

# The Jackson Difference

Michael Wells, Chairman and CEO



# Jackson Defined



- Leadership position in Annuities market (Variable, Fixed and Fixed-Index)
- Separate Account reserves = \$72bn; General Account reserves = \$57bn
- Producer-focused distribution model: Largest wholesaling network
- Industry leading Asset Liability Management: Strong track record of hedging performance
- Low-cost efficient operations: Lowest expense / asset ratio in the industry
- Life insurance closed block consolidator: REALIC (2012), Life of Georgia (2005)
- \$701m of IFRS operating profit (H1 2012)
- Over \$930m of cash remittances combined over 2011 and 2012
- 3,800 employees
- 4.4 million customers (31 Oct 2012)



# Jackson Defined

## Asset Management



- PPM America, Inc. manages \$102bn AUM in the US:
  - 65% on behalf of Jackson
  - 25% on behalf of Pru UK clients
  - 10% on behalf of Pru Asia clients

## Retail Broker-Dealer Network



- Nearly 3,600 representatives as of 9/30/2012
- 6th Largest independent broker-dealer\*
- NPH represents 8.4% of Jackson 3Q 2012 YTD VA sales
- \$14m pretax profit H1 2012

## Wealth Management



- Growth provider of Separately Managed Accounts: 100% Growth rate since '09
- \$10.4bn AUM and \$1.9bn gross sales in 9m 2012
- Over 70,000 customer accounts
- \$11m pretax profit H1 2012

\* Source: Investment News Broker-Dealer Rankings- April 2012



# Jackson's Strategy

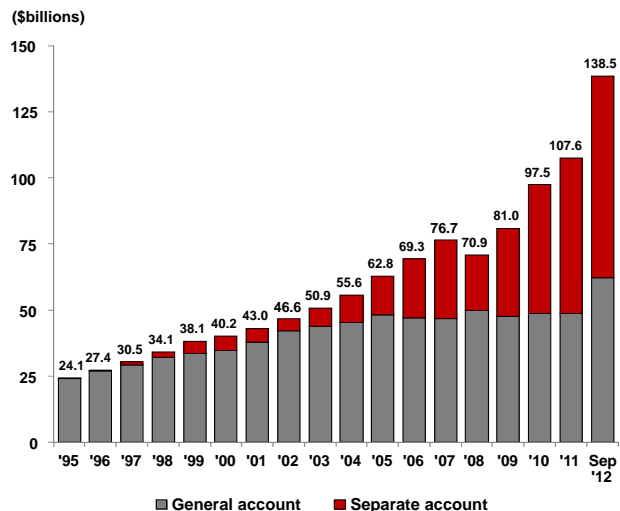
- 1 Capitalize on the 'Babyboomer' retirement opportunity
- 2 Platform focus, not product focus
- 3 Conservative, economic approach to pricing and risk management
- 4 Bolt-on financially attractive life acquisitions



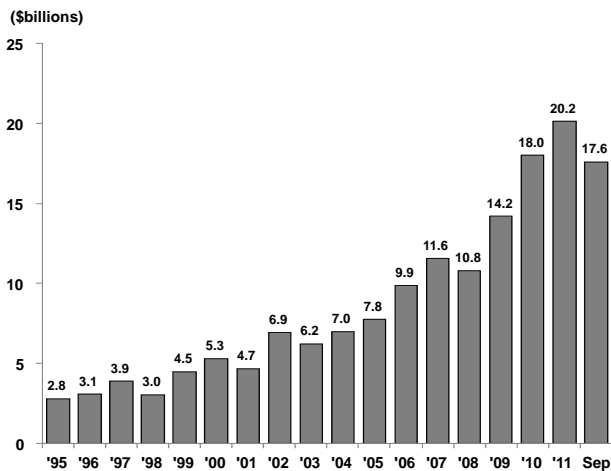
# Jackson's Track Record

Since 1995, Jackson has grown premium by over 8x, grown assets nearly 6x, and more than doubled capital. Jackson has accomplished this and returned ~\$1.6bn of net capital to Prudential over that period.

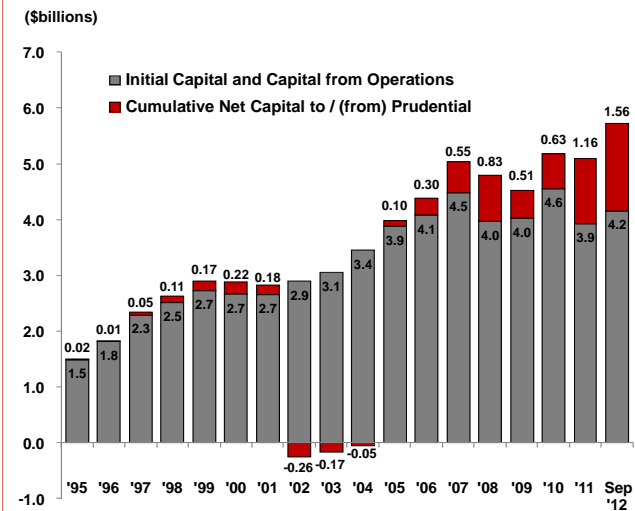
## Statutory Admitted Assets



## Statutory Premiums



## Statutory Capital and Distributions



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



# The Industry, History and Today

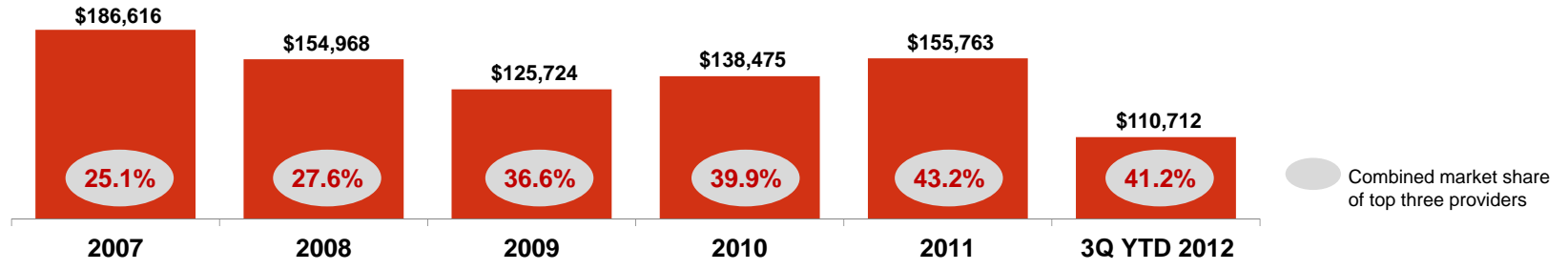
## The Industry Has Three Types of Participants

- 1 Those that focus on market share
- 2 Those that are reactive
- 3 Those that are disciplined and capture long-term profitable relationships



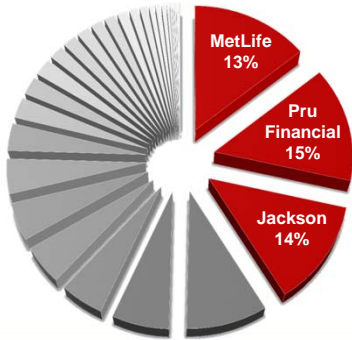
# Fragmented Market to Oligopoly

## 2007 – 3Q 2012 Industry Variable Annuity Sales (\$Millions)



Jackson Gross VA Sales Ranking  
Jackson Net VA Sales Ranking

	2007	2008	2009	2010	2011	3Q YTD 2012
Jackson Gross VA Sales Ranking	#12	#12	#4	#3	#3	#2
Jackson Net VA Sales Ranking	#3	#4	#2	#2	#2	#1



**3Q 2012 - Top 3 (of 36) carrier's market share = 41.2%**

### MetLife:

- Offers one of the few GMIBs as compared to a more common LGMWB

### Prudential Financial:

- Offers LGMWB that provides "increased income" by capturing highest daily value

### Jackson:

- Offers only customizable LGMWB with freedom to invest

Source: Morningstar Annuity Research Center; includes Captive



# Why Has Jackson Succeeded in the VA Market Space?

## Key Jackson VA Success Factors

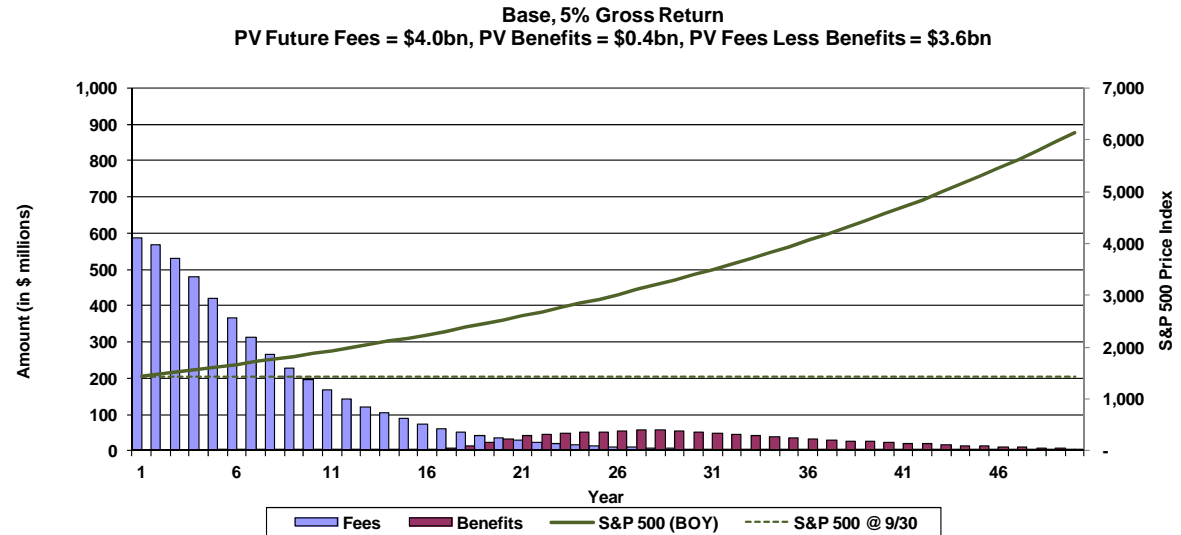
- 1 Prudent Pricing & Product Design**
  - Unique 'menu based' product platform – all features individually priced
  - Conservative economic and policyholder behavior assumptions
  - Price through the business cycle without chasing risk when cheap
- 2 Strong Distribution & Service Culture**
  - Jackson's external wholesalers are the top ranked in the industry
  - Wholesaling force 30% larger than the nearest competitor
  - Business reputation, not brand
- 3 Efficient & Scalable Operations**
  - Low-cost locations in Lansing, Nashville and Denver
  - Jackson has the lowest expense ratio in the industry (38 vs. 72 bps)
  - Efficient, modern technology – Single operating platform by Q2 2013
- 4 Hedge Economics of Tail Risk Exposure**
  - Focus on true economic hedging of tail risks; not an immunization strategy
  - Take advantage of natural offsets within the book
  - Conservative pricing approach drives large 'hedging budget'
- 5 Manage Volumes & Vintages**
  - Proactive pricing & distribution actions to manage volumes and vintages
  - Regular pricing updates to avoid fire sales
  - All of Jackson's pre-crisis vintages are profitable
- 6 Robust Capital & Liquidity Position**
  - Jackson's AA (negative) rating from S&P is the highest among key players in the VA space
  - Strong RBC ratio with over \$4 billion of TAC
- 7 Experienced Management Team**
  - Jackson has a seasoned and long tenured senior management team that has successfully managed through multiple business cycles





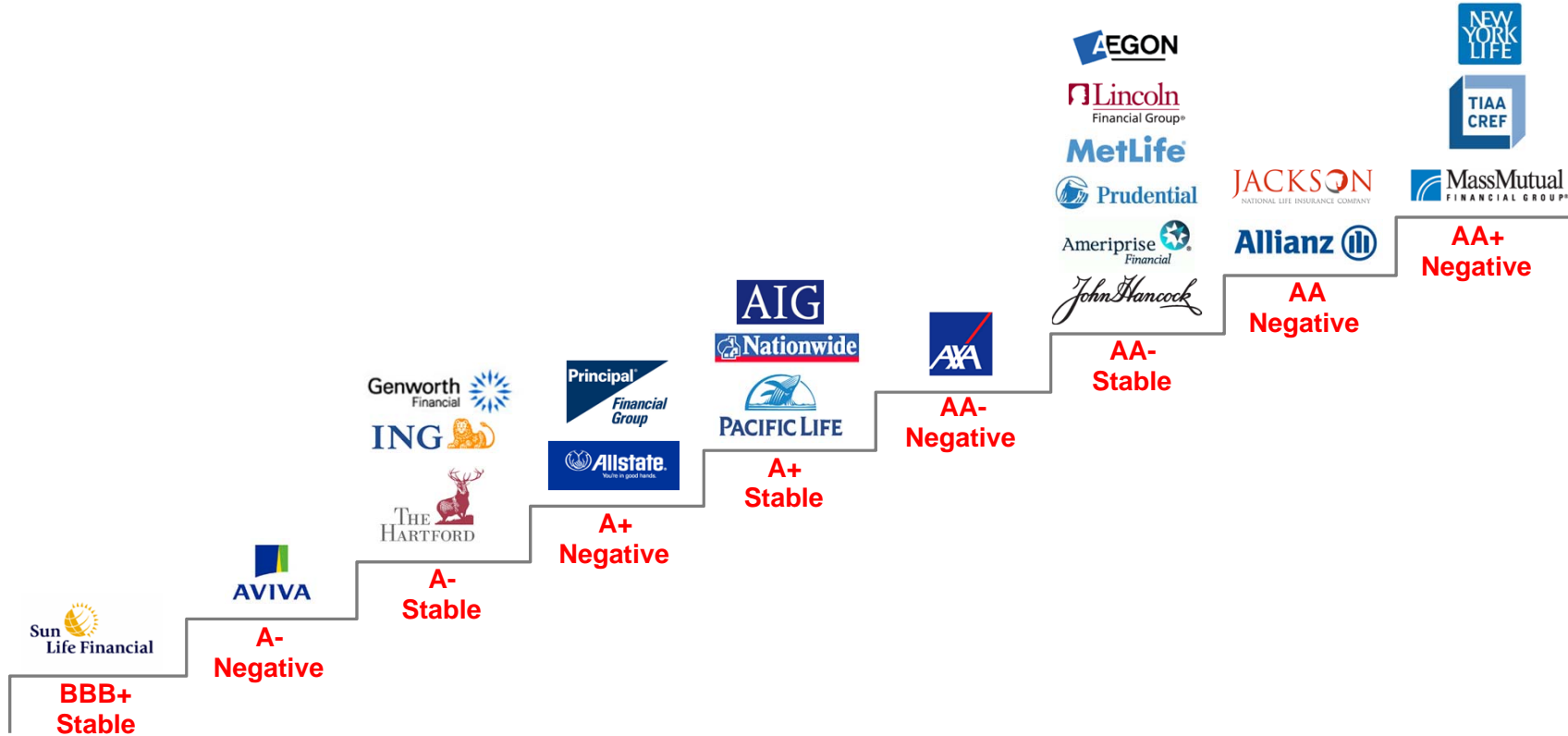
# Unhedged GMWB In-Force Cash Flow

- In-force portfolio cash flows on an unhedged basis
- Analysis based solely on guarantee fees (excludes M&E fees)
- Uses prudent best estimate assumptions (AG43, C3P2)
- 5% gross return is well below historical average market return
- Ignores fees collected to date as well as 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





# Jackson is the Highest Rated Annuity Provider (S&P)

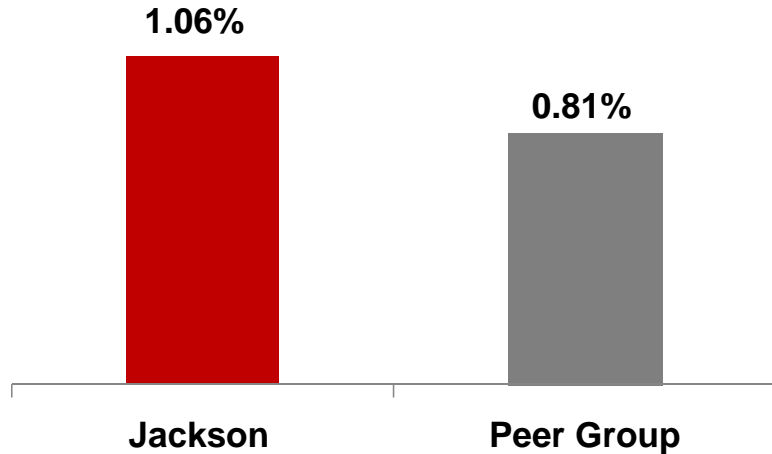


Source: SNL Financial LC. Ratings as of 11/16/12.

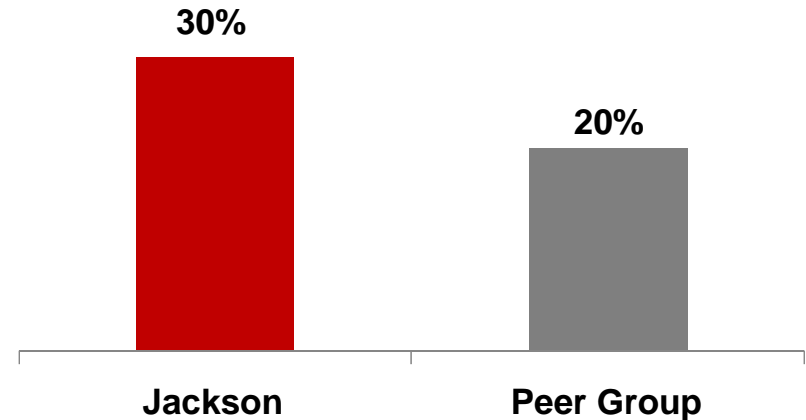


# Jackson Generates Market Leading Annuity Returns

## Pre-Tax Annuity Return on Acct Values



## Pre-Tax Annuity ROE



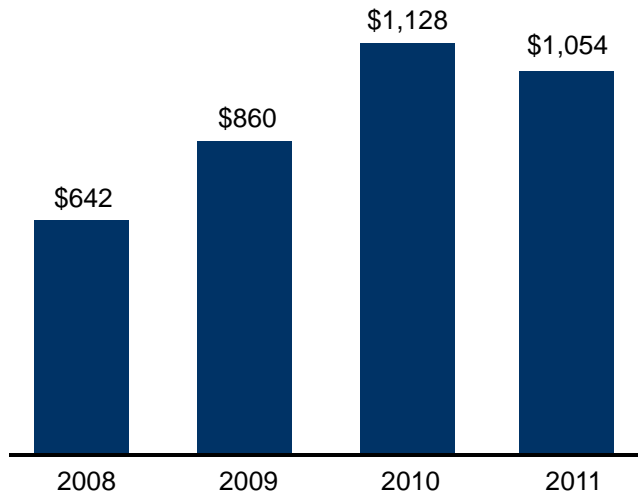
Calculations are trailing twelve months to H1 2012 based on operating earnings and account values as reported by peers Group comprised of MetLife, Prudential Financial, AIG, Lincoln, Ameriprise, AEGON Americas. Annuity business equity was not available for all companies and was estimated in those cases.



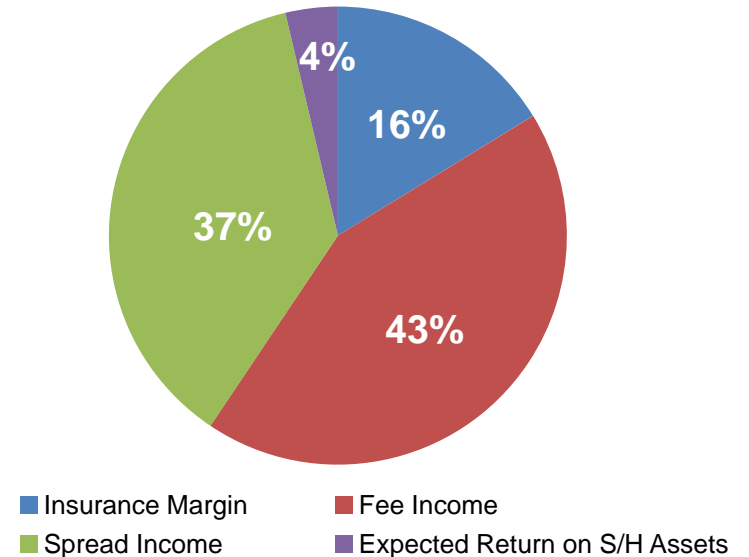
# Jackson Produces High Quality Earnings

## Diversification of Reported Earnings

### IFRS Operating Income <sup>(1)</sup>



### IFRS Operating Revenue by Source <sup>(2)</sup>



<sup>(1)</sup> FY 2008 results have not been restated for new DAC guidance in 2012 and therefore, are not on a consistent basis

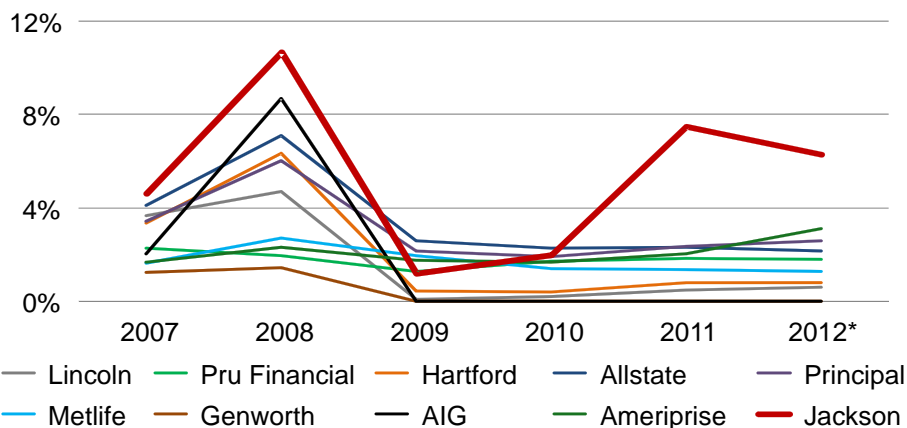
<sup>(2)</sup> Excludes margin on revenues, acquisition and administration expenses and DAC amortization



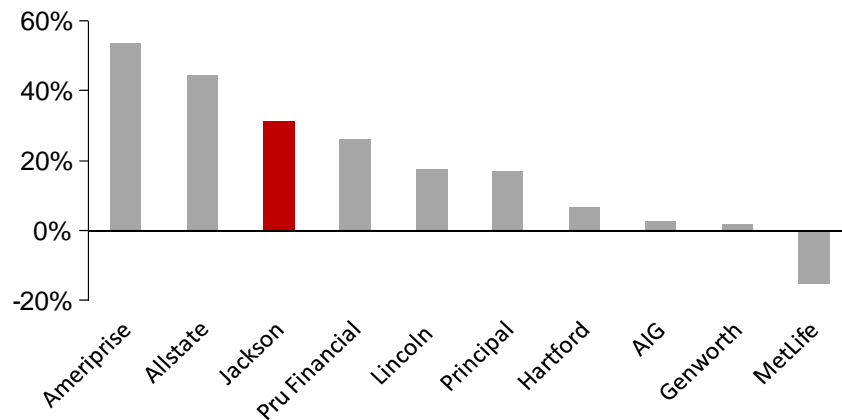
# Jackson Produces High Quality Cash Returns to Shareholders

## US Dividend Measures

### Jackson Dividend / Equity vs. US Peers



### 2007-1H2012 Dividends & Net Share Repurchases / 2007 Beginning Equity



- Jackson's dividends have been above average in the US industry since the financial crisis
- Jackson's total cash returned to shareholders among the best in the industry

In line chart, the ratio is common dividend paid during the year divided by ending GAAP common equity  
 Dividend and equity data is sourced from Bloomberg  
 Bar chart includes common dividends paid but also adds in net common share issuance, which is sourced from SNL Financial LC  
 \*2012 data in line chart is based on full-year estimated dividends from Bloomberg divided by 2Q12 GAAP common equity



# Jackson's Leadership

## Retail / Distribution



**Clifford J. Jack**  
EVP, Head of Retail,  
Jackson



**Greg P. Cicotte**  
President, Jackson National  
Life Distributors

17 years at Jackson  
27 years in the industry

21 years at Jackson  
29 years in the industry

- Largest and Best Regarded Sales Force in Industry
- Integrated and Intelligent Distribution
- Products Create Choice & Flexibility

## Operations & Corporate Development



**James R. Sopha**  
Chief Operating Officer,  
Jackson

10 years at Jackson  
28 years in the industry



**Ken H. Stewart**  
SVP, Corporate  
Development, Jackson

2 years at Jackson  
22 years in the industry

- Industry Leading, Scalable and Efficient Technology Platform
- Industry Leading Policy Holder Service and Culture
- Ability to Target Bolt-on M&A Activities Opportunistically



# Jackson's Leadership

## Finance / ALM



**P. Chad Myers**

EVP, Chief Financial Officer, Jackson

17 years at Jackson  
22 years in the industry

- Conservatively Priced Products
- Industry Leading Economic Hedge Program
- Significant 'In-House' Expertise
- Proven Track Record



**Steve P. Binioris**

VP, Asset Liability Management, Jackson

11 years at Jackson  
16 years in the industry

## Actuarial



**Richard Ash**

SVP, Chief Actuary, Jackson

12 years at Jackson  
34 years in the industry

- Conservative Policyholder Behavior Assumptions
- Leading Role in Product Design and Pricing
- Deep Interaction with ALM Team



# Jackson's Leadership

## Investments



**Leandra R. Knes**

President & CEO,  
PPMA

15 years at PPMA  
28 years in the industry



**Jim Young**

EVP, Chief Investment Officer,  
PPMA

15 years at PPMA  
24 years in the industry

- Strong and Seasoned Credit and Research Teams
- Strategy to Build Investment Portfolio to Perform Across a Wide Range of Macroeconomic Outcomes





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