MONY GROUP INC
Form 10-Q
August 14, 2003
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

OR

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

For the transition period from to

Commission file number: 1-14603

THE MONY GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware	**13-3976138**
(State or other jurisdiction of incorporation or organization)	**(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)

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 x No ¨

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

As of August 7, 2003 there were 46,961,194 shares of the Registrant s common stock, par value $0.01, outstanding.

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FORWARD-LOOKING STATEMENTS

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

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PART I

FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

THE MONY GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As of June 30, 2003 and December 31, 2002

	June 30, 2003	December 31, 2002
	($ in millions)	
ASSETS		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$ 8,385.3	$ 7,909.4
Trading account securities, at fair value	824.7	726.7
Equity securities available-for-sale, at fair value	271.3	249.0
Mortgage loans on real estate	1,824.6	1,877.4
Policy loans	1,197.1	1,212.5
Real estate to be disposed of	0.5	26.8
Real estate held for investment	180.5	180.2
Other invested assets	120.7	110.8
	12,804.7	12,292.8
Cash and cash equivalents	392.3	378.5
Accrued investment income	206.6	207.5
Debt service coverage account (Note 1):		
Sub-account OB	66.5	64.7
Sub-account CBB	1.9	9.4
Amounts due from reinsurers	603.9	695.2
Premiums receivable	8.4	7.3
Deferred policy acquisition costs	1,226.3	1,226.4
Other assets	877.1	854.0
Separate account assets	4,414.8	4,140.6
Total assets	$ 20,602.5	$ 19,876.4
LIABILITIES AND SHAREHOLDERS EQUITY		
Future policy benefits	$ 7,983.2	$ 7,949.9
Policyholders account balances	2,988.3	2,779.7
Other policyholders liabilities	274.6	289.2
Amounts due to reinsurers	76.3	67.7

Securities sold, not yet purchased, at fair value	709.4	586.8
Accounts payable and other liabilities	929.3	875.3
Short term debt	7.0	7.0
Long term debt	876.3	876.3
Current federal income taxes payable	46.3	95.5
Deferred federal income taxes	265.0	212.9
Separate account liabilities	4,411.8	4,137.6
Total liabilities	18,567.5	17,877.9
Commitments and contingencies (Note 5)		
Common stock, $0.01 par value; 400 million shares authorized; 51.3 and 51.2 million shares issued at June 30, 2003 and December 31, 2002, respectively; 47.0 and 46.9 million shares outstanding at June 30, 2003 and December 31, 2002, respectively	0.5	0.5
Capital in excess of par	1,769.1	1,761.5
Treasury stock at cost: 4.3 million shares at June 30, 2003 and December 31, 2002	(137.7)	(137.7)
Retained earnings	343.2	314.9
Accumulated other comprehensive income	66.4	59.9
Unamortized restricted stock compensation	(6.5)	(0.6)
Total shareholders equity	2,035.0	1,998.5
Total liabilities and shareholders equity	$ 20,602.5	$ 19,876.4

See accompanying notes to unaudited interim condensed consolidated financial statements.

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THE MONY GROUP INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

AND COMPREHENSIVE INCOME

For the Three-month Periods Ended June 30, 2003 and 2002

	2003	2002
	($ in millions, except share data and per share amounts)	
Revenues:		
Premiums	$ 173.8	$ 169.9
Universal life and investment-type product policy fees	54.5	52.5
Net investment income	201.1	178.8
Net realized gains/(losses) on investments	15.0	(25.5)
Group Pension Profits (Note 4)		7.5
Retail brokerage and investment banking revenues	108.9	100.7
Other income	51.2	29.3
	604.5	513.2
Benefits and Expenses:		
Benefits to policyholders	211.2	199.5
Interest credited to policyholders account balances	34.0	27.9
Amortization of deferred policy acquisition costs	28.8	38.0
Dividends to policyholders	60.4	56.8
Other operating costs and expenses	243.0	207.1
	577.4	529.3
Income/(loss) from continuing operations before income taxes	27.1	(16.1)
Income tax expense/(benefit)	8.1	(5.1)
Income/(loss) from continuing operations	19.0	(11.0)
Discontinued operations: Income from real estate to be disposed of, net of income tax expense of $0.9 million	1.7	
Net income/(loss)	20.7	(11.0)
Other comprehensive income, net	10.4	62.2
Comprehensive income	$ 31.1	$ 51.2
Per Share Data:		
Basic income/(loss) per share from continuing operations	$ 0.40	$ (0.23)

Basic income per share from discontinued operations	$	0.04	$	
Basic net income/(loss) per share	$	0.43	$	(0.23)
Diluted income/(loss) per share from continuing operations	$	0.40	$	(0.23)
Diluted income per share from discontinued operations	$	0.04	$	
Diluted net income/(loss) per share	$	0.43	$	(0.23)
Share Data:				
Weighted-average shares used in basic per share calculation		46,961,194		47,994,628
Plus: incremental shares from assumed conversion of dilutive securities		405,988		
Weighted-average shares used in diluted per share calculations		47,367,182		47,994,628

See accompanying notes to unaudited interim condensed consolidated financial statements.

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THE MONY GROUP INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

AND COMPREHENSIVE INCOME

For the Six-month Periods Ended June 30, 2003 and 2002

	2003	2002
	($ in millions, except share data and per share amounts)	
Revenues:		
Premiums	$ 340.6	$ 334.3
Universal life and investment-type product policy fees	107.5	101.5
Net investment income	376.2	366.2
Net realized gains/(losses) on investments	31.6	(27.9)
Group Pension Profits (Note 4)		15.2
Retail brokerage and investment banking revenues	203.5	193.8
Other income	88.2	67.5
	1,147.6	1,050.6
Benefits and Expenses:		
Benefits to policyholders	407.5	390.2
Interest credited to policyholders account balances	67.9	55.8
Amortization of deferred policy acquisition costs	59.8	70.8
Dividends to policyholders	122.3	118.3
Other operating costs and expenses	456.2	410.5
	1,113.7	1,045.6
Income from continuing operations before income taxes	33.9	5.0
Income tax expense	9.6	1.7
Income from continuing operations	24.3	3.3
Discontinued operations: Income from real estate to be disposed of, net of income tax expense of $2.1 million	4.0	
Net income	28.3	3.3
Other comprehensive income, net	6.5	45.9
Comprehensive income	$ 34.8	$ 49.2
Per Share Data:		
Basic income per share from continuing operations	$ 0.52	$ 0.07
Basic income per share from discontinued operations	$ 0.09	$

Basic net income per share	$ 0.60	$ 0.07
Diluted income per share from continuing operations	$ 0.52	$ 0.07
Diluted income per share from discontinued operations	$ 0.09	$
Diluted net income per share	$ 0.60	$ 0.07
Share Data:		
Weighted-average shares used in basic per share calculation	46,961,194	48,003,420
Plus: incremental shares from assumed conversion of dilutive securities	76,787	1,667,333
Weighted-average shares used in diluted per share calculations	47,037,981	49,670,753

See accompanying notes to unaudited interim condensed consolidated financial statements.

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THE MONY GROUP INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT

OF CHANGES IN SHAREHOLDERS EQUITY

For the Six-month Period Ended June 30, 2003

	Common Stock	Capital In Excess Of Par	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Unamortized Restricted Stock Compensation	Total Shareholders Equity
				($ in millions)			
Balance December 31, 2002	$ 0.5	$ 1,761.5	$ (137.7)	$ 314.9	$ 59.9	$ (0.6)	$ 1,998.5
Unamortized restricted stock compensation		7.6				(5.9)	1.7
Comprehensive income:							
Net Income				28.3			28.3
Other comprehensive income(1)					6.5		6.5
Comprehensive income							34.8
Balance June 30, 2003	$ 0.5	$ 1,769.1	$ (137.7)	$ 343.2	$ 66.4	$ (6.5)	$ 2,035.0

(1) Represents net unrealized gains/(losses) on investments net of the effect of unrealized gains on deferred policy acquisition cost, reclassification adjustments, and changes in minimum pension liability and taxes.

See accompanying notes to unaudited interim condensed consolidated financial statements.

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THE MONY GROUP INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six-month Periods Ended June 30, 2003 and 2002

	2003	2002
	($ in millions)	
Net cash provided by/(used in) operating activities	$ 20.2	$ (23.3)
Cash flows from investing activities:		
Sales, maturities or repayments of:		
Fixed maturity securities	1,081.1	550.1
Equity securities	29.1	9.8
Mortgage loans on real estate	252.9	141.1
Policy loans, net	15.5	17.0
Other invested assets	63.4	7.9
Acquisitions of investments:		
Fixed maturity securities	(1,387.8)	(893.8)
Equity securities	(35.6)	(14.0)
Mortgage loans on real estate	(187.5)	(101.9)
Property, plant and equipment, net	(14.3)	(9.2)
Other, net	(35.7)	(13.0)
Acquisition of subsidiaries, net of cash acquired		(7.1)
Net cash used in investing activities	(218.9)	(313.1)
Cash flows from financing activities:		
Issuance of debt		300.0
Funding of debt service coverage account-OB	6.3	
Debt issuance costs	(0.4)	
Receipts from annuity and universal life policies credited to policyholders account balances(1)	562.0	511.2
Return of policyholder account balances on annuity and universal life policies(1)	(355.4)	(414.9)
Issuance of common stock		1.1
Purchase of treasury stock		(7.7)
Net cash provided by financing activities	212.5	389.7
Net increase in cash and cash equivalents	13.8	53.3
Cash and cash equivalents, beginning of period	378.5	441.0
Cash and cash equivalents, end of period	$ 392.3	$ 494.3

(1) Includes exchanges to a new Flexible Premium Variable Annuity product series.

See accompanying notes to unaudited interim condensed consolidated financial statements

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THE MONY GROUP INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of 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 six-month period ended June 30, 2003, Retail distribution accounted for approximately 19.2%, 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 80.8% 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 services to more than one million individuals.

MONY Group s principal operating subsidiaries are MONY Life Insurance Company (MONY Life), formerly known as The Mutual Life Insurance Company of New York, and The Advest Group, Inc. (Advest). MONY Life s principal wholly owned direct and indirect operating subsidiaries include: (i) MONY Life Insurance Company of America (MLOA), an Arizona domiciled life insurance company, (ii) Enterprise Capital Management (Enterprise), a distributor of both proprietary and non-proprietary mutual funds, (iii) U.S. Financial Life Insurance Company (USFL), an Ohio domiciled insurer underwriting specialty risk life insurance business, (iv) MONY Securities Corporation (MSC), a registered securities broker-dealer and investment advisor whose products and services are distributed through MONY Life s career agency sales force, (v) Trusted Securities Advisors Corp., which distributes investment products and services through a network of accounting professionals, (vi) 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, (vii) 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, (viii) 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 (ix) 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 Bank and Trust Company, a federal savings bank, and Boston Advisors, Inc., 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 (CBB) (*see Note 7*) within MONY Life. On April 30, 2002, the date MONY Holdings commenced its operations, MONY Holdings, through a structured financing tied to the performance of the CBB within MONY Life, issued $300.0 million of floating

rate insured debt securities (the Insured Notes) in a private placement and MONY Group, pursuant to the terms

THE MONY GROUP INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 indenture and its ownership interest in MONY Life, MONY Holdings has no operations and engages in no other activities.

Proceeds to MONY Holdings from the issuance of the Insured Notes, after all offering and other related expenses, were approximately $292.6 million. Of this amount, $60.0 million was deposited in a debt service coverage account (the DSCA), pursuant to the terms of the note indenture, to provide collateral for the payment of interest and principal on the Insured Notes and the balance of approximately $232.6 million was distributed to MONY Group in the form of a dividend. The Insured Notes mature on January 21, 2017. 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 8 for further information regarding the Insured Notes.

MONY Group is a holding company and is a legal entity separate and distinct from its subsidiaries. The rights of MONY Group to participate in any distribution of assets of any subsidiary, including upon its liquidation or reorganization, are subject to the prior claims of creditors of that subsidiary, except to the extent that MONY Group may itself be a creditor of that subsidiary and its claims are recognized. MONY Holdings and its subsidiary have entered into covenants and arrangements with third parties in connection with the issuance of the Insured Notes which are intended to conform their separate, bankruptcy-remote status, by assuring that the assets of MONY Holdings and its subsidiary are not available to creditors of MONY Group or its other subsidiaries, except and to the extent that MONY Group and its other subsidiaries are, as shareholders or creditors of MONY Holdings and its subsidiary, or would be, entitled to those assets.

2. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. The most significant estimates made in conjunction with the preparation of the Company s financial statements include those used in determining: (i) deferred policy acquisition costs, (ii) the liability for future policy benefits, (iii) valuation allowances for mortgage loans and charges for the impairment of invested assets, (iv) pension costs, (v) costs associated with contingencies, (vi) litigation contingencies and restructuring charges and (vii) income taxes. Certain reclassifications have been made in the amounts presented for prior periods to conform those periods to the current presentation.

The interim financial data as of June 30, 2003 and for the six-months ended June 30, 2003 and 2002 is unaudited; however, in the opinion of the Company, the interim data includes all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of results for the interim periods.

Recent Accounting Pronouncements

In December 2002, the FASB issued SFAS No. 148 *Accounting for Stock-Based Compensation Transition and Disclosure and amendment of FASB Statement No. 123*. This Statement amends FASB Statement No. 123,

THE MONY GROUP INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting for Stock-Based Compensation (SFAS 123), to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity s accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure about those effects in interim financial information. The disclosure provisions for this Statement are effective for interim periods beginning after December 15, 2002. The transition provisions of this statement are effective for financial statements for fiscal years ending after December 31, 2002. As of June 30, 2003, the Company has not adopted the fair value based method of accounting for stock based compensation.

In April 2003, the FASB issued SFAS No. 149 *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (SFAS 149). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 is not expected to have a material impact on the Company s results of operations and financial position.

In April 2003, the FASB issued SFAS 133 Implementation Issue B36, *Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments* (DIG B36). DIG B36 addresses the need to separately account for an embedded derivative within a reinsurer s receivable and ceding company s payable arising from modified coinsurance or similar arrangements. Paragraph 12(a) of SFAS 133 indicates that an embedded derivative must be separated from the host contract (bifurcated) if the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract. DIG B36 concludes that bifurcation is necessary in a modified coinsurance arrangement because the yield on the receivable and payable is based on a specified proportion of the ceding company s return on either its general account assets or a specified block of those assets, rather than the overall creditworthiness of the ceding company. The effective date of implementation is the first day of the first fiscal quarter beginning after September 15, 2003, with earlier application as of the beginning of a fiscal quarter permitted. The adoption of DIG B36 is not expected to have a material impact on the Company s results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150 *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (SFAS 150). SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or mezzanine equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 affects an entity s classification of the following free-standing instruments: (i) mandatory redeemable instruments, (ii) financial instruments to repurchase an entity s own equity instruments, and (iii) financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (a) a fixed monetary amount known at inception or (b) something other than changes in its own equity instruments. SFAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 is not expected to have a material impact on the Company s results of operations and financial position.

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THE MONY GROUP INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In July 2003 the American Institute of Certified Public Accountants issued Statement of Position 03-1 *Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts* (SOP 03-1). SOP 03-1 provides guidance relating to (i) separate account presentation, (ii) accounting for an insurance enterprise s interest in separate accounts, (iii) gains and losses on the transfer of assets from the general account, (iv) liability valuation, (v) return based on a contractually referenced pool of assets or index, (vi) determining the significance of mortality and morbidity risk and classification of contracts that contain death or other insurance benefit features, (vii) accounting for contracts that contain death or other insurance benefit features, (viii) accounting for reinsurance and other similar contracts, (ix) accounting for annuitization benefits, (x) sales inducements to contract holders, and (xi) disclosures in the financial statements of an insurance enterprise regarding (a) separate account assets and liabilities, (b) the insurance enterprise s accounting policy for sales inducements, and (c) the nature of the liabilities and methods and assumptions used in estimating any contract benefits recognized in excess of the account balance. SOP 03-1 is effective for financial statements for fiscal years beginning after December 15, 2003, with earlier adoption encouraged. The adoption of SOP 03-1 is not expected to have a material impact on the Company s results of operations and financial position.

3. Segment Information:

The Company s business activities consist of the following: protection product operations, accumulation product operations, mutual fund operations, securities broker-dealer operations, investment banking operations, investment management operations, insurance brokerage operations, and certain insurance lines of business no longer written by the Company (the run-off businesses). These business activities represent the Company s operating segments. Except as discussed below, these segments are managed separately because they either provide different products or services, are subject to different regulation, require different strategies, or have different technology requirements.

Management considers the Company s mutual fund operations to be an integral part of the products offered by the Company s accumulation products segment. Accordingly, for management purposes (including performance assessment and making decisions regarding the allocation of resources), the Company aggregates its mutual fund operations with its accumulation products segment. The securities broker-dealer and investment banking operations are aggregated into the Retail Brokerage and Investment Banking segment because they have similar economic characteristics.

Of the aforementioned segments, only the Protection Products segment, the Accumulation Products segment and the Retail Brokerage and Investment Banking segment qualify as reportable segments in accordance with SFAS Statement No. 131. All of the Company s other segments are combined and reported in the Other Products segment.

Products comprising the Protection Products segment primarily include a wide range of individual life insurance products, including: whole life, term life, universal life, variable universal life, corporate-owned life, last survivor whole life, last survivor universal life, last survivor variable universal life, group universal life and special-risk products. In addition, included in the Protection Products segment are: (i) the assets and liabilities transferred pursuant to the Group Pension Transaction (which ceased as of December 31, 2002 *see Note 4*), as well as the Group Pension Profits derived therefrom, (ii) the Closed Block assets and liabilities, as well as all the related revenues and expenses relating thereto (*see Note 6*) and (iii) disability income insurance products (which are 100% reinsured and no longer offered by the Company).

The Accumulation Products segment primarily includes flexible premium variable annuities, single and flexible premium deferred annuities, single premium immediate annuities, proprietary mutual funds, investment management services, and certain other financial services products.

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The Retail Brokerage and Investment Banking segment is comprised of the operations of Advest, MSC, Matrix Capital Markets Group, Inc. and Matrix Private Equities, Inc. (together Matrix). Advest provides diversified financial services including securities brokerage, trading, investment banking, trust, and asset management services. Matrix is a middle market investment bank specializing in merger and acquisition services for a middle market client base. MSC is a securities broker dealer that transacts customer trades primarily in securities and mutual funds. In addition to selling the Company s protection and accumulation products, MSC provides the Company s career agency distribution system access to other non-proprietary investment products (including stocks, bonds, limited partnership interests, tax-exempt unit investment trusts and other investment securities).

The Company s Other Products segment primarily consists of an insurance brokerage operation and the run-off businesses. The insurance brokerage operation provides the Company s career agency sales force with access to variable life, annuity, small group health and specialty insurance products written by other carriers to more fully meet the insurance and investment needs of its customers. The run-off businesses primarily consist of group life and health business as well as group pension business that was not included in the Group Pension Transaction (*see Note 4*).

Set forth in the table below is certain financial information with respect to the Company s operating segments as of June 30, 2003 and December 31 2002 and for each of the three and six-month periods ended June 30, 2003 and 2002, as well as amounts not allocated to the segments. Except for various allocations discussed below, the accounting policies of the segments are the same as those described in the summary of significant accounting policies in the audited financial statements included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2002. The Company evaluates the performance of each operating segment based on profit or loss from operations before income taxes and nonrecurring items (e.g. items of an unusual or infrequent nature). The Company does not allocate nonrecurring items to the segments. In addition, all segment revenues are from external customers.

Assets have been allocated to the segments in amounts sufficient to support the associated liabilities of each segment and maintain a separately calculated regulatory risk-based capital (RBC) level for each segment equal to that of the Company s RBC level. Allocations of the net investment income and net realized gains on investments were based on the amount of assets allocated to each segment. Other costs and operating expenses were allocated to each of the segments based on: (i) a review of the nature of such costs, (ii) time studies analyzing the amount of employee compensation costs incurred by each segment, and (iii) cost estimates included in the Company s product pricing. Substantially all non-cash transactions and impaired real estate (including real estate acquired in satisfaction of debt) have been allocated to the Protection Products segment.

Amounts reported as reconciling amounts in the table below primarily relate to: (i) contracts issued by MONY Life relating to its employee benefit plans, (ii) revenues and expenses of the MONY Group and MONY Holdings, and (iii) a charge of $1.1 million in 2003 associated with the merging of some of the Company s asset management operations.

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THE MONY GROUP INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment Summary Financial Information

	For the Three-month Periods Ended June 30,		For the Six-month Periods Ended June 30,	
	2003	2002	2003	2002
	($ in millions)		($ in millions)	
Premiums:				
Protection Products	$ 164.7	$ 164.5	$ 325.5	$ 324.9
Accumulation Products	7.2	3.3	10.9	4.8
Other Products	1.9	2.1	4.2	4.6
	$ 173.8	$ 169.9	$ 340.6	$ 334.3
Universal life and investment-type product policy fees:				
Protection Products	$ 44.0	$ 39.8	$ 86.4	$ 75.5
Accumulation Products	10.6	12.6	20.5	24.7
Other Products	(0.1)	0.1	0.6	1.3
	$ 54.5	$ 52.5	$ 107.5	$ 101.5
Net investment income and net realized gains (losses) on investments(4):				
Protection Products	$ 175.2	$ 128.8	$ 328.6	$ 280.5
Accumulation Products	29.7	13.5	54.7	34.5