

Product Changes

Index Product Caps and Illustrated Rates

Indexed Universal Life (IUL) product cap and illustrated rate changes:

Prudential continually strives to offer a suite of product solutions that align with the needs of your customers. In order to maintain the sustainability of our IUL products, given current market conditions, Prudential has made the decision to decrease indexed caps for the 2015 versions of PruLife® Founders Plus UL and PruLife® Index Advantage UL (IAUL).

The following changes to these products will be effective for segments starting after **October 1, 2016**:

PruLife Founders Plus UL (2015):

- Plus 100 Account cap will change to 8.00%.
- The maximum illustrated index interest rate will change to 5.04%.*
- The new illustrated rates will be updated in the illustration system on September 26, 2016.

PruLife Index Advantage UL (2015):

- Indexed Account cap will change to 10.50%.
- The maximum illustrated index interest rate remains unchanged at 6.03% due to illustration regulation limits.*

A letter will be sent to policy owners when the cap rate changes, informing them of the new cap and the future segments that will be impacted. The letter also indicates that changes to the cap may result in different values than were shown in their most recent illustration and how they can request a current illustration.

Other Important Information to Keep in Mind:

- The Cap rate declared by Prudential is the maximum Index interest rate that can be credited to a segment.
- Cap rates are non-guaranteed elements of Index UL products, and they are likely to change (increase or decrease) over time.
- Cap changes only impact Index segments that begin after the effective date of the change. In this case, October 1, 2016.
- Prudential reviews cap rates on an ongoing basis, and when warranted, make changes quarterly.
- Maximum illustrated index interest rates are updated to reflect the new caps and necessary limits to comply with Illustration Model Regulations testing and Actuarial Guideline 49 (AG49).

*The maximum illustrated index interest rate is for hypothetical illustration purposes only, and does not impact the maximum index interest rate that can be earned by policyholders

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0295918-00001-00 Ed. 09/2016 Exp. 09/22/2017



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Frequently Asked Questions:

What caused the caps to decrease?

Over the last few months we have experienced higher costs related to maintaining the current caps. As a result, caps are being lowered to be better aligned with the cap budgets of each product respectively.

Aren't there new versions of these products coming soon?

Yes, please see below for a quick snapshot of the caps and illustrated rates for these new product versions.

NEW Founders Plus – Available as of August 29, 2016 where approved

- *Plus 100 Account* cap of 9.25%. The maximum illustrated rate is 5.68%.*
- *Plus 50 Account* cap of 5.75%. The maximum illustrated rate is made up of index interest at 3.35% + fixed interest at 1.75% = 5.10%.*
- *Fixed Account* credited rate of 4.25%.

The higher rates on the new Founders Plus are made possible due to a new 50bps asset based charge.

NEW IAUL – planning to be available as of September 26, 2016 where approved

- *Indexed Account* cap of 10.5%. The maximum illustrated rate is 6.26%.*
- *Indexed Account with Multiplier Account* cap of 8.50% with a guaranteed multiplier of 115%. The maximum illustrated performance will be 6.10%.*
- *Uncapped Indexed Account* - No cap for this account, but is subject to a 4% spread. First 4% of S&P 500 growth will result in no index interest. The maximum illustrated rate is limited to the AG49 max, based on the capped account of 6.26%.*

*The maximum illustrated index interest rate is for hypothetical illustration purposes only, and does not impact the maximum index interest rate that can be earned by policyholders.

Why is the cap for the New Founders Plus product higher than the reduced caps on the 2015 version of Founders Plus?

The new version of Founders Plus has a 50bps Asset Based Charge that increases the budget used to set the cap. The higher budget allows us to set higher cap rates.

What if the new 2016 versions of Founders Plus and IAUL products are not approved in my state?

If the new versions of Founders Plus and IAUL are not approved in your state, the 2015 versions of the product will remain available for sale and will be subject to the reduced October caps rates.

Does this cap change impact any of the segments that were started prior to these changes?

No, once a segment is started its cap cannot be changed. This change does not impact any segments active before October 1, 2016. It only impacts in force and new policies (where new product is not approved) segments beginning after October 1, 2016.

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What happens when an active segment matures, will it get the lower cap?

Yes, after a segment matures in any of our Index UL products the account value that was in that segment earns Index interest subject to the cap and floor that were set when the segment started. Once that credit has taken place, the money will cycle through the Fixed Account or Basic Interest account (whichever each product uses) and will then follow the standing Index Account transfer instructions; a new segment will be created with the new cap levels.

Where can I see the cap levels for past segments and different versions of Index UL Products?

We have Index Interest Performance page links on Prudential.com that provide the current cap, participation rate, and floor rates for all versions of our different IUL products. They also show the Fixed or Basic interest rates for each product and the historical performance of every segment available since the product was introduced to the market.

How frequently does Prudential change cap rates?

Cap rates are analyzed on an ongoing basis and Prudential applies careful scrutiny to the review of these products. Caps are likely to fluctuate over time and can increase or decrease depending on market conditions. Prudential's history of cap changes demonstrates our commitment to making prudent decisions based on the market conditions at the time. For example, in 2013 caps were increased when market conditions allowed, and more recently caps have been lowered.

How are maximum illustrated rates determined?

There are multiple regulations that must be followed in determining the maximum illustrated rate for an IUL product. The illustrated rate for AG49 must be based on a hypothetical cap that can also pass the Life Insurance Illustrations Model Regulation (#582) tests.

You will find that some of our index accounts are using a rate that is slightly lower than the AG 49 rate based on the caps we are offering. This is because the interest rates and costs of the caps used for the regulation tests resulted in lower hypothetical caps than the ones those accounts are offering. We did not want to lower the caps more than necessary because we believe that our caps provide more potential consumer value depending on changes to the S&P 500.

For example, Index Advantage UL already illustrates a rate that is less than the previous cap and the updated lower cap. Therefore, the maximum illustrated rate is not changing.

What are the impacts to pending cases?

If an existing case requires a new or revised illustration on or after September 26th, then the new illustrations will be subject to the new rates. If an existing case is interested in the versions of the product (where approved and applicable) please refer to the transition rules for the new products.

PruLife® Founders Plus UL and PruLife® Index Advantage UL are issued by Pruco Life Insurance Company except in New York, where, if available they are issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial Companies located in Newark, NJ.

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