

This is an important notice from Prudential about your prescription drug coverage and Medicare. If you are not eligible for Medicare benefits, this notice does not apply to you and you do not need to take any action.

December 2005

Dear Prudential Employee and/or Covered Dependent:

Please read this notice carefully and keep it where you can refer to it if necessary. The following is information about your current prescription drug coverage with Prudential and a new prescription drug coverage option available January 1, 2006, for those covered under either Medicare Part A or Part B. There is also information intended to assist you in making decisions about your prescription drug coverage. This notice also tells you where to find more information to help you in making your prescription drug coverage decisions.

You are receiving this letter in case you may be covered by Medicare Part A or Part B, which would make you eligible to enroll in a Part D drug plan.

PRESCRIPTION DRUG COVERAGE AND MEDICARE

- **Starting January 1, 2006, prescription drug coverage will be available through Medicare prescription drug plans to everyone who is covered by Medicare Part A or Part B.**
- **Prudential has determined that the prescription drug coverage offered through the Prudential medical programs is, on average for all program participants, as good as or better than the standard Medicare prescription drug coverage. This is known as creditable coverage.**
- **Read this notice carefully. It explains the options you will have under the Medicare prescription drug program, and can help you decide whether or not you want to enroll yourself and/or your family member now or when you become a Medicare beneficiary.**

Medicare prescription drug coverage will be provided by private health insurance companies; **not** directly by the federal government. All Medicare prescription drug plans will provide at least a “standard” level of coverage set by Medicare (refer to page 6 for an illustrative example of the standard Medicare offering). Some plans might offer more coverage for a higher monthly premium.

You may be wondering how the new Medicare prescription drug plans will affect you. As long as you remain an active employee or eligible enrolled dependent with creditable coverage through Prudential, you can keep your Prudential coverage and not pay extra if you later decide to enroll in Medicare Part D. If, based on your personal situation, you are eligible for Medicare prescription drug benefits, you could choose to enroll in a Medicare Part D plan, but as long as you are enrolled in a Prudential medical program as an active employee or as an eligible dependent covered under a Prudential medical program by an active employee, in most cases any Part D plan benefits would be secondary to those provided under a Prudential medical program or the Employee Prescription Drug Program (whichever is applicable for the medical program in which you are enrolled).

If you are eligible and enroll for Medicare, Medicare will become your primary coverage for medical services (Parts A and B) and depending on your situation, you may become eligible to participate in a Prudential retiree medical program. You should also understand Medicare Part D, the benefits it provides and how it compares with the prescription drug benefits offered in connection with the Prudential retiree medical programs, if you meet the eligibility criteria.

Medicare prescription drug plans are generally designed for Medicare beneficiaries who need them most. These include two types of participants:

- **Those currently without prescription drug coverage.** Prudential has determined that each of its medical programs provides prescription drug coverage which, on average, is as good as or, in many cases, better than the standard Medicare prescription coverage. If you are not covered by a Prudential medical program, you do not have creditable coverage through Prudential. Once you are a Medicare beneficiary, you will need to consider your own individual circumstances and the amount you are required to pay for your Prudential medical coverage. In most cases, you will likely find that the Prudential medical programs generally provide a more valuable benefit than what you would receive under a Medicare Part D plan. If you are eligible for Medicare Part D and decide to enroll in a Part D plan, you will be able to do so during the Medicare open enrollment period. In this case, you will not have to pay a late enrollment penalty (as long as you do not have a break in your Prudential coverage of 63 days or more before enrolling in a Medicare Part D plan). If there are 63 days or more between the time you lose Prudential prescription drug coverage and the time you enroll in a Medicare Part D plan, late enrollment penalties will apply to your Medicare Part D plan premium. For 2006, the Medicare open enrollment period is November 15, 2005, through May 15, 2006. For subsequent years, the Medicare open enrollment period will be November 15, through December 31.

AND

- **Those with limited income and assets.** The Social Security Administration (SSA) mails information and applications for extra help directly to people who may qualify. While most Prudential employees and retirees may find that prescription drug benefits under a Prudential medical program are greater than the benefits Medicare Part D provides, those with *limited income and assets* will probably find they have better benefits through a Part D Plan. Here are some highlights of the special Part D benefits for those individuals:
 - Those eligible for full Medicaid benefits will receive drug benefits under Medicare rather than Medicaid. No Part D premium or deductibles will be required and copays will be \$1-\$5 (depending on exact income and the prescription drugs purchased).
 - Those with annual income less than 135% of the Federal poverty level who have less than \$6,000 in assets in 2005 (\$9,000 for a couple) will pay reduced copays compared to the standard plan and receive a subsidy to cover the average Part D monthly premium.
 - Those with annual income less than 150% of the Federal poverty level who have less than \$10,000 in assets in 2005 (\$20,000 for a couple) will receive premium subsidies on a sliding scale. They will pay a \$50 deductible and 15% coinsurance up to the Part D Plan's annual out-of-pocket limit, after which the Part D Plan will pay 100% of the cost of covered prescriptions.

Once you become a Medicare beneficiary, if you get an application it is important that you fill it out and return it as soon as possible to find out if you qualify for assistance. If you don't get an application, but think you qualify, visit the Social Security Web site at www.socialsecurity.gov or call 1-800-772-1213 and ask for an application. You can find Medicare's income level and asset guidelines at <http://www.cms.hhs.gov/medicarereform/lir.asp> or by calling 1-800-MEDICARE (1-800-633-2273).

Note to those who waive medical coverage: If you are currently waiving coverage and plan to waive medical coverage for 2006, you will **not** have creditable coverage under a Prudential medical program.

UNDERSTANDING THE BASICS

While you are still an active employee, or an eligible dependent covered under a Prudential medical program by an active employee, it's a good idea to understand how Medicare Part D plans work. It's completely up to you to decide what prescription drug coverage option makes the most financial sense for you and your family given your personal situation. If you think you may consider joining a Medicare prescription drug plan available in your area, you need to carefully evaluate what that plan has to offer versus the coverage you already have through your Prudential medical program.

You should understand some key things about the implications of joining a Medicare prescription drug plan and the coverage that will be offered:

- **Your coverage available through a Prudential medical program will be, on average, at least as good as standard Medicare prescription drug coverage.** This means if you are enrolled in a Prudential medical program, you currently have creditable coverage. If you have creditable coverage and you are eligible for Medicare prescription drug benefits, you could choose to enroll in a Medicare Part D plan, but as long as you are enrolled in a Prudential medical program as an active employee, or an eligible dependent covered under a Prudential medical program by an active employee, in most cases any Part D plan benefits would be secondary to those provided under a Prudential medical program or the Employee Prescription Drug Program (whichever is applicable for the medical program in which you are enrolled). Remember that if you maintain creditable coverage through your Prudential prescription drug coverage and you later choose to join a Medicare prescription drug plan, you may do so without paying a late enrollment penalty.
- **While you continue to be an active employee, or an eligible dependent covered by an active employee, you will continue to have creditable coverage if you remain enrolled in a Prudential medical program.** The prescription drug benefits for you and your family members who are eligible for Medicare will continue to be provided through your Prudential medical program or the Employee Prescription Drug Program (depending on the medical program in which you are enrolled).
- **If you drop or lose your coverage with Prudential and don't enroll in a Medicare prescription drug plan after your current coverage ends, you may pay more to enroll a Medicare prescription drug plan later.** If you go 63 days or longer without prescription drug coverage that is at least as good as Medicare's prescription drug coverage, your monthly premium will go up at least 1% per month for every month after May 15, 2006, that you did not have that coverage. For example, if you go six months without coverage, your premium will always be at least 6% higher than what most other people pay. You'll have to pay this higher premium as long as you have Medicare coverage. In addition, you may have to wait until the following November to enroll.
- **Different Medicare prescription drug plans will be offered.** Although Medicare has outlined a "standard" way that Medicare prescription drug plans will cover prescription drug expenses (refer to the Appendix on page 6 of this notice), different health insurance companies may offer plans with different benefits. For example, plans may have different deductibles, coinsurance requirements and premium costs. Each plan may also have a different "formulary," which is the list of drugs covered by the plan. Some plans may not cover the particular drugs you need. Once you become a Medicare beneficiary, you will likely receive information directly from various health insurers and prescription

drug benefit companies in your area that will offer Medicare prescription drug plans. At that time, you will need to carefully review their materials to learn how the plans work. Here are some things to think about:

- **The Medicare prescription drug plans will work much like other insurance.** You'll pay a monthly premium as well as a share of the cost of your prescriptions. However, the premiums will vary based on the plan you choose and your geographic location, and the premiums are expected to increase annually. The plans may also vary by the prescription drugs covered, how much you have to pay out of your pocket and which pharmacies you can use.
- **Some Medicare prescription drug plans will have “coverage gaps.”** This means that plans will pay benefits up to a certain amount, and then it will be up to you to pay the full cost for prescription drugs. Then, after you have paid a certain amount out of pocket, the plan will start to pay benefits again. To help you understand what this looks like, refer to the illustrative example on page 6.

EVALUATING A MEDICARE PRESCRIPTION DRUG COVERAGE PLAN

If you are eligible for and enroll in a Prudential medical program, you will have creditable prescription drug coverage through your Prudential medical program. However, if you want to consider a Medicare prescription drug plan, here are some questions to consider as you go through your decision-making process:

- **How much is the monthly premium for the Medicare prescription drug plan?** The monthly premiums for Medicare prescription drug plan coverage will vary significantly based on the actual plan offered and the location in which the coverage is being provided. Medicare has estimated that the national average premium for 2006 will be approximately \$32.20 per month for the standard plan. Premiums are expected to increase in future years. This premium is in addition to any premiums you will pay for your Prudential retiree medical coverage, Medicare Part A and/or Part B.
- **Does the Medicare prescription drug plan have an annual deductible? If yes, how much is it?** In addition to the annual premium to participate in the plan, the deductible is the amount you will need to pay out of your pocket each year before the plan pays any benefits. The annual deductible may be as high as \$250 for 2006, and potentially higher in future years.
- **After I meet the plan's deductible (if any), what will I pay each time I get a prescription filled?** After you meet the plan's deductible, you will most likely need to pay coinsurance, or a percentage of the cost of the drug. For example, if the cost of a drug is \$100 and the plan pays 75% of the cost of the retail price of the prescription, the portion of the drug's cost that you will pay is \$25 (or 25%).
- **Does the plan have a “coverage gap”?** If yes, how does it work? For an illustrative example of how a coverage gap might work, refer to the Appendix to this notice on page 6.
- **Does the plan have any restrictions on the drugs that are covered?** Different Medicare prescription drug plans will cover different drugs, and the particular drugs you take now may or may not be covered. Find out if the plan you are considering has a preferred drug list or formulary. If it does, you should check to see if it includes any medications you currently take.

ABOUT THIS NOTICE

Keep this notice. You may receive it at other times in the future, such as before the next Medicare prescription drug coverage enrollment period or if the drug coverage under your Prudential medical program changes. You also may request a copy if needed by calling the Prudential Benefits Center.

FOR MORE INFORMATION

For more information about this notice or your current prescription drug coverage provided by Prudential, you may call the Prudential Benefits Center at 1-800-PRU-EASY (1-800-778-3279) and speak the key words, “Health and Welfare Benefits.” Customer Service Representatives are available to answer your questions between 9 a.m. and 5 p.m., Eastern time, Monday through Friday. Participants who have a telephone device for the hearing impaired (TDD) may call 1-800-453-3022.

In addition, you can get more information about Medicare prescription drug plans from these places:

- The Medicare Web site, <http://www.medicare.gov>;
- Your State Health Insurance Assistance Program (see your copy of the “Medicare & You 2006” handbook for their telephone number); and
- 1-800-MEDICARE (1-800-633-4227). Participants who have a telephone device for the hearing impaired (TDD) may call 1-877-486-2048.

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For more information about this extra help, visit the SSA Web site at www.socialsecurity.gov or call 1-800-772-1213 (TTY 1-800-325-0778).

APPENDIX:

AN ILLUSTRATIVE EXAMPLE: STANDARD MEDICARE PLAN DESIGN

Percentage of Prescription Drug Costs Paid by Medicare Part D Prescription Drug Plans

