May 24, 2023

Prudential Financial to Reinsure $10B Block of PDI Traditional Variable Annuities with an affiliate of Constellation Insurance Holdings

- *Supports Prudential's transformation strategy by reducing market sensitivity and increasing capital flexibility*
- *Does not result in any changes for customers, financial professionals, or broker dealers*

NEWARK, N.J.--(BUSINESS WIRE)-- Prudential Financial, Inc. (NYSE: PRU) announced today an agreement to reinsure a portion of its traditional variable annuity block with an affiliate of Constellation Insurance Holdings, Inc., for proceeds at closing resulting in approximately $650 million.[1]

Under the terms of the agreement, Constellation's affiliate will reinsure approximately $10 billion of Prudential Defined Income (PDI) traditional variable annuity contracts with guaranteed living benefits issued by Pruco Life Insurance Company (PLAZ), a subsidiary of Prudential Financial. This represents approximately 10% of Prudential's remaining legacy in-force traditional variable annuity block by account value.

"We have successfully achieved our strategic objective of lowering our proportion of traditional variable annuities," said Charles Lowrey, Chairman and CEO of Prudential Financial. "Looking ahead, we are focused on expanding access to retirement security and serving the income and protection needs of millions of Americans through our diverse and attractive portfolio of annuity solutions, including our FlexGuard suite and fixed annuities."

New sales of the PDI product were discontinued in 2020, and the agreement will not result in any change of contract ownership, terms, fees or commission schedules for contracts included in the transaction. Prudential will continue to service the block and maintain its existing relationships with contract holders, broker dealers, and financial professionals.

The transaction is expected to close by the end of second quarter of 2023, with an effective date of April 1, 2023. Upon closing, Prudential anticipates a reduction to after-tax annual adjusted operating income of approximately $50 million.

Willkie Farr & Gallagher LLP served as legal counsel to Prudential, and Goldman Sachs & Co. LLC served as exclusive financial advisor.

[1] Proceeds include statutory capital release of approximately $410 million, release of reserves, and ceding commission received, net of taxes.

About Prudential Financial, Inc.

Prudential Financial, Inc. (NYSE: PRU), a global financial services leader and premier active global investment manager with approximately $1.4 trillion in assets under management as of March 31, 2023, has operations in the United States, Asia, Europe, and Latin America. Prudential's diverse and talented employees help make lives better and create financial opportunity for more people by expanding access to investing, insurance, and retirement security. Prudential's iconic Rock symbol has stood for strength, stability, expertise, and innovation for nearly 150 years. For more information, please visit news.prudential.com.

Forward-Looking Statements

Certain of the statements included in this release, such as those regarding the expected closing of the transaction, and the release of statutory capital and receipt and use of the proceeds related thereto, the company's strategy and product offerings, and the expected reduction in pre-tax adjusted operating income as a result of the transaction constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as "expects," "believes," "anticipates," "includes," "plans," "assumes," "estimates," "projects," "intends," "should," "will," "shall" or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. There can be no assurance that future developments affecting Prudential Financial, Inc. and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. Certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements can be found in the "Risk Factors" and "Forward-Looking Statements" sections included in Prudential's Annual Report on Form 10-K. Prudential does not undertake to update any particular forward-looking statement included in this document.

Non-GAAP Measures

This release includes a reference to adjusted operating income. Adjusted operating income is a non-GAAP measure used by the Company to evaluate segment performance and to allocate resources. Adjusted operating income excludes "Realized investment gains (losses), net, and related charges and adjustments". A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax and capital profile.

Realized investment gains (losses) within certain businesses for which such gains (losses) are a principal source of earnings, and those associated with terminating hedges of foreign currency earnings and current period yield adjustments, are included in adjusted operating income. Adjusted operating income generally excludes realized investment gains and losses from products that contain embedded derivatives, and from associated derivative portfolios that are part of an asset-liability management program related to the risk of those products. Adjusted operating income also excludes gains and losses from changes in value of certain assets and liabilities relating to foreign currency exchange movements that have been

economically hedged or considered part of our capital funding strategies for our international subsidiaries, as well as gains and losses on certain investments that are designated as trading. Adjusted operating income also excludes investment gains and losses on assets supporting experience-rated contractholder liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values are expected to ultimately accrue to contractholders. Additionally, adjusted operating income excludes the changes in fair value of equity securities that are recorded in net income.

Adjusted operating income excludes "Change in value of market risk benefits, net of related hedging gains (losses)", which reflects the impact from changes in current market conditions, and market experience updates, reflecting the immediate impacts in current period results from changes in current market conditions on estimates of profitability, which we believe enhances the understanding of underlying performance trends. Adjusted operating income also excludes the results of Divested and Run-off Businesses, which are not relevant to our ongoing operations, and discontinued operations and earnings attributable to noncontrolling interests, each of which is presented as a separate component of net income under GAAP. Additionally, adjusted operating income excludes other items, such as certain components of the consideration for acquisitions, which are recognized as compensation expense over the requisite service periods, and goodwill impairments. Earnings attributable to noncontrolling interests is presented as a separate component of net income under GAAP and excluded from adjusted operating income. The tax effect associated with pre-tax adjusted operating income is based on applicable IRS and foreign tax regulations inclusive of pertinent adjustments.

Adjusted operating income does not equate to “Net income” as determined in accordance with U.S. GAAP. Adjusted operating income is not a substitute for income determined in accordance with U.S. GAAP, and our definition of adjusted operating income may differ from that used by other companies. The items above are important to an understanding of our overall results of operations. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability of our businesses. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of the items described above.

We believe that our use of this non-GAAP measure helps investors understand and evaluate the Company’s performance and financial position. The presentation of adjusted operating income as we measure it for management purposes enhances the understanding of the results of operations by highlighting the results from ongoing operations and the underlying profitability of our businesses. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of the items described below. However, this non-GAAP measure is not a substitute for net income determined in accordance with GAAP, and the adjustments made to derive this measure is important to an understanding of our overall results of operations and financial position.

Due to the inherent difficulty in reliably quantifying future realized investment gains/losses and changes in asset and liability values given their unknown timing and potential significance, we cannot, without unreasonable effort, provide an estimate of expected lost net income, which is the GAAP measure most comparable to adjusted operating income.

Disclaimers

Annuities are issued by Pruco Life Insurance Company, Newark, NJ (main office) and distributed by Prudential Annuities Distributors, Inc., Shelton, CT. All are Prudential Financial companies and each is solely responsible for its own financial condition and contractual obligations.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any client or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing your retirement savings. If you would like information about your particular investment needs, please contact a financial professional.

Annuity contracts contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your licensed financial professional can provide you with complete details.

Guarantees are dependent upon the claims-paying ability of the issuing company and do not apply to the underlying investment options.

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Media:
Laura Edling, laura.edling@prudential.com

Source: Prudential Financial, Inc.