

PRUDENTIAL FINANCIAL INC

Form 10-K/A

June 04, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**AMENDMENT NO. 1**

**(MARK ONE)**

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

**OR**

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**

**COMMISSION FILE NUMBER 001-16707**

**Prudential Financial, Inc.**

**(Exact Name of Registrant as Specified in its Charter)**

<b>New Jersey</b> <b>(State or Other Jurisdiction of</b> <b>Incorporation or Organization)</b>	<b>22-3703799</b> <b>(I.R.S. Employer</b> <b>Identification Number)</b>
<b>751 Broad Street</b> <b>Newark, New Jersey 07102</b> <b>(973) 802-6000</b>	

**(Address and Telephone Number of Registrant's Principal Executive Offices)**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, Par Value \$.01 (including Shareholder Protection Rights)	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of the Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ x

Accelerated filer ☐ "

Non-accelerated filer ☐ "

Smaller reporting company ☐ "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ " No ☒ x

As of June 30, 2013, the aggregate market value of the registrant's Common Stock (par value \$0.01) held by non-affiliates of the registrant was \$33.81 billion and 463 million shares of the Common Stock were outstanding. As of January 31, 2014, 461 million shares of the registrant's Common Stock (par value \$0.01) were outstanding. As of June 30, 2013, and January 31, 2014, 2 million shares of the registrant's Class B Stock, for which there is no established public trading market, were outstanding and held by non-affiliates of the registrant.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The information required to be furnished pursuant to Part III of this Form 10-K is set forth in, and is hereby incorporated by reference herein from, the Registrant's Definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 13, 2014, to be filed by the Registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the year ended December 31, 2013.

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**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K/A is being filed for the purpose of amending Items 6 and 9A of Part II of the Annual Report on Form 10-K for the year ended December 31, 2013 of Prudential Financial, Inc. to correct certain of the selected consolidated financial information therein in respect of 2011, 2010 and 2009. Specifically, the columns in the consolidated balance sheet data table for 2011, 2010 and 2009 inadvertently presented the data for 2010, 2009 and 2008, respectively, without revision to reflect the impact of retrospective adoption of a discretionary change in accounting principle for recognition of performance based incentive fee revenue.

All other Items of the original filing on Form 10-K are unaffected by the changes to the selected consolidated financial information reflected herein and such Items have not been included in this Amendment No. 1 on Form 10-K/A. Information in this Amendment No. 1 on Form 10-K/A is generally stated as of December 31, 2013 and does not reflect any subsequent information or events other than the correction of such selected consolidated financial information. More current information with respect to the Company is contained within the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, and other filings with the Securities and Exchange Commission.

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*Throughout this Amendment No. 1 on Form 10-K/A, Prudential Financial and the Registrant refer to Prudential Financial, Inc., the ultimate holding company for all of our companies. Prudential Insurance refers to The Prudential Insurance Company of America, before and after its demutualization on December 18, 2001. Prudential, the Company, we and our refer to our consolidated operations before and after demutualization.*

Items 6 and 9A are hereby amended to read in their entirety as follows:

### **ITEM 6. SELECTED FINANCIAL DATA**

We derived the selected consolidated income statement data for the years ended December 31, 2013, 2012 and 2011, and the selected consolidated balance sheet data as of December 31, 2013 and 2012, from our Consolidated Financial Statements included elsewhere herein. We derived the selected consolidated income statement data for the years ended December 31, 2010 and 2009, and the selected consolidated balance sheet data as of December 31, 2011, 2010 and 2009, from consolidated financial statements not included herein.

On January 2, 2013, we acquired The Hartford's individual life insurance business through a reinsurance transaction. Under the agreement, the Company paid The Hartford cash consideration of \$615 million, primarily in the form of a ceding commission to provide reinsurance for approximately 700,000 life insurance policies with net retained face amount in force of approximately \$141 billion. The acquisition increases the Company's scale in the U.S. individual life insurance market, particularly universal life products, and provides complementary distribution opportunities through expanded wirehouse and bank distribution channels.

Results for the year ended December 31, 2012, include approximately \$32 billion of premiums reflecting two significant pension risk transfer transactions. On November 1, 2012, we issued a non-participating group annuity contract to the General Motors Salaried Employees Pension Trust, and assumed responsibility for providing specified benefits to certain participants. On December 10, 2012, we issued a non-participating group annuity contract to the Verizon Management Pension Plan and assumed responsibility for providing specified benefits to certain participants. The premiums from these transactions were largely offset by a corresponding increase in policyholders' benefits, including the change in policy reserves.

On February 1, 2011, we acquired the Star and Edison Businesses from American International Group, Inc. The results of these companies are reported with the Gibraltar Life operations and are included in the results presented below from the date of acquisition. The Star and Edison companies were merged into Gibraltar Life on January 1, 2012.

On December 31, 2009, we completed the sale of our minority joint venture interest in Wachovia Securities. In 2009, Equity in earnings of operating joint ventures, net of taxes includes a pre-tax gain on the sale of \$2.247 billion. In addition, General and administrative expenses includes certain one-time costs related to the sale of the joint venture interest of \$104 million for pre-tax compensation costs and costs related to increased contributions to the Company's charitable foundation. The total of these items is an after-tax gain of \$1.389 billion, or \$2.95 per share of Common Stock.

On May 1, 2009, we acquired Yamato Life, a Japanese life insurance company that declared bankruptcy in October 2008, and renamed The Prudential Gibraltar Financial Life Insurance Company, Ltd. Results presented below include the results of this company from the date of acquisition.

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The 2009 income tax provision includes a benefit of \$272 million from a reduction to the liability for unrecognized tax benefits and related interest, primarily related to tax years prior to 2002 as a result of the expiration of the statute of limitations for the 2002 and 2003 tax years.

Our Gibraltar Life operations use a November 30 fiscal year end. Consolidated balance sheet data as of December 31, 2013, 2012, 2011, 2010 and 2009, includes Gibraltar Life assets and liabilities as of November 30. Consolidated income statement data for 2013, 2012, 2011, 2010 and 2009, includes Gibraltar Life results for the twelve months ended November 30, 2013, 2012, 2011, 2010 and 2009, respectively.

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This selected consolidated financial information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included elsewhere herein.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in millions, except per share and ratio information)				
Income Statement Data:					
Revenues:					
Premiums	\$ 26,237	\$ 65,354	\$ 24,301	\$ 18,238	\$ 16,497
Policy charges and fee income	5,415	4,489	3,924	3,323	2,832
Net investment income	14,729	13,661	13,124	11,865	11,390
Asset management fees and other income	286	2,784	4,905	3,747	4,495
Realized investment gains (losses), net	(5,206)	(1,441)	2,831	1,050	(2,897)
Total revenues	41,461	84,847	49,085	38,223	32,317
Benefits and expenses:					
Policyholders' benefits	26,733	65,131	23,614	18,285	16,346
Interest credited to policyholders' account balances	3,111	4,234	4,484	4,209	4,484
Dividends to policyholders	2,050	2,176	2,723	2,189	1,298
Amortization of deferred policy acquisition costs	240	1,504	2,695	1,085	1,131
General and administrative expenses	11,011	11,094	10,605	8,309	7,788
Total benefits and expenses	43,145	84,139	44,121	34,077	31,047
Income (loss) from continuing operations before income taxes and equity in earnings of operating joint ventures					
	(1,684)	708	4,964	4,146	1,270
Income tax expense (benefit)	(1,058)	213	1,515	1,266	(115)
Income (loss) from continuing operations before equity in earnings of operating joint ventures					
	(626)	495	3,449	2,880	1,385
Equity in earnings of operating joint ventures, net of taxes	59	60	182	82	1,523
Income (loss) from continuing operations					
	(567)	555	3,631	2,962	2,908
Income (loss) from discontinued operations, net of taxes	7	15	35	33	(19)
Net income (loss)					
	(560)	570	3,666	2,995	2,889
Less: Income (loss) attributable to noncontrolling interests	107	50	34	19	(57)
Net Income (loss) attributable to Prudential Financial, Inc.					
	\$ (667)	\$ 520	\$ 3,632	\$ 2,976	\$ 2,946

**Basic earnings per share - Common Stock:**

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Income (loss) from continuing operations attributable to Prudential Financial, Inc.	\$ (1.57)	\$ 1.02	\$ 7.14	\$ 5.25	\$ 7.33
Income (loss) from discontinued operations, net of taxes	0.02	0.04	0.07	0.07	(0.05)
Net income (loss) attributable to Prudential Financial, Inc.	\$ (1.55)	\$ 1.06	\$ 7.21	\$ 5.32	\$ 7.28
<b>Diluted earnings per share - Common Stock:</b>					
Income (loss) from continuing operations attributable to Prudential Financial, Inc.	\$ (1.57)	\$ 1.01	\$ 7.05	\$ 5.20	\$ 7.28
Income (loss) from discontinued operations, net of taxes	0.02	0.04	0.07	0.06	(0.04)
Net income (loss) attributable to Prudential Financial, Inc.	\$ (1.55)	\$ 1.05	\$ 7.12	\$ 5.26	\$ 7.24
Dividends declared per share Common Stock	\$ 1.73	\$ 1.60	\$ 1.45	\$ 1.15	\$ 0.70
<b>Basic and diluted earnings per share - Class B Stock:</b>					
Income (loss) from continuing operations attributable to Prudential Financial, Inc.	\$ 22.00	\$ 11.50	\$ 61.00	\$ 229.00	\$ (164.50)
Income (loss) from discontinued operations, net of taxes	0.00	(1.00)	0.00	0.50	0.00
Net income (loss) attributable to Prudential Financial, Inc.	\$ 22.00	\$ 10.50	\$ 61.00	\$ 229.50	\$ (164.50)
Dividends declared per share Class B Stock	\$ 9.625	\$ 9.625	\$ 9.625	\$ 9.625	\$ 9.625
Ratio of earnings to fixed charges(1)		1.11	1.83	1.75	1.67



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	As of December 31,				
	2013	2012	2011 (restated)	2010 (restated)	2009 (restated)
	(in millions)				
<b>Balance Sheet Data:</b>					
Total investments excluding policy loans	\$ 386,407	\$ 394,007	\$ 344,688	\$ 273,245	\$ 250,406
Separate account assets	285,060	253,254	218,380	207,776	174,074
Total assets	731,781	709,235	620,114	535,508	476,224
Future policy benefits and policyholders' account balances	343,516	350,463	305,229	240,489	227,516
Separate account liabilities	285,060	253,254	218,380	207,776	174,074
Short-term debt	2,669	2,484	2,336	1,982	3,122
Long-term debt	23,553	24,729	24,622	23,653	21,037
Total liabilities	695,900	670,123	585,475	505,689	453,299
Prudential Financial, Inc. equity	35,278	38,503	34,130	29,346	22,439
Noncontrolling interests	603	609	509	473	485
Total equity	\$ 35,881	\$ 39,112	\$ 34,639	\$ 29,819	\$ 22,925

(1) For purposes of this computation, earnings are defined as income from continuing operations before income taxes excluding undistributed income (loss) from equity method investments, fixed charges and interest capitalized. Also excludes earnings attributable to noncontrolling interests. Fixed charges are the sum of gross interest expense, interest credited to policyholders' account balances and an estimated interest component of rent expense. Due to the Company's loss for the year ended December 31, 2013, the ratio coverage was less than 1:1 and is therefore not presented. Additional earnings of \$1,935 million would have been required for the year ended December 31, 2013 to achieve a ratio of 1:1.

The historical information presented in the table above has been revised to reflect the impact of retrospective adoption of a discretionary change in accounting principle for recognition of performance based incentive fee revenue. For further information, see Accounting Policies and Pronouncements Adoption of New Accounting Pronouncements and Note 2 to the Consolidated Financial Statements.

**ITEM 9A. CONTROLS AND PROCEDURES**

Management's Annual Report on Internal Control Over Financial Reporting and the report of the Company's independent registered public accounting firm on the effectiveness of internal control over financial reporting as of December 31, 2013 are included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 27, 2014.

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized, and reported on a timely basis, the Company's management, including our Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of December 31, 2013. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2013, our disclosure controls and procedures were effective. No change in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), occurred during the quarter ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

These conclusions are not affected by the incorrect selected consolidated financial information in respect of balance sheet data for 2011, 2010 and 2009 included in the Company's Annual Report on Form 10-K and corrected in this Amendment No. 1 on Form 10-K/A. Such errors were limited in scope and did not result in any error in the Consolidated Financial Statements or other disclosures included in the Annual Report on Form 10-K. The Company has implemented enhancements in its disclosure controls and procedures with respect to the review of the balance sheet data included in the selected consolidated financial information.

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**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

3. Exhibits:

31.1 Section 302 Certification of the Chief Executive Officer

31.2 Section 302 Certification of the Chief Financial Officer

Prudential Financial, Inc. will furnish upon request a copy of any exhibit listed above upon the payment of a reasonable fee covering the expense of furnishing the copy. Requests should be directed to:

Shareholder Services

Prudential Financial, Inc.

751 Broad Street, 21st Floor

Newark, New Jersey 07102

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 4, 2014

Prudential Financial, Inc.

By: /s/ ROBERT D. AXEL  
Robert D. Axel

Senior Vice President and

Principal Accounting Officer

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**EXHIBIT INDEX**

- 31.1 Section 302 Certification of the Chief Executive Officer.
- 31.2 Section 302 Certification of the Chief Financial Officer.