certain information regarding the liability recorded in connection with the Company's restructuring actions during 2002 and 2001, as well as the changes therein. Such liability is reflected in Accounts Payable and Other Liabilities on the Company's consolidated statements of financial position.

	December 31, 2001	Charges	Cash Payments	Change in Reserve Estimates	December 31, 2002
Restructuring Charges Liability:					
Severance benefits	\$ 8.1	\$ 6.6	\$ (5.4)	\$ (1.0)	\$ 8.3
Other restructure charges	4.5	1.1	(1.2)		4.4
Total Restructuring Charges Liability	\$ 12.6	\$ 7.7	\$ (6.6)	\$ (1.0)	\$ 12.7

Summary of Financial Results

The following tables present the Company's consolidated and segment results of operations for the years ended December 31, 2002, 2001 and 2000. The financial information herein is presented in accordance with GAAP unless otherwise noted.

Results of Operations

For the Year Ended December 31, 2002

	Protection	Accumulation	Retail Brokerage and Investment Banking	Other	Reconciling(1)	Consolidated
(\$ in millions)						
Revenues:						
Premiums	\$ 662.9	\$ 11.6	\$	\$ 15.9	\$	\$ 690.4
Universal life and investment-type policy fees	152.1	46.8		1.6		200.5
Net investment income	595.5	82.4	0.3	29.9	29.2	737.3
Realized (losses)/gains on investments	(121.5)	(23.2)		(8.4)	0.1	(153.0)
Group Pension Profits(4)	82.3					82.3
Retail brokerage and investment banking revenues			397.1			397.1
Other income	15.0	96.1	0.7	17.3	10.8	139.9
Total revenue	1,386.3	213.7	398.1	56.3	40.1	2,094.5
Benefits and Expenses:						
Benefits to policyholders	729.7	41.9		21.6	9.9	803.1

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Interest credited to policyholders' account balances	64.5	46.0		8.8		119.3
Amortization of deferred policy acquisition costs	110.3	45.8				156.1
Dividends to policyholders	185.6	1.2		1.2		188.0
Other operating costs and expenses	233.7	119.4	395.7	37.2	74.0	860.0
	<u>1,323.8</u>	<u>254.3</u>	<u>395.7</u>	<u>68.8</u>	<u>83.9</u>	<u>2,126.5</u>
Income/(loss) from continuing operations before income tax	\$ 62.5	\$ (40.6)	\$ 2.4	\$ (12.5)	\$ (43.8)	(32.0)
Income tax benefit						11.2
Net loss from continuing operations						(20.8)
Discontinued Operations: Loss from real estate to be disposed of, net of income tax benefit of \$1.4 million						(2.5)
Net loss						\$ (23.3)

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For the Year Ended December 31, 2001

	Protection	Accumulation	Retail Brokerage and Investment Banking	Other	Reconciling(2)	Consolidated
	(\$ in millions)					
Revenues:						
Premiums	\$ 675.5	\$ 5.3	\$	\$ 14.5	\$	\$ 695.3
Universal life and investment-type policy fees.	151.6	54.7		0.9		207.2
Net investment income	565.6	70.5	0.7	22.0	26.0	684.8
Realized losses on investments	(6.2)	(1.9)	(0.2)	(4.0)		(12.3)
Group Pension Profits(4)	30.7					30.7
Retail brokerage and investment banking revenues			350.8			350.8
Other income	16.1	107.4		15.5	8.1	147.1
Total revenue	1,433.3	236.0	351.3	48.9	34.1	2,103.6
Benefits and Expenses:						
Benefits to policyholders	754.5	34.1		20.6	5.5	814.7
Interest credited to policyholders' account balances	60.6	41.3		8.6		110.5
Amortization of deferred policy acquisition costs	115.7	26.1			17.0	158.8
Dividends to policyholders	233.9	1.6		1.1		236.6
Other operating costs and expenses	245.5	127.2	371.3	39.8	92.6	876.4
Total expenses	1,410.2	230.3	371.3	70.1	115.1	2,197.0
Income (loss) before income taxes	\$ 23.1	\$ 5.7	\$ (20.0)	\$ (21.2)	\$ (81.0)	(93.4)
Income tax benefit						32.6
Net loss						\$ (60.8)

Results of Operations

For the Year Ended December 31, 2000

	Protection	Accumulation	Retail Brokerage and Investment Banking	Other	Reconciling(3)	Consolidated
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(\$ in millions)

Revenues:

Premiums	\$ 685.7	\$ 1.3	\$ 13.5	\$ 700.5
Universal life and investment-type policy fees	134.8	70.0	1.0	205.8
Net investment income	774.9	117.4	0.3	978.1
Net realized gains on investments	21.8	7.5	0.2	37.5
Group Pension Profits(4)	37.1			37.1
Retail brokerage and investment banking revenues			59.7	59.7
Other income	20.6	120.2	17.7	163.6
	<u>1,674.9</u>	<u>316.4</u>	<u>60.2</u>	<u>2,182.3</u>

Benefits and Expenses:

Benefits to policyholders	736.6	21.2	22.4	787.8
Interest credited to policyholders account balances	54.5	47.0	9.1	110.6
Amortization of deferred policy acquisition costs	110.8	28.3		139.1
Dividends to policyholders	232.7	1.5	1.3	235.5
Other operating costs and expenses	262.2	120.0	63.3	513.2
	<u>1,396.8</u>	<u>218.0</u>	<u>63.3</u>	<u>1,786.2</u>

Income (loss) before income taxes	\$ 278.1	\$ 98.4	\$ (3.1)	\$ 396.1
	<u>278.1</u>	<u>98.4</u>	<u>(3.1)</u>	<u>396.1</u>

Income tax expense				133.8
				<u>133.8</u>

Income before extraordinary item				262.3
Extraordinary loss, net of tax				37.7
				<u>37.7</u>

Net income				\$ 224.6
				<u>224.6</u>

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- (1) Amounts reported as reconciling in 2002 primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group, (iii) revenues and expenses of MONY Holdings, (iv) charges totalling \$7.7 million pre-tax relating to the Company's reorganization and (v) a \$1.5 million reversal of certain reserves associated with the reorganization charge recorded in 2001. See *Reorganization and Other Charges* .
- (2) Amounts reported as reconciling in 2001 primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group and (iii) charges totaling \$56.8 million pre-tax relating to the Company's reorganization. See *Reorganization and Other Charges* .
- (3) Amounts reported as reconciling in 2000 primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans and (ii) revenues and expenses of the MONY Group.
- (4) See Note 11 to the Consolidated Financial Statements.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001*Premiums*

Premium revenue was \$690.4 million for 2002, a decrease of \$4.9 million, or 0.7%, from \$695.3 million reported for 2001. The decrease was primarily the result of lower premiums in the Protection Products segment of \$12.6 million partially offset by increases in the Accumulation Products and Other Products segments of \$6.3 million and \$1.4 million, respectively. The following table summarizes the components of premiums recorded in the Protection Products segment for the years ended December 31, 2002 and 2001, respectively, which represents 96% and 97%, respectively, of the Company's total premiums on a consolidated basis.

	For the Year Ended December 31,	
	2002	2001
	(\$ in millions)	
Protection Products Segment:		
Single premiums	\$ 130.4	\$ 143.3
New premiums	18.7	15.1
Renewal premiums	471.2	491.6
Premiums ceded	(40.4)	(35.0)
	<u>579.9</u>	<u>615.0</u>
Total premiums, excluding USFL and other USFL	83.3	60.0
	<u>663.2</u>	<u>675.0</u>
Other	(0.3)	0.5
	<u>662.9</u>	<u>675.5</u>
Total Protection Products segment	\$ 662.9	\$ 675.5

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Premium revenue in the Protection Products segment, excluding USFL, decreased \$35.9 million, primarily due to a reduction in single and renewal premiums on individual life of \$12.9 million and \$20.4 million, respectively. The decrease in premiums is primarily attributable to a reduction of the in-force block.

USFL's premiums were \$83.3 million and \$60.0 million for the years ended December 31, 2002 and 2001, respectively. The increase in USFL's premiums is primarily due to higher new premiums on special risk insurance products attributable to the increased penetration of the broker market into more states and an increase in renewal premiums.

The increase premiums in the Accumulation Products segment from \$5.3 million to \$11.6 million was primarily due to an increase in life contingent immediate annuity sales while the increase in the Other Products segment from \$14.5 million to \$15.9 million was primarily attributable to an increase in assumed premiums from the U.S. Servicemen's Group Life Insurance Pool (SEGLI).

Universal life and investment-type product policy fees

Universal life and investment-type product policy fees were \$200.5 million for 2002, a decrease of \$6.7 million, or 3.2%, from \$207.2 million reported for 2001. The decrease was primarily a result of lower fees in the Accumulation Products segment of \$7.9 million, partially offset by higher fees in the Protection Products and Other Products segments of \$0.5 million and \$0.7 million, respectively. The decrease in the Accumulation Products segment is primarily due to lower Flexible Premium Variable Annuity (FPVA) mortality and expense charges of \$7.5 million due to lower separate account fund balances. Annuity assets under management were \$4.0 billion as of December 31, 2002 compared to \$4.6 billion at December 31, 2001. The increase in the Protection Products segment is primarily due to an increase of \$9.8 million in Variable Universal Life (VUL) relating to an increase in that block of business and a decrease of \$1.5 million relating to certain reinsurance attributable to protection products. This was partially offset by decreases in Universal Life (UL) and Corporate Sponsored Variable Universal Life (CSVUL) fees of \$5.2 million and \$5.1 million, respectively. The decrease in UL fees is due to lower Cost of Insurance (COI) charges attributable to the overall decline in UL business, and the decrease in CSVUL fees is primarily due to lower renewal premiums.

Table of Contents*Net investment income and realized gains on investments*

Net investment income was \$737.3 million for the year ended December 31, 2002, an increase of \$52.5 million, or 7.7%, from \$684.8 million reported in the prior year. The increase in net investment income primarily consisted of: (i) a \$41.9 million increase in income from investments in venture capital partnerships to \$6.5 million for the year ended December 31, 2002, from a loss of \$35.4 million reported for the year ended December 31, 2001 (See *Investments Limited Partnership Interests*) (ii) a \$6.5 million increase in income from real estate investments, and (iii) additional earnings from the increase in invested assets which was substantially offset by a decline in interest rates. The annualized yield on the Company's invested assets, including limited partnership interests, before and after realized gains/(losses) on investments was 6.6% and 5.2%, respectively, for the year ended December 31, 2002, as compared to 6.2% and 6.1%, respectively, for the year ended December 31, 2001. See *Investments Investment Yields by Asset Category*.

As of December 31, 2002, the Company had approximately \$3.3 million of additional unrealized pre-tax gains related to venture capital limited partnership investments accounted for at fair value that may be recognized in future earnings subject to market fluctuation. The amount is reflected in other comprehensive income.

Net realized losses were \$153.0 million for the year ended December 31, 2002, an increase of \$140.7 million, from losses of \$12.3 million reported in the prior year. The increase in realized losses primarily consists of other than temporary impairment charges on fixed maturity and equity securities of \$115.5 million and \$38.5 million, respectively, valuation allowances taken on real estate properties of \$26.7 million and a \$6.8 million litigation loss related to a specific joint venture real estate partnership, offset by gains from sales of investments and prepayments on fixed maturity securities of \$38.2 million. See *Investments Other Than Temporary Impairment Charges on Investments in Fixed Maturity Securities and Common Stocks* and see *Note 16 to the Consolidated Financial Statements*.

	For the Year Ended December 31,	
	2002	2001
	(\$ in millions)	
Fixed maturity securities	\$ (79.3)	\$ (2.6)
Equity securities	(38.7)	(7.8)
Real estate	(32.1)	(5.4)
Mortgage loans	(3.0)	9.3
Other	0.1	(5.8)
Total realized losses	\$ (153.0)	\$ (12.3)

Group Pension Profits

Group Pension Profits (which ceased as of December 31, 2002 see *Note 11 to the Consolidated Financial Statements*), of \$82.3 million for the year ended December 31, 2002 include earnings of \$54.1 million from the final payment due from Aegon USA, Inc. (AEGON) (Final Value Payment) in connection with the expiration of the Group Pension Transaction at December 31, 2002. Excluding the Final Value Payment, Group Pension Profits for the year ended December 31, 2002 were \$28.2 million, a decrease of \$2.5 million, as compared to \$30.7 million recorded in

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the prior year. The decrease primarily resulted from the continuing runoff of the group pension in force business transferred by the Company pursuant to the Group Pension Transaction.

Refer to Note 11 of the Consolidated Financial Statements included herein for information regarding the Group Pension Transaction, the Group Pension Profits and the Final Value Payment, along with certain summary financial information relating thereto.

Retail brokerage and investment banking revenues

Retail brokerage and investment banking revenues were \$397.1 million for the year ended December 31, 2002, an increase of \$46.3 million, or 13.2%, compared to \$350.8 million in the comparable prior year due to increased revenues from Advest, MSC, and Matrix. Advest had retail brokerage and investment banking revenues of \$348.3 million for the year ended December 31, 2002 compared to \$304.1 million reported for 2001, an increase of \$44.2 million, or 14.6%. The increase is primarily due to an additional month of revenue in 2002 (Advest was acquired by the Company on January 31, 2001), partially offset by a decrease in interest revenue due to the outsourcing of Advest's clearing operations. Advest's results for the year ended December 31, 2002 also include \$21.6 million in revenue from Lebenthal, which was acquired by Advest in November, 2001 and merged into Advest, Inc. in early 2002, and Babson which was acquired by Advest on May 31, 2002. Revenues from MSC, a registered securities broker-dealer for MONY's career network, increased to \$44.8 million from \$43.6 million in the comparable prior year due to higher commission fee income. Matrix revenues increased to \$4.0 million from \$3.1 million in the prior year due to higher mergers and acquisition related fees.

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The following table presents the components of retail brokerage and investment banking revenues for the periods presented.

	For the Year Ended	
	December 31,	
	2002	2001
	(\$ in millions)	
Commissions	\$ 164.3	\$ 140.7
Interest	34.9	56.2
Principal transactions	107.2	78.4
Asset management and administration	53.2	17.5
Investment banking	31.9	50.3
Other	5.6	7.7
Total retail brokerage and investment banking revenues	\$ 397.1	\$ 350.8

Other income

Other income (which consists primarily of fees earned by the Company's mutual fund management and insurance brokerage operations, as well as certain asset management fees, and other miscellaneous revenues) was \$139.9 million for 2002, a decrease of \$7.2 million, or 4.9%, from \$147.1 million reported for the comparable prior year. The decrease is due primarily to lower income in the Protection Products and Accumulation Products segments of \$1.1 million and \$11.3 million, respectively, partially offset by increased income in the Other Products and Retail Brokerage and Investment Banking segments and reconciling amounts of \$1.8 million, \$0.7 million and \$2.7 million, respectively. The following table summarizes the components of other income recorded in the Protection Products segment for the years ended December 31, 2002 and 2001, respectively.

	For the Year Ended	
	December 31,	
	2002	2001
	(\$ in millions)	
Corporate Owned Life Insurance (COLI)	\$ (11.5)	\$ (3.7)
Reinsurance allowances	12.1	13.5
Other miscellaneous	14.4	6.3
Total Protection Products segment	\$ 15.0	\$ 16.1

The Company purchased a COLI contract to provide a funding mechanism for its non-qualified deferred compensation liabilities. The investments in the COLI contract are structured to substantially hedge the changes in the Company's non-qualified deferred compensation liabilities. The change in such liabilities is reflected in the statement of income and comprehensive income caption entitled other operating costs

and expenses. In 2002, the change in the cash surrender value of the COLI contract allocated to the Protection Products segment was \$(11.5) million compared to \$(3.7) million in 2001. This decrease was partially offset by an increase in investment management fees.

The decrease in the Accumulation Products segment is due primarily to an \$11.1 million decrease in commission revenue earned by Enterprise and a \$1.4 million decrease in the change in the cash surrender value of the COLI contract allocated to the Accumulation Products segment, partially offset by a \$2.1 million increase in other miscellaneous revenues. For reporting purposes, the results of the COLI contract are allocated among the segments. The increase in the Other Products segment is primarily due to increased revenues from the Company's insurance brokerage subsidiary. The increase in reconciling amounts is primarily due to higher revenue attributable to the Company's employee benefit plans.

Benefits to policyholders

Benefits to policyholders were \$803.1 million for 2002, a decrease of \$11.6 million, or 1.4%, from \$814.7 million reported for 2001. The decrease consisted primarily of lower benefits of \$24.8 million in the Protection Products segment offset by higher benefits in the Accumulation Products segment, Other Products segment and reconciling amounts of \$7.8 million, \$1.0 million and \$4.4 million, respectively. The decrease of \$24.8 million in the Protection Products segment was due primarily to lower benefits of \$35.3 million and \$2.7 million on individual life and VUL business, respectively, partially offset by an increase in benefits related to UL business of \$13.3 million. The decrease in individual life is due to lower death benefits, surrenders, and reserves, primarily in the Closed Block, as a result of better mortality and improved persistency, while the decrease in VUL is primarily attributable to lower death benefits, net of reinsurance. The increase in UL business is primarily attributable to poor mortality. The increase in the Accumulation Products segment is primarily due to higher supplementary contract and individual annuity reserves of \$1.2 million and \$5.1 million, respectively, coupled with higher benefit reserves of \$0.8 million on the Company's FPVA products as compared to the prior year. The increased reserves are attributable to higher sales of accumulation products and higher provisions for guaranteed minimum death benefits on the Company's FPVA products due to unfavorable market conditions and the decline in assets under management. The increase in reconciling amounts is due to higher costs attributable to the Company's employee benefit plans.

Table of Contents*Interest credited to policyholders' account balances*

Interest credited to policyholders' account balances was \$119.3 million for 2002, an increase of \$8.8 million, or 8.0%, from \$110.5 million reported for the comparable prior year. The increase is primarily attributable to higher interest crediting of \$3.9 million in the Protection Products segment, \$4.7 million in the Accumulation Products segment and \$0.2 million in the Other Products segment. The increase in the Protection Products segment is primarily related to higher interest crediting on CSVUL of \$3.0 million primarily due to higher general account fund values. The increase in the Accumulation Products segment is primarily attributable to higher interest crediting of \$7.3 million on FPVA business and \$2.0 million on the new Flexible Premium Deferred Annuity (FPDA) product, partially offset by decreased interest crediting on supplemental contracts, Single Premium Deferred Annuity (SPDA) business, and other annuity contract business of \$2.0 million, \$1.9 million and \$0.5 million, respectively. The increase in interest crediting on FPVA business is related to higher general account fund balances. The decrease in interest crediting on supplementary contracts is attributable to lower interest rates. The decrease on SPDA and other annuity contract business is due to the continued run-off of these products.

Amortization of deferred policy acquisition costs

Amortization of deferred policy acquisition costs was \$156.1 million for 2002, a decrease of \$2.7 million, or 1.7%, from \$158.8 million reported for 2001. The decrease was primarily due to lower amortization of \$5.4 million in the Protection Products segment and \$17.0 million in reconciling amounts, partially offset by an increase of \$19.7 million in the Accumulation products segment. The decrease in the Protection Products segment was primarily due to lower amortization in the Closed Block of \$10.4 million due to the run-off of this block of business and the implementation of SOP 00-3 in 2001. In addition, the UL product line had lower amortization line of \$3.5 million due to unfavorable mortality. The Group Universal Life (GUL) product line had lower amortization of \$1.5 million. This was partially offset by increased amortization in the VUL and term product lines of \$4.4 million and \$2.0 million, respectively as these blocks of business continue to grow. The decrease of \$17.0 million in reconciling amounts relates to reorganization and other charges recorded during the fourth quarter of 2001. See *Note 24 to the Consolidated Financial Statements*. Of the \$17.0 million, approximately \$13.0 million represented a write-off of DPAC in the Company's international insurance subsidiary to reflect reduced expectations of future profitability due primarily to revised business strategies, and approximately \$4.0 million represented the write-off of DPAC on the Company's GUL business. The increase in the Accumulation Products segment is due to higher amortization in the FPVA product caused by an acceleration of amortization. Amortization in the FPVA product line was lower primarily due to a decline in variable annuity assets under management and lower expected future profit margins.

Dividends to policyholders

Dividends to policyholders (all but a de minimus amount of which are recorded in the Protection Products segment) were \$188.0 million for the year ended December 31, 2002, a decrease of \$48.6 million, or 20.5%, from \$236.6 million reported in the comparable prior year. Dividends to policyholders can be broken down into two components, namely policyholder dividends payable in the current year and the change in the deferred dividend liability. The \$48.6 million decrease in dividends to policyholders was due to a year over year decrease of \$35.8 million in the deferred dividend liability, and a year over year decrease of \$12.8 million in dividends paid to policyholders.

Due to a reduction in the dividend scale effective January 1, 2002, policyholder dividends payable during the year ended December 31, 2002 were \$202.6 million, a decrease of \$12.8 million, or 5.9%, from \$215.4 million reported in the comparable prior year period. The dividend scale reduction reflects lower forecasted ultimate profitability of the Closed Block due primarily to declines in the interest rate environment for fixed income assets. Determination of dividends paid to policyholders in the Closed Block is based on a forecast of the ultimate profitability of the Closed Block over its remaining expected life. The purpose of reducing or increasing dividends to policyholders in the Closed Block is to

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attempt to align the payment of such dividends to the emergence of expected profits from the Closed Block. (*See Note 2 to the Consolidated Financial Statements*).

As required under GAAP, actual Closed Block earnings in excess of expected Closed Block earnings inure solely to the benefit of policyholders in the Closed Block and, accordingly, are recorded as an additional liability to Closed Block policyholders. Expected cash flows from the in force policies in the Closed Block were forecasted for each year over the estimated life of the policies in the Closed Block in order to determine the amount of assets to allocate to the Closed Block in order to provide sufficient funding for payment of policyholder liabilities and dividends in the Closed Block, as well as certain expenses, as more fully discussed in Note 2 to the Consolidated Financial Statements. The expected emergence of earnings from such cash flows is referred to as the glide path earnings. The aforementioned additional liability (which represents the actual Closed Block earnings in excess of expected Closed Block glide path earnings) is referred to as the deferred dividend liability. Due to the recognition of realized losses from other than temporary impairment changes on invested assets during the fourth quarter, the actual experience of the Closed Block earnings was less than expected. The deferred dividend liability was \$33.2 million at December 31, 2002.

Other operating costs and expenses

Other operating costs and expenses were \$860.0 million for 2002, a decrease of \$16.4 million, or 1.9%, from \$876.4 million for 2001. The decrease is primarily attributable to decreases in the Protection Products segment, Accumulation Products segment,

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Other Products segment and reconciling amounts of \$11.8 million, \$7.8 million, \$2.6 million and \$18.6 million, respectively, partially offset by increased expenses in the Retail Brokerage and Investment Banking segment of \$24.4 million. The decreases in the Protection Products and Accumulation Products segments are primarily attributable to lower compensation and other miscellaneous expenses of \$18.6 million and \$9.7 million, respectively, partially offset by higher costs related to the Company's employee benefit plans of \$6.6 million and \$2.0 million, respectively. The increase in the Retail Brokerage and Investment Banking segment is primarily attributable to the inclusion of an additional month of Advest's expenses in 2002 (because Advest was acquired by the Company on January 31, 2001) of approximately \$33.0 million and higher compensation expense of approximately \$15.4 million, partially offset by lower interest expense of \$17.1 million and the elimination of goodwill expense of \$6.7 million. The decrease in reconciling amounts relates primarily to a decrease in reorganization charges of \$26.5 million (see Note 24 to the Consolidated Financial Statements) and general miscellaneous expenses of \$5.5 million, partially offset by an increase in interest expense of \$13.2 million. The increased interest expense relates primarily to the issuance of the Insured Notes on April 30, 2002. See Notes 19 and 20 to the Consolidated Financial Statements.

The Company recorded a federal income tax benefit in 2002 of \$11.2 million, compared to a federal income tax benefit of \$32.6 million recorded in 2001. The Company's effective tax rate was approximately 35.0% in 2002 and 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000**Premiums**

Premium revenue was \$695.3 million for 2001, a decrease of \$5.2 million, or 0.7%, from \$700.5 million reported for 2000. The decrease was primarily the result of lower premiums in the Protection Products segment of \$10.3 million, partially offset by an increase in the Accumulation Products segment of \$4.0 million. The following table summarizes the components of premiums recorded in the Protection Products segment for the years ended December 31, 2002 and 2001, respectively, which represents approximately 97% and 98%, respectively, of the Company's total premiums on a consolidated basis.

	For the Year Ended December 31,	
	2001	2000
	(\$ in millions)	
Protection Products segment:		
Single premiums	\$ 143.3	\$ 140.8
New premiums	15.1	11.1
Renewal premiums	491.6	523.7
Premiums ceded	(35.0)	(32.2)
	<u>615.0</u>	<u>643.4</u>
Total premiums, excluding USFL and other USFL	60.0	41.8
	<u>675.0</u>	<u>685.2</u>
Other	0.5	0.5
	<u>675.5</u>	<u>685.7</u>
Total Protection Products segment	\$ 675.5	\$ 685.7

The decrease in premiums in the Protection Products segment, excluding USFL, was primarily a result of lower renewal premiums of \$32.5 million due to the reduction of the in-force block. Management believes that the decrease in traditional life insurance premiums is consistent with industry trends. See *New Business Information* for a discussion regarding year to year sales and related trends.

USFL's premiums were \$60.0 million and \$41.8 million for the years ended December 31, 2001 and 2000, respectively. The increase in USFL's premiums is primarily attributable to the expansion of its broker market and the improvement in its financial strength ratings since being acquired by the Company.

The increase in the Accumulation Products segment of \$4.0 million was primarily due to an increase in immediate annuity sales.

Universal life and investment-type product policy fees

Universal life and investment-type product policy fees were \$207.2 million for 2001, an increase of \$1.4 million, or 0.7%, from \$205.8 million reported for 2000. The increase was primarily a result of higher fees in the Protection Products segment of \$16.8 million, partially offset by lower fees in the Accumulation Products segment of \$15.3 million. The increase in the Protection Products segment was primarily attributable to higher fees earned on CSVUL and VUL business of \$5.5 million and \$11.3 million, respectively, consistent with the growth in the in-force blocks of such business. The decrease in the Accumulation Products segment was primarily due to lower mortality and expense charges of \$7.5 million and a \$6.9 million decrease in surrender charges on the Company's FPVA product. The decrease in FPVA mortality and expense charges is due primarily to lower fund balances resulting from stock market declines. The decrease in surrender charges reflects the positive effects of the efforts of the Company's conservation unit and other measures designed to improve persistency.

Table of Contents*Net investment income and realized gains/(losses) on investments*

Net investment income was \$684.8 million for the year ended December 31, 2001, a decrease of \$293.3 million, or 30.0%, from \$978.1 million reported in 2000. The decrease in net investment income is primarily due to a decrease of \$271.7 million in income reported from the Company's investments in venture capital partnerships, which includes valuation related adjustments recorded in the fourth quarter. The remainder of the decrease was principally caused by lower interest rates and invested assets in 2001. The annualized yield on the Company's average invested assets, including its investments in venture capital partnerships, before and after realized gains/(losses) on investments was 6.2% and 6.1%, respectively, for 2001, as compared to 8.8% and 9.1%, respectively, for 2000. See *Investments Yields by Asset Category*. The 2001 results also include \$32.7 million in Other Charges relating primarily to writedowns of the venture capital portfolio. See *Note 24 to the Consolidated Financial Statements*.

As of December 31, 2001, the Company had approximately \$16.8 million of additional pre-tax gains related to its venture capital limited partnership investments that may be recognized in earnings in the future subject to market fluctuations.

Net realized losses on investments were \$12.3 million for 2001, a decrease of \$49.8 million from gains of \$37.5 million for 2000. The 2001 losses include \$20.1 million in Other Charges taken during the fourth quarter. See *Note 24 to the Consolidated Financial Statements*.

The following table sets forth the components of net realized gains (losses) by investment category for 2001 and 2000.

	For the Year Ended December 31,	
	(\$ in millions)	
	2001	2000
Equity securities	\$ (7.8)	\$ 21.6
Fixed maturity securities	(2.6)	(30.1)
Mortgage loans	9.3	19.7
Other	(11.2)	26.3
Total realized (losses)/gains	\$ (12.3)	\$ 37.5

Group Pension Profits

Group Pension Profits were \$30.7 million for the year ended December 31, 2001, a decrease of \$6.4 million, or 17.3%, from \$37.1 million for the year ended December 31, 2000. Group Pension Profits for the years ended December 31, 2001 and 2000, consisted of \$27.4 million and \$26.9 million, respectively, of Group Pension Payments and \$3.3 million and \$10.2 million, respectively, relating to adjustments required to reflect the earnings from such payments in accordance with GAAP. Such adjustments primarily relate to changes in the valuation allowances established to recognize the impairment of assets supporting the business transferred in the Group Pension Transaction as well as certain

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adjustments relating to policyholder liabilities. The decrease of \$6.4 million in the Group Pension Profits is primarily due to lower operating income due to the run-off of the Group Pension business of \$9.1 million, offset by higher realized gains on investments in 2001 of \$2.7 million.

For a description of the Group Pension Transaction, the Group Pension Profits and certain summary financial information relating thereto, refer to Note 11 to the Consolidated Financial Statements.

Retail brokerage and investment banking revenues

Retail brokerage and investment banking revenues were \$350.8 million for 2001, an increase of \$291.1 million, compared to \$59.7 million reported for 2000. The increase is primarily attributable to the Company's acquisitions of Advest and Matrix in 2001. *See Note 1 to the Consolidated Financial Statements.* Revenues recorded in 2001 for Advest, Matrix, and MSC, which together comprise the Retail Brokerage and Investment Banking segment, were \$304.1 million, \$3.1 million, and \$43.6 million, respectively. Retail brokerage and investment banking revenues in 2000 consisted solely of \$59.7 million of revenues derived from the operations of MSC. The \$16.1 million decrease in MSC's revenues is due to lower commission revenue. All expenses related to the operations of Advest, Matrix and MSC are recorded in "Other operating costs and expenses" in the Company's consolidated statement of income and comprehensive income.

The following table presents the components of retail brokerage and investment banking revenues for the periods presented.

	For the Year Ended December 31,	
	2001	2000
	(\$ in millions)	
Commissions	\$ 140.7	\$ 59.7
Interest	56.2	
Principal transactions	78.4	
Asset management and administration	17.5	
Investment banking	50.3	
Other	7.7	
	\$ 350.8	\$ 59.7

Table of Contents*Other income*

Other income (which consists primarily of fees earned by the Company's mutual fund management and insurance brokerage operations, as well as revenues from interest on deposits held under financial reinsurance arrangements, certain other asset management fees, and other miscellaneous revenues) was \$147.1 million for 2001, a decrease of \$16.5 million, or 10.1%, from \$163.6 million reported for 2000. The decrease was primarily due to lower income of \$4.5 million in the Company's Protection Products segment and \$12.8 million in the Company's Accumulation Products segment, partially offset by higher income relating to the Company's employee benefit plans which are reported as a reconciling item. The following table summarizes the components of other income recorded in the Protection Products segment for the years ended December 31, 2001 and 2000, respectively:

	For the Year Ended December 31,	
	2001	2000
	(\$ in millions)	
Corporate Owned Life Insurance (COLI) contract	\$ (3.7)	\$ 2.5
Reinsurance allowances	13.5	13.8
Other miscellaneous	6.3	4.3
Total other income	\$ 16.1	\$ 20.6

The Company purchased a COLI contract to provide a funding mechanism for its non-qualified deferred compensation liabilities. The investments in the COLI contract are structured to substantially hedge the changes in the Company's non-qualified deferred compensation liabilities. The change in such liabilities is reflected in the income statement caption entitled "other operating costs and expenses". In 2001, the change in the cash surrender value of the COLI contract allocated to the Protection Products segment was \$(3.7) compared to \$2.5 million in 2000. This decrease was partially offset by an increase in miscellaneous income.

The decrease in the Accumulation Products segment was primarily caused by lower fees of approximately \$16.0 million from Enterprise and a \$0.6 million decrease in the cash surrender value of this segment's allocated portion of the Company's COLI contract, partially offset by an increase of \$3.9 million in fees from supplemental contracts. Enterprise reported \$90.0 million in fees from advisory services in 2001, as compared to \$106.9 million in 2000.

Benefits to policyholders

Benefits to policyholders were \$814.7 million for 2001, an increase of \$26.9 million, or 3.4%, from \$787.8 million reported for 2000. The increase consisted primarily of higher death benefits of approximately \$16.6 million in the Company's Protection Products segment, and \$12.8 million in the Accumulation Products segment. The increase of \$16.6 million in the Protection Products segment was due to higher benefits of \$8.9 million and \$5.1 million on individual life and universal life business, respectively. The increase of \$12.8 million in the Accumulation Products segment was primarily the result of higher immediate annuity benefit payments, FPVA death benefits, and supplementary contract benefits of \$3.8 million, \$6.1 million, and \$2.6 million, respectively.

Interest credited to policyholders' account balances

Interest credited to policyholders' account balances was \$110.5 million for 2001, a decrease of \$0.1 million from \$110.6 million reported for 2000. The decrease was the result of lower interest crediting of \$5.7 million in the Company's Accumulation Products segment offset by higher amounts credited in the Company's Protection Products segment of \$6.2 million, which was primarily due to the Company's increasing in force block of CSVUL business. The decrease in the Accumulation Products segment is due primarily to decreases of \$3.1 million and \$2.1 million in SPDA and Certificate of Annuity (COA) products, respectively.

Amortization of deferred policy acquisition costs

DPAC amortization was \$158.8 million for 2001, an increase of \$19.7 million, or 14.2%, from \$139.1 million reported for 2000. The increase was primarily due to higher amortization of \$4.9 million in the Company's Protection Products segment and \$17.0 million in reconciling amounts in connection with reorganization and other charges recorded during the fourth quarter of 2001. See *Note 24 to the Consolidated Financial Statements*. Of the \$17.0 million in reconciling amounts \$13.0 million represented a write-off of DPAC in the Company's international insurance subsidiary to reflect reduced expectations of future profitability due primarily to revised business strategies, which included the decision to exit certain markets, and approximately \$4.0 million represented a write-off of DPAC on the Company's GUL business to reflect a de-emphasis on this line of business and resultant reduced future profitability expectations. The increase in the Protection Products segment is primarily attributable higher amortization on the VUL, CSVUL, and GUL lines of business of \$9.2 million, \$3.5 million and \$4.4 million, respectively, partially offset by decreases in yearly renewable term business, individual life and UL of \$8.3 million due to the declining in force block of such businesses. The increased amortization on VUL and CSVUL business is primarily attributable to the increasing size of the in force block of such business. The increases in the Protection Products segment and reconciling amounts were partially offset by a \$2.2 million decrease in the Accumulation Products segment as a result of poor equity performance.

Table of Contents*Dividends to policyholders*

Dividends to policyholders were \$236.6 million for 2001, an increase of \$1.1 million, or 0.5%, from \$235.5 million reported for 2000. The increase, substantially all of which occurred in the Protection Products segment, resulted primarily from an increase in the deferred dividend liability of approximately \$18.7 million reflecting results that were more favorable than assumed in the funding of the Closed Block. Offsetting this was a \$17.6 million decrease in dividends payable to policyholders due to a reduction of the dividend scales effective January 1, 2001 which reflects lower forecasted ultimate profitability in the Closed Block as a result of declines in the interest rates on fixed income assets. As further discussed in Note 2 to the Consolidated Financial Statements, all the assets in the Closed Block inure solely to the benefit of the Closed Block policyholders, and to the extent that the results of the Closed Block are more favorable than assumed in establishing the Closed Block, total dividends paid to the Closed Block policyholders will be increased and are, accordingly, accrued as an additional dividend liability.

Other operating costs and expenses

Other operating costs and expenses were \$876.4 million for 2001, an increase of \$363.2 million, or 70.8%, from \$513.2 million for 2000. The increase consisted primarily of: (i) \$65.1 million of reorganization and other charges recorded during the fourth quarter of 2001; (ii) \$301.2 million of costs directly attributable to the Retail Brokerage and Investment Banking segment resulting from the acquisition of Advest; and (iii) \$24.5 million of higher interest expense reported as a reconciling item. Details of the reorganization and other charges recorded in the fourth quarter as well as the segments to which they have been allocated are included in Note 24 to the Consolidated Financial Statements. The \$24.5 million increase in interest expense relates to the MONY Group's debt issuances in March and December of 2000 (See *Note 14 to the Consolidated Financial Statements*). These increases were partially offset in 2001 by lower compensation costs of approximately \$25.3 million, of which \$20.3 million, \$3.8 million, and \$1.3 million are reflected in the Protection Products, Accumulation Products, and Other Products segments, respectively.

The Company recorded a federal income tax benefit in 2001 of \$(32.6) million, compared to a \$133.8 million federal income tax expense recorded in 2000. The Company's effective tax rate was approximately 34.9% in 2001, as compared to approximately 33.8% in 2000.

Results of Operations of the Closed Block

The results of operations of the Closed Block are combined with the results of operations outside the Closed Block in the Protection Products segment in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere herein. Set forth below is a discussion and analysis of the results of operation of the Closed Block for the periods indicated.

	For the years ended December 31,		
	2002	2001	2000
	(\$ in millions)		
Premiums	\$ 509.1	\$ 551.4	\$ 582.4
Net investment income	396.5	397.6	395.7
Net realized (losses)/gains	(51.4)	6.0	(7.0)

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Other income	2.2	2.4	2.2
Total revenues	856.4	957.4	973.3
Benefits to policyholders	566.8	606.9	620.9
Interest credited to policyholders' account balances	8.6	8.9	8.8
Amortization of Deferred Policy Acquisition Costs	49.1	59.4	60.4
Dividends to policyholders	185.5	233.1	232.9
Other operating cost and expenses	6.1	7.0	7.5
Total benefits and expenses	816.1	915.3	930.5
Contribution from the Closed Block	\$ 40.3	\$ 42.1	\$ 42.8

No new policies have been added to the Closed Block subsequent to MONY Life's demutualization. Therefore, we expect the revenues and benefits related to the Closed Block to decrease over time as the in-force business declines. This is consistent with the glide path earnings established in connection with MONY Life's plan of demutualization.

Closed Block Year ended December 31, 2002 compared to Year Ended December 31, 2001

Premiums

Premiums were \$509.1 million for the year ended December 31, 2002, a decrease of \$42.3 million from \$551.4 million reported in the prior year. Excluding reinvested dividends, premiums decreased by approximately \$28.1 million, or 6.8%, which is in line with the expected runoff of the in force business in the Closed Block. Premiums from reinvested dividends decreased by \$14.1 million primarily due to a reduction in the dividend scale effective January 1, 2002.

Table of Contents*Net investment income and realized gains (losses)*

Net investment income was \$396.5 million for the year ended December 31, 2002, a decrease of \$1.1 million, from \$397.6 million reported in the prior year. The decrease in net investment income reflects the declines in the interest rate environment for fixed income assets.

Net realized losses were \$51.4 million for the year ended December 31, 2002, a decrease of \$57.4 million, from gains of \$6.0 million reported for the corresponding prior year. The following table sets forth the components of net realized gains/(losses) by investment category for the years ended December 31, 2002 and 2001.

	For the Year Ended December 31,	
	2002	2001
	(\$ in millions)	
Fixed maturity securities	\$ (46.8)	\$ 3.2
Mortgage loans	(4.6)	2.8
Total realized (losses)/gains	\$ (51.4)	\$ 6.0

Benefits to policyholders

Benefits to policyholders were \$566.8 million for the year ended December 31, 2002, a decrease of \$40.1 million, from \$606.9 million reported in the comparable prior year. The decrease principally resulted from: (i) lower death benefits of \$14.7 million, as compared to the prior year as a result of improvements in mortality experience (death benefits were \$173.1 million and \$187.8 million for the years ended December 31, 2002 and 2001, respectively); (ii) a decrease in surrender benefits of \$10.6 million, as compared to the prior year as a result of an improvement in persistency experience (surrender benefits were \$345.2 million and \$355.8 million for the years ended December 31, 2002 and 2001, respectively); and (iii) a \$14.6 million decrease in the change in reserves, compared to the comparable prior year results (changes in reserves were \$39.1 million and \$53.7 million for the years ended December 31, 2002 and 2001, respectively).

Interest credited to policyholders' account balances

Interest credited to policyholders' account balances was \$8.6 million for the year ended December 31, 2002 a decrease of \$0.3 million from \$8.9 million reported in the prior year. The decrease in interest crediting is primarily due to a decrease in interest crediting on overdue policy claims.

Amortization of deferred policy acquisition costs

Amortization of DPAC was \$49.1 million for the year ended December 31, 2002, a decrease of \$10.3 million, compared to \$59.4 million reported in the prior year. The \$10.3 million decrease in amortization is due principally to the run-off of this block of business and the implementation of SOP 00-3 in 2001. See *Dividends to policyholders* below for an explanation of the deferred dividend liability.

Dividends to policyholders

Dividends to policyholders were \$185.5 million for the year ended December 31, 2002, a decrease of \$47.6 million compared to \$233.1 million reported in the prior year. Dividends to policyholders can be broken down into two components, namely policyholder dividends payable in the current year and the change in the deferred dividend liability. The decrease in dividends to policyholders was due to a year over year decrease of \$35.8 million in the deferred dividend liability and a year over year decrease of \$11.8 million in dividends paid to policyholders.

Due to a reduction in the dividend scale effective January 1, 2002, policyholder dividends payable during 2002 were \$199.7 million, a decrease of \$11.8 million from \$211.5 million reported in the prior year. The dividend scale reduction reflects lower forecasted ultimate profitability of the Closed Block due primarily to declines in the interest rate environment for fixed income assets. Determination of dividends paid to policyholders in the Closed Block is based on a forecast of ultimate profitability of the Closed Block over its remaining expected life. The purpose of reducing or increasing dividends to policyholders in the Closed Block is to attempt to align the payment of such dividends to the emergence of expected profits from the Closed Block. See *Note 2 to the Consolidated Financial Statements*.

As required under GAAP, actual Closed Block earnings in excess of expected Closed Block earnings inure solely to the benefit of policyholders in the Closed Block and, accordingly, are recorded as an additional liability to Closed Block policyholders. Expected Closed Block earnings were forecasted for each year over the estimated life of the policies in the Closed Block in order to determine the amount of assets to allocate to the Closed Block in order to provide sufficient funding for payment of policyholder liabilities and dividends in the Closed Block, as well as certain expenses, as more fully discussed in Note 2 to the Consolidated Financial Statements. The expected emergence of earnings from such cash flows is referred to as the glide path earnings. The aforementioned additional liability (which represents the actual Closed Block earnings in excess of expected Closed Block glide path earnings) is referred to as the deferred dividend liability. Due to the recognition of realized losses from other than temporary impairment charges on invested assets during the fourth quarter, the actual experience of the Closed Block earnings was less than expected. See *Net Investment Income and Realized Gains/(Losses)* above. The deferred dividend liability was \$33.2 million at December 31, 2002.

Table of Contents*Other operating cost and expenses*

Other expenses were \$6.1 million for the year ended December 31, 2002, a decrease of \$0.9 million from \$7.0 million reported in the prior year. The decrease is primarily attributable to a decrease in premium taxes as a result of lower premiums.

Closed Block Year ended December 31, 2001 compared to Year Ended December 31, 2000*Premiums*

Premiums were \$551.4 million for the year ended December 31, 2001, a decrease of \$31.0 million from \$582.4 million reported in the prior year. The decrease in premiums was due to the slightly faster than expected runoff of the in force block, as compared to glide path expectations. The glide path projected a \$26.0 million decrease in premiums. See discussion under *Dividends to policyholders* below for an explanation of the glide path.

Net investment income and realized gains (losses)

Net investment income was \$397.6 million for the year ended December 31, 2001, an increase of \$1.9 million, from \$395.7 million reported for the prior year. The increase in net investment income reflects investment earnings on a higher asset base offset by declines in the interest rate environment for fixed income assets.

Net realized gains were \$6.0 million for 2001, an increase of \$13.0 million, from losses of \$7.0 million for 2000. The following table sets forth the components of net realized gains/(losses) by investment category for 2001 and 2000.

	For the Year Ended December 31,	
	2001	2000
	(\$ in millions)	
Fixed maturity securities	\$ 3.2	\$ (18.7)
Mortgage loans	2.8	8.1
Real estate/other		3.6
Total realized gains/(losses)	\$ 6.0	\$ (7.0)

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Benefits to policyholders and interest credited to policyholders account balances

Benefits to policyholders and interest credited to policyholders account balances were \$606.9 million for the year ended December 31, 2001, a decrease of \$14.0 million from \$620.9 million reported for the year ended December 31, 2000. The decrease of \$14.0 million primarily consists of: (i) an \$8.8 million increase in death benefits compared to the prior year (death benefits were \$187.8 million and \$179.0 million for the years ended December 31, 2001 and 2000, respectively); (ii) a \$19.6 million decrease in surrenders compared to the prior year as a result of an improvement in persistency experience (surrender benefits were \$355.8 million and \$375.4 million for the years ended December 31, 2001 and 2000, respectively); and (iii) a \$2.4 million decrease in the change in reserves compared to the prior year (the change in reserves was \$52.6 million and \$55.0 million for the years ended December 31, 2001 and 2000, respectively).

Amortization of deferred policy acquisition costs

Amortization of deferred policy acquisition costs was \$59.4 million for the year ended December 31, 2001, a decrease of \$1.0 million from \$60.4 million reported in the prior year. The decrease in amortization was primarily due to the runoff of the in force block of business.

Dividends to policyholders

Dividends to policyholders were \$233.1 million as of December 31, 2001, an increase of \$0.2 million from \$232.9 million reported in the prior year. Dividends to policyholders can be broken down into two components, namely policyholder dividends payable in the current year and the change in the deferred dividend liability. The \$0.2 million increase in dividends to policyholders was due to a period over period increase of \$18.7 million in the deferred dividend liability, offset by a period over period decrease of \$18.5 million in dividends paid to policyholders.

Due to a reduction in the dividend scale effective January 1, 2001, policyholder dividends payable during 2001 were \$211.9 million, a decrease of \$18.5 million from the \$230.4 million reported in the prior year. The dividend scale reduction reflects lower forecasted ultimate profitability of the Closed Block due primarily to declines in the interest rate environment for fixed income assets.

Other operating cost and expenses

Other expenses were \$7.0 million for year ended December 31, 2001, a decrease of \$0.5 million from \$7.5 million reported in the prior year. The decrease is primarily attributable to a decrease in premium taxes of \$0.2 million and a decrease in guaranteed assessments of \$0.3 million.

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The table below and the discussion that follows present certain information with respect to the Company's sales of protection, accumulation, and retail brokerage and investment banking products and services during the years ended December 31, 2002, 2001 and 2000 by source of distribution. Management uses this information to measure the Company's sales production from period to period by source of distribution. The amounts presented with respect to life insurance sales represent annualized statutory-basis premiums. Annualized premiums in the Protection Products segment represent the total premium scheduled to be collected on a policy or contract over a twelve-month period. Pursuant to the terms of certain of the policies and contracts issued by the Company, premiums and deposits may be paid or deposited on a monthly, quarterly, or semi-annual basis. Annualized premium does not apply to single premium paying business. All premiums received on COLI and BOLI business and single premium paying policies during the periods presented are included. Statutory basis premiums are used in lieu of GAAP basis premiums because, in accordance with statutory accounting practices, revenues from all classes of long-duration contracts are measured on the same basis, whereas GAAP provides different revenue recognition rules for different classes of long-duration contracts as defined by the requirements of SFAS No. 60, *Accounting and Reporting by Insurance Enterprises*, SFAS No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long Duration Contracts and for Realized Gains and Losses from the Sale of Investments*, and SOP 95-1, *Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises*. The amounts presented with respect to annuity and mutual fund sales represent deposits made by customers during the periods presented.

	For the Years Ended December 31,		
	2002	2001	2000
	(\$ in millions)		
Source of Distribution/Segment			
Protection Products:			
Career Agency system	\$ 63.6	\$ 86.7	\$ 97.2
USFL	55.8	49.0	42.0
Other Wholesale distribution	159.6	79.0	126.8
Total Protection product sales	\$ 279.0	\$ 214.7	\$ 266.0
Accumulation Products:			
Variable annuity(1)	\$ 405.0	\$ 393.0	\$ 421.0
Fixed annuity	138.0		
Career Agency system Proprietary Retail mutual funds	231.0	359.0	615.0
Wholesale Proprietary Retail mutual funds	1,007.0	962.0	1,438.0
Total Accumulation product sales	\$ 1,781.0	\$ 1,714.0	\$ 2,474.0

- (1) Excludes deposits in 2002, 2001 and 2000 associated with an exchange program offered by the Company wherein contractholders surrendered old FPVA contracts and reinvested the proceeds therefrom in a new enhanced FPVA product offered by the Company.

Protection Products Segment

New Business Information for the year ended December 31, 2002 compared to the year ended December 31, 2001

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Total new annualized recurring and single life insurance premiums were \$279.0 million for the year ended December 31, 2002, compared with \$214.7 million during the comparable prior year. The increase was primarily due to increased sales of COLI and BOLI from the Company's Wholesale distribution channel, which were \$147.6 million for the year ended December 31, 2002, compared to \$74.3 million for the comparable prior year. The increase is primarily due to an overall increase in new cases and policies issued in 2002 compared to 2001. There were 43 new cases and 2,061 new policies issued for the year ended December 31, 2002 compared to 29 new cases and 1,074 new policies for the year ended December 31, 2001. Corporate sales, approximately 99% of which are from the Company's Wholesale distribution channel, are large premium cases, which typically generate revenues that can fluctuate considerably from quarter to quarter.

New life insurance premiums (annualized recurring and single premiums) through the career agency network decreased to \$63.6 million for the year ended December 31, 2002 compared to \$86.7 million for the comparable prior year period. The decrease is primarily due to weaker markets throughout 2002 and a reduction in the career network's sales force.

USFL sales were \$55.8 million for the year ended December 31, 2002, compared to \$49.0 million during the comparable 2001 period due to increased penetration of the brokerage market into more states.

New Business Information for the year ended December 31, 2001 compared to the year ended December 31, 2000

Total new annualized recurring and single life insurance premiums were \$214.7 million for the year ended December 31, 2001, compared with \$266.0 million during the comparable prior year. The decrease was primarily due to a reduction in sales of the Company's COLI/BOLI product from the Company's Wholesale distribution channel, which were \$74.3 million for the year

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ended December 31, 2001 compared to \$121.0 million for the comparable prior year. The decrease in COLI/BOLI sales is primarily due to a sharp decline in rates on bank-owned life insurance products and a decline in new cases and policies issued in 2001 compared to 2000. There were 29 new cases and 1,074 new policies issued in 2001 compared to 31 new cases and 1,467 new policies issued in 2000. Corporate sales are large-premium cases that typically generate revenues that can fluctuate considerably from quarter-to-quarter.

New life insurance premiums (annualized recurring and single premiums) from the career agency network were \$86.7 million for the year ended December 31, 2001 compared to \$97.2 million in the comparable prior year. The decrease is primarily due to a reduction in the career network's sales force since the fourth quarter of 2001 and the significant downturn in the securities markets subsequent to September 11, 2001.

USFL's products, sold through its brokerage general agency distribution channel, were \$49.0 million for the year ended December 31, 2002, an increase of 16.7% from sales of \$42.0 million in the comparable prior year.

Accumulation Products Segment

The following tables set forth assets under management at December 31, 2002, 2001, and 2000 as well as the changes in the primary components of assets under management during the years then ended.

	For the Years Ended December 31,		
	2002	2001	2000
	(\$ in billions)		
Assets under management:			
Individual variable annuities	\$ 3.2	\$ 3.9	\$ 4.4
Individual fixed annuities(2)	0.8	0.7	0.7
Proprietary retail mutual funds	3.7	4.4	4.8
	\$ 7.7	\$ 9.0	\$ 9.9
Individual variable annuities:			
Beginning account value	\$ 3.9	\$ 4.4	\$ 4.9
Sales(1)	0.4	0.4	0.4
Market appreciation	(0.5)	(0.4)	(0.1)
Surrenders and withdrawals(1)	(0.6)	(0.5)	