Risk Factors Comparison 2024-02-21 to 2023-02-16 Form: 10-K

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You should carefully consider the following risks. Additional risks to which we are subject include, but are not limited to, the factors mentioned under " Forward- Looking Statements " above and the risks of our businesses described elsewhere in this Annual Report on Form 10- K. Many of these risks are interrelated and could occur under similar business and economic conditions, and the occurrence of certain of them may in turn cause the emergence or exacerbate the effect of others. Such a combination could materially increase the severity of the impact of these risks on our businesses, results of operations, financial condition and liquidity. Overview The Company ~~' s~~ **uses an integrated** risk management framework **to** ~~documents the definition, potential manifestation, and management~~ ---- **manage** ~~of~~ **and oversee** its risks. The Company' s risks include investment, insurance, market, liquidity, ~~and~~ operational ~~risk~~ , **and model risk** as well as strategic risks that may cause the Company' s core business model to change, either through a shift in the businesses in which it is engaged or a change in execution. The Company' s strategic risks include regulatory and technological changes and other external factors. The Company' s risks are further discussed below. Our risk management framework is described under " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management. " Investment Risk Our investment portfolios are subject to the risk of loss due to default or deterioration in credit quality or value. We are exposed to investment risk through our investments, which primarily consist of public and private fixed maturity securities, commercial mortgage and other loans, equity securities and alternative assets including private equity, hedge funds and real estate. For a discussion of our general account investments, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — General Account Investments. " We are also exposed to investment risk through a potential counterparty default. Investment risk may result from (1) economic conditions, (2) adverse capital market conditions, including disruptions in individual market sectors or a lack of buyers in the marketplace, (3) volatility, (4) credit spread changes, (5) benchmark interest rate changes, (6) changes in foreign currency exchange rates and (7) declines in value of underlying collateral. These factors may impact the credit quality, liquidity and value of our investments and derivatives, potentially resulting in higher capital charges and unrealized or realized losses. Also, certain investments we hold, regardless of market conditions, are relatively illiquid and our ability to promptly sell these assets for their full value may be limited. Additionally, our valuation of investments may include methodologies, inputs and assumptions which ~~are subject to change and different interpretation and~~ could result in changes to investment valuations that may materially impact our results of operations or financial condition. For information about the valuation of our investments, see Note 6 to the Consolidated Financial Statements. Our investment portfolio is subject to credit risk, which is the risk that an obligor (or guarantor) is unable or unwilling to meet its contractual payment obligations on its fixed maturity security, loan or other obligations. Credit risk may manifest in an idiosyncratic manner (i. e., specific to an individual borrower or industry) or through market- wide credit cycles. Financial deterioration of the obligor increases the risk of default and may increase the capital charges required under such regimes as the NAIC RBC, the FSA SMR or other constructs to hold the investment and in turn, potentially limit our overall capital flexibility. Credit defaults (as well as credit impairments, realized losses on credit- related sales, and increases in credit related reserves) may result in losses which adversely impact earnings, capital and our ability to appropriately match our liabilities and meet future obligations. Some of our insurance operations are in emerging markets where we may be required to hold capital in local sovereign obligations. Investment risk is heightened in these markets, in particular for obligations that are not denominated in the local currency. Our Company is subject to counterparty risk, which is the risk that the counterparty to a transaction could default or deteriorate in creditworthiness before or at the final settlement of a transaction. In the normal course of business, we enter into financial contracts to manage risks (such as derivatives to manage market risk and reinsurance treaties to manage insurance risk), improve the return on investments (such as securities lending and repurchase transactions) and provide sources of liquidity or financing (such as credit agreements, securities lending agreements and repurchase agreements). **Reinsurance treaties may also be used to further strategic goals of the Company by facilitating the acquisition or divestiture of a block of business if an entity purchase or sale is not practical.** These transactions expose the Company to counterparty risk. Counterparties include commercial banks, investment banks, broker- dealers and insurance and reinsurance companies. In the event of a counterparty deterioration or default, the magnitude of the losses will depend on ~~then~~ current market conditions and the ~~length of~~ **feasibility (dependent on the complexity) and** time ~~required to~~ **requirement of** ~~enter~~ **entering** ~~into~~ a replacement transaction with a new counterparty **. Highly bespoke transactions (e. g. strategic reinsurance) may not be replicable with any degree of certainty** . Losses are likely to be higher under stressed conditions. Our investment portfolio is subject to equity risk, which is the risk of loss due to deterioration in market value of public equity or alternative assets. We include public equity and alternative assets (including private equity, hedge funds and real estate) in our portfolio constructions, as these asset classes can provide returns over longer periods of time, aligning with the long- term nature of certain of our liabilities. Public equity and alternative assets have varying degrees of price transparency. Equities traded on stock exchanges (public equities) have significant price transparency, as transactions are often required to be disclosed publicly. Assets with less price transparency include private equity (joint ventures / limited partnerships) and direct real estate. As these investments typically do not trade on public markets and indications of realizable market value may not be readily available, valuations can be infrequent and / or more volatile. A sustained decline in public equity and alternative markets may reduce the returns earned by our investment portfolio through lower- than- expected dividend income, property operating income, and capital gains, thereby adversely impacting earnings, capital, and product pricing assumptions. These assets may also produce volatility in earnings as a result of uneven distributions on the underlying investments. Insurance Risk We have significant liabilities for policyholders' benefits which are subject to insurance risk. Insurance risk is the risk that actual experience deviates adversely from our insurance assumptions, including mortality, morbidity, and policyholder behavior assumptions. We provide a variety of insurance products, on both an individual and group basis, that are designed to help customers protect against a variety of financial uncertainties. Our insurance products protect customers against their potential risk of loss by transferring those risks to the Company, where those risks can be managed more efficiently through pooling and diversification over a larger number of independent exposures. During this transfer process, we assume the risk that actual losses experienced in our insurance products deviates significantly from what we expect. More specifically, insurance risk is concerned with the deviations that impact our future liabilities. Our profitability may decline if mortality experience, morbidity experience or policyholder behavior experience differ significantly from our expectations when we price our products. In addition, if we experience higher than expected **surrenders, withdrawals or** claims **,** our liquidity position may be adversely impacted, and we may incur losses on investments if we are required to sell assets in order to ~~pay~~ **fund surrenders, withdrawals or** claims. If it is necessary to sell assets at a loss, our results of operations and financial condition could be adversely impacted. For a discussion of the impact of changes in insurance assumptions on our financial condition, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Accounting Policies and Pronouncements — Application of Critical Accounting Estimates — Insurance Liabilities. " Certain of our insurance products are subject to mortality risk, which is the risk that actual deaths experienced deviate adversely from our expectations. Mortality risk is a biometric risk that can manifest in the following ways: • Mortality calamity is the risk that mortality rates in a single year deviate adversely from what is expected as the result of pandemics, natural or man- made disasters, military actions or terrorism. A mortality calamity event will reduce our earnings and capital and we may be forced to liquidate assets before maturity in order to pay the excess claims. Mortality calamity risk is more pronounced in respect of specific geographic areas (including major metropolitan centers ~~,~~ where we have concentrations of customers, including under group and individual life insurance, concentrations of employees or significant operations) and in respect of countries and regions in which we operate that are subject to a greater potential threat of military action or conflict. Ultimate losses would depend on several factors, including the rates of mortality and morbidity among various segments of the insured population, the collectability of reinsurance, the possible macroeconomic effects on our investment portfolio, the effect on lapses and surrenders of existing policies, as well as sales of new policies and other variables. • Mortality trend is the risk that mortality improvements in the future deviate adversely from what is expected. Mortality trend is a long- term risk that could emerge gradually over time. Longevity products, such as annuities, pension risk transfer and long- term care, may experience adverse impacts due to higher- than- expected mortality improvement. Mortality products, such as life insurance, experience adverse impacts due to lower- than- expected mortality improvement. If this risk were to emerge, the Company would update assumptions used to calculate reserves for in- force business, which may result in additional assets needed to meet the higher expected annuity claims or earlier expected life claims. An increase in reserves due to revised assumptions has an immediate impact on our results of operations and financial condition; however, economically the impact is generally long term as the excess outflow is paid over time. • Mortality base is the risk that actual base mortality deviates adversely from what is expected in pricing and valuing our products. Base mortality risk can arise from a lack of credible data on which to base the assumptions. We use a variety of strategies to manage our mortality risks, including the use of reinsurance and derivative instruments. These strategies, however, may not be fully effective and may lead to payments to counterparties in excess of recoveries depending on how actual mortality experience emerges and on future changes in the level of premiums we pay to reinsurers. We may also benefit from offsetting impacts between our mortality and longevity products in adverse mortality or longevity scenarios; however, the extent of this offset may vary. Certain of our insurance products are subject to morbidity risk, which is the risk that either incidence or continuation experience deviates adversely from what is expected. Morbidity risk is a biometric risk that can manifest in the following ways: • Morbidity incidence is the risk that the rate at which policyholders become unhealthy (and qualify for benefits under insurance policies) deviates adversely from what is expected. We are exposed to morbidity incidence risk primarily through ~~the~~ short- term disability, long- term disability and long- term care products in the U. S., and through ~~the~~ accident and health products in Japan. • Morbidity continuation is the risk that the length of time for which policyholders remain unhealthy deviates adversely from what is expected. This risk is primarily in our disability and long- term care products. In each case, an increase in claims, or an increase in reserves due to revised morbidity assumptions can have an immediate impact on our results of operations and financial condition; however, economically the impact of morbidity risk for products that pay out for ongoing illness or disability generally emerges over the longer term as the morbidity claims are paid. Certain of our insurance products are subject to policyholder behavior risk, which is the risk that actual policyholder behavior deviates adversely from what is expected. • Lapse calamity is the risk that lapse rates over the short- term deviate adversely from what is expected, for example, surrenders of certain insurance products may increase following a downgrade of our financial strength ratings ~~or~~ **,** adverse publicity **or economic conditions** . Only certain products are exposed to this risk. Products that offer a cash surrender value that resides in the general account, such as non- participating whole life products, could pose a potential short- term lapse calamity risk. Surrender of these products can impact liquidity, and it may be necessary in certain market conditions to sell assets to meet surrender demands. Lapse calamity can also impact our earnings through its impact on estimated future profits. • Policyholder behavior risk is the risk that the behavior of our customers or policyholders deviates adversely from what is expected. Policyholder behavior risk arises through product features which provide some degree of choice or flexibility for the policyholder, which can impact the amount and / or timing of claims. Such choices include surrender, lapse, partial withdrawal, policy loan utilization, and premium payment rates for contracts with flexible premiums. While some behavior is driven by macro factors such as market movements, policyholder behavior at a fundamental level is driven primarily by policyholders' individual needs, which may differ significantly from product to product depending on many factors including the features offered, the approach taken to market each product, and competitor pricing. For example, persistency (the probability that a policy or contract will remain in force) within our annuities business may be significantly impacted by the value of guaranteed minimum benefits contained in many of our variable annuity products being higher than current account values in light of poor market performance as well as other factors. Many of our products also provide our customers with wide flexibility with respect to the amount and timing of premium deposits and the amount and timing of withdrawals from the policy' s value. Results may vary based on differences between actual and expected premium deposits and withdrawals for these products, especially if these product features are relatively new to the marketplace. The pricing of certain of our variable annuity products that contain certain living benefit guarantees is also based on assumptions about utilization rates, or the percentage of contracts that will utilize the benefit during the contract duration, including the timing of the first withdrawal. Results may vary based on differences between actual and expected benefit utilization. We may also be impacted by customers seeking to sell their benefits. In particular, the development of a secondary market for life insurance, including life settlements or " viaticals " and investor- owned life insurance, and third- party investor strategies in the annuities business, could adversely affect the profitability of existing business and our pricing assumptions for new business. Policyholder behavior risk is generally a long-term risk that emerges over time. An increase in reserves due to revised assumptions has an immediate impact on our results of operations and financial condition; however, from an economic or cash flow perspective, the impact is generally long term as the excess outflow is paid over time. Our ability to reprice products is limited and may not compensate for deviations from our expected insurance assumptions. Although some of our products permit us to increase premiums or adjust other charges and credits during the life of the policy or contract, the adjustments permitted under the terms of the policies or contracts may not be sufficient to maintain profitability or may cause the policies or contracts to lapse. For example, for our long- term care insurance products, our assumptions for reserves for future policy benefits have factored in an estimate of the timing and amount of anticipated and yet- to- be- filed premium rate increases, including those which may require state approval. Our actual experience obtaining pricing increases could be materially different than what we have assumed, resulting in further policy liability increases which could be material. Many of our products do not permit us to increase premiums or adjust other charges and credits or limit those adjustments during the life of the policy or contract. Even if permitted under the policy or contract, other factors may impact our decision whether to raise premiums or adjust other charges sufficiently, or at all. Accordingly, significant deviations in actual experience from our pricing assumptions could have an adverse effect on the profitability of our products. Market Risk The profitability of many of our insurance and annuity products, as well as the fees we earn in our investment management business, are subject to market risk. Market risk is the risk of loss from changes in interest rates, equity prices and foreign currency exchange rates. The profitability of many of our insurance and annuity products depends in part on the value of the separate accounts supporting these products, which can fluctuate substantially depending on market conditions. Market conditions resulting in reductions in the value of assets we manage has an adverse effect on the revenues and profitability of our investment management business, which depends on fees related primarily to the value of assets under management, and could decrease the value of our strategic investments. Derivative instruments that we use to hedge and manage foreign exchange, interest rate and equity market risks associated with our products and businesses, and other risks might not perform as intended or expected, resulting in higher- than- expected realized losses and stresses on liquidity and / or regulatory capital. Market conditions can limit availability of hedging instruments, require us to post additional collateral, and further increase the cost of executing product related hedges and such costs may not be recovered in the pricing of the underlying products being hedged. Market risk may limit opportunities for investment of available funds at desired returns, including due to the prevailing interest rate environment, or other factors, with possible negative impacts on our overall results. Limited opportunities for attractive investments may lead to holding cash for long periods of time and an increased use of derivatives for duration management and other portfolio management purposes. The increased use of derivatives or portfolio rebalancing may increase the volatility of our U. S. GAAP results and our statutory capital. Our investments, results of operations and financial condition may also be adversely affected by developments in the global economy, in the U. S. economy (including as a result of actions by the Federal Reserve with respect to interest rate and monetary policy, and adverse political developments), and in the Japanese economy (including due to the effects of inflation or deflation, interest rate volatility, changes in the Japan sovereign credit rating, and material changes in the value of the Japanese yen relative to the U. S. dollar). Global, U. S. or Japanese economic activity and financial markets may in turn be negatively affected by adverse developments or conditions in specific geographical regions. For a discussion of the impact of ~~current~~ **changes in** market conditions on our ~~liquidity and capital resources outlook, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Current Market Conditions. " For a discussion of the impact of changes in market conditions on our~~ financial condition see **"** Item 7A ~~"~~**.** Quantitative and Qualitative Disclosures About Market Risk. " Our insurance and annuity products and certain of our investment products, and our investment returns, are subject to interest rate risk, which is the risk of loss arising from asset / liability duration mismatches within our general account investments as well as invested assets of other entities and operations. The risk of mismatch in asset / liability duration is mainly driven by the specific dynamics of product liabilities. Some product liabilities are expected to have only modest risk related to interest rates because cash flows can be matched by available assets; however, other product liabilities generate long- term cash flows (i. e., 30 years or more), resulting in significant interest rate risk, since these cash flows cannot be matched by assets for sale in the marketplace, exposing the Company to future reinvestment risk. In addition, certain of our products provide for recurring premiums which may be invested at interest rates lower than the rates included in our pricing assumptions. Market- sensitive cash flows exist with other product liabilities including products whose cash flows can be linked to market performance through secondary guarantees, minimum crediting rates, and / or changes in insurance assumptions. Our exposure to interest rates can manifest over years as in the case of earnings compression or in the short term by creating volatility in both earnings and capital. For example, some of our products expose us to the risk that changes in interest rates will reduce the spread between the amounts that we are required to pay under contracts and the rate of return we are able to earn on our general account investments supporting these contracts. When interest rates decline or remain low, we must invest in lower- yielding instruments, potentially reducing net investment income and constraining our ability to offer certain products. This risk is increased as more policyholders may retain their policies in a low rate environment. Since many of our policies and contracts have guaranteed minimum crediting rates or limit the resetting of crediting rates, the spreads could decrease or go negative. Alternatively, when interest rates rise, we may not be able to replace the assets in our general account with the higher- yielding assets as quickly as needed to fund the higher crediting rates necessary to keep these products and contracts competitive. It is possible that fewer policyholders may retain their policies and annuity contracts as they pursue higher crediting rates, which could expose the Company to losses and liquidity stress. In addition, rising interest rates could cause a decline in the market value of fixed income assets the Company manages which in turn could result in lower asset management fees earned **. Rapidly rising interest rates may also adversely impact, and have adversely impacted, our liquidity and capital positions, cash flows, results of operations, and financial position** . Our mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a key rate duration profile that is approximately equal to the key rate duration profile of our liability and surplus benchmarks; however, these benchmarks are based on estimates of the liability cash flow profiles which are complex and could ~~turn out to~~ be inaccurate, especially when markets are volatile. In addition, there are practical and capital market limitations on our ability to accomplish this matching. Due to these and other factors we may need to liquidate investments prior to maturity at a loss in order to satisfy liabilities or be forced to reinvest funds in a lower rate environment. Our significant business operations outside the U. S. subject us to foreign exchange risk, which is the risk of loss arising from assets that are invested in a different currency than the related liability, as well as the unhedged portion of the Company' s earnings from, and capital supporting, operations in a foreign currency. As a U. S.- based company with significant business operations outside of the U. S., particularly in Japan, we are exposed to foreign currency exchange rate risk related to these operations, as well as in our investment portfolio. Fluctuations in foreign currency exchange rates could adversely affect our profitability, financial condition and cash flows, as well as increase the volatility of our results of operations under U. S. GAAP. In the short- term, solvency margins in our Japan businesses can also be impacted by fluctuations in exchange rates. For our International Businesses' operations, our Retirement Strategies segment' s earnings on non- U. S. dollar- denominated reinsurance contracts and PGIM' s investment activities based in currencies other than the U. S. dollar, changes in foreign currency exchange rates create risk that we may experience volatility in the U. S. dollar- equivalent earnings and equity of these operations. We seek to manage this risk through various hedging strategies, including the use of foreign currency hedges and through holding U. S. dollar- denominated securities in the investment portfolios of certain of these operations. Additionally, our Japanese insurance operations offer a variety of non- Japanese yen **-** denominated products ~~. We seek to mitigate this risk by holding investments in corresponding currencies~~ . For certain of our international insurance operations outside of Japan, we elect to not hedge the risk of changes in our subsidiary equity investments due to foreign exchange rate movements. For our domestic investment portfolios supporting our U. S. insurance operations and other proprietary investment portfolios, our foreign currency exchange rate risk arises primarily from investments that are denominated in foreign currencies. We manage this risk by hedging substantially all domestic foreign currency- denominated fixed- income investments into U. S. dollars. We generally do not hedge all of the foreign currency risk of our investments in equity securities of unaffiliated foreign entities. The value and liquidity of our foreign currency investments could be adversely affected by local market, economic and financial conditions. There can be no assurance that our hedging and other strategies will effectively mitigate foreign exchange risk. For a discussion of our hedging program and the impact of foreign currency exchange rates on our business, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Impact of Foreign Currency Exchange Rates. " Guarantees within certain of our products, in particular our variable annuities and to a lesser extent certain individual life and international insurance products, are market sensitive and may decrease our earnings or increase the volatility of our results of operations or financial position under U. S. GAAP. Certain of our products, particularly our variable annuity products and to a lesser extent certain international insurance products, include guarantees of minimum surrender values or income streams for stated periods or for life, which may be in excess of account values. Certain of our products, particularly certain index- linked annuity and individual life products, include interest crediting guarantees based on the performance of an index. Downturns in equity markets, increased equity volatility, increased credit spreads, or (as discussed above) reduced interest rates could result in an increase in the valuation of liabilities associated with such guarantees, resulting in increases in reserves and reductions in net income. We use a variety of hedging and risk management strategies, including product features, to mitigate these risks in part and we may periodically change our strategies over time. These strategies may, however, not be fully effective. In addition, we may be unable or may choose not to fully hedge these risks. Hedging instruments may not effectively offset the costs of guarantees or may otherwise be insufficient in relation to our obligations. Hedging instruments also may not change in value correspondingly with associated liabilities due to equity market or interest rate conditions, non- performance risk or other reasons. We may choose to hedge these risks on a basis that does not correspond to their anticipated or actual impact upon our results of operations or financial position under U. S. GAAP. Changes from period to period in the valuation of these policy benefits, and in the amount of our obligations effectively hedged, will result in volatility in our results of operations and financial position under U. S. GAAP and the statutory capital levels of our insurance subsidiaries. Estimates and assumptions we make in connection with hedging activities may fail to reflect or correspond to our actual long- term exposure from our guarantees. Further, the risk of increases in the costs of our guarantees not covered by our hedging and other capital and risk management strategies may become more significant due to changes in policyholder behavior driven by market conditions or other factors. The above factors, individually or collectively, may have a material adverse effect on our results of operations, financial condition or liquidity. Our valuation of the liabilities for the minimum benefits contained in many of our variable annuity products requires us to consider the market perception of our risk of non- performance, and a decrease in our own credit spreads resulting from ratings upgrades or other events or market conditions could cause the recorded value of these liabilities to increase, which in turn could adversely affect our results of operations and financial position. **We are subject to counterparty risk associated with reinsurance transactions. To mitigate this risk, we may use coinsurance with funds withheld or modified coinsurance. With these reinsurance arrangements, we retain assets on our balance sheet whose related investment performance accrues to third party reinsurers. The composition of these assets is subject to investment guidelines specific to the reinsurance treaties and may differ from those we would normally invest in. Under GAAP, funds withheld and modified coinsurance reinsurance most often create embedded derivatives for the ceding company and the reinsurer, which are measured at fair value. The valuation of these embedded derivatives is sensitive to market factors, including credit spreads of the assets held by the ceding insurer, and can generate significant volatility in net income depending on market conditions. Changes in the fair value of embedded derivatives are included in " Realized investment gains (losses), net " on the Consolidated Statements of Operations, whereas changes in the fair value of assets are recorded in " Accumulated other comprehensive income. "** Liquidity Risk As a financial services company, we are exposed to liquidity risk, which is the risk that the Company is unable to meet near- term obligations as they come due. Liquidity risk is a manifestation of events that are driven by other risk types (market, insurance, investment, operational). A liquidity shortfall may arise in the event of insufficient funding sources or an immediate and significant need for cash or collateral. In addition, it is possible that expected liquidity sources, such as our credit facilities, may be unavailable or inadequate to satisfy the liquidity demands described below. The Company has four primary sources of liquidity exposure and associated drivers that trigger material liquidity demand. Those sources are: • Derivative collateral market exposure: Abrupt changes to interest rate, equity, and / or currency markets may increase collateral requirements to counterparties and create liquidity risk for the Company. • Asset liability mismatch: There are liquidity risks associated with liabilities coming due prior to the matching asset cash flows. Structural maturities mismatch can occur in activities such as securities lending, where the liabilities are effectively overnight open transactions used to fund longer term assets. • Wholesale funding: The Company depends upon the financial markets for funding (such as through the issuance of commercial paper, securities lending and repurchase arrangements and other forms of borrowings in the capital markets). These sources might not be available during times of stress, or may only be available on unfavorable terms, which can result in a decrease in our profitability and a significant reduction in our financial flexibility. • Insurance cash flows: The Company faces potential liquidity risks from unexpected cash demands due to severe mortality calamity, customer withdrawals or lapse events. If such events were to occur, the Company may face unexpectedly high levels of claim payments to policyholders. For a discussion of the Company' s liquidity and sources and uses of liquidity, including information about legal and regulatory limits on the ability of our subsidiaries to pay dividends, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Liquidity. " Operational Risk Our operations are exposed to the risk of loss resulting from inadequate or failed processes or systems, human error or misconduct, and as a result of external events. An operational risk failure may result in one or more actual or potential impacts to the Company. Operational risk may be elevated as a result of **significant changes to how the Company operates, including** organizational changes ~~, including recent~~ and ~~planned changes related to the Company' s business~~ transformation efforts **underway that increase execution risk** . See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Overview " for additional information regarding our business transformation efforts. Operational Risk Types **• People: Internal fraud, breaches of employment law, unauthorized activities; loss or lack of key personnel, inadequate training; inadequate supervision.** • Processes: Processing failure; failure to safeguard or retain documents / records; errors in valuation / pricing models and processes; project management or execution failures; improper sales practices; improper administration of our products; failure to adhere to clients' investment guidelines. • ~~Systems~~ **Technology** : Failures during the development and implementation of new systems; systems failures ~~. • People: Internal fraud, breaches of employment law, unauthorized activities; loss or lack of key personnel, inadequate training; inadequate supervision~~ . • External Events: External crime; cyber- attack, outsourcing risk; vendor risk; natural and other disasters; changes in laws / regulations. • Legal **and Regulatory** : Legal and regulatory compliance failures. See " Business — Regulation " for a discussion of the regulations applicable to the Company. Potential Impacts • Financial losses: The Company experiences a financial loss. This loss may originate from various causes including, but not limited to, transaction processing errors and fraud. • Client service impacts: The Company may not be able to service customers. This may result if the Company is unable to continue operations during a business continuation event or if systems are compromised due to malware or virus. • Regulatory fines or sanctions: When the Company fails to comply with applicable laws or regulations, regulatory fines or sanctions may be imposed. In addition, possible restrictions on business activities may result. • Legal actions: Failure to comply with laws and regulations also exposes the Company to litigation risk. This may also result in financial losses. • Reputational harm: Failure to meet regulator, customer, investor and other stakeholder expectations may cause reputational harm. Liabilities we may incur as a result of operational failures are described further under " Contingent Liabilities " in Note ~~23~~ **25** to the Consolidated Financial Statements. In addition, certain pending regulatory and litigation matters affecting us, and certain risks to our businesses presented by such matters, are discussed in Note ~~23~~ **25** to the Consolidated Financial Statements. We may become subject to additional regulatory and legal actions in the future. Key Enterprise Operational Risks ~~–~~Key enterprise operational risks include, among others, the following: We are subject to business continuation risk, which is the risk that our operations, systems or data, or those of third- parties on whom we rely, may be disrupted. We may experience a disruption in business continuity as a result of, among other things, the following: • Severe pandemic, epidemic, or other public health crises, either naturally occurring or resulting from intentionally manipulated pathogens; • Geo- political risks, including armed conflict and civil unrest; • Terrorist events; • Significant natural or accidental disasters; • Cyber- attacks, both systemic (e. g., affecting the internet, cloud services, and / or other financial services industry infrastructure) and targeted (e. g., failures in or breach of our systems or that of third- parties on whom we rely); • Insider threats; • Physical infrastructure outages; **and** • Workforce unavailability resulting from any of the above events, among others. We depend heavily on our telecommunication, information technology and other operational systems and on the integrity and continuing availability of data we use to run our businesses and service our customers. These systems, and any available backups, may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our control. Further, we face the risk of operational and technology failures experienced by others, including clearing agents, exchanges and other financial intermediaries, and vendors and other third parties to which we outsource the provision of services or business operations. We, or third- parties on whom we rely, may not adequately maintain information security. There continues to be significant and increased cyber- attack activity against businesses, including but not limited to the financial services sector, and no organization, regardless of measures implemented to safeguard the systems and detect threats, is fully immune to cyber- attacks. Our cybersecurity risk ~~and exposure~~ remains heightened because of, among other things, the rapidly evolving nature and pervasiveness of cyber threats ~~(including supply- chain attacks)~~ , our brand and reputation, our size and scale, our geographic presence and our role in the financial services industry and the broader economy. Risks related to cyber- attack arise in various areas, including: • Protecting ~~both " structured " and " unstructured "~~ sensitive information is a constant need; however, some risks cannot be fully mitigated using administrative, technological, or physical controls, or otherwise. • Employees, customers **, third- party service providers on whom we rely** , or other users of our systems continue to be a key avenue for malicious external parties to gain access to our network, systems, data, or that of our customers. Many attacks leverage social engineering schemes (such as phishing, vishing, or smishing) to coax an internal user to click on a malicious attachment or link to introduce malware into companies' systems or steal the user' s username and password. Such social engineering schemes are becoming increasingly sophisticated and ~~sometimes~~ may involve emerging technologies such as deep- fakes. Senior- level executives are increasingly becoming the targets of such attacks. Fraudulent schemes to solicit information via call centers **, remote help desks** and interactive voice response systems ~~are becoming more prevalent~~ **continue to increase in both volume and sophistication** . • Cyber- attacks involving the encryption and / or threat to disclose personal or confidential information (i. e., ransomware) or disruptions of communications (i. e., denial of service) for the purposes of **, among other things,** extortion or other motives persist and are on the rise. • Financial services companies and their third- party service providers (including their downstream service providers) are increasingly being targeted by hackers and fraudulent actors seeking to monetize personal or confidential information to extort money, or for other malicious purposes. Such campaigns have targeted online applications and services. • Nation- state sponsored or affiliated organizations are engaged in cyber- attacks, not only for monetization purposes, but also to gain information about foreign citizens **, businesses** and governments, or to influence or cause disruptions in commerce or political affairs. In light of recent geopolitical events, including ~~Russia' s invasion of Ukraine~~ **conflicts in Europe and the Middle East** , state- sponsored or affiliated parties and / or their supporters may launch retaliatory cyber- attacks, and may attempt to cause supply chain and other third- party service provider disruptions, or take other geopolitically motivated retaliatory actions that may disrupt our business operations, and / or result in the compromise of our systems or data. • Increasingly, malicious actors can be in companies' systems for an extended period of time before being detected. ~~It~~ **Even if the malicious actors are discovered quickly, it** could take considerable additional time for us to determine the scope of compromise, and the extent, amount, and type of information compromised, if any, and to fully **contain the malicious actors,** remediate and recover. • Employees **, third- party service providers** or other individuals purportedly acting on behalf of the Company may fail (as a result of human error or misconduct) to comply with applicable policies and procedures, and / or circumvent controls or safeguards for unauthorized purposes. • We rely on third- parties to provide services, as described further below. While we maintain certain standards for all vendors that provide us services, our vendors, and in turn, their own service providers, ~~may~~ **have** become subject to ~~a~~ security ~~breach~~ **breaches** , including as a result of their failure to perform in accordance with their contractual obligations. • Hardware, software or applications developed by, obtained from, or implemented in accordance with specifications provided by third parties may contain vulnerabilities in design, maintenance or manufacturing that could be exploited to compromise the Company' s information security. • Continuing use of remote or flexible work arrangements, including remote access tools and mobile technology (including use of personal devices), have expanded potential attack surfaces. • The proliferation of third- party financial data aggregators and emerging technologies, including the development and use of artificial intelligence (" AI "), increase our information security risks and exposure. ~~We~~ **The development and adoption of artificial intelligence (" AI")** , **including generative artificial intelligence (" Generative AI "), and its use and anticipated use by us** or **by** third ~~-~~ parties on whom we rely, may **increase the operational risks discussed above or create new operational risks that we are not currently anticipating. AI technologies offer potential benefits in areas such as customer service personalization and process automation, and we expect to use AI and Generative AI to help deliver products and services and support critical functions. We also expect third parties on whom we rely to do the same. AI and Generative AI may be misused by us or by such third parties, and that risk is increased by the relative newness of the technology, the speed at which it is being adopted, and the lack of laws, regulations or standards governing its use. Such misuse could expose the Company to legal or regulatory risk, damage customer relationships or cause reputational harm. Our competitors may also adopt AI or Generative AI more quickly or more effectively than we do, which could cause competitive harm. Because the Generative AI technology is so new, many of the potential risks of Generative AI are currently unknowable; however, specific risks relating to AI and Generative AI could include, among others: • Reputational Damage: Malicious actors could use AI to create deepfakes of the Company' s executives or manipulate financial documents, leading to loss of customer trust and significant reputational damage. Moreover, the use of AI trained on inaccurate data sets could result in inaccurate or biased decisions. • Fraudulent Activity: AI could be used to create forged documents or impersonate individuals to commit financial fraud, leading to financial losses and regulatory scrutiny. • Misinformation and Disinformation: The ability to generate realistic and convincing synthetic media could be used to spread misinformation and disinformation, impacting public opinion and undermining trust in the financial system. • Privacy Concerns: AI could be used to create synthetic identities or manipulate personal data, raising privacy concerns and potentially violating data protection regulations. • Cybersecurity**

Threats: AI could be used to create sophisticated phishing attacks or bypass security measures, increasing the risk of cyberattacks and data breaches. We, or third parties on whom we rely, may not adequately ensure the integrity, confidentiality, or availability of personal and confidential information. In the course of our ordinary business, we collect, store and disclose to various third ~~-~~parties (e. g., service providers, reinsurers, etc.) substantial amounts of personal and confidential information, including in some instances sensitive personal information, including health- related information. We are subject to the risk that the integrity, confidentiality, or availability of this information may be compromised, including as a result of an information security breach described above, or that such events occurring at third ~~-~~parties may not be disclosed to us in a timely manner. We have experienced cybersecurity events resulting in **, among other things,** the compromise of personal and confidential information, including sensitive health information, of our **employees,** customers and other stakeholders. See " Business — Regulation — Privacy and Cybersecurity Regulation " for a discussion of the applicable laws and regulations (including those requiring notice, disclosure or remediation) relating to cybersecurity events. We may incur significant costs and other negative consequences resulting from cyber- attacks or other information security breaches. Any compromise or perceived compromise of the security of our systems or data or of that of one of our vendors could damage our reputation, cause the deterioration or termination of relationships with, among others, customers, distributors, government- run health insurance exchanges, marketing partners and insurance carriers, reduce demand for our services, result in the loss of business opportunities, and subject us to significant liability and expense as well as regulatory action and lawsuits, which would harm our business, operating results and financial condition. We may also incur significant costs in connection with our response, recovery, remediation, and compliance efforts. Additionally, our failure to timely or accurately communicate cyber incidents to relevant parties could result in regulatory, ~~privacy,~~ operational and reputational risk. To the extent we maintain cyber insurance, liabilities or losses arising from certain cyber incidents may not be covered or fully covered under such policies, and the amount of insurance may not be adequate. Third ~~-~~parties (outsourcing providers, vendors and suppliers and joint venture partners) present added operational risk to our enterprise. The Company' s business model relies heavily on the use of third ~~-~~parties to deliver contracted services in a broad range of areas. This presents the risk that the Company is unable to meet legal, regulatory, financial or customer obligations because third ~~-~~parties fail to deliver contracted services, or that the Company is exposed to reputational damage because third ~~-~~parties operate in a poorly controlled manner. We use affiliates and third- party vendors located outside the U. S. to provide certain services and functions, which also exposes us to business disruptions and political risks as a result of risks inherent in conducting business outside of the United States. In our investments in which we hold a minority interest, or that are managed by third ~~-~~parties, we lack management and operational control over operations, which may subject us to additional operational, compliance and legal risks and prevent us from taking or causing to be taken actions to protect or increase the value of those investments. For example, see " Business — Regulation — ERISA **.** " ~~.~~In those jurisdictions where we are constrained by law from owning a majority interest in jointly owned operations, our remedies in the event of a breach by a joint venture partner may be limited (e. g., we may have no ability to exercise a " call " option). Affiliate and third- party distributors of our products present added regulatory, competitive and other risks to our enterprise. Our products are sold primarily through ~~our~~ captive / affiliated distributors and third- party distributing firms. Our captive / affiliated distributors are made up of ~~large numbers of decentralized~~ sales personnel who are **generally** compensated based on commissions. The third- party distributing firms ~~generally~~ are ~~not~~ **rarely** dedicated to us exclusively and may frequently recommend and / or market products of our competitors. Accordingly, we must compete ~~intensely~~ for their services. Our sales could be adversely affected if we are unable to attract, retain or motivate third- party distributing firms or if we do not adequately provide support, training, compensation, and education to this sales network regarding our products, or if our products are not competitive and not appropriately aligned with consumer needs. While third- party distributing firms have an independent regulatory accountability, ~~some~~ regulators have been clear with expectations that product manufacturers retain significant sales practices accountability. The Company and our distributors are subject to rules regarding the standard of care applicable to sales of our products and the provision of advice to our customers, and in recent years many of these rules have been revised or re- examined. In addition, there have been a number of investigations regarding the marketing practices of brokers and agents selling financial services products and the payments they receive. Furthermore, sales practices and investor protection have increasingly become areas of focus in regulatory examinations. These investigations and examinations have resulted in enforcement actions against us and companies in our industry and brokers and agents marketing and selling those companies' products. Enforcement actions could result in penalties and the imposition of corrective action plans and / or changes to industry practices, which could adversely affect our ability to market our products. If our products are distributed in an inappropriate manner, or to customers for whom they are unsuitable, or distributors of our products otherwise engage in misconduct, we may suffer reputational and other harm to our business and be subject to regulatory action, penalties or damages. Our business may also be harmed if captive / affiliate distributors engage in inappropriate conduct in connection with the sale of third- party products. Additionally, certain of our affiliated distributors engage in direct marketing to consumers through telemarketing, email marketing and other lead generation activities that subject us to various state and federal laws and regulations, including the Telephone Consumer Protection Act and the Americans with Disabilities Act. Violations of these regulations could subject our affiliated distributors to litigation and regulatory inquiries that result in penalties or damages. See Note ~~23~~ **25** to the Consolidated Financial Statements for additional information regarding litigation and regulatory matters relating to the distribution of products. Many of our distribution personnel are independent contractors or franchisees. From time to time, their status has been challenged in courts and by government agencies, and various legislative or regulatory proposals have been introduced addressing the criteria for determining the status of independent contractors' classification as employees for, among other things, employment tax purposes or other employment benefits. The costs associated with potential changes with respect to these independent contractor and franchisee classifications have impacted our results previously and could have a material adverse effect on our business in the future. Although we distribute our products through a wide variety of distribution channels, we do maintain relationships with certain key distributors. For example, a significant amount of our sales in Japan are derived through ~~four~~ major Japanese banks and a significant portion of our sales in Japan through Life Consultants is derived through a single association relationship. We periodically negotiate the terms of these relationships, and there can be no assurance that such terms will remain acceptable to us or such third- parties. An interruption in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, operating results and financial condition. Distributors may elect to reduce or terminate their distribution relationships with us, including for such reasons as adverse developments in our business, competitiveness of product offerings, adverse rating agency actions or concerns about market- related risks. We are also at risk that key distribution partners may merge, change their business models in ways that affect how our products are sold, or terminate their distribution contracts with us, or that new distribution channels could emerge and adversely impact the effectiveness of our distribution efforts. An increase in bank and broker- dealer consolidation activity could increase competition for access to distributors, result in greater distribution expenses and impair our ability to market products through these channels. Consolidation of distributors and / or other industry changes may also increase the likelihood that distributors will try to renegotiate the terms of any existing selling agreements to terms less favorable to us. Finally, we also may be challenged by new technologies and marketplace entrants that could interfere with our existing relationships. ~~).~~ We may not be able to protect our intellectual property and may be subject to infringement claims.We rely on a combination of contractual rights with employees and third- parties and on copyright,trademark,patent and trade secret laws to establish and protect our intellectual property.Although we endeavor to protect our rights,third- parties may infringe or misappropriate our intellectual property.We may have to litigate to enforce and protect our copyrights,trademarks,patents,trade secrets and know- how or to determine their scope,validity or enforceability.This would represent a diversion of resources that may be significant,and our efforts may not prove successful.The inability to secure,protect or retain our intellectual property assets could have a material adverse effect on our business and our ability to compete.We may be subject to claims by third- parties for (i) copyright,trademark or patent infringement;(ii) breach of copyright,trademark or license usage rights;or (iii) misappropriation of trade secrets.Any such claims and any resulting litigation could result in significant expense and liability for damages.If we were found to have infringed or misappropriated a third- party patent or other intellectual property right,we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods,processes,copyrights,trademarks,trade secrets or licenses.Alternatively,we could be required to enter into costly licensing arrangements with third- parties or implement a costly work around.Any of these scenarios could have a material adverse effect on our business and results of operations. **Model Risk** As a financial services company, we are exposed to model risk, which is the risk of financial loss or reputational damage or adverse regulatory impacts caused by model errors or limitations, incorrect implementation of models, or misuse of or overreliance upon models. Models are utilized by our businesses and corporate areas primarily to project future cash flows associated with pricing products, calculating reserves and valuing assets, as well as in evaluating risk and determining capital requirements, among other uses. ~~These~~ **Because** models ~~may not operate properly and may rely on assumptions and projections that~~ are ~~inherently uncertain~~ **used across the Company, model risk impacts all risk types** . As our businesses continue to grow and evolve, the number and complexity of models we utilize expands, increasing our exposure to error in the design, implementation or use of models, including the associated input data and assumptions. Furthermore, model risk will be elevated during periods of transformation or due to new or changing laws or regulations **.** Strategic Risk We are subject to the risk of events that can cause our fundamental business model to change,either through a shift in the businesses in which we are engaged or a change in our execution.In addition,other risks may become strategic risks.For example,we have considered and must continue to consider the impact of the interest rate environment on new product development and continued sales of interest sensitive products.Actions by foreign governments could adversely affect the value and long- term growth prospects of our businesses,particularly in emerging markets.For example,pension system reforms being proposed in some jurisdictions ~~(~~ (**including Chile** ~~e. g.~~ , ~~Accounting Standards Update~~ **Columbia and Peru) may limit the role of private companies, fundamentally changing our business in these markets. Likewise, geopolitical tensions** (including those between China and Taiwan) may cause governments to take actions such as the implementation of sanctions or other measures to restrict commercial activity in or among markets where we operate or have other interests.The timing and magnitude of any potential actions is uncertain,as is the effectiveness of any measures we may take to help limit the impact of these actions.Changes in the regulatory landscape may be unsettling to our business model.New laws and regulations are being considered in the U.S.and our other countries of operation at an increasing pace,as there has been greater scrutiny on financial regulation over the past several years.Proposed or unforeseen changes in law or regulation,or changes in the way existing laws or regulations are enforced,may adversely impact our business.See “ **Business —** Regulation ” for a discussion of certain recently enacted and pending proposals by international,federal and state regulatory authorities and their potential impact on our business,including in the following areas:• Financial sector regulatory reform.• U.S.federal,state and local and non- U.S.tax laws,including BEAT,GILTI and CAMT.• Fiduciary rules and other standards of care.• Our regulation under U.S.state insurance laws and developments regarding group- wide supervision and capital standards,accounting rules,RBC factors for invested assets and reserves for life insurance,variable annuities and other products.• Insurer capital standards in Japan and other non- U.S.jurisdictions.• Privacy, ~~big~~ data, ~~AI~~ **artificial intelligence** and cybersecurity regulation.Changes in accounting rules applicable to our business may also have an adverse impact on our results of operations or financial condition.For a discussion of accounting pronouncements and their potential impact on our business,including ~~ASU 2018~~ ASU ~~”)~~ 2018- 12, Financial Services- Insurance (Topic 944): Targeted Improvements to the Accounting for Long- Duration Contracts). We may not be able...... the Accounting for Long- Duration Contracts , see Note 2 to the Consolidated Financial Statements. Changes in technology and other external factors may be unsettling to our business model. We believe the following aspects of technological and other changes would significantly impact our business model. There may be other unforeseen changes in technology and the external environment, including the regulatory response to technological change, which may have a significant impact on our business model. • Interaction with customers. Technology is moving rapidly and as it does, it puts pressure on existing business models. Some of the changes we can anticipate are increased choices about how customers want to interact with the Company or how they want the Company to interact with them. Evolving customer preferences and changing privacy regulations may drive a need to redesign products and change the way we interact with customers. Our distribution channels may change to become more automated, at the place and time of the customer’ s choosing. Such changes clearly have the potential to disrupt our business model. • Investment Portfolio. Technology may have a significant impact on the companies in which the Company invests. For example, environmental concerns spur scientific inquiry which may reposition the relative attractiveness of wind or sun power over oil and gas. The transportation industry may favor alternative modes of conveyance of goods which may shift trucking or air transport out of favor. Consumers may change their purchasing behavior to favor online activity which would change the role of malls and retail properties. • Medical Advances. The Company is exposed to the impact of medical advances in two major ways. Genetic testing and the availability of that information unequally to consumers and insurers can bring anti- selection risks. Specifically, data from genetic testing can give our prospective customers a clearer view into their future, allowing them to select products protecting them against likelihoods of mortality or longevity with more precision. Also, technologies that extend lives will challenge our actuarial assumptions especially in the annuity- based businesses. The following items are examples of other factors which could have a meaningful impact on our business. • A downgrade in our financial strength or credit ratings could potentially, among other things, adversely impact our business prospects, results of operations, financial condition and liquidity. For a discussion of our ratings and the potential impact of a ratings downgrade on our business, see “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Ratings. ” We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies, which could adversely affect our business. Our ratings could be downgraded at any time and without notice by any rating agency. Credit rating agencies continually review their methodologies, including capital and earnings assessment models, as well as their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the industry as a whole and may change our credit rating based on their overall view of our industry. In addition, a sovereign downgrade could result in a downgrade of our subsidiaries operating in that jurisdiction, and ultimately of Prudential Financial and our other subsidiaries. • The changing competitive landscape may adversely affect the Company. In each of our businesses, we face intense competition from insurance companies, asset managers and diversified financial institutions, both for the ultimate customers for our products and, in many businesses, for distribution through non- affiliated distribution channels. Technological advances, changing customer expectations, including related to digital offerings, access to customer data, or other changes in the marketplace may present opportunities for new or smaller companies without established products or distribution channels to meet consumers’ increased expectations more efficiently than us. Fintech and insurtech companies and companies in other industries with greater access to customers and data have the potential to disrupt industries globally, and many participants have been partially funded by industry players. For example, in PGIM, we expect to see continued pressure on fees given the focus on passive investment and the growth of the robo- advice channel. • Climate change may increase the severity and frequency of calamities, or adversely affect our investment portfolio or investor sentiment. Climate change may increase the frequency and severity of weather- related disasters and pandemics. In addition, climate change regulation may affect the prospects of companies and other entities whose securities we hold, or our willingness to continue to hold their securities. It may also impact other counterparties, including reinsurers, and affect the value of investments, including real estate investments we hold or manage for others. We cannot predict the long- term impacts on us from climate change or related regulation. Climate change may also influence investor sentiment with respect to the Company and investments in our portfolio. • We may fail to meet expectations relating to environmental, social, and governance standards and practices. Certain existing or potential investors, customers and regulators evaluate our business or other practices according to a variety of environmental, social and governance (“ ESG ”) standards and expectations. Certain of our regulators have proposed or adopted, or may propose or adopt, ESG rules or standards that would apply to our business. Our practices may be judged by ESG standards that are continually evolving and not always clear. Prevailing ESG standards and expectations may also reflect contrasting or conflicting values or agendas. We may fail to meet our commitments or targets, and our policies and processes to evaluate and manage ESG standards in coordination with other business priorities may not be completely effective or satisfy investors, customers, regulators, or others. We may face adverse regulatory, investor, customer, media, or public scrutiny leading to business, reputational, or legal challenges. • Market conditions and other factors may adversely impact product sales or increase expenses. Examples include: ◦ A change in market conditions, such as higher inflation and higher interest rates, like we **have** ~~started to see~~ **seen** ~~in~~ **since** 2022, could cause a change in consumer sentiment and behavior adversely affecting sales and persistency of our savings and protection products. Conversely, low inflation and low interest rates could cause persistency of these products to vary from that anticipated and adversely affect profitability. Similarly, changing economic conditions and unfavorable public perception of financial institutions can influence customer behavior, including increasing claims or surrenders in certain products. ◦ Sales of our investment- based and asset management products and services may decline, and lapses and surrenders of certain insurance products and withdrawals of assets from investment products may increase if a market downturn, increased market volatility or other market conditions result in customers becoming dissatisfied with their investments or products. ◦ Changes in our discount rate, expected rate of return, life expectancy, health care cost and assumptions regarding compensation increases for our pension and other postretirement benefit plans may result in increased expenses and reduce our profitability. ~~• Geopolitical risk, rapidly rising interest rates and significant equity market declines, as we have seen since the first half of 2022, among other factors, adversely impact our liquidity and capital positions, cash flows, results of operations, and financial position. For additional information, see “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Current Market Conditions. ”~~ • Our reputation may be adversely impacted if any of the risks described in this section are realized. Reputational risk could manifest from any of the risks as identified in the Company' s risk identification process. Failure to effectively manage risks across a broad range of risk issues exposes the Company to reputational harm. If the Company were to suffer a significant loss in reputation, both policyholders and counterparties could seek to exit existing relationships. Additionally, large changes in credit worthiness, especially credit ratings, could impact access to funding markets while creating additional collateral requirements for existing relationships. The mismanagement of any such risks may potentially damage our reputational asset. Our business is anchored in the strength of our brand, our alignment to our values, and our proven commitment to keep our promises to our customers. Any negative public perception, founded or otherwise, can be widely and rapidly shared over social media or other means, and could cause damage to our reputation. ~~• Risks related to COVID- 19 could reemerge. Beginning with its emergence in 2020, the COVID- 19 pandemic increased or caused the manifestation of many of the risks discussed above, including, among others: the risk of loss on our investments, the risk of elevated mortality or morbidity, and the risk of market disruptions and volatility. The consequences of COVID- 19 to our business have included the suspension of our stock repurchase program from April 2020 until February 2021, volatility in our investment portfolio during 2020, and a significant net negative impact on our underwriting results in 2021 and 2022. We have discussed these impacts, and others, in the section entitled Management' s Discussion and Analysis of Financial Condition and Results of Operations in each of our Quarterly Reports on Form 10- Q and Annual Reports on Form 10- K filed since the first quarter of 2020. On the basis of what we currently understand about the impact of COVID- 19, we believe the risks it poses to our business will remain manageable but the risks relating to COVID- 19 could reemerge if the course of the pandemic deviates from our current expectations and could also manifest in the event of future pandemics, epidemics or other public health crises.~~