



# Strategy and Performance

Michael Wells, Chairman and CEO



# Jackson Defined

## Prudential U.S. Operations

### US Life Insurance



- Leadership position in Annuities market
- Producer-focused distribution model: Largest wholesaling network
- Best-in-class service
- Industry leading Asset Liability Management
- Low-cost efficient operations
- Life insurance closed block consolidator
- \$207bn in total IFRS assets (6/30/14)
- \$1.1bn of IFRS pre-tax operating income (1H 2014)
- \$1.45 billion of cash remittances combined over 2012, 2013 and 2014

### Wealth Management



- Top 10 provider of Unified Managed Accounts (on basis of AUM)\*
- \$12bn AUM (6/30/14)
- \$1.4bn gross sales (1H 2014)
- More than 85,000 customer accounts (9/30/14)
- More than 32,000 advisors (9/30/14)

### Retail Broker-Dealer Network



- Nearly 3,600 representatives (9/30/14)
- 6th largest independent broker-dealer\*\*
- NPH represents 8.1% of Jackson YTD 3Q 2014 VA broker-dealer sales
- \$10.1bn in gross product sales and \$19.4m pre-tax income (1H 2014)

### Asset Management



- PPM America, Inc. manages \$107bn\*\*\* AUM in the US:
  - 63% on behalf of Jackson
  - 22% on behalf of Pru UK clients
  - 13% on behalf of Pru Asia clients
  - 2% on behalf of external clients

\* The Cerulli Edge Managed Accounts Edition 2Q 2014

\*\* Investment News Broker-Dealer Rankings- April 2014

\*\*\* 3Q 2014

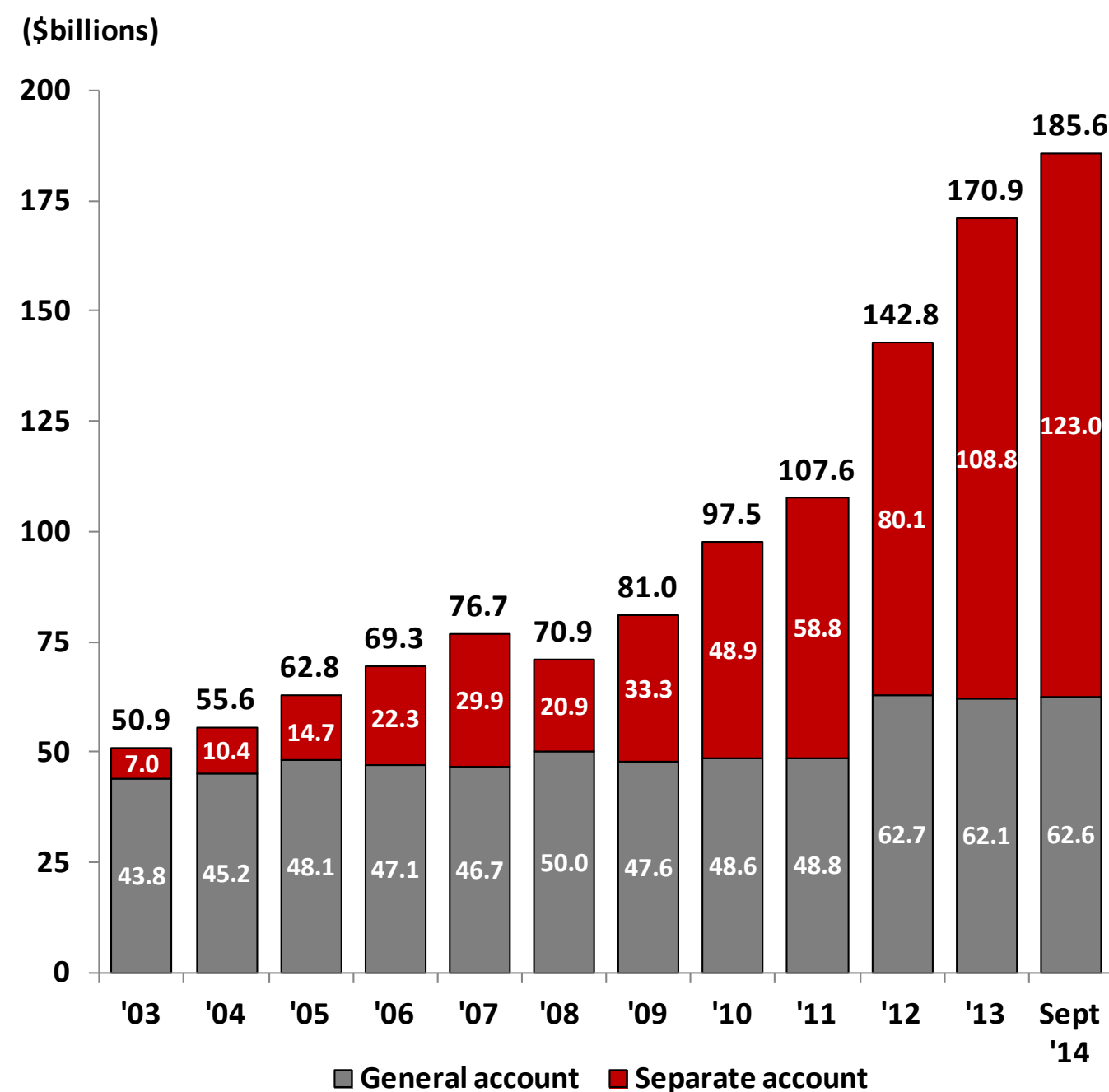




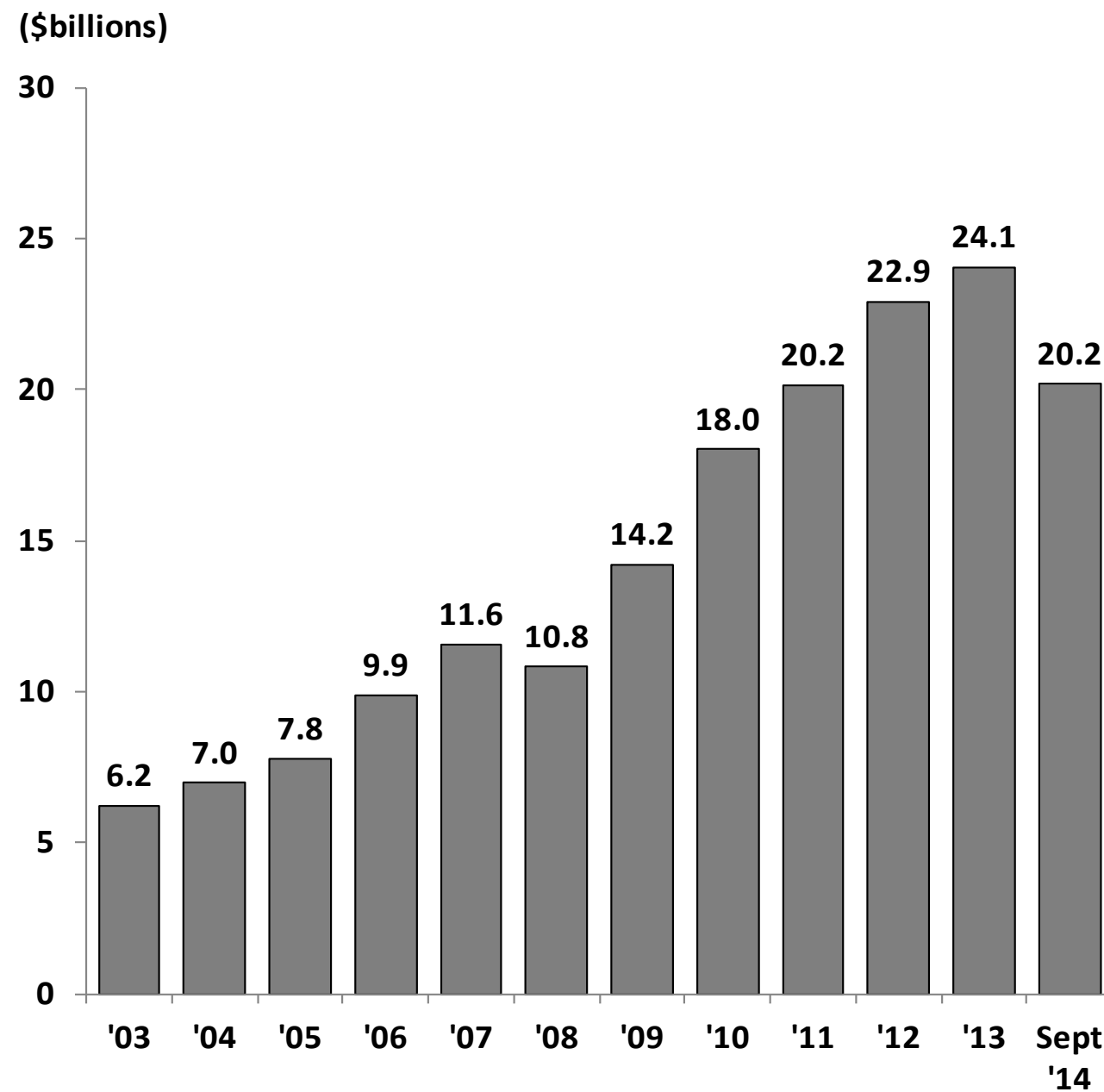
# Jackson Produces Results

Over the last 10+ years, Jackson has grown premium by 4x, grown assets by over 3x, and increased capital over 50%. Jackson has accomplished this and returned nearly \$3bn of net capital to Prudential over that period.

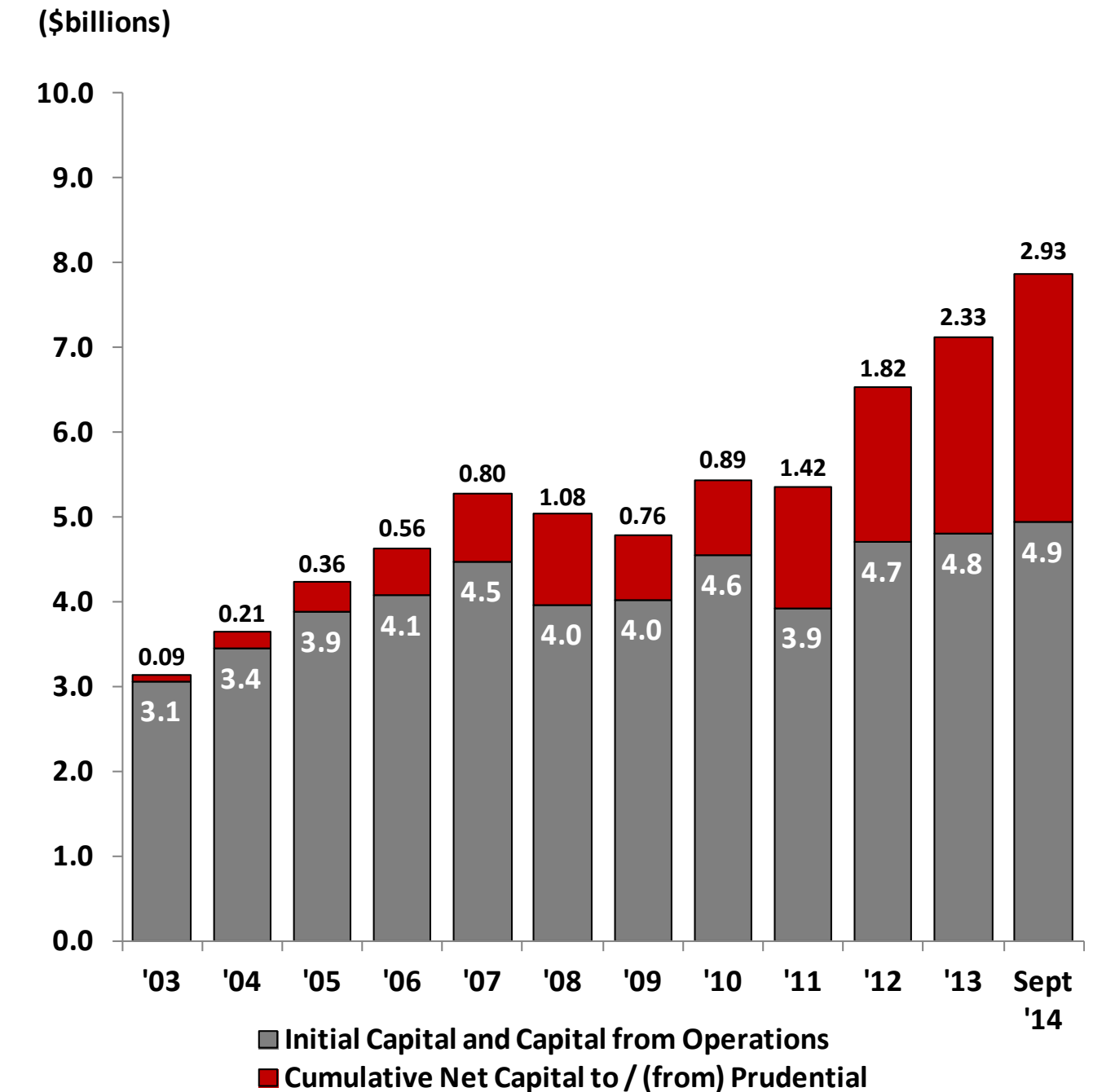
## Statutory Admitted Assets



## Statutory Premiums



## Statutory Capital and Distributions



Data is consolidated to include Jackson National Life, Jackson National Life of New York and Squire Reassurance Company LLC. Statutory premiums are after reinsurance and exclude Institutional deposit funds. Admitted assets exclude leverage.



# Macro Environment

- Economic Outlook
- Competitive Activity
- Regulatory Landscape
- Cybersecurity
- M&A



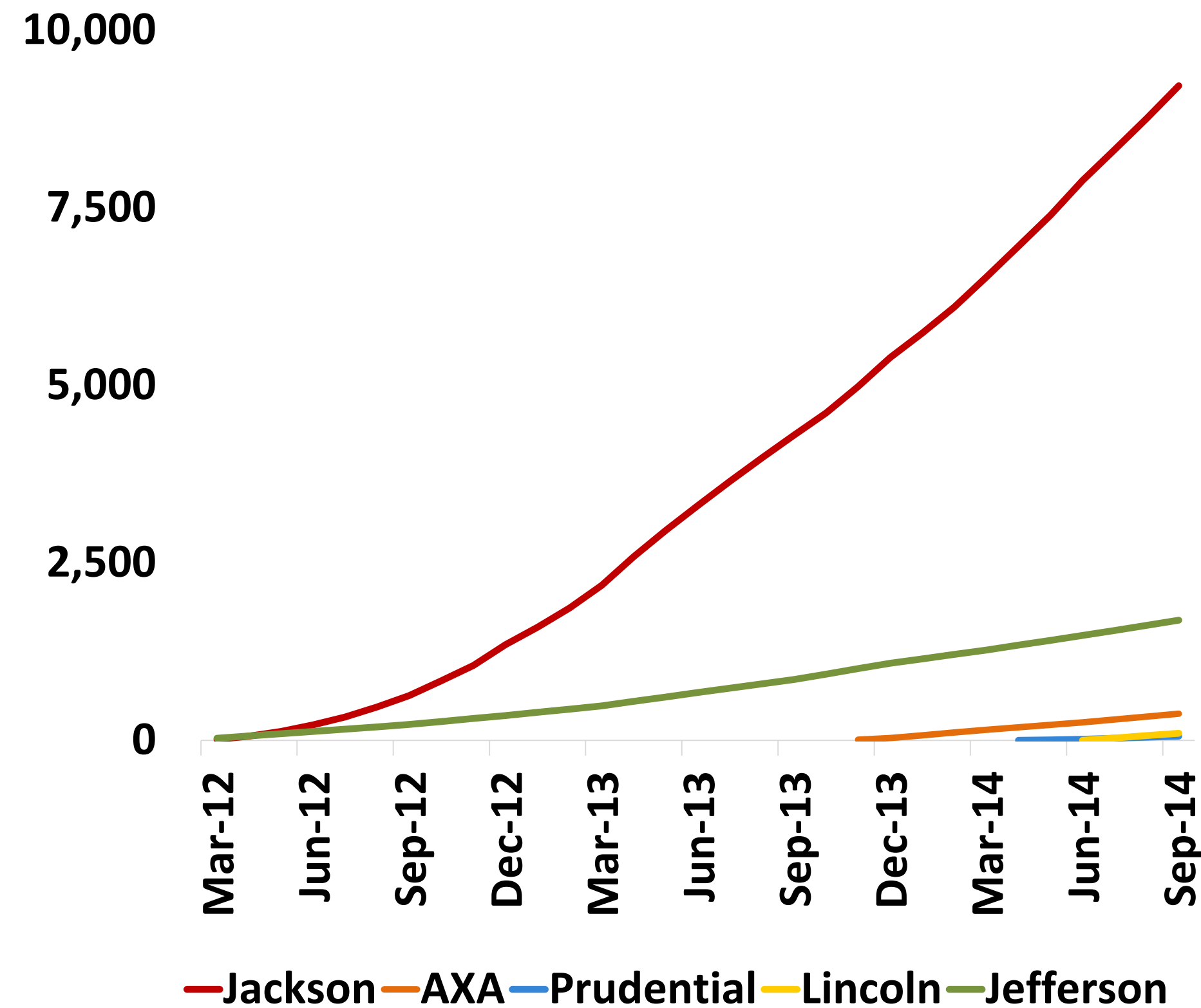
# Non-Guaranteed VA Competitive Landscape

- In March 2012, Jackson launched Elite Access
  - \$9 billion of sales (as of September 30, 2014) since inception
- Several peers have followed
  - Difficulty replicating the EA launch success
  - More aggressive commissions and pricing
  - Introduction of death benefits
- Why has Elite Access succeeded?
  - Strong wholesaler force with deep knowledge of advisor base
  - Traditional, Alternative, Risk-Managed and Tactical investment options, including pre-packaged Guidance Portfolios to assist advisor with portfolio construction
  - Significant investment in education at both the wholesaler and rep level, particularly around alternative investments
  - Focus and execution



# Non-Guaranteed VA Product Launch

**Elite Access Style VA Products  
Cumulative Sales Since March 2012  
(\$millions)**



**AXA Investment Edge**  
Launched November 2013  
3Q14 YTD Sales: \$341 million

**Prudential Premier Investment**  
Launched April 2014  
3Q14 YTD Sales: \$59 million

**Lincoln Investor Advantage**  
Launched June 2014  
3Q14 YTD Sales: \$99 million

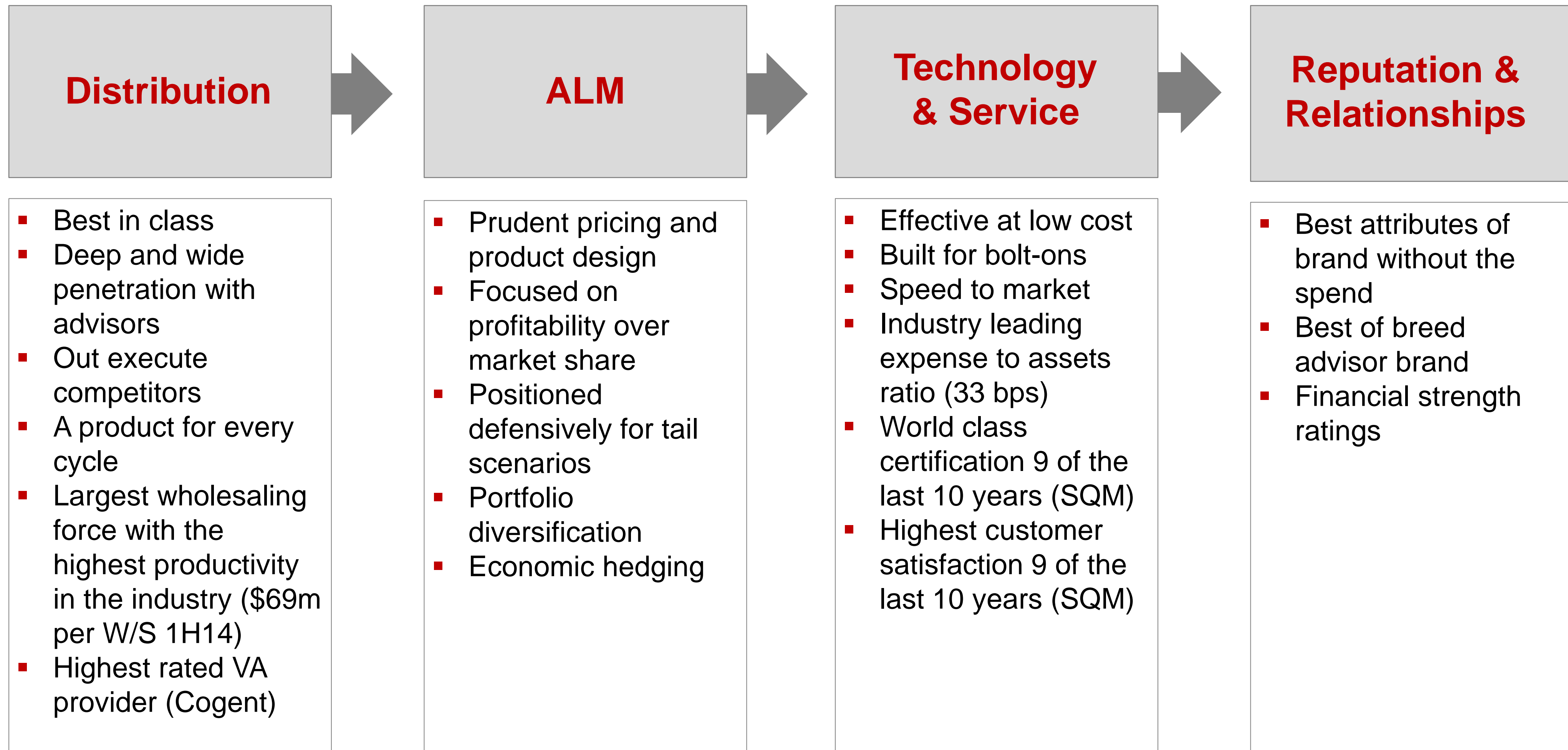
**Jefferson National Monument Advisor**  
Launched May 2005  
3Q14 YTD Sales: \$606 million

**MetLife and AIG**  
Launched November 2014

Source: MARC. Jefferson National's cumulative sales are shown beginning from the launch of Elite Access.



# Jackson's Competitive Strengths





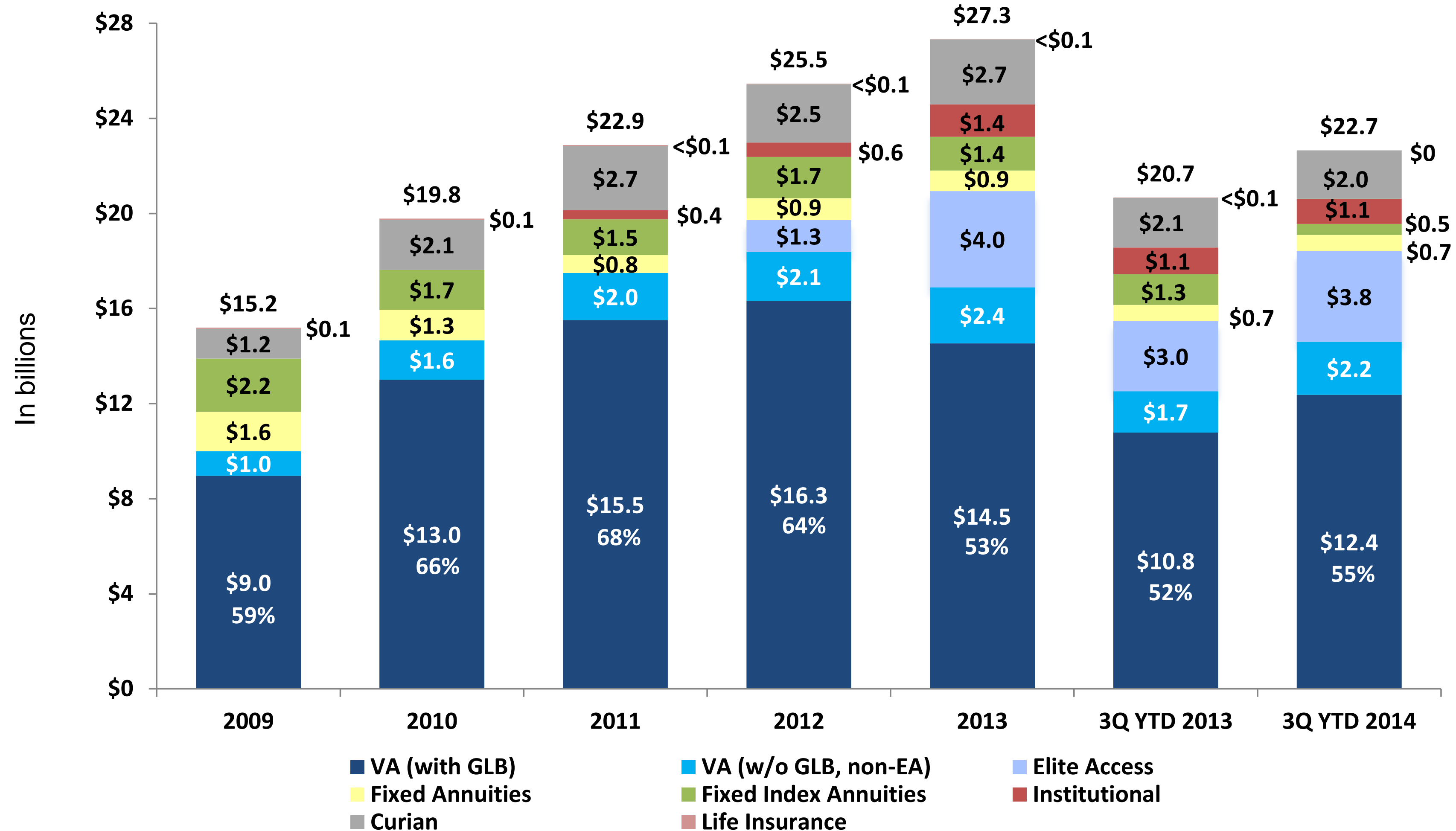
# Financial Update

Chad Myers, EVP, CFO





# Continued Diversification of Sales by Risk Type

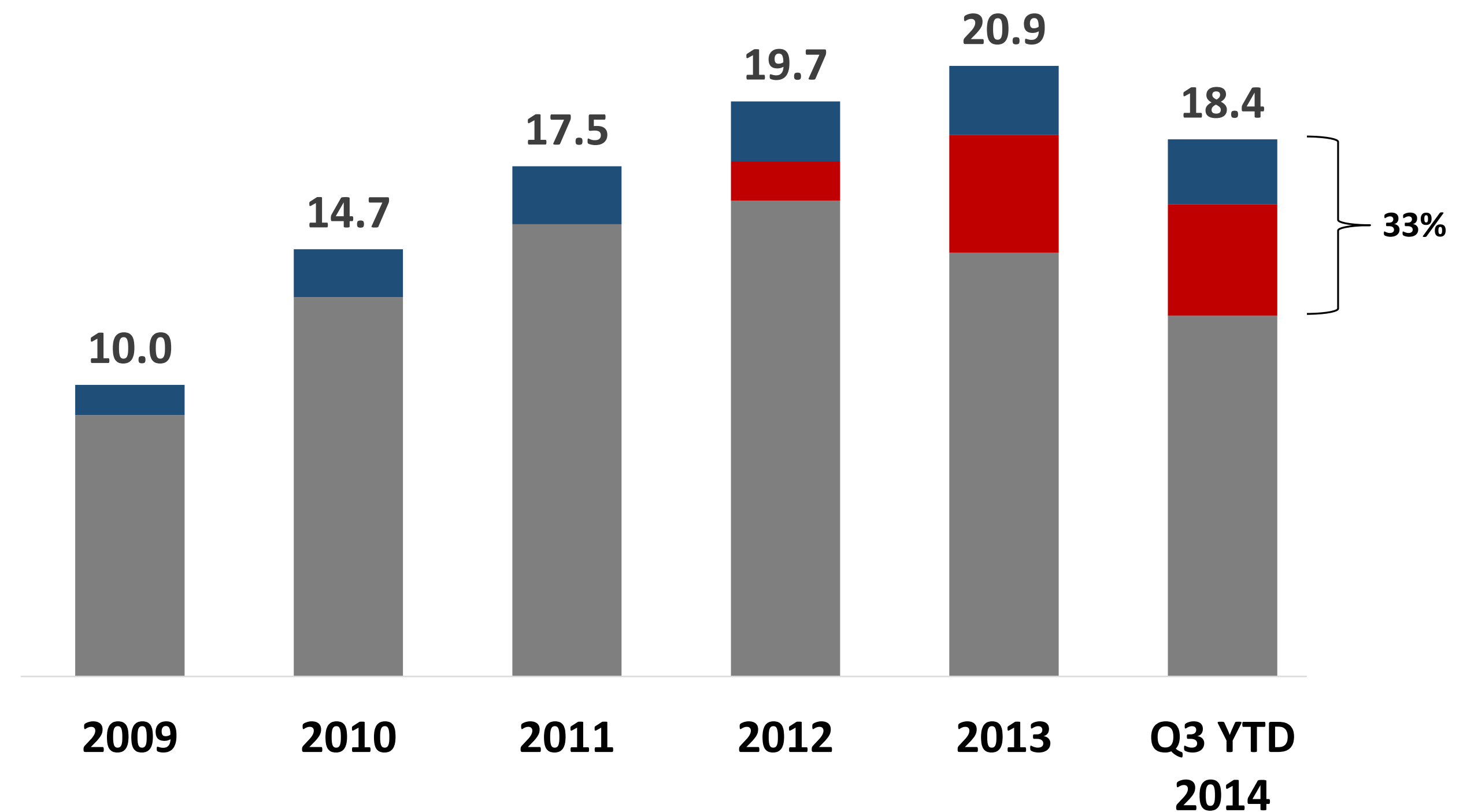
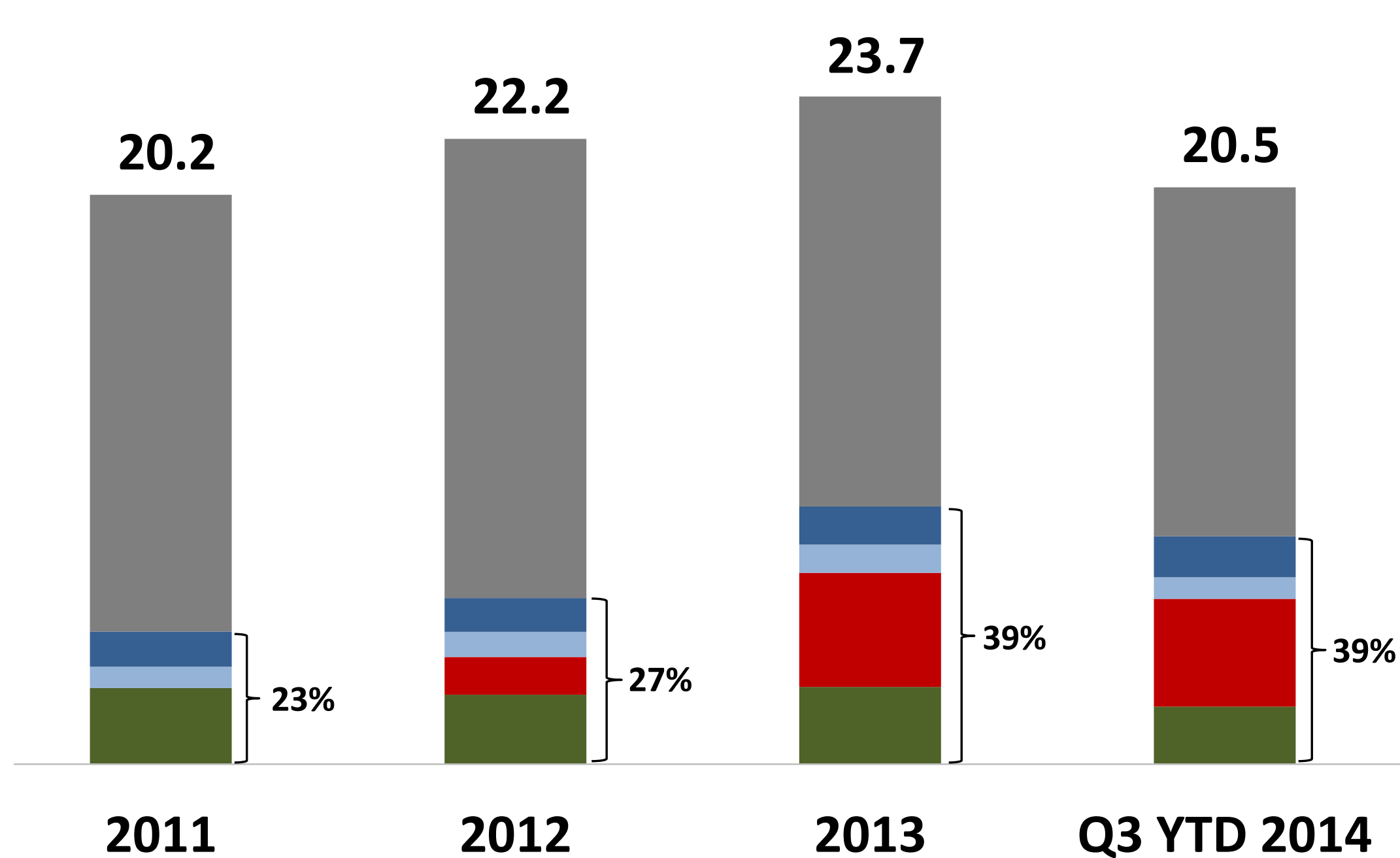




# Continued Diversification within VA Sales

## Fee Based Premiums and Deposits, \$bn

## Jackson VA Sales, \$bn



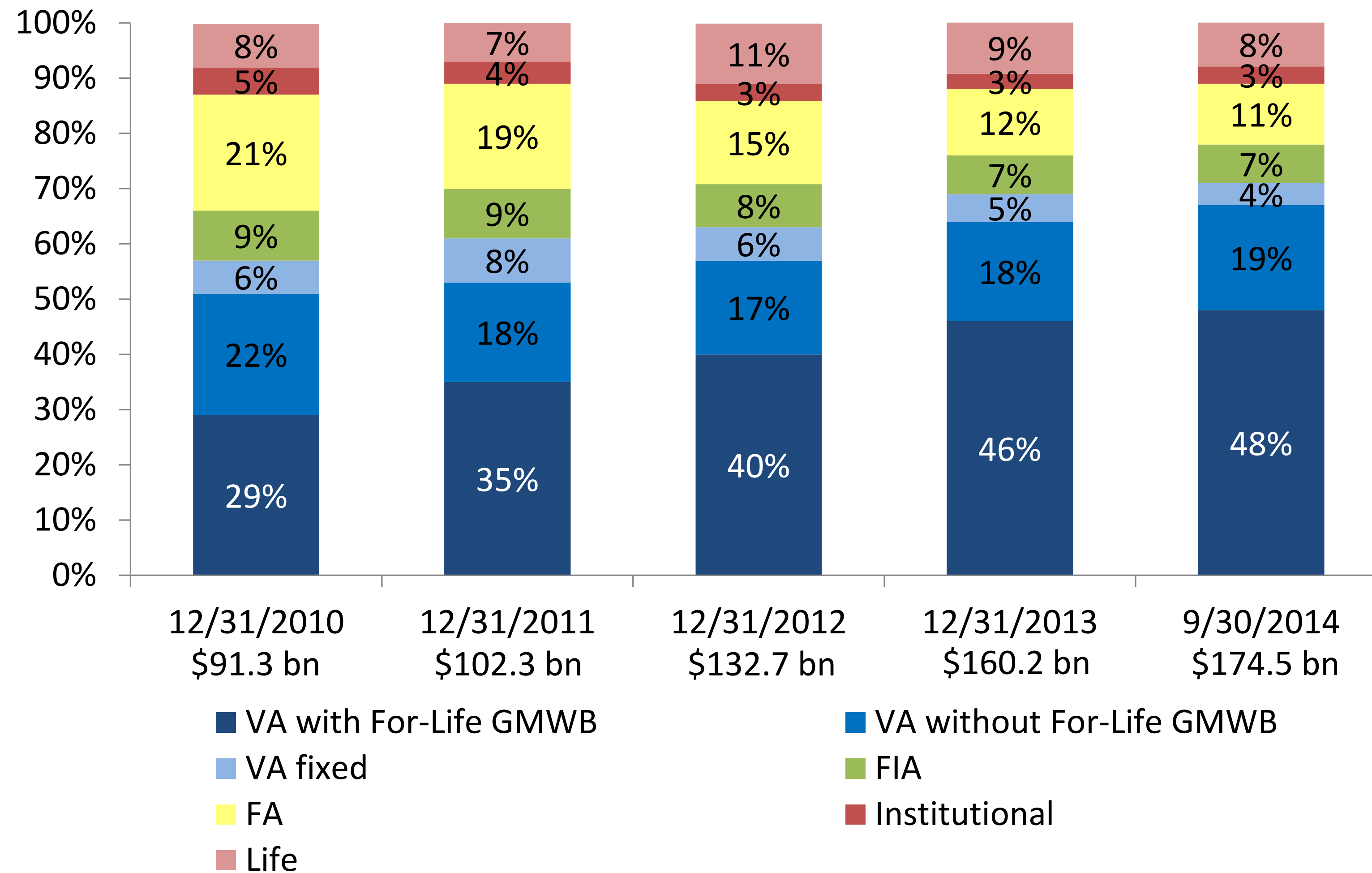
■ Curian  
■ VA - GMDB Only  
■ VA - Other

■ VA - Elite Access  
■ VA - No Optional Benefits

■ VA with Living Benefit ■ Elite Access ■ VA w/o Living Benefit



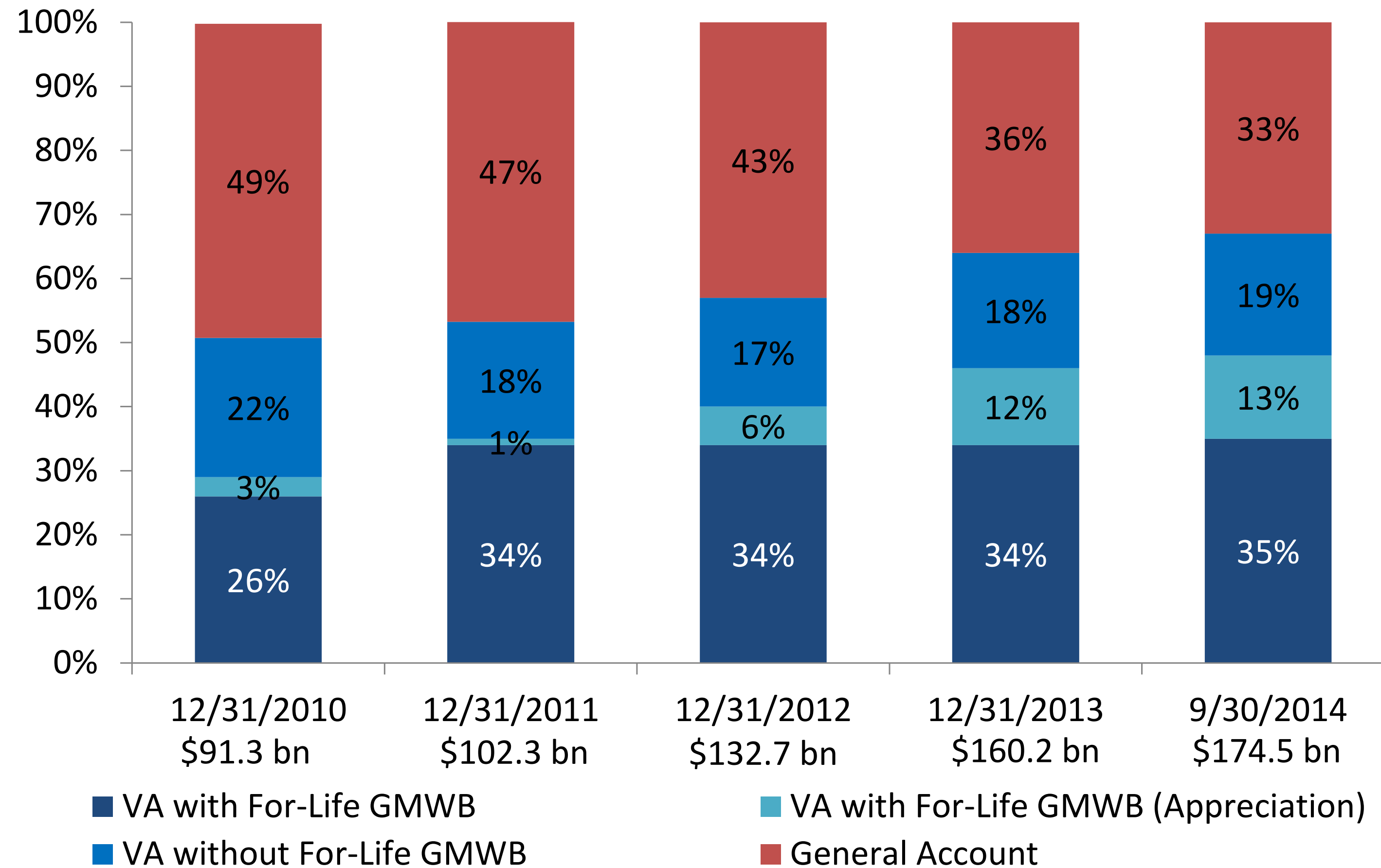
# Statutory Reserve Development





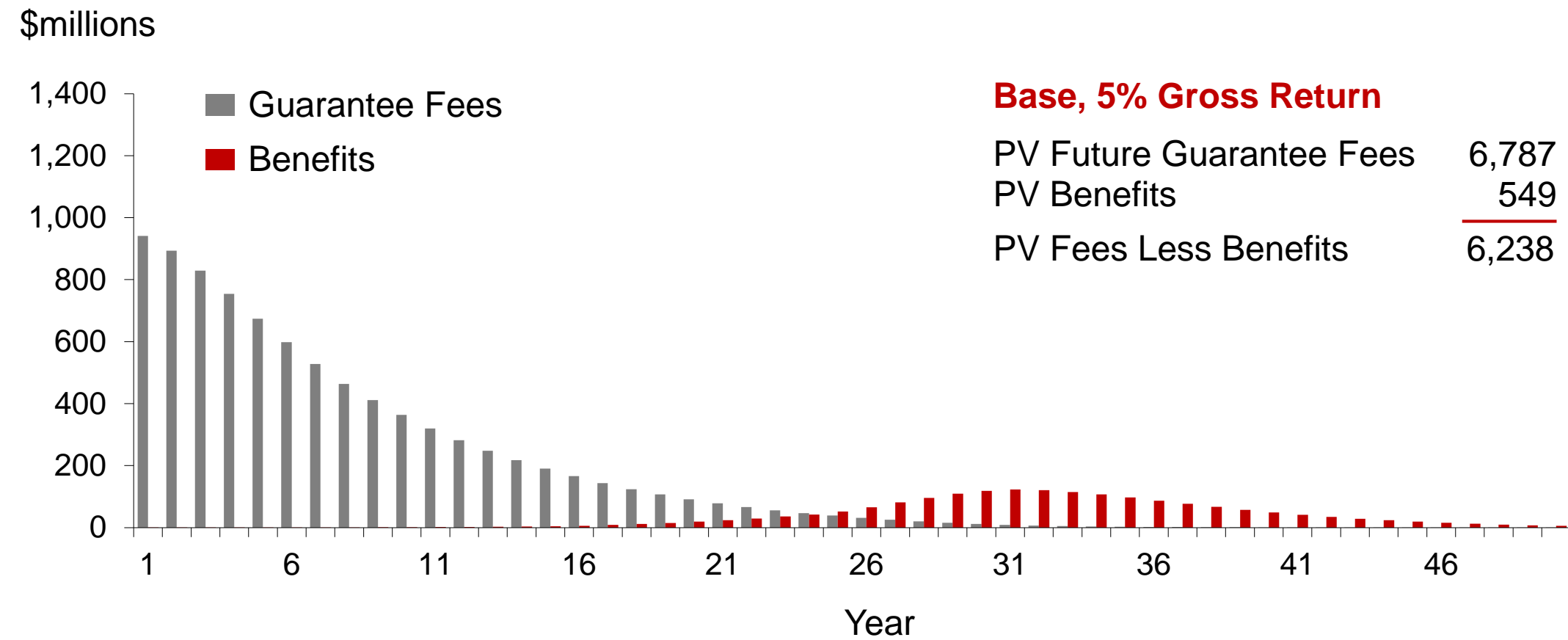


# Statutory Reserve Development

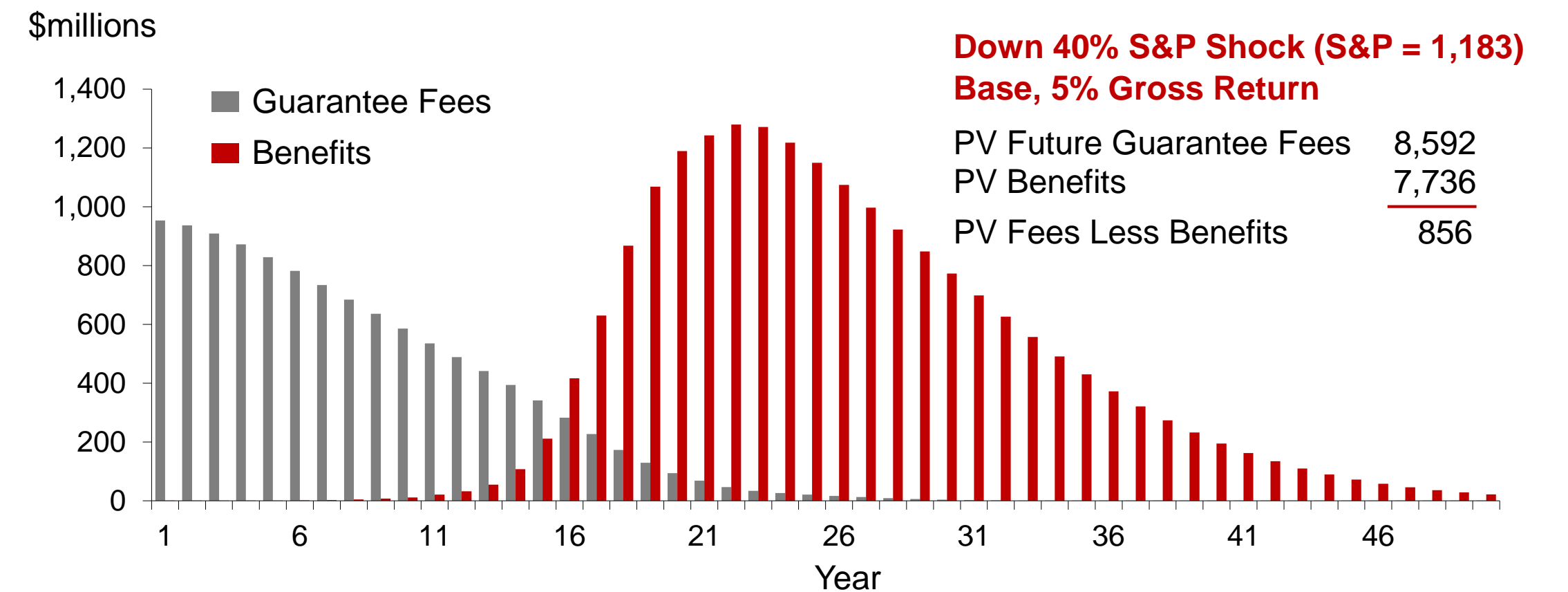
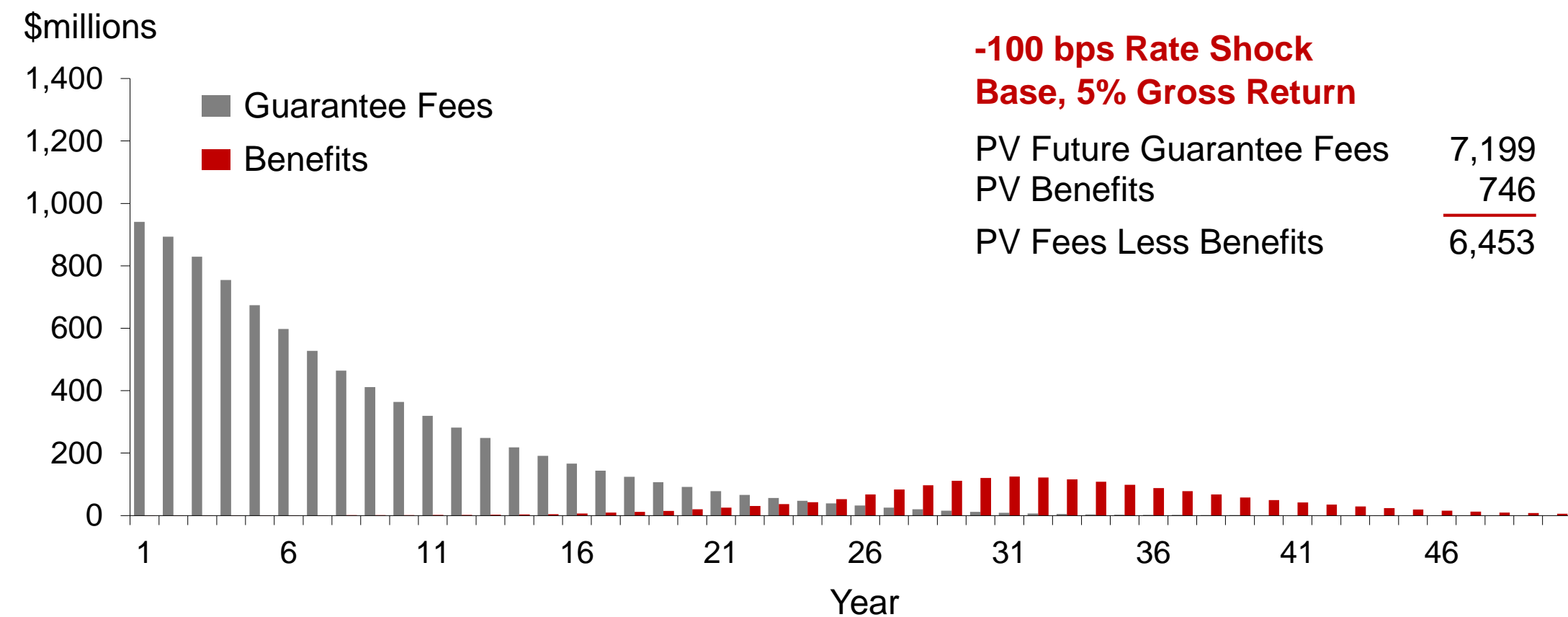




# Unhedged GMWB Cash Flow



- Uses prudent best estimate assumptions (AG43, C3P2)
- 5% gross return is well below historical average market return
- Ignores guarantee fees collected to date as well as future fees and current reserves
- PV of future GMWB fees exceeds PV of benefits over a wide range of market shocks
- Negative cash flow is far into future even in bad scenarios
- No material strain on liquidity



As of September 30, 2014



# VA Interest Rate Exposure

- Interest rate risk is highly dependent on product structure and market performance/expectation
  - VA with a more narrowly defined outcome is more rate sensitive over a wider set of scenarios
  - VA with more market exposure has a more conditional rate exposure
  - Level of path dependency has a significant impact on hedging
- Rate impacts vary with model assumptions
  - Discount rate only vs. drift rate
  - Policyholder behavior
- Different model assumptions drive different accounting outcomes
  - IFRS
  - Stat
  - EEV

## Financial Impact of Interest Rate Decrease

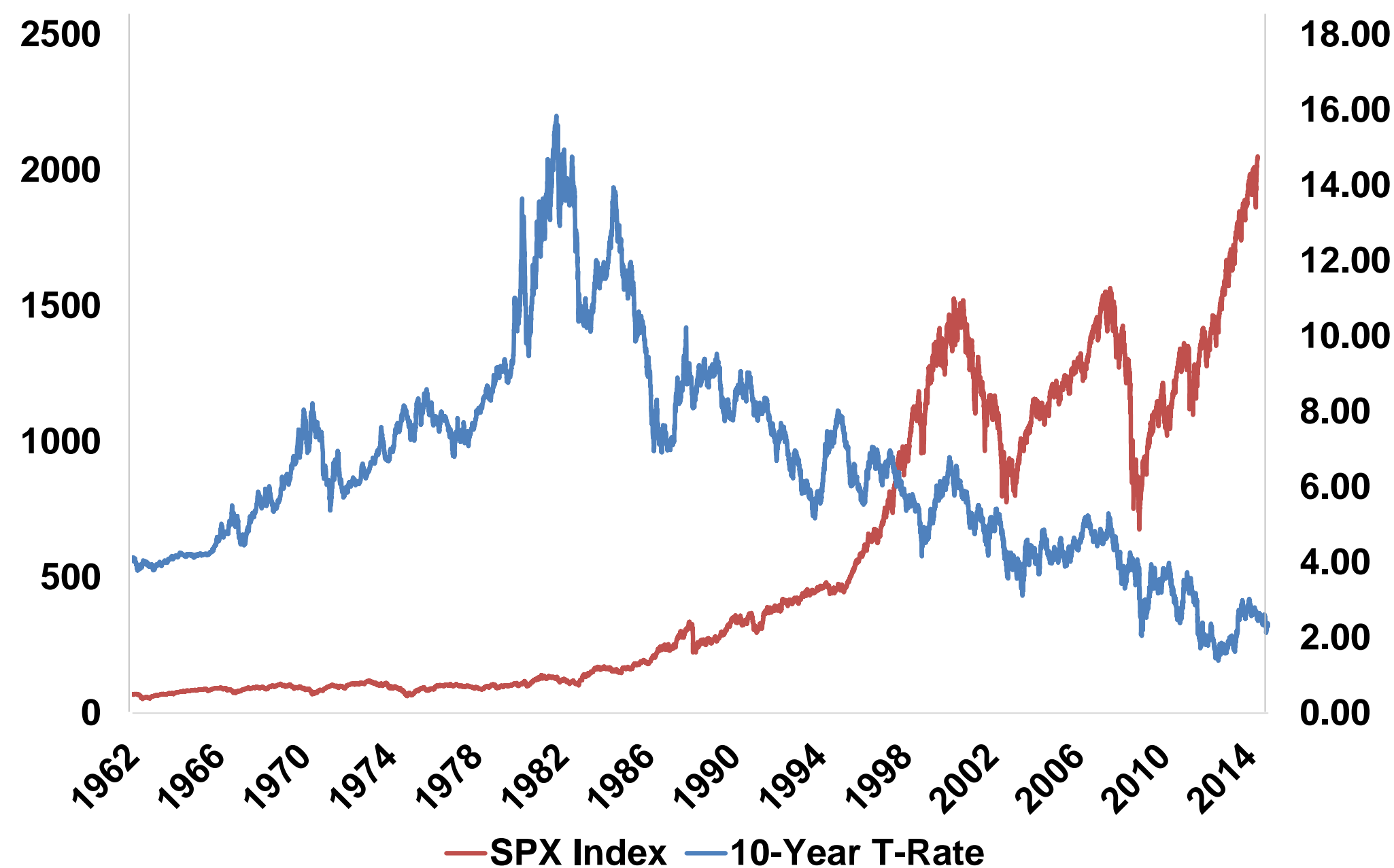
	Discount Rate	Equity Return
<b>IFRS</b>	↓	↓
<b>Statutory</b>	↑ ↓	↔
<b>EEV</b>	↑	↓





# Equity Markets and Interest Rates are Uncorrelated

## Equity Returns and 10-year Treasury Rates 1962-Present



Source: Bloomberg

## Analysis of 20-year Periods 1962-Present

	Annualized 20-Yr Equity Total Return	Correlation with Changes in 10-Yr Treasury
Max	18.6%	-0.24
Mean	11.4%	0.02
Min	6.2%	-0.21



# Assumption Setting Process

- Annual process
  - Detailed experience analysis is conducted annually in Q2
  - Long term trends are informed by emerging experience to set recommendations
  - Jackson Assumptions Working Group meets to review recommendations and approve changes
  - After governance review, changes implemented early in Q4
- Ongoing experience monitoring
  - Monthly trend reports produced for key metrics and reviewed by senior management
  - Quarterly review meeting held with senior management on key emerging assumptions
  - Ad hoc reports produced for key emerging assumptions (primarily VA)



# Assumption Setting Process

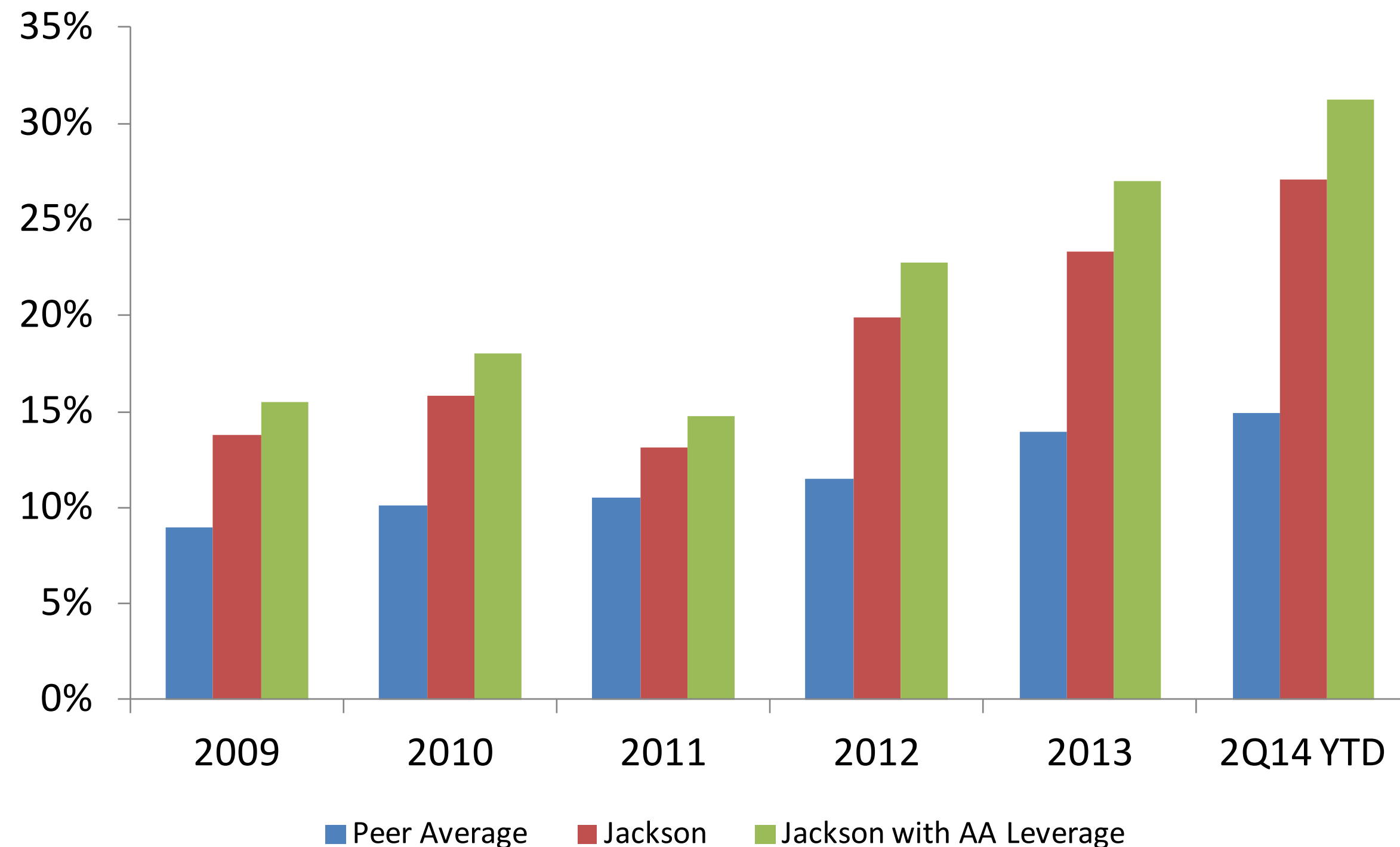
- 2014 review
  - Generally, VA assumptions either confirmed by latest study, or modified slightly to reflect emerging experience
    1. Lapse
      - a. Rates continue to trend downward – investment freedom combined with strong equity markets and limited competitive options, are likely causes
      - b. Modest adjustments downward in lapse assumption
    2. Utilization
      - a. Evidence of somewhat better efficiency on the part of policyholders
      - b. Utilization rates slightly modified to reflect the emerging trends
    3. Mortality
      - a. The VA mortality multiples were modified to reflect variation in the assumption by GMWB type





# Strength of Earnings

## Operating ROE vs. Peers



- Jackson continues to return well above the cost of capital as well as significantly above industry ROEs
- Well hedged VA book coming into 2008 crisis means that profitability of back book is intact
- Post crisis pricing environment has been favorable for VA writers and this is the period in which more than half of Jackson's VAs were sold
- Applying AA level leverage to Jackson's balance sheet (defined as 20% debt / capital) makes the comparison to industry metrics more meaningful and boosts already attractive ROEs

Source: Bloomberg and SNL Financial. 2012 and later results based on new DAC guidelines. Prior periods are not restated for this impact.  
Jackson ROE is based on after-tax IFRS operating income and average equity excluding AOCI  
Peer ROEs are U.S. GAAP and are calculated using adjusted operating EPS and equity excluding AOCI  
Peer group includes Ameriprise, MetLife, Lincoln National, Prudential Financial, and Principal

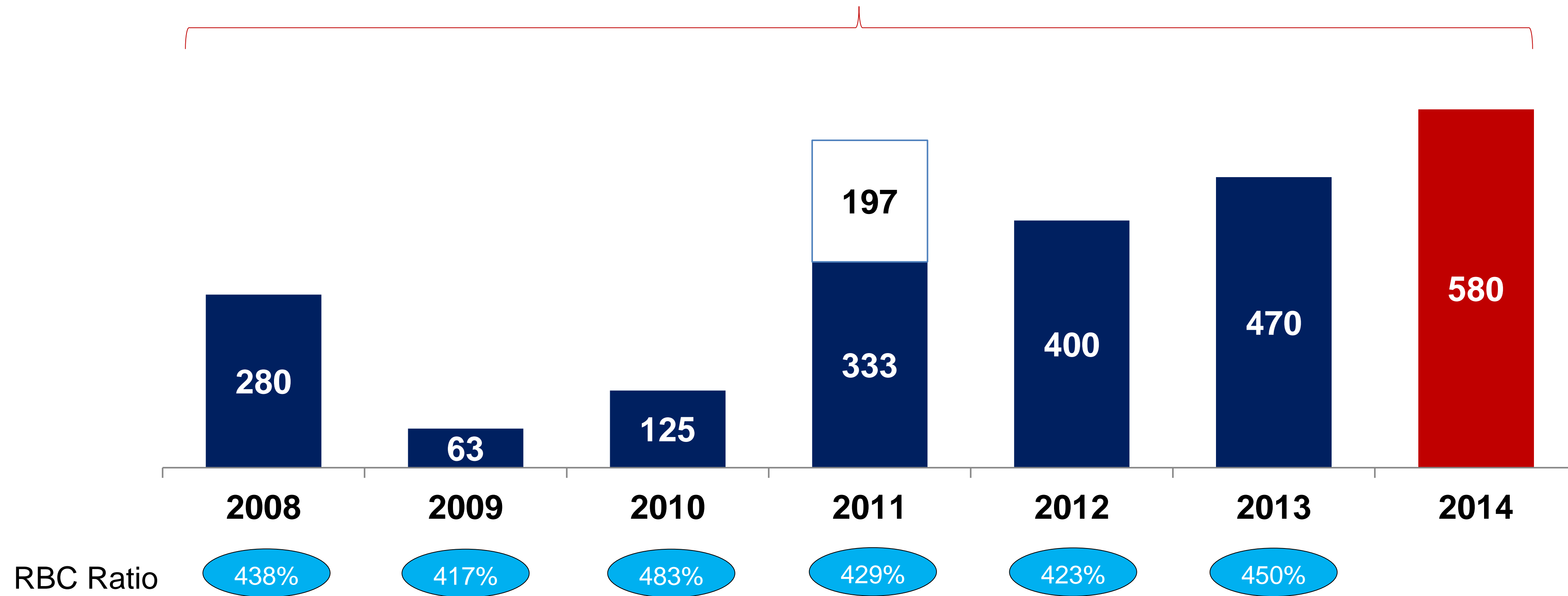


# Strong Capital Formation

## Cumulative cash remittances, \$m

2008-2014

**\$2,448m**



Net remittances in 2011 include \$197m representing release of excess surplus to the group



# Summary

- Jackson takes a strategic view of its product profile
- Conservative pricing through the cycle
- Policyholder behavior generally in-line with assumptions
- Selective approach has delivered healthy in-force block
- Effective hedging
- Proven risk management has ensured strong financial performance