August 20, 2024

Prudential Financial to Reinsure $11B Guaranteed Universal Life Block with Wilton Re

- Advances Prudential's strategic progress in becoming a higher growth, more capital efficient company
- Does not result in any changes for customers and distribution partners

NEWARK, N.J.--(BUSINESS WIRE)-- Prudential Financial, Inc. (NYSE: PRU) announced today an agreement to reinsure a portion of its guaranteed universal life block with Wilton Re, resulting in approximately $350 million of expected proceeds, post-closing.

Under the terms of the agreement, Wilton Re will reinsure approximately $11 billion of reserves backing Prudential's guaranteed universal life policies issued by Pruco Life Insurance Company Arizona (PLAZ) and Pruco Life Insurance Company of New Jersey (PLNJ). This transaction, covering policies written through 2019, represents approximately 40% of Prudential's remaining guaranteed universal life statutory reserves.

“This transaction builds upon the strong strategic progress we have made over the past several years to become a higher growth and more capital efficient company,” said Charles Lowrey, chairman and CEO of Prudential Financial. “We remain committed to growing our diverse, high-quality suite of life insurance products, which are designed to meet the evolving needs of our customers and their families.”

“We are pleased to provide Prudential a reinsurance solution for a material portion of its in-force guaranteed universal life business,” said Dmitri Ponomarev, CEO of Wilton Re. “This transaction is consistent with Wilton Re’s strategy to address our clients’ largest and most complex in-force life insurance and annuity needs. We also welcome PGIM to the family of Wilton Re’s asset managers.”

The agreement does not result in any changes for contracts included in the transaction. Prudential will continue to service the block of policies included in the transaction and maintain its existing relationships with contractholders and distribution partners. Prudential does not anticipate any direct impact to employee head count as a result of the transaction.

The reinsurance transaction is structured on an indemnity coinsurance basis and contains significant structural protections, including overcollateralization and investment guidelines. PGIM Portfolio Advisory, PGIM’s multi-asset solutions affiliate, will be appointed as the asset manager for all the assets supporting the block and will also receive additional assets to manage from Wilton Re. Moreover, for two years following the closing of the transaction, Prismic will have an option to reinsure 30% of the block from Wilton Re on substantially similar terms.

The transaction is subject to receipt of regulatory approvals. Upon closing, Prudential anticipates a decrease in total after-tax annual adjusted operating income of approximately

$35 million. The earnings impact will vary based on market conditions but will be finalized at closing. As a result of this transaction, Prudential expects to incur one-time expenses of approximately $25 million in the quarter of closing, primarily due to the extinguishment of certain financing facilities and other closing costs.

The announcement follows Prudential's previous transaction, completed in March 2024, reinsuring a $12.5 billion guaranteed universal life block with Somerset Re. Upon closing, Prudential will have achieved an approximately 60% reduction in its exposure to guaranteed universal life.

For the transaction, Wells Fargo served as exclusive financial advisor, and Debevoise & Plimpton LLP served as legal counsel to Prudential.

Kirkland & Ellis LLP served as legal counsel to Wilton Re for the transaction.

About Prudential Financial

Prudential Financial, Inc. (NYSE: PRU), a global financial services leader and premier active global investment manager with approximately $1.5 trillion in assets under management as of June 30, 2024, 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.

About Wilton Re

Wilton Re is a leading provider of In Force and reinsurance solutions focusing on the North American life insurance market. With its proven experience, Wilton Re creates customized solutions that address the capital and operational needs of its clients. Wilton Re is committed to creating solutions that enhance value for our clients, their policyholders and shareholders. Our approach is centered on building lasting relationships with our business partners and sharing resources, industry knowledge and experience. For more information about Wilton Re, please visit www.wiltonre.com.

Prudential Forward-Looking Statements

Certain of the statements included in this release, such as those regarding the expected closing of the transaction, and the receipt and expected amount of the proceeds related thereto, Prudential's strategy and product offerings, the expected decrease in after-tax adjusted operating income as a result of the transaction, and the expected amount and timing of transaction expenses 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. Prudential's 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. Actual proceeds may differ from what

Prudential currently expects due to adjustments at closing. 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.

Prudential Non-GAAP Measures

This release includes a reference to adjusted operating income. Adjusted operating income is a non-GAAP measure used by Prudential 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 Prudential’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.

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