

MONY GROUP INC
Form 10-K405
March 27, 2002

**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, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

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
(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:

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.

As of March 15, 2002 there were outstanding 48,513,451 shares of Common Stock, \$0.01 par value per share, of the Registrant. The aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately \$2.0 billion, based on the closing price of \$40.20 per share March 15, 2002.

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Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement dated for Registrant's 2002 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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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, as indicated by words such as believes, estimates, intends, anticipates, expects, projects, should, probably, risk, target, goals, objectives, or similar. 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 those discussed elsewhere in this report and in the Company's other public filings, press releases, oral presentations and discussions and the following: venture capital gains or losses could differ significantly from the Company's assumptions because of further significant changes in equity values; fees from assets under management could be significantly higher or lower than the Company has assumed if there are further major movements in the equity markets; the value of the Company's overall investment portfolio could fluctuate significantly as a result of major changes in the equity and debt markets generally; actual death claims experience could differ significantly from the Company's mortality assumptions; the Company may not achieve anticipated levels of operational efficiency and cost-saving initiatives; the Company may have as-yet unascertained tax liabilities; sales of variable products, mutual funds and equity securities could differ materially from assumptions because of further unexpected developments in the equity markets and changes in demand for such products; major changes in interest rates could affect the Company's earnings; the Company could have liability from as-yet unknown or unquantified litigation and claims; pending or known litigation or claims could result in larger settlements or judgments than the Company anticipates; the Company may have higher operating expenses than anticipated; changes in law or regulation, including tax laws, could materially affect the demand for the Company's products and the Company's net income after tax; and the Company may not achieve the assumed economic benefits of consolidating acquired enterprises. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

PART I**ITEM 1. Business****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/BOLI"), mutual funds, securities brokerage, asset management, business and estate planning, trust and investment banking products and services. The Company distributes its products and services to individuals and institutional clients through: (i) a career agency sales force operated by its principal life insurance subsidiary and financial advisors and brokers of its securities broker-dealer and mutual fund subsidiaries ("Proprietary Distribution") and (ii) complementary distribution channels ("Complementary Distribution"), which principally consist of independent third-party insurance brokerage general agencies and securities broker-dealers, as well as its corporate marketing team. For the year ended December 31, 2001, Proprietary Distribution accounted for approximately 40.4%, and 43.9% of sales of protection and accumulation products, respectively, and 100% of retail brokerage and investment banking revenues. Complementary Distribution accounted for 59.6% and 56.1% of sales of protection and accumulation products, respectively, and 0% of retail brokerage and investment banking revenues for the year ended December 31, 2001. See *Information About Business Segments*. 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 services to more than one million people.

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"). See *Note 1 to the Consolidated Financial Statements*.

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" or "ECM"), 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 independent certified public accountants, (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 Life Insurance Company of the Americas, Ltd. ("MLICA"), which provides life insurance, annuity and investment products to nationals of certain Latin American countries.

On January 31, 2001, the MONY Group acquired Advest. Advest, through its principal operating subsidiaries, Advest Inc., a securities broker-dealer, and Advest Bank and Trust Company, a federal savings bank, provides diversified financial services including securities brokerage, trading, investment banking, trust and asset management services. See *Information about Business Segments and Note 1 to the Consolidated Financial Statements*.

On November 30, 2001, the Company acquired Lebenthal & Co. ("Lebenthal"), a New York based full service investment firm specializing in municipal bonds. In addition to being widely known for its expertise in tax exempt municipal bond investing, Lebenthal also manages three open-end municipal bond mutual funds. See *Information about Business Segments and Note 1 to the Consolidated Financial Statements*.

Also, on January 1, 2001, MONY Group acquired Matrix Capital Markets Group, Inc. and Matrix Private Equities, Inc. (hereafter collectively referred to as "Matrix"). Matrix primarily provides investment banking services to middle market companies. See *Note 1 to the Consolidated Financial Statements*.

For reporting purposes, the Company's business is organized in three principal operating segments: Protection Products, Accumulation Products, and Retail Brokerage and Investment Banking. Substantially all of the Company's other business activities are combined in the Other Products segment. See *Note 7 to the Consolidated Financial Statements* for a full description of the business segments.

Information About Business Segments*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 individuals and small businesses 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. These products focus on customers with treatable medical conditions which, based on USFL's underwriting guidelines, have been mis-underwritten by other insurance carriers. USFL primarily distributes its products through brokerage general agencies.

The Company's VUL is a UL type of product that provides the policyholder 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's COLI/BOLI product, which is offered through MLOA, is a flexible premium variable universal life insurance product 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 Accumulation Trust (EAT), or a guaranteed interest account.

Several of the Company's protection products are designed to meet the needs of clients 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 can waive 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 spouse or dependent children.

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 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,		
	2001	2000	1999
	(\$ in millions)		
Sales:			
Traditional life (1)	\$ 44.7	\$ 41.2	\$ 38.0
Universal life	31.6	22.2	20.3
Variable universal life	61.8	74.8	64.6
Group universal life	1.5	2.5	2.4
Corporate-owned life insurance	75.1	125.3	69.0
Total	\$ 214.7	\$ 266.0	\$ 194.3

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

Life Insurance in Force

	As of December 31,		
	2001	2000	1999
	(\$ millions)		
Protection Products:			
Traditional life: (1)			
Number of policies (in thousands)	857.3	879.5	915.6
Life reserves	\$ 7,374.8	\$ 7,283.7	\$ 7,205.6
Face amounts	\$ 73,678.2	\$ 67,015.7	\$ 62,473.0
Universal life:			
Number of policies (in thousands)	74.7	76.4	79.8
Life reserves	\$ 711.2	\$ 681.2	\$ 646.5
Face amounts	\$ 10,843.6	\$ 10,951.6	\$ 11,389.1
Variable universal life:			
Number of policies (in thousands)	62.0	52.0	40.9
Account values	\$ 402.4	\$ 359.1	\$ 283.8
Face amounts	\$ 15,031.0	\$ 12,372.0	\$ 9,243.8
Corporate-owned life insurance:			
Numbers of policies (in thousands)	4.0	3.0	1.5
Life reserves	\$ 369.0	\$ 298.2	\$ 154.1
Face amounts	\$ 3,199.5	\$ 2,426.7	\$ 1,415.9
Group universal life:			
Number of policies (in thousands)	43.9	47.3	48.7
Life reserves	\$ 66.7	\$ 64.1	\$ 63.1
Face amounts	\$ 1,571.4	\$ 1,683.0	\$ 1,763.9

(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, 2001, 2000, and 1999, were \$378.0 million, \$383.4 million, and \$391.4 million, respectively.

Accumulation Products

The Company's Accumulation products 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 products, such as flexible premium variable annuities (FPVA) 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.

By offering a variable annuity with a wide variety of investment options, the Company believes it has the ability to grow profitably in a variety of market environments. The guaranteed interest investment option offered under the Company's variable annuities is attractive to consumers during periods of rising interest rates, whereas equity investment options are attractive to consumers during periods of market expansion and for consumers with a higher risk tolerance.

The Company offers proprietary retail mutual funds through ECM. ECM 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 25 separate investment portfolios. In addition, EAT, for which ECM is also the registered investment advisor, is the principal funding vehicle for the Company's variable annuities and variable universal life insurance products. EAT provides investors with a broad range of investment alternatives through 15 separate investment portfolios. Enterprise is also the registered investment advisor of the Enterprise International Group of Funds (EIGF) and Enterprise Global Funds plc (EGF plc). EIGF and EGF plc represent ECM's overseas arm of investment management services. All together, the Enterprise fund companies have in excess of \$7 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, Janus and Dreyfus to provide additional investment choices for the Company's variable annuities and variable universal life products. In addition to these, the Company has agreements with Morgan Stanley Dean Witter, T. Rowe Price and Van Eck for its variable COLI product.

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,		
	2001	2000	1999
	(\$ in millions)		
Assets Under Management			
Individual variable annuities (1) (2)	\$ 3,867.6	\$ 4,368.5	\$ 4,888.4
Individual fixed annuities (1) (2)	728.2	758.2	891.2
Proprietary mutual funds	4,396.6	4,841.8	4,762.3
	\$ 8,992.4	\$ 9,968.5	\$ 10,541.9

(1) Individual variable annuity contracts in force were 102.9 thousand, 104.8 thousand and 110.0 thousand, respectively, and individual fixed annuity contracts in force were 9.1 thousand, 10.4 thousand and 13.0 thousand, respectively, for each of the years ended December 31, 2001, 2000 and 1999.

(2) Represents account values for annuities.

The Company's Accumulation Products segment offers a flexible premium variable annuity contract and a single payment immediate annuity contract. The flexible premium variable annuity is a tax-deferred annuity contract that provides the contractholder with flexibility to vary payments. In addition, after the annuity's accumulation period, contract holders have the option to receive a lump sum distribution or to elect various other pay-out options over the life of the annuitant. Funds may be placed in the fixed account or in one of a number of other investment funds offered through the Company's separate accounts. The single payment immediate annuity contract provides for a single premium payment that is immediately annuitized to provide the annuitant with a guaranteed level income for life or for a minimum number of years.

Variable annuity contract holders and variable universal life insurance policyholders have a range of investment options in which to place the assets held under their contracts. There are currently 2 proprietary fund families and 6 non-proprietary fund families comprised of 19 and 28 different investment options or mutual funds, respectively, with a wide array of investment objectives. As of December 31, 2001, proprietary and non-proprietary funds accounted for 82.5% and 17.5%, respectively, of variable annuity assets under management.

The Company emphasizes the sale of its separate account variable annuities over its general account annuities. 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. The wide array of investment fund options offered through the Company's separate accounts also permits contract holders 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.

At December 31, 2001, approximately 92% of the Company's career agents were licensed through MSC to sell variable annuities (with 82% having National Association of Securities Dealers (NASD) Series 6 licenses and 33% having NASD Series 7 licenses).

The Company offers a variety of proprietary retail mutual funds to retail customers. ECM'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, ECM 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, through its principal operating subsidiaries, Advest Inc., a securities broker-dealer, Lebenthal, a full service investment services firm, and Advest Bank and Trust Company, a federal savings bank, provides diversified financial services including: securities brokerage, trading, investment banking, tax exempt municipal bonds and related investment expertise, trust and asset management services. Advest has

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approximately 482 financial advisors operating out of approximately 90 branch offices located primarily in the northeast section of the United States and Lebenthal has approximately 36 account executives operating principally out of offices in New York.

Matrix is a middle market investment bank specializing in merger and acquisition services.

MSC is a registered securities broker-dealer and investment advisor and a member of the 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, 2001, 2000, and 1999, 37%, 43%, and 39%, 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 other non-proprietary investment products were \$290.0 million, \$381.0 million, and \$547.0 million, respectively, for the years ended December 31, 2001, 2000 and 1999.

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 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 Proprietary and Complementary Distribution systems.

Proprietary Distribution

The Company actively manages its Proprietary Distribution to ensure that expertise is properly leveraged across the organization so that clients needs can be optimally managed. Following is a brief overview of the Company's career agency distribution system, as well as its distribution through its financial advisors and brokers.

Career Agency System

The Company believes that its career agency system is a competitive advantage in the marketplace. Distribution through career agents 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 approximately 1,779 domestic career agents at December 31, 2001. The sales force is organized as a managerial agency system which is comprised of 54 agency managers as of December 31, 2001, who supervise the marketing and sales activities of agents in defined marketing territories in the United States. The agency managers are all employees of the Company, while the career agents are all independent contractors and not employees of the Company. The contract with each career agent requires the agent to submit to the Company applications for policies of insurance issued by the Company. The Company's compensation arrangements with career agents contain incentives for the career agents 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 to the agents through MBI and MSC. Those incentives include counting first year commissions for the purposes of expense reimbursement programs, sales awards and certain other benefits. In addition, MBI and MSC make available products issued by other insurance companies that the Company does not offer.

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 agents. As a result of its recruiting programs, the Company hired 625 new agents in 2001. These agents participate in the Company's redesigned training programs.

The Company segregates its career agency sales force into four groups 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 agents with little or no experience in the industry, a tier for experienced agents who are producing at superior levels, and two tiers in between. The Company believes that this tiering system is unique in the life insurance 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 agents recruited each year. The Company believes that the tiering system allows the Company to attract and retain

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already established and successful agents by providing an environment in which such agents can compete favorably with other producer groups, such as third-party brokers or general agents and to attract and retain other agents by providing marketing and training support that is responsive to such agent s career development needs.

Financial Advisors and Brokers

The Company, through Advest, distributes investment products and services through approximately 482 financial advisors operating out of approximately 90 branch offices located primarily in the northeast section of the United States. In addition, the Company, through Advest's wholly owned subsidiary, Lebenthal, distributes investment products and services through approximately 36 account executives principally located in New York.

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. In the independent brokerage marketplace, the Company believes that MONY Partners has a competitive advantage 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, this provides the broker general agent or securities broker-dealer with 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.

Complementary Distribution

In addition to its Proprietary Distribution, the Company also distributes its products through a variety of complementary distribution channels including third-party securities broker-dealers, insurance brokerage general agencies, Trusted Advisors and through its corporate marketing group.

The Company utilizes third-party broker-dealers to sell its mutual fund products through wholesalers and continually attempts to expand the number of these specialized sales agents distributing its products. The Company, through USFL, distributes certain protection products through approximately 231 insurance brokerage general agencies located in 45 states, which operate under the same agency contract. The Company, through its corporate marketing group, distributes COLI/BOLI products and, 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.

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 the reinsurance agreements, the reinsurer will be liable to reimburse MONY Life for the portion of paid claims ceded to it in accordance with the reinsurance agreement. However, MONY Life remains contingently liable for all benefits payable even if the reinsurer fails to meet its obligations to MONY Life.

Life insurance business is primarily ceded on a yearly renewable term basis under various reinsurance contracts, except for the 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 \$20.7 billion, \$16.7 billion, and \$11.9 billion at December 31, 2001, 2000, and 1999, respectively. As of December 31, 1997, 100% of the Company's individual disability income insurance business was reinsured on an indemnity basis.

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, 2001, that was due from each reinsurer, including reinsurance recoverable reported in the consolidated financial Statements under the caption "Amounts Due From Reinsurers" (which amounted to \$595.8 million) and indemnity reinsurance in connection with the Group Pension Transaction (which amounted to \$71.2 million).

Reinsurers:

Centre Life Reinsurance, Ltd.	54.8%
AUSA Life Insurance Company Inc.	10.7
Life Reassurance Corp of America	10.3

All Other (1)	24.2
	<hr/>
	100.0%
	<hr/>

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

International Business

MONY Life, through its indirect wholly owned subsidiary, MLICA, markets life insurance, annuities, mutual funds and trust services to higher income individuals. MLICA targets the sale of its products primarily to nationals of certain Latin American countries.

Ratings

Ratings with respect to 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 market their products. Rating organizations continually review the financial performance and condition of insurers, including the Company's life insurance subsidiaries. Any lowering of the Company's life insurance subsidiaries ratings could have a material adverse effect on the Company's life insurance subsidiaries 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 Investors Services (Moody's) ratings for insurance companies currently range from Aaa to C; Standard & Poor's (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 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, 2001:

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

In addition to 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 rating assigned by the aforementioned rating agencies to each of the Company's outstanding debt obligations:

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch IBCA</u>	<u>A.M. Best</u>
The MONY Group Inc.				
8.35% Senior Notes	A-(Strong)	Baa1(Investment Grade)	A-(High Credit Quality)	a-(Strong)
7.45% Senior Notes	A-(Strong)	Baa1(Investment Grade)	A-(High Credit Quality)	a-(Strong)
Commercial paper	A-2(Good)	P-2(Strong)	F-2(Moderately Strong)	AMB-2(Acceptable)
MONY Life				
Surplus Notes	A-(Strong)	Baa1 (Medium Grade)	A(Average)	a-(Strong)

The foregoing ratings reflect each rating agency's current opinion of the Company's claims-paying ability, financial strength, operating performance and ability to meet its 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 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 agents to sell its insurance and annuity products. Strong competition exists among insurance companies for agents with demonstrated ability. Management believes that key bases of competition among insurance companies for agents with demonstrated ability include a company's financial position and the services provided to, and relationships developed with, these agents 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 Idaho, Nevada, New York, Vermont, Virginia, and the District of Columbia.

The laws of the various states establish state insurance departments with broad administrative powers to approve policy forms 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, annually, 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, 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 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 agents and personnel and provide continuing education and training in an effort to ensure compliance with applicable insurance laws and regulations. There can be no assurance that any non-compliance with such applicable laws and regulations would not 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.

Shareholder Dividend Restrictions

The payment of dividends by MONY Life to the MONY Group is regulated under state insurance law. Under the New York Insurance Law, MONY Life may distribute a dividend to the MONY Group where the aggregate amount of such dividends in any calendar year does not exceed the lesser of: (a) ten percent of its surplus to policyholders as of the immediately preceding calendar year, or (b) its net gain from operations for the immediately preceding calendar year, not including realized capital gains. The law also states that 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. The New York Superintendent may disapprove such distribution by giving written notice to MONY Life within thirty days after such filing that the New York Superintendent finds 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 the common stock. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*. In 2001, MONY Life paid a dividend to the MONY Group in the amount of \$115.0 million.

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, 2001 and 2000 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 the MONY Notes 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. In 2000, all of the MONY Notes were repurchased.

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 or MONY Notes; (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 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 and its 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.

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 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 possible legislation that would eliminate the advantage of deferral of taxation on the accretion of value within certain annuities and life insurance products. Any such legislation could 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, 2001, the Company had approximately 4,173 employees, of which 482 were Advest financial advisors and 36 were Leblenthal account executives. No employees are covered by a collective bargaining agreement. Also, as of December 31, 2001, the Company was represented by approximately 2,006 full time domestic and international career agents who are all independent contractors and are not employees of the Company. The Company believes that its employee and agent relations are satisfactory.

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:

Name	Age	Position
Michael I. Roth	56	Chairman of the Board, Chief Executive Officer and Director of the MONY Group
Samuel J. Foti	50	President, Chief Operating Officer and Director of the MONY Group
Richard Daddario	54	Executive Vice President and Chief Financial Officer of the MONY Group
Kenneth M. Levine	55	Executive Vice President, Chief Investment Officer and Director of the MONY Group
Lee M. Smith	58	Vice President and Corporate Secretary of the MONY Group
Bart R. Schwartz	49	Senior Vice President and General Counsel of the MONY Group
Richard E. Connors	49	Senior Vice President of MONY Life
Evelyn L. Peos	45	Senior Vice President of MONY Life
Michael Slipowitz	43	Senior Vice President and Chief Actuary of MONY Life
Victor Ugolyn	54	Senior Vice President of MONY Life
Grant W. Kurtz	59	Chairman, President and Chief Executive Officer of Advest
Arnold Brousell	44	Vice President Financial Reporting and Chief Accounting Officer of the MONY Group
Steven G. Orluck	49	Executive Vice President of MONY Life
Kimberly Windrow	44	Senior Vice President of of MONY Life

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 also has served as MONY Life's President and Chief Executive Officer (from January 1993 to July 1993), President and Chief Operating Officer (from 1991 to 1993) and Executive Vice President and Chief Financial Officer (from 1989 to 1991). Mr. Roth serves on the board of directors 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., Lincoln Center for the Performing Arts Leadership Committee, New York City Partnership and Chamber of Commerce, Committee to Encourage Corporate Philanthropy, The Twin Towers Fund, New York City Investment Fund and Interpublic Group of Companies. Mr. Roth also serves on the Board of Governors of the United Way of Tri-State.

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. He has also been President and Chief Operating Officer of MONY Life Insurance Company of America (since 1994). Mr. Foti has also served as MONY Life's Executive Vice President (from 1991 to 1994) and Senior Vice President (from 1989 to 1991). Mr. Foti serves on the board of directors of Enterprise Group of Funds, Inc. and Enterprise Accumulation Trust. He is also a Trustee of The American College, where he served as Chair of the Board of Trustees from January 2000 to January 2002. He previously served on the board of directors of the Life Insurance Marketing and Research Association (LIMRA), where he served as Chairman from October 1996 through October 1997.

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 1944. Prior to being appointed Executive Vice President and Chief Financial Officer of MONY Life, he served as MONY Life's Senior Vice President and Corporate Controller. Mr. Daddario has been with MONY Life for 12 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. Mr. Levine also served as MONY Life's Senior Vice President - Pensions (from 1988 to 1990). Prior to that time, Mr. Levine held various management positions within MONY Life.

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 the MONY Group (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 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 MONY Life's Regional Vice President - Western Region (from 1991 to 1994), 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 13 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 23 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 within 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); Chairman and President of Enterprise International Group of Funds (since 1994) and Chairman and President of Enterprise Global Funds plc (since 2001). Mr. Ugolyn has been with MONY Life for 11 years.

Grant W. Kurtz, has been Chairman (since 2001), Chief Executive Office (since 1999) and President (since 1995) of Advest. Mr. Kurtz joined Advest in 1985 and has been Chairman (since 2001), Chief Executive Officer (since 1999) and President (since 1990) of Advest, Inc.

Arnold Brousell has been Vice President - Financial Reporting and Chief Accounting Officer of the MONY Group since March 2002. Prior to that time, Mr. Brousell has been Vice President - Financial Reporting of MONY Life (since 1998). Prior to that Mr. Brousell was an Assistant Vice President of MONY Life (from 1997 to 1998). Mr. Brousell has been with the Company for 5 years. Mr. Brousell joined MONY after approximately 14 years of providing accounting and auditing services for Big 5 public accounting firms, including PricewaterhouseCoopers LLP and Deloitte & Touche LLP.

Steven G. Orluck has been Executive Vice President of MONY Life since March 2002. Prior to that time, he was Senior Vice President and Chief Distribution Officer of MONY Life. Mr. Orluck has been with MONY Life since 1998. Mr. Orluck joined MONY after 24 years in marketing and sales with Metropolitan Life Insurance Co. While there, he served as Vice President, Individual Business, and was responsible for the company's agents, field managers, and sales support staff. He also was President of Century 21 Insurance Services Inc.

Kimberly Windrow has been Senior Vice President of MONY Life since March 2002. Ms Windrow was Vice President, Human Resources of MONY Life from 2001 to March 2002. 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 265,613 square feet. The Company also occupies facilities in Syracuse and New York for use in its insurance operations, which consist of approximately 577,646 square feet in the aggregate. The Company also leases all 105 of its agency and its subsidiary offices, which consist of approximately 539,706 square feet in the aggregate. The Company believes that such properties are suitable and adequate for its current and anticipated business operations.

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*

During the fourth quarter of 2001, no matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise.

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>
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
2000			
First Quarter	\$ 32.31	\$ 26.88	\$
Second Quarter	\$ 37.06	\$ 29.13	\$
Third Quarter	\$ 41.44	\$ 32.94	\$
Fourth Quarter	\$ 49.44	\$ 37.44	\$ 0.45

As of March 15, 2002, the closing price of the MONY Group's common stock was \$40.20. There were 581,632 holders of common stock at March 15, 2002.

The MONY Group expects to continue to pay an annual dividend on its common stock in 2002. 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*.

ITEM 6. Selected Financial Data

The following table sets forth selected financial data for the Company. The selected financial data as of December 31, 2001 and 2000 and for each of the years in the three-year period ended December 31, 2001 has been derived from audited financial statements herein. The selected financial data as of December 31, 1999, 1998 and 1997 and for each of the years ended December 31, 1998 and 1997 has been derived from audited financial statements not included herein. The Selected Consolidated Financial Information 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,				
	2001(5)	2000	1999	1998	1997
	(\$ in millions)				
Consolidated Income Statement Data (1)(7):					
Revenues:					
Premiums	\$ 695.3	\$ 700.5	\$ 717.1	\$ 721.8	\$ 838.6
Universal life and investment-type product policy fees	207.2	205.8	196.3	151.6	127.3
Net investment income	692.1	978.1	902.3	735.7	733.0
Net realized (losses)/gains on investments	(12.3)	37.5	125.1	171.1	72.1
Group Pension Profits(2)	30.7	37.1	63.0	56.8	60.0
Retail Brokerage and Investment Banking	343.5	59.7	63.4		
Other income	147.1	163.6	133.8	163.2	145.4
Total revenues	2,103.6	2,182.3	2,201.0	2,000.2	1,976.4
Total benefits and expenses	2,197.0	1,786.2	1,820.4	1,733.2	1,805.5
(Loss) income before income taxes and extraordinary item	(93.4)	396.1	380.6	267.0	170.9
Income tax (benefit) expense(3)	(32.6)	133.8	132.0	103.0	53.8
(Loss) income before extraordinary item	(60.8)	262.3	248.6	164.0	117.1
Extraordinary item net		37.7			
Net (loss) income	\$ (60.8)	\$ 224.6	\$ 248.6	\$ 164.0	\$ 117.1
Basic (Loss) Earnings Per Share(4)	(1.25)	4.83	5.26	0.19	xxxx
Diluted (Loss) Earnings Per Share(4)(6)	(1.25)	4.70	5.20	0.18	xxxx
Cash Dividends Per Common Share	0.45	0.45	0.40	xxxx	xxxx
Consolidated Balance Sheet Data: (1)(2)(7)					
Total assets	\$ 25,652.3	\$ 24,575.3	\$ 24,736.3	\$ 24,958.2	\$ 23,611.3
Total debt	898.8	623.4	298.8	375.4	423.6
Total liabilities	23,600.1	22,536.4	22,910.8	23,180.6	22,290.7
Shareholders' equity	2,052.2	2,038.9	1,825.5	1,777.6	1,320.6

- (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 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 of the Consolidated Financial Statements.
- (3) Prior to its Demutualization on November 16, 1998, MONY Life, as a mutual insurance company, was subject to the surplus tax imposed on mutual life insurance companies under the Internal Revenue Code. Income tax expense for 1998 and 1997 includes \$0.0 million and \$5.8 million of surplus tax, respectively.

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- (4) Prior to its Demutualization on November 16, 1998, the Company had no common stock outstanding and, accordingly, did not report earnings per share. In accordance with 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 and \$3.99, respectively, for the years ended December 31, 1998 and 1997.
- (5) The Company's results of operations for the year ended December 31, 2001, include reorganization and other charges aggregating \$146.1 million before taxes. For details of such charges and the line items they are reflected in. *See Note 22 to the Consolidated Financial Statements.*
- (6) 1,333,745 incremental shares from assumed conversion of dilutive securities were not included in the computation of per share amounts for the year ended December 31, 2001 because to do so would be antidilutive.
- (7) See Notes 2 and 18 to the Consolidated Financial Statements regarding the Closed Block.

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

The following discussion 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, the Consolidated Financial Statements and related footnotes and other financial information included elsewhere.

Organization and Business

The MONY Group, through its subsidiaries, provides life insurance, annuities, COLI/BOLI products, mutual funds, securities brokerage, asset management, business and estate planning, trust and investment banking products and services. The Company distributes its products and services to individuals and institutional clients through a career agency sales force operated by its principal life insurance subsidiary and financial advisors and brokers of its securities broker-dealer and mutual fund subsidiaries (Proprietary Distribution). In addition, the Company distributes its products and services through what it defines as complementary distribution channels (Complementary Distribution), which principally consist of independent third-party insurance brokerage general agencies and securities broker-dealers, as well as its corporate marketing team. 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 services to more than one million people.

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.

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, (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) the amount of its assets and its third-party assets under management, (ii) 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), (iii) the maintenance of the Company's target spreads between credited rates on policyholders' account balances and the rate of earnings on its investments, (iv) the persistency of its policies (which affects the ability of the Company to recover the costs incurred to sell a policy), (v) its ability to manage the market and credit risks associated with its invested assets, (vi) returns on venture capital investments, (vii) the investment performance of its mutual fund and variable product offerings, and (viii) commission and fee revenue from securities brokerage and investment banking operations. External factors, such as legislation and regulation of the insurance marketplace and products, may also affect the Company's profitability.

Segments

For management and reporting purposes, the Company's business is organized in three principal operating 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 in the Other Products segment. 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, Lebenthal and Matrix. See Note 1 to the Consolidated Financial Statements. 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.

Critical Accounting Policies

Preparation of the Company's financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires the application of accounting policies that often involve a 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 maturities available for sale, equity securities, trading account securities and investments in limited partnership interests accounted for using the equity method at fair value in the consolidated balance sheet. In most cases, the Company determines fair values using quoted market prices. However, valuation of certain investments, such as private placement fixed maturities, requires use of assumptions and estimates related to interest rates, default rates, collection of principal, and the timing of cash flows because quoted market prices are not available.

The Company records changes in the fair values of investments in fixed maturities available for sale and equity securities that are not considered to be other than temporarily impaired in other comprehensive income. The Company reports changes in value of limited partnership interests 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. Determining if a security is other than temporarily impaired and the valuation of impaired securities requires use of estimates and significant judgment. The Company's financial position and operating results 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. The Company records valuation allowances on mortgage loans based on specific identification of troubled mortgages and an estimate for incurred but not reported defaults. The Company derives its valuation allowance for troubled mortgages based on expected future cash flows or, if the mortgage is in foreclosure, based on the value of the underlying collateral. 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 changes in the estimated cash flows of troubled mortgages, the value of related collateral and changes in the economic environment in general.

Deferred policy acquisition costs (DAC) and insurance reserves

The Company values DAC and insurance reserves in accordance with the relevant GAAP pronouncements: generally Financial Accounting Standards Board (FASB) 60 for term and whole life insurance products, FASB 97 for universal life and investment-type contracts, and FASB 120 for traditional participating life insurance contracts. The valuation of DAC and insurance reserves requires management to make assumptions about future investment yields, mortality rates, lapse rates, expense levels, policyholder dividends and policy duration. For many of the Company's products, amortization of DAC varies with profit margins of the policies and contracts supporting the DAC balances. The Company must periodically evaluate the recoverability of DAC 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 operating results.

Goodwill and intangible assets

The Company carries goodwill and intangible assets, which is primarily related to its 2001 acquisition of Advest. In accordance with FASB 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 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.

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 business. The Company records liabilities related to these matters to the extent the losses are probable and reasonably estimable, in accordance with the provisions of FASB 5 and FASB Interpretation 14. Judgements exceeding established loss reserves or changes in the circumstances of the matter requiring management to update its loss estimate may materially affect the Company's financial position and operating results.

As discussed in Note 22 to the Consolidated Financial Statements, in 2001 the Company established reserves related to the reorganization of its businesses. These reserves are based on the estimated costs of employee terminations and benefits, lease abandonments and other costs directly related to the Company's reorganization plan and incremental to the Company's normal

operating costs. Although management does not expect significant changes to its reorganization plan, the actual costs related to this plan 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 Note 9 to the Consolidated Financial Statements.* Another example is the recognition of deferred tax assets, which depends upon management's assumption that future earnings will be sufficient to realize the deferred tax benefit. *See Note 10 to the Consolidated Financial Statements.*

Reorganization and Other Charges

During the fourth quarter of 2001, the Company recorded charges aggregating approximately \$146.1 million on a pre-tax basis. Of this amount approximately \$56.8 million represented Reorganization Charges taken in connection with the Company's previously announced reorganization of certain of its businesses and \$89.3 million represented Other Charges unrelated to the Company's reorganization activities. The Reorganization Charges consisted of: (i) severance and related benefits resulting from headcount reductions in the Company's home office and career agency system, (ii) losses from abandonment of certain leased offices and equipment, (iii) the write-off of deferred acquisition costs as a result of the decision to exit certain international markets and lines of business, and (iv) certain other charges. The Other Charges 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.

The following table summarizes the components of the aforementioned Reorganization Charges and Other Charges, respectively:

	Operating	Net Realized Losses	Total
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 of the components of the Reorganization Charges reflected above, except \$17.0 million related to deferred policy acquisition costs and \$5.3 million related to investment expenses, are included in Other Operating Costs and Expenses in the Company's consolidated income statement for the year ended December 31, 2001. None of the Reorganization Charges reflected in the table above have been allocated to the Company's segments. All such charges are included as reconciling items of the segments to the Company's consolidated income statement for the year ended December 31, 2001.

The following table indicates the line items in the Company's consolidated and segmented income statements for the year ended December 31, 2001 in which the Other Charges are reflected. In addition, all of the Reorganization Charges are reflected in reconciling in the table as discussed above.

	<u>Protection</u>	<u>Accumulation</u>	<u>Retail Brokerage and Investment Banking</u>	<u>Other</u>	<u>Reconciling</u>	<u>Total</u>
Premiums	\$ 1.0	\$	\$	\$	\$	\$ 1.0
Net investment income	20.3	3.8		3.3	5.3	32.7
Group Pension Profits	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	1.0	34.5	65.1
Total Other Operating Charges	43.2	20.0	1.7	4.3	56.8	126.0
Net realized losses on investments	14.9	2.8		2.4		20.1
Total Other Charges	\$ 58.1	\$ 22.8	\$ 1.7	\$ 6.7	\$ 56.8	\$ 146.1

Implication of the Events of September 11th

The terrorist events of September 11th had no material effect on the Company's financial position at December 31, 2001 or its results of operations for the year then ended. The net effect of life insurance claims relating these events (after reinsurance and the release of related policy reserves) aggregated approximately \$3.9 million pre-tax. In addition, the Company incurred damages from property losses and business interruption. These damages principally consist of: (i) lost revenues at Advest, MSC, and Enterprise resulting from the close of the New York securities markets, (ii) physical damage to Advest's Rector Street offices in lower Manhattan and associated recovery and relocation costs, (iii) the temporary closing of the Company's New York corporate offices, (iv) delays associated with outsourcing Advest's clearing operation, and (v) lost revenues resulting from the volatility of the securities markets and consumer uncertainty with respect to equity based products in the aftermath of September 11th. To date, no determination has been made with respect to the Company's ability to recover the aforementioned damages under its insurance coverages.

Summary of Financial Results

The following tables present the Company's consolidated and segment results of operations for the years ended December 31, 2001, 2000 and 1999. The financial information herein is presented in accordance with GAAP unless otherwise noted.

Results of Operations

For the Year Ended December 31, 2001

	<u>Protection</u>	<u>Accumulation</u>	<u>Retail Brokerage and Investment Banking</u>	<u>Other</u>	<u>Reconciling(1)</u>	<u>Consolidated</u>
(\$ in millions)						
Revenues:						
Premiums	\$ 675.5	\$ 5.3	\$	\$ 14.5	\$	\$ 695.3
Universal life and investment-type product policy fees	151.6	54.7		0.9		207.2
Net investment income and realized gains on investments	559.4	68.6	7.8	18.0	26.0	679.8
Group Pension Profits(4)	30.7					30.7
			343.5			343.5

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Retail Brokerage and Investment Banking

revenues

Other income	16.1	107.4	15.5	8.1	147.1
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Total revenue	1,433.3	236.0	351.3	48.9	2,103.6
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Benefits and Expenses:

Benefits to policyholders	754.5	34.1	20.6	5.5	814.7
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Interest credited to policyholders account balances	60.6	41.3	8.6		110.5
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Amortization of deferred policy acquisition costs	115.7	26.1		17.0	158.8
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Dividends to policyholders	233.9	1.6	1.1		236.6
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Other operating costs and expenses	245.5	127.2	371.3	39.8	876.4
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Total expenses	1,410.2	230.3	371.3	70.1	2,197.0
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Income (Loss) before income taxes	\$ 23.1	\$ 5.7	\$ (20.0)	\$ (21.2)	\$ (93.4)
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Income Tax Benefit					(32.6)
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Net (Loss)					\$ (60.8)
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Universal life and investment-type product policy fees						
Net investment income and realized gains on investments	823.1	132.4	0.1	69.5	2.3	1,027.4
Group Pension Profits(4)	63.0					63.0
Retail Brokerage and Investment Banking revenues			63.4			63.4
Other income	16.6	95.1		17.3	4.8	133.8
Total revenue	1,727.8	301.7	63.5	100.9	7.1	2,201.0
Benefits and Expenses:						
Benefits to policyholders	741.8	18.4		22.4	4.5	787.1
Interest credited to policyholders balances	48.9	55.3		11.3		115.5
Amortization of deferred policy acquisition costs	107.1	30.7				137.8
Dividends to policyholders	227.5	2.0		1.2		230.7
Other operating costs and expenses	287.5	105.7	61.7	32.0	60.4	547.3
Demutualization expenses					2.0	2.0
Total expenses	1,412.8	212.1	61.7	66.9	66.9	1,820.4
Income before income taxes	\$ 315.0	\$ 89.6	\$ 1.8	\$ 34.0	\$ (59.8)	\$ 380.6
Income tax expense						132.0
Net Income						\$ 248.6

- (1) 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 totalling \$56.8 million pre-tax relating to the Company's reorganization. (See *Reorganization and Other Charges*).
- (2) 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.
- (3) Amounts reported as reconciling in 1999 primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group (iii) charges of \$59.7 million pre-tax relating to a voluntary early retirement program, and (iv) certain expenses related to the Company's demutualization.
- (4) See Note 11 to the Consolidated Financial Statements.

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 decrease of premiums in the Protection Products segment was primarily a result of lower renewal premiums of \$32.5 million due to the reduction of the in-force block, offset by an increase of \$18.2 million in premiums from special risk insurance products offered by USFL. The increase in USFL's premiums is primarily attributable to the expansion of its distribution and the improvement in its financial strength ratings being acquired by the Company. Management believes that the decrease in traditional life insurance premiums is consistent with industry trends, particularly the continuing shift by consumers from traditional protection products to asset accumulation products. The increase in the Accumulation Products segment of \$4.0 million was primarily due to an increase in immediate annuity sales. See *New Business Information* for a discussion regarding year to year sales and related trends.

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 Corporate Sponsored Variable Universal Life (CSVUL) and VUL business of \$5.5 million and \$11.3 million, respectively, consistent with 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 in the Company's FPVA product. The decrease in FPVA mortality and expense charges is due 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.

Net investment income and realized gains on investments

Net investment income was \$692.1 million for the year ended December 31, 2001, a decrease \$286.0 million, or 29.2%, 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 on investments was 6.2% and 6.1%, respectively, for 2001, as compared to 8.8% and 9.1%, respectively, for 2000. See *Investments Results 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 22 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 22 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 Years Ended
December 31,**

	<u>2001</u>	<u>2001</u>
Equity securities	\$ (7.8)	\$ 21.6
Fixed maturities	(2.6)	(30.1)
Mortgage loans	9.3	19.7
Other	(11.2)	26.3
	<u>\$ (12.3)</u>	<u>\$ 37.5</u>

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 impairment of assets supporting the business transferred in the Group Pension transaction as well as certain 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 investment results 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 of the Consolidated Financial Statements. Management believes that Group Pension Profits will decline in future periods consistent with the continuing run-off of the underlying business until they terminate as of December 31, 2002.

In connection with the Group Pension Transaction, the Company expects to record income in the fourth quarter of 2002 of approximately \$55.0 million relating to the Final Value Payment, as defined in the agreement. *See Note 11 to the Consolidated Financial Statements.*

Retail Brokerage and Investment Banking revenues

Retail Brokerage and Investment Banking revenues were \$343.5 million for 2001, an increase of \$283.8 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 \$296.8 million (excluding approximately \$7.8 million, which is reflected in investment income), \$3.1 million, and \$43.6 million, respectively. Retail Brokerage and Investment Banking revenues in 2000 only consisted of \$59.7 million of revenues derived from the operations of MSC. 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.

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. During 2001, the cash surrender value of the company's COLI contract decreased by approximately \$4.3 million as a result of unfavorable market conditions. Approximately \$3.7 million of this loss was reflected in the Protection Products segment and the balance, or \$0.6 million, is reflected in the Accumulation Products segment. The remaining decrease in the Accumulation Products segment was primarily caused by lower fees of approximately \$16.0 million from ECM, partially offset by an increase of \$3.9 million in fees from supplemental contracts. ECM reported \$90.0 million in fees from advisory, underwriting and distribution 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 Product segment offset by higher amounts credited in the Company's Protection Product 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 Product is due primarily to decreases of \$3.1 million and \$2.1 million in Single Premium Deferred Annuity (SPDA) and Certificate of Annuity (COA) products respectively.

Amortization of deferred policy acquisition costs

Amortization of deferred policy acquisition costs (DAC) was \$158.8 million for 2001, an increase of \$19.7 million, from \$139.1 million reported for 2000. The increase is primarily due to higher amortization of \$21.9 million in the Company's Protection Product segment of which \$17.0 million was in connection with reorganization and other charges recorded during the fourth quarter of 2001. See *Note 22 to the Consolidated Financial Statements*. Of this amount, approximately \$13.0 million represented a write-off of DAC 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 DAC on the Company's GUL business to reflect a de-emphasis on this line of business and resultant reduced future profitability expectations. In addition, VUL amortization increased by \$9.4 million as a result of the increased size of the in force block. CSVUL amortization increased by \$3.5 million due to lower death claims and the increasing size of the in force block. Offsetting this were decreases in the amortization of yearly renewable term business of \$4.8 million due to the declining in force business and a \$2.2 million decrease in the Accumulation Product segment as a result of poor equity market performance.

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 the accrual of an additional dividend liability in the Closed Block of approximately \$18.7 million reflecting results that were more favorable than assumed in the funding of the Closed Block. Offsetting this was a \$13.0 million decrease in the accrual for dividends payable to policyholders in the following year due to a reduction in the dividend scale. As further discussed in Note 2 to the Consolidated Financial Statements included herein, 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 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 \$363.1 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 22 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 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.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999*Premiums*

Premium revenue was \$700.5 million for 2000, a decrease of \$16.6 million, or 2.3%, from \$717.1 million reported for 1999. Substantially all of the decrease related to traditional life insurance products offered through the Company's Protection Products segment. The decrease was comprised of (i) lower new premiums of \$10.6 million, and (ii) lower renewal premiums of \$30.5 million due to the reduction of the in-force block of business, offset by (i) higher single premiums of \$2.8 million, and (ii) an increase in USFL premiums of \$21.3 million of which \$17.6 million represented new premiums on special risk term insurance products. The increase in new premiums written by USFL is primarily attributable to the expansion of its distribution, the improvement of its financial strength ratings since being acquired by the Company and a product shift towards its term insurance product. Management believes that the decrease in traditional life insurance premiums is consistent with industry trends, particularly the continuing shift by consumers from traditional protection products to asset accumulation products. See *New Business Information* for a discussion regarding period to period sales and related trends.

Universal life and investment-type product policy fees

Universal life and investment-type product policy fees were \$205.8 million for 2000, an increase of \$9.5 million, or 4.8%, from \$196.3 million reported for 1999. The increase consisted primarily of higher Protection Products segment fees of \$12.5

million primarily due to higher fees from the Company's VUL business of approximately \$14.9 million, and an increase of \$2.2 million related to increased sales of corporate owned life insurance, offset by higher ceded reinsurance of \$4.0 million across the Protection Products segment. For the year ended December 31, 2000, the Company reported total fees from its VUL business of \$48.6 million, as compared to \$33.7 million reported for 1999. The increase in fees resulted primarily from new sales of such business and the growing in-force block. This was offset by a decrease in the Accumulation Product segment of \$3.3 million primarily due to lower fees from the Company's FPVA products as a result of lower policy counts and lower fund balances.

Net investment income and realized gains on investments

Net investment income was \$978.1 million for 2000, an increase of \$75.8 million, or 8.4%, from \$902.3 million reported in 1999. The increase in net investment income is primarily related to an increase in income recorded by the Company from its investments in limited partnership interests. Such partnerships provide venture capital funding to companies through the purchase of, or investment in, equity securities issued by such companies. For 2000, the Company earned \$236.3 million relating to such partnership investments, an increase of \$47.4 million from \$188.9 million recorded for 1999. The balance of the increase in investment income resulted from other invested asset categories collectively and is primarily attributable to higher yields and an increase in average invested assets. As of December 31, 2000, invested assets were \$11,222.5 million (including cumulative unrealized losses of \$9.8 million on fixed maturity securities) compared to \$10,831.8 million (including cumulative unrealized losses of \$206.4 million on fixed maturity securities) at December 31, 1999. At December 31, 2000, fixed maturity securities and mortgage loans represented approximately 59.6% and 15.6%, respectively, of total invested assets, as compared to 60.4% and 15.8%, respectively, at December 31, 1999. The annualized yield on the Company's invested assets, including limited partnership interests, before and after realized gains/(losses) on investments was 8.8% and 9.1%, respectively, for 2000, as compared to 8.3% and 9.4%, respectively, for 1999. See *Investments Results by Asset Category*.

Net realized capital gains were \$37.5 million for 2000, a decrease of \$87.6 million, from gains of \$125.1 million for the comparable prior year period. The following table sets forth the components of net realized gains (losses) by investment category for 2000 and 1999.

	For the Years Ended December 31,	
	2000	1999
Real estate	\$ 26.6	\$ 52.0
Equity securities	21.6	76.0
Fixed maturities	(30.1)	(8.6)
Mortgage loans	19.7	0.8
Other	(0.3)	4.9
	\$ 37.5	\$ 125.1

Net investment income and net realized gains on investments are allocated to the Company's segments based on the assets allocated to such segments to support the associated liabilities of each segment and to maintain a targeted regulatory risk-based capital level for each segment. See *Note 4 to the Consolidated Financial Statements*.

Group Pension Profits

Group Pension Profits were \$37.1 million for 2000, a decrease of \$25.9 million or 41.1% from \$63.0 million reported in 1999. The decrease is due to lower investment gains of \$20.1 million from lower gains on real estate sales and higher losses on sales of bonds in 2000, and lower operating income of \$5.8 million due to the run off of the Group Pension business.

For a description of the Group Pension Transaction, the Group Pension Profits and certain summary financial information relating thereto, refer to Note 11 of the Consolidated Financial Statements included herein. Management believes that Group Pension Profits will decline in future periods consistent with the continuing run-off of the underlying business until they terminate as of December 31, 2002.

Retail Brokerage and Investment Banking

Retail Brokerage and Investment Banking revenues were \$59.7 million for 2000, a decrease of \$3.7 million, or 5.8%, compared to \$63.4 million for 1999. The decrease was primarily due to lower commissions earned by the Company's broker-dealer operations of \$3.6 million due to unfavorable market conditions.

Other income

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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 \$163.6 million for 2000, an increase of \$29.8 million, or 22.2%, from \$133.8 million reported in 1999. The increase was primarily due to higher income of \$4.0 million and \$25.1 million in the Protection Products and Accumulation Products segments, respectively. The increase in income recorded in the Accumulation

Products segment was primarily attributable to higher fees earned by the Company's mutual fund management operations. The Company's mutual fund management operations reported \$106.9 million in fees from advisory, underwriting and distribution services in 2000 compared to \$84.9 million in 1999.

Benefits to policyholders

Benefits to policyholders were \$787.8 million for 2000, an increase of \$0.7 million, from \$787.1 million reported for 1999. The increase consisted primarily of higher benefits of approximately \$2.8 million and \$3.1 million in the Accumulation Products segment and the Company's benefit plans, respectively, partially offset by lower benefits of approximately \$5.2 million in the Protection Products segment. The increase of \$2.8 million in the Accumulation Products segment was primarily due to an increase in the issuance of supplementary contracts during 1999. The decrease in the Protection Products segment of \$5.2 million was primarily due to a decrease in policy benefits related to the Company's non-USFL business of \$17.6 million, offset by \$12.4 million of benefits related to USFL.

Interest credited to policyholders' account balances

Interest credited to policyholders' account balances was \$110.6 million for 2000, a decrease of \$4.9 million, or 4.2%, from \$115.5 million reported for 1999. The decrease consisted primarily of lower interest crediting of approximately \$8.3 million in the Accumulation Products segment relating to the Company's declining lines of business, primarily the single premium deferred annuities (SPDA) business. During 2000, SPD Account values decreased approximately \$76.8 million to \$302.6 million, as compared to \$379.4 million at the end of 1999. The decrease in account value in 2000 was primarily due to continuing withdrawals, which management believes partially reflects consumer preferences for separate account products as well as the aging of the in-force block of business. This was offset by higher interest crediting of \$5.6 million in the Protection Products segment resulting primarily from a \$3.6 million increase in interest credited on COLI products due to the increase in general account fund values.

Amortization of deferred policy acquisition costs

Amortization of deferred policy acquisition costs (DAC) was \$139.1 million for 2000, an increase of \$1.3 million, from \$137.8 million reported for 1999. The increase primarily resulted from higher amortization in the Protection Products segment of approximately \$3.7 million. The increase in DAC amortization in the Protection Products segment resulted primarily from a \$2.6 million increase in USFL, \$3.9 million of higher amortization related to the Company's VUL business as a result of better mortality and rapid growth in this product, offset by lower amortization in traditional and UL products of \$2.8 million. This was offset in part by lower DAC amortization of \$2.4 million in the Accumulation Products segment primarily due to the growing levels of exchange activity to the new variable annuity product, where better persistency is anticipated.

Dividends to policyholders

Dividends to policyholders were \$235.5 million for 2000, an increase of \$4.8 million, or 2.1%, from \$230.7 million reported for 1999. The increase, substantially all of which occurred in the Protection Products segment, resulted primarily from the continuation of the dividend scale and the increasing Closed Block reserves.

Other operating costs and expenses

Other operating costs and expenses were \$513.2 million for 2000, a decrease of \$34.1 million, or 6.2%, from \$547.3 million reported for 1999. The decrease consisted of \$35.4 million attributable to reconciling items not allocated to the Company's operating segments, and \$25.2 million attributable to the Protection Products segment. The decrease in reconciling items was primarily attributable to a charge of \$59.7 million in connection with an early retirement program during the third quarter of 1999, offset by a \$21.8 million increase in interest expense on Senior Notes issued by the MONY Group in 2000. The decrease in the Protection Products segment was primarily due to a decrease in interest expense resulting from the repurchase of high coupon debt. This was offset by higher expenses of \$14.4 million and \$12.3 million of costs directly attributable to the Accumulation Product and Other Product Segments, respectively. To the extent that costs are not directly identifiable with an operating segment, such costs are allocated to the Company's operating segments based on cost allocations utilizing time studies, and cost estimates included in the Company's product pricing. See *Segments*.

The increase of \$14.4 million in costs directly attributable to the Accumulation Products segment primarily consisted of higher sub-advisory fees and other expenses incurred by the Company's mutual fund management operations, which directly corresponded to an increase in revenues from such operations (see discussion and analysis of other income above). The increase of \$12.3 million in costs directly attributable to the Other Products segment was primarily due to \$6.7 million in higher costs in connection with the Company's investment in its international brokerage operations.

The Company's provision for federal income taxes in 2000 was \$133.8 million, compared to \$132.0 million in 1999. The Company's effective tax rate before extraordinary items was approximately 33.8% in 2000, as compared to approximately 34.5% in 1999.

New Business Information

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, 2001, 2000 and 1999 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 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,		
	2001	2000	1999
	(\$ in millions)		
Source of Distribution/Segment			
Protection Products:			
Career Agency system	\$ 86.7	\$ 97.2	\$ 101.2
USFL	49.0	42.0	26.5
Complementary Distribution	79.0	126.8	66.6
	<u>214.7</u>	<u>266.0</u>	<u>194.3</u>
Total new annualized life insurance premiums	\$ 214.7	\$ 266.0	\$ 194.3
Accumulation Products:			
Variable annuity(1)	\$ 393	\$ 421	\$ 423
Career Agency system Proprietary retail mutual funds	359	615	636
Third-party distribution Proprietary retail mutual funds	962	1,438	1,198
	<u>1,714</u>	<u>2,474</u>	<u>2,257</u>
Total Accumulation Product sales	\$ 1,714	\$ 2,474	\$ 2,257

(1) Excludes annualized premiums in 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 Segment**New Business Information for the year ended December 31, 2001 compared to the year ended December 31, 2000*

Total new annualized and single life insurance premiums for the year ended December 31, 2001 decreased \$51.3 million or 19.3% to \$214.7 million from \$266.0 million in 2000. New life insurance premiums from the Company's complementary network decreased 24.2% to \$128.0 million for the year, which accounted for 60% of total protection sales. The decrease in premiums for the year was due to lower sales of the Company's COLI product.

For the year ended December 31, 2001, COLI sales decreased 38% to \$79.0 million from \$126.8 million in 2000. Recurring premiums were \$24.0 million for the year, compared with \$31.8 million for 2000. Corporate sales are large-premium cases that typically generate revenues that can fluctuate considerably from quarter-to-quarter.

USFL's products, sold through its brokerage general agency distribution channel, increased 17% for the year to \$49.0 million from \$42.0 million in 2000.

New life insurance premiums (first-year and single premiums) from the career agency system were \$86.7 million for the current year compared with \$97.2 million in 2000.

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New Business Information for the year ended December 31, 2000 compared to the year ended December 31, 1999

Total new annualized and single life insurance premiums for the year ended December 31, 2000 increased \$71.7 million, or 36.9%, to \$266.0 million from \$194.3 million in 1999. New life insurance premiums from the Company's complementary network increased 81% to \$168.8 million for the year, which accounted for 63% of total protection sales. The increase in premiums for the year was driven by strong sales of the Company's COLI product as well as sales from USFL.

For the year ended December 31, 2000, COLI sales increased 87% to \$126.8 million from \$66.6 million in 1999. Recurring premiums were \$31.8 million for the year, compared with \$26.5 million for 1999. Corporate sales are large-premium cases that typically generate revenues that can fluctuate considerably from quarter-to-quarter.

USFL's products, sold through its brokerage general agency distribution channel, increased 58% for the year to \$42.0 million from \$26.5 million in 1999.

New life insurance premiums (first-year and single premiums) from the career agency system were \$97.2 million for the year compared with \$101.2 million in 1999. The variance in annual sales is due to an unusually large life insurance sale in the first half of 1999.

Accumulation Segment

The following tables set forth assets under management at December 31, 2001, 2000, and 1999 as well as the changes in the primary components of assets under management during the years then ended:

	December 31,		
	2001	2000	1999
(\$ in billions)			
Assets under management:			
Individual variable annuities	\$ 3.9	\$ 4.4	\$ 4.9
Individual fixed annuities	0.7	0.7	0.9
Proprietary retail mutual funds	4.4	4.8	4.8
	<u>9.0</u>	<u>9.9</u>	<u>10.6</u>
Individual variable annuities:			
Beginning account value	\$ 4.4	\$ 4.9	\$ 4.8
Sales(1)	0.4	0.4	0.4
Market appreciation	(0.4)	(0.1)	0.5
Surrenders and withdrawals(1)	(0.5)	(0.8)	(0.8)
Ending account value	<u>\$ 3.9</u>	<u>\$ 4.4</u>	<u>\$ 4.9</u>
Proprietary retail mutual funds:			
Beginning account value	\$ 4.8	\$ 4.8	\$ 3.0
Sales	1.3	2.0	1.8
Dividends reinvested	0.1	0.3	0.2
Market appreciation	(0.6)	(1.0)	0.5
Redemptions	(1.2)	(1.3)	(0.7)
Ending account value	<u>\$ 4.4</u>	<u>\$ 4.8</u>	<u>\$ 4.8</u>

(1) Amounts presented for 2001 and 2000 are net of approximately \$208 million and \$998 million, respectively, of exchanges to new product series.

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

New sales of variable annuities during 2001 were \$393 million, a decrease in 2001 of \$28 million, or 6.7%, from \$421 million reported for 2000. The Company's exchange program continues to be well received. The exchange program is a commission-free program that enables customers to exchange their old variable policy for a new policy series. Customers exchanged approximately \$208 million of assets from their old variable policies to the new product series during 2001.

Sales of proprietary retail mutual funds offered by the Enterprise Group of Funds and Advest decreased by \$732 million, or 36%, to \$1,321 million at December 31, 2001, as compared to \$2,053 million at December 31, 2000. Proprietary mutual fund sales through the Company's career agency system decreased approximately \$256 million, or 42% to \$359 million for 2001, as compared to \$615 million for 2000. Proprietary

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mutual fund sales through third-party broker-dealers decreased \$476 million, or 33%, to \$962 million for 2001, as compared to approximately \$1,438 million for 2000. The decrease was due primarily to adverse market conditions in 2001.

New Business Information for the year ended December 31, 2000 compared to the year ended December 31, 1999

New sales of variable annuities during 2000 were \$421 million, a decrease of \$2 million, or 0.5%, from \$423 million reported for 1999. The Company's exchange program, as described above, continues to be well received. Customers exchanged approximately \$1 billion of assets to the new product series during 2000.

Sales of proprietary retail mutual funds offered by the Enterprise Group of Funds increased by \$221 million, or 12%, to \$2,053 million at December 31, 2000, as compared to \$1,834 million at December 31, 1999. Proprietary mutual fund sales through the Company's career agency system decreased approximately \$19 million, or 1%, to \$615 million for 2000, as compared to \$636 million for 1999. Proprietary mutual fund sales through third-party broker-dealers increased \$240 million, or 20%, to \$1,438 million for 2000, as compared to approximately \$1,198 million for 1999. The increase in sales primarily resulted from the opening of new wholesale distribution channels as well as an increase in production at existing channels.

Retail Brokerage and Investment Banking Segment

The Retail Brokerage and Investment Banking segment, formed during the first quarter of 2001, had revenues of \$343.5 million for the year ended December 31, 2001. Overall market conditions, coupled with the four-day market close following the terrorist events of September 11, 2001, affected trading volume at Advest and MSC. Advest revenues were \$296.9 million for the period February 1, 2001 to December 31, 2001, compared to \$371.1 million for the comparable prior year period on a pro forma basis. Revenues from Advest's private client group were \$164.1 million for the period compared to \$207.4 million for the comparable prior year period on a pro forma basis. Advest's private client group includes the retail sale of equities, asset management products, fixed income products and annuities to individual investors through Advest financial advisors.

MSC a registered securities broker-dealer for MONY's career network, posted revenues of \$43.5 million for the year ended December 31, 2001, compared with \$59.7 million during the comparable prior year period.

Liquidity and Capital Resources

MONY Group's cash flow consists of investment income from invested assets (including interest income from surplus notes issued by MONY Life to MONY Group in connection with MONY Life's repurchase of higher coupon surplus notes, as discussed in Note 14 to the Consolidated Financial Statements), and dividends from MONY Life and Advest, if declared and paid, offset by expenses incurred in connection with the administration of MONY Group's affairs and interest expense on its outstanding indebtedness. As a holding company, MONY Group's ability to meet its cash requirements, pay interest expense on its outstanding indebtedness, and pay dividends on its Common Stock substantially depend upon payments from MONY Life and Advest including the receipt of: (i) dividends, (ii) interest income on the Inter-company Surplus Notes, and (iii) other payments. The payment of dividends by MONY Life to MONY Group is regulated under state insurance law. See *Item 1 Business Regulation Shareholder Dividend Restrictions*. In addition, payments of principal and interest on the Inter-company Surplus Notes can only be made with the prior approval of the New York Superintendent whenever, in his judgment, the financial condition of such insurer warrants. Such payments further may be made only out of surplus funds, which are available for such payments under the New York Insurance Law. There can be no assurance that MONY Life will have statutory earnings to support the payment of dividends to the MONY Group or that the New York Superintendent will approve interest payments to the MONY Group on the Inter-company Surplus Notes. Accordingly, there can be no assurance that MONY Group will have sufficient funds to meet its cash requirements and pay cash dividends to shareholders. There can be no assurance that state insurance laws will in the future permit the payment of dividends by the life insurance subsidiaries to MONY Life in an amount sufficient to support the ability of MONY Life to pay dividends to the MONY Group.

Issuance of Senior Notes

On January 12, 2000, MONY Group filed a registration statement on Form S-3 with the Commission to register certain securities. This registration, known as a Shelf Registration, provides the Company with the ability to offer various securities to the public, when it deems appropriate, to raise proceeds up to an amount not to exceed \$1.0 billion in the aggregate for all issuances of securities thereunder. In 2000, the Company issued \$300 million face amount of 8.35% Senior Notes and \$275 million face amount of 7.45% Senior Notes. See Note 14 to the Consolidated Financial Statements herein for further discussion of the Senior Notes and the use of proceeds from such issuances.

Capitalization

The Company's total capitalization, excluding accumulated comprehensive income and short-term debt, decreased \$4.1 million, or 0.2%, to \$2,592.9 million at December 31, 2001, as compared to \$2,597.0 million at December 31, 2000. The Company's debt to equity (excluding accumulated comprehensive income) and debt to total capitalization ratios increased to 28.7% and 22.3%, respectively, at December 31, 2001, from 28.2% and 22.0%, respectively, at December 31, 2000. Included in total debt used in the above calculations are \$0.0 million and \$52.3 million of non-recourse indebtedness as of December 31, 2001 and 2000, respectively.

Since January 2000, the MONY Group has had a common share repurchase program in place. During the second quarter of 2001, the MONY Group announced a plan to repurchase an additional 2.5 million common shares, bringing the total authorized share repurchase to approximately 4.9 million shares. Under the plan, the MONY Group may repurchase such shares from time to time, as market conditions and other factors warrant. The plan may be discontinued at anytime. As of December 31, 2001, 3,088,775 million shares had been repurchased at an aggregate cost of approximately \$104.7 million, of which 2,527,389 shares were repurchased in 2001 for aggregate consideration of \$71.7 million. Also, during 2001, the MONY Group issued 4,485,798 shares primarily in connection with its acquisitions of Advest and Leberthal. See Note 1 to the Consolidated Financial Statements.

MONY Life

MONY Life's cash inflows are provided mainly from life insurance premiums, annuity considerations and deposit funds, investment income and maturities and sales of invested assets. Cash outflows primarily relate to the liabilities associated with its various life insurance and annuity products, dividends to policyholders, operating expenses, income taxes and principal and interest on its outstanding debt obligations. The life insurance and annuity liabilities relate to the Company's obligation to make benefit payments under its insurance and annuity contracts, as well as the need to make payments in connection with policy surrenders, withdrawals and loans. The Company develops an annual cash flow projection which shows expected asset and liability cash flows on a monthly basis. At the end of each quarter actual cash flows are compared to projections, projections for the balance of the year are adjusted in light of the actual results, if appropriate, and investment strategies are also changed, if appropriate. The quarterly cash flow reports contain relevant information on all the following: new product sales and deposits versus projections, existing liability cash flow versus projections and asset portfolio cash flow versus projections. An interest rate projection is a part of the internal cash flow projections for both assets and liabilities. Actual changes in interest rates during the year and, to a lesser extent, changes in rate expectations will impact the changes in projected asset and liability cash flows during the course of the year. When the Company is formulating its cash flow projections, it considers, among other things, its expectations about sales of the Company's products, its expectations concerning customer behavior in light of current and expected economic conditions, its expectations concerning competitors and the general outlook for the economy and interest rates. See *Investments General*.

The events most likely to cause an adjustment in the Company's investment policies are: (i) a significant change in its product mix, (ii) a significant change in the outlook for either the economy in general or for interest rates in particular and (iii) a significant reevaluation of the prospective risks and returns of various asset classes. See *Investments General*.

The following table sets forth the withdrawal characteristics and the surrender and withdrawal experience of the Company's total annuity reserves and deposit liabilities at December 31, 2001 and 2000.

Withdrawal Characteristics of Annuity Reserves and Deposit Liabilities

	Amount at December 31, 2001	Percent of Total	Amount at December 31, 2000	Percent of Total
	(\$ in millions)			
Not subject to discretionary withdrawal provisions	\$ 1,282.1	20.4%	\$ 1,358.2	19.5%
Subject to discretionary withdrawal with market value adjustment or at carrying value less surrender charge	3,946.9	62.8	4,532.4	65.1
Subtotal	5,229.0	83.2	5,890.6	84.6
Subject to discretionary withdrawal without adjustment at carrying value	1,057.6	16.8	1,071.8	15.4
Total annuity reserves and deposit liabilities (gross)	6,286.6	100.0%	6,962.4	100.0%
Less reinsurance	71.2		74.2	
Total annuity reserves and deposit liabilities (net)	\$ 6,215.4		\$ 6,888.2	

The following table sets forth by product line the actual amounts paid in connection with surrenders and withdrawals for the periods indicated.

Surrenders and Withdrawals

	For the Year Ended December 31,		
	2001	2000	1999
	(\$ in millions)		
Product Line:			
Traditional life(1)	\$ 367.1	\$ 383.4	\$ 386.1
Variable and universal life	72.1	40.8	38.9
Annuities(2)(4)	465.0	780.3	872.6
Group pension(3)	94.5	257.1	223.9
Total	\$ 998.7	\$ 1,461.6	\$ 1,521.5

- (1) Includes \$19.7 million in 1999 of surrenders in the Closed Block, the proceeds from which remained with the Company to fund premiums on newly issued traditional life policies outside the Closed Block.
- (2) Excludes approximately \$208 million and \$998 million in 2001 and 2000 respectively relating to surrenders associated with an exchange program offered by the Company wherein contract holders surrendered old FPVA contracts and reinvested the proceeds in a new enhanced FPVA product offered by the Company.
- (3) Excludes transfers between funds within the Company benefit plans.
- (4) Includes reclassification of \$121.3 million for Separate Account Deposit Type contract withdrawals.

Annuity surrenders have decreased for the year ended December 31, 2001 as compared to December 31, 2000 and 1999. In past years the Company began to experience a trend of increasing surrenders, and, in July 1999, the Company responded to this trend by enhancing its variable annuity products by offering new investment fund choices. In addition, the Company established a special conservation unit and offers policyholders the opportunity to exchange their contracts for a new product series. The positive effects of these conservation efforts are reflected in the decrease in surrender activity in 2001 and 2000, as compared with 1999. The exchange program, which allows policyholders to exchange to a more competitive product, has resulted in a decrease of \$790 million as of 2001. Since 1999, almost 50% of the annuity block opted for the exchange program.

The Company's principal sources of liquidity to meet cash outflows are its portfolio of liquid assets and its net operating cash flow. During 2001, the Company reported net cash inflows from operations of \$14.3 million, as compared to cash inflow of \$12.2 million in 2000. The increase from the prior year is primarily due to lower federal income tax payments, partially offset by decreased revenues, lower payments from the Group Pension Transaction, and certain of the reorganization and other charges. *See Notes 11 and 22 to the Consolidated Financial Statements.*

The Company's liquid assets include substantial U.S. treasury holdings, short-term money market investments and marketable long-term fixed maturity securities. Management believes that the Company's sources of liquidity are adequate to meet its anticipated needs.

Among the assets allocated to the Closed Block are the Series A Notes received as part of the Group Pension Transaction. MONY Life has undertaken to reimburse the Closed Block from its general account assets outside the Closed Block for any reduction in principal payments on the Series A Notes pursuant to the terms thereof, as described in Note 18 to the Consolidated Financial Statements.

See Note 14 and Note 16 to the Consolidated Financial Statements for additional information related to the Company's bank credit facility, liquidity and capital resources. Also, see Investments for information on the Company's investment portfolio.

Effects of Inflation

The Company does not believe that inflation has had a material effect on its consolidated results of operations except insofar as inflation affects interest rates.

INVESTMENTS

The following discussion and analysis excludes invested assets transferred in the Group Pension Transaction. This discussion should be read in conjunction with the summary financial information regarding assets transferred in the Group Pension Transaction presented in Note 11 to the Consolidated Financial Statements, as well as summary financial information regarding Closed Block assets in Note 18 to the Consolidated Financial Statements.

General

The Company had total consolidated assets at December 31, 2001 of approximately \$25.6 billion. Of the Company's total consolidated assets at such date, approximately \$15.8 billion represented assets held in the Company's general account (which includes \$6.4 billion of assets in the Closed Block), approximately \$4.6 billion represented assets transferred in the Group Pension Transaction (See Note 11 to the Consolidated Financial Statements), and approximately \$5.2 billion were held in the Company's separate accounts.

Separate account assets, for which the Company does not generally bear investment risk, are managed in accordance with the prescribed investment strategy that applies to the specific separate account. Separate accounts are established in conformity with insurance laws and are generally not chargeable with liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent that the value of such assets exceeds the separate account liabilities. Investments held in separate accounts and liabilities of the separate accounts are reported separately as assets and liabilities. Separate account assets are reported at estimated fair value. Investment income and gains or losses on the investments of separate accounts accrue directly to contract holders and, accordingly, are not reflected in the Company's consolidated statements of income and cash flows. Fees charged to the separate accounts by the Company (including mortality charges, policy administration fees and surrender charges) are reflected in the Company's revenues.

The following discussion and tables analyze the major categories of general account invested assets. This discussion excludes trading account securities and securities pledged as collateral.

Invested Assets

	As of December 31,			
	2001		2000	
	Carrying Value	% of Total	Carrying Value	% of Total
	(\$ in millions)			
Fixed Maturities, Available for Sale	\$ 6,976.1	62.8%	\$ 6,693.0	59.6%
Equity Securities, Available for Sale	299.2	2.7	328.6	2.9
Mortgage loans on real estate	1,809.7	16.3	1,754.7	15.6
Policy loans	1,229.0	11.1	1,264.6	11.3
Other invested assets	347.5	3.1	312.0	2.9
Cash and cash equivalents	441.0	4.0	869.6	7.7
Total	\$ 11,102.5	100.0%	\$ 11,222.5	100.0%

The following table illustrates the net investment income yields based on average annual asset carrying values, excluding unrealized gains and losses in the fixed maturity asset category. Total investment income includes non-cash income from amortization, payment-in-kind distributions and undistributed equity earnings. Investment expenses include mortgage servicing fees and other miscellaneous fees.

Investment Yields by Asset Category

	2001	2000	1999
Fixed maturities	7.3%	7.4%	7.2%
Equity securities	(10.8)	56.4	39.7
Mortgage loans on real estate	7.8	8.3	8.2
Policy loans	6.9	6.8	6.5
Other invested assets	12.7	12.9	6.5
Cash and cash equivalents	4.4	6.6	4.1

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Total invested assets before investment expenses	6.6	9.2	8.6
Investment expenses	(0.4)	(0.4)	(0.3)
Total invested assets after investment expenses	6.2%	8.8%	8.3%

The yield on general account invested assets (including net realized gains and losses on investments) was 6.1%, 9.1% and 9.4% for the years ended December 31, 2001, 2000 and 1999, respectively.

Fixed Maturities

Fixed maturities consist of publicly traded and privately placed debt securities, and redeemable preferred stock which represented 62.8% and 59.6% of total invested assets excluding trading securities at December 31, 2001 and 2000, respectively.

The Securities Valuation Office of the NAIC evaluates the bond investments of insurers for regulatory reporting purposes and assigns securities to one of six investment categories, (NAIC Designations). The NAIC Designations closely mirror the Nationally Recognized Securities Rating Organizations credit ratings for marketable bonds. NAIC Designations 1 and 2 include bonds considered investment grade (Baa or higher by Moody s, or BBB or higher by S&P) by such rating organizations. NAIC Designations 3 through 6 are referred to as below investment grade (Ba or lower by Moody s, or BB or lower by S&P).

The following table presents the Company s fixed maturities by NAIC Designation and the equivalent ratings of the Nationally Recognized Securities Rating Organizations as of December 31, 2001 and 2000, as well as the percentage, based on fair value, that each designation comprises.

Total Fixed Maturities by Credit Quality

NAIC Rating	Rating Agency Equivalent	As of December 31, 2001			As of December 31, 2000		
		Amortized Cost	% of Total	Estimated Fair Value	Amortized Cost	% of Total	Estimated Fair Value
(\$ in millions)							
1	Aaa/Aa/A	\$ 3,807.8	56.2%	\$ 3,920.1	\$ 3,739.7	56.1%	\$ 3,757.9
2	Baa	2,390.2	34.8%	2,430.7	2,389.8	35.7	2,388.7
3	Ba	432.5	6.1%	424.6	442.9	6.4	427.7
4	B	101.1	1.5%	102.8	80.2	1.1	73.6
5	Caa and lower	35.7	0.5%	33.6	20.7	0.3	17.5
6	In or near default	6.3	0.1%	7.6	2.0	0.0	1.8
	Subtotal	6,773.6	99.2%	6,919.4	6,675.3	99.6	6,667.2
	Redeemable preferred stock	55.6	0.8%	56.7	27.4	0.4	25.8
	Total fixed maturities	\$ 6,829.2	100.0%	\$ 6,976.1	\$ 6,702.7	100.0%	\$ 6,693.0

The Company utilizes its investments in privately placed fixed maturities to enhance the overall value of the portfolio, increase diversification and obtain higher yields than are possible with comparable quality public market securities. These privately placed securities are also used to enhance cash flow as a result of sinking fund payments. Generally, private placements provide the Company with broader access to management information, strengthened negotiated protective covenants, call protection features and, where applicable, a higher level of collateral. They are, however, generally not freely tradable because of restrictions imposed by federal and state securities laws and illiquid trading markets.

At December 31, 2001, the percentage, based on estimated fair value, of total public fixed maturities that were investment grade (NAIC Designation 1 or 2) was 94.4% compared to 95.6% for December 31, 2000. At December 31, 2001, the percentage, based on estimated fair value, of total private placement fixed maturities that were investment grade (NAIC Designation 1 or 2) was 87.7% compared to 88.2% for December 31, 2000.

The Company reviews all fixed maturity securities at least once each quarter and identifies investments that management concludes require additional monitoring. Among the criteria are: (i) violation of financial covenants, (ii) public securities trading at a substantial discount as a result of specific credit concerns and (iii) other subjective factors relating to the issuer.

Within its fixed maturities portfolio, the Company identifies problem fixed maturity securities, potential problem fixed maturity securities and restructured fixed maturity securities. See Note 5 to the Consolidated Financial Statements for a discussion of the criteria used in these identifications.

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The Company has a well-diversified portfolio of fixed maturities. The portfolio at December 31, 2001 included 17.6% in consumer goods and services, 15.6% in asset and mortgage backed securities, 10.6% in public utilities, and the remaining 56.2% in other sectors none of which exceeded 10.0% of the total fixed maturities portfolio. At December 31, 2000, the portfolio included 15.6% in consumer goods and services, 16.5% in asset and mortgage backed securities, 11.4% in public utilities, 10.1% in other manufacturing, and the remaining 46.4% in other sectors none of which exceeded 10.0% of the total fixed maturities portfolio.

The following table presents the amortized cost and estimated fair value of fixed maturities by contractual maturity dates, as of December 31, 2001 and 2000. Periodic payments have been included in the year of final maturity.

Fixed Maturity Securities by Contractual Maturity Dates

	As of December 31, 2001		As of December 31, 2000	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(\$ in millions)				
Due in one year or less	\$ 346.1	\$ 354.9	\$ 25.8	\$ 25.8
Due after one year through five years	1,996.8	2,071.2	1,500.2	1,506.4
Due after five years through ten years	2,480.2	2,527.4	2,754.2	2,751.2
Due after ten years	939.0	934.6	1,325.5	1,305.7
Subtotal	5,762.1	5,888.1	5,605.7	5,589.1
Mortgage-backed and other asset-backed securities	1,067.1	1,088.0	1,097.0	1,103.9
Total	\$ 6,829.2	\$ 6,976.1	\$ 6,702.7	\$ 6,693.0

At December 31, 2001, the Company's largest unaffiliated single concentration of fixed maturities consists of \$300.3 million of carrying value of Federal National Mortgage Association (FNMA) fixed maturities which represent approximately 2.7% of total invested assets at December 31, 2001. The largest non-government issuer consists of \$205.7 of AEGON notes purchased in connection with the Group Pension Transaction. These notes represent approximately 1.9% of total invested assets at December 31, 2001. See Note 11 to the Consolidated Financial Statements. No other individual non-government issuer represents more than 0.5% of invested assets.

The Company held approximately \$1,088.0 million and \$1,103.9 million of mortgage-backed and asset-backed securities as of December 31, 2001 and 2000, respectively. Of such amounts, \$294.9 million and \$338.9 million or 27.1% and 30.7%, respectively, represented agency-issued pass-through and collateralized mortgage obligations (CMOs) secured by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Canadian Housing Authority collateral. The balance of such amounts was comprised of other types of mortgage-backed and asset-backed securities. The Company believes that its active monitoring of its portfolio of mortgage-backed securities and the limited extent of its holdings of more volatile types of mortgage-backed securities mitigate the Company's exposure to losses from prepayment risk associated with interest rate fluctuations for this portfolio. At December 31, 2001 and 2000, 87.0%, and 84.5%, respectively, of the Company's mortgage-backed and asset-backed securities were assigned an NAIC Designation 1. In addition, the Company believes that it holds a relatively low percentage of CMOs compared to other life insurance companies.

The following table presents the types of mortgage-backed securities (MBSs), as well as other asset-backed securities, held by the Company as of the dates indicated.

Mortgage and Asset-backed Securities

	As of December 31,	
	2001	2000
(\$ in millions)		
CMOs	\$ 449.2	\$ 497.1
Pass-through securities	22.0	28.0
Commercial MBSs	135.4	106.4
Asset-backed securities	481.4	472.4
Total MBSs and asset-backed securities	\$ 1,088.0	\$ 1,103.9

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CMOs are purchased to diversify the portfolio risk characteristics from primarily corporate credit risk to a mix of credit and cash flow risk. The majority of the CMOs in the Company's investment portfolio have relatively low cash flow variability. In addition, approximately 61.4% of the CMOs in the portfolio have minimal credit risk because the underlying collateral is backed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. These CMOs offer greater liquidity and higher yields than corporate debt securities of similar credit quality and expected average lives.

The principal risks inherent in holding CMOs (as well as pass-through securities) are prepayment and extension risks arising from changes in market interest rates. In declining interest rate environments, the mortgages underlying the CMOs are prepaid more rapidly than anticipated, causing early repayment of the CMOs. In rising interest rate environments, the underlying mortgages are prepaid at a slower rate than anticipated, causing CMO principal repayments to be extended. Although early CMO repayments may result in acceleration of income from recognition of any unamortized discount, the proceeds typically are reinvested at lower current yields, resulting in a net reduction of future investment income.

The Company manages this prepayment and extension risk by investing in CMO tranches that provide for greater stability of cash flows. The following table presents the mix of CMO tranches as of the dates indicated.

Collateralized Mortgage Obligations by Tranche

	As of December 31,	
	2001	2000
	(\$ in millions)	
Planned Amortization Class	\$ 243.1	\$ 285.2
Sequential	141.7	157.2
Target Amortization Class	19.2	23.9
Other	45.2	30.8
Total CMOs	\$ 449.2	\$ 497.1

The Planned Amortization Class (PAC) tranche is structured to provide more certain cash flows to the investor and therefore is subject to less prepayment and extension risk than other CMO tranches. In general, the Company's PACs are structured to provide average life stability for increases and decreases in interest rates of 100 to 200 basis points. PACs derive their stability from two factors: (i) early repayments are applied first to other tranches to preserve the PACs' originally scheduled cash flows as much as possible and (ii) cash flows applicable to other tranches are applied first to the PAC if the PACs' actual cash flows are received later than originally anticipated.

The prepayment and extension risk associated with a sequential tranche can vary as interest rates fluctuate, since this tranche is not supported by other tranches. The Target Amortization Class tranche has protection similar to PACs in decreasing interest rate environments, but has minimal protection in increasing rate environments.

The majority of the securities contained in the Company's CMO portfolio are traded in the open market. As such, the Company obtains market prices from outside vendors. Any security price not received from such vendors is obtained from the originating broker or internally calculated.

Asset-backed securities (ABS) are purchased both to diversify the overall credit risks of the fixed maturity portfolio and to provide attractive returns. The ABS portfolio is diversified both by type of asset and by issuer. The largest asset class exposure in the ABS portfolio is to credit card receivables, representing 23.8% and 27.8% of the total at December 31, 2001 and 2000, respectively. These are comprised of pools of both general purpose credit card receivables such as Visa and MasterCard and private label credit card receivable pools. Other significant asset class exposures in the ABS portfolio as of December 31, 2001 and 2000 included automobile receivables (4.0% and 10.1%, respectively), manufactured housing (10.9% and 4.1% respectively) and collateralized obligations (11.1% and 12.6% respectively). No other asset class exposures exceeded 10.0% of total ABS as at December 31, 2001 and 2000. Excluding the exposures to home equity loans (which represented 8.2% and 1.7% of the ABS portfolio as of December 31, 2001 and 2000, respectively), the ABS portfolio is in general insensitive to changes in interest rates.

Mortgage Loans

Mortgage loans, consisting of commercial, agricultural and residential loans, comprised 16.3% and 15.6% of total invested assets at December 31, 2001 and 2000, respectively. As of December 31, 2001 and 2000, commercial mortgage loans comprised \$1,507.8 million and \$1,443.3 million or 83.3% and 82.2% of total mortgage loan investments, respectively. Agricultural loans comprised \$301.1 million and \$310.3 million or 16.6% and 17.7% of total mortgage loans, and residential mortgages comprised \$0.8 million and \$1.1 million or 0.1% and 0.1% of total mortgage loan investments at the dates indicated.

Commercial Mortgage Loans

The underlying properties supporting the commercial mortgage loans at December 31, 2001 and 2000, respectively, consisted of 54.4% and 56.6% in office buildings, 9.7% and 10.2% in hotels, 10.4% and 9.3% in industrial buildings, and 25.5% and 23.9% in other categories, none of

which exceeded 10.0% of total commercial mortgage loans.

The Company's commercial mortgage loan portfolio is geographically diversified throughout the United States. At December 31, 2001 and 2000, the highest concentration was in the southeast region, comprising 26.6% and 25.6% respectively, of the total.

Below is a summary of the changes in the commercial mortgage portfolio for the years ended December 31, 2001, 2000, and 1999, respectively.

Commercial Mortgage Loan Asset Flows

	As of and for the Year Ended December 31,		
	2001	2000	1999
	(\$ in millions)		
Beginning balance	\$ 1,443.3	\$ 1,141.4	\$ 886.9
Plus: New loan originations and purchases	350.2	431.1	396.1
Other additions	7.6	4.3	0.9
Less: Scheduled principal payments	113.1	47.2	71.4
Prepayments	95.0	85.8	42.7
Foreclosures, sales and other	85.2	0.5	28.4
Ending balance	\$ 1,507.8	\$ 1,443.3	\$ 1,141.4

The largest amount loaned on any single property at December 31, 2001 and 2000 aggregated \$52.2 million and \$46.0 million, respectively, and represented less than 0.5% and 0.4% of general account invested assets, respectively. At such dates, amounts loaned on twenty properties were \$20 million or greater, representing in the aggregate 37.6% and 38.4% respectively, of the total carrying value of the commercial mortgage loan portfolio at such dates. Total mortgage loans to the five largest borrowers accounted in the aggregate for approximately 17.8% and 21.8% of the total carrying value of the commercial mortgage loan portfolio at December 31, 2001 and 2000, respectively, and less than 2.5% and 2.8%, respectively, of total invested assets at such dates. All such loans were performing. The Company's commercial mortgage loan portfolio is managed by a group of experienced real estate professionals. These professionals monitor the performance of the loan collateral, physically inspect properties, collect financial information from borrowers and keep in close contact with borrowers and the local broker communities to assess the market conditions and evaluate the impact of such conditions on property cash flows. The Company's real estate professionals identify problem and potential problem mortgage assets and develop workout strategies to deal with borrowers' financial weakness, whether by foreclosing on properties to prevent a deterioration in collateral value, or by restructuring mortgages with temporary cash flow difficulties.

Of the \$118.0 million, \$26.3 million and \$124.0 million, in maturing loans during the years ended December 31, 2001, 2000 and 1999, 0.0%, 0.0% and 33.9%, respectively, were refinanced, 65.3%, 44.5%, and 38.9%, respectively, were paid off, 6.0%, 0.0% and 0.0%, respectively, were foreclosed, and 0.0%, 0.0% and 15.3%, respectively, were restructured. Of the \$1,507.8 million of outstanding commercial mortgage loans in the Company's investment portfolio at December 31, 2001, \$102.9 million, \$128.2 million and \$158.0 million are scheduled to mature in 2002, 2003, and 2004, respectively.

Problem, Potential Problem and Restructured Commercial Mortgages

Commercial mortgage loans are stated at their unpaid principal balances, net of valuation allowances and writedowns for impairment. The Company provides valuation allowances for commercial mortgage loans considered to be impaired. Mortgage loans are considered 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. When the Company determines that a loan is impaired, a valuation allowance for loss is established for the excess of the carrying value of the mortgage loan over its estimated fair value. Estimated fair value is based on the fair value of the collateral. The provision for loss is reported as a realized loss on investment.

The Company reviews its mortgage loan portfolio and analyzes the need for a valuation allowance for any loan which is delinquent for 60 days or more, in process of foreclosure, restructured, on watchlist, or which currently has a valuation allowance. Loans which are delinquent and loans in process of foreclosure are categorized by the Company as problem loans. Loans with valuation allowances, but which are not currently delinquent, and loans which are on watchlist are categorized by the Company as potential problem loans. Loans for which the original terms of the mortgages have been modified or for which interest or principal payments have been deferred are categorized by the Company as restructured loans.

The carrying value of commercial mortgage loans at December 31, 2001 was \$1,507.8 million, which amount is net of valuation allowances aggregating \$36.0 million, representing management's best estimate of cumulative impairments at such date. However, there can be no assurance

that increases in valuation allowances will not be necessary. Any such increases may have a material adverse effect on the Company's financial position and results of operations.

As of December 31, the carrying value of problem loans aggregated \$16.3 million net of \$4.6 million in valuation allowances, potential problem securities aggregated \$64.5 million net of \$8.4 million in valuation allowance and restructured loans aggregated \$57.9 million net of \$4.7 million in valuation allowances.

In addition to valuation allowances and impairment writedowns recorded on specific commercial mortgage loans classified as problem, potential problem, and restructured mortgage loans, the Company records a non-specific estimate of expected losses on all other such mortgage loans based on its historical loss experience for such investments. As of December 31, 2001 and 2000, such reserves were \$18.3 million and \$17.7 million, respectively.

Gross interest income on restructured commercial mortgage loan balances that would have been recorded in accordance with the loans' original terms was approximately \$6.4 million, \$9.1 million and \$16.1 million at December 31, 2001, 2000 and 1999, respectively. As a result of the restructuring, the gross interest income recognized in net income at December 31, 2001, 2000 and 1999, respectively, was \$3.6 million, \$6.3 million and \$10.8 million.

As of December 31, 2001, the Company had two problem commercial mortgages aggregating \$16.3 million: an \$11.0 million hotel in Virginia and a \$5.3 million office building in New Jersey. As of December 31, 2000, the Company had two problem commercial mortgages aggregating \$14.8 million: \$8.0 million in Arizona and \$6.8 million in California, which are office buildings.

At December 31, 2001 and 2000, respectively, the underlying properties supporting potential problem commercial mortgages consisted of 85.4% and 85.5% in office properties and 14.6% and 14.5% in apartment and retail properties. At December 31, 2001 and 2000, respectively, the underlying properties supporting restructured commercial mortgage loans consisted of 100.0% and 74.2% in office buildings, and 0.0% and 25.8% in retail and industrial buildings. The potential problem and restructured commercial mortgages at December 31, 2001 and 2000 were primarily concentrated in the District of Columbia and New York.

Agricultural Mortgage Loans

The carrying value of the Company's agricultural mortgage loans was \$301.1 million and \$310.3 million at December 31, 2001 and 2000, respectively, representing 16.6% and 17.7% of total mortgage assets and 2.7% and 2.8% of general account invested assets at such dates, respectively. The agricultural mortgage portfolio is diversified both geographically and by type of product. The security for these loans includes row crops, permanent plantings, dairies, ranches and timber tracts. Due to strong agricultural markets and advantageous yields, the Company expects to continue to invest in agricultural mortgage investments. Less than 4.4% and 3.3% of total agricultural loans outstanding at December 31, 2001 and 2000, respectively, were delinquent or in process of foreclosure. Agricultural mortgage loans at December 31, 2001 and 2000, respectively, comprised 14.7% and 15.7% in Washington, 16.6% and 13.5% in California, 12.3% and 13.2% in Idaho and 10.5% and 11.7% in Oregon. No other states had a concentration of more than 10.0%.

The Company defines problem, potential problem and restructured agricultural mortgages in the same manner as it does for commercial mortgages. Total problem, potential problem and restructured agricultural mortgages as of December 31, 2001 and 2000 were \$21.6 million and \$20.3 million, respectively.

The Company has, from time to time, pooled certain of its agricultural mortgage loans and sold beneficial interests in each of the individual agricultural mortgage loans in such pools (referred to as participation interests) to third parties. Under such arrangements, the Company retains a specified equity interest in the loans in such pools and sells the remaining participation interest. The Company is responsible for servicing the individual agricultural mortgage loans in each pool, for which it receives a servicing fee from the third party participants. As of December 31, 2001, the aggregate amount of agricultural mortgage loans in such pools being serviced by the Company was approximately \$409.6 million.

Other Invested Assets

Other invested assets as of December 31, 2001 and 2000 are as follows:

	Other Invested Assets December 31	
	2001	2000
	(\$ in millions)	
Real estate	\$ 97.5	\$ 95.7
Real estate joint ventures	133.3	116.3
Mezzanine real estate loans	46.7	28.0
Partnership equities	39.4	31.9
Receivables	16.9	24.9

Other	13.7	15.2
	<u> </u>	<u> </u>
	\$ 347.5	\$ 312.0
	<u> </u>	<u> </u>

Equity Securities

Common Stocks

The Company's investments in common stocks are classified as available-for-sale and are reported at estimated fair value. Unrealized gains and losses on the Company's common stocks are reported as a separate component of other comprehensive income, net of deferred income taxes and an adjustment for the effect on deferred policy acquisition costs that would have occurred if such gains and losses had been realized.

Substantially all the common stocks owned by the Company are publicly traded on national securities exchanges. The Company's investments in common stocks represented \$69.5 million or 0.6% and \$50.6 million or 0.5% of invested assets at December 31, 2001 and 2000, respectively. Proceeds on the sale of equity securities totaled \$31.0 million, \$499.2 million and \$302.7 million which resulted in net realized gains/(losses) of (\$6.4) million, \$23.4 million, and \$77.6 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Limited partnership interests

The Company's investments in limited partnership interests were \$229.7 million and \$277.9 million at December 31, 2001 and 2000 respectively. In accordance with GAAP, investment partnerships report their investments at fair value and changes in the fair value of such investments are reflected in the income of such partnerships. Accordingly, a significant portion of the income reported by the Company from partnerships accounted for under the equity method results from unrealized appreciation in the investments of the partnerships. See *Quantitative and Qualitative Disclosures about Market Risk* *Equity Price Risk*.

The limited partnerships in which the Company has invested are investment partnerships which invest in the equity of private companies (generally in the form of common stock). These partnerships will generally hold such equity until the underlying company issues its securities to the public through an initial public offering. At that time or thereafter, at the general partners' discretion, the partnership will generally distribute the underlying common stock to its partners. Upon distribution, the Company will record the common stock received at fair value, reverse the carrying value of the corresponding limited partnership investment, and record as investment income any excess of the fair value of the common stock distributed over the carrying value of the limited partnership investment. Accordingly, certain of the common stocks owned by the Company at December 31, 2001 and 2000 were acquired through distributions from the Company's investments in limited partnership interests. However, it has been the Company's practice to sell such positions shortly after such distributions.

At December 31, 2001 and 2000, the industry sectors underlying the investments in equity limited partnerships comprised 46.8% and 51.8% in information technology, 28.0% and 24.9% in domestic and international LBO, and 25.2% and 23.3% in other industry sectors none of which exceeded 10.0% of total equity limited partnerships, respectively.

The following table sets forth the carrying value of the Company's investments in limited partnership interests sorted by the basis upon which the Company accounts for such investments, as well as the amount of such investments attributable to the partnerships' ownership of public and private common stock at December 31, 2001 and 2000:

	Carrying Value December 31,	
	2001	2000
	(\$ in millions)	
Equity Method		
Public common stock	\$ 9.0	\$ 47.8
Private common stock	83.6	97.2
Subtotal	92.6	145.0
Cost Method		
Public common stock	22.0	26.8
Private common stock	115.1	106.2
Subtotal	137.1	133.0
Total	\$ 229.7	\$ 278.0

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At December 31, 2001 and 2000, the Company had investments in approximately 54 and 53 different limited partnerships which represented 2.1% and 2.5%, respectively, of the Company's general account invested assets. Investment results for the portfolio are dependent upon, among other things, general market conditions for initial and secondary offerings of common stock. For the years ended December 31, 2001, 2000, and 1999, investment income from investments in limited partnership interests (which is comprised primarily of the Company's pro rata share of income reported by partnerships accounted for under the equity method and income recognized upon distribution for partnership investments accounted for under the cost method) was approximately \$(35.4) million, \$236.3 million and \$188.9 million, respectively, representing (5.5)%, 24.9%, and 20.9%, respectively, of the net investment income for such periods. For the same periods, the Company achieved total returns on its investments in limited partnership interests of (16.2)%, 82.8%, and 81.9%, respectively. There can be no assurance that the recent level of investment returns achieved on limited partnership investments can be sustained in the future, and the failure to do so could have a material adverse effect on the Company's financial position and results of operations.

Investment Impairments and Valuation Allowances

The cumulative asset specific impairment adjustments and provisions for valuation allowances that were recorded as of December 31, 2001 and 2000 are shown in the table below.

**Cumulative Impairment Adjustments and Provisions
For Valuation Allowances on Investments
For the Years Ended**

	2001			2000		
	Impairment Adjustments	Valuation Allowances	Total	Impairment Adjustments	Valuation Allowances	Total
	(\$ in millions)					
Fixed maturities	\$ 48.2	\$	\$ 48.2	\$ 27.5	\$	\$ 27.5
Equity securities	2.6		2.6	2.6		2.6
Mortgages	11.1	28.4	39.5	11.1	32.2	43.3
Real estate(1)	14.4	0.8	15.2	31.0	4.5	35.5
Total	\$ 76.3	\$ 29.2	\$ 105.5	\$ 72.2	\$ 36.7	\$ 108.9

(1) Includes \$5.9 million and \$22.5 million at December 31, 2001, and 2000, respectively, relating to impairments taken upon foreclosure of mortgage loans.

All of the Company's fixed maturity securities are classified as available for sale, and equity securities are classified as available for sale. Accordingly fixed maturity and equity securities are marked to market, with unrealized gains and losses excluded from earnings and reported as a separate component of accumulated other comprehensive income. Securities whose value is deemed other than temporarily impaired are written down to fair value. The writedowns are recorded as realized losses and included in earnings. The cost basis of such securities is adjusted to fair value. The new cost basis is not changed for subsequent recoveries in value. For the years ended December 31, 2001, 2000 and 1999, such writedowns aggregated \$31.2 million, \$16.0 million and \$8.3 million, respectively.

Commercial mortgage loans are stated at their unpaid principal balances, net of valuation allowances for impairment. The Company provides valuation allowances for commercial mortgage loans when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Increases in such valuation allowances are recorded as realized investment losses and reflected in the Company's results of operations. For the years ended December 31, 2001, 2000 and 1999, increases (decreases) in valuation allowances related to mortgage loans aggregated \$(3.8) million, \$(20.3) million and \$9.5 million, respectively. The carrying value of commercial mortgage loans at December 31, 2001 was \$1,507.8 million, which amount is net of \$36.0 million representing management's best estimate of cumulative impairment losses at such date. However, there can be no assurance that additional provisions for impairment adjustments with respect to the real estate held for investment will not need to be made. Any such adjustments may have a material adverse effect on the Company's financial position and results of operations.

The carrying value of real estate held for investment is generally adjusted for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Such impairment adjustments are recorded as realized investment losses and, accordingly, are reflected in the Company's results of operations. There have been no such impairments the past three years. At December 31, 2001 and 2000, the carrying value of real estate held for investment was \$58.5 million and \$40.7 million, or 0.5% and 0.4% of invested assets at such dates, respectively. The aforementioned carrying values are net of cumulative impairments of \$10.8 million and \$10.8 million, respectively, and net of accumulated depreciation of \$24.3 million and \$22.2 million, respectively. However, there can be no assurance that additional provisions for impairment adjustments with respect to real estate held for investment will not need to be made.

The carrying value of real estate to be disposed of at December 31, 2001 and 2000 was \$172.3 million and \$171.3 million, net of impairment adjustments of \$3.6 million and \$20.2 million, valuation allowances of \$0.8 million and \$4.5 million and accumulated depreciation of \$62.0 million and \$63.8 million, respectively. Once management identifies a real estate property to be sold and commences a plan for marketing the property, the property is classified as to be disposed of and a valuation allowance is established and periodically revised, if necessary, to adjust the carrying value of the property to reflect the lower of its current carrying value or the fair value, less associated selling costs. See Note 4 to the Consolidated Financial Statements. Increases in such valuation allowances are recorded as realized investment losses and, accordingly, are reflected in the Company's results of operations. For the years ended December 31, 2001, 2000 and 1999, such increases in valuation allowances aggregated \$0.8 million, \$0.7 million and \$12.1 million, respectively. See *Equity Real Estate* *Real Estate Sales*.

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Set forth below is a discussion regarding the Company's market risk, excluding Advest, and how it is managed. Following this discussion is a separate discussion regarding Advest's market risk and how it is managed.

Company Market Risk (ex. Advest)

The Company's results of operations significantly depend on profit margins between general account invested assets and interest credited on insurance and annuity products. Changes in interest rates can potentially impact the Company's profitability. Management believes the Company's liabilities should be supported by a portfolio principally composed of fixed rate investments that can generate predictable, steady rates of return. Although these assets are purchased for long-term investment, the portfolio management strategy considers them available for sale in response to changes in market interest rates, changes in prepayment risk, changes in relative values of asset sectors and individual securities and loans, changes in credit quality outlook and other relevant factors. The objective of portfolio management is to maximize returns, taking into consideration the aforementioned factors. The Company's asset/liability management discipline includes strategies to minimize exposure to loss as interest rates and economic and market conditions change. As a result, the Company's fixed maturity portfolio has modest exposure to call and prepayment risk and the vast majority of mortgage loan investments are fixed rate mortgages that carry yield maintenance and prepayment provisions.

Interest Rate Risk

The Company's exposure to interest rate risk primarily relates to its investments in fixed maturity securities and mortgage loans outside the Closed Block, and fixed maturity securities and mortgage loans included in the assets transferred in the Group Pension Transaction. For a discussion of the Group Pension Transaction see Note 11 to the Consolidated Financial Statements. For a discussion of the Closed Block, see Note 18 to the Consolidated Financial Statements. The risk with respect to assets transferred in the Group Pension Transaction is limited, See *Policyholder Liability Characteristics*. The carrying value of investments in fixed maturity securities and mortgage loans outside the Closed Block (including such general account assets in the balance sheet line item entitled, "Assets Transferred in Group Pension Transaction") represent 65%, at December 31, 2001, of the aggregate carrying value of the Company's consolidated invested assets outside the Closed Block (including the general account invested assets included in the balance sheet line item entitled, "Assets Transferred in Group Pension Transaction"). Substantially all of the Company's fixed maturity securities are U.S. dollar-denominated securities. As part of its asset/liability management discipline, quantitative analyses are conducted that model the assets with interest rate risk assuming various changes in interest rates. The table below shows the Company's potential exposure, measured in terms of fair value, to an immediate 100 basis point increase in interest rates from levels prevailing at December 31, 2001. A 100 basis point fluctuation in interest rates is a hypothetical interest rate scenario used to calibrate potential risk and does not represent management's view of future market changes. While these fair value measurements provide a representation of interest rate sensitivity of fixed maturities and mortgage loans, they are based on the Company's portfolio exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing portfolio activities in response to management's assessment of changing market conditions and available investment opportunities.

The table below shows the potential fair value exposure of assets to an immediate +100 basis point change in interest rates from those prevailing at December 31, 2001 and 2000.

	At December 31, 2001	+100 Basis Point Change	At December 31, 2000	+100 Basis Point Change
(\$ in millions)				
Change in Fair Value				
Assets with Interest Rate Risk	Fair Value			
Fixed Maturities	\$ 6,976.1	\$ (300.6)	\$ 6,692.9	\$ (282.0)
Mortgage Loans	1,880.8	(66.6)	1,746.3	(58.6)
Total	\$ 8,856.9	\$ (367.2)	\$ 8,439.2	\$ (340.6)
Assets Transferred in the Group Pension Transaction				
Fixed Maturities	\$ 1,400.5	\$ (18.6)	\$ 1,419.0	\$ (29.3)
Mortgage Loans	28.4	(0.6)	49.2	(0.7)