December 19, 2024

Prudential Financial Completes Guaranteed Universal Life Reinsurance Transaction With Wilton Re and Completes Internal Captive Restructure

NEWARK, N.J.--(BUSINESS WIRE)-- Prudential Financial, Inc. (NYSE: PRU) announced today that it has successfully closed a reinsurance transaction for a portion of its guaranteed universal life block with Wilton Re. This transaction, originally announced on Aug. 20, 2024, advances Prudential's strategic progress to become a higher growth and more capital efficient company. The financial impact of the transaction aligns with the impacts outlined at the time of the announcement.

Additionally, Prudential announced today that it has restructured a series of internal captive reinsurance arrangements for a portion of its in-force term life insurance block. As a result of this transaction, Prudential expects to incur one-time pre-tax expenses of approximately $40 million in 4Q 2024 due to extinguishment of certain financing facilities and anticipates an increase in pre-tax annual adjusted operating income of approximately $25 million beginning in 2025.

About Prudential Financial

Prudential Financial, Inc. (NYSE: PRU), a global financial services leader and premier active global investment manager with approximately $1.6 trillion in assets under management as of September 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.

Forward-Looking Statements

Certain of the statements included in this release, such as those regarding the expected financial impacts of the transaction with Wilton Re, the closing of the transaction to restructure a series of internal captive reinsurance arrangements, and the expected one-time pre-tax expenses and increase in pre-tax annual adjusted operating income related thereto, and Prudential's strategy to become a higher growth and more capital efficient company 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. 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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