

The Prudential Insurance Company of America
2012 Policyholder Dividend Scales
Frequently Asked Questions & Answers

1. What is the 2012 policyholder dividend action?

Prudential Insurance's Board of Directors has approved payment of approximately \$1.9 billion in dividends in 2012 for participating individual life insurance policies and annuity contracts in the Closed Block.

The 2012 payment represents a continuation of the current dividend scale. Despite today's challenging economic environment, the vast majority of participating policyholders will receive a dividend payment increase.

Of course, future dividends are not guaranteed, and if experience deteriorates, management may recommend a reduction in future payable dividends. Conversely, if experience improves and supports a higher dividend payout, then management may recommend an increase in future dividends.

2. What is the effect of the Board action regarding the 2012 dividend scales on illustrations?

The Board of Prudential Insurance adopts the payable dividend scales one year at a time, but our inforce ledger systems illustrate future dividends using the current scales.

- For policies issued prior to January 1, 1997, inforce illustrations produced after December 13 will illustrate the 2012 dividend scales.
- Policies issued January 1, 1997 and later are subject to the NAIC Life Insurance Illustrations Model Regulation. As a result, inforce illustrations produced after December 13 will reflect the 2012 payable dividend scales in 2012, and dividends illustrated for payment beyond 2012 will use the Disciplined Current Scale, which may be different but no higher than the 2012 scales. Please see Q&A #4 for more information.

3. Is Prudential positioned to weather financial and economic uncertainties?

Yes. Prudential has a strong balance sheet, capital consistent with our “AA” financial strength ratings objectives for our insurance companies as of September 30, 2011, a strong liquidity position and we are comfortable with our risk and investment profile, including our business fundamentals. We have not increased our risk profile to achieve our results, and believe that we have an even better business mix today for difficult markets than ever before. We remain focused on executing our strategy of growing our U.S. and International businesses while continuing to look at new opportunities around the world. We manage our businesses and assets to ensure that we can fully meet all of our obligations to our clients now and in the future. We maintain appropriate reserves, capital and risk control procedures to ensure that client assets are protected.

4. What is the effect of the Board’s action regarding 2012 dividend scales on illustrations?

The payable dividend scales are set at the Board of Director's discretion and are based on current experience and the Regulatory Closed Block statutory financial results. However, for policies issued in 1997 and later, policy dividends that are illustrated cannot exceed what is called the Disciplined Current Scale. The Disciplined Current Scale was developed in accordance with the NAIC Life Insurance Illustrations Model Regulation. It is a conservative scale of dividends that limits the values that can currently be illustrated. The Disciplined Current Scale is developed using assumptions that are reasonably based on actual recent historical experience. This regulation requires that insurance companies illustrate the lesser of the Disciplined Current Scale or the payable scales. Since our payable scales are higher than the Disciplined Current Scale in some cases, illustrations on policies sold January 1, 1997 and later may reflect the lower Disciplined Current Scale.

5. Is there any change to the dividend accumulation rate?

No. The Board has approved a continuation of the dividend accumulation interest rate in 2012 at the contractual minimum rates.

6. What is a Closed Block?

A Closed Block is a special arrangement created to provide for the reasonable policy dividend expectations of owners of participating individual life insurance policies and annuity contracts.

At the time that we demutualized, we set aside assets for the benefit of the Closed Block Policies. The amount of the assets set aside when the Closed Block was established was calculated so that the assets, together with the investment cash flows they produce and anticipated revenues from the Closed Block Policies, are expected to be reasonably sufficient to provide for all guaranteed policy benefits and expenses and taxes charged to the Closed Block as well as policy dividend payments according to the year 2000 dividend scales, if the experience underlying the year 2000 scales continues.

7. How were policyholder dividends provided for in the Closed Block?

At the time that we demutualized, we set aside assets for the benefit of the Closed Block Policies. The amount of the assets set aside when the Closed Block was established was calculated so that the assets, together with the investment cash flows they produce and anticipated revenues from the Closed Block Policies, were expected to be reasonably sufficient to provide for all guaranteed policy benefits and expenses and taxes charged to the Closed Block as well as policy dividend payments according to the year 2000 dividend scales, assuming that the experience underlying the year those scales would continue. If the experience changed, as it has done, appropriate adjustments in the dividend scales would be made.

8. Did you adequately fund the Closed Block?

Yes. The Closed Block was funded based on the assumptions that were used to develop the 2000 dividend scales, which were the scales in effect on the Closed Block funding date. An independent actuarial firm has certified that the Closed Block has been adequately funded. The ability to change the dividend scales enables us to manage the assets of the Closed Block in order to ensure that the assets are not exhausted until the last policy matures.

9. Does Prudential Insurance still sell policies that are entitled to a policyholder dividend?

No. Effective November 9, 2001, The Prudential Insurance Company of America stopped offering participating (dividend paying) policies.

[For Call Center:] Although Prudential no longer sells participating policies, our affiliates offer a broad range of products to suit your insurance needs. Please contact your Prudential agent for more details.

10. Did Prudential Financial declare a dividend on its Common Stock?

Yes. Prudential Financial's Board of Directors declared an annual dividend of \$1.45 per share of Common Stock.

11. Does payment of a dividend on Common Stock reduce the amount of policyholder dividends paid for policies in the Closed Block?

No. Policyholder dividends are different from dividends on Common Stock. Policyholder dividends represent a return of a portion of the premium paid when the company's actual experience is more favorable than the assumptions used to determine premiums and guaranteed benefits. Policyholder dividends on Closed Block policies are paid out of the assets that back participating policies in the Closed Block. When Prudential demutualized it established a Closed Block of participating policies. Assets were set aside to back policies in the Closed Block. These assets have been set aside solely for the benefit of Closed Block policyholders and cannot be used to fund stockholder dividends.

Dividends on Common Stock, on the other hand, are a share of the profits on the other businesses of Prudential Financial outside of the Closed Block. The decision to declare a dividend on Common Stock is independent of the determination of policyholders' dividends for Closed Block Policies. Likewise, the amount of the dividend on Common Stock is also independent of the determination of policyholder dividends on Closed Block policies.

Policies currently entitled to receive policyholder dividends will continue to receive dividends as declared by the Board of Directors. As always, policyholder dividends are not guaranteed and can vary from year to year based upon experience.



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