PNX

2001 Annual Report

PHOENIX WEALTH MANAGEMENT®

The culture of wealth is always changing and Phoenix understands these shifts. Our expertise is based on 150 years of serving the affluent and high net worth. One of the latest trends — the partnership of time-tested business experience and the .com entrepreneurial spirit of the 1990s — is highlighted here. This year's report also uses facts and photographs taken from our award-winning advertising campaign, which reflect the latest cultural trends of the affluent and high net worth.

PNX — The New Symbol of Wealth Management

As we successfully transitioned from a mutual to a stock company in 2001, we also positioned The Phoenix Companies, Inc. for growth in 2002 — our first full year as a public company — and beyond. We intend to create shareholder value by continuing to focus on being a premier wealth management manufacturer of sophisticated products for the large and growing affluent and high-net-worth markets, offering unique programs and services to help financial advisors and consultants help their clients secure their financial futures.

FINANCIAL HIGHLIGHTS

$ in millions except per share	Year Ended December 31, 1999	2000	2001
Operating Income (Loss) from Continuing Operations, After Tax[1]	146.1	206.2	(74.1)
Cash Operating Income, Excluding Venture Capital, After Tax	83.1	50.2	86.6
Net Income (Loss)	89.2	83.3	(202.7)
Revenues	2,779.2	2,997.2	2,421.8
Operating Earnings (Loss) Per Share[2]	1.40	1.97	(0.71)
Cash Operating Earnings Per Share, Excluding Venture Capital	0.79	0.48	0.83
Net Income (Loss) Per Share	0.85	0.80	(1.94)
Invested Assets	11,776.8	12,770.6	14,409.9
Total Assets	20,287.0	20,313.2	22,525.4
Total Equity	1,756.0	1,840.9	2,395.7
Assets Under Management	73,181.4	64,543.5	61,215.1

[1] Operating income represents net income adjusted for realized investment gains and some nonrecurring items because they are not considered by management when evaluating the financial performance of the business segments. The size and timing of realized investment gains are often subject to management's discretion. Certain nonrecurring items are removed from net income if, in management's opinion, they are not indicative of overall operating trends. While some of these items may be significant components of our net income, we believe operating income is an appropriate measure that represents the net income attributable to the ongoing operations of the business. However, operating income is not a substitute for net income determined in accordance with generally accepted accounting principles, and may be different from similarly titled measures of other companies.

[2] Based on 104.6 million weighted-average shares outstanding for all periods.

Robert W. Fiondella, Chairman of the Board and Chief Executive Officer
Dona D. Young, President and Chief Operating Officer

Photo by Kristen Schmid ©2001 *The Hartford Courant*

To Our Shareholders

2001 was a year of extraordinary accomplishment for us. In January, we took Phoenix Investment Partners, Ltd., our investment management arm, private; in May, we celebrated our 150th anniversary; in June, we demutualized and conducted a highly successful initial public offering.

At the same time, as with other companies, we faced significant challenges resulting from volatile equity markets, low interest rates, estate tax reform and the startling and sudden meltdowns of several prominent companies and of the Argentine economy. On a personal and professional level, we also dealt with the tragedy of September 11 and its aftermath.

In 2001, we also continued our transition from a mutual to a publicly traded stock company. As a result, we took a number of charges which obscured the underlying results of our core operations. These charges included the price for purchasing the 40 percent of Phoenix Investment Partners that we did not own, the costs of an early retirement program and venture capital write-downs to eliminate a lag in reporting partnership results, among others. That is why we focus on cash operating earnings, which measure the ability of the business to generate cash earnings. In 2001, cash operating earnings excluding venture capital were $86.6 million, up from $50.2 million in 2000. However, we recorded a net loss of $202.7 million in accordance with GAAP as a result of the above charges.

Through all of this, we continued to advance our business strategy in meaningful ways, remaining focused on positioning ourselves as a premier player in the wealth management arena, helping the affluent and high net worth accumulate, preserve and transfer their wealth.

Our Plan for Growth

Phoenix has served the needs of people of means throughout its 150-year-old history. Over the past three years, we have strengthened our focus on this large and growing market, rapidly transforming from a multiline company to an integrated wealth management pure-play.

In 2002, we will build on this foundation by continuing to focus on our key competitive advantages:

- Continually developing new products and services to meet changing market demands;
- Expanding and leveraging our broad distribution network;
- Leveraging Team Phoenix, our distinctive competitive advantage; and,
- Helping advisors serve their clients by offering effective programs and tools and superior technology support.

Our aim is to achieve steady, profitable growth. We made progress during 2001 on our goal of cash return on equity (ROE), excluding venture capital, of 8 to 10 percent by the end of 2003. In 2002, our focus is on driving for higher revenues and lower expenses and on optimizing our capital position.

The Right Products at the Right Time

Long-term demographic trends will drive growth in the wealth management market. We are well-positioned to capitalize on this opportunity.

We continue to strengthen our **focus** on the large and growing **wealth management** market.

Our wealth management products are among the best in the industry and our approach — bringing together an array of products to help the affluent and high net worth accumulate, preserve and transfer their wealth — differentiates us. Over the past three years, we have concentrated our attention on continually evolving our product portfolio to meet the changing needs of our market and to achieve higher returns.

In 2001, we completed the transition in life insurance sales from participating, or dividend-paying policies, to non-participating products such as variable universal life and universal life. We also aggressively expanded our annuity business, which, unlike most of the industry last year, experienced very strong sales growth. We took our private placement variable life and annuity business to a higher level, launching an important new relationship to provide these products through Salomon Smith Barney's highest-end producers.

We also intensified our focus on fixed-income products, such as universal life and fixed annuities, to bring more balance to our business mix with less dependence on the equity markets.

In investment management, we announced the acquisitions of Kayne Anderson Rudnick Investment Management and Capital West Asset Management to strengthen our position in separately managed accounts, which are highly attractive to the affluent and high net worth and one of the fastest growing investment product areas. Our distinctive multi-manager model now includes 11 money managers spanning a full range of investing styles.

Pro forma, the acquisitions of Kayne Anderson Rudnick and Capital West added $7.6 billion in assets under management and increased our year-end sponsored managed account assets by more than 80 percent. They also brought a number of exceptional investment and sales professionals into our organization, broadening our product offerings and distribution force. Both firms are represented in Salomon Smith Barney's managed account program, which is the largest in the country.

Together, these acquisitions add 15 new managed account investment strategies to our offerings. We now have 28 strategies represented by various managers in six of the largest sponsored managed account programs.

Alternative Financial Products is another attractive growth business because both institutional and high-net-worth investors like the diversification these non-traditional products offer.

In 2001, we expanded our alternative offerings with two collaterized bond and debt obligations (CBOs and CDOs). We also formed a strategic alliance with Arden Asset Management, a leading global hedge fund of funds company, to develop and distribute a hedge fund of funds product to investors worldwide. In 2002, we expect to add several new alternative products, including a registered fund of hedge funds for individuals.

A Winning Distribution Strategy

Our expanding distribution network, particularly at non-affiliated distribution channels, is key to higher sales. We have made significant investments in our distribution capabilities over the past three years, which began to pay off in 2001. We expect further gains from these investments in 2002 and beyond.

fact:

women are drivers of wealth.


fact:
the nation's 68 million boomlets are the future wealth management wave.

Our expanding **distribution** network is key to **higher sales**.

During 2001, we increased the number of wholesalers in each of our three wholesaling areas — life, annuities and investment management — implemented our Team Phoenix approach and broadened our distribution partnerships.

Team Phoenix leverages relationships across our three wholesaling units to offer a full range of products and services that meet the needs of the affluent and high net worth. It also strengthens and grows our selling relationships because it allows us to establish a relationship with one product area and then expand on multiple fronts.

During 2001, Team Phoenix proved its effectiveness through deepened relationships with several of our existing distribution firms, such as Merrill Lynch, AXA, A.G. Edwards and Paine Webber, and opened doors to new ones at such firms as Salomon Smith Barney and Connecticut-based Webster Bank.

In 2001, we became the sole third-party provider of wealth management products and services for State Farm Life Insurance Company's high-net-worth customers, and we made steady progress toward realizing the full potential of this relationship. We trained and certified about 20 percent of State Farm's 10,000 securities-licensed agents, and we are certifying new agents at a rate of 700 to 800 per month. Our relationship with State Farm gives us potential access to approximately 30 percent of the high-net-worth households in the United States.

In 2001, WS Griffith Advisors, Inc., our retail distribution arm and a wholly owned subsidiary of Phoenix, continued its transition to a full-service financial services organization, setting up the business to operate with an open architecture and access to best-in-class products from various product providers.

There is also an opportunity for us to grow the distribution of our wealth management products and services globally. Our approach in the international arena is to focus on high-growth opportunities without investing significant capital. Our investment in Aberdeen Asset Management, LTD is a good example. We own approximately a quarter of this Scotland-based asset manager, which has consistently provided solid earnings contributions. We also own approximately 12 percent of Lombard International Assurance S.A., a Luxembourg company that provides investment-linked insurance to high-net-worth individuals in eight European countries.

Our Expertise: A Competitive Advantage

Our deep understanding of the affluent and high-net-worth market enables us to develop tailored programs that help advisors better serve their clients.

For example, when the complicated new estate tax law was enacted last June, we quickly developed a comprehensive Estate Tax Planning kit with an array of tools to help advisors understand the law and how it affected their affluent and high-net-worth clients.

But, wealthy individuals and families require more than expert estate tax counsel. They need a long-term wealth management plan that has the flexibility to address their changing needs. During 2001, we launched *Life Plans*, a set of product enhancements and strategies that advisors can use to support the distinct goals of their wealthy clients throughout their lifetime.

We will continually **evolve** our product **portfolio** to meet the changing **needs** of our market.

Today's wealthy face unique emotional issues as well. This is true for all families of means, but even more so for those with newly acquired wealth. In response, we developed our *Exploring the Family Dynamics of Wealth Program* to help advisors address various wealth-related issues that high-net-worth families face.

After September 11, with the country shaken and the stock market closed for two weeks, we responded to the needs of advisors and their clients with our *Crisis in Perspective* program. By September 13, our investment management wholesalers began conducting the first of nearly 700 forums for affluent investors to help them look at and deal with their particular situations in light of the precipitous drop in the equity markets.

We also expanded our trust operation to better support our wholesalers and the advisors they work with, receiving a charter to market trust services in all 50 states. Previously, our trust operation could serve clients only on a limited regional basis.

Technology is another critical link between Phoenix and our market. But technology is expensive. Our strategy of deploying technology intelligently includes relying on the blended capabilities of our U.S. operations and Phoenix Global Solutions, our India-based operations, to support the business. This strategy resulted in $6 million in cost savings last year. In 2001, we concentrated our efforts on redesigning our internet site to better support advisors and build and expand our distribution relationships. We are in the process of consolidating all technology functions corporate-wide to achieve greater efficiencies and increase their effectiveness.

2002 – A Key Year

In the end, 2001 was a year of change, challenge and, ultimately, progress toward our goal of steady, consistent, profitable growth. Our entire organization worked hard to build our business and made significant sacrifices along the way, helping to reduce expenses by consolidating staff functions and by deferring bonuses and salary increases for exempt employees until February 2003.

We know that in 2002 — our first full year as a public company — we must demonstrate that we can meet or exceed the financial goals we set. We are confident in our strategy, as well as our ability to achieve our goal of cash ROE, excluding venture capital, of 8 to 10 percent by the end of 2003. At the end of fourth quarter 2001, this stood at 5.4 percent annualized.

I want to thank our employees, associates and Board of Directors for your exceptional work in transforming Phoenix into a public company. My thanks to advisors, financial consultants and their clients for continuing to turn to us for your wealth management needs. And my sincerest thanks to our owners, who understood our growth potential through your investment in The Phoenix Companies.

We believe we are a growth story. We are not out to be the biggest player, only the best in our niche. We look with confidence to 2002 and to building shareholder value for the long term.

Robert W. Fiondella

Robert W. Fiondella
Chairman of the Board and Chief Executive Officer

March 2002

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as of March 31, 2002

Shareholder Information

Annual Meeting
The annual meeting of shareholders of The Phoenix Companies, Inc. will be held on May 15, 2002 at 3:00 p.m. Eastern Standard Time at One American Row, Hartford, Connecticut.

Stock Listing
The common stock of The Phoenix Companies, Inc. is traded on the New York Stock Exchange under the symbol "PNX."

Transfer Agent and Registrar
For information or assistance regarding your account, please contact our transfer agent and registrar:

EquiServe Trust Company, N.A. at: Phoenix Shareholder Services, C/O EquiServe Trust Company, P.O. Box 2578, Jersey City, NJ 07303-2578

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For More Information
To receive additional information, including financial supplements and Securities and Exchange Commission filings along with access to other shareholder services, visit the Investor Relations Section on our Web site at www.phoenixwm.com or contact our Investor Relations Department at:
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