Prudential Ecosystem

Prudential Financial
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Outside Relationships

Regulators

Subjects of Insurance Regulation

- U.S. State Insurance Holding Company Regulation (NJ, AZ, CT, IN, NY: Regulation of holding company registration and reporting, changes in control)
- State Insurance Operations Regulation (Financial regulation of dividends, risk-based capital, insurance reserves, and regulatory capital; regulation of captive insurance companies, liquidations and conversions, long-term care rates, data and underwriting, insurance guaranty association assessments)
- Employee Retirement Income Security Regulation (Department of Labor: Regulation of wages, taxes, pension and retirement plans, fiduciary rules)
- U.S. Federal and State Regulation of Insurance-Related Securities (Securities regulation of entities offering variable life, variable annuity, and mutual fund products)
- Health Insurance Plan Regulation (Regulation of Assurance IQ marketing and sale of health insurance plans under Patient Protection and Affordable Care Act and Medicare Advantage plans by U.S. Centers for Medicare and Medicaid Services)
- Consumer Protection Regulation (Federal and state regulation of sale of third party insurance products and residential mortgage loan products by Assurance IQ)
- International Insurance and Retirement Products Regulation (Regulation of company licensing, sales staff licensing, insurance and mutual fund product approvals, sales practices, dividend payments, claims payment practices, permissible investments, solvency and capital adequacy, insurance reserves, securities, commodities and dealer registration)

Subjects of Retirement Products and Investment Management Regulation

- Employee Retirement Income Security and Fiduciary Regulation (Regulation of pension and retirement products and services by Securities and Exchange Commission (SEC), Financial Institutional Regulatory Authority (FINRA), Commodities Futures Trading Commission (CFTC), National Futures Association (NFA), Dept. of Labor, Dept. of the Treasury, and state agencies)
- Separate Account, Mutual Fund, and Other Pooled Investment Products (SEC, FINRA, and state agencies)
- U.S. Securities and Commodity Operations (SEC, CFTC, and FINRA, and state regulation of broker-dealers, investment advisers, commodity pool operators or trading advisers)

General Business Regulation

- Derivatives (Reporting, collateral posting, margin, and clearing requirements and exemptions)
- Privacy and Cybersecurity (Data protection regulation)
- Anti-Money Laundering and Anti-Bribery (Financial transparency and anti-corruption regulation)
- Environmental (Regulation of Discharge, Disposal, and Storage of Hazardous Waste; Clean-up of Contaminated Sites)
- Tax (Taxation of U.S./foreign income)

Capital

- Public Debt Holders
- Commercial Banks
- Hedge Counterparties

Suppliers

Owners and Intermediaries of Debt and Equity Securities, Real Estate and Other Investment Products

- Non-Coupon Investment Vehicles (Equity Securities, Limited Partnership/LLC Interests in Private Equity, Head, and Real Estate-Related Funds)
- Non-Proprietary Mutual Funds
- Banks and Other Financial Institutions (Commercial Mortgage Loans, Low-Yield Deposit and Savings Vehicles)
- Real Property Developers and Owners (Residential Property Loans Commercial and Agricultural Loans, Real Estate Developments, Uncollateralized Loans)
- Corporations, U.S. and Foreign Government Entities, States and Municipalities (Government and Agency Securities, Public and Private Corporate Bonds, Structured Securities, and Non-Coupon Equity Securities)

Customers

PGIM Customers

- Institutional Clients
- Retail Clients
- Prudential General Account

Bond Financing / Working Capital Financing / Foreign Currency, Interest Rate, Variable Annuities Derivatives / Insurance Regulation

Sales of Public Equity and Fixed Income Securities, Mutual Fund Investments, Co-Investment and Seed Real Estate Investments, Mortgages, Mortgage-Backed Securities, Private Credit, Alternative Asset Investments

Mortgage Services

Retirement Products and Investment Management Regulation

Fee-Based Investment Management Services for Public Fixed Income, Public Equity, Real Estate Debt and Equity, Private Credit, and Multi-Asset Class Strategies

General Business Regulation

Prudential Financial, Inc. (a New Jersey Corporation)

Debt Structure

Debt ($20.64B)

- $4B Credit Facility (Matures 2022)
- Y100B Term Loan (Matures 2024)
- $380M Commercial Paper Program

Credit Ratings (Long-Term Senior Debt): A (S&P), A3 (Moody's), and A- (Fitch)

- Fixed Rate Notes
  - Surplus Notes 2025 $343M 8.3%
  - Mortgage Debt 2027 $24M 3.85%
  - Senior Notes 2023-2051 $11.179B 1.5% to 6.75%
- Surplus Notes Subject to Set-off 2022-2038 $8.134B 2.23% to 5.26%
- Floating Rate Notes
  - $300M Line of Credit 2023 1.41% to 3.1%
  - $257M Mortgage Debt 2022-2024 1.43% to 3.88%
- $2.33B Surplus Notes Subject to Set-off Arrangements 2024-2037 1.61% to 3.5%
- Junior Subordinated Notes 2042-2060 $7.615B 1.55% to 5.88%

Equity Structure

Equity

- *Share Repurchase Program* Authorized: 2/4/2021 Expiration: 12/31/2021 Authorized Amount: $1.5 B
- *Preferred Stock* Authorized: 10,000,000 Issued: None
- *Common Stock* Authorized: 1.5 B Issued: 663,305,189 Outstanding: 396,437,451 Record-Holders: 1,171,000

Governance

Board of Directors

- Charles Lowrey (Chair)
- Robert Falzon (Vice Chair)
- Thomas Baltimore (I, C, E, R)
- Gilbert Casellas (G, E, A, BE, R)
- Martina Hund-Mejean (A, E, R)
- Christine Poon (E, F, I, R)
- Sandra Pianalto (G, BE, F)
- Peter Lighte (G, BE, I)
- Douglas Scovanner (R, A, E)
- Michael Todman (C, E, F, R)
- Wendy Jones (A)
- George Paz (A, F)
- Karl Krapek (C)

Board Committees
Audit (A), Compensation (C), Business Ethics (BE), Executive (E), Finance (F), Investment (I), Risk (R)

Management Team

- Charles F. Lowrey (CEO and President)
- Robert M. Falzon (Vice Chair)
- Kenneth Y. Tanji (EVP and CFO)
- Stacey Goodman (EVP and Chief Information Officer)
- Scott G. Sleyster (EVP and Head of International)
- Andrew F. Sullivan (EVP and Head of U.S.)
- Lucien A. Alziari (EVP and Chief HR Officer)
- Ann M. Kappler (EVP and General Counsel)
- Candace J. Woods (Senior VP and Chief Actuary)
- Nicholas C. Silitch (Senior VP and Chief Risk Officer)
- Timothy L. Schmidt (Senior VP and Chief Investment Officer)

Human Resources and Inclusive Solutions

- Talent Acquisition and Development
- Compensation and Benefits
- Employee Engagement
- Culture
- Diversity & Inclusion
- HR Information Systems

Transformation

- Operational Reinvention
- Customer Connection
- Cost Savings Program
- Capital Reallocation for Growth

Finance and Accounting

- Financial Reporting
- Corporate Development
- Investor Relations
- Accounting
- Treasury
- Tax

Enterprise Risk Management

- Models
- Metrics
- Frameworks
- Governance
- Assessments

Actuarial

- Risk Assessment and Reporting
- Financial
- Accident
- Consumer Demand
- Illness

Marketing

- Risk Assessment and Reporting
- Financial
- Accident
- Consumer Demand
- Illness

Legal, Compliance, Ethics, and External Affairs

- Legal
- Litigation
- Legal Operations
- Corporate Governance
- Compliance
- Corporate Investigations
- Regulatory Affairs
- Business Ethics
- Public Policy
- Federal, State, and International Government Affairs

Corporate Matters

Technology

- Coding
- Data Analytics
- Operations
- Product Management
- Project Management
- Information Technology
- Global Cybersecurity
- Data, Information, and Digital and Technology Platforms

Investment

- Asset/Liability Management
- Portfolio Construction
- Investment Strategy
- Alternative Asset Investing
- Hedging of Variable Annuity Guarantees

Internal Audit

- Internal Controls Assurance (Management Audit Committee, Regulatory Examiners, and External Auditors)
- Financial Statements Reliability

Operations

PGIM (Investment Management) $4.2B

Provides investment management services and solutions related to public fixed income, public equity, real estate debt and equity, private credit and others to institutional and retail clients globally as well as the company's general account

Products & Services

- **PGIM Fixed Income** Global active asset management services across public fixed income markets
- **Jennison Associates** Active fundamental public equity and fixed income asset management services
- **Quantitative Management Associates (QMA)** Systematic quantitative equity and multi-asset strategies and customized client solutions
- **PGIM Private Capital** Private credit solutions across the risk spectrum including investment grade, high yield, direct lending and mezzanine financing
- **PGIM Real Estate** Public and private real estate debt and equity strategies
- **PGIM Investments** Manufactures and services retail investment and management products using PGIM's asset managers across retail markets
- **PGIM Global Partners** Local asset management in Taiwan and India, with interests in asset management joint ventures in China and Italy

Distribution Channels

- **Institutional Clients** Sales force and relationship teams
- **Retail Clients** Third party intermediaries and licensed sales professionals within Prudential Advisors

U.S. Businesses ("Financial Wellness") $29.049B

U.S. Workplace Solutions Division $17.82B

Retirement Segment $12.034B

The Retirement segment provides a broad range of retirement investment and income products and services to retirement plan sponsors in the public, private and not-for-profit sectors.

Group Insurance Segment $5.786B

The Group Insurance segment provides a full range of group life, long-term and short-term group disability, and group corporate-, bank- and trust-owned life insurance in the U.S., primarily to institutional clients for use in connection with employee plans and affinity groups.

Products & Services

- **Full Service** Design of Retirement Plans (Defined Benefit, Defined Contribution, non-Qualified Retirement Plans, and Individual Retirement Accounts ("IRA"))
- Recordkeeping and Administrative Services
- Stable Value Products (Products that pay set rate of interest and return of principal with interest rate resets)
- Other Investment Products (Retail mutual funds)
- **Institutional Investment** Payout Annuity (Set monthly income for the life of annuitant)
- Pension Risk Insurance and Reinsurance (Mitigating investment, actuarial, and longevity risks)
- Stable Value Products (Investment-Only Products and Guaranteed Investment Contracts and Funding Agreements)
- **Group Life Insurance** Employer Sponsored Term and Variable Life and Accident Insurance (To insure employees)
- Group Variable Life Insurance Contracts – Separate Accounts (To fund deferred compensation plans and defined benefit plans for retired employees)
- **Group Disability Insurance** Short-term and Long-term Group Disability Insurance (To protect against lost wages due to illness or injury)
- Plan Administration and Absence Management Services

Distribution Channels

- **Full Service** Sales force and third-party intermediaries
- **Institutional** Third party intermediaries (insurance) and sales force
- **Group Insurance** Sales force organized around market segments in conjunction with benefit brokers and consultants

U.S. Individual Solutions Division $10.838B

Individual Annuities Segment $4.44B

The Individual Annuities segment develops and distributes individual variable and fixed annuity products, primarily to the U.S. mass affluent and affluent markets, with guaranteed minimum death, income, accumulation, and/or withdrawal benefits.

Individual Life Segment $6.398B

The Individual Life segment develops and distributes individual variable life, term life and universal life insurance products primarily to the U.S. mass middle, mass affluent and affluent markets.

Products & Services

- **Variable Annuities** Prudential Premier Investment Variable Annuity (Tax deferred)
- MyRock Advisors (Longevity protections)
- **Indexed Variable Annuities** The Prudential FlexGuard
- **Discontinued Variable Annuities** Prudential Premier Retirement Variable Annuity with Highest Daily Lifetime Income
- Prudential Premier Retirement Variable Annuity with Legacy Protection Plus
- Prudential Defined Income Variable Annuity
- **Fixed Annuities** PruSecure, SurePath, SurePath Income
- The Prudential Fixed Annuity with Daily Advantage Income Benefit
- Prudential Immediate Income Annuity
- **Variable Life** Permanent coverage for life with potential to accumulate policy cash value based on underlying investment options
- **Term Life** Coverage for a specific number of years with a guaranteed tax-advantaged death benefit
- **Universal Life** Permanent coverage for life with potential to accumulate policy cash value based on Prudential-determined interest rate

Distribution Channels

- **Third Parties** Independent brokers, banks, and general agencies and producer groups
- **Prudential Advisors** Prudential's proprietary nationwide sales force
- **Direct-to-Consumer** LINK digital platform and Assurance IQ
- **Third Party Intermediaries** Brokers, banks, agencies, etc.

Assurance IQ Division $391M

Assurance IQ Segment $391M

Assurance IQ offers a consumer solutions platform that leverages data science and technology to distribute third-party products (e.g., Medicare, health, life, property and casualty, and personal finance products) and a proprietary term life product directly to retail shoppers, through its digital and agent channels.

Products & Services

- **Medicare** Third-party Medicare Supplement and Medicare Advantage for qualifying Medicare beneficiaries.
- **Health Under 65** Third-party primary and supplemental health insurance that cover an individual's medical and prescription expenses.
- **Life** Third-party life insurance products, including term life, final expense and whole life protection, as well as a proprietary term life product
- **Property and Casualty** Third-party auto and home insurance coverage that indemnifies customers for loss caused by accidents, theft, natural disasters, and other events.
- **Personal Finance** Third-party residential mortgage products for retail borrowers.

Distribution Channels

- Commission-Based Independent Agents (On-Demand Agents)
- Licensed Assurance IQ Agents (Hub Agents)
- Third-Party Call Centers
- Assurance IQ Digital Platform
- Third-Party Case Referrals

International Businesses $21.576B

The International Businesses develop and distribute life insurance, retirement, and certain accident and health products to customers in mass affluent, affluent, and middle income markets in foreign countries (especially Japan).

Products & Services

- **Life Insurance Protection Products** Various traditional whole life products that provide either level or increasing coverage, and that offer limited or lifetime premium payment options.
- **Retirement Products** Retirement income products that combine insurance protection similar to term life with a lifetime income stream that commences at a predefined age.
- **Annuity Products** Primarily represented by U.S. dollar-denominated fixed annuities sold by Gibraltar Life operations in Japan.
- **Accident and Health Products** Benefits to cover accidental death and dismemberment, hospitalization, surgeries, cancers, often sold as supplementary riders and not as stand-alone products

Recent Business Sales

- **Prudential Life Insurance Company of Korea** (Sold in 2020)
- **Prudential Life Insurance Company of Taiwan** (Agreement in 2020 to Sell)

Distribution Channels

- **Proprietary Agent Models** Life Planners and Life Consultants (for Gibraltar Life customers)
- **Third Party Channels** Banks and Independent Agencies

Closed Block Business $4.766B

On December 18, 2001, Prudential Insurance Company of America (PICA) converted from a mutual life insurance company owned by its policy holders to a stock life insurance company and became a wholly-owned subsidiary of the parent company Prudential Financial, Inc. All participating insurance and annuity products (and corresponding assets used to pay benefits, expenses, dividends, and related liabilities) are now housed in a "closed block" that continues to honor existing obligations without taking on new business.

Products & Services

- **Pre-2002 Individual Life Insurance Products**
- **Pre-2002 Annuity Products**

Life Competitors

- Ameriprise Financial
- Northwestern Mutual
- Great-West Life Assurance Company
- Allstate Insurance Company
- Massachusetts Mutual Life Insurance Company (MassMutual)
- Liberty Mutual Insurance
- Nationwide Mutual Insurance
- New York Life Insurance
- Western & Southern Financial Group
- MetLife

Securities Regulation and Stock Exchange Listing Rules / Dividends and Common Stock Repurchases / Equity Capital / Professional Services / Approval of Mutual Life Insurance Company Conversion to Stock Life Insurance Company / Intellectual Property Regulation / Sales of Individual Life Insurance and Annuity Products / Payment of Benefits / Dividend Payment for Performance of Closed Block Assets in Excess of Funding Assumptions

Fee- and Commissioned-Based Distribution Services

Reinsurance Agreements

Sales of Retirement Investment and Income Products, Retirement Plan Administration, Trustee, Education, and Communications Services, and Institutional Annuity Products / Sales of Group Life and Group Disability Insurance / Sales of Individual Annuities and Life Insurance Products / Assurance IQ Sales of Third Party Products and a Proprietary Term Life Product / International Sales of Life Insurance, Retirement Products, and Accident and Health Products

U.S. Workplace Customers

- Retirement Plan Sponsors (in public, private, and not-for-profit sectors)
- Institutional Clients (for use in connection with employee and membership benefit plans)

Individual Annuities and Life Insurance Customers

- U.S. Mass Affluent (investable assets or income > $100K)
- U.S. Affluent (investable assets > $250K)
- U.S. Mass Middle (investable assets > $25K, income > $50K; insurance only)

Assurance IQ Customers

- Retail Shoppers

International Customers

- Mass Affluent and Affluent (Japan, Brazil, Argentina, and Mexico)
- Middle Income Mass Affluent (Japan, Chile, China, India, and Indonesia)

Third Party Insurance Companies

- Retirement Products (Aviva, Zurich Assurance, Other U.K. Insurers) (Prudential assumes longevity and asset risk transfers under pensions and annuities)
- Group Insurance (Prudential cedes risk)
- Individual Annuities (Prudential cedes risk on variable and indexed annuities and assumes risk on acquired Allstate variable annuity business)
- Individual Life (Prudential cedes mortality risk and assumes risk on acquired The Harford's individual insurance business)
- International Businesses (Prudential cedes mortality risk on mortality and morbidity risk on certain products)
- Closed Block (PICA cedes substantially all liabilities into a statutory guaranteed separate account (Prudential Legacy Insurance Company of New Jersey) on a co-insurance basis)

External Distribution Channels

- Banks (Insurance, Investment, Annuity, and Retirement Products)
- Independent Insurance Agencies (Annuity and Retirement Products)
- Securities Brokers and Other Intermediaries (Investment, Annuity, Retirement, and Insurance Products)
- Benefit Brokers (Retirement Products)
- Call Centers (Third-Party Insurance and Personal Finance Products)

Outside Relationships

Customers

Closed Book Customers

- Policy Holders of Individual Life Insurance and Annuity Products issued by PICA prior to demutualization in 2001

Suppliers

Professional Services Firms

- Price Waterhouse Cooper LLP (Audit Services)
- StrawberryFrog New York (Creative Agency)
- Baker & Hostleter (Lobbying Services)
- Debevoise & Plimpton (Financial Services Litigation)

Capital

Significant Shareholders

- The Vanguard Group (7.66%)
- BlackRock Fund Advisors (5.58%)
- SSgA Funds Management (4.58%)
- Geode Capital Management (1.72%)
- Charles Schwab Investment Management (1.33%)
- Institutional Ownership 56.74%

Regulators

Securities Regulators

- US Securities and Exchange Commission (Securities Law Disclosure and Financial Reporting Requirements)
- New York Stock Exchange (Listing and Maintenance Rules)
- New Jersey Commissioner of Banking and Insurance (Group-wide Supervision of Capital Calculation, Macroprudential Framework, and Examination; Regulation of Demutualization)
- Intellectual Property (Patent, Copyright, and Trademark Registrations and Renewals)

Key Company Data

Equity Share Data

- Stock Exchange: NYSE
- Ticker Symbol: PRU
- Share Price: $104.42 (as of 6/14/21)
- Earnings Per Share $(-1.00) (actual) $6.73 (trailing 12 months)
- Forward Annual Dividend: $4.60
- Market Capitalization: $41.07B

Financial Highlights

Results of Operations

- Revenues: $57.033B
- Benefits and Expenses: $57.356B
- Net Income (Loss): $(374M)
- EBITDA: $7.962B
- Net Income: $6.325B

Financial Condition

- Total Assets: $940.722B
- Total Liabilities: $872.512B
- Long Term Debt: $19.718B
- Equity: $68.21B

Cash Flow

- Cash Flow from Operations: $8.368B
- Cash Flow from Investing: $(16.210B)
- Cash Flow from Financing Activities: $4.883B

Key Financial Metrics

- Cumulative Total Shareholder Return: -11% (one-year) 18% (three-year)
- Total Cost Savings Goal: $750M by 2023
- Assets Under Management: $1.721B
- Operating Return on Average Equity: 10.7%

Organizational Resources

Employees

Total Employees: 41,671 (16,196 U.S.)

Subsidiaries

- The Prudential Insurance Company of America
- Pruco Life Insurance Company
- Pruco Life Insurance Company of New Jersey
- Prudential Annuities Life Assurance Corporation
- Prudential Retirement Insurance and Annuity Company
- The Prudential Life Insurance Company Ltd. (Prudential of Japan)
- Gibraltar Life Insurance Company, Ltd.
- The Prudential Gibraltar Financial Life Insurance Co., Ltd.

Financial Strength

Life Insurance Subsidiaries: A+ (A.M. Best) AA- (S&P) Aa3 (Moody's) AA- (Fitch)
Prudential holds more than $4 trillion of life insurance obligations

Recent Developments

2020 Performance. Prudential's 2020 performance was affected by a significant decline in interest rates and the pandemic, which both led to lower income and return on equity. Large life insurance investment portfolios are highly sensitive to low interest rates. As a result, Prudential has halted sales of some variable annuities products and is considering selling off scaling back its individual life insurance businesses.

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