PRUDENTIAL FINANCIAL INC
Form DEF 14A
March 27, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

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Prudential Financial, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Thomas J. Baltimore, Jr.

Gordon M. Bethune

Gaston Caperton

Gilbert F. Casellas

James G. Cullen

Prudential Financial, Inc.

751 Broad Street, Newark, NJ 07102

March 27, 2012

LETTER FROM THE BOARD OF DIRECTORS

TO OUR SHAREHOLDERS

As stewards of your Company, our primary focus is achieving long-term performance and creating value for our shareholders through prudent execution of strong business strategies, excellent risk management, top quality talent and succession planning, and objective oversight.

Last year, we continued to review our policies and processes in these areas, seeking opportunities to refine and augment them for the benefit of our stakeholders. This review allowed us to retire outdated policies, as exemplified by our decision not to renew the poison pill, an action aligned with best governance practices.

Over the last year we have identified several important themes that will influence our practices going forward. This letter highlights three of these themes:

Engagement and Outreach the way we communicate with our shareholders

Oversight of Executive Compensation our response to last year s advisory say on pay vote

Sustainability our commitment to articulating and measuring our environmental, social and governance activities

We are pleased to share with you our progress and the specific actions that we undertook in these areas.

ENGAGEMENT AND OUTREACH

Shareholders are key participants in the governance of our Company. For this reason, we continually seek to expand the channels through which we gain insight into your perspectives. Our efforts to solicit your feedback resulted in the receipt of over 4,500 shareholder communications over the course of the past year, and we look forward to further dialogue with you.

To this end, the governance area of Prudential.com was redesigned to improve user-friendliness and accessibility. We devoted a page to communication with the Board, including a specific form for your feedback regarding executive compensation.

We were one of the first companies to proactively adopt a shareholder advisory say on pay vote in February of 2010 in order to gain real time feedback on executive compensation. Last year, shareholders representing 86.5% of the votes cast expressed satisfaction with Prudential s compensation program, and we are very gratified by this high level of support.

OVERSIGHT OF EXECUTIVE COMPENSATION

Because Prudential values your views concerning our executive compensation policies and practices, your Board and management engaged in extensive outreach efforts to better understand the views and concerns of investors regarding executive compensation. These efforts included active dialogue with investors and proxy advisory firms, as well as consideration of feedback received through a variety of channels from shareholders and other stakeholders. The Compensation Committee also worked closely with its independent compensation consultant in evaluating the Company s executive compensation program.

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LETTER FROM THE BOARD OF DIRECTORS *(CONTINUED)*

William H. Gray III

Mark B. Grier

Constance J. Horner

Martina Hund-Mejean

Karl J. Krapek

Taking into consideration the results of the 2011 say on pay vote as well as the valued feedback received through engagement efforts, the Board will hold future say on pay votes on an annual basis, consistent with our recommendation and the strong agreement of our shareholders at last year s meeting. We have also made changes in our executive compensation programs. These changes, more fully described in the Proxy Statement, include:

Compensation rebalancing. In October 2011, we adjusted the executive compensation arrangements to better align the mix of compensation with market and competitive practices and to tie more of the compensation of the named executive officers to longer term performance and risk outcomes. These changes consisted of:

- an increase in salaries accompanied by a reduction in annual incentive award opportunities; and
- an increase in the mandatory deferral rate into the Mid-Term Incentive Program.

The net effect of these changes was a modest reduction in the direct compensation opportunity of the named executive officers for 2011, before consideration of 2011 performance.

Changes to the design and disclosure of our executive compensation program for 2012.

- establishing a more structured annual incentive program that features target and maximum annual incentive awards and performance factors aligned to our annual EPS targets;

- revising the financial measures for our Annual Incentive Program and Long-Term Incentive Program to eliminate overlap;

- revising the performance period for the performance share and performance unit awards under our Long-Term Incentive Program to a single three-year performance period;

- providing additional information on the objectives and factors impacting the value of our Mid-Term Incentive Program and, to reflect its purpose and to reposition it as a component of our Long-Term Incentive Program, renaming the program as our Book Value Performance Program; and

- developing a revised compensation peer group that better reflects our size in terms of total assets and market capitalization.

We believe the changes we have made to our executive compensation program reflect the feedback we receive and should encourage your endorsement of this year s say-on-pay vote.

SUSTAINABILITY

We have implemented steps that recognize the importance of environmental, social and governance (ESG) issues and policies in our oversight of Prudential s long-term sustainability.

- We expanded the Charter of the Corporate Governance and Business Ethics Committee to include oversight of policy issues related to ESG. Also, as seen in the chart of Summary of Director Qualifications and Experience contained in the Proxy Statement, we incorporated ESG among the skills and experiences to be represented on the Board. These changes are aligned with our longstanding practice of having three of our Board members sit on the Community Resources Oversight Committee, which oversees all of Prudential s corporate social responsibility efforts and serves as the Board of Trustees of The Prudential Foundation. These directors guide and oversee the strategy and projects of the Prudential Community Resources Division in the areas of strategic philanthropy, employee engagement, corporate community involvement and investing for social return.

- We supported management s creation of a new position focused on environmental sustainability to drive progress in this area.

- We supported management s decision to become a member of the Integrated Reporting Pilot Program (IRPP). IRPP is a two-year program offering a select group of companies across various industries the opportunity to demonstrate global leadership in this emerging field of corporate reporting. The aim of Integrated Reporting is to demonstrate the linkages between the Company s strategy, governance and financial performance and the social, environmental and economic context within which it operates.

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LETTER FROM THE BOARD OF DIRECTORS *(CONTINUED)*

Christine A. Poon

John R. Strangfeld

James A. Unruh

By embedding sustainability into the Company s strategic decision-making and articulating our activities in this area in an integrated way, we can provide you with greater insight into how we take sustainability into account as we work to create value in the short, medium and longer term.

OUR VALUES

We also want to underscore the Board s commitment to the values that distinguish Prudential as a company. These values, which are integrated into the everyday work of the enterprise, were clearly on display to the world in March 2011 as Prudential and its employees responded to the Tōhoku earthquake and tsunami in Japan.

Prudential s employees exceeded the call of duty in their commitment to their customers, to their communities, and to each other, and Prudential demonstrated its support through a $6.1 million contribution toward relief efforts in local communities. Together with senior management, we thank our Japanese colleagues for their extraordinary achievements in the wake of unforgettable natural devastation, and will continue to offer our ongoing support: *Nihonjin no yuuki ni keii wo hyou shimasu*.[1]

YOUR VIEWPOINTS

We value your support. By continuing to have constructive dialogue with you our shareholders we are better positioned to fulfill our obligations to you and to Prudential. We encourage you to share your opinions, interests and concerns, and invite you to write to us with your reactions and suggestions at the address below. You can also email the Independent Directors at independentdirectors@ prudential.com or provide feedback on executive compensation at www.prudential.com/executivecomp.

If you would like to write us, you may do so at Prudential Financial, Inc. Board of Directors c/o Margaret M. Foran, Chief Governance Officer, Vice President and Corporate Secretary, 751 Broad Street, 21st Floor, Newark, NJ 07102.

The Board of Directors of Prudential Financial, Inc.

[1] Translation: We show our respect to the Japanese people for their courage.

Prudential Financial, Inc.

751 Broad Street, Newark, NJ 07102

March 27, 2012

DEAR FELLOW SHAREHOLDERS:

We are pleased to invite you to the Annual Meeting of Shareholders on May 8, 2012, at 751 Broad Street, Newark, New Jersey 07102 at 2:00 p.m. We hope that you will attend the meeting, but whether or not you are planning to attend, we encourage you to designate the proxies on the proxy card to vote your shares.

Because every shareholder s vote is important, we continue our outreach to give you more information about the Company. We are offering again an incentive to registered shareholders, to encourage them to vote. We are excited that voting has increased each year and we planted over 229,000 trees as a result of the incentive program. I thank you for your commitment to the Company and urge you to vote your shares.

Sincerely,

John R. Strangfeld

Chairman and Chief Executive Officer

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Prudential Financial, Inc.

751 Broad Street, Newark, NJ 07102

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF PRUDENTIAL FINANCIAL, INC.

Date:	May 8, 2012
Time:	2:00 p.m.
Place:	Prudential s Corporate Headquarters 751 Broad Street, Newark, NJ 07102

AGENDA:

- Election of 13 directors named in the proxy statement;
- Ratification of appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2012;
- Advisory vote to approve named executive officer compensation;
- Amendments to the Company s Certificate of Incorporation to eliminate supermajority voting provisions;
- Shareholder proposal regarding independent Board Chair; and
- Transaction of other business that may properly come before the meeting.

Record date: You can vote if you were a shareholder of record on March 9, 2012.

If you are attending the meeting, you will be asked to present your admission ticket and photo identification, such as a driver s license as described in the proxy statement.

By Order of the Board of Directors,

Margaret M. Foran

Chief Governance Officer, Vice President and Corporate Secretary

March 27, 2012

Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Meeting of Shareholders to be held on May 8, 2012: Our 2012 Proxy Statement and Annual Report for the year ended December 31, 2011, are available free of charge on our website at www.prudential.com/governance.

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To assist you in reviewing the proposals to be acted upon, including the election of directors and the non-binding advisory vote to approve named executive officer compensation, we call your attention to the following information about the Company s 2011 financial performance and key executive compensation actions and decisions. The following description is only a summary. For more complete information about these topics, please review the Company s Annual Report on Form 10-K and the complete proxy statement.

BUSINESS HIGHLIGHTS[(1)]

Financial Performance. 2011 was a year of major progress and accomplishment for our Company on many fronts:

Our Financial Services Businesses reported net income of $3.5 billion, or $7.22 per share of Common Stock, compared to $2.7 billion, or $5.75 per share of Common Stock, in 2010;

On an after-tax adjusted operating income basis, we recorded $3.1 billion for our Financial Services Businesses and posted earnings per share of Common Stock of $6.41 compared to $2.9 billion, or $6.17 per share of Common Stock, in 2010;

We reported book value for the Financial Services Businesses, excluding accumulated other comprehensive income related to unrealized gains and losses on investments and pension/post-retirement benefits as of year end 2011, of $66.63 per share of Common Stock, compared to $59.48 per share of Common Stock a year earlier; and

Assets under management increased to $901 billion as of year end 2011, an increase of 15% from a year earlier.

Dividend. Given our ongoing strong financial performance, our Board increased our Common Stock dividend in 2011 to $1.45 per share, an increase of 26% from the prior year and the highest ever paid by our Company.

Corporate Transactions. We completed the acquisition of AIG Star Life Insurance Co., Ltd. and AIG Edison Life Insurance Co. for $4.7 billion in February 2011. We completed the divestiture of our global commodities business for proceeds of approximately $400 million in July 2011. Also, we completed the sale of our Prudential Real Estate and Relocation Services business for proceeds of approximately $100 million in December 2011.

Share Repurchase Program. In June 2011, we instituted a share repurchase program and authorized the repurchase of up to $1.5 billion of our Common Stock through June 30, 2012. Through December 31, 2011, we repurchased approximately $1 billion of our Common Stock under this program.

(1) AOI and EPS are defined in the Compensation Discussion and Analysis (CD&A) section of this Proxy Statement. Net Income refers to net income of Financial Services Businesses attributable to Prudential Financial, Inc.

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COMPENSATION HIGHLIGHTS

We rebalanced the compensation mix of our senior executives for purposes of their individual compensation packages for 2011. This rebalancing involved the following changes:

- Increased their base salaries effective January 1, 2011;
- Reduced their annual incentive award opportunities by 120% of each senior executive s base salary increase; and
- Increased the mandatory deferral rate for a portion of the annual incentive awards for named executive officers (NEOs) into the Book Value Performance Program (formerly known as the Mid-Term Incentive Program) from 10% to 20%.

These changes were made to achieve a better balance between fixed and variable compensation elements in the senior executives compensation packages, to more closely reflect market and competitive practices, and to link a greater portion of their compensation to long-term performance and risk outcomes. For additional discussion of these changes, see the CD&A in this Proxy Statement.

Consistent with the rebalancing, the base salary for John Strangfeld, your CEO, was increased to $1.4 million. In addition, he was awarded incentive compensation for 2011 commensurate with business results, including an annual incentive award of $5.04 million (net of $1.26 million that was mandatorily deferred into the Book Value Performance Program) and a long-term incentive award with a value of $9.76 million (including the mandatory deferral). Consistent with our executive compensation philosophy, the significant majority of his total direct compensation of $16.2 million for 2011 was incentive-based and at risk, as illustrated by the following chart:

The compensation of our other NEOs similarly reflects both our strong 2011 performance and the adjustments to our executive compensation program:

Named Executive Officer	2011 Base Salary	2011 Annual Incentive Award (as adjusted for mandatory deferrals)[1]	2011 Long-Term Incentive Award Value	2011 Total Direct Compensation
Richard J. Carbone	$700,000	$2,200,000	$2,550,000	$5,450,000
Mark B. Grier	$1,190,000	$4,280,000	$7,670,000	$13,140,000
Edward P. Baird	$770,000	$3,360,000	$4,140,000	$8,270,000
Charles F. Lowrey	$770,000	$3,600,000	$4,900,000	$9,270,000

(1) The following amounts are not included in the 2011 Annual Incentive Award column because they have been mandatorily deferred into the Book Value Performance Program: Mr. Carbone, $550,000; Mr. Grier, $1,070,000; Mr. Baird, $640,000; and Mr. Lowrey, $900,000.

Changes in response to advisory vote and shareholder feedback

We were gratified that 86.5% of the votes cast last year on the advisory vote on our executive compensation program voted in support of the compensation paid to the NEOs. Nevertheless, consistent with its strong interest in shareholder engagement, communication, and transparency, the Compensation Committee continued to refine our executive compensation program to better align the interests of our senior executives and shareholders and respond to shareholder feedback, making the following changes to be effective in 2012:

Establishing a more structured annual incentive program that features target and maximum annual incentive awards and performance factors aligned to our annual EPS targets;

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Revising the financial measures for our Annual Incentive Program and Long-Term Incentive Program to eliminate overlap;

Revising the performance period for the performance share and performance unit awards under our Long-Term Incentive Program to consist of a single three-year performance period;

Providing additional information on the objectives and factors impacting the value of our Mid-Term Incentive Program and, to reflect its purpose and to reposition it as a component of our Long-Term Incentive Program, renaming the program as our Book Value Performance Program;

Increasing the mandatory deferral rate on annual incentive awards to NEOs into the Book Value Performance Program to 20% for 2011 awards payable in 2012 and to 30% for 2012 awards payable in 2013; and

Developing a revised compensation peer group that better reflects our size in terms of assets and market capitalization.

SHAREHOLDER ACTIONS

ELECTION OF DIRECTORS (Item 1)

You will find important information about the qualifications and experience of each of the director nominees who you are being asked to elect. The Corporate Governance and Business Ethics Committee performs an annual assessment to see that your directors have the skills and experience to effectively oversee the Company. All of your directors have proven leadership, sound judgment, integrity, and a commitment to the success of our Company.

RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Item 2)

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as the Company s independent registered public account firm (independent auditor) for 2012. We are not required to have shareholders ratify the selection of PricewaterhouseCoopers as our independent auditor. We nonetheless are doing so because we believe it is a matter of good corporate practice. If shareholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers, but may retain such independent auditor.

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION (Item 3)

For the third year, our shareholders are being asked to cast a non-binding, advisory vote on our executive compensation program. We were gratified that, last year,

86.5% of the votes cast by our shareholders supported our executive compensation program. Please see Consideration of Last year s Say on Pay Vote in the CD&A for a discussion of how our Board and the Compensation Committee responded to the results of last year s advisory vote.

Consistent with the recommendation of our Board and the preference of our shareholders as reflected in the non-binding advisory vote on the frequency of future say on pay votes that we conducted last year, we will hold an annual say on pay vote. In evaluating this year s say on pay proposal, we recommend that you review our CD&A, which explains how and why the Compensation Committee of our Board arrived at its executive compensation actions and decisions for 2011. We suggest you also refer to the letter from our Board and our corporate governance policies which are contained in this proxy statement.

AMENDMENTS TO THE COMPANY S CERTIFICATE OF INCORPORATION TO ELIMINATE SUPERMAJORITY VOTING PROVISIONS (Item 4)

We are also asking shareholders to approve amendments to eliminate supermajority voting provisions in our Certificate of Incorporation. Last year, we supported a shareholder proposal to eliminate the supermajority voting provisions and pledged we would submit the matter to shareholders.

SHAREHOLDER PROPOSAL (Item 5)

Finally, you are also being asked to consider one shareholder proposal contained in this proxy statement.

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PROXY STATEMENT

The Board of Directors of Prudential Financial, Inc. (Prudential Financial or the Company) is providing this proxy statement in connection with the Annual Meeting of Shareholders to be held on May 8, 2012, at 2:00 p.m., at Prudential Financial s Corporate Headquarters, 751 Broad Street, Newark, New Jersey 07102, and at any adjournment or postponement thereof. Proxy materials or a Notice of Internet Availability were first sent to shareholders on or about March 27, 2012.

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Our Board of Directors has nominated 13 directors for election at this Annual Meeting to hold office until the next annual meeting and the election of their successors. All of the nominees currently are directors. Each agreed to be named in this proxy statement and to serve if elected. All of the nominees are expected to attend the 2012 Annual Meeting. All directors, with the exception of one, attended the 2011 Annual Meeting.

We have no reason to believe that any of the nominees will be unable or unwilling for good cause to serve if elected. However, if any nominee should become unable for any reason or unwilling for good cause to serve, proxies may be voted for another person nominated as a substitute by the Board, or the Board may reduce the number of directors.

DIRECTOR CRITERIA,

QUALIFICATIONS AND EXPERIENCE

The Corporate Governance and Business Ethics Committee performs an assessment of the skills and the experience needed to properly oversee the interests of the Company. Generally, the Committee reviews both the short- and long-term strategies of the Company to determine what current and future skills and experience are required of the Board in exercising its oversight function. The Committee then compares those skills to the skills of the current directors and potential director candidates. The Committee conducts targeted efforts to identify and recruit individuals who have the qualifications identified through this process, keeping in mind its commitment to diversity.

While the Company does not have a formal policy on Board diversity, diversity is an integral part of our Corporate Governance Principles, and the Committee actively considers diversity in recruitment and nominations of directors. The current composition of our Board reflects those efforts and the importance of diversity to the Board:

Two director nominees have worked outside the United States;

Two director nominees are African-American;

One director nominee is Asian-American;

One director nominee is Hispanic; and

Three director nominees are women.

Prudential Financial is a financial services company that offers a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, and investment management. The Committee looks for its current and potential directors collectively to have a mix of skills and qualifications, some of which are described below:

Directors Skills and Qualifications

- academia/education
- business ethics
- business head/administration
- business operations
- corporate governance
- environmental/sustainability/ corporate responsibility
- finance/capital allocation
- financial expertise/literacy
- financial services
- government/public policy
- insurance industry
- international
- investments
- marketing/sales
- real estate
- risk management
- talent management
- technology/systems

The Committee seeks directors who have qualities to achieve the ultimate goal of a well-rounded, diverse Board that functions collegially as a unit, which is of critical importance to the Company.

Additionally, the Committee expects each of the Company s directors to have proven leadership, sound judgment, integrity and a commitment to the success of the Company.

In evaluating director candidates and considering incumbent directors for nomination to the Board, the Committee considers a variety of factors. These include each nominee s independence, financial literacy, personal and professional accomplishments, and experience in light of the needs of the Company. For incumbent directors, the factors also include past performance on the Board and contributions to their respective committees. With respect to the Board s slate of director nominees, the Board has also considered whether the slate, taken as a whole, has representatives with the above listed skills and qualifications.

Below each nominee s biography, we have included an assessment of the skills and experience of such nominee. Immediately after the biographies, we have also included a chart that covers the assessment for the full Board.

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DIRECTOR NOMINEES

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL OF THE NOMINEES.

THOMAS J. BALTIMORE, JR.

Age: 48	**Prudential Committees:**	**Public Directorships:**
Director Since: October 2008	Executive	Integra Life Sciences Corporation
	Finance	Duke Realty Corporation
	Investment (Chair)	

Mr. Baltimore has been the President and Chief Executive Officer of RLJ Lodging Trust (a NYSE-listed real estate investment company), with nearly $3 billion in assets under management, since May 2011. Previously, he served as Co-Founder and President of RLJ Development, LLC (RLJ Lodging s predecessor company) from 2000 to May 2011. He served as VP, Gaming Acquisitions, of Hilton Hotels Corporation from 1997 to 1998 and later as VP, Development and Finance, from 1999 to 2000. He also served in various management positions with Host Marriott Services, including VP, Business Development, from 1994 to 1996.

Skills and Qualifications

Business Operations As President and CEO of RLJ Lodging Trust, Mr. Baltimore is responsible for the day-to-day oversight of its $3 billion portfolio, which includes 141 hotels in major markets in North America, and spent over a decade as Co-Founder and President of RLJ Development, where he was responsible for developing, implementing and assessing the company s operating plan.

Corporate Governance Experience serving as a director of two public companies in addition to Prudential.

Investments Through RLJ Lodging Trust, Mr. Baltimore has been responsible for overseeing the management of nearly $2 billion in equity; formerly served as VP, Development and Finance of Hilton Hotels.

Real Estate President and CEO of RLJ Lodging Trust and a director of Duke Realty, one of the largest commercial real estate companies in the U.S., and as former Co-Founder and President of RLJ Development.

GORDON M. BETHUNE

Age: 70	**Prudential Committees:**	**Public Directorships:**

Director Since: February 2005	Compensation	Honeywell International Inc.
	Corporate Governance and Business Ethics	Sprint Nextel Corporation

Former Directorships Held During the Past Five Years:

Aloha Airgroup, Inc. (Chairman, March 2008)

Willis Group Holdings (February 2008)

Mr. Bethune has been Managing Director of g-b1 Partners (a travel advisory firm) since January 2005. He was Chairman and CEO of Continental Airlines, Inc. (an international commercial airline company) from 1996 until his retirement in December 2004. Mr. Bethune was the President and CEO of Continental Airlines from November 1994 to 1996 and served as President and Chief Operating Officer from February 1994 to November 1994. Prior to joining Continental, Mr. Bethune held senior management positions with The Boeing Company, Piedmont Airlines, Western Air Lines, Inc. and Braniff Airlines (various airline companies).

Skills and Qualifications

Business Head/Administration A decade of service as CEO of Continental Airlines.

Business Operations Served as CEO and Chief Operating Officer of Continental Airlines.

Corporate Governance Experience serving as a director of several large public companies in addition to Prudential.

International Experience in the travel industry, including with g-b1 Partners and several major airlines and as a director of two large public companies with international operations.

Marketing/Sales As Chairman and CEO of Continental Airlines, transformed the company into an industry leader through innovative marketing initiatives.

Talent Management Extensive experience in developing and implementing strategies and policies for the acquisition and development of employee talent.

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GASTON CAPERTON

Age: 72

Director Since: June 2004

Prudential Committees:

Investment

Public Directorships:

Owens Corning

United Bankshares, Inc.

Private Directorships:

Energy Corporation of America

Mr. Caperton has been President of The College Board (a non-profit membership association of more than 5,900 schools, colleges and universities) since 1999. Mr. Caperton has announced his retirement from The College Board effective June 30, 2012. He served as the Governor of the State of West Virginia from 1988 to 1996. From 1963 to 1987, he was an entrepreneur and was CEO and owner of the tenth largest privately owned insurance brokerage firm in the United States. From 1997 to 1999, he was a fellow at Harvard University John F. Kennedy Institute of Politics and was an Executive Director of Columbia University s Institute on Education & Government at Teachers College. Mr. Caperton was the 1996 Chair of the Democratic Governors Association, and served on the National Governors Association executive committee and was a member of the Intergovernmental Policy Advisory Committee on U.S. Trade. He also was the Chairman of the Appalachian Regional Commission, Southern Regional Education Board and the Southern Growth Policy Board.

Skills and Qualifications

Academia/Education Experience through his role as President of The College Board where he reshaped the mission to connect greater numbers of students to college success and opportunity while raising educational standards. Mr. Caperton was a fellow at the John F. Kennedy Institute of Politics at Harvard University and an Executive Director at Columbia University, where he founded and managed the Institute on Education and Government.

Business Head/Administration Serves as President of The College Board.

Corporate Governance Experience serving as a director of several large public and private companies.

Environmental/Sustainability/Corporate Responsibility As Governor of West Virginia from 1988 to 1996, he initiated groundbreaking ethics legislation for public officials and integrated principles of sustainable development into West Virginia policies and programs, and significantly improved the future economic success of the citizens of that Appalachian state.

Government/Public Policy Served two terms as Governor of West Virginia; former fellow at Harvard University s John F. Kennedy Institute of Politics; former teacher and Executive Director of Columbia University s Institute on Education & Government at Teachers College.

Insurance Industry Insurance industry experience through service as CEO and owner of the tenth largest privately owned insurance brokerage firm in the United States.

International Experience as a director on the boards of several international companies.

Marketing/Sales Over two decades of experience as an entrepreneur, CEO and owner of a privately owned insurance brokerage firm, where he oversaw the company s sales and marketing efforts.

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GILBERT F. CASELLAS

Age: 59

Director Since: January 2001

(Director of Prudential Insurance since April 1998)

Prudential Committees:

Audit

Former Directorships Held During the Past Five Years:

The Swarthmore Group (June 2011)

Mr. Casellas has been Chairman of OMNITRU (consulting and investment firm) since 2011 and was the VP, Corporate Responsibility of Dell Inc. (a global computer manufacturer) from 2007 to 2010. He served as a Member of Mintz Levin Cohn Ferris Glovsky & Popeo, PC (a law firm) from June 2005 to October 2007. He served as President of Casellas & Associates, LLC (a consulting firm) from 2001 to 2005. During 2001, he served as President and CEO of Q-linx, Inc. He served as the President and COO of The Swarthmore Group, Inc. from January 1999 to December 2000. Mr. Casellas served as Chairman, U.S. EEOC from 1994 to 1998 and General Counsel, U.S. Department of the Air Force, from 1993 to 1994.

Skills and Qualifications

Business Ethics At Dell Inc., he was responsible for the company s global sustainability and corporate philanthropy functions.

Business Operations Former President and CEO of Q-linx; former COO of The Swarthmore Group.

Corporate Governance Experience serving as a director of a private company and serving on the University of Pennsylvania Board for over 16 years and as VP, Corporate Responsibility at Dell Inc., where he oversaw the company s global diversity, sustainability, and corporate philanthropy functions. Mr. Casellas also has proven diversity experience through his appointment by the President as a civilian member to the Military Leadership Diversity Commission and as a member of the Diversity Advisory Board of Toyota Motor North America Inc., and previously as the chair of the Committee on Workplace Diversity for Yale University, a member of the board of the Hispanic Federation, a member of the board of the University of Pennsylvania, and as a member of The Coca-Cola Company s Diversity Task Force.

Environmental/Sustainability/Corporate Responsibility As VP of Corporate Responsibility at Dell, he oversaw global diversity, sustainability and corporate philanthropy and contributed to a company culture recognized for leadership in environmentally conscious packaging, support of diverse suppliers and human rights.

Government/Public Policy Served as Chairman of the U.S. EEOC and as General Counsel of the U.S. Department of the Air Force.

Investments Serves as Chairman of OMNITRU, a consulting and investment firm, and served as President and COO of The Swarthmore Group, a registered investment advisor.

Risk Management Former member of the law firm of Mintz Levin Cohn Ferris Glovsky & Popeo, PC; former General Counsel of the U.S. Department of the Air Force; former VP, Corporate Responsibility of a Fortune 100 company.

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JAMES G. CULLEN

Age: 69

Director Since: January 2001

Lead Director Since: May 2011

(Director of Prudential Insurance since April 1994)

Prudential Committees:

Compensation (Chair)

Executive (Chair)

Public Directorships:

Agilent Technologies, Inc. (Non-Executive Chairman)

Johnson & Johnson (Presiding Director)

NeuStar, Inc. (Non-Executive Chairman)

Mr. Cullen served as the President and COO of Bell Atlantic Corporation (a global telecommunications company) from December 1998 until his retirement in June 2000. Mr. Cullen was the President and CEO, Telecom Group of Bell Atlantic Corporation from 1997 to 1998 and served as Vice Chairman of Bell Atlantic Corporation from 1995 to 1997. The Presiding Director of the Board of Johnson & Johnson since 2004, Mr. Cullen has also served as Non-Executive Chairman of the Board of NeuStar, Inc. since November 2010 and the Non-Executive Chairman of the Board of Agilent Technologies, Inc. since March 2005.

Skills and Qualifications

Business Head/Administration Formerly served as President and CEO of the Telecom Group at Bell Atlantic.

Business Operations Former President and COO of Bell Atlantic.

Corporate Governance Experience serving as a director of several large public companies including non-executive chairman and lead director.

International Experience as a director on the boards of several international companies and held multiple positions at Bell Atlantic.

Marketing/Sales As Vice Chairman of Bell Atlantic, had accountability for strategic planning, business development and customer-focused network lines of business.

Talent Management As former President and COO of Bell Atlantic, responsible for acquisition and development of employee talent.

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WILLIAM H. GRAY III

Age: 70

Director Since: January 2001

(Director of Prudential Insurance since September 1991)

Prudential Committees:

Corporate Governance and Business Ethics (Chair)

Executive

Public Directorships:

Dell Inc.

JPMorgan Chase & Co.

Pfizer Inc.

Former Directorships Held During the Past Five Years:

Visteon Corporation (January 2010)

Mr. Gray is Chairman of Gray Global Strategies, Inc. (a business advisory firm) and is a Senior Advisor to Gray Global Advisors, L.L.C. Prior to founding Gray Global Strategies, Inc., Mr. Gray was Co-Chairman of GrayLoeffler, LLC (a business advisory and government relations firm, formerly the Amani Group) from 2009 to 2011. He served as the Chairman of the Amani Group from 2004 to 2009. Mr. Gray served as President and CEO of The College Fund/UNCF (a philanthropic foundation) from 1991 until his retirement in 2004. From 1979 to 1991, Mr. Gray served as a Member of the U.S. House of Representatives. Mr. Gray, an ordained Baptist minister, is Pastor Emeritus of the Bright Hope Baptist Church of Philadelphia since 2005.

Skills and Qualifications

Academia/Education Experience as President and CEO of the UNCF, a philanthropic organization that fundraises college tuition money for black students and provides general scholarship funds for 39 private historically black colleges and universities.

Business Ethics Mr. Gray has previous experience with the Business Roundtable Institute for Corporate Ethics.

Business Head/Administration Over a decade of experience as President and CEO of The College Fund/UNCF. Mr. Gray is also Chairman of Gray Global Strategies, Inc. and was Co-Chairman of GrayLoeffler.

Business Operations In his position at The College Fund/UNCF, Mr. Gray was responsible for developing, implementing and assessing the organization s operating plan.

Corporate Governance Experience serving as a director and Chair of the Governance and Nominating Committees for several large public companies in addition to Prudential.

Environmental/Sustainability/Corporate Responsibility As President and CEO of the UNCF for 13 years, Mr. Gray was at the forefront of leadership initiatives to ensure sustainable educational benefits for future generations of students at historically black colleges and universities.

Financial Services Over a decade of experience serving as a director of JPMorgan Chase & Co., a global financial services firm. As Chair of the U.S. House of Representatives Budget Committee, Mr. Gray helped develop the fiscal policies of the U.S. Government.

Government/Public Policy Served as Co-Chairman of GrayLoeffler and a Member of the U.S. House of Representatives. During his tenure in the House, Mr. Gray served on the Steering and Policy, Budget and House Appropriations Committees and was the leader of the House Democratic Caucus.

International Experience as a director on the boards of several international companies.

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MARK B. GRIER
Age: 59

Director Since: January 2008

Mr. Grier has served as Vice Chairman since 2007 and a member of the Office of the Chairman of Prudential Financial since August 2002. From April 2007 through January 2008, he served as Vice Chairman overseeing the International Insurance and Investments division and the Global Marketing and Communications. Mr. Grier was Chief Financial Officer of Prudential Insurance from 1995 to 1997 and has served in various executive roles. Prior to joining Prudential, Mr. Grier was an executive with Chase Manhattan Corporation.

Skills and Qualifications

Business Head/Administration Experience as a current and former member of senior management for several large public companies.

Business Operations As Vice Chairman, Mr. Grier has oversight and responsibility for Finance, Risk Management, Investor Relations, Operations and Systems, Auditing, External Affairs, and Global Marketing and Communications.

Corporate Governance Mr. Grier has developed corporate governance expertise through his membership on Prudential s Board since 2008.

Environmental/Sustainability/Corporate Responsibility As Vice Chairman of Prudential, he supports ventures that create healthy and sustainable communities around the world and helps non-profit organizations achieve long-term sustainability, resulting in Prudential serving as a leading example of corporate citizenship and social responsibility, and he was a recent recipient of the UNICEF Spirit of Compassion Award, which recognizes advocacy to advance the course of children around the world.

Finance/Capital Allocation Over a decade of financial experience through various roles at Prudential, including Vice Chairman overseeing International Insurance and Investments and CFO of Prudential Insurance; former executive with Chase Manhattan, a leading global financial services firm.

Financial Services Over two decades in the financial services industry.

Government/Public Policy Mr. Grier has oversight and responsibility for the public policy and government affairs function.

Insurance Industry Insurance industry experience through service as a member of senior management.

International Experience as a current and former member of senior management for large public companies with international operations.

Risk Management Mr. Grier plays a key role in developing and implementing Prudential s risk management policies and procedures.

Talent Management Experience leading large, global teams at Prudential.

Technology/Systems Mr. Grier has oversight and responsibility for the Operations and Systems function.

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CONSTANCE J. HORNER

Age: 70	**Prudential Committees:**	**Public Directorships:**
Director Since: January 2001	Compensation	Ingersoll-Rand Company Limited
(Director of Prudential Insurance since April 1994)	Corporate Governance and Business Ethics	Pfizer Inc.

Ms. Horner served as a Guest Scholar at The Brookings Institution (non-partisan research institute) from 1993 to 2005, after serving as Assistant to the President of the United States and Director, Presidential Personnel from 1991 to 1993; Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991; and Director, U.S. Office of Personnel Management from 1985 to 1989. Ms. Horner was a Commissioner, U.S. Commission on Civil Rights from 1993 to 1998.

Skills and Qualifications

Business Head/Administration Former Assistant to the President of the U.S. and Director of Presidential Personnel; Deputy Secretary of the U.S. Department of Health and Human Services; Director of the U.S. Office of Personnel Management.

Corporate Governance Experience serving as a director and Chair of the Corporate Governance and Nominations Committee of several large public companies.

Environmental/Sustainability/Corporate Responsibility In providing oversight in sustainability issues and maintaining responsible business models for several international companies, Ms. Horner has encouraged sustainable product development and strong corporate citizenship initiatives.

Government/Public Policy Ms. Horner has government/public policy experience through her various senior positions in the federal government, including Commissioner of the U.S. Commission on Civil Rights.

International Experience as a director on the boards of several international companies.

Talent Management Former Assistant to the President of the U.S. and Director, Presidential Personnel; former Director, U.S. Office of Personnel Management.

MARTINA HUND-MEJEAN

Age: 51 **Prudential Committees:**

Director Since: October 2010 Audit

Ms. Hund-Mejean has served as the Chief Financial Officer and a member of the Executive Committee at MasterCard Worldwide (a global transaction processing and consulting services company) since 2007. Ms. Hund-Mejean served as SVP and Corporate Treasurer at Tyco International Ltd. from 2003 to 2007; SVP and Treasurer at Lucent Technologies from 2000 to 2002; and held management positions at General Motors Company from 1988 to 2000. Ms. Hund-Mejean began her career as a credit analyst at Dow Chemical in Frankfurt, Germany.

Skills and Qualifications

Business Operations Has served as CFO of MasterCard Worldwide since 2007; SVP and Corporate Treasurer at Tyco; SVP and Treasurer at Lucent Technologies; and held management positions at General Motors.

Corporate Governance Experience through her role at MasterCard, where she is responsible for Global Risk Management, Internal Audit and Investor Relations.

Finance/Capital Allocation Over a decade of financial experience through various roles within the financial divisions at MasterCard, Tyco, Lucent Technologies and General Motors.

Financial Services Experience through her position as CFO of MasterCard.

International Current and former member of senior management of several public companies with international operations.

Investments Responsibilities included $30 billion Defined Benefit Plan while serving as SVP and Treasurer of Lucent Technologies Inc. (Alcatel-Lucent).

Talent Management Experience leading large global teams at a number of Fortune 500 companies.

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KARL J. KRAPEK

Age: 63

Director Since: January 2004

Prudential Committees:

Executive

Finance (Chair)

Investment

Public Directorships:

The Connecticut Bank & Trust Company (Lead Director)

Visteon Corporation

Northrop Grumman Corporation

Former Directorships Held During the Past Five Years:

Alcatel-Lucent (October 2008)

Delta Airlines (March 2007)

Mr. Krapek is a co-founder of The Keystone Companies, which was founded in 2002 and develops residential and commercial real estate. Mr. Krapek served as the President and COO of United Technologies Corporation (a diversified aerospace and industrial products company) from 1999 until his retirement in January 2002. Prior to that time, Mr. Krapek held other management positions at United Technologies Corporation, which he joined in 1982.

Skills and Qualifications

Business Head/Administration Formerly served as President and COO of United Technologies.

Business Operations Formerly served as President and COO of United Technologies.

Corporate Governance Experience serving as a director of several large public companies.

International Served as current or former director of several public companies with international operations and as a former Chairman, President or CEO of several large public companies with global operations.

Real Estate Co-founder of The Keystone Companies, which develops residential and commercial real estate.

Technology/Systems Two decades of experience at United Technologies, which provides high-tech products and support to the aerospace and building industries, including President and Chief Operating Officer. Experience serving as a director at several companies in the technology industry.

CHRISTINE A. POON

Age: 59	**Prudential Committees:**	**Public Directorships:**
Director Since: September 2006	Finance	Koninklijke Philips Electronics NV
	Investment	Regeneron Pharmaceuticals

Former Directorships Held During the Past Five Years:

Johnson & Johnson (March 2009)

Ms. Poon has served as Dean of Fisher College of Business, The Ohio State University since May 2009. She served as Vice Chairman and a Member of the Board of Directors of Johnson & Johnson (a global healthcare products and services company) from 2005 until her retirement in March 2009. Ms. Poon joined Johnson & Johnson in 2000 as Company Group Chair in the Pharmaceuticals Group. She became a Member of Johnson & Johnson s Executive Committee and Worldwide Chair, Pharmaceuticals Group, in 2001, and served as Worldwide Chair, Medicines and Nutritionals, from 2003 to 2005. Prior to joining Johnson & Johnson, she served in various management positions at Bristol-Myers Squibb (a global biopharmaceutical company) for 15 years.

Skills and Qualifications

Academia/Education Serving as the Dean of Fisher College of Business at The Ohio State University, an international leader in business education.

Business Head/Administration Experience as former executive of two Fortune 500 companies.

Business Operations Currently serves as Dean of Fisher College of Business at The Ohio State University; formerly served in a variety of management positions at two Fortune 500 companies.

Corporate Governance Experience serving as a director of large public companies.

International Current or former director of public companies with international operations and as former Worldwide Chair of the Pharmaceuticals Group and the Medicines and Nutritionals Group of Johnson & Johnson.

Marketing/Sales As Vice Chairman, Worldwide Pharmaceuticals Group at Johnson & Johnson, Ms. Poon was responsible for the strategic growth of the global pharmaceuticals group.

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JOHN R. STRANGFELD

Age: 58

Director Since: January 2008

(Elected Chairman May 2008)

Prudential Committees:

Executive

Mr. Strangfeld has served as CEO and President of Prudential Financial since January 2008 and Chairman of the Board since May 2008. Mr. Strangfeld is a Member of the Office of the Chairman of Prudential Financial and served as Vice Chairman of Prudential Financial from 2002 through 2007, overseeing the U.S. Insurance and Investments divisions. Prior to his position as Vice Chairman, Mr. Strangfeld held a variety of senior investment positions at Prudential, both within the U.S. and abroad.

Skills and Qualifications

Business Head/Administration Held a variety of executive management positions at Prudential, including oversight responsibility for the U.S. Insurance and Investments divisions.

Business Operations Mr. Strangfeld is responsible for developing, implementing and assessing Prudential s operating plan.

Corporate Governance Mr. Strangfeld has developed corporate governance expertise through his leadership on Prudential s Board.

Environmental/Sustainability/Corporate Responsibility As CEO of Prudential, Mr. Strangfeld has addressed social, sustainability and environmental concerns and has ensured that the company s corporate citizenship reflects its core values, through such activities as the company s efforts to revitalize its home city of Newark, as well as its philanthropic, employee-volunteer and educational initiatives within the country and the international community.

Financial Services Over three decades in the financial services industry.

Insurance Industry Mr. Strangfeld previously oversaw the U.S. Insurance and Investments divisions.

International Has held a variety of executive positions at Prudential, both within the U.S. and abroad.

Investments Held a variety of senior investment positions at Prudential, including oversight responsibility for the U.S. Insurance and Investments divisions.

Risk Management Mr. Strangfeld is ultimately responsible for leading the management team in developing and implementing Prudential s risk management policies and procedures.

Talent Management Directs that effective talent management is foremost in Prudential s corporate strategy and reflected in individual employee performance objectives/evaluations. Actively engages the Board of Directors on talent management strategy and succession planning for senior leadership.

Technology/Systems Mr. Strangfeld has oversight and responsibility for the Operations and Systems function.

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JAMES A. UNRUH

Age: 70	**Prudential Committees:**	**Public Directorships:**
Director Since: January 2001	Audit (Chair)	CSG Systems International, Inc.
(Director of Prudential Insurance since April 1996)	Executive	CenturyLink, Inc.
		Tenet Healthcare Corporation

Former Directorships Held During the Past Five Years:

Qwest Communications International, Inc. (March 2011)

Mr. Unruh became a founding Member of Alerion Capital Group, LLC (a private equity investment group) in 1998. Mr. Unruh was with Unisys Corporation (a global information technology consulting services and solutions company) from 1987 to 1997, serving as its Chairman and CEO from 1990 to 1997. He also held executive positions with financial management responsibility, including serving as Senior Vice President, Finance, Burroughs Corporation (a business equipment manufacturer), from 1982 to 1987. In addition, Mr. Unruh serves as a director of several privately held companies in connection with his position at Alerion Capital Group, LLC.

Skills and Qualifications

Business Head/Administration Served as Chairman and CEO of Unisys Corporation.

Business Operations As the CEO of Unisys, Mr. Unruh was responsible for developing, implementing and assessing the company s operating plan.

Corporate Governance Experience serving as a director of public and private companies.

Finance/Capital Allocation Founding member of Alerion Capital Group, a private equity investment group; former executive with responsibility for financial management at Burroughs Corporation.

International Former Chairman and CEO of Unisys and current director of several public companies with global operations.

Investments Experience overseeing financial management at Burroughs Corporation.

Marketing/Sales Extensive experience in marketing at several large public companies.

Risk Management As Chairman and CEO of Unisys, he was responsible for the company s risk management initiatives.

Technology/Systems Former Chairman and CEO of Unisys and currently at Alerion Capital Group, where he oversees private equity investments in later-stage technology and technology-enabled companies.

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The Company is committed to good corporate governance, which helps us compete more effectively, sustain our success and build long-term shareholder value. The Board reviews the Company s policies and business strategies and advises and counsels the Chief Executive Officer (CEO) and the other executive officers who manage the Company s businesses. The Board has adopted Corporate Governance Principles and Practices to provide a framework for the effective governance of the Company.

The full text of the Corporate Governance Principles, which includes the definition of independence adopted by the Board, the charters of the Corporate Governance and Business Ethics, Compensation and Audit Committees, the Lead Independent Director Charter, the Code of Business Conduct and Ethics and the Related Party Transaction Approval Policy can be found at www.prudential.com/governance. Copies of these documents also may be obtained from the Chief Governance Officer and Corporate Secretary.

Governance is a continuing focus at the Company, starting with the Board and extending to management and all employees. In addition, we solicit feedback from shareholders on governance and executive compensation practices and engage in discussions with various groups and individuals on governance issues and improvements.

The Company is governed by a Board of Directors and committees of the Board that meet throughout the year. Directors discharge their responsibilities at Board and committee meetings and also through other communications with management.

The Prudential Financial poison pill expired on December 18, 2011. The Board did not renew the pill.

PROCESS FOR SELECTING DIRECTORS

The Corporate Governance and Business Ethics Committee screens candidates and recommends candidates for nomination by the full Board. The Company s By-laws provide that the size of the Board may range from 10 to 24 members. The Board s current view is that the optimal size is between 10 and 15 members. In anticipation of retirements over the next several years, the Committee is seeking one or more candidates who meet the criteria described under Director Criteria, Qualifications and Experience. The Committee is being assisted with its recruitment efforts by an independent search firm to recommend candidates who satisfy the Board s criteria. The search firm also provides research and pertinent information regarding candidates, as requested.

SHAREHOLDER-RECOMMENDED DIRECTOR CANDIDATES

The Committee will consider director candidates recommended by shareholders in accordance with the criteria for director selection described under Director Criteria, Qualifications and Experience. Shareholders recommending candidates for consideration should send their recommendations to the attention of the Chief Governance

Officer and Corporate Secretary at 751 Broad Street, Newark, NJ 07102. Shareholders who wish to nominate directors directly at an Annual Meeting in accordance with the procedures in our By-laws should follow the instructions under Submission of Shareholder Proposals in this proxy statement.

DIRECTOR ATTENDANCE

During 2011, the Board of Directors held 11 meetings. Each of the incumbent directors of the Board attended at least 94% of the combined total meetings of the full Board and the committees on which he or she served in 2011. The average attendance of all directors in 2011 was 98%.

DIRECTOR INDEPENDENCE

The current Board consists of 13 directors, two of whom are currently employed by the Company (Messrs. Strangfeld and Grier). The Board conducted an annual review and affirmatively determined that all of the non-employee directors (Ms. Horner, Ms. Hund-Mejean and Ms. Poon and Messrs. Baltimore, Bethune, Caperton, Casellas, Cullen, Gray, Krapek and Unruh) and Mr. Hanson during his tenure, are independent as that term is defined in the listing standards of the NYSE and in Prudential Financial s Corporate Governance Principles.

MAJORITY VOTING FOR DIRECTORS

Our By-laws provide a majority voting standard for election of directors in uncontested elections (and require an offer to resign by any incumbent director who is not re-elected) and plurality voting in any election that is contested.

We are asking shareholders to approve amendments to eliminate the supermajority voting provisions in our Certificate of Incorporation (Item 4). Last year, we supported a shareholder proposal to eliminate the supermajority voting provisions and pledged we would submit the matter to shareholders.

INDEPENDENT DIRECTOR MEETINGS

The independent directors generally meet in executive session at both the beginning and then at the end of each regularly scheduled Board meeting, with the Lead Independent Director serving as Chair.

BOARD LEADERSHIP

Currently, our Board leadership structure consists of a Chairman (who is also our CEO), a Lead Independent Director, who is elected by the independent directors, and strong committee chairs. The Board believes this structure provides independent Board leadership and engagement while providing the benefit of having our CEO, the individual with primary responsibility for managing the Company s day-to-day operations, chair regular Board meetings as we discuss key business and strategic issues. Coupled with the Lead Independent Director, this structure provides strong

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independent oversight of management. At this time, the Board believes that the Company is best served by having the same individual as both Chairman of the Board and CEO, but considers the continued appropriateness of this structure at least annually. The Board believes that strong, independent Board leadership is a critical aspect of effective corporate governance.

Accordingly, our Corporate Governance Principles require that the independent directors annually elect an independent director to serve as Lead Independent Director for a term of at least one year, but no more than three years. The charter for the Lead Independent Director can be found at www.prudential.com/governance.

The Lead Independent Director s responsibilities include:

- Chair all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors.
- Call meetings of the independent directors.
- Serve as a liaison between the Chairman and the independent directors.
- Approve information sent to the Board, including the quality, quantity, appropriateness and timeliness of such information.
- Approve meeting agendas for the Board.
- Approve meeting schedules to assure there is sufficient time for discussion of all agenda items.
- Authorized to retain outside advisors and consultants who report directly to the Board of Directors on Board issues.
- Be available, if requested by shareholders, when appropriate, for consultation and direct communication.

BOARD RISK OVERSIGHT

The Board oversees the Company s risk profile and management s processes for assessing and managing risk, both as a whole Board and through its committees. At least annually, the full Board reviews strategic risks and opportunities facing the Company as a whole as well as those related to specific businesses. Certain other important categories of risk are assigned to designated Board committees (which are comprised solely of independent directors) that report back to the full Board. In general, the committees oversee the following risks:

- Audit Committee oversees risks related to financial controls, legal, regulatory and compliance risks, and the overall risk management governance structure and risk management function;

Finance Committee oversees risks involving the capital structure of the enterprise, including borrowing, liquidity, allocation of capital, major capital transactions and expenditures, funding of benefit plans, statutory insurance reserves and policyholder dividends, and the strength of the finance function;

Investment Committee oversees investment risk and the strength of the investment function;

Compensation Committee oversees our compensation programs so that they do not incentivize excessive risk-taking; and

Corporate Governance and Business Ethics Committee oversees the Company s political contributions, lobbying expenses and overall strategy as well as the Company s environmental, sustainability and corporate social responsibility to minimize reputational risk and focus on future sustainability.

As these issues sometimes overlap, committees hold joint meetings when appropriate and address certain issues at the full Board level.

In performing their oversight responsibilities, the Board and committees review policies and guidelines that senior management uses to manage the Company s exposure to material categories of risk. In addition, the Board and committees review the performance and functioning of the Company s overall risk management function and management s establishment of appropriate systems for managing risk (including brand and reputational risk), credit/counterparty risk, market risk (including interest rate and asset/liability matching risk), insurance risk, product risk, operational risk, legal and regulatory/compliance risk, liquidity and capital risk, and emerging risk/event risk.

During 2011, the full Board received reports on the most important strategic issues and risks facing the Company. In addition, the Board and committees receive regular reports from the Company s Chief Risk Officer and other senior management regarding compliance with applicable risk-related policies, procedures and limits.

We believe that our leadership structure supports the risk oversight function. As indicated above, certain important categories of risk are assigned to committees that receive, review, and evaluate management reports on risk. We note that risk management is an integral part of the Company s culture: the Chief Risk Officer sits on many management committees and heads an independent enterprise risk management department; employee appraisals take into consideration sound risk management; and the legal and compliance functions operate independently of the business to separate management and oversight.

We monitor the risks associated with our executive compensation program, as well as the components of our program and individual compensation decisions, on an ongoing basis. In 2009, 2010 and again in 2011, management undertook a review of the Company s compensation programs to assess the risks arising from our compensation policies and practices. Management has presented these risk assessments to the Compensation Committee. The risk assessments included a review of the primary design features of the Company s compensation plans and the process to determine compensation pools and awards for employees and analyzed how those features could encourage or mitigate risk-taking. As part of the risk assessment, it was noted that the Company s compensation

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plans allow for discretionary adjustments to the ultimate outcomes, which serves to mitigate risk-taking. The Company s general risk management controls also serve to preclude decision-makers from taking excessive risk in order to achieve incentives under the compensation plans. Moreover, senior management is subject to a share retention policy, and historically a large percentage of senior management compensation has been paid in the form of long-term grants. In addition, senior management compensation will be paid over a multiple-year cycle, a compensation structure that is intended to align incentives with appropriate risk-taking. The Committee agreed with the conclusion that the risks were within our ability to effectively monitor and manage and that these risks are not reasonably likely to have a material adverse effect on the Company.