

MONY GROUP INC  
Form 10-K  
March 15, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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, 2003

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)

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

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

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

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

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

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

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

The aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2003 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$1,247,000,000. All executive officers of the Registrant have been deemed to be affiliates of the Registrant solely for the purpose of the foregoing calculation.

As of March 8, 2004 there were outstanding 50,130,782 shares of Common Stock, \$0.01 par value per share, of the Registrant.

**Documents Incorporated by Reference:** Portions of the Registrant's proxy statement for the Registrant's 2004 Annual Meeting of Shareholders are incorporated by reference in 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. The Company claims the protection afforded by the safe harbor for forward-looking statements as set forth in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to many risks and uncertainties. Actual results could differ materially from those anticipated by forward-looking statements due to a number of important factors including the following: satisfaction of the closing conditions set forth in the merger agreement among AXA Financial, Inc., AIMA Acquisition Co. and The MONY Group Inc., including the approval of The MONY Group Inc.'s shareholders and regulatory approvals; a significant delay in the expected completion of, or failure to complete, the contemplated merger; the Company could experience losses, including venture capital losses; the Company could be subjected to further downgrades by rating agencies of the Company's senior debt ratings and the claims-paying and financial-strength ratings of the Company's insurance subsidiaries; the Company could be required to take a goodwill impairment charge relating to its investment in The Advest Group, Inc. if the market deteriorates; recent improvements in the equities markets may not be sustained into the future; the Company could have to accelerate amortization of deferred policy acquisition costs if market conditions deteriorate; the Company may be required to recognize in its earnings other than temporary impairment charges on its invested assets if market conditions and/or the issuer's financial condition deteriorates; the Company could have to write off investments in certain securities if the issuer's financial condition deteriorates; recent improvements in the equity markets may not be sustained in the future; actual death-claim experience could differ from the Company's mortality assumptions; the Company could have liability from as-yet-unknown litigation and claims; larger settlements or judgments than the Company anticipates could result in pending cases due to unforeseen developments; and changes in laws, including tax laws, could affect the demand for the Company's products. The Company does not undertake to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

**Table of Contents****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 and BOLI), mutual funds, securities brokerage, securities trading, asset management, business and estate planning, trust, and investment banking products and services. The *Company* distributes its products and services through Retail and Wholesale distribution channels. The *Company*'s Retail distribution channels are comprised of (i) the career agency sales force operated by its principal life insurance operating subsidiary and (ii) financial advisors and account executives of its securities broker dealer subsidiaries. The *Company*'s Wholesale channel is comprised of (i) MONY Partners, a division of MONY Life Insurance Company, (ii) independent third party insurance brokerage general agencies and securities broker dealers and (iii) its corporate marketing team which markets COLI and BOLI products. For the year ended December 31, 2003, Retail distribution accounted for approximately 17.6%, and 42.6% of sales of protection and accumulation products, respectively, and 100.0% of retail brokerage and investment banking revenues, while Wholesale distribution accounted for 82.4% and 57.4% of sales of protection and accumulation products, respectively. The *Company* principally sells its products in all 50 of the United States, the District of Columbia, the U.S. Virgin Islands, Guam and the Commonwealth of Puerto Rico, and currently insures or provides other financial products and services to more than one million individuals.

MONY Group's principal operating subsidiaries are MONY Life Insurance Company (*MONY Life*), formerly known as The Mutual Life Insurance Company of New York, and The Advest Group, Inc. (*Advest*). MONY Life's principal wholly owned direct and indirect operating subsidiaries include: (i) MONY Life Insurance Company of America (*MLOA*), an Arizona domiciled life insurance company, (ii) Enterprise Capital Management (*Enterprise*), a distributor of both proprietary and non-proprietary mutual funds, (iii) U.S. Financial Life Insurance Company (*USFL*), an Ohio domiciled insurer underwriting specialty risk life insurance business, (iv) MONY Securities Corporation (*MSC*), a registered securities broker-dealer and investment advisor whose products and services are distributed through MONY Life's career agency sales force, (v) MONY Brokerage, Inc., 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 more fully meet the insurance and investment needs of their customers, (vi) MONY Consultoria e Corretagem de Seguros Ltda., a Brazilian domiciled insurance brokerage subsidiary, which principally provides insurance brokerage services to unaffiliated third party insurance companies in Brazil, (vii) MONY Bank & Trust Company of the Americas, Ltd. (*MBT*), a Cayman Islands bank and trust company, which provides investment and trust services to nationals of certain Latin American countries, and (viii) MONY Life Insurance Company of the Americas, Ltd. (*MLICA*), a Cayman Islands based insurance company, which provides life insurance and annuity products to nationals of certain Latin American countries. Advest, through its principal operating subsidiaries, Advest, Inc., a securities broker-dealer, Advest Trust Company, a federal savings bank, and Boston Advisors, Inc. (*Boston Advisors*), a registered investment advisory firm, provides diversified financial services including securities brokerage, securities trading, investment banking, trust, and asset management services.

On February 27, 2002, MONY Group formed MONY Holdings, LLC (*MONY Holdings*) as a downstream, wholly owned, holding company of MONY Group. MONY Group formed MONY Holdings for the purpose of issuing debt tied to the performance of the Closed Block Business (see *Notes 1 and 21 to the Consolidated Financial Statements*) within MONY Life. On April 30, 2002, MONY Holdings commenced its operations and, through a structured financing tied to the performance of the Closed Block Business within MONY Life, issued \$300.0 million of floating rate insured debt securities (the *Insured Notes*) in a private placement. In addition, MONY Group, pursuant to the terms of the structured financing, transferred all of its ownership interest in MONY Life to MONY Holdings. Other than activities related to servicing the *Insured Notes* in accordance with the note indenture and its ownership interest in MONY Life, MONY Holdings has no operations and engages in no other activities.

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Proceeds to MONY Holdings from the issuance of the Insured Notes, after all offering and other related expenses, were approximately \$292.6 million. Of this amount, \$60.0 million was deposited in a debt service coverage account (the "DSCA"), pursuant to the terms of the note indenture, to provide collateral for the payment of interest and principal on the Insured Notes and the balance of approximately \$232.6 million was distributed to the MONY Group in the form of a dividend. The Insured Notes mature on January 21, 2017. The Insured Notes pay interest only through January 21, 2008 at which time principal payments will begin to be made pursuant to an amortization schedule. Interest on the Insured Notes is payable quarterly at an annual rate equal to three month LIBOR plus 0.55%. Concurrent with the issuance of the Insured Notes, MONY Holdings entered into an interest rate swap contract (the "Swap"), which locked in a fixed rate of interest on this indebtedness at 6.44%. Including debt issuance costs of \$7.4 million and the cost of the insurance policy (75 basis points per annum) (the "Insurance Policy"), which guarantees the scheduled principal and interest payments on the Insured Notes, the all-in cost of the indebtedness is 7.36%. See Note 22 to the Consolidated Financial Statements.

On September 17, 2003, MONY Group entered into an Agreement and Plan of Merger with AXA Financial, Inc. ("AXA Financial") and AIMA Acquisition Co., which was subsequently amended on February 22, 2004 (hereafter referred to collectively as the "AXA Agreement"), pursuant to which MONY Group will become a wholly owned subsidiary of AXA Financial in a cash transaction valued at approximately \$1.5 billion. Under the terms of the AXA Agreement, which has been approved by the boards of directors of AXA Financial and MONY Group, MONY Group's shareholders will receive \$31.00 for each share of MONY Group's common stock. The acquisition contemplated by the AXA Agreement is subject to various regulatory approvals and other customary conditions, including the approval of MONY Group's shareholders. A special meeting of MONY Group's shareholders is scheduled for May 18, 2004 to vote on the proposed acquisition of MONY Group by AXA Financial. The transaction is expected to close in the second quarter of 2004. The MONY Group has announced that it will pay a cash dividend, which was determined in accordance with the AXA Agreement, of approximately \$0.33 to \$0.35 per share to shareholders who are record holders of the issued and outstanding shares of MONY Group's common stock immediately prior to the effective time of the merger transaction with AXA Financial. However, the exact per share amount of the dividend will be determined by the total number of issued and outstanding shares of MONY Group's common stock immediately prior to the effective time of the merger transaction with AXA Financial. This dividend is expressly conditioned on the closing of the merger transaction with AXA Financial. See Notes 2 and 18 to the Consolidated Financial Statements for further information regarding MONY Group's pending merger transaction with AXA Financial.

## **Information About Business Segments**

For management and reporting purposes, the Company's business is organized in three principal reportable segments: the Protection Products segment, the Accumulation Products segment, and the Retail Brokerage and Investment Banking segment. Substantially all of the Company's other business activities are combined and reported in the Other Products segment. Certain amounts not allocated to the segments are reported as reconciling items. See Note 9 to the Consolidated Financial Statements. The Company formed the Retail Brokerage and Investment Banking segment in 2001 in connection with its acquisitions of Advest and Matrix Private Equities, Inc and Matrix Capital Markets, Inc. (together, "Matrix"). In addition to these companies, this segment includes the revenues, expenses, assets and liabilities of MSC. In prior years MSC was reported in the Company's Other Products segment.

### *Protection Products*

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

The Company's traditional protection products consist of whole life and term insurance products. The whole life insurance products vary in their level of premiums and guaranteed cash values, providing flexibility to the Company's primary marketplace of high net worth individuals including small business owners, pre-retirees and



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family builders with varying needs. The Company's term insurance products include annual renewable term insurance, term insurance providing coverage for a limited number of years and term insurance featuring a level premium for a fixed number of years.

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

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

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

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

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

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

**Protection Products Segment Sales**

**For the Years Ended**

**December 31,**

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(\$ in millions)		
<b>Sales:</b>			
Traditional life (1)	\$ 64.2	\$ 51.5	\$ 44.7
Universal life	64.7	38.0	31.6
Variable universal life	22.2	38.3	61.8
Group universal life	4.9	3.0	1.5
COLI and BOLI	180.0	148.2	75.1
	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 336.0	\$ 279.0	\$ 214.7
	<u>          </u>	<u>          </u>	<u>          </u>

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



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	As of December 31,		
	2003	2002	2001
	(\$ in millions)		
<b>Protection Products:</b>			
Traditional life: (1)			
Number of policies (in thousands)	829.7	839.1	857.3
Life reserves	\$ 7,544.4	\$ 7,447.0	\$ 7,374.8
Face amounts	\$ 94,003.3	\$ 82,598.6	\$ 73,678.2
Universal life:			
Number of policies (in thousands)	75.3	74.0	74.7
Life reserves	\$ 840.0	\$ 765.4	\$ 711.2
Face amounts	\$ 12,023.8	\$ 10,790.2	\$ 10,843.6
Variable universal life:			
Number of policies (in thousands)	61.1	62.5	62.0
Account values	\$ 535.4	\$ 385.0	\$ 402.4
Face amounts	\$ 14,803.9	\$ 15,171.7	\$ 15,031.0
Group universal life:			
Number of policies (in thousands)	39.7	41.8	43.9
Life reserves	\$ 74.5	\$ 70.3	\$ 66.7
Face amounts	\$ 1,543.2	\$ 1,497.3	\$ 1,571.4
COLI and BOLI			
Number of policies (in thousands)	6.9	5.5	4.0
Life reserves	\$ 711.7	\$ 495.3	\$ 369.0
Face amounts	\$ 4,522.5	\$ 3,618.5	\$ 3,199.5

- (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, 2003, 2002, and 2001, were \$365.6 million, \$374.3 million, and \$378.0 million, respectively.

*Accumulation Products*

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

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

Variable annuity contract holders have a range of investment options in which to invest the assets held under their contracts. Currently, these options are comprised of two proprietary fund families and fourteen non-proprietary fund families consisting of 15 and 34 different investment options (or mutual funds), respectively, with a wide array of investment objectives. As of December 31, 2003, proprietary and non-proprietary funds accounted for approximately 73% and 27%, respectively, of variable annuity assets under management.

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

The Company believes that it benefits from a shift towards separate account variable annuity products, as this reduces the Company's investment risks and capital requirements because the investment risk in such accounts is borne by the contract holder. 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. In 2003, 80.4% and 19.6% of the Company's total annuity sales came from Retail and Wholesale distribution, respectively, compared to 87.0% and 13.0% in 2002.

At December 31, 2003, approximately 96.8% of the Company's career financial professionals were licensed through MSC to sell variable annuities (with 75.5% having National Association of Securities Dealers (NASD) Series 6 licenses and 43.0% having NASD Series 7 licenses).

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

**Accumulation Products Segment Assets Under Management**

	As of December 31,		
	2003	2002	2001
	(\$ in millions)		
Individual variable annuities (1) (2)	\$ 3,790.1	\$ 3,244.9	\$ 3,867.6
Individual fixed annuities (1) (2)	1,006.5	815.7	728.2
Proprietary mutual funds	4,847.3	3,695.3	4,396.6
	<u>\$ 9,643.9</u>	<u>\$ 7,755.9</u>	<u>\$ 8,992.4</u>

(1) Individual variable annuity contracts in force were approximately 95.6 thousand, 99.0 thousand, and 103.0 thousand, respectively, and individual fixed annuity contracts in force were 17.9 thousand, 15.7 thousand, and 9.1 thousand, respectively, for each of the years ended December 31, 2003, 2002 and 2001.

(2) Represents account values for annuities.

The Company offers proprietary retail mutual funds through Enterprise. Enterprise is the registered investment advisor of The Enterprise Group of Funds (EGF), a mutual fund family that provides investors with a broad range of investment alternatives through 22 separate investment portfolios. In addition, EAT, for which Enterprise is also the registered investment advisor, is the principal funding vehicle for the Company's variable annuities and VUL insurance products. EAT provides investors with a broad range of investment alternatives through 16 separate

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investment portfolios. Enterprise is also the registered investment advisor of Enterprise Global Funds plc ( EGF plc ) which is comprised of seven separate investment portfolios. EGF plc represents Enterprise s overseas arm of investment management services. Altogether, EGF has in excess of \$7.0 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

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agreements with Fidelity Variable Insurance Products Fund, Janus Aspen Series, Dreyfus Variable Investment Fund, Alger American Fund, Invesco Variable Investment Funds, Inc., Pimco Variable Insurance Trust, Lord Abbett Series Fund, Morgan Stanley The Universal Institutional Funds, Inc., PBHG Insurance Series Fund and MFS Variable Insurance Trust to provide additional investment choices for the Company's variable annuities and VUL products. The Company has agreements with T. Rowe Price, The Vanguard Group and Van Eck Worldwide Insurance Trust for its variable COLI product.

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

*Retail Brokerage and Investment Banking*

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

Advest is comprised of the following principal operating subsidiaries or divisions: (i) Advest, Inc., (ii) the Lebenthal division of Advest, Inc., formerly Lebenthal & Co., Inc. (Lebenthal), and (iii) Boston Advisors. Advest's principal operating subsidiary, Advest, Inc., a regional broker/dealer, provides securities brokerage, investment banking, institutional sales, trading and asset management services to retail and institutional investors through more than 100 sales offices in 18 states and Washington, DC. Advest, Inc. services more than 183,000 active customer accounts and averaged in excess of 170,000 trades per month in 2003. Advest's Boston Advisors subsidiary, an investment advisory firm, manages the financial assets of individuals, endowment funds and retirement plans, as well as 12 money funds. Over \$1.6 billion of funds designated for investment in money funds by brokerage clients of Advest, Inc. are invested in the funds managed by Boston Advisors. Managed accounts, including the funds of Babson United Investment Advisors, Inc. (Babson-United), which was acquired by Boston Advisors in 2002) and Lebenthal Asset Management, Inc. (a division of Advest, Inc.), total \$9.4 billion. Advest Inc.'s Advest Trust Company subsidiary, an FDIC-insured, federal savings bank, provides trust and custody services primarily through the branch network of Advest, Inc.

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

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

MSC is a registered securities broker-dealer and investment advisor and a member of NASD. MSC performs brokerage and other investment services relating to a wide range of securities, including mutual funds, stocks, bonds, limited partnership interests (primarily in real estate, oil and gas and equipment leasing) and tax-exempt unit investment trusts. For the years ended December 31, 2003, 2002, and 2001, 22%, 24%, and 37%, respectively, of the investment products sold by MSC were shares in mutual funds in EGF. MSC's products and services are distributed through registered representatives who belong to the Company's career agency sales force. MSC transacts business in all 50 of the United States, the District of Columbia and Puerto Rico. Sales of non-proprietary investment products through MSC were \$557.0 million, \$312.0 million, and

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\$290.0 million, for the years ended December 31, 2003, 2002 and 2001, respectively.

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### *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 13 to the Consolidated Financial Statements for more information on the Group Pension Transaction.

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 9 to the Consolidated Financial Statements.

### **Marketing and Distribution**

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

#### *Retail Distribution*

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

#### *Career Agency System*

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

The Company's career agency distribution system consisted of 1,460 domestic career financial professionals at December 31, 2003. The sales force is organized as a managerial agency system, which is comprised of 34 agency managers as of December 31, 2003, who supervise the marketing and sales activities of financial professionals. Such professionals are managed by experience and productivity level within defined marketing territories in the United States.

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The Company segregates its career agency sales force into four groups ( tiers ) according to experience and productivity levels and assigns agency managers to tiers based on their skill sets and the particular needs and goals of such tiers. There is a tier for new financial professionals with little or no experience in the industry, a tier for experienced financial professionals who are producing at superior levels, and two tiers in between. The Company believes that this tiering system is unique in the life insurance industry and gives the Company a competitive advantage in the marketplace. For example, by having certain managers responsible solely for recruiting and providing necessary support systems for new recruits, the Company is able to increase the quality of new financial professionals recruited each year. The Company believes that the tiering system allows the Company to attract and retain already established and successful financial professionals by providing an environment in which such financial professionals can compete favorably with other producer groups, such as third-party brokers or general agents and to attract and retain other financial professionals by providing marketing and training support that is responsive to their career development needs.



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The agency managers are all employees of the Company, while the career financial professionals are all independent contractors and not employees of the Company. The Company's compensation arrangements with career financial professionals, which are based on a broker dealer type model, contain incentives for them to solicit applications for products issued by MONY Life and MLOA and for products issued by insurance companies not affiliated with the Company, made available by the Company through MBI and MSC. Career financial professionals receive a percentage of gross dealer concessions associated with each product sale that is made. The percentage paid to the career financial professionals is directly linked to their level of production.

The Company's compensation structure provides a salary plus incentive compensation system for all of its agency managers and sales managers, designed to more closely align the interests of the managers with those of the Company. The Company has several programs to recruit and train its career financial professionals. As a result of its recruiting programs and the alignment of its new financial professionals financing program with its productivity-driven commission plus expense reimbursement arrangement, the Company hired 392 new financial professionals in 2003.

### *Advest*

The Company, through its wholly-owned subsidiary, Advest, distributes investment products and services through 490 financial advisors. Advest Inc., one of the country's leading regional financial services firms, is headquartered in Hartford, CT. Advest provides financial, securities brokerage, trading, investment banking, trust, and other advisory services to its clients through a network of more than 100 offices in 18 states and the District of Columbia. Advest is a member of the New York, American, and other principal stock exchanges.

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

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

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

### *Trusted Securities Advisors Corporation*

Through Trusted Securities Advisors Corporation (Trusted Advisors), now a division of MSC, 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. Trusted Advisors became a division of MSC in December, 2003.

### *Wholesale Distribution*

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

*MONY Partners*

During 2001 MONY Partners was formed as a division of MONY Life. MONY Partners wholesales the Company's individual life and annuity products through MONY Life's career agency sales force, Trusted Advisors representatives, Advest financial advisors, independent brokerage agents and independent securities broker-dealers. The Company believes that MONY Partners has a competitive advantage in the independent brokerage marketplace in being able to offer brokers competitive products, as well as access to the multiple

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services, channels and experience within the Company's organization. For example, broker general agents or securities broker-dealers have an opportunity to grow revenue by utilizing: (i) Matrix's merger and acquisition advisory services; (ii) MONY Life's estate planning and seminar marketing resources; and (iii) cross-selling arrangements with Trusted Advisors' representatives.

### *Other Wholesale Distribution Channels*

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

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

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

## **Pricing and Underwriting**

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

## **Reinsurance**

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

Life insurance business written by MONY Life and MLOA is primarily ceded on a yearly renewable term basis under various reinsurance contracts, except for the Company's level term product, which utilizes a coinsurance agreement. The Company's general practice is to retain no more than \$4.0 million of risk on any one person for individual products and \$6.0 million for last survivor products. The total amount of reinsured life insurance in force on this basis was \$30.0 billion, \$24.9 billion, and \$20.7 billion, at December 31, 2003, 2002, and 2001, respectively. As of December 31, 1997, 100% of the Company's individual disability income insurance business was reinsured on an indemnity basis.

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

USFL has automatic and facultative treaties for new business. USFL's retention is \$750,000 per single life product and \$1.0 million on last survivor products. New UL business is ceded on a yearly renewable term basis.

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New term business is ceded on both a coinsurance and yearly renewable term basis. USFL has a number of automatic and facultative treaties that are closed to new business, on either a yearly renewable term or coinsurance basis, which cover approximately 20% of its older business.

The following table presents the Company's principal reinsurers and the percentage of total reinsurance recoverable reported in the Company's Consolidated Financial Statements at December 31, 2003 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 \$605.0 million) and indemnity reinsurance in connection with the Group Pension Transaction (which amounted to \$66.5 million). See *Note 15 to the Consolidated Financial Statements*.

**Reinsurers:**

Centre Life Reinsurance, Ltd.	57.5%
Aegon and its subsidiaries	9.9
Life Reassurance Corp. of America	8.8
All Other (1)	23.8
	<hr/>
	100.0%
	<hr/>

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

**International Business**

MONY International Holdings, LLC (MIH), through its Brazilian domiciled insurance brokerage subsidiary, principally provides insurance brokerage services to unaffiliated third party insurance companies in Brazil. In addition, on a more limited basis since its reorganization in 2001, MIH, through its direct and indirect Cayman Island based insurance and banking subsidiaries (MLICA and MBT, respectively), provides life insurance, annuity and investment products, as well as trust services, to nationals of certain Latin American countries. MLICA is a wholly-owned subsidiary of MBT.

**Ratings**

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

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

period of time.

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

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The following table presents the claims-paying ability and financial strength ratings of the Company's domestic life insurance subsidiaries as of December 31, 2003. Subsequent to December 31, 2003 all four rating agencies took certain actions with respect to their ratings of the Company as discussed in the footnotes to the table below. These footnotes and the actions discussed therein are material to understanding the ratings.

	<u>December 31, 2003</u>
<b><u>S&amp;P (1)</u></b>	
MONY Life	A+ (Strong)
MLOA	A+ (Strong)
USFL	
<b><u>Moody's (2)</u></b>	
MONY Life	A2 (Good)
MLOA	A2 (Good)
USFL	
<b><u>Fitch (3)</u></b>	
MONY Life	A+ (Strong)
MLOA	A+ (Strong)
USFL	
<b><u>A.M. Best (4)</u></b>	
MONY Life	A (Excellent)
MLOA	A (Excellent)
USFL	A (Excellent)

- (1) On February 19, 2004, S&P lowered MONY Life's and MLOA's financial strength ratings to A- and placed these ratings on credit watch developing based on the Company's full year financial performance.
- (2) On February 23, 2004, Moody's changed its outlook on MONY Life's and MLOA's financial strength ratings from review for possible upgrade to direction uncertain, reflecting announcements made by the Company about MONY Group's amended merger agreement with AXA Financial and the increased uncertainty about the merger transaction being completed.
- (3) On February 5, 2004, Fitch changed its Rating Watch status on MONY Life's and MLOA's financial strength ratings from rating watch positive to rating watch evolving to reflect the possibility of a failure to complete the proposed merger transaction with AXA Financial and because the Company's run-rate of earnings was inconsistent with expectations for the rating category.
- (4) On February 19, 2004, A.M. Best changed its outlook on MONY Life's, MLOA's and USFL's financial strength ratings from under review positive to under review developing. A.M. Best advised that this change reflects the February 17, 2004 decision of the Delaware Chancery Court which requires MONY Group to revise its proxy statement to include additional disclosure regarding the change in control agreements and compensation levels with its senior executives. A.M. Best views recent actions as evidence of additional uncertainty surrounding the outcome of the AXA Financial merger transaction.

In addition to the claims-paying ability and financial strength ratings of the Company's 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.

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The following table presents the ratings assigned by the aforementioned ratings agencies to each of the Company's outstanding debt obligations as of December 31, 2003. Subsequent to December 31, 2003 all four rating agencies took certain actions with respect to their ratings of the Company as discussed in the footnotes to the table below. These footnotes and the actions discussed therein are material to understanding the ratings.

	<u>December 31, 2003</u>
<b><u>S&amp;P (1)</u></b>	
The MONY Group Inc.	
8.35% Senior Notes	BBB+ (Strong)
7.45% Senior Notes	BBB+ (Strong)
Commercial Paper	A-2 (Good)
MONY Holdings, LLC	
Series A Floating Rate Insured Notes	AAA
	(Extremely Strong)
MONY Life	
Surplus Notes	N/A
<b><u>Moody's (2)</u></b>	
The MONY Group Inc.	
8.35% Senior Notes	Baa2 (Investment Grade)
7.45% Senior Notes	Baa2 (Investment Grade)
Commercial Paper	P-2 (Strong)
MONY Holdings, LLC	
Series A Floating Rate Insured Notes	Aaa
	(Exceptional Financial
	Security)
MONY Life	
Surplus Notes	Baa1 (Medium Grade)
<b><u>Fitch (3)</u></b>	
The MONY Group Inc.	
8.35% Senior Notes	BBB+ (High Credit Quality)
7.45% Senior Notes	BBB+ (High Credit Quality)
Commercial Paper	F-2 (Moderately Strong)
MONY Holdings, LLC	
Series A Floating Rate Insured Notes	AAA
	(Highest Credit Quality)
MONY Life	
Surplus Notes	A- (Average)
<b><u>A.M. Best (4)</u></b>	
The MONY Group Inc.	
8.35% Senior Notes	bbb+ (Strong)
7.45% Senior Notes	bbb+ (Strong)
Commercial Paper	AMB-2 (Acceptable)
MONY Holdings, LLC	
Series A Floating Rate Insured Notes	aaa (Exceptional)
MONY Life	



Surplus Notes

N/A

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1. On February 19, 2004, S&P lowered MONY Group's counterparty credit rating to BBB and placed the rating on credit watch developing based on the Company's full year financial performance.
2. On February 23, 2004, Moody's changed its outlook on MONY Group's senior debt rating from review for possible upgrade to direction uncertain, reflecting announcements made by the Company about MONY Group's amended merger agreement with AXA Financial and the increased uncertainty about the transaction being completed.
3. On February 5, 2004, Fitch changed its Rating Watch status on MONY Group's senior debt rating from rating watch positive to rating watch evolving to reflect in its rating the possibility of a failure to complete the proposed merger transaction with AXA Financial and the fact that the Company's run-rate of earnings was inconsistent with expectations for the rating category.
4. On February 19, 2004, A.M. Best changed its outlook on MONY Group's long-term debt rating from under review positive to under review developing. The change reflects the February 17, 2004 decision of the Delaware Chancery Court which requires MONY Group to revise its proxy statement to include additional disclosure regarding the change in control agreements and compensation levels with its senior executives. A.M. Best views recent actions as evidence of additional uncertainty surrounding the outcome of the AXA Financial merger transaction.

In February 2004, the rating agencies revised the Company's outlook and/or ratings, primarily in response to the postponement of the scheduled date of the shareholder vote on MONY Group's proposed merger with AXA Financial (see *Notes 2 and 18 to the Consolidated Financial Statements*). All four rating agencies have indicated that they may upgrade the Company's current ratings or review their outlook on the Company's ratings upon the successful completion of the MONY Group's proposed merger with AXA Financial, reflecting the additional strength and support that would be received from AXA Financial. However, if the proposed merger of MONY Group with AXA Financial is not completed, the resulting uncertainty of the Company's future direction would likely result in further ratings downgrades and/or revisions to the Company's financial outlook. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Potential Forward Looking Risks Affecting Profitability - If the Merger with AXA Financial Does Not Close for Any Reason, the Company's Profits and Financial Condition Could Deteriorate Drastically*.

The foregoing ratings reflect each rating agency's current opinion of the various companies' claims-paying ability, financial strength, operating performance and ability to meet their obligations and are not evaluations directed toward the protection of investors in the common stock of the MONY Group. Such factors are of concern to the Company's 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 financial professionals to sell its insurance and annuity products. Strong competition exists among insurance companies for financial professionals with demonstrated



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ability. Management believes that the key bases of competition among insurance companies for financial professionals with demonstrated ability include a company's financial position and the services provided to, and relationships developed with, these financial professionals in addition to compensation and product structure.

## **Regulation**

### *General Regulation at the State Level*

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

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

The MONY Group is not regulated as an insurance company but will, as the direct or indirect owner of the capital stock of MONY Life, MLOA and USFL be subject to the insurance holding company acts of the states in which MONY Life, MLOA and USFL are domiciled (or deemed to be commercially domiciled). Most states have enacted legislation that requires each insurance holding company and each insurance company in an insurance holding company system to register with the insurance regulatory authority of the insurance company's state of domicile and, periodically to furnish financial and other information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within such system. The Company is subject to the insurance holding company laws in New York, Arizona and Ohio. Under such laws, all transactions within an insurance holding company system affecting insurers must be fair and equitable and each insurer's policyholder surplus following any such transaction must be both reasonable in relation to its outstanding liabilities and adequate for its needs. The New York, Arizona and Ohio insurance holding company laws also require prior notice or regulatory approval of the change of control of an insurer or its holding company and of material inter-corporate transfers of assets or other material transactions within the holding company structure. Generally, under such laws, a state insurance authority must approve in advance the direct or indirect acquisition of 10% or more of the voting securities of an insurance company domiciled in its state. Under the New York Insurance Law, for a period of five years following the date when the distribution of consideration to MONY Life policyholders in exchange for their membership interest was completed (December 23, 1998), no person could acquire beneficial ownership of 5% or more of the outstanding shares of MONY Group's 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, received a conditional waiver of this rule from the New York Superintendent in connection with the potential exercise of warrants they held 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 18 to the Consolidated Financial Statements*. In addition, state insurance regulatory authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to insurers' compliance with applicable insurance laws and regulations.

MONY Life, MLOA and USFL continuously monitor sales, marketing and advertising practices and related activities of their financial professionals and personnel, and provide continuing education and training in an

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effort to ensure compliance with applicable insurance laws and regulations. Non-compliance with such applicable laws and regulations could have a material adverse effect on the Company.

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

### *Shareholder Dividend Restrictions*

The payment of dividends by MONY Life is regulated under state insurance law. Under the New York Insurance Law, MONY Life may distribute a dividend without the prior approval of the New York Superintendent, where the aggregate amount of such dividends in any calendar year does not exceed the lesser of: (a) ten percent of its statutory surplus to policyholders as of the immediately preceding calendar year, or (b) its statutory net gain from operations for the immediately preceding calendar year, not including realized capital gains. If MONY Life does not satisfy the criteria mentioned above, it can only distribute dividends to its shareholder upon giving notice of its intentions to the New York Superintendent no less than thirty days in advance of such declaration, subject to the Superintendent disapproving such distribution by giving written notice to MONY Life within thirty days thereafter that the financial condition of MONY Life does not warrant such distribution. In addition, Arizona and Ohio insurance laws contain restrictions on the abilities of MLOA and USFL, respectively, to pay dividends to MONY Life. MONY Life's inability to pay dividends to MONY Holdings in the future in an amount sufficient for MONY Holdings to pay a dividend to MONY Group in an amount sufficient for MONY Group to pay dividends to its shareholders would have a material adverse effect on the MONY Group and the market value of its common stock. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*. In 2003, MONY Life paid a dividend to MONY Holdings in the amount of \$25.0 million, of which \$13.8 million was retained by MONY Holdings in its DSCA sub-account CBB (see *Note 22 to the Consolidated Financial Statements*) and \$11.2 million was paid by MONY Holdings in the form of a dividend to MONY Group.

### *Risk-Based Capital Requirements*

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

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



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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, 2003 and 2002 were in excess of the CAL.

*Determination of Non-Control*

On December 30, 1997, certain affiliates of Goldman Sachs & Co. (the Investors), entered into an investment agreement with the Company (the Investment Agreement), pursuant to which (i) the Investors purchased \$115.0 million face amount 9.5% coupon surplus notes (MONY Notes) and (ii) warrants (the Warrants) to purchase from the Company (after giving effect to the Offerings) in the aggregate 7.0% of the fully diluted common stock as of the first date following such effectiveness on which shares of common stock were first issued to policyholders. All of the MONY Notes were repurchased in 2000.

The New York Superintendent issued a determination pursuant to Section 1501(c) of the New York Insurance Law, dated December 29, 1997, that the Investors would not control MONY Life as a result of the transactions contemplated by the Investment Agreement, subject to certain notice and approval requirements, and certain commitments by the Investors. The Investors have agreed to the following notice and approval requirements: (i) the Investors and their affiliates will notify the New York Superintendent before exercising the Warrants or selling any of the Warrants; (ii) the Investors and their affiliates must notify the New York Superintendent before the sale of any securities of MONY Life, the MONY Group or any of their affiliates acquired pursuant to the Investment Agreement; (iii) the notice and non-disapproval requirements of Sections 1505(c) and (d) of the New York Insurance Law (relating to transactions within a holding company system) apply to transactions between the Investors and the MONY Group or any affiliate, except transactions in the ordinary course of the Investors' business other than transactions involving investment management or investment advisory services performed by the Investors for or on behalf of the MONY Group or any affiliate, to which (along with certain other transactions) the notice requirements of Section 1505(d) of the New York Insurance Law will apply; and (iv) the Investors will provide to the New York Superintendent quarterly and annual reports of transactions between the Investors and the MONY Group or any affiliate. The Investors have also made commitments to the New York Superintendent as follows: (i) every transaction between the Investors and the MONY Group or any affiliate will comply with the standards of the New York Insurance Law related to transactions within a holding company system; (ii) the Investors will be subject to New York Insurance Law requirements regarding examinations by the New York Superintendent and violations and penalties in the context of the MONY Group system; (iii) the Investors will not acquire, directly or indirectly, any security issued by the MONY Group or any affiliate except pursuant to the Investment Agreement or in the ordinary course of their business as an underwriter, broker/dealer, investment manager or investment advisor; (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 (a) in accordance with the New York Insurance Law, at the request of the Investors or upon the initiative of the New York Superintendent, or (b) as and for so long as the Investors own less than 2% of the equity securities of the MONY Group.

In December 2003, AXA Financial acquired Warrants from the Investors which, in the aggregate, provided for the purchase of 4.4% (or 2,228,574) of MONY Group's fully diluted common shares outstanding as of December 24, 1998. See *Note 2 to the Consolidated Financial Statements*.



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### *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 or the SEC) 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).

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

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

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

### *Savings and Loan Holding Company Regulation*

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

*ERISA Considerations*

The Company offers certain products and services, including investment advisory services, to (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ) and the Internal Revenue Code of 1986, as amended ( Code ) and (ii) individual retirement accounts and individual retirement annuities ( IRAs ) that are subject to the Code. Accordingly, while engaging in these activities the Company is subject to the standards and limitations imposed by ERISA and the Code, and the

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regulations, rulings and exemptions thereunder, where applicable. These include the requirement under ERISA that fiduciaries perform their duties solely in the interests of ERISA plan participants and beneficiaries and the requirement under ERISA and the Code that fiduciaries and certain parties in interest may not cause an ERISA - covered plan or IRA to engage in certain prohibited transactions with respect to such plans and IRAs. The applicable provisions of ERISA and the Code are subject to enforcement by the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation.

*Potential Tax Legislation*

Congress has, from time to time, considered legislation that could eliminate or reduce the advantage of deferral of income taxation on the accretion of value within certain annuities and life insurance products. Passage of any such legislation could 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, 2003, the Company had 3,717 employees, of which 490 were Advest financial advisors. No employees are covered by a collective bargaining agreement. In addition, as of December 31, 2003, the Company was represented by 1,578 full time domestic and international career financial professionals who are all independent contractors and are not employees of the Company. The Company believes that its employee and financial professional relations are satisfactory.

**Available Information**

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

**ITEM 1A. Executive Officers of the Registrant**

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

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael I. Roth	58	Chairman of the Board, Chief Executive Officer and Director of the MONY Group
Samuel J. Foti	52	President, Chief Operating Officer and Director of the MONY Group
Richard Daddario	56	Executive Vice President and Chief Financial Officer of the MONY Group
Kenneth M. Levine	57	Executive Vice President, Chief Investment Officer and Director of the MONY Group
Steven G. Orluck	51	Executive Vice President of the MONY Group

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Lee M. Smith	60	Vice President and Corporate Secretary of the MONY Group
Bart R. Schwartz	51	Senior Vice President and General Counsel of the MONY Group
Richard E. Connors	51	Senior Vice President of MONY Life
Evelyn L. Peos	47	Senior Vice President of MONY Life
Michael Slipowitz	45	Senior Vice President and Chief Actuary of MONY Life
Victor Ugolyn	56	Senior Vice President of MONY Life
Grant W. Kurtz	61	Chairman, President and Chief Executive Officer of Advest
Arnold Brousell	46	Vice President, Controller and Chief Accounting Officer of the MONY Group
Kimberly Windrow	46	Senior Vice President of MONY Life
Ernest P. Rogers	57	Senior Vice President and Chief Information Officer of MONY Life

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

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

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

Samuel J. Foti has been a Director, President and Chief Operating Officer of the MONY Group since 1997. He has been President and Chief Operating Officer (since 1994) of MONY Life and has been a Director since 1993. Mr. Foti previously served as a Trustee of The American College and was Chairman of the Board for 2001 and 2002 and on the board of directors of the Life Insurance Marketing and Research Association (LIMRA), where he served as Chairman from 1996 to 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 1994. Prior to being appointed Executive Vice President and Chief Financial Officer of MONY Life, he served as Senior Vice President and Corporate Controller. Mr. Daddario has been with MONY Life for 14 years.

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

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

Lee M. Smith has been Vice President and Corporate Secretary of the MONY Group since 1999. Mr. Smith has been Vice President Government Relations of MONY Life (since 1999) and Vice President for Government Relations of MONY Life (from 1985 to 1999). Prior to that time, he held several positions with MONY Life. Mr. Smith has been with MONY Life for 22 years.

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

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Richard E. Connors has been Senior Vice President (since 1994) and Head of the Annuities Division (since 2001) of MONY Life. He has also served as Senior Vice President of Marketing (from 1994 to 2001), Regional Vice President - Western Region (from 1991 to 1994) of MONY Life, Vice President - Small Business Marketing (from 1990 to 1991) and Vice President - Manpower Development (from 1988 to 1990). Mr. Connors has been with MONY Life for 16 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 25 years.

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Michael Slipowitz has been Senior Vice President (since March 2002) and Chief Actuary (since January 2002) of MONY Life. He also served as Vice President of MONY Life from 1993 to 2001. Prior to that time, Mr. Slipowitz held various positions with MONY Life. Mr. Slipowitz has been with MONY Life for 23 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); and Chairman and President of Enterprise Global Funds plc (since 2001). Mr. Ugolyn has been with MONY Life for 13 years.

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

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

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

Ernest P. Rogers has been Senior Vice President and Chief Information Officer of MONY Life since March 2002. Mr. Rogers was Vice President, Chief Information Officer (from 1994 to 2001), Vice President of Computing Services (from 1987 to 1994) and Assistant Vice President of Corporate Information Services (from 1982 to 1987). Prior to that time he held various positions in the Information Technology Department of MONY Life. Mr. Rogers has been with MONY Life for 38 years.

## **ITEM 2. *Properties***

The Company leases its headquarters building which is located at 1740 Broadway, New York, New York and consists of approximately 267,000 square feet. The Company also occupies facilities in Syracuse, New York for use in its insurance operations, which consist of approximately 578,000 square feet in the aggregate. The Company also leases all 217 of its agency and its subsidiary offices, which consist of approximately 1,388,000 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 18 to the Consolidated Financial Statements.* In addition to the matters discussed therein, in the ordinary course of its business the Company is involved in various other legal actions and proceedings (some of which involve demands for unspecified damages), none of which

is expected to have a material adverse effect on the Company.

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

No matters were submitted to a vote of security holders during the fourth quarter ended December 31, 2003.



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

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

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

	<u>High</u>	<u>Low</u>	<u>Dividends</u>
<b>2003</b>			
First Quarter	\$ 25.70	\$ 18.82	\$
Second Quarter	\$ 28.24	\$ 20.96	\$
Third Quarter	\$ 33.33	\$ 26.79	\$
Fourth Quarter	\$ 32.78	\$ 31.29	\$
<b>2002</b>			
First Quarter	\$ 40.61	\$ 34.32	\$
Second Quarter	\$ 41.63	\$ 32.45	\$
Third Quarter	\$ 34.15	\$ 24.27	\$
Fourth Quarter	\$ 27.82	\$ 21.88	\$ 0.45

As of March 8, 2004, the closing price of MONY Group's common stock was \$31.65. There were 504,731 holders of MONY Group common stock at March 8, 2004.

The MONY Group has announced that it will pay a dividend in 2004 to shareholders who are record holders of the issued and outstanding shares of MONY Group's common stock immediately prior to the effective time of MONY Group's merger with AXA Financial. This dividend payment is expressly conditioned on the closing of the merger transaction with AXA Financial. See *Note 2 to the Consolidated Financial Statements*.

The MONY Group paid dividends to holders of its common stock of \$21.0 million, or \$0.45 per share, in 2002. No dividend was paid to common stock holders in 2003. Future dividend decisions will be made by the Board of Directors on the basis of a number of factors, including the operating results and financial requirements of the MONY Group and the impact of regulatory restrictions. See *Business Regulation and Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*.

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

The following table sets forth selected financial data for the Company. The selected financial data as of December 31, 2003 and 2002 and for each of the years in the three-year period ended December 31, 2003 has been derived from audited financial statements included herein. The selected financial data as of December 31, 2001, 2000 and 1999 and for each of the years in the two-year period ended December 31, 2000 has been derived from audited financial statements not included herein. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company's Consolidated Financial Statements and the notes thereto and the other financial information included elsewhere herein.

	As of and for the Years Ended December 31,				
	2003(3)	2002(3)	2001(3)	2000	1999
	(\$ in millions, except per share amounts)				
<b>Consolidated Income Statement Data (1)(5):</b>					
Revenues:					
Premiums	\$ 705.2	\$ 690.4	\$ 695.3	\$ 700.5	\$ 717.1
Universal life and investment-type product policy fees	210.9	200.5	207.2	205.8	196.3
Net investment income	739.5	737.3	684.8	978.1	902.3
Net realized gains/(losses) on investments	51.2	(153.0)	(12.3)	37.5	125.1
Group Pension Profits(2)		82.3	30.7	37.1	63.0
Retail brokerage and investment banking revenues	426.8	397.1	350.8	59.7	63.4
Other income	186.7	139.9	147.1	163.6	133.8
<b>Total revenues</b>	<b>2,320.3</b>	<b>2,094.5</b>	<b>2,103.6</b>	<b>2,182.3</b>	<b>2,201.0</b>
<b>Total benefits and expenses</b>	<b>2,279.7</b>	<b>2,126.5</b>	<b>2,197.0</b>	<b>1,786.2</b>	<b>1,820.4</b>
<b>Income/(loss) from continuing operations before income tax</b>	<b>40.6</b>	<b>(32.0)</b>	<b>(93.4)</b>	<b>396.1</b>	<b>380.6</b>
<b>Income tax expense/(benefit)</b>	<b>9.9</b>	<b>(11.2)</b>	<b>(32.6)</b>	<b>133.8</b>	<b>132.0</b>
<b>Income/(loss) from continuing operations</b>	<b>30.7</b>	<b>(20.8)</b>	<b>(60.8)</b>	<b>262.3</b>	<b>248.6</b>
Discontinued operations: Income/(loss) from real estate to be disposed of, net of income tax expense/(benefit) of \$3.1 million and \$(1.4) million for the years ended December 31, 2003 and 2002, respectively	5.9	(2.5)			
Extraordinary item net of tax				37.7	
<b>Net income/(loss)</b>	<b>\$ 36.6</b>	<b>\$ (23.3)</b>	<b>\$ (60.8)</b>	<b>\$ 224.6</b>	<b>\$ 248.6</b>
<b>Basic earnings/(loss) per share</b>	<b>\$ 0.78</b>	<b>\$ (0.49)</b>	<b>\$ (1.25)</b>	<b>\$ 4.83</b>	<b>\$ 5.26</b>
<b>Diluted earnings/(loss) per share(4)</b>	<b>\$ 0.77</b>	<b>\$ (0.49)</b>	<b>\$ (1.25)</b>	<b>\$ 4.70</b>	<b>\$ 5.20</b>
<b>Cash dividends per common share</b>	<b>\$ 0.45</b>	<b>\$ 0.45</b>	<b>\$ 0.45</b>	<b>\$ 0.45</b>	<b>\$ 0.40</b>
<b>Consolidated Balance Sheet Data (1)(2)(5):</b>					
<b>Total assets</b>	<b>\$ 21,321.8</b>	<b>\$ 19,876.4</b>	<b>\$ 25,681.4</b>	<b>\$ 24,575.3</b>	<b>\$ 24,736.3</b>
<b>Total debt</b>	<b>\$ 876.4</b>	<b>\$ 883.3</b>	<b>\$ 903.1</b>	<b>\$ 623.4</b>	<b>\$ 298.8</b>
<b>Total liabilities</b>	<b>\$ 19,227.6</b>	<b>\$ 17,877.9</b>	<b>\$ 23,629.2</b>	<b>\$ 22,536.4</b>	<b>\$ 22,910.8</b>
<b>Shareholders' equity</b>	<b>\$ 2,094.2</b>	<b>\$ 1,998.5</b>	<b>\$ 2,052.2</b>	<b>\$ 2,038.9</b>	<b>\$ 1,825.5</b>

- (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 13 to the Consolidated Financial Statements regarding the Group Pension Transaction.
- (3) The Company's results of operations for the years ended December 31, 2003, 2002 and 2001 include reorganization charges aggregating \$5.8 million and \$7.7 million, and reorganization and other charges aggregating \$146.1 million, respectively, before taxes. For details of such charges and the line items in which

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they are reflected, see Note 26 to the Consolidated Financial Statements.

- (4) 1,227,397 and 1,333,745 incremental shares from assumed conversion of dilutive securities were not included in the computation of per share amounts for the years ended December 31, 2002 and 2001, respectively, because to do so would be antidilutive.
- (5) See Notes 3 and 20 to the Consolidated Financial Statements regarding the Closed Block.

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

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

**Organization and Business**

The MONY Group Inc. (the "MONY Group"), through its subsidiaries (MONY Group and its subsidiaries are collectively referred to herein as the Company), provides life insurance, annuities, corporate-owned and bank-owned life insurance (COLI and BOLI), mutual funds, securities brokerage, securities trading, asset management, business and estate planning, trust, and investment banking products and services. The Company distributes its products and services through Retail and Wholesale distribution channels. The Company's Retail distribution channels are comprised of (i) the career agency sales force operated by its principal life insurance operating subsidiary and (ii) financial advisors and account executives of its securities broker dealer subsidiaries. The Company's Wholesale channel is comprised of (i) MONY Partners, a division of MONY Life Insurance Company, (ii) independent third party insurance brokerage general agencies and securities broker dealers, and (iii) its corporate marketing team which markets COLI and BOLI products. For the year ended December 31, 2003, Retail distribution accounted for approximately 17.6% and 42.6% of sales of protection and accumulation products, respectively, and 100.0% of retail brokerage and investment banking revenues, while Wholesale distribution accounted for 82.4% and 57.4% of sales of protection and accumulation products, respectively. The Company principally sells its products in all 50 of the United States, the District of Columbia, the U.S. Virgin Islands, Guam and the Commonwealth of Puerto Rico, and currently insures or provides other financial products and services to more than one million individuals.

MONY Group's principal operating subsidiaries are MONY Life Insurance Company ("MONY Life"), formerly known as The Mutual Life Insurance Company of New York, and The Advest Group, Inc. ("Advest"). MONY Life's principal wholly owned direct and indirect operating subsidiaries include: (i) MONY Life Insurance Company of America ("MLOA"), an Arizona domiciled life insurance company, (ii) Enterprise Capital Management ("Enterprise"), a distributor of both proprietary and non-proprietary mutual funds, (iii) U.S. Financial Life Insurance Company ("USFL"), an Ohio domiciled insurer underwriting specialty risk life insurance business, (iv) MONY Securities Corporation ("MSC"), a registered securities broker-dealer and investment advisor whose products and services are distributed through MONY Life's career agency sales force, (v) MONY Brokerage, Inc., 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 more fully meet the insurance and investment needs of their customers, (vi) MONY Consultoria e Corretagem de Seguros Ltda., a Brazilian domiciled insurance brokerage subsidiary, which principally provides insurance brokerage services to unaffiliated third party insurance companies in Brazil, (vii) MONY Bank & Trust Company of the Americas, Ltd., a Cayman Islands bank and trust company, which provides investment and trust services to nationals of certain Latin American countries, and (viii) MONY Life Insurance Company of the Americas, Ltd., a Cayman Islands based insurance company, which provides life insurance and annuity products to nationals of certain Latin American countries. Advest, through its principal operating subsidiaries, Advest, Inc., a securities broker-dealer, Advest Trust Company, a federal savings bank, and Boston Advisors, Inc. ("Boston Advisors"), a registered investment advisory firm, provides diversified financial services including securities brokerage, securities trading, investment banking, trust, and asset management services.

On September 17, 2003, MONY Group entered into an Agreement and Plan of Merger with AXA Financial, Inc. ("AXA Financial") and AIMA Acquisition Co., which was subsequently amended on February 22, 2004

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(hereafter referred to collectively as the AXA Agreement ), pursuant to which MONY Group will become a wholly owned subsidiary of AXA Financial in a cash transaction valued at approximately \$1.5 billion. Under the terms of the AXA Agreement, which has been approved by the boards of directors of AXA Financial and MONY Group, MONY Group's shareholders will receive \$31.00 for each share of MONY Group's common stock. The acquisition contemplated by the AXA Agreement is subject to various regulatory approvals and other customary conditions, including the approval of MONY Group's shareholders. A special meeting of MONY Group's shareholders is scheduled for May 18, 2004 to vote on the proposed acquisition of MONY Group by AXA Financial. The transaction is expected to close in the second quarter of 2004. The MONY Group has announced that it will pay a cash dividend, which was determined in accordance with the AXA Agreement, of approximately \$0.33 to \$0.35 per share to shareholders who are record holders of the issued and outstanding shares of MONY Group's common stock immediately prior to the effective time of the merger transaction with AXA Financial. However, the exact per share amount of the dividend will be determined by the total number of issued and outstanding shares of MONY Group's common stock immediately prior to the effective time of the merger transaction with AXA Financial. This dividend is expressly conditioned on the closing of the merger transaction with AXA Financial. See Notes 2 and 18 to the Consolidated Financial Statements for further information regarding MONY Group's pending merger transaction with AXA Financial.

*See Part I Item 1, Business and Notes 1, 2, and 9 to the Consolidated Financial Statements for further information regarding the Company's organization and business.*

## **General Discussion of Factors Affecting Profitability**

The Company derives its revenues principally from: (i) premiums on individual life insurance, (ii) insurance, administrative and surrender charges on universal life and annuity products, (iii) asset management fees from separate account and mutual fund products, (iv) net investment income on general account assets and (v) commissions from securities and insurance brokerage operations. The Company's expenses consist of insurance benefits provided to policyholders, interest credited on policyholders' account balances, dividends to policyholders, the cost of selling and servicing the various products sold by the Company, including commissions to sales representatives (net of any deferrals) and general business expenses.

The Company's profitability depends in large part upon (i) price movements and trends in the securities markets, (ii) the amount of its assets and its third-party assets under management, (iii) the adequacy of its product pricing (which is primarily a function of competitive conditions, management's ability to assess and manage trends in mortality and morbidity experience as compared to the level of benefit payments, and its ability to maintain expenses within pricing assumptions), (iv) supply and demand for the kinds of products and services offered by the Company (see Note 9 to the Consolidated Financial Statements included herein for the principal products and services offered by the Company), (v) the maintenance of the Company's target spreads between credited rates on policyholders' account balances and the rate of earnings on its investments, (vi) the amount of time purchasers of the Company's insurance and annuity products hold and renew their contracts with the Company (referred to as persistency ), which affects the Company's ability to recover the costs incurred to sell such policies and contracts, (vii) the ability to manage the market and credit risks associated with its invested assets, (viii) returns on venture capital investments, (ix) the investment performance of its mutual fund and variable product offerings, and (x) commission and fee revenue from securities brokerage and investment banking operations which fluctuate with trading volume. External factors, such as general economic conditions and the securities markets, as well as legislation and regulation of the insurance marketplace and products, may also affect the Company's profitability. In addition, downgrades of the claims paying ability ratings of the Company's insurance subsidiaries by Nationally Recognized Statistical Rating Organizations may affect the Company's ability to compete in the marketplace for its products and services. Similarly, downgrades of MONY Group's credit ratings may affect the Company's ability to access the debt markets to raise additional capital, which could affect the Company's liquidity and ability to support the capital of its insurance subsidiaries.

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**Potential Forward Looking Risks Affecting Profitability**

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

***If the Merger with AXA Financial Does Not Close for Any Reason, the Company's Profits and Financial Condition Could Deteriorate Drastically***

If a majority of the outstanding shares are not voted in favor of the proposed merger with AXA Financial or if the AXA Financial merger transaction does not close for any reason, both the profitability and the financial condition of the Company could suffer severely. A.M. Best, Moody's, S&P and Fitch have all recently lowered the Company's ratings and/or their outlook on the Company's ratings. It is likely that, in the event the proposed merger is not approved by MONY Group's shareholders, the rating agencies would promptly further lower their ratings and/or their ratings outlook of MONY Group's debt obligations and their financial strength ratings of its domestic insurance subsidiaries. This action could cause the Company either (a) to lose business to competitors, given that MONY Life's distribution includes third-party channels with access to other, higher rated providers, or (b) to pay higher gross concessions to its distributors to maintain premium volume, resulting in lower profits. In addition, among other things, lower ratings could increase the rate of policy surrenders to MONY Life, thereby reducing revenue to a level that would require a write-down of deferred policy acquisition costs. A ratings downgrade could also undermine MONY Life's relationships with its distributors and, thus, its attractiveness to third parties as an acquisition candidate. Further, such a downgrade could impair MONY Group's ability to borrow money or to raise money by selling additional equity. This, in turn, could have a negative effect on the Company's liquidity or the Company's cost of capital.

In addition, a failure of the proposed merger with AXA Financial could have significant negative effects on the Company's staff and agents. As to staff, many employees may have found other jobs by the time the transaction closes in anticipation of losing their positions with the Company after the closing. In addition, the perceived instability of the Company if the proposed transaction does not close could lead to additional employee and agent turnover.

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

***The Company Might Have to Amortize or Write-Off Deferred Policy Acquisition Costs Sooner Than Planned.*** In accordance with accounting principles generally accepted in the United States of America (GAAP), deferred policy acquisition costs (DPAC) (policy acquisition costs represent costs that vary with and primarily relate to the production of business, such as commissions paid to financial professionals and brokers) are amortized on a basis consistent with how earnings emerge from the underlying products that gave rise to such DPAC. Such amortization is calculated based on the actual amount of earnings that have emerged to date relative to management's best estimate of the total amount of such earnings expected to emerge over the life of such business. This calculation requires the Company to make assumptions about future investment yields, contract charges, interest crediting rates, mortality rates, lapse rates, expense levels, policyholder dividends and where flexibility is allowed, policyholder premium payment behavior. In addition, to the extent that the present value of estimated future earnings expected to emerge over the remaining life of the business is not sufficient to recover the remaining DPAC balance, GAAP requires that such excess DPAC amount be immediately charged to earnings. Accordingly, changes in the Company's assumptions underlying DPAC or actual results that differ significantly from management's prior estimates may materially affect the rate at which the Company amortizes or writes-off DPAC, which may

materially affect its financial position and

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results of operations. Also, to the extent that circumstances lead management to conclude that the business, after writing off all DPAC, will not ultimately be profitable, the Company would be required to record its best estimate of the loss in the period such determination was made. While management believes such a scenario is unlikely, a sustained deterioration in the securities markets will significantly impact such determination and may require the Company to recognize a loss that could materially affect its financial position and results of operations.

At December 31, 2003 the carrying value of the Company's DPAC was \$1.3 billion. Approximately \$172.0 million of this amount pertains to the Company's annuity in force business. The profit margins from this business, over which the related DPAC is amortized, are particularly sensitive to changes in assumed investment returns and asset valuations. With respect to the investment return assumptions which underlie the amortization of the Company's variable annuity DPAC, the accounting policy applied, which is referred to as the reversion to the mean method, assumes a rate of return over the life of the business of 8.0%. In applying this method, the future assumed rate of return assumption is adjusted based on actual returns to date so that the ultimate rate of return over the expected life of the business is always 8.0%. However, the Company's policy is to never exceed a future rate of return assumption in excess of 10.0%. Accordingly, the ultimate rate of return over the life of such business may be less than 8.0%. In addition, in applying the reversion to the mean method the Company's policy does not provide for a floor on the assumed future rate of return. Accordingly, actual returns to date sufficiently in excess of the ultimate assumed rate of return of 8.0% may result in a future rate of return assumption that could actually be negative.

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

The Company's calculation of variable annuity product DPAC asset balances as of December 31, 2003 incorporated an asset growth assumption of 9.6% in 2004, gradually decreasing to 8.0% in 2013 and thereafter, for all funds underlying variable annuity products. This assumption is consistent with the reversion to the mean method described above. The assumption of future returns impacts the Company's expectation of both future fee income and future expenses, including the cost of guaranteed minimum death benefits.

***The Company Might Have to Write-Off Goodwill.*** The carrying value of goodwill in the Company's Retail Brokerage and Investment Banking segment was \$190.1 million at December 31, 2003. Such goodwill was tested for impairment in the fourth quarter of 2003 in accordance with FASB Statement No. 142 *Goodwill and Other Intangible Assets* (SFAS 142). As a result of the testing, a \$4.0 million charge related to the impairment of goodwill in the Company's Matrix subsidiary was recorded. If securities market conditions worsen or if there is a prolonged downturn in retail securities trading volumes, the Company might conclude, in the future, that all or a portion of the remaining carrying value of goodwill is impaired and must be written off.

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

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

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



the value of any collateral or guaranty;

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

management's analysis of industry fundamentals;

management's assessment of the macro economic outlook; and

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

Changes in the factors discussed above (particularly, a sustained or continuing decline in the prices of securities or a deterioration in the credit quality of issuers or a deterioration in industry or issuer fundamentals or in the macro economic outlook) may significantly affect the Company's determination of whether a security is other than temporarily impaired, which may require the Company to recognize an other than temporary impairment charge that could be material to its financial position and results of operations. See *Investments Other Than Temporary Impairment Charges On Investments in Fixed Maturity Securities and Common Stocks*.

The Company makes investments in partnerships specializing in venture capital investing. The Company's investments are in the form of limited partnership interests. The Company generally limits these investments to no more than 2.0% to 3.0% of its total invested assets. In accordance with GAAP, certain of the Company's investments in these partnerships are accounted for under the equity method of accounting, while the balance of the portfolio is accounted for at estimated fair value with changes in fair value recorded in other comprehensive income. Generally, substantially all the Company's partnership investments acquired before May 1995 are accounted for at fair value, while those acquired on or after May 1995 are accounted for under the equity method of accounting. Because the underlying partnerships are required under GAAP to mark their investment portfolios to market and report changes in such market value through their earnings, the Company's earnings will reflect the pro rata share of such mark to market adjustment if the Company accounts for the partnership investment under the equity method. With respect to partnerships accounted for at fair value, there will be no impact on the Company's earnings until: (i) the underlying investments held by the partnership are distributed to the Company by the partnership, or (ii) the underlying investments held by the partnership are sold by the partnership and the proceeds distributed to the Company, or (iii) an impairment of the Company's investment in the partnership is determined to exist. Historically, venture capital investments have had a significant impact on the Company's earnings. The Company's future earnings from venture capital investments could be adversely affected when market valuations deteriorate, which could materially affect the Company's results of operations and financial position. At December 31, 2003, the carrying value of the Company's venture capital investments was \$177.6 million, of which \$80.6 million was accounted for under the equity method and \$97.0 million was accounted for at fair value.

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

Certain of the Company's annuity products have contractual provisions which guarantee minimum death benefits. These provisions require the Company to pay the beneficiary any excess of the guaranteed minimum benefit over the fund value of the annuity contract in addition to the payment of the fund value. It is the Company's practice to establish reserves for the payment of any guaranteed minimum death benefit claims on the basis of its outlook for mortality experience and the amount at risk on the annuity contracts. At December 31, 2003, the Company's net amount at risk (or the aggregate amount by which the guaranteed values exceeded the fund values of the Company's in force annuity contracts) totaled approximately \$418.0 million. At December 31, 2003, the Company carried a reserve of approximately \$4.0 million with respect to such claims. However, additional reserves for such claims may need to be established, particularly if there is a sustained deterioration in the securities markets. In addition, the American Institute of Certified Public Accountants (AICPA) has issued guidance concerning the establishment of such reserves. This guidance requires the Company to change its methodology for determining the amount of reserves that should be established for such claims.

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Accordingly, upon the adoption of the new guidance issued by the AICPA, effective for financial statements for fiscal years beginning after December 15, 2003, the Company will have to establish additional reserves. The Company estimates that under the new AICPA guidance it would have had to establish additional reserves of approximately \$0.8 million at December 31, 2003.

***Declines in Securities Market Prices Could Decrease the Company's Revenues***

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

***Events in 2004 Could Result in Significant Changes to Pension and Other Post-retirement Benefit Costs***

As required under GAAP, both the expected rate of return assumption for 2004 on assets funding the Company's pension liabilities and other post-retirement benefits and the discount rate used to determine those liabilities were established at December 31, 2003. The Company made these assumptions on the basis of historical returns on such assets, its outlook for future returns, the long-term outlook for such returns in the marketplace, and yields on high-quality corporate bonds. Due to the continuing decline in the market yield on high-quality corporate bonds, the Company lowered the discount rate assumption for 2004 to 6.125% from 6.625% in 2003, which will cause an increase in the Company's net periodic expense in 2004 and thereafter. However, while the expected rate of return assumption for 2004 of 8.0% was not changed from that assumed in 2003, the fair value of plan assets grew more than anticipated during 2003, and accordingly, earnings on plan assets during 2004 attributable to such growth are expected to more than offset the increase in pension expense resulting from the use in 2004 of a lower discount rate assumption. Each 1% increment in the return on assets lowers the future expected annual GAAP expense for 2005 and later by approximately \$700,000, while each 1% decrease in the discount rate adds approximately \$9.6 million to annual expense.

While the market value of assets funding the Company's tax-qualified defined benefit pension liabilities (RISPE) exceeded the Company's tax-qualified defined benefit Accumulated Benefit Obligation (ABO) at December 31, 2003, any unfunded ABO at December 31, 2004 will either cause the Company to contribute assets to the pension plan in an amount sufficient to eliminate any unfunded ABO or, as required by GAAP, the Company will be required to charge to comprehensive income the full amount of any prepaid benefit cost at such date. At December 31, 2003, prepaid benefit costs aggregated \$132.5 million. While management expects that, in the event of an underfunded position, it would make a contribution to the Company's pension plan to avoid such a charge to comprehensive income, this will ultimately depend upon the total amount of any such underfunding, which largely is dependent upon the market values of assets backing the pension plan, and the ABO, at December 31, 2004. It should be noted that, in the event a company is required to charge its prepaid benefit cost asset to comprehensive income due to an underfunded position, in accordance with GAAP, a company may reestablish that asset if the market value of assets supporting the pension plan increases, the ABO decreases, and/or subsequent contributions increase plan assets to the level of the ABO.

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

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

## **Segments**

The Company's business is organized in three principal reportable segments: the Protection Products segment, the Accumulation Products segment, and the Retail Brokerage and Investment Banking segment. Substantially all of the Company's other business activities are combined and reported in the Other Products segment. Certain amounts, which are not allocated to the segments, are reported as reconciling items. Reconciling items are principally comprised of: (i) revenues and expenses associated with contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group, (iii) revenues and expenses of MONY Holdings, since its formation and commencement of operations in 2002 *see Note 1 to the Consolidated Financial Statements*, (iv) certain charges associated with the Company's reorganization activities *see Note 26 to the Consolidated Financial Statements*, and (v) merger related expenses incurred in connection with the pending merger of the MONY Group with AXA Financial *see Note 2 to the Consolidated Financial Statements*.

## **Critical Accounting Policies**

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

The following is a discussion of the critical accounting policies that, in the Company's view, require significant use of judgment. See Note 4 to the Consolidated Financial Statements for a complete description of the Company's significant accounting policies.

## **Investments**

The Company records investments in fixed maturity securities and equity securities available for sale, trading securities and certain investments in venture capital partnerships at fair value in its consolidated balance sheet. In most cases, the Company determines fair values using quoted market prices. However, the valuation of certain investments, such as private placement fixed maturity securities, requires the use of

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assumptions and estimates related to interest rates, default rates, and the timing of cash flows because quoted market prices are not available. At December 31, 2003, the carrying value of private placement fixed maturity securities was \$3,061.2 million.

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

The Company records mortgage loans on real estate at their unpaid principal balances, net of valuation allowances. Valuation allowances are established for the excess of the carrying value of a mortgage loan over its estimated fair value when the loan is considered to be impaired. Mortgage loans are considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Estimated fair value is based on either the present value of expected future cash flows discounted at the loan's original effective interest rate, or the loan's observable market price (if considered to be a practical expedient), or the fair value of the collateral if the loan is collateral dependent and if foreclosure of the loan is considered probable. In addition, the Company records an estimate for incurred but not reported defaults. The Company bases its estimate for incurred but not reported defaults on historical default rates and the current mortgage portfolio composition. The Company's financial position and operating results are therefore sensitive to: (i) changes in the estimated cash flows from mortgages, (ii) the value of the collateral, and (iii) changes in the economic environment in general. At December 31, 2003 and 2002, the valuation allowance on these mortgage loans was \$20.0 million and \$22.7 million, respectively.

***Deferred policy acquisition costs and insurance reserves***

The Company values DPAC and insurance reserves in accordance with the relevant GAAP pronouncements: generally SFAS 60 for term and whole life insurance products, SFAS 97 for universal life and investment-type contracts, and SFAS 120 for traditional participating life insurance contracts. The valuation of DPAC and insurance reserves requires management to assume future investment yields, mortality rates, lapse rates, expense levels, policyholder dividends and where flexibility is allowed, policyholder premium payment behavior. For many of the Company's products, amortization of DPAC varies with profit margins of the policies and contracts supporting the DPAC balances. The Company must periodically evaluate the recoverability of DPAC and the adequacy of its reserves based on historical and projected future results. Changes in management's assumptions or actual results that differ significantly from management's estimates may materially affect the Company's financial position and results of operations. See *Potential Forward Looking Risks Affecting Profitability*.

***Goodwill and intangible assets***

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

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### *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 18 to the Consolidated Financial Statements, the Company is party to various legal actions and proceedings in connection with its businesses. To the extent the losses are probable and reasonably estimable, the Company records liabilities related to these matters in accordance with the provisions of SFAS 5 and FASB Interpretation 14. Judgments or settlements exceeding established loss reserves or changes in the circumstances requiring management to update its loss estimate may materially affect the Company's financial position and results of operations.

As discussed in Note 26 to the Consolidated Financial Statements, in each of the years in the three-year period ending December 31, 2003 the Company established reserves related to the reorganization of certain of its businesses. These reserves are primarily related to the estimated costs of employee terminations and related benefits, lease abandonments and other costs directly related to the Company's reorganization plans and incremental to the Company's normal operating costs. Although management does not expect significant changes to its reorganization plans, the actual costs related to these plans may differ from management's estimates. See *Reorganization and Other Charges*.

### *Pension liabilities and the corresponding periodic expense*

The accounting for pension liabilities and the corresponding periodic expense requires assumptions with respect to the future return on the Company's pension plan (the Plan) assets, the discount rate used to determine the present value of pension liabilities, the rate of compensation increases, and the determination of the fair value of Plan assets and the resultant unrealized gain or loss.

The Company's assumption with respect to the future return on Plan assets is made by management after taking into consideration historic returns on such assets (generally the geometric annual rate of return over at least a ten year period), the actual mix of the Plan's invested assets at the valuation date (which is assumed to be consistent in future periods), management's outlook for future returns on such asset types, and the long-term outlook for such returns in the marketplace. At December 31, 2003, the Plan's invested assets were comprised of the following:

	<b>Fair Value As of December 31, 2003</b>	<b>Percentage of Total</b>
	<b>(\$ in millions)</b>	
Public common stocks	\$ 238.3	61.5%
Public and private fixed maturity securities	112.4	29.0
Real estate	15.5	4.0
Cash and cash equivalents	21.4	5.5
	<b>\$ 387.6</b>	<b>100.0%</b>

The Company's assumption as to the appropriate discount rate to be used to determine the present value of the Company's pension liabilities is made by management after taking into consideration the Moody's AA rate index.

The Company's assumption with respect to the rate of future compensation increases was made by management based on future expected salary trends.



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The fair value of Plan assets is determined as follows:

*Public and Private Fixed Maturity Securities* The estimated fair values of public fixed maturity securities are based upon quoted market prices, where available. The fair values of private fixed maturity securities or public fixed maturity securities which are not actively traded are estimated using values obtained from independent pricing services or, in the case of private placements, by discounting expected future cash flows using a current market interest rate commensurate with the credit quality and term of the investments.

*Public common stock* The fair values of public common stock investments are determined based on quoted market prices.

*Real estate* The estimated fair value of real estate is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks.

The most significant assumptions underlying the valuation of the Company's pension valuation are the expected future rate of return on Plan assets and the discount rate which, at January 1, 2003, were determined to be 8.0% and 6.125%, respectively. Each 1% increment in the return on assets lowers the future expected annual GAAP expense for 2005 and later by approximately \$700,000, while each 1% decrease in the discount rate adds approximately \$9.6 million to annual expense.

### ***Other significant estimates***

In addition to the items discussed above, the application of GAAP requires management to make other estimates and assumptions. For example, the recognition of deferred tax assets, which depends upon management's assumptions with respect to the Company's ability to realize deferred tax benefits. *See Notes 3 and 12 to the Consolidated Financial Statements.*

### **Reorganization and Other Charges**

During 2003, the Company recorded charges aggregating \$5.8 million as part of the Company's continuing initiative to enhance operating efficiency and effectively allocate resources. These charges consisted of: (i) severance and related benefits of \$1.1 million incurred in connection with the merger of MONY Asset Management, Inc.'s operations into Boston Advisors and the resulting termination of certain employees; (ii) losses from the abandonment of leased offices of \$1.3 million; (iii) losses from the abandonment of leased space in the Company's home office of \$2.0 million; (iv) write-offs of unused furniture and equipment in certain abandoned agency offices of \$1.3 million; and (v) moving and alteration costs incurred in connection with the consolidation of leased space in the Company's home office of \$0.2 million. The severance actions were substantially completed during the fourth quarter of 2003. The reserves established for the abandonment of leased agency offices and leased space in the Company's home office are expected to run-off through 2008 and 2016, respectively. All of the charges recorded in 2003 represent costs associated with exit or disposal activities as described in SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146).

During the fourth quarter of 2002 and 2001, the Company recorded reorganization and other charges aggregating approximately \$7.7 million and \$146.1 million, respectively, as part of the Company's initiative to enhance operating efficiency, more effectively allocate resources and capital, and discontinue certain non-core operations. Of these charges, \$7.7 million and \$19.0 million, respectively, met the definition of restructure charges as defined by Emerging Issues Task Force Consensus 94-3, *Liability Recognition for Certain Employee Termination*

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Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) ( EITF 94-3 ). The 2002 restructure charge consisted of severance and related benefits resulting

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from headcount reductions of 161 and 26 in the Company's home office and career agency system, respectively, as well as losses from the abandonment of certain leased offices and equipment. The 2001 restructure charge consisted of severance and related benefits of \$10.3 million resulting from headcount reductions of 117 and 240 in the Company's home office and career agency system, respectively, and \$8.7 million of other miscellaneous items. These actions were substantially completed in 2002. The remaining restructuring reserves primarily relate to lease abandonment costs and are expected to run-off through 2007. The balance of the charge in 2001, \$127.0 million, was unrelated to the Company's restructure activities and consisted of: (i) impairments of certain invested assets and valuation related write-downs of private equity securities held in the Company's equity method venture capital portfolio; (ii) the write-off of deferred sales charges in the Company's mutual fund business to reflect revised estimates of recoverability which are principally due to the decline in the value of the Company's internet funds; (iii) write-downs of certain information technology assets; and (iv) other miscellaneous items.

The following tables summarize the components of the aforementioned charges recorded during 2003, 2002, and 2001, respectively. None of the charges referred to below as Reorganization Charges have been allocated to the Company's operating segments, however, the charges in 2001 referred to as Other Charges have been allocated to the Company's operating segments. All Reorganization Charges incurred in 2003, 2002 and 2001 are reported as reconciling items.

2003:	Operating	Net Realized Losses	Total
		(\$ in millions)	
<b>Reorganization Charges:</b>			
Severance benefits and incentive compensation	\$ 1.1	\$	\$ 1.1
Leased offices and equipment	2.5		2.5
Lease abandonment and other	2.2		2.2
<b>Total Reorganization Charges before tax(1)</b>	<b>\$ 5.8</b>	<b>\$</b>	<b>\$ 5.8</b>
<b>Total Reorganization Charges after tax</b>	<b>\$ 3.8</b>	<b>\$</b>	<b>\$ 3.8</b>

(1) All of the reorganization charges recorded in 2003 are costs associated with exit or disposal activities as described in SFAS 146.

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

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



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2001:	Operating	Net Realized Losses	Total
(\$ in millions)			
<b>Reorganization Charges:</b>			
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
<b>Subtotal Reorganization Charges</b>	<b>56.8</b>		<b>56.8</b>
<b>Other Charges:</b>			
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
<b>Subtotal Other Charges</b>	<b>69.2</b>	<b>20.1</b>	<b>89.3</b>
<b>Total Reorganization and Other Charges before tax</b>	<b>\$ 126.0</b>	<b>\$ 20.1</b>	<b>\$ 146.1</b>
<b>Total Reorganization and Other Charges after tax</b>	<b>\$ 81.9</b>	<b>\$ 13.1</b>	<b>\$ 95.0</b>

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

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

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



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Set forth below is certain information regarding the liability recorded in connection with the Company's restructuring actions, as well as the changes therein during the year ended December 31, 2003. Such liability is reflected in Accounts Payable and Other Liabilities on the Company's consolidated balance sheet.

	December 31, 2002	Charges	Cash Payments	Change in Reserve Estimates	December 31, 2003
(\$ in millions)					
<b>Restructuring Charges Liability:</b>					
Severance benefits	\$ 8.3	\$ 1.1	\$ (8.2)	\$ (0.7)	\$ 0.5
Other restructure charges	4.4	4.7	(5.1)		4.0
<b>Total Restructuring Charges Liability</b>	<b>\$ 12.7</b>	<b>\$ 5.8</b>	<b>\$ (13.3)</b>	<b>\$ (0.7)</b>	<b>\$ 4.5</b>

**Summary of Financial Results**

The following tables present the Company's consolidated and segment results of operations for the years ended December 31, 2003, 2002 and 2001. The financial information herein is presented in accordance with GAAP unless otherwise noted.

**Table of Contents****Results of Operations**

For the Year Ended December 31, 2003

	<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)					
<b>Revenues:</b>						
Premiums	\$ 667.9	\$ 21.2	\$	\$ 16.1	\$	\$ 705.2
Universal life and investment-type policy fees	170.4	40.6		(0.1)		210.9
Net investment income	602.2	91.6	0.1	18.0	27.6	739.5
Net realized gains on investments	29.7	14.0		2.8	4.7	51.2
Group Pension Profits (4)						
Retail brokerage and investment banking revenues			426.8			426.8
Other income	42.1	105.8	4.0	27.4	7.4	186.7
<b>Total revenue</b>	<b>1,512.3</b>	<b>273.2</b>	<b>430.9</b>	<b>64.2</b>	<b>39.7</b>	<b>2,320.3</b>
<b>Benefits and Expenses:</b>						
Benefits to policyholders	762.5	49.7		23.8	5.5	841.5
Interest credited to policyholders account balances	75.1	56.3		8.0		139.4
Amortization of deferred policy acquisition costs	114.8	5.2				120.0
Dividends to policyholders	222.0	1.3		1.0		224.3
Other operating costs and expenses	274.5	125.1	424.0	40.3	90.6	954.5
<b>Total expenses</b>	<b>1,448.9</b>	<b>237.6</b>	<b>424.0</b>	<b>73.1</b>	<b>96.1</b>	<b>2,279.7</b>
Income/(loss) from continuing operations before income tax	\$ 63.4	\$ 35.6	\$ 6.9	\$ (8.9)	\$ (56.4)	40.6
Income tax expense						9.9
Net income from continuing operations						30.7
Discontinued Operations: Income from real estate to be disposed of, net of income tax expense of \$3.1 million						5.9
<b>Net income</b>						<b>\$ 36.6</b>



**Table of Contents****Results of Operations (Continued)**

For the Year Ended December 31, 2002

	<u>Protection</u>	<u>Accumulation</u>	<u>Retail Brokerage and Investment Banking</u>	<u>Other</u>	<u>Reconciling(2)</u>	<u>Consolidated</u>
	(\$ in millions)					
<b>Revenues:</b>						
Premiums	\$ 662.9	\$ 11.6	\$	\$ 15.9	\$	\$ 690.4
Universal life and investment-type policy fees	152.1	46.8		1.6		200.5
Net investment income	595.8	82.7	0.3	27.1	31.4	737.3
Net realized (losses)/gains on investments	(121.5)	(23.2)		(8.4)	0.1	(153.0)
Group Pension Profits (4)	82.3					82.3
Retail brokerage and investment banking revenues			397.1			397.1
Other income	15.0	96.1	0.7	17.3	10.8	139.9
<b>Total revenue</b>	<b>1,386.6</b>	<b>214.0</b>	<b>398.1</b>	<b>53.5</b>	<b>42.3</b>	<b>2,094.5</b>
<b>Benefits and Expenses:</b>						
Benefits to policyholders	729.7	41.9		21.6	9.9	803.1
Interest credited to policyholders account balances	64.5	46.0		8.8		119.3
Amortization of deferred policy acquisition costs	110.3	45.8				156.1
Dividends to policyholders	185.6	1.2		1.2		188.0
Other operating costs and expenses	233.7	119.4	395.7	37.2	74.0	860.0
<b>Total expenses</b>	<b>1,323.8</b>	<b>254.3</b>	<b>395.7</b>	<b>68.8</b>	<b>83.9</b>	<b>2,126.5</b>
Income/(loss) from continuing operations before income tax	\$ 62.8	\$ (40.3)	\$ 2.4	\$ (15.3)	\$ (41.6)	(32.0)
Income tax benefit						11.2
Net loss from continuing operations						(20.8)
Discontinued Operations: Loss from real estate to be disposed of, net of income tax benefit of \$1.4 million						(2.5)
<b>Net loss</b>						<b>\$ (23.3)</b>

**Table of Contents****Results of Operations (Continued)**

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

- (1) Amounts reported as reconciling in 2003 primarily relate to (i) contracts issued by MONY Life relating to its employee benefits plans, (ii) revenues and expenses of the MONY Group, (iii) revenues and expenses of MONY Holdings, (iv) charges totaling \$5.8 million pre-tax relating to the Company's reorganization activities (see *Reorganization and Other Charges*) and (v) merger related expenses totaling \$9.6 million incurred in connection with MONY Group's pending merger transaction with AXA Financial - see *Note 2 to the Consolidated Financial Statements*.
- (2) Amounts reported as reconciling in 2002 primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group, (iii) revenues and expenses of MONY Holdings, (iv) charges totaling \$7.7 million pre-tax relating to the Company's reorganization activities and (v) a \$1.5 million reversal of certain reserves associated with the reorganization charge recorded in 2001. See *Reorganization and Other Charges*.
- (3) Amounts reported as reconciling in 2001 primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group and (iii) charges totaling \$56.8 million pre-tax relating to the Company's reorganization activities. See *Reorganization and Other Charges*.

(4) See Note 13 to the Consolidated Financial Statements.

**Table of Contents****-Year Ended December 31, 2003 Compared to Year Ended December 31, 2002***Premiums*

Premium revenue was \$705.2 million for 2003, an increase of \$14.8 million, or 2.1%, from \$690.4 million reported for 2002. The increase was primarily the result of higher premiums in the Protection Products and Accumulation Products segments of \$5.0 million and \$9.6 million, respectively. The following table summarizes the components of premiums recorded in each of the Company's segments for the years ended December 31, 2003 and 2002, respectively.

	<b>For the Years Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
	(\$ in millions)	
<b>Protection Products Segment:</b>		
Single premiums	\$ 129.0	\$ 130.4
New premiums	23.5	18.7
Renewal premiums	454.5	471.2
Premiums ceded	(47.7)	(40.4)
	<u>559.3</u>	<u>579.9</u>
Total premiums, excluding USFL and other USFL	108.8	83.3
	<u>668.1</u>	<u>663.2</u>
Other	(0.2)	(0.3)
	<u>667.9</u>	<u>662.9</u>
<b>Accumulation Products segment</b>	21.2	11.6
<b>Other Products segment</b>	16.1	15.9
	<u>705.2</u>	<u>690.4</u>
<b>Total Premiums</b>	<b>\$ 705.2</b>	<b>\$ 690.4</b>

Premium revenue in the Protection Products segment, excluding USFL, decreased \$20.5 million, primarily due to a reduction of \$16.7 million in renewal premiums on individual life, attributable mostly to the run-off of the Closed Block business, partially offset by an increase in renewal premiums on level term and whole life business outside the Closed Block. An increase in premiums ceded of \$7.3 million, attributable to an increase in new and renewal premiums outside the Closed Block, also contributed to the decrease in premium revenue. The year over year increase in new premiums on individual life products outside the Closed Block was \$5.3 million, primarily due to growth in the Level Term and Whole Life product lines.

USFL's premiums were \$108.8 million and \$83.3 million for the years ended December 31, 2003 and 2002, respectively. The increase in USFL's premiums was primarily due to an increase in renewal premiums attributable to the growth of its in-force block of business and improved retention. Higher new premiums on special risk insurance products attributable to the increased penetration of the broker market into more states

also contributed to the increase in USFL's premiums.

The increase in premiums in the Accumulation Products segment from \$11.6 million to \$21.2 million was primarily due to an increase in life contingent immediate annuity sales. The stability and payout stream of the single premium life contingent immediate annuity product has been well received by customers, which has contributed to improved sales of the product.

*Universal life and investment-type product policy fees*

Universal life and investment-type product policy fees were \$210.9 million for 2003, an increase of \$10.4 million, or 5.2%, from \$200.5 million reported for 2002. The increase was primarily the result of higher fees in the Protection Products segment of \$18.3 million, partially offset by lower fees in the Accumulation Products and Other

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Products segments of \$6.2 million and \$1.7 million, respectively. The increase in the Protection Products segment was primarily the result of increases in Universal Life ( UL ), Variable Universal Life ( VUL ) and Corporate Sponsored Variable Universal Life ( CSVUL ) of \$15.0 million, \$3.2 million, and \$2.8 million, respectively, net of reinsurance. The increases in UL and CSVUL fees were primarily due to higher Cost of Insurance ( COI ), administrative, loading, and reinsurance charges aggregating \$8.8 million, \$2.1 million, \$4.8 million and \$6.6 million, respectively, partially offset by a \$4.4 million decrease in the amount of unearned revenue that was recognized on these products. The increase in VUL fees was primarily attributable to increases in COI charges and the amount of unearned revenue that was recognized of \$1.8 million and \$5.0 million, respectively, partially offset by decreased surrender, loading and reinsurance charges of \$2.2 million, \$1.2 million and \$0.4 million, respectively. These increases on protection products were partially offset by a higher level of fees ceded to certain reinsurers.

The decrease in the Accumulation Products segment was primarily due to lower Flexible Premium Variable Annuity ( FPVA ) surrender charges of \$3.2 million attributable to a negative market value adjustment and lower surrender rates, a decrease in mortality and expense charges of \$1.7 million due to lower average FPVA separate account asset under management balances, and a \$1.2 million increase in reinsurance charges attributable to an increase in the assets under management on the new Variable Annuity (VA) product introduced in January 2002. The average FPVA separate account assets under management balance for 2003 was \$2.8 billion compared to \$3.0 billion for 2002. The decrease in the Other Products segment was primarily due to a \$1.0 million negative market value adjustment on the retained portion of the Company's group pension business, and a \$0.7 million decrease in fees earned on administrative charges.

*Net investment income and net realized gains/(losses) on investments*

Net investment income was \$739.5 million for 2003, an increase of \$2.2 million, or 0.3%, from \$737.3 million reported for 2002. The increase in net investment income related primarily to a higher average invested asset balance offset by a decline in interest rates. The annualized yield on the Company's invested assets, including limited partnership interests, before and after net realized gains and (losses) on investments was 6.3% and 6.7%, respectively, for the year ended December 31, 2003, as compared to 6.6% and 5.2%, respectively, for the year ended December 31, 2002. See *Investments Investment Yields by Asset Category*.

As of December 31, 2003, the Company had approximately \$10.6 million of additional unrealized pre-tax gains related to venture capital limited partnership investments accounted for at fair value that may be recognized in future earnings subject to market fluctuation. This amount is reflected in other comprehensive income on the Company's statement of income and comprehensive income.

Net realized gains were \$51.2 million for the year ended December 31, 2003, an increase of \$204.2 million from losses of \$153.0 million reported in the prior year. The increase was due primarily to significant losses recorded in 2002 relating to other than temporary impairment charges on fixed maturity securities of \$115.5 million, valuation allowances taken on real estate properties of \$26.7 million, and a \$6.8 million litigation loss related to a specific joint venture real estate partnership. In comparison, for 2003 other than temporary impairment charges on fixed maturity securities and venture capital aggregated \$42.8 million. Further contributing to the gains in 2003 was an increase in gains from sales of investments and prepayments on bonds and mortgages. See *Investments Other Than Temporary Impairment Charges on Investments in Fixed Maturity Securities and Common Stocks* and see *Note 18 to the Consolidated Financial Statements*.

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The following table presents the components of net realized gains and (losses) by investment category for the periods presented.

	<b>For the Years Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
	(\$ in millions)	
Fixed maturity securities	\$ 47.7	\$ (79.3)
Equity securities	(9.1)	(38.7)
Real estate	1.3	(32.1)
Mortgage loans	18.6	(3.0)
Other	(7.3)	0.1
	<u>          </u>	<u>          </u>
Total net realized gains/(losses)	\$ 51.2	\$ (153.0)
	<u>          </u>	<u>          </u>

*Group Pension Profits*

The Group Pension Transaction and the related Group Pension Profits ceased as of December 31, 2002. Refer to Note 13 of the Consolidated Financial Statements included herein for information regarding the Group Pension Transaction, the Group Pension Profits and the Final Value Payment, along with certain summary financial information relating thereto.

*Retail brokerage and investment banking revenues*

Retail brokerage and investment banking revenues were \$426.8 million for 2003, an increase of \$29.7 million, or 7.5%, compared to \$397.1 million reported for 2002. This increase in revenues is a reflection of the upturn in the markets during 2003. Advest had revenues of \$369.6 million for the year ended December 31, 2003 compared to \$348.3 million reported for 2002, an increase of \$21.3 million, or 6.1%. The increase was primarily due to higher retail, principal bond and syndicate underwriting commissions, partially offset by a decrease in interest revenue earned on margin accounts and stock borrowed. Revenues from MSC, a registered securities broker-dealer for the MONY Group's career network, increased to \$53.1 million from \$44.8 million in the comparable prior year due to higher commission fee income.

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

<b>For the Years Ended December 31,</b>	
<b>2003</b>	<b>2002</b>
<u>          </u>	<u>          </u>

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	(\$ in millions)	
Commissions	\$ 168.6	\$ 157.4
Interest	29.9	35.2
Principal transactions (1)	121.0	107.2
Asset management and administration	61.4	60.5
Investment banking	35.5	27.9
Other	10.4	8.9
	<hr/>	<hr/>
Total retail brokerage and investment banking revenues	\$ 426.8	\$ 397.1
	<hr/>	<hr/>

(1) Includes commissions and trading profits from trading securities where Advest acts as principal.



**Table of Contents***Other income*

Other income (which consists primarily of fees earned by the Company's mutual fund management and insurance brokerage operations, as well as certain asset management fees, and other miscellaneous revenues) was \$186.7 million for 2003, an increase of \$46.8 million, or 33.5%, from \$139.9 million reported for 2002. The increase was due primarily to higher income in the Protection Products, Accumulation Products, Other Products and Retail Brokerage and Investment Banking segments of \$27.1 million, \$9.7 million, \$10.1 million and \$3.3 million, respectively, partially offset by a decrease in reconciling amounts of \$3.4 million. The following table summarizes the components of other income recorded in each of the Company's segments for the years ended December 31, 2003 and 2002, respectively.

	<b>For the Years Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
	(\$ in millions)	
Corporate Owned Life Insurance ( COLI )	\$ 14.0	\$ (11.5)
Reinsurance allowances	13.9	12.1
Other miscellaneous	14.2	14.4
<b>Total Protection Products segment</b>	<b>42.1</b>	<b>15.0</b>
<b>Accumulation Products segment</b>	<b>105.8</b>	<b>96.1</b>
<b>Retail Brokerage and Investment Banking Products segment</b>	<b>4.0</b>	<b>0.7</b>
<b>Other Products segment</b>	<b>27.4</b>	<b>17.3</b>
<b>Reconciling amounts</b>	<b>7.4</b>	<b>10.8</b>
<b>Total Other Income</b>	<b>\$ 186.7</b>	<b>\$ 139.9</b>

The Company purchased a COLI contract to provide a funding mechanism for its non-qualified deferred compensation liabilities. The investments in the COLI contract are structured to substantially offset the changes in the Company's non-qualified deferred compensation liabilities. The change in such liabilities is reflected in the statement of income and comprehensive income caption entitled other operating costs and expenses. In 2003, the change in the cash surrender value of the COLI contract allocated to the Protection Products segment was \$14.0 million compared to \$(11.5) million in 2002. The change in the cash surrender value of the COLI contract allocated to the Accumulation Products segment was \$2.5 million in 2003 compared to \$(2.0) million in 2002. For reporting purposes, the results of the COLI contract are allocated among the segments.

In addition to the increase in the cash surrender value of the COLI contract, the Accumulation Products segment also reported increases in fee income and supplementary contract sales of \$3.8 million and \$3.5 million, respectively. These increases were partially offset by a \$2.1 million decrease in advisory fees from the Company's mutual fund management operations. The increase in the Retail Brokerage and Investment Banking segment was due to non-recurring revenue related to an insurance settlement from the events of September 11<sup>th</sup>, while the increase in the Other Products segment was primarily due to increased revenues from the Company's insurance brokerage subsidiaries. The decrease in reconciling amounts was primarily due to lower revenue attributable to the Company's employee benefit plans.

*Benefits to policyholders*

Benefits to policyholders were \$841.5 million for 2003, an increase of \$38.4 million, or 4.8%, from \$803.1 million reported for 2002. The increase consisted primarily of higher benefits of \$32.8 million, \$7.8 million, and \$2.2 million in the Protection Products, Accumulation Products, and Other Products segments, respectively, partially offset by a decrease in reconciling amounts of \$4.4 million. The increase in the Protection Products segment of \$32.8 million was primarily attributable to (i) a \$24.5 million increase in death claims in USFL, attributable to an unusually high level of claims in the first half of 2003 compared to an unusually low level of claims in 2002 and an increase in USFL's in-force block of business, (ii) an increase in death benefits on

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CSVUL and individual life outside the Closed Block of \$3.3 million and \$5.0 million, respectively, attributable primarily to increased sales of these products over the past few years, (iii) a \$17.8 million increase in death benefits in the Closed Block, net of reinsurance, attributable to an unusually low level of claims in 2002, and (iv) a \$6.8 million increase in reserves primarily due to the growth of the in-force block of business for USFL's products and for individual life products outside the Closed Block. These increases were partially offset by a \$21.7 million decrease in surrender benefits, primarily in the Closed Block, attributable to conservation efforts, and a \$3.6 million decrease in death benefits on UL business. The decrease in death benefits on UL business is attributable to poor mortality experience in 2002 compared to 2003. The increase in the Accumulation Products segment was primarily due to higher reserves on individual annuity products and supplementary contracts of \$9.0 million and \$2.1 million, respectively, partially offset by lower benefit reserves of \$3.4 million on the Company's FPVA product as compared to the prior year. The increased reserves on individual annuities and supplementary contracts were attributable to higher sales of these accumulation products, while the lower reserves for guaranteed minimum death benefits (GMDB) on the Company's FPVA products were due to improving market conditions. The reduction in GMDB reserves was partially offset by an increase in death benefit payouts. The increased benefits in the Other Products segment were primarily attributable to higher reserves for group health and an increase in claims experience.

*Interest credited to policyholders' account balances*

Interest credited to policyholders' account balances was \$139.4 million for 2003, an increase of \$20.1 million, or 16.8%, from \$119.3 million reported for the comparable prior year. The increase was primarily attributable to higher interest crediting of \$10.6 million and \$10.3 million in the Protection Products and Accumulation Products segments, respectively, offset by lower interest crediting of \$0.8 million in the Other Products segment. The increase in the Protection Products segment was primarily due to higher interest crediting on CSVUL and UL products of \$6.7 million and \$3.1 million, respectively, due to a larger in-force block on those products. Higher interest crediting on VUL, individual life and Guaranteed Universal Life (GUL) products aggregating \$0.8 million made up the remainder of the increase in the Protection Products segment. The increase in the Accumulation Products segment was primarily attributable to higher interest crediting on the Flexible Premium Deferred Annuity (FPDA) and FPVA products of \$10.2 million and \$2.1 million, respectively, partially offset by decreased interest crediting on Single Premium Deferred Annuity (SPDA) business and other annuity contract business of \$1.4 million and \$0.6 million, respectively. The increase in interest crediting on FPDA and FPVA business was related to higher general account fund balances resulting from new sales of these products. The decrease in interest crediting on SPDA and other annuity contract business is primarily attributable to the continued run-off of these lines of business.

*Amortization of deferred policy acquisition costs*

Amortization of DPAC was \$120.0 million for 2003, a decrease of \$36.1 million, or 23.1%, from \$156.1 million reported for 2002. The decrease was primarily due to lower amortization of \$40.6 million in the Accumulation Products segment, partially offset by an increase of \$4.5 million in the Protection Products segment. The decreased amortization in the Accumulation Products segment was due primarily to increased future margins as a result of higher revenue from underlying funds and an increase in future profitability due to improved market returns. The market upturn in 2003 triggered lower amortization of \$11.0 million for the year ended December 31, 2003 compared to the prior year when the deterioration of the markets triggered accelerated DPAC amortization of approximately \$17.9 million for the year ended December 31, 2002. The increased revenue from underlying funds resulted in decreased DPAC amortization in the Accumulation Products segment of approximately \$8.6 million. The increase in the Protection Products segment was primarily attributable to increased amortization of \$5.2 million, \$3.2 million and \$3.0 million on the VUL, individual life and UL product lines, respectively, attributable to growth in these blocks of business. These increases were partially offset by lower amortization of \$2.8 million on the CSVUL product line due to higher net death claims and lower amortization of approximately \$3.9 million in the Closed Block resulting from a reduction in maintenance expenses which reflects cost reduction measures instituted over the past few years.

**Table of Contents***Dividends to policyholders*

Dividends to policyholders (all but a de minimus amount of which are recorded in the Protection Products segment) were \$224.3 million for 2003, an increase of \$36.3 million, or 19.3%, from \$188.0 million reported for 2002. Dividends to policyholders can be broken down into two components, namely policyholder dividends payable in the current year and the change in the deferred dividend liability. The \$36.3 million increase in dividends to policyholders was due to a period over period increase of \$38.3 million in the deferred dividend liability, offset by a period over period decrease of \$2.0 million in dividends paid to policyholders due to the run-off of the Closed Block business.

As required under GAAP, actual Closed Block earnings in excess of expected Closed Block earnings inure solely to the benefit of policyholders in the Closed Block and, accordingly, are recorded as an additional liability to Closed Block policyholders, referred to as the deferred dividend liability. Expected Closed Block earnings were forecasted for each year over the estimated life of the policies in the Closed Block in order to determine the amount of assets to allocate to the Closed Block in order to provide sufficient funding for payment of policyholder liabilities and dividends in the Closed Block in connection with the demutualization of MONY Life as more fully discussed in Note 3 to the Consolidated Financial Statements. Due to the recognition of realized losses from other than temporary impairment charges on invested assets during the fourth quarter of 2002, the actual experience of the Closed Block earnings was less than expected in the prior year, and as a result, the deferred dividend liability for 2002 was unusually low compared to the current year. See *Year Ended December 31, 2002 Compared to Year Ended December 31, 2001- Net Investment Income and Realized Gains/(Losses)*. The deferred dividend liability was \$65.7 at December 31, 2003.

*Other operating costs and expenses*

Other operating costs and expenses were \$954.5 million for 2003, an increase of \$94.5 million, or 11.0 %, from \$860.0 million for 2002. The following table summarizes the change in other operating costs and expenses reported in each of the Company's segments for the years ended December 31, 2003 and 2002, respectively.

	<b>For the Years Ended</b>		
	<b>December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>\$ Increase</b>
	(\$ in millions)		
Protection Products segment	\$ 274.5	\$ 233.7	\$ 40.8
Accumulation Products segment	125.1	119.4	5.7
Retail Brokerage and Investment Banking segment	424.0	395.7	28.3
Other Products segment	40.3	37.2	3.1
Reconciling amounts	90.6	74.0	16.6
<b>Total Other Operating Costs and Expenses</b>	<b>\$ 954.5</b>	<b>\$ 860.0</b>	<b>\$ 94.5</b>

The increase in the Protection Products segment was primarily attributable to higher costs related to the Company's employee benefit plans of \$43.4 million, offset by a decrease in other general operating expenses of \$2.6 million. The \$43.4 million increase in the costs related to the Company's employee benefit plans consisted of a \$21.1 million increase in the non-qualified deferred compensation liabilities and a \$22.3 million increase in pension expense. The Company purchased a COLI contract to provide a funding mechanism for the non-qualified deferred

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compensation liabilities. The investments in the COLI contract are structured to substantially offset the changes in the Company's non-qualified deferred compensation liabilities. The cash surrender value of the COLI contract is reflected in the statement of income and comprehensive income caption entitled "other income". The increase in the Accumulation Products segment was primarily attributable to higher costs related to the Company's employee benefit plans of \$7.6 million, and a charge of \$2.0 million relating to reserves established for the support of certain market fund net asset values, partially offset by a \$2.0 million reduction in compensation and other miscellaneous expenses at Enterprise and a decrease in other general expenses of \$1.9 million. The increased expenses in the Retail Brokerage and Investment Banking segment were primarily

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attributable to higher employee compensation and other benefit expenses of \$20.3 million, attributable primarily to an increase in commission expense directly related to increased commission revenues, a \$7.0 million increase in expense reimbursement allowances attributable to the increased commission revenues, a charge of \$4.0 million related to the impairment of goodwill at Matrix, and an increase in other general expenses of \$5.8 million. These increases in the Retail Brokerage and Investment Banking segment were offset by a decrease in interest expense of \$8.8 million. The increase in reconciling amounts related primarily to merger related expenses of \$9.6 million, consisting primarily of legal and consulting costs relating to MONY Group's pending merger with AXA Financial (*see Note 2 to the Consolidated Financial Statements*), an increase in interest expense of \$6.7 million relating to the issuance of the Insured Notes on April 30, 2002 (*see Notes 21 and 22 to the Consolidated Financial Statements*), and an increase in other general expenses (primarily stock option expense, transfer agent fees and postage) of \$2.2 million. These increases in reconciling amounts were partially offset by a decrease in reorganization charges of \$1.9 million (*see Note 26 to the Consolidated Financial Statements*).

The Company recorded a federal income tax expense in 2003 of \$13.0 million, compared to a federal income tax benefit of \$12.6 million in 2002. The Company's effective tax rates were approximately 26.2% and 35.0% in 2003 and 2002, respectively. See Note 12 to the Consolidated Financial Statements for details of the sources of the differences between the statutory federal income tax rate of 35.0% and the Company's effective tax rate.

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

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

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

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<b>Accumulation Products segment</b>	11.6	5.3
<b>Other Products segment</b>	15.9	14.5
	<u>          </u>	<u>          </u>
<b>Total Premiums</b>	<b>\$ 690.4</b>	<b>\$ 695.3</b>
	<u>          </u>	<u>          </u>

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

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

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

*Universal life and investment-type product policy fees*

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

*Net investment income and net realized gains/(losses) on investments*

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

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

Net realized losses were \$153.0 million for 2002, an increase of \$140.7 million from losses of \$12.3 million reported for 2001. The increase in realized losses primarily consisted of other than temporary impairment charges on fixed maturity and equity securities of \$115.5 million and \$38.5 million, respectively, valuation allowances taken on real estate properties of \$26.7 million and a \$6.8 million litigation loss related to a specific joint venture real estate partnership, offset by gains from sales of investments and prepayments on fixed maturity securities of \$38.2 million. See *Investments Other Than Temporary Impairment Charges on Investments in Fixed Maturity Securities and Common Stocks* and *Note 18 to the Consolidated Financial Statements*.





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The following table presents the components of net realized gains and (losses) by investment category for the periods presented.

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

*Group Pension Profits*

Group Pension Profits (which ceased as of December 31, 2002 see *Note 13 to the Consolidated Financial Statements*) of \$82.3 million for the year ended December 31, 2002 include earnings of \$54.1 million from the final payment due from Aegon USA, Inc. ( AEGON ) ( Final Value Payment ) in connection with the expiration of the Group Pension Transaction at December 31, 2002. Excluding the Final Value Payment, Group Pension Profits for the year ended December 31, 2002 were \$28.2 million, a decrease of \$2.5 million, as compared to \$30.7 million recorded in the prior year. The decrease primarily resulted from the continuing run-off of the group pension in force business transferred by the Company pursuant to the Group Pension Transaction.

Refer to Note 13 of the Consolidated Financial Statements included herein for information regarding the Group Pension Transaction, the Group Pension Profits and the Final Value Payment, along with certain summary financial information relating thereto.

*Retail brokerage and investment banking revenues*

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2002</b>	<b>2001</b>
	(\$ in millions)	
Commissions	\$ 157.4	\$ 140.7
Interest	35.2	56.2
Principal transactions (1)	107.2	78.4
Asset management and administration	60.5	17.5
Investment banking	27.9	47.2
Other	8.9	10.8
<b>Total retail brokerage and investment banking revenues</b>	<b>\$ 397.1</b>	<b>\$ 350.8</b>

(1) Includes commissions and trading profits from trading securities where Advest acts as principal.

*Other income*

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

	<b>For the Years Ended December 31,</b>	
	<b>2002</b>	<b>2001</b>
	(\$ in millions)	
Corporate Owned Life Insurance ( COLI )	\$ (11.5)	\$ (3.7)
Reinsurance allowances	12.1	13.5
Other miscellaneous	14.4	6.3
<b>Total Protection Products segment</b>	<b>15.0</b>	<b>16.1</b>
<b>Accumulation Products segment</b>	<b>96.1</b>	<b>107.4</b>
<b>Retail Brokerage and Investment Banking segment</b>	<b>0.7</b>	
<b>Other Products segment</b>	<b>17.3</b>	<b>15.5</b>
<b>Reconciling amounts</b>	<b>10.8</b>	<b>8.1</b>

<b>Total Other Income</b>	<b>\$ 139.9</b>	<b>\$ 147.1</b>
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The Company purchased a COLI contract to provide a funding mechanism for its non-qualified deferred compensation liabilities. The investments in the COLI contract are structured to substantially hedge the changes in the Company's non-qualified deferred compensation liabilities. The change in such liabilities is reflected in the statement of income and comprehensive income caption entitled "other operating costs and expenses." In 2002, the change in the cash surrender value of the COLI contract allocated to the Protection Products segment was \$(11.5) million compared to \$(3.7) million in 2001. This decrease was partially offset by an increase in investment management fees.

The decrease in the Accumulation Products segment was due primarily to an \$11.1 million decrease in commission revenue earned by Enterprise and a \$1.4 million decrease in the change in the cash surrender value.

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of the COLI contract allocated to the Accumulation Products segment, partially offset by a \$2.1 million increase in other miscellaneous revenues. For reporting purposes, the results of the COLI contract are allocated among the segments. The increase in the Other Products segment was primarily due to increased revenues from the Company's insurance brokerage subsidiaries, while the increase in reconciling amounts was primarily due to higher revenue attributable to the Company's employee benefit plans.

*Benefits to policyholders*

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

*Interest credited to policyholders' account balances*

Interest credited to policyholders' account balances was \$119.3 million for 2002, an increase of \$8.8 million, or 8.0%, from \$110.5 million reported for 2001. The increase was primarily attributable to higher interest crediting of \$3.9 million in the Protection Products segment, \$4.7 million in the Accumulation Products segment and \$0.2 million in the Other Products segment. The increase in the Protection Products segment was primarily related to higher interest crediting on CSVUL of \$3.0 million primarily due to higher general account fund values. The increase in the Accumulation Products segment was primarily attributable to higher interest crediting of \$7.3 million on FPVA business and \$2.0 million on the new FPDA product, partially offset by decreased interest crediting on supplementary contracts, SPDA business, and other annuity contract business of \$2.0 million, \$1.9 million and \$0.5 million, respectively. The increase in interest crediting on FPVA business was related to higher general account fund balances. The decrease in interest crediting on supplementary contracts was attributable to lower interest rates, while the decrease on SPDA and other annuity contract business was due to the continued run-off of these products.

*Amortization of deferred policy acquisition costs*

Amortization of DPAC was \$156.1 million for 2002, a decrease of \$2.7 million, or 1.7%, from \$158.8 million reported for 2001. The decrease was primarily due to lower amortization of \$5.4 million in the Protection Products segment and \$17.0 million in reconciling amounts, partially offset by an increase of \$19.7 million in the Accumulation products segment. The decrease in the Protection Products segment was primarily due to lower amortization in the Closed Block of \$10.4 million due to the run-off of this block of business and the implementation of SOP 00-3 in 2001. In addition, the UL product line had lower amortization of \$3.5 million due to unfavorable mortality and the GUL product line had lower amortization of \$1.5 million. This was partially offset by increased amortization in the VUL and term product lines of \$4.4 million and \$2.0 million, respectively as these blocks of business continue to grow. The decrease of \$17.0 million in reconciling amounts related to reorganization and other charges recorded during the fourth quarter of 2001 (see *Note 26 to the Consolidated*



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*Financial Statements*). Of the \$17.0 million, approximately \$13.0 million represented a write-off of DPAC in the Company's international insurance subsidiary to reflect reduced expectations of future profitability due primarily to revised business strategies, and approximately \$4.0 million represented the write-off of DPAC on the Company's GUL business. The increase in the Accumulation Products segment was due to higher amortization in the FPVA product caused by an acceleration of amortization, which was attributable to a decline in variable annuity assets under management and lower expected future profit margins.

*Dividends to policyholders*

Dividends to policyholders (all but a de minimus amount of which are recorded in the Protection Products segment) were \$188.0 million for 2002, a decrease of \$48.6 million, or 20.5%, from \$236.6 million reported for 2001. Dividends to policyholders can be broken down into two components, namely policyholder dividends payable in the current year and the change in the deferred dividend liability. The \$48.6 million decrease in dividends to policyholders was due to a year over year decrease of \$35.8 million in the deferred dividend liability, and a year over year decrease of \$12.8 million in dividends paid to policyholders.

Due to a reduction in the dividend scale effective January 1, 2002, policyholder dividends payable during the year ended December 31, 2002 were \$202.6 million, a decrease of \$12.8 million, or 5.9%, from \$215.4 million reported in the comparable prior year period. The dividend scale reduction reflects lower forecasted ultimate profitability of the Closed Block due primarily to declines in the interest rate environment for fixed income assets. Determination of dividends paid to policyholders in the Closed Block is based on a forecast of the ultimate profitability of the Closed Block over its remaining expected life. The purpose of reducing or increasing dividends to policyholders in the Closed Block is to attempt to align the payment of such dividends to the emergence of expected profits from the Closed Block (*see Note 3 to the Consolidated Financial Statements*).

As required under GAAP, actual Closed Block earnings in excess of expected Closed Block earnings inure solely to the benefit of policyholders in the Closed Block and, accordingly, are recorded as an additional liability to Closed Block policyholders. Expected cash flows from the in force policies in the Closed Block were forecasted for each year over the estimated life of the policies in the Closed Block in order to determine the amount of assets to allocate to the Closed Block in order to provide sufficient funding for payment of policyholder liabilities and dividends in the Closed Block, as well as certain expenses, as more fully discussed in Note 3 to the Consolidated Financial Statements. The expected emergence of earnings from such cash flows is referred to as the glide path earnings. The aforementioned additional liability (which represents the actual Closed Block earnings in excess of expected Closed Block glide path earnings) is referred to as the deferred dividend liability. Due to the recognition of realized losses from other than temporary impairment charges on invested assets during the fourth quarter of 2002, the actual experience of the Closed Block earnings was less than expected. The deferred dividend liability was \$33.2 million at December 31, 2002.

*Other operating costs and expenses*

Other operating costs and expenses were \$860.0 million for 2002, a decrease of \$16.4 million, or 1.9%, from \$876.4 million for 2001. The decrease was primarily attributable to decreases in the Protection Products segment, Accumulation Products segment, Other Products segment and reconciling amounts of \$11.8 million, \$7.8 million, \$2.6 million and \$18.6 million, respectively, partially offset by increased expenses in the Retail Brokerage and Investment Banking segment of \$24.4 million. The decreases in the Protection Products and Accumulation Products segments were primarily attributable to lower compensation and other miscellaneous expenses of \$18.6 million and \$9.7 million, respectively, partially offset by higher costs related to the Company's employee benefit plans of \$6.6 million and \$2.0 million, respectively. The increase in the Retail Brokerage and Investment Banking segment was primarily attributable to the inclusion of an additional month of Advest's expenses in 2002 (because Advest was acquired by the Company on January 31, 2001) of approximately \$33.0 million and higher compensation expense of approximately \$15.4 million, partially offset by lower interest





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expense of \$17.1 million and the elimination of goodwill expense of \$6.7 million (see Note 25 to the Consolidated Financial Statements). The decrease in reconciling amounts related primarily to a decrease in reorganization charges of \$26.5 million (see Note 26 to the Consolidated Financial Statements) and miscellaneous expenses of \$5.5 million, partially offset by an increase in interest expense of \$13.2 million. The increased interest expense related primarily to the issuance of the Insured Notes on April 30, 2002 (see Notes 21 and 22 to the Consolidated Financial Statements).

The Company recorded a federal income tax benefit in 2002 of \$12.6 million, compared to a federal income tax benefit of \$32.6 million in 2001. The Company's effective tax rate was approximately 35.0% in 2002 and 2001.

**Results of Operations of the Closed Block**

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

	For the Years Ended		
	December 31,		
	2003	2002	2001
	(\$ in millions)		
Premiums	\$ 479.2	\$ 509.1	\$ 551.4
Net investment income	393.5	396.5	397.6
Net realized gains/(losses)	12.2	(51.4)	6.0
Other income	1.9	2.2	2.4
<b>Total revenues</b>	<b>886.8</b>	<b>856.4</b>	<b>957.4</b>
Benefits to policyholders	562.6	566.8	606.9
Interest credited to policyholders' account balances	8.8	8.6	8.9
Amortization of deferred policy acquisition costs	45.2	49.1	59.4
Dividends to policyholders	220.7	185.5	233.1
Other operating cost and expenses	6.5	6.1	7.0
<b>Total benefits and expenses</b>	<b>843.8</b>	<b>816.1</b>	<b>915.3</b>
<b>Contribution from the Closed Block</b>	<b>\$ 43.0</b>	<b>\$ 40.3</b>	<b>\$ 42.1</b>

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

*Closed Block Year Ended December 31, 2003 Compared to Year Ended December 31, 2002*

*Premiums*

Premiums were \$479.2 million for the year ended December 31, 2003, a decrease of \$29.9 million, or 5.9%, from \$509.1 million reported in the prior year. The decrease in premiums is in line with the continued run-off of the in force business in the Closed Block.

*Net investment income and net realized gains/(losses)*

Net investment income was \$393.5 million for the year ended December 31, 2003, a decrease of \$3.0 million, from \$396.5 million reported in the prior year, attributable primarily to lower interest rates on fixed maturity securities.

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Net realized gains were \$12.2 million for the year ended December 31, 2003, an increase of \$63.6 million, from losses of \$51.4 million reported in the prior year. The increase in realized gains/(losses) was attributable primarily to an increase in prepayment gains and a decrease in other than temporary impairments on bonds. The following table sets forth the components of net realized gains/(losses) by investment category for the years ended December 31, 2003 and 2002.

	<b>For the Year Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
	(\$ in millions)	
Fixed maturity securities	\$ 10.0	\$ (46.8)
Mortgage loans	2.2	(4.6)
<b>Total net realized gains/(losses)</b>	<b>\$ 12.2</b>	<b>\$ (51.4)</b>

*Other income*

Other income was \$1.9 million for the year ended December 31, 2003, a decrease of \$0.3 million, or 13.6%, from \$2.2 million reported in the prior year due to lower mortgage loan modification fees.

*Benefits to policyholders*

Benefits to policyholders were \$562.6 million for the year ended December 31, 2003, a decrease of \$4.2 million, or 0.7%, from \$566.8 million reported in the comparable prior year. The decrease resulted primarily from: (i) a \$21.8 million decrease in surrenders (surrenders were \$323.4 million and \$345.2 million for the years ended December 31, 2003 and 2002, respectively), and (ii) a \$0.6 million decrease in annuity benefits, disability benefits and mature endowments, offset by (iii) higher death benefits of \$17.8 million (death benefits were \$190.9 million and \$173.1 million for the years ended December 31, 2003 and 2002, respectively), and (iv) an increase in change in reserves of \$0.4 million (the change in reserves was \$38.5 million and \$38.1 million for the years ended December 31, 2003 and 2002, respectively)

*Interest credited to policyholders' account balances*

Interest credited to policyholders' account balances was \$8.8 million for the year ended December 31, 2003 a decrease of \$0.2 million from \$8.6 million reported in the prior year. The decrease in interest crediting was primarily due to a decrease in interest crediting on overdue policy claims.

*Amortization of deferred policy acquisition costs*

Amortization of DPAC was \$45.2 million for the year ended December 31, 2003, a decrease of \$3.9 million, or 7.9%, compared to \$49.1 million reported in the prior year. The decrease in amortization was due principally to the run-off of the Closed Block's block of business and lower maintenance expenses as a result of cost reduction efforts instituted in the Closed Block over the past few years.

*Dividends to policyholders*

Dividends to policyholders were \$220.7 million for the year ended December 31, 2003, an increase of \$35.2 million, or 19.0%, compared to \$185.5 million reported in the prior year. Dividends to policyholders can be broken down into two components, namely policyholder dividends payable in the current year and the change in the deferred dividend liability. The \$35.2 million increase in dividends to policyholders was due to a period over period increase of \$38.3 million in the deferred dividend liability expense, offset by a period over period decrease of \$3.1 million in dividends paid to policyholders.

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As required under GAAP, actual Closed Block earnings in excess of expected Closed Block earnings inure solely to the benefit of policyholders in the Closed Block and, accordingly, are recorded as an additional liability to Closed Block policyholders, referred to as the deferred dividend liability. Expected Closed Block earnings were forecasted for each year over the estimated life of the policies in the Closed Block in order to determine the amount of assets to allocate to the Closed Block in order to provide sufficient funding for payment of policyholder liabilities and dividends in the Closed Block in connection with the demutualization of MONY Life as more fully discussed in Note 3 to the Consolidated Financial Statements. Due to the recognition of realized losses from other than temporary impairment charges on invested assets during the fourth quarter of 2002, the actual experience of the Closed Block earnings was less than expected in the prior year. See *Closed Block Year ended December 31, 2002 compared to Year Ended December 31, 2001-Net Investment Income and Net Realized Gains/(Losses)* . The deferred dividend liability was \$65.7 million at December 31, 2003 an increase of \$32.5 million from \$33.2 million at December 31, 2002.

*Other operating costs and expenses*

Other operating costs and expenses were \$6.5 million for the year ended December 31, 2003, an increase of \$0.4 million from \$6.1 million reported in the prior year. The increase was primarily attributable to an increase in miscellaneous expenses and taxes.

***Closed Block Year Ended December 31, 2002 Compared to Year Ended December 31, 2001***

*Premiums*

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

*Net investment income and net realized gains/(losses)*

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

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

<b>For the Years Ended December 31,</b>	
<b>2002</b>	<b>2001</b>

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	( \$ in millions )	
Fixed maturity securities	\$ (46.8)	\$ 3.2
Mortgage loans	(4.6)	2.8
<b>Total net realized (losses)/gains</b>	<b>\$ (51.4)</b>	<b>\$ 6.0</b>

*Benefits to policyholders*

Benefits to policyholders were \$566.8 million for the year ended December 31, 2002, a decrease of \$40.1 million from \$606.9 million reported in the comparable prior year. The decrease resulted primarily from: (i) lower death benefits of \$14.7 million compared to the prior year as a result of improved mortality experience (death benefits were \$173.1 million and \$187.8 million for the years ended December 31, 2002 and 2001, respectively), (ii) a decrease in surrender benefits of \$10.6 million compared to the prior year as a result of

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improved persistency experience (surrender benefits were \$345.2 million and \$355.8 million for the years ended December 31, 2002 and 2001, respectively), and (iii) a \$14.6 million decrease in the change in reserves compared to the comparable prior year results (changes in reserves were \$39.1 million and \$53.7 million for the years ended December 31, 2002 and 2001, respectively).

### *Other Income*

Other income was \$2.2 million for the year ended December 31, 2002, a decrease of \$0.2 million from \$2.4 million reported in the prior year due to lower loan modification fees.

### *Interest credited to policyholders' account balances*

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

### *Amortization of deferred policy acquisition costs*

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

### *Dividends to policyholders*

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

Due to a reduction in the dividend scale effective January 1, 2002, policyholder dividends payable during 2002 were \$199.7 million, a decrease of \$11.8 million from \$211.5 million reported in the prior year. The dividend scale reduction reflects lower forecasted ultimate profitability of the Closed Block due primarily to declines in the interest rate environment for fixed income assets. Determination of dividends paid to policyholders in the Closed Block is based on a forecast of the ultimate profitability of the Closed Block over its remaining expected life. The purpose of reducing or increasing dividends to policyholders in the Closed Block is to attempt to align the payment of such dividends to the emergence of expected profits from the Closed Block. See *Note 3 to the Consolidated Financial Statements*.

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As required under GAAP, actual Closed Block earnings in excess of expected Closed Block earnings inure solely to the benefit of policyholders in the Closed Block and, accordingly, are recorded as an additional liability to Closed Block policyholders. Expected Closed Block earnings were forecasted for each year over the estimated life of the policies in the Closed Block in order to determine the amount of assets to allocate to the Closed Block in order to provide sufficient funding for payment of policyholder liabilities and dividends in the Closed Block, as well as certain expenses, as more fully discussed in Note 3 to the Consolidated Financial Statements. The expected emergence of earnings from such cash flows is referred to as the glide path earnings. The aforementioned additional liability (which represents the actual Closed Block earnings in excess of expected Closed Block glide path earnings) is referred to as the deferred dividend liability. Due to the recognition of realized losses from other than temporary impairment charges on invested assets during the fourth quarter of 2002, the actual experience of the Closed Block earnings was less than expected. See *Net Investment Income and Net Realized Gains/(Losses)* above. The deferred dividend liability was \$33.2 million at December 31, 2002.

### *Other operating costs and expenses*

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



**Table of Contents****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, 2003, 2002 and 2001 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 during the periods presented on COLI and BOLI business and single premium paying policies 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. The amounts presented with respect to the Retail Brokerage and Investment Banking segment represent fees earned by Advest, Matrix Private Equity, Inc. and Matrix Capital Markets, Inc. (together Matrix) and MSC primarily from securities brokerage, investment banking and asset management services.

The information presented should not be viewed as a substitute for revenues determined in accordance with GAAP. Revenues in accordance with GAAP related to product sales are generated from both current and prior period sales that are in-force during the reporting period. For protection products, GAAP recognizes premium revenue when due from a policyholder. For accumulation products, GAAP revenues are a function of fee based charges applied to a contract holder's account balance. Because of how revenues are recognized in accordance with GAAP, management does not believe GAAP revenues are meaningful in assessing the periodic sales production of a life insurance company and, accordingly, a reconciliation to GAAP revenues would not be meaningful.

**New Business and Revenues By Source**

	<b>For the Years Ended December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(\$ in millions)		
<b>Protection Products</b>			
Career Agency System (1)(2)	\$ 59.2	\$ 63.6	\$ 86.7
U. S. Financial Life Insurance Company	64.9	55.8	49.0
MONY Partners Brokerage and Other (1)	40.1	12.0	4.7
COLI and BOLI	171.8	147.6	74.3
<b>Total New Annualized Life Insurance Premiums</b>	<b>\$ 336.0</b>	<b>\$ 279.0</b>	<b>\$ 214.7</b>
<b>Accumulation Products</b>			
Career Agency System Variable Annuities (3)	\$ 412.0	\$ 405.0	\$ 393.0
Fixed Annuities	198.0	138.0	
Career Agency System Mutual Funds	189.0	231.0	359.0
Third Party Distribution Mutual Funds	1,077.0	1,007.0	962.0

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Total Accumulation Sales	\$ 1,876.0	\$ 1,781.0	\$ 1,714.0
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Retail Brokerage &amp; Investment Banking Revenues</b>			
Advest	\$ 369.6	\$ 348.3	\$ 304.1
MONY Securities Corp.	53.1	44.8	43.6
Matrix Capital Markets	4.1	4.0	3.1
	<u>          </u>	<u>          </u>	<u>          </u>
Total Retail Brokerage & Investment Banking Revenues	\$ 426.8	\$ 397.1	\$ 350.8
	<u>          </u>	<u>          </u>	<u>          </u>

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- (1) Includes COLI and BOLI sales of \$6.4 million sold through the Retail distribution channel and \$1.8 million sold through the Wholesale distribution channel in the year ended December 31, 2003. COLI and BOLI sales through the Wholesale and Retail distribution channels were not significant for the years ended December 31, 2002 and 2001.
- (2) Excludes non-proprietary sales by the Company's career financial professionals of \$36.8 million, \$21.1 million, and \$9.8 million for the years ended December 31, 2003, 2002 and 2001, respectively.
- (3) Excludes sales associated with an exchange program offered by the Company wherein contract holders surrendered old FPVA contracts and reinvested the proceeds therefrom in a new enhanced FPVA product offered by the Company.

**Protection Products Segment**
*New Business Information for the year ended December 31, 2003 compared to the year ended December 31, 2002*

Total new annualized recurring and single life insurance premiums were \$336.0 million for the year ended December 31, 2003, compared with \$279.0 million for the year ended December 31, 2002. The increase was primarily due to increased sales of COLI and BOLI, which were \$171.8 million for the year ended December 31, 2003, compared to \$147.6 million in the prior year, and an increase in new life insurance premiums sold through the Wholesale distribution channel. The improvement in COLI and BOLI sales was attributable primarily to MONY Group's pending merger with AXA Financial, whose strong financial ratings are important in the COLI and BOLI markets. There were 66 new cases and 1,690 new policies issued in 2003, approximately 40% of which were in the fourth quarter. In 2002, there were 43 new cases and 2,061 new policies issued, approximately 20% of which were in the 2002 fourth quarter. Prior to the announcement of the proposed merger with AXA Financial in September 2003, the Company's COLI and BOLI sales for the first nine-months of 2003 were down \$32.9 million from the comparable prior year period. New life insurance premium sales from the Company's Wholesale distribution channel, primarily MONY Partners, totaled \$37.5 million for the year ended December 31, 2003 compared to \$11.2 million in the comparable prior year. These results are an indication of how well the Company's protection product offerings have been received by the brokerage community.

New life insurance premiums (annualized recurring and single premiums) sold through the career agency network decreased to \$59.2 million for the year ended December 31, 2003 compared to \$63.6 million for the comparable prior year. Excluding COLI and BOLI sales of \$6.4 million included in the career agency network's results for the year ended December 31, 2003, new life insurance premiums decreased by \$10.8 million from the prior year's levels. However, sales of non-proprietary products through the career agency network increased to \$36.8 million in 2003 from \$21.1 million in 2002.

USFL sales were \$64.9 million for the year ended December 31, 2003, compared to \$55.8 million during the comparable prior year due to increased penetration of the brokerage market.

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

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



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

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

**Accumulation Products Segment**

The following tables set forth assets under management at December 31, 2003, 2002, and 2001 as well as the changes in the primary components of assets under management during the years then ended.

	For the Years Ended December 31,		
	2003	2002	2001
	(\$ in billions)		
<b>Assets under management:</b>			
Individual variable annuities	\$ 3.8	\$ 3.2	\$ 3.9
Individual fixed annuities(1)	1.0	0.8	0.7
Proprietary retail mutual funds	4.8	3.7	4.4
	<u>\$ 9.6</u>	<u>\$ 7.7</u>	<u>\$ 9.0</u>
<b>Individual variable annuities:</b>			
Beginning account value	\$ 3.2	\$ 3.9	\$ 4.4
Sales(2)	0.4	0.4	0.4
Market appreciation	0.6	(0.5)	(0.4)
Surrenders and withdrawals(2)	(0.4)	(0.6)	(0.5)
Ending account value	<u>\$ 3.8</u>	<u>\$ 3.2</u>	<u>\$ 3.9</u>
<b>Proprietary retail mutual funds:</b>			
Beginning account value	\$ 3.7	\$ 4.4	\$ 4.8
Sales (3)	1.4	1.2	1.3
Dividends reinvested	0.0	0.0	0.1
Market appreciation	0.7	(0.9)	(0.6)
Redemptions	(1.0)	(1.0)	(1.2)
Ending account value	<u>\$ 4.8</u>	<u>\$ 3.7</u>	<u>\$ 4.4</u>

(1) Amount presented for 2002 includes fixed annuity sales of approximately \$0.2 billion.

(2) Excludes sales and surrenders associated with an exchange program offered by the Company wherein contract holders surrendered old FPVA contracts and reinvested the proceeds therefrom in a new enhanced FPVA product offered by the Company.

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- (3) Includes in 2003, the assumed management of \$0.2 billion of money market funds previously managed by a third party.

### *New Business Information for the year ended December 31, 2003 compared to the year ended December 31, 2002*

Accumulation sales were \$1,876.0 million for the year ended December 31, 2003 compared to \$1,781.0 million for the year ended December 31, 2002. Enterprise had sales of \$1,266.0 million, \$1,077.0 million of which were sold through third-party broker-dealers and \$189.0 million of which were sold through the Company's career network. For the year ended December 31, 2002, Enterprise sales were \$1,238.0 million, \$1,007.0 million of which were sold through third-party broker-dealers and \$231.0 million of which were sold

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through the Company's career network. Accumulation assets under management increased 24.7% to \$9.6 billion as of December 31, 2003 from \$7.7 billion as of December 31, 2002, attributable primarily to an improvement in the equity markets during 2003, and net cash inflows of \$275.0 million for the year. The improvement in the equity markets during 2003 was also reflected in higher sales of the Company's variable annuities, the sales of which were \$412.0 million for the year ended December 31, 2003 compared to \$405.0 million in the prior year.

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

Accumulation sales were \$1,781.0 million for the year ended December 31, 2002 compared to \$1,714.0 million in the comparable prior year. Enterprise had sales of \$1,238.0 million, \$1,007.0 million of which were sold through third-party broker-dealers and \$231.0 million of which were sold through the Company's career network. For the year ended December 31, 2001, Enterprise sales were \$1,321.0 million, \$962.0 million of which were from third-party broker dealers and \$359.0 million of which were sold through the Company's career network. Due to a decline in the equity markets and a 15.0% decline in the Dow Jones Industrial average during 2002, accumulation assets under management decreased 14.4% to \$7.7 billion as of December 31, 2002 from \$9.0 billion as of December 31, 2001.

***Retail Brokerage and Investment Banking Segment***

*New Business Information for the year ended December 31, 2003 compared to the year ended December 31, 2002*

Retail brokerage and investment banking revenues were \$426.8 million for the year ended December 31, 2003 compared to \$397.1 million for the comparable prior year, reflecting an upturn in the markets during 2003. Advest's revenues were \$369.6 million for the year ended December 31, 2003, compared to \$348.3 million for the comparable prior year. The increase in revenues was driven primarily by higher retail, principal bond and syndicate underwriting commissions, partially offset by a decrease in interest revenue earned on margin accounts and stock borrowed. Revenues from Advest's private client group were \$228.4 million for the year ended December 31, 2003 compared to \$206.9 million for the comparable prior year. 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.

For the year ended December 31, 2003, MSC, a registered securities broker-dealer for MONY Group's career network, posted revenues of \$53.1 million, compared with \$44.8 million during the comparable prior year.

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

Retail brokerage and investment banking revenues were \$397.1 million for the year ended December 31, 2002 compared to \$350.8 million for the comparable prior year. Although revenues improved over last year, market volatility adversely affected revenues at Advest and MSC. Advest's revenues were \$348.3 million for the year ended December 31, 2002, compared to \$340.5 million for the comparable prior year on a proforma basis. The increase in revenues was driven primarily by higher municipal bond and fixed income sales and increased trading activity, as well as higher investment banking revenues. Revenues from Advest's private client group were \$206.9 million for the year ended December 31, 2002 compared to \$201.0 million for the comparable prior year on a proforma basis to include Advest's private client group for the month of January 2001. Advest was acquired by the Company on January 31, 2001. 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.





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For the year ended December 31, 2002, MSC, a registered securities broker-dealer for MONY's career network, had revenues of \$44.8 million, compared with \$43.6 million in the comparable prior year.

## **Liquidity and Capital Resources**

### ***MONY Group***

#### ***Formation of MONY Holdings and MONY Holdings Structured Debt Issuance***

On February 27, 2002, MONY Group formed a downstream holding company, MONY Holdings, LLC ( *MONY Holdings* ). On April 30, 2002, MONY Group transferred all of its ownership interests in MONY Life to MONY Holdings, and MONY Holdings, through a structured financing tied to the performance of the Closed Block Business within MONY Life (see *Notes 1 and 22 to the Consolidated Financial Statements*), issued \$300 million of floating rate insured debt securities (the *Insured Notes* ) in a private placement. Other than activities related to servicing the Insured Notes in accordance with the Insured Notes indenture and its ownership interest in MONY Life, MONY Holdings has no operations and engages in no other activities.

Proceeds to MONY Holdings from the issuance of the Insured Notes, after all offering and other related expenses, were approximately \$292.6 million. Of this amount, \$60.0 million was deposited in a debt service coverage account, pursuant to the terms of the note indenture, to provide liquidity and collateral for the payment of interest and principal on the Insured Notes. These funds will ultimately revert back to the Company, provided that the cash flows from the Closed Block Business are sufficient to satisfy MONY Holdings' obligations under the Insured Notes. The balance of the proceeds aggregating \$232.6 million was paid in the form of a dividend by MONY Holdings to MONY Group.

The Insured Notes mature on January 21, 2017. The Insured Notes pay interest only through January 21, 2008 at which time principal payments will begin to be made pursuant to an amortization schedule. Interest on the Insured Notes is payable quarterly at an annual rate equal to three month LIBOR plus 0.55%. Concurrent with the issuance of the Insured Notes, MONY Holdings entered into an interest rate swap contract, which effectively locked in a fixed rate of interest on the Insured Notes at 6.44%. Including debt issuance costs of \$7.4 million and the cost of the insurance policy (75 basis points per annum) (the *Insurance Policy* ), which guarantees the payment of scheduled principal and interest on the Insured Notes, the annual cost of the Insured Notes is 7.36%. Pursuant to the terms of this structured financing, MONY Holdings can, subject to certain conditions, issue an additional \$150.0 million of this floating rate insured debt through December 31, 2004. During 2002 MONY Holdings commenced activities to register the Insured Notes with the SEC as provided for under the note indenture. On February 14, 2003, the SEC declared such registration effective.

This transaction effectively securitized a portion of the future profits from MONY Life's Closed Block Business. The source of cash flows and the collateral for the payment of principal and interest on the Insured Notes is limited to: (i) the amount of dividends that can be paid by MONY Life which are attributable to the Closed Block Business, (ii) net tax payments paid to MONY Holdings pursuant to certain tax sharing agreements, (iii) net payments made to MONY Holdings under the interest rate swap, and (iv) amounts on deposit in the debt service coverage account (and the earnings thereon). In addition to the cash flows and collateral, investors in the Insured Notes have limited recourse to MONY Holdings in the event of any default under the Insured Notes. The amount of dividends attributable to the Closed Block Business is determined by applying the New York dividend regulation to the surplus and net gain from operations of MONY Life which is attributable to the Closed Block business, subject to certain adjustments described in the indenture (see *Note 21 to the Consolidated Financial Statements*).

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If an event of default occurs (and is not waived) with regard to compliance with the terms of the Indenture under which the Insured Notes were issued or if MONY Group's senior debt rating is downgraded to BB+ or below by Standard & Poor's Rating Services ( S&P ) or to Ba2 or below by Moody's Investors Service, Inc., the

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insurer of the Insured Notes, at its option, may (a) declare all future premiums payable pursuant to the Insurance Agreement among it, MONY Holdings, MONY Group and MONY Life to be immediately due and payable, (b) cause all assets held in the debt service coverage account in excess of an amount equal to the debt service payable on the next scheduled payment date on the Insured Notes to be applied to prepay all or a portion of the principal or accrued interest on the Insured Notes, or (c) do both (a) and (b). See *Business Ratings* and *Potential Forward Looking Risks Affecting Profitability* *If the Merger with AXA Financial Does Not Close for Any Reason, the Company's Profits and Financial Condition Could Deteriorate Drastically.*

*Cash Inflows and Outflows*

MONY Group's cash inflows principally consist of investment income from its invested assets (including principal and interest payments on the inter-company surplus notes of MONY Life (see *Note 16 to the Consolidated Financial Statements*), principal and interest payments on the inter-company demand notes due from certain of its subsidiaries, and dividends from MONY Holdings and MONY Group's other principal subsidiary, Advest, if declared and paid). MONY Group's cash outflows principally consist of expenses incurred in connection with the administration of MONY Group's affairs and interest expense on its outstanding indebtedness. The amount of dividends from MONY Holdings available to MONY Group is largely dependent upon the amount of dividends available to MONY Holdings from MONY Life in excess of that attributable to the Closed Block Business, as discussed above. 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 depends upon payments from its subsidiaries, including the receipt of: (i) dividends, (ii) principal and interest income on the inter-company surplus and demand notes, and (iii) other payments. The payment of dividends by MONY Life to MONY Holdings is regulated under state insurance law. 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 may be made only out of surplus funds which are available for such payments under the New York Insurance Law. As of December 31, 2003, MONY Group and MONY Holdings had cash and cash equivalents (including all commercial paper and U.S. Treasury investments) aggregating approximately \$235.0 million. The cash and cash equivalents balance at December 31, 2003 includes proceeds received by MONY Group of approximately \$52.4 million from the purchase of MONY Group common stock by AXA Financial pursuant to the exercise of warrants (see *Note 2 to the Consolidated Financial Statements*) and proceeds of approximately \$9.8 million from the exercise of options by employees and career financial professionals (see *Note 23 to the Consolidated Financial Statements*).

*Credit Facility*

MONY Group maintains a syndicated credit facility with banks aggregating \$150.0 million. This facility was renewed in July 2003, with the next renewal date scheduled for July 2004, subject to bank approval. The purpose of this facility is to provide additional liquidity for any unanticipated short-term cash needs that MONY Group might experience and also to serve as support for MONY Group's \$150.0 million commercial paper program. In accordance with specified covenants of the facility, MONY Life and its insurance subsidiaries are required to maintain total tangible net worth determined in accordance with Statutory Accounting Practices of at least \$900.0 million and MONY Group is required to maintain (a) a debt to capitalization ratio not to exceed 40% and (b) cash and cash equivalents, as defined in the credit facility, on a separate company basis equal to the greater of \$75.0 million or one and one half years of debt service. As of December 31, 2003, MONY Group was in compliance with each of the covenants. MONY Group has not borrowed against the facility since its inception, and did not have any commercial paper outstanding as of December 31, 2003 and 2002. The facility was amended at the consummation of the offering of the Insured Notes to permit the offering of the Insured Notes.

*Shelf Registration and Issuances Thereunder*

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On January 12, 2000, the MONY Group filed a registration statement with the SEC to register certain securities. This registration, known as a Shelf Registration, provides the MONY Group with a vehicle to offer various securities to the public, when it deems appropriate, to raise proceeds up to an amount not to exceed \$1.0

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billion in the aggregate for all issuances of securities thereunder. Through December 31, 2003 the MONY Group issued \$575.0 million of par value securities in the form of senior indebtedness pursuant to the Shelf Registration, which remain outstanding as of December 31, 2003.

### *Consolidated Capitalization*

The Company's total capitalization, excluding accumulated comprehensive income, increased to \$2,918.8 million at December 31, 2003, as compared to \$2,814.9 million at December 31, 2002. The increase was primarily due to net income for the year of \$36.6 million and an increase in capital of approximately \$71.0 million as a result of the issuance of stock from the exercise of warrants and options, as discussed above under the heading "Cash Inflows and Outflows". The Company's debt to equity ratio (excluding accumulated comprehensive income and short term debt) was 42.9% at December 31, 2003 as compared to 45.2% at December 31, 2002. The Company's debt to total capitalization ratio (excluding accumulated comprehensive income and short term debt) decreased to 30% at December 31, 2003 from 31.1% at December 31, 2002 as a result of the increase in the Company's total capitalization.

### *Common Stock Repurchase Program*

On January 11, 2000, the Board of the MONY Group approved a common share repurchase program which authorized the repurchase of up to 5% of its outstanding common shares. On May 16, 2001, the majority of the repurchases under the program having been completed, the Board of the MONY Group approved a second common share repurchase program to take effect upon completion of the original program. The second program authorized the repurchase of up to 5% of the then outstanding common shares. On November 20, 2002, with nearly all of the repurchases under the second program having been completed, the Board of the MONY Group approved a third common share repurchase program to take effect upon completion of the second program. This program also authorized the repurchase of up to 5% of the then outstanding common shares. There have not been any repurchases under the third program. Under the programs, the MONY Group may repurchase such shares from time to time, as market conditions and other factors warrant. The programs may be discontinued at any time. As of December 31, 2003, 4.8 million shares had been repurchased at an aggregate cost of approximately \$155.6 million, of which 1.2 million shares, 2.5 million shares and 1.1 million shares were repurchased in 2002, 2001 and 2000, respectively, for consideration of \$33.0 million, \$89.6 million and \$33.0 million, respectively. There were no shares repurchased under this program in 2003.

### *MONY Life*

#### *Cash Inflows and Outflows*

MONY Life's cash inflows are provided mainly from life insurance premiums, annuity considerations and deposit funds, investment income, and maturities and dispositions of invested assets. Cash outflows primarily relate to the liabilities associated with its various life insurance and annuity products, dividends to policyholders, dividends to MONY Holdings (if declared and paid), operating expenses, income taxes, and principal and interest payments on its inter-company surplus notes and demand notes outstanding. 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

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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

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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 payment of dividends by MONY Life to MONY Holdings is regulated under state insurance law. In 2003, MONY Life paid a dividend to MONY Holdings in the amount of \$25.0 million, of which \$13.8 million was retained by MONY Holdings in its DSCA Sub-account CBB (see *Note 22 to the Consolidated Financial Statements*) and \$11.2 million was paid by MONY Holdings in the form of a dividend to MONY Group. Under the New York State Insurance Law, the maximum allowable dividend from MONY Life to MONY Holdings in 2004 without regulatory approval is \$87.4 million.

In 2003, MONY Group contributed \$40.0 million to MONY Holdings, which in turn contributed such amount to MONY Life to support its capital and surplus. At December 31, 2003 total statutory capital and surplus, including Asset Valuation Reserves, was approximately \$1.1 billion. Total statutory capital and surplus represents that of MONY Life, the principal insurance company subsidiary of the MONY Group and the direct or indirect parent of all of MONY Group's insurance subsidiaries. The sufficiency of MONY Life's statutory capital and surplus is a significant factor in determining its and its subsidiaries' claims paying ability ratings. Statutory basis surplus is computed on the basis of Statutory Accounting Practices, which are those accounting principles or practices prescribed or permitted by an insurer's domiciliary state. Statutory Accounting Practices are set forth in the insurance laws, regulations and administrative rulings of each state, publications of the National Association of Insurance Commissioners and other documents and accordingly, a reconciliation of statutory capital and surplus to shareholders' equity determined in accordance with GAAP would not be meaningful.

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, 2003 and 2002.

**Withdrawal Characteristics of Annuity Reserves and Deposit Liabilities**

	Amount at December 31, 2003	Percent of Total	Amount at December 31, 2002	Percent of Total
(\$ in millions)				
Not subject to discretionary withdrawal provisions	\$ 1,138.5	18.2%	\$ 1,054.6	19.1%
Subject to discretionary withdrawal with market value adjustment or at carrying value less surrender charge	4,019.5	64.2	3,369.8	61.2
<b>Subtotal</b>	<b>5,158.0</b>	<b>82.4</b>	<b>4,424.4</b>	<b>80.3</b>
Subject to discretionary withdrawal without adjustment at carrying value	1,102.1	17.6	1,085.5	19.7
<b>Total annuity reserves and deposit liabilities (gross)</b>	<b>6,260.1</b>	<b>100.0%</b>	<b>5,509.9</b>	<b>100.0%</b>

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Less reinsurance	<u>66.5</u>	<u>68.6</u>
Total annuity reserves and deposit liabilities (net)	<u>\$ 6,193.6</u>	<u>\$ 5,441.3</u>



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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**

	<b>For the Years Ended December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(\$ in millions)		
<b>Product Line:</b>			
Traditional life	\$ 329.1	\$ 350.0	\$ 367.1
Variable and universal life	61.8	60.0	72.1
Annuities(1)	377.7	459.0	465.0
Group pension(2)	142.4	162.4	94.5
<b>Total</b>	<b>\$ 911.0</b>	<b>\$ 1,031.4</b>	<b>\$ 998.7</b>

- (1) Excludes approximately \$33.2 million, \$71.0 million and \$208.0 million in 2003, 2002 and 2001, respectively, relating to surrenders associated with an exchange program offered by MONY Life wherein contract holders surrendered old FPVA contracts and reinvested the proceeds in a new enhanced FPVA product offered by MONY Life.
- (2) Excludes transfers between funds within the MONY Life benefit plans.

The Company's principal sources of liquidity to meet cash outflows are its portfolio of liquid assets and its net operating cash flow. During 2003, the Company reported net cash inflows from operations of \$88.4 million, a \$19.8 million increase from net cash inflows of \$68.6 million 2002. 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.

See Notes 17 and 18 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.

**Advest***Cash Inflows and Outflows*

Advest's cash inflows are provided mainly from retail securities brokerage commissions and revenues from securities trading and investment banking operations, as well as net interest on margin accounts. Cash outflows are comprised primarily of commissions paid to financial advisors, costs incurred to recruit and retain high caliber financial advisors, dividends to MONY Group (if declared and paid), operating expenses, and income taxes.

*Clearing and Financing of Operating Activities*

In January 2002, Advest outsourced its clearing operations to an unaffiliated third party clearing organization named Wexford. Advest now clears trades on a fully disclosed basis through Wexford. Inventories are custodied and financed by Wexford; consequently, Advest no longer engages in stock loan activities. In addition, all Advest customer accounts are maintained on the books of Wexford. In its capacity as clearing broker, Wexford finances the operating activities of Advest. These activities include the purchase of securities inventories and payment of clearing fees both for customer and proprietary accounts. In addition, Wexford collects commissions, dividends, interest and trading profits on behalf of Advest. Advest, at any time, can be in either a net receivable or net payable position with Wexford. At December 31, 2003, Advest had a net receivable from Wexford.

**Table of Contents***Assets and Capital*

Advest's assets are highly liquid in nature. At December 31, 2003, liquid assets which include cash and cash equivalents, receivables from brokers, dealers and clearing firms, and available-for-sale and trading securities, comprised 73.0% of Advest's total assets. At December 31, 2002, liquid assets which include cash and cash equivalents, receivables from brokerage customers, securities borrowed, receivables from brokers and dealers, and available for sale and trading securities, comprised 71.0% of Advest's total assets.

On December 31, 2003, Advest paid off \$7.0 million in short-term borrowings, which was the fifth and final installment of annual payments to satisfy a \$35.0 million note payable.

The SEC requires Advest to maintain liquid net capital to meet its obligations to customers. As a result of the outsourcing of clearing operations to Wexford, Advest's capital requirement changed to \$1.0 million at December 31, 2002 from \$10.7 million prior to the outsourcing of the clearing operations. At December 31, 2003 the capital requirement for Advest remained at \$1.0 million. Advest's regulatory net capital of \$53.2 million at December 31, 2003 exceeded required net capital by \$52.2 million. Pursuant to the outsourcing agreement with Wexford, Advest is required to maintain net capital of \$25.0 million. At December 31, 2003, Advest's net capital exceeded this requirement by \$28.2 million.

**Contractual Cash Obligations**

The following table provides a summary of the Company's material contractual obligations as of December 31, 2003, other than those arising from its ordinary product activities and from its pension obligations. See Note 11 to the Consolidated Financial Statements for details of the Company's pension plans and other postretirement benefits.

	Contractual Payments Due by Period						
	Total	2004	2005	2006	2007	2008	After 2008
	(\$ in millions)						
Long Term Debt (1)	\$ 1,302.9	\$ 65.1	\$ 339.2	\$ 44.7	\$ 44.7	\$ 69.8	\$ 739.4
Equity Partnership Investments (2)	96.4	96.4					
Operating Leases (3)	262.5	42.0	37.1	32.4	28.7	26.0	96.3
Other Commercial Commitments (4)	140.9	140.9					
<b>Total</b>	<b>\$ 1,802.7</b>	<b>\$ 344.4</b>	<b>\$ 376.3</b>	<b>\$ 77.1</b>	<b>\$ 73.4</b>	<b>\$ 95.8</b>	<b>\$ 835.7</b>

- (1) Included in long-term debt are amounts owed at December 31, 2003 on the Company's Senior Notes, Surplus Notes and Insured Notes, as well as its credit facility. These borrowings are further explained in Notes 16 and 18 to the Consolidated Financial Statements. The table assumes that the long-term debt is held to maturity.
- (2) The Company anticipates that these amounts could be invested in these partnerships at any time, but are presented in the current period, as the timing of the fulfillment of the obligation cannot be predicted.
- (3) See Note 18 to the Consolidated Financial Statements for further details on the Company's operating leases.
- (4) Primarily commitments to fund private fixed maturity securities, agricultural loans and floating rate commercial mortgages (see *Note 18 to the Consolidated Financial Statements*). The unfunded commitments for the commercial mortgage loans are presented in the current

period, as the timing of the fulfillment of the obligation cannot be predicted.

**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.

**Table of Contents****INVESTMENTS**

The following discussion and analysis includes the Debt Service Coverage Account sub-account OB and sub-account CBB (See Note 21 to the Consolidated Financial Statements). This discussion should be read in conjunction with the summary financial information regarding Closed Block assets in Note 20 to the Consolidated Financial Statements.

**General**

The Company had total consolidated assets at December 31, 2003 of approximately \$21.3 billion. Of the Company's total consolidated assets at such date, approximately \$16.4 billion represented assets held in the Company's general account (which includes \$6.7 billion of assets in the Closed Block), and approximately \$4.9 billion 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 comprehensive 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 of Advest and securities pledged as collateral.

**Invested Assets**

	As of December 31,			
	2003		2002	
	Carrying Value(1)	% of Total	Carrying Value(1)	% of Total
	(\$ in millions)			
Fixed maturity securities, available-for-sale, at fair value	\$ 8,525.3	67.4%	\$ 7,971.2	66.3%
Fixed maturity securities, trading, at fair value	78.3	0.6		0.0
Equity securities, available-for-sale, at fair value	257.3	2.0	249.0	2.1
Mortgage loans on real estate	1,782.4	14.1	1,877.4	15.6
Policy loans	1,180.0	9.3	1,212.5	10.1
Real Estate to be disposed of		0.0	26.8	0.2
Real Estate held for investment	174.1	1.4	180.2	1.5

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Other invested assets	102.5	0.8	110.8	0.9
Cash and cash equivalents	556.8	4.4	390.0	3.3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 12,656.7	100.0%	\$ 12,017.9	100.0%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- (1) Includes \$61.1 million and \$61.8 million in fixed maturity securities and \$5.0 million and \$2.1 million in cash and cash equivalents in the Debt Service Coverage Account sub-account OB and \$7.5 million and \$9.4 million in cash and cash equivalents included in the Debt Service Coverage Account sub-account CBB for the years ended December 31, 2003 and 2002.

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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**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fixed maturity securities, available-for-sale	6.5%	6.9%	7.3%
Equity securities, available-for-sale	5.0	2.9	(10.8)
Mortgage loans on real estate	7.8	7.5	7.8
Policy loans	6.6	6.9	6.9
Real estate held for investment	3.1	8.5	4.4
Real estate to be disposed of(1)	(0.3)	2.5	4.2
Other invested assets	16.1	16.1	8.4
Cash and cash equivalents	1.3	2.1	4.4
	<u>        </u>	<u>        </u>	<u>        </u>
Total invested assets before investment expenses	6.5	6.9	6.6
Investment expenses	(0.2)	(0.3)	(0.4)
	<u>        </u>	<u>        </u>	<u>        </u>
Total invested assets after investment expenses	6.3%	6.6%	6.2%
	<u>        </u>	<u>        </u>	<u>        </u>

(1) For the years ended December 31, 2003 and 2002, income from real estate to be disposed of is classified as part of Discontinued Operations on the Company's consolidated statement of income and comprehensive income.

The yield on general account invested assets (including net realized gains and losses on investments) was 6.7%, 5.2% and 6.1% for the years ended December 31, 2003, 2002 and 2001, respectively.

**Fixed Maturity Securities**

Fixed maturity securities consist of publicly traded and privately placed debt securities, and redeemable preferred stock which represented 68.0% and 66.3% of total invested assets excluding trading securities in Advest at December 31, 2003 and 2002, respectively.

The Securities Valuation Office of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting purposes and assigns securities to one of six investment categories called NAIC Designations. The NAIC Designations closely mirror the Nationally Recognized Statistical Rating Organizations (NRSRO) credit ratings for marketable debt instruments. 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).

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The following table presents the Company's fixed maturity securities by NAIC Designation and the equivalent ratings of the NRSRO as of December 31, 2003 and 2002, as well as the percentage, based on fair value, that each designation comprises.



**Table of Contents****Total Fixed Maturity Securities by Credit Quality**

NAIC Rating	Rating Agency Equivalent	As of December 31, 2003			As of December 31, 2002		
		Amortized Cost	% of Total	Estimated Fair Value	Amortized Cost	% of Total	Estimated Fair Value
(\$ in millions)							
1	Aaa/AaA(1)	\$ 4,834.9	59.0%	\$ 5,073.9	\$ 4,220.7	57.2%	\$ 4,558.7
2	Baa	2,523.2	31.2	2,687.5	2,320.7	31.3	2,496.2
3	Ba	543.0	6.7	577.5	604.1	7.7	610.5
4	B	133.9	1.8	153.5	176.4	2.2	172.0
5	Caa and lower	50.0	0.7	59.8	48.8	0.6	47.4
6	In or near default	6.3	0.1	10.3	35.6	0.4	35.9
	Subtotal	8,091.3	99.5	8,562.5	7,406.3	99.4	7,920.7
	Redeemable preferred stock	37.0	0.5	41.1	47.0	0.6	50.5
	<b>Total fixed maturity securities</b>	<b>\$ 8,128.3</b>	<b>100.0%</b>	<b>\$ 8,603.6</b>	<b>\$ 7,453.3</b>	<b>100.0%</b>	<b>\$ 7,971.2</b>

- (1) Amounts in 2003 and 2002 include fixed maturity securities of \$58.3 million and \$58.3 million, respectively, at amortized cost and \$61.1 million and \$61.8 million, respectively, at estimated fair value included in the DSCA sub-account OB.

The Company utilizes its investments in privately placed fixed maturity securities 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, 2003, the percentage, based on estimated fair value, of total public fixed maturity securities that were investment grade (NAIC Designation 1 or 2) was 95.1% compared to 94.0% at December 31, 2002. At December 31, 2003, the percentage, based on estimated fair value, of total private placement fixed maturity securities that were investment grade (NAIC Designation 1 or 2) was 81.9% compared to 80.9% at December 31, 2002.

Within its fixed maturity securities portfolio, the Company identifies problem fixed maturity securities, potential problem fixed maturity securities and restructured fixed maturity securities. See Note 4 to the Consolidated Financial Statements for a discussion of the criteria used in these identifications.

The Company has a well-diversified portfolio of fixed maturity securities. The portfolio at December 31, 2003 included 19.9% in consumer goods and services, 16.5% in government and government agency, 12.0% in asset and mortgage backed securities, 8.7% in other manufacturing, and the remaining 42.9% in other sectors none of which exceeded 10.0% of the total fixed maturity securities portfolio. At December 31, 2002, the portfolio included 18.3% in consumer goods and services, 12.9% in government and government agency, 12.7% in asset and mortgage backed securities, 10.6% in other manufacturing, and the remaining 45.5% in other sectors none of which exceeded 10.0% of the total fixed

maturity securities portfolio.

The following table presents the amortized cost and estimated fair value of fixed maturity securities by contractual maturity dates, as of December 31, 2003 and 2002. Periodic payments have been included in the year of final maturity.

**Table of Contents****Fixed Maturity Securities by Contractual Maturity Dates**

	As of December 31, 2003		As of December 31, 2002	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(\$ in millions)				
Due in one year or less	\$ 265.6	\$ 276.3	\$ 498.9	\$ 507.7
Due after one year through five years(1)	2,197.8	2,373.9	2,082.4	2,227.1
Due after five years through ten years	3,028.8	3,225.6	2,851.6	3,099.2
Due after ten years	1,644.0	1,699.1	1,052.0	1,121.1
Subtotal	7,136.2	7,574.9	6,484.9	6,955.1
Mortgage-backed and other asset-backed securities	992.1	1,028.7	968.4	1,016.1
<b>Total</b>	<b>\$ 8,128.3</b>	<b>\$ 8,603.6</b>	<b>\$ 7,453.3</b>	<b>\$ 7,971.2</b>

- (1) Amounts in 2003 and 2002 include fixed maturity securities of \$58.3 million and \$58.3 million, respectively, at amortized cost and \$61.1 million and \$61.8 million, respectively, at estimated fair value included in the DSCA sub-account OB.

At December 31, 2003, the Company's largest unaffiliated single concentration of fixed maturity securities consisted of United States Treasury fixed maturity securities with a carrying value of \$997.1 million, which represents approximately 7.9% of total invested assets at December 31, 2003. The Company had no single investment or series of investments with a single non-government issuer exceeding 1.0% of total invested assets at December 31, 2003.

The Company held approximately \$1,028.7 million and \$1,016.1 million of mortgage-backed and asset-backed securities as of December 31, 2003 and 2002, respectively. Of such amounts, \$435.3 million and \$307.8 million or 42.3% and 30.3%, 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, 2003 and 2002, 86.5%, and 87.1%, respectively, of the Company's mortgage-backed and asset-backed securities were assigned an NAIC Designation 1.

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,

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	<u>2003</u>	<u>2002</u>
	(\$ in millions)	
CMOs	\$ 54.6	\$ 276.2
Pass-through securities	400.8	135.5
Commercial MBSs	155.2	159.1
Asset-backed securities	418.1	445.3
	<u>          </u>	<u>          </u>
Total MBSs and asset-backed securities	\$ 1,028.7	\$ 1,016.1
	<u>          </u>	<u>          </u>

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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 42.3% of the CMOs in the portfolio have low 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**

	<b>As of December 31,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(\$ in millions)</b>	
Planned Amortization Class	\$ 37.9	\$ 172.0
Sequential	9.9	56.8
Target Amortization Class	0.6	9.1
Other	6.2	38.3
<b>Total CMOs</b>	<b>\$ 54.6</b>	<b>\$ 276.2</b>

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.

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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 security 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 28.2% and 26.3% of the total at December 31, 2003 and 2002, 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

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significant asset class exposures in the ABS portfolio as of December 31, 2003 and 2002 included public utilities rate reduction receivables (11.6% and 11.1%, respectively) and manufactured housing receivables (11.3% and 11.0%, respectively). No other asset class exposures exceeded 9.9% of the total ABS portfolio as at December 31, 2003 and 2002. Excluding the exposure to home equity loans (which represented 8.8% and 9.4% of the ABS portfolio as of December 31, 2003 and 2002, respectively), the ABS portfolio is generally insensitive to changes in interest rates.

**Mortgage Loans**

Mortgage loans, consisting of commercial, agricultural and residential loans, comprised 14.1% and 15.6% of total invested assets at December 31, 2003 and 2002, respectively. As of December 31, 2003 and 2002, commercial mortgage loans comprised \$1,434.7 million and \$1,570.5 million, or 80.5% and 83.7%, of total mortgage loan investments, respectively. Agricultural loans comprised \$347.4 million and \$306.2 million, or 19.5% and 16.3%, of total mortgage loans, and residential mortgages comprised \$0.3 million and \$0.7 million of total mortgage loan investments at the dates indicated.

*Commercial Mortgage Loans*

The underlying properties supporting the commercial mortgage loans at December 31, 2003 and 2002, respectively, consisted of 57.2% and 56.0% in office buildings, 8.9% and 8.6% in hotels, 11.4% and 12.0% in industrial buildings, and 22.5% and 23.4% 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, 2003 and 2002, the highest concentration was in the southeast region, comprising 27.4% and 25.8% respectively, of the total.

Below is a summary of the changes in the commercial mortgage portfolio for the years ended December 31, 2003, 2002, and 2001, respectively.

**Commercial Mortgage Loan Asset Flows**

	As of and for the		
	Years Ended December 31,		
	2003	2002	2001
	(\$ in millions)		
Beginning balance	\$ 1,570.5	\$ 1,507.8	\$ 1,443.3
Plus: New loan originations and purchases	323.9	287.2	350.2
Other additions	26.6	9.2	7.6
Less: Scheduled principal payments	121.3	109.8	113.1
Prepayments	257.6	81.9	95.0

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Foreclosures, sales and other	107.4	42.0	85.2
Ending balance	<u>\$ 1,434.7</u>	<u>\$ 1,570.5</u>	<u>\$ 1,507.8</u>

The largest loan outstanding on any single property at December 31, 2003 and 2002 aggregated \$49.0 million and \$49.5 million, respectively, and represented less than 0.4% and 0.5% of general account invested assets, respectively. At such dates, amounts loaned on twenty properties were \$17.4 million or greater, representing in the aggregate 37.1% and 36.8%, 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 15.4% and 18.3% of the total carrying value of the commercial mortgage loan portfolio at December 31, 2003 and 2002, respectively, and less than 1.8% and 2.5%, 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



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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 \$142.3 million, \$102.9 million and \$118.0 million in maturing loans during the years ended December 31, 2003, 2002 and 2001, no loans were refinanced or restructured, 79.7%, 71.5% and 65.3%, respectively, were paid off, and 0.0%, 10.7% and 6.0%, respectively, were foreclosed. Of the \$1,434.7 million of outstanding commercial mortgage loans in the Company's investment portfolio at December 31, 2003, \$187.4 million, \$74.1 million and \$202.3 million are scheduled to mature in 2004, 2005, and 2006, 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, 2003 was \$1,434.7 million, which is net of valuation allowances aggregating \$19.9 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.

The Company had no problem commercial mortgages as of December 31, 2003 and 2002.

As of December 31, 2003 the carrying value of potential problem commercial mortgages aggregated \$18.1 million, net of \$0.7 million in valuation allowances, and restructured loans aggregated \$5.7 million, net of \$2.1 million in valuation allowances.

At December 31, 2003 and 2002, respectively, the underlying properties supporting potential problem commercial mortgages consisted of 51.2% and 73.5% in office properties and 48.8% and 26.5% in an industrial property and an office warehouse property. At December 31, 2003 and 2002, the underlying properties supporting restructured commercial mortgage loans consisted entirely of office properties. The potential problem and restructured commercial mortgages at December 31, 2003 and 2002 were primarily concentrated in New York, Ohio and Texas.

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, 2003 and 2002, such reserves were \$17.2 million and \$17.6 million, respectively.

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Gross interest income on restructured commercial mortgage loan balances that would have been recorded in accordance with the loans' original terms was approximately \$0.7 million, \$3.1 million and \$6.4 million at December 31, 2003, 2002 and 2001, respectively. As a result of the restructuring, the gross interest income recognized in net income at December 31, 2003, 2002 and 2001, respectively, was \$0.5 million, \$0.6 million and \$3.6 million.

*Agricultural Mortgage Loans*

The carrying value of the Company's agricultural mortgage loans was \$347.4 million and \$306.2 million at December 31, 2003 and 2002, respectively, representing 19.5% and 16.3% of total mortgage loan assets and 2.7% and 2.5% 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 2.7% and 2.7% of total agricultural loans outstanding at December 31, 2003 and 2002, respectively, were delinquent or in process of foreclosure. The geographical diversification of agricultural mortgage loans at December 31, 2003 and 2002, respectively, comprised 11.9% and 13.3% in Washington, 15.8% and 16.2% in California, 9.1% and 10.6% in Idaho, 8.1% and 9.0% in Oregon and 8.5% and 8.9% in Texas. No other state had a concentration of more than 7.0%.

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, 2003 and 2002 were \$17.4 million and \$17.3 million, respectively.

The Company has, from time to time, pooled certain of its agricultural mortgages for sale to third parties. These sales have taken two forms: (i) sales of percentage beneficial interests (referred to as participation interests); and (ii) sales of whole loans. In the case of participation interest sales, the Company retains a specified equity interest in the loans in such pools and sells the remaining participation interest. In the case of whole loan sales, the Company retains no equity interest in the loans in such pools, and sells the loans in their entirety. In both cases, the Company retains the responsibility for servicing the individual agricultural mortgage loans in each pool, for which it receives a servicing fee from the third party purchaser. As of December 31, 2003, the aggregate amount of agricultural mortgage loans in such pools being serviced by the Company was approximately \$272.9 million.

**Other Invested Assets**

The following table sets forth the components of other invested assets as at December 31, 2003 and 2002.

**Other Invested Assets**

As of	
<u>December 31,</u>	
2003	2002

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	_____	_____
	(\$ in millions)	
Mezzanine real estate loans	\$ 26.4	\$ 20.4
Real estate partnership equities	41.0	36.2
Receivables	9.7	11.8
Other	25.4	42.4
	_____	_____
Total other invested assets	\$ 102.5	\$ 110.8
	_____	_____

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**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 \$79.3 million, or 0.6%, and \$62.8 million, or 0.5%, of invested assets at December 31, 2003 and 2002, respectively. Proceeds on the sale of equity securities totaled \$16.9 million, \$16.5 million and \$31.0 million, which resulted in net realized gains/(losses) of \$4.9 million, \$(0.1) million and \$(6.4) million for the years ended December 31, 2003, 2002 and 2001, respectively.

*Limited partnership interests*

The Company's investments in limited partnership interests were \$177.6 million and \$186.2 million at December 31, 2003 and 2002, 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 or depreciation in the fair value of 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. Accordingly, certain of the common stocks owned by the Company at December 31, 2003 and 2002 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, 2003 and 2002, the industry sectors underlying the investments in equity limited partnerships comprised 49.7% and 52.5% in information technology, 22.0% and 26.9% in domestic and international leveraged buyouts (LBO), and 28.3% and 20.6% in other industry sectors, none of which exceeded 9.3% 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 (see Note 4 to the Consolidated Financial Statements), as well as the amount of such investments attributable to the partnerships' ownership of public and private common stock at December 31, 2003 and 2002:

<b>Carrying Value at December 31,</b>	
<b>2003</b>	<b>2002</b>

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	_____	_____
	(\$ in millions)	
<b>Equity Method</b>		
Public common stock	\$ 14.1	\$ 27.7
Private common stock	66.5	64.3
	_____	_____
Subtotal	80.6	92.0
	_____	_____
<b>Fair Value Method</b>		
Public common stock	17.1	15.2
Private common stock	79.9	79.0
	_____	_____
Subtotal	97.0	94.2
	_____	_____
Total	\$ 177.6	\$ 186.2
	_____	_____

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At December 31, 2003 and 2002, the Company had investments in 53 and 54 different limited partnerships which represented 1.4% and 1.6%, 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, 2003, 2002, and 2001, 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 fair value method (see Note 4 to the Consolidated Financial Statements) was approximately \$12.3 million, \$6.5 million and \$(35.4) million, respectively, representing 1.7%, 0.9% and (5.2)%, 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 6.7%, (15.1)% and (16.2)%, 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.

**Other than Temporary Impairment Charges on Investments in Fixed Maturity Securities and Common Stocks**

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

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

the value of any collateral or guaranty;

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

management's analysis of industry fundamentals;

management's assessment of the macro economic outlook; and

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

The Company's accounting policy provides that the Company, at the end of each reporting period, review all securities where the fair value thereof has declined below 80% of its current cost basis to determine whether such securities are "other than temporarily impaired". In addition, pursuant to this policy, management reviews securities that have experienced lesser percentage declines in value on a more selective basis using many of the previously discussed factors that the Company considers in making a determination that a security is other than temporarily impaired.

Once management determines that a security is "other than temporarily impaired" the impairment charge is measured based on the difference between the carrying value of the security and its fair value at the date the determination of impairment is made.

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The following table presents certain information with respect to realized investment losses from other than temporary impairment charges for the years ended December 31, 2003 and 2002. These impairment charges were determined based on the Company's assessment of the factors referred to above, as they pertain to the individual securities determined to be other than temporarily impaired. The table excludes amounts relating to certain invested assets held pursuant to a reinsurance arrangement whereby all the experience from such assets is passed to the reinsurer.



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	Years Ended December 31,	
	2003	2002
	(\$ in millions)	
<b>Realized investment losses from other than temporary impairment charges:</b>		
Fixed maturity securities		\$ 30.0