Prudential FlexGuard® Life
An indexed variable universal life policy

Interim Value Frequently Asked Questions

Q1: In one sentence, can you describe what the Interim Value is?

A1: The Interim Value is the fair market value of any buffered index strategy segment, calculated at a particular point in time.

Q2: What is the Interim Value used for?

A2: The Interim Value is used at a particular point in time, other than the Segment Start Date and the Segment End Date, to determine the value of a buffered strategy segment. This includes, but is not limited to, when policy charges are calculated and deducted from the policy, when the policyholder takes a withdrawal or loan, or at the time of a death benefit claim.

The Interim Value of the buffered strategy segments, plus the value in all other investment options, is the Contract Fund Value, which is also part of the overall Value the client will see on their quarterly statements.

Q3: Can the Interim Value ever result in an increase in value to the client?

A3: Yes. The Interim Value can be greater or less than the segment value base any time prior to the Segment End Date, which can result in an increase or decrease in the Contract Fund Value. The Interim Value changes daily, similarly to variable investment options in a traditional VUL policy. Generally, Interim Values will move in the direction of the underlying index performance.

Several factors go into the calculation of the Interim Value and several external factors impact whether the result will be higher or lower than the Index Strategy Segment base. The external factors include changes to the underlying Index, the interest rate environment, and volatility since the Segment Start Date.

Q4: Does it make a difference how long the client has been in their Buffered Index Strategy Segment?

A4: Yes. In general, the Interim Value will be lower earlier in the Index Strategy Segment because potential Index Interest is affected by how long they've been in the Strategy.

When options are purchased to support the Index Strategy, they are based on the entire length of the Index Strategy Segment. Selling options short can result in a potential loss; interim values and potential index interest must account for this possibility.

Q5: How is the Interim Value calculated?

A5: Prudential uses a formula that reflects not only the performance of the underlying Index, but also the current value of the underlying investments Prudential has purchased to support the Index Strategy. Prudential uses a portfolio of derivatives and fixed income instruments for each Index Strategy to replicate the Index interest that will be paid at Segment End Date. The portfolio is made up of "call," "put," and "binary" options and is valued using the Black-Scholes Model.

In simple terms the calculation for the Interim Value is:

(1) + (2), where:

(1) is the fair value of the Index Strategy Base on the valuation day

(2) is the current value of the replicating portfolio of options on the valuation day

The product prospectus (S3) for the index strategies goes into greater detail of the individual components and can be used to better understand how "fair value" is determined.

Note: *Valuation day is any day the value of an Index is published.*

NR-18137680 Ed. 10/2022

Prudential

Continued on the next page.

Q6: Are there examples?

A6: Yes. Let's look at 2 examples using the 1-year S&P 500 Cap Rate – 10% Buffer Index Strategy ("Buffer with Cap") and the 1-year S&P 500 Step Rate Plus – 10% Buffer Index Strategy ("Step Rate Index Strategy").

For simplicity, let's assume the client allocated $100,000 to the Buffer with Cap Index Strategy and we are calculating the Interim Value 274 days into the Index Strategy.

Note: *The following examples assume no deductions (for monthly charges, loans, or withdrawals) from the segments and also use one point in time market data for calculating the fair value and the option value during the start of the Segment and also 9 months into the Segment.*

Net Premium Payment:
$100,000
Index Strategy:
1-year S&P 500 Cap Rate – 10% Buffer
Interim Value:
End of 9 months (3/4 way through the term)
Total Number of Days in the Index Strategy: 365
Number of Days Remaining in the Index Strategy:
91 (3 months left in the term)
Index Strategy Base: $100,000
Buffer: 10%
Cap Rate: 20%
Participation Rate: 100%

Change to the Index Value is -20%	
A. (1) Fair Value of the Index Strategy Base	$99,611.80
B. (2) Fair Value of portfolio of options	-$10,271.28
C. Interim Value is equal to (1) + (2)	$89,340.49
Change to the Index Value is -5%	
A. (1) Fair Value of the Index Strategy Base	$99,611.80
B. (2) Fair Value of portfolio of options	-$843.75
C. Interim Value is equal to (1) + (2)	$98,768.05
Change to the Index Value is +10%	
A. (1) Fair Value of the Index Strategy Base	$99,611.80
B. (2) Fair Value of portfolio of options	$10,247.55
C. Interim Value is equal to (1) + (2)	$109,859.35

Let's assume the client allocated $100,000 to the Step Rate Index Strategy and we are calculating the Interim Value 274 days into the Index Strategy Term.

Net Premium Payment:
$100,000
Index Strategy:
1-year S&P 500 Step Rate Plus – 10% Buffer
Interim Value:
End of 9 months (3/4 way through the term)
Total Number of Days in the Index Strategy Term: 365
Number of Days Remaining in the Index Strategy Term:
91 (3 months left in the term)
Index Strategy Base: $100,000
Buffer: 10%
Step Rate: 6%
Participation Rate: 70%

Change to the Index Value is -20%	
A. (1) Fair Value of the Index Strategy Base	$99,819.81
B. (2) Fair Value of portfolio of options	-$10,270.11
C. Interim Value is equal to (1) + (2)	$89,549.70
Change to the Index Value is -5%	
A. (1) Fair Value of the Index Strategy Base	$99,819.81
B. (2) Fair Value of portfolio of options	-$274.43
C. Interim Value is equal to (1) + (2)	$99,545.38
Change to the Index Value is +10%	
A. (1) Fair Value of the Index Strategy Base	$99,819.81
B. (2) Fair Value of portfolio of options	$7,469.50
C. Interim Value is equal to (1) + (2)	$107,289.31

Note Regarding Examples: *The examples set forth above are intended to illustrate how various features of the Contract work. These examples should not be considered a representation of past or future performance of any Buffered Index Strategies. Actual performance may be greater or less than those shown in the examples. Similarly, the Index Interest amounts in the examples are not an estimate or guarantee of future Index performance. The Caps, Participation Rates, Step Rates, and Buffers for the Index Strategies shown in these examples are for illustrative purposes only and may not reflect actual declared rates.*

The Fair Value of the Index Strategy Base and Fair Value of portfolio of options is different for the two Index Strategies in this example, because the parameters for the Index Strategies, such as Caps, Participation Rates, etc., are different.

Continued on the next page.

Q7: OK. That's 9 months into a 1-year segment; what happens if the client waits until the end of the segment?

A7: On the day the segment matures, the value of the segment is the Index Strategy Segment Base plus interest applied, which can be positive or negative. The Interim Value is not used on the Index Strategy Start Date or Index Strategy End Date. After any charges, withdrawals, or loans are processed, the maturing segment value will be allocated per the policyholder's instructions, so it may establish new segments.

For example, using the Buffer with Cap Index Strategy, if the S&P 500® Index Return is positive and equal to or greater than the Cap Rate, then the Index Interest is based on the Cap Rate. If the Index Return is positive, but less than the Cap Rate, the Index Interest is based on the Index Return.

If the Index Return is negative, but less than or equal to the Buffer, the Index Interest is zero. Otherwise, the Index Interest is based on the negative Index Return in excess of the Buffer.

Capped with Buffer Examples:
Assume: Cap Rate = 20% Buffer = 10%

Index Return	Crediting Rate	Why
35%	20%	Limited by Cap
16%	16%	Full return
-2%	0%	Losses covered up to Buffer
-12%	-2%	Negative result reduced by Buffer

Step Rate Plus with Buffer Examples:
Assume: Step Rate = 6% Participation Rate = 70% Buffer = 10%

Index Return	Crediting Rate	Why
35%	24.5%	Reduced by Par Rate
0%	6%	Step Rate prevails
-2%	0%	Losses covered up to Buffer
-15%	-5%	Negative result reduced by Buffer

Q8: Will my policy always use an Interim Value?

A8: It depends. The Interim Value is calculated to determine the value of Buffered Index Strategy Segments between the Segment Start Date and the Segment End Date. If you choose to allocate funds to options other than the Buffered Index Strategies, those do not use an Interim Value. However, you should be aware that there are restrictions on how maturing Index Strategy Segment values may be allocated, as well as additional restrictions if the Extended Plus NLG Rider is included on the policy.

The maximum amount that can be allocated to the Variable Investment Options from the Index Strategies is the greatest of:

1) 25% of the maturing value of each Index Strategy Segment;
2) $5,000; and
3) the amount allocated to the Variable Investment Options by the Segment of the same Index Strategy that matured one year prior (if applicable).

IMPORTANT: Extended Plus NLG Rider allocation restrictions
When the Extended Plus NLG rider (offering a lifetime NLG) is selected for a policy, ALL allocations (e.g., premiums and other instructions) and transactions, including maturing segments must go to the 2 Buffered Strategies for the first 10 policy years:

- 1 year S&P 500 Cap Rate – 10% Buffer Index Strategy
- 1 year S&P 500 Step Rate Plus – 10% Buffer Index Strategy

Continued on the next page.

Q9: What values are reflected in Quarterly Statements and other Policyholder/Financial Professional facing tools?

A9: Three key values are reflected on Policyholder/Financial Professional (FP) facing tools (statements, online, FP feeds, etc.):

1) **Index Strategy Base:** The amount of Account Value allocated to an Index Strategy on an Index Strategy Segment Start Date. The Index Strategy Base is used in the calculation of any Index Credit and in the calculation of the Interim Value. The Index Strategy Base is reduced for any deductions, transfers, or withdrawals that occur mid-term in the same proportion that the total deduction, withdrawal, or transfer amount reduced the Interim Value.

2) **Interim Value:** The value of any Buffered Index Strategy on any Valuation Day during a segment.

3) **Contract Fund Value:** The Interim Value for each Buffered Index Strategy Segment plus the total value of any allocations to the other investment options, if any, on any Valuation Day between the Segment Start Date and Segment End Date. On a Buffered Index Strategy Segment Start Date, the Index Strategy Base would be used instead of the Interim Value.On a Buffered Index Strategy Segment End Date, the Maturing Segment Value would be used.

Q10: In the last example, the client's $100,000 allocated to the Step Rate Plus Index Strategy is worth $89,193.24 at the end of 9 months after a -20% change in the index value. Can they take a distribution, such as a loan or withdrawal, and leave the remaining amounts in the index strategy?

A10: Yes. If there's sufficient money in their contract fund, they can access all or part of an Index Strategy Segment before the Segment End Date. However, the amount available will be based on the interim value calculation. Also, because index interest is applied based on the ending segment value, any money removed from an index segment will not earn index interest at Segment End Date.

If value in an Index Strategy with buffer is used to take a loan, the segment's Interim Value is reduced dollar for dollar by the amount of value needed for the loan. In turn, the Index Strategy Segment Base will be reduced in the same proportion the total deduction amount reduced the Interim Value.

Let's look at an example (assume the loan comes out of a single segment):

- Index Strategy Segment Base: $100,000
- Interim Value: $120,000
- Loan Amount: $30,000
- Deduction Amount Divided by Interim Value: $30,000 / $120,000 = 25%
- Index Strategy Segment Base Adjustment Amount: $100,000 x 25% = $25,000
- Index Strategy Segment Base After Deduction: $100,000 - $25,000 = $75,000
- Interim Value After Deduction: $120,000 - $30,000 = $90,000

In this example, the client can take a $30,000 loan out of the Index Strategy, 9 months into the segment; the Index Strategy Segment Base is reduced by only $25,000 due to the proportional reduction whereas, interim value is reduced by $30,000.

Note: *Once Index Strategy Segment Base is reduced during a Segment, it will not increase for the remainder of the Segment.*

Q11: Is Interim Value reflected in an Illustration?

A11: Yes. Since illustrations include future values calculated based on a set of assumptions, the illustration system uses a set of built-in assumptions to determine an Interim Value based on the illustrated index interest rate.

Q12: Can you manually lock in the Interim Value?

A12: No. There's no lock-in value mechanism for the FlexGuard® Life product.

Q13: How are the new buffered index strategies different from existing index options on other Prudential life insurance products?

A13: Buffered strategies differ from current products with a 0% floor as follows:

- Downside protection is provided via the Buffer instead of a floor and therefore the strategy may result in negative returns in excess of the Buffer.
- An Interim Value calculation is required for valuation of a Segment prior to the End Date.
- The Index Strategies are registered securities with the SEC.

Continued on the next page.

Clients should consider the investment objectives, risks, and charges and expenses carefully before investing in the contract and/or underlying portfolios. The initial summary prospectus for the contract, the prospectus for the index strategies, and the prospectus or summary prospectus for the underlying portfolios (collectively, the "prospectuses"), contain this information as well as other important information, which may be obtained by contacting your Prudential Life Wholesaler or from prudential.com. Clients should read the prospectuses carefully before investing.

It is possible to lose money by investing in securities.

Index-linked variable universal life products are complex insurance and investment vehicles and are long-term investments designed to provide death benefit protection with cash value growth accumulation potential. There is risk of loss of principal if negative index returns exceed the selected protection level. Gains or losses are assessed at the end of each term. Early withdrawals may result in a loss in addition to applicable surrender charges. Unpaid loans and withdrawals reduce cash values and death benefits; may reduce the duration of the guarantee against lapse, which may lapse the policy; and may have tax consequences. Please reference the prospectus for information about the levels of protection available and other important product information.

Prudential FlexGuard® Life is issued by Pruco Life Insurance Company and offered through Pruco Securities, LLC (member SIPC). Both are Prudential Financial companies located in Newark, NJ.

Product and riders subject to state approvals. Not available in NY.

Buffers and floors are available on index-crediting strategies only. Variable investment options are available but do not offer protection levels.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the Pruco Life Insurance Company and do not apply to the underlying investment options. Policy guarantees and benefits are not backed by the broker-dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any clients or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing a client's retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional.

Prudential