

STATE OF NEW JERSEY



COORDINATION EXAMINATION REPORT
RELATING TO THE CONDITION OF

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
NEWARK, NEW JERSEY

AS OF DECEMBER 31, 2021

NAIC COMPANY CODE 97195

NAIC GROUP CODE 0304

COORDINATING STATE

NEW JERSEY

PARTICIPATING STATES

ARIZONA

CONNECTICUT

INDIANA

Filed

June 26, 2023

Commissioner

Department of Banking &

Insurance

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DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
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May 25, 2023

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Dear Commissioner Caride:

Pursuant to your instructions and the laws of the State of New Jersey, an examination has been made of the financial condition and business affairs of the:

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
NEWARK, NJ 07102
NAIC GROUP CODE 0304
NAIC COMPANY CODE 97195

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, Pruco Life Insurance Company of New Jersey will be referred to in this report as the "Company" or "PLNJ".

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the New Jersey Department of Banking and Insurance (“NJDOBI”) as of December 31, 2016. The current examination covers the subsequent five-year period through December 31, 2021. The examination of PLNJ was conducted pursuant to N.J.S.A. 17:23-22 and was included in a coordinated full scope risk-focused examination of Prudential Financial, Inc. and its subsidiaries (“PFI” or “Group”) led by the NJDOBI pursuant to N.J.S.A. 17:27A-5 and N.J.S.A. 17:27A-5.2. The Arizona Department of Insurance and Financial Institutions, Connecticut Insurance Department, and the Indiana Department of Insurance participated in the examination.

The Group’s insurers domiciled in the U.S. are as follows at December 31, 2021:

New Jersey

The Prudential Insurance Company of America	NAIC #68241
Pruco Life Insurance Company of New Jersey	NAIC #97195
Prudential Legacy Insurance Company of New Jersey	NAIC #13809

Arizona

Prudential Annuities Life Assurance Corporation (1)	NAIC #86630
Pruco Life Insurance Company	NAIC #79227

and the following captive insurers:

Prudential Arizona Reinsurance Captive Company	NAIC #14299
Prudential Arizona Reinsurance Term Company	NAIC #14300
Prudential Arizona Reinsurance Universal Company	NAIC #14298
Prudential Term Reinsurance Company	NAIC #15456
Prudential Universal Reinsurance Company	NAIC #15344
Dryden Arizona Reinsurance Term Company	NAIC #14296
Gibraltar Universal Life Reinsurance Company	NAIC #16089

Connecticut

Prudential Retirement Insurance and Annuity Company (2)	NAIC #93629
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Indiana

Vantage Casualty Insurance Company	NAIC #11821
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- (1) Effective April 1, 2022, PFI sold its equity interest in Prudential Annuities Life Assurance Corporation (“PALAC”) to Fortitude Group Holdings, LLC (“Fortitude Group”).
- (2) Effective April 1, 2022, PFI sold its equity interest in Prudential Retirement Insurance and Annuity Company (“PRIAC”) (a direct subsidiary of PICA) to Empower Annuity Insurance Company of America (“Empower”).

In addition to the coordinated examination of insurance companies domiciled in the U.S., NJDOBI conducted an examination of PFI, and its insurance companies domiciled outside of the U.S. and non-insurance companies. A consolidated group-wide examination report has been separately issued by NJDOBI relating to the Group.

Risk & Regulatory Consulting, LLC (“RRC”) was engaged by NJDOBI to perform examination procedures for certain key functional activities of the Group, including evaluation of financial condition, information technology controls, and to conduct the actuarial and investment reviews of the Group.

The examination was conducted in accordance with the 2022 edition of the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires the examination be planned and performed in order to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives, (i) information was obtained regarding the Company’s corporate governance environment, and (ii) inherent risks to which the Company is exposed were identified and assessed. The examination team evaluated the Company’s system of internal controls and procedures used to mitigate identified risks. The examination team also assessed the principles used and significant estimates made by management, as well as evaluated the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and Annual Statement instructions.

The examination addressed the five-year period from January 1, 2017 to December 31, 2021. During this period, the Company’s reported admitted assets increased by \$6,117,694,715 to \$20,574,711,400 from \$14,457,016,685, liabilities increased by \$5,839,389,697 to \$19,983,140,096 from \$14,143,750,399 and total capital and surplus increased by \$278,305,018 to \$591,571,304 from \$313,266,286.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. During the examination, consideration was given to work performed by both the Company’s Internal Audit Department and PricewaterhouseCoopers, the Company’s external auditing firm during the examination period. Certain auditor workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. The examination does not attest to the fair presentation of the financial statements included herein. If during the examination, an adjustment is identified, the impact of such adjustment will be documented within the financial statements and commented on within the report caption “Notes to the Financial Statements.”

HISTORY

The Company was incorporated as PruLife Insurance Company of New Jersey on September 17, 1982. The Certificate of Incorporation (“Certificate”) of the Company was recorded in the Essex County Clerk’s Office on October 15, 1982, approved by the Commissioner of Insurance of the State of New Jersey and filed with the NJDOBI on October 18, 1982. This Certificate was amended on November 22, 1982, and the Company was renamed to Pruco Life Insurance Company of New Jersey. The amended Certificate was approved by the Commissioner and filed with the NJDOBI on December 3, 1982.

The Prudential Insurance Company of America (“PICA”) purchased all of the Company’s authorized voting stock on original issue in December 1982. In September 1983, PICA contributed the Company’s stock to Pruco Life Insurance Company (“PLAZ”). The Company is authorized to write “Life Insurance”, Health Insurance” and “Annuities” as defined in N.J.S.A. 17B:17-3 to 17B:17-5 as well as the following:

- “Reinsurance” (as authorized per N.J.S.A. 17B:18-62 and 17B:18-63 of Subtitle 3)
- “Extended reinsurance” (as authorized per N.J.S.A. 17B:18-65 of Subtitle 3)

- All other insurance and reinsurance as may be permitted by an insurer writing the types of insurance indicated above.

Administration and management of PLNJ is integrated into the Group's operations and management structure and is recognized as a strategic subsidiary of the Group.

The Company is a wholly owned subsidiary of PLAZ. The Company has 400,000 shares of capital stock at a par value of \$5 per share which is authorized, issued and outstanding to PLAZ as of December 31, 2021. The Company has not issued any preferred stock shares.

William J. Evers is the registered agent of the Company upon whom process may be served.

STATUTORY DEPOSIT

As of December 31, 2021, the Company, in accordance with N.J.S.A. 17B:18-37(c), had a fair market value of \$494,286 for the New Jersey statutory deposit.

TERRITORY AND PLAN OF OPERATION

The Company primarily operates within the Individual Life and Individual Annuity business divisions of the Group, and is licensed in the states of New Jersey and New York only. The Company distributes its products through independent brokers and dealers, banks, independent financial planners and producer groups. The Company also utilizes affiliated entities to produce business including universal, term and variable life insurance, and variable and fixed annuities.

REINSURANCE

The Company strategically utilizes reinsurance on a ceding basis with the majority of reinsurance ceded to affiliated reinsurers. Reinsurance is utilized to provide additional capacity for growth, provide risk diversification, and minimize the net loss potential from larger risks. The examination team reviewed significant reinsurance treaties and significant reinsurance changes since the last examination period. A summary of reinsurance by business segment as of December 31, 2021 is as follows:

Individual Annuities

The Company did not enter into any significant individual annuity assumed reinsurance treaties with third parties during the examination period.

The Company cedes the majority of its annuity contracts to PICA under coinsurance and modified coinsurance agreements. Products coinsured include all fixed deferred annuities and all payout annuities from matured deferred annuities, including those with interest only options. Also coinsured are the fixed rate options of all variable annuities and guarantees on variable deferred annuities. Modified coinsurance is in place for the separate account options of all variable annuities.

Individual Life

The Group utilizes captive reinsurance subsidiaries domiciled in Arizona to finance a portion of the statutory reserves required to be held by the Group's domestic life insurance companies (including PLNJ) under Regulation XXX and AXXX (AG38 and AG48, respectively) that are considered to be non-economic. Business ceded to each of the Arizona captives from the domestic

life insurance companies is specific to certain term life or Universal Life (“UL”) policies, and certain policy effective dates depending on the ceding company. Although the reserves are ceded to the captives, the majority of the mortality risk was retroceded to PICA through yearly renewable term (“YRT”) reinsurance until January 1, 2020. After retaining a portion of the mortality risk, PICA subsequently retroceded the remainder of the mortality risk to third party reinsurers.

The Group first adopted principle-based reserving (“PBR”) for new business in 2017 for certain permanent products and continued migrating products to PBR with conclusion of all new business in 2019. With the adoption of PBR, the Group ceased using captive reinsurance subsidiaries for new individual life business. Instead, effective January 1, 2020, the Group began aggregating the individual life mortality risk internally within PLAZ (instead of PICA).

A notable change in the structure of the YRT pools took place in 2021 for new business for permanent products, where the basis was changed from non-guaranteed YRT rates to fully guaranteed YRT rates effective January 1, 2021 (this change was prompted by the PBR requirements). This new structure applies to business ceded from PLNJ to PLAZ as well as PLAZ to third parties.

CORPORATE RECORDS

A review of the minutes of the Board of Directors (“Board”) meetings revealed conformity with the requirements of the Certificate of Incorporation and By-Laws concerning matters covered and authorizations made. The minutes of the Board meetings are detailed and comprehensive, and appear to fully reflect the acts, decisions and approvals of the Board.

The Company’s Certificate of Incorporation was created on February 12, 1998 and filed with the NJDOBI on February 16, 1998.

MANAGEMENT AND CONTROL

In accordance with the Company’s by-laws, the annual shareholder meeting is to be held at a time and place as designated by the Board. Special shareholder meetings may be called by the Chairman of the Board, President of the Company, or by Board resolution. Shareholders holding a majority of the shares who are entitled to vote shall constitute a quorum for the transaction of business.

The Company’s business is overseen by the Board, which shall have not less than five nor more than fifteen members. The Directors shall be elected at the annual meeting of shareholders. Each Director shall be elected to hold office until the next succeeding annual meeting and, subject to law and the by-laws, shall hold office for the term which elected and until his or her successor shall be elected and shall qualify. The Board shall exercise the powers of the Company subject to those powers reserved for the shareholders by law, by the Certificate of Incorporation or by the by-laws.

Directors

The following directors were elected and serving as of December 31, 2021:

<u>Director</u>	<u>Occupation</u>
Robert E. Boyle	VP Finance, PFI
Markus A. Coombs	VP Finance, PFI
Caroline A. Feeney-Pfundstein	Executive VP and Head of U.S. Business, PFI
Salene Hitchcock-Gear	President Individual Life Insurance, PFI
Nandini Mongia	SVP and Treasurer, PFI
Dylan John Tyson	President Prudential Retirement Strategies, PFI
Candace Jo Woods	SVP and Chief Actuary, PFI

Minutes of meetings held by the Board or Board Committees revealed adequate approval of the Company's transactions and events including the review and approval of the prior statutory financial examination report.

Committees

The Board by majority may establish from among its members a resolution to form a committee to oversee certain functions and affairs of the Company. The Company maintains an Audit Committee consisting of the following members as of December 31, 2021:

Audit Committee Members

Robert E. Boyle
Markus A. Coombs
Caroline A. Feeney-Pfundstein
Salene Hitchcock-Gear
Nandini Mongia
Dylan John Tyson
Candace Jo Woods

The Company maintains a Board of Directors and Audit Committee which complies with N.J.S.A. 17:27A- 4(d)(5) at the ultimate parent level (PFI).

Officers

The officers of the Company perform duties as designated by the Company's by-laws with respect to the offices they hold, or as otherwise indicated by the Board. The President, Treasurer, and Secretary shall be elected by majority vote of the Board. Other officers, if any, may be elected by the Board. Any two or more offices may be held by the same person apart from President and Secretary. Any officer may be required by the directors to give bond for the faithful performance of their duties to the corporation in such amount and with such sureties as the directors may determine.

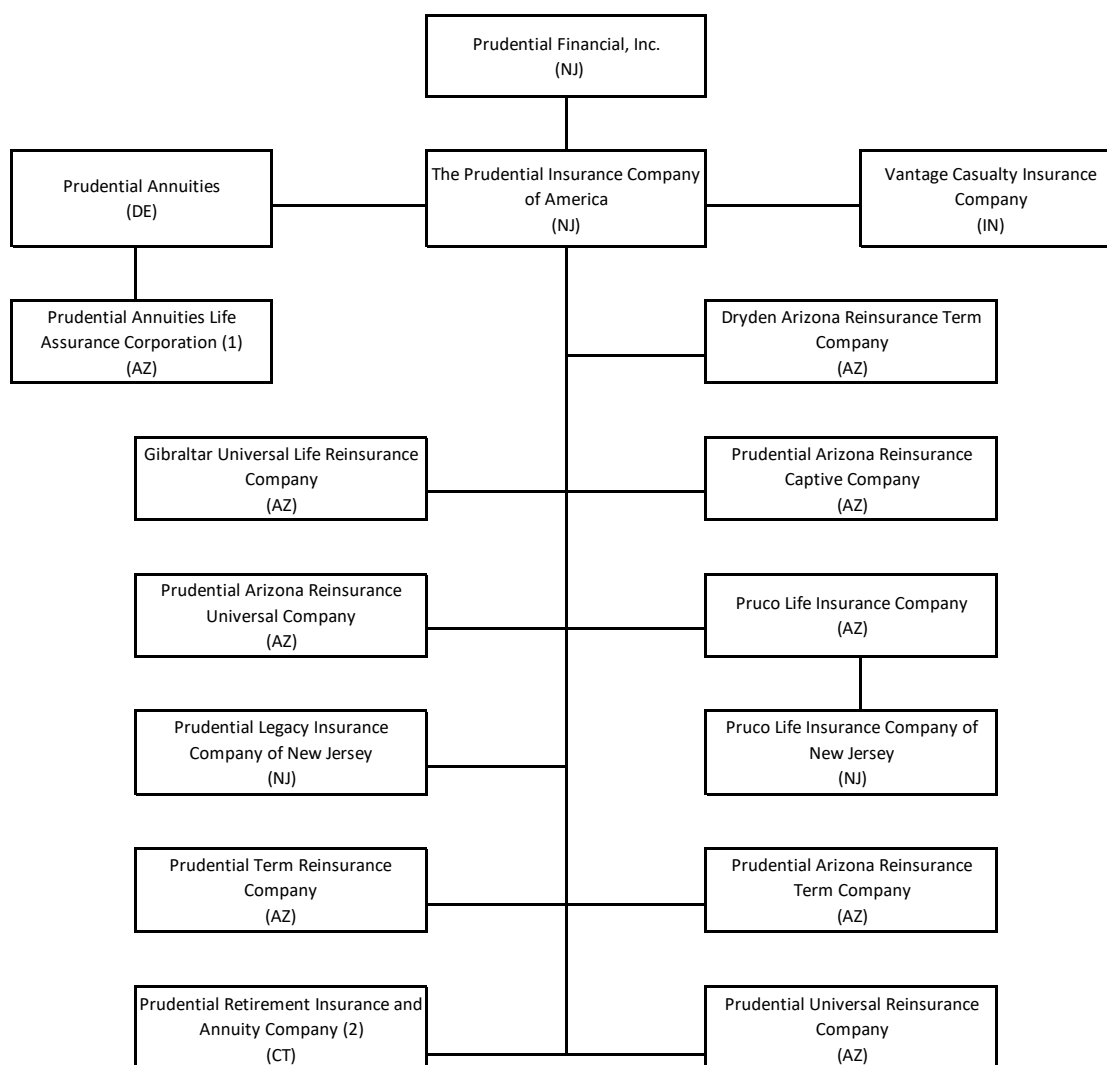
The following officers were elected and serving the Company as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Dylan John Tyson	President
Nandini Mongia	Treasurer
Todd Robert Bryden	Actuary
Lynn Stone	Secretary

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3.

The Group has over 400 domestic and international insurance and non-insurance entities within various business segments of the organization. The Group has insurance businesses throughout the world, with the most significant insurance entities in the United States and Japan. An abridged U.S. domestic holding company system organizational chart as of December 31, 2021 is as follows:



- (1) Effective April 1, 2022, PFI sold its equity interest in PALAC to the Fortitude Group.
- (2) Effective April 1, 2022, PFI sold its equity interest in PRIAC (a direct subsidiary of PICA) to Empower.

INTERCOMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

Intercompany Agreements

The Company is a party to various agreements with affiliated members within its holding company system. The primary types of contractual agreements between affiliated legal entities concern the provision of administrative and management services, investment management and advisory

services, cash management services and reinsurance. The following significant intercompany agreements were in effect during the examination period:

Administrative Service Agreements

Effective January 1, 2013, PICA entered into four separate Master Cash and Administrative Services Agreements with (1) PLAZ, (2) PFI, PLNJ, (3) PALAC, and (4) PRIAC. Effective December 1, 2014, the agreement with PLAZ was amended to add PICA's subsidiary captive reinsurance companies, and the agreement with PLNJ was amended to add Prudential Legacy Insurance Company of New Jersey ("PLIC"). Under these agreements, PICA furnishes services of officers and employees and provides supplies, use of equipment, office space, and makes payment to third parties for general expenses, state and local taxes. The agreements obligate the affiliates to reimburse PICA in connection with such services.

Effective September 9, 2001 and September 14, 2001, PICA entered into agreements with PLNJ and PLAZ, respectively, under which PICA furnishes PLNJ and PLAZ the same administrative support services that it provides in operation of its own business with regard to the payment of death claim proceeds by way of PICA's Alliance Account. Under the agreements, PLNJ and PLAZ death claims are paid using PICA's Alliance Account, whereby PICA establishes an individual account within its Alliance Account in the name of the beneficiary and makes all payments necessary to satisfy such obligations. PLNJ and PLAZ then reimburse PICA an amount equal to the death claim obligations.

Effective August 15, 2015, PICA entered into an Amended and Restated Administrative Services Agreement with PGIM Investments LLC ("PI"), AST Investment Services, Inc. and PLNJ. Under the terms of this agreement, PICA and PLNJ provide administrative services including maintaining certain books and records of the Prudential Series Fund and Advanced Series Trust. This agreement was amended and restated with respect to PICA and PI only effective August 15, 2021, and re-titled as a Revenue Sharing Agreement.

Tax Allocation Agreement

Effective January 1, 2001, the Company along with its parent PLAZ and other affiliates entered into a Consolidated Federal Income Tax Allocation agreement with PFI. Under this agreement, PFI files a consolidated federal income tax return and the consolidated tax liability is allocated to individual companies in the ratio that the company's separate return tax liability bears to the consolidated return liabilities. A complementary method is used, which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates.

International Swaps and Derivatives Association ("ISDA") Master Agreement

Effective December 1, 2014, PLNJ entered into an ISDA Master Agreement and Credit Support Annex with Prudential Global Funding, LLC ("PGF") to permit PGF to execute derivatives trades with PLNJ. This agreement was amended in 2021 in connection with revised ISDA initial margin posting requirements.

Investment Management Agreements

Effective December 8, 1982, PICA and PLNJ entered into an Investment Advisory Agreement. Under this agreement, PICA shall act as the investment advisor for PLNJ and, as such, will manage the investment and reinvestment of funds.

Effective November 7, 1986, PICA and PLNJ entered into an Investment Management Agreement whereby PICA will provide investment management services for PLNJ through a subsidiary.

Effective January 1, 2001, PGIM, Inc. (“PGIM”) and PLNJ entered into an Investment Management Agreement whereby PGIM will provide investment advice and management services to PLNJ. In addition, PGIM may be appointed as investment manager of certain assets whether or not held in custody accounts.

Broker-Dealer Selling Agreements

Effective June 9, 2017, PICA, PLAZ, PLNJ, PALAC, Prudential Annuities Distributors, Inc. (“PAD”), Pruco Securities, LLC (“PruSec”) and Prudential Insurance Agency, LLC (“PIA”) entered into a Broker-Dealer Selling Agreement for the distribution of certain annuity products. This agreement was subsequently amended effective January 1, 2019, to address the parties’ respective obligations under amendments to New York Insurance Regulations regarding Suitability and Best Interests in Life Insurance and Annuity Transactions.

Effective June 30, 2020, PLAZ, PLNJ, PALAC and PAD entered into a Broker-Dealer Selling Agreement pursuant to which PAD will act as broker-dealer and distributor of certain annuity contracts.

Wholesaling Agreement

Effective March 31, 2020, PLAZ, PLNJ, PAD and PruSec entered into a Wholesaling Agreement pursuant to which individual life insurance wholesalers who are FINRA-registered representatives of PAD will provide wholesaling services related to the marketing of PLAZ’s and PLNJ’s variable life insurance products to PruSec and other third-party retail broker dealers.

Related Party Transactions

The Company received the following capital contributions from parent PLAZ during the examination period:

<u>Year</u>	<u>Capital Contribution Received</u>
2017	\$1,300,000
2018	\$1,300,000
2019	\$59,536,451
2020	\$85,112,218
2021	\$201,300,000

The Company is subject to regulatory limitations on the payment of dividends. New Jersey insurance law provides that, except in the case of extraordinary dividends (as described below), all dividends or distributions paid by the Company may be paid only through unassigned surplus, as determined pursuant to statutory accounting principles, less unrealized capital gains and revaluation of assets. The Company must give prior notification to the Commissioner of the NJDOBI of its intent to pay any dividend or distribution. Also, if any dividend, together with other dividends or distributions made within the preceding twelve months, exceed the greater of (i) 10% of prior calendar year’s statutory surplus or (ii) the prior calendar year’s net gain from operations (excluding realized capital gains), then the dividend is considered as an “extraordinary dividend” and prior approval of the Commissioner of the NJDOBI is required for payment of the dividend. Moreover, the Commissioner of the NJDOBI is authorized to disallow the payment of any dividend or distribution, even if the dividend is not “extraordinary”, if it is determined that the Company does not have reasonable surplus as to policyholders relative to its outstanding liabilities and adequate to its financial needs or if the Company is determined to be in a hazardous financial condition.

A summary of all ordinary and extraordinary dividends paid during the examination period are summarized below:

<u>Year</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2021	\$0	\$0
2020	\$0	\$0
2019	\$0	\$0
2018	\$0	\$0
2017	\$79,000,000	\$21,000,000

POLICY ON CONFLICTS OF INTEREST

The Company's Conflicts of Interest policy applies to all of the Company's directors, officers and employees and requires disclosure of any outside activities or affiliations that may present or appear to present a potential or actual conflict of interest.

Annual conflict of interest statements are completed by directors, officers and key employees to note any potential conflicts of interest. PFI's Corporate Governance and Business Ethics Committee reviews the conflict of interest statements and reports any issues to the Board.

INFORMATION SYSTEMS

Information systems were reviewed at the service company level. The IT examination team's procedures considered a customized range of IT risks contained within the NAIC Exhibit C Part 2 Work Program, focusing on both IT governance and IT operational controls. Overall, the IT examination team concluded that IT General Controls ("ITGCs") are effective. IT review conclusions were based on inquiry, inspection of documentation, observation, independent research and a review of third-party workpapers. The IT examination team's conclusion regarding control strength was discussed with, and accepted by, the Examiner-in-Charge at the conclusion of the IT review.

CONTINUITY OF OPERATIONS

The Company's by-laws provide for the election of directors and the appointment of officers to fill any vacancies caused by death, resignation, disqualification, or removal by the Board of Directors.

The Company has a disaster recovery plan that was reviewed in the course of the examination IT review. No material findings were noted.

FINANCIAL STATEMENT EXHIBITS

Exhibit A: Statement of Assets, Liabilities, Surplus and Other Funds at
December 31, 2021 12

Exhibit B: Summary of Revenue and Expenses for the
Five-Year Period ending December 31, 2021 14

Exhibit C: Capital and Surplus Account for the
Five-Year Period ending December 31, 2021 15

Exhibit A

Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2021

<u>NET ADMITTED ASSETS</u>	<u>Current Examination</u>	<u>Balance Per Company</u>	<u>Examination Change</u>	<u>Note Number</u>
(000's)				
Bonds	\$ 1,799,082	\$ 1,799,082	0	1
Common Stocks	126	126	0	
Mortgage Loans on Real Estate: First Liens	115,935	115,935	0	
Cash, Cash Equivalents and Short-Term Investments	113,461	113,461	0	
Contract Loans	210,730	210,730	0	
Derivatives	43,528	43,528	0	
Other Invested Assets	108,642	108,642	0	
Receivables for Securities	43	43	0	
Investment Income Due and Accrued	23,084	23,084	0	
Uncollected Premiums and Agents' Balances in the Course of Collection	824	824	0	
Reinsurance: Amounts Recoverable from Reinsurers	37,486	37,486	0	
Reinsurance: Other Amounts Receivable Under Reinsurance Contracts	9,095	9,095	0	
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	27,552	27,552	0	
Net Deferred Tax Asset	22,126	22,126	0	
Guaranty Funds Receivable or on Deposit	1,415	1,415	0	
Receivables from Parent, Subsidiaries and Affiliates	111,784	111,784	0	
Aggregate Write-ins for Other than Invested Assets	329	329	0	
From Separate Account Statement	17,949,471	17,949,471	0	
Total Net Admitted Assets	\$ 20,574,711	\$ 20,574,711	0	

Exhibit A

Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2021

<u>LIABILITIES</u>	<u>Current</u>	<u>Balance Per</u>	<u>Examination</u>	<u>Note</u>
<u>(000's)</u>	<u>Examination</u>	<u>Company</u>	<u>Change</u>	<u>Number</u>
Aggregate Reserve for Life Contracts	\$ 1,601,932	\$ 1,601,932	0	2
Liability for Deposit-Type Contracts	203,187	203,187	0	
Contract Claims: Life	88,240	88,240	0	
Premiums and Annuity Considerations for Life and Accident and Health Contracts	888	888	0	
Other Amounts Payable on Reinsurance	50,502	50,502	0	
Interest Maintenance Reserve	2,020	2,020	0	
Commissions to Agents Due or Accrued-Life and Annuity Contracts	4,470	4,470	0	
General Expenses Due or Accrued	10,232	10,232	0	
Transfers to Separate Accounts Due or Accrued (Net)	(17,609)	(17,609)	0	
Taxes, Licenses and Fees Due or Accrued	8,794	8,794	0	
Unearned Investment Income	1	1	0	
Amounts Withheld or Retained by Reporting Entity as Agent or Trustee	319	319	0	
Remittances and Items Not Allocated	4,137	4,137	0	
<u>Miscellaneous Liabilities:</u>			0	
Asset Valuation Reserve	36,289	36,289	0	
Payable to Parent, Subsidiaries and Affiliates	2,357	2,357	0	
Derivatives	23,391	23,391	0	
Payable for Securities	16,092	16,092	0	
Aggregate Write-ins for Liabilities	2,480	2,480	0	
From Separate Accounts Statement	17,945,417	17,945,417	0	
Total Liabilities	<u>\$ 19,983,140</u>	<u>\$ 19,983,140</u>	<u>0</u>	
 <u>Surplus and Other Funds</u>				
Common Capital Stock	\$ 2,000	\$ 2,000	0	
Gross Paid In and Contributed Surplus	416,401	416,401	0	
Unassigned Funds (Surplus)	173,170	173,170	0	
Surplus as Regards Policyholders	591,571	591,571	0	3
Total Liabilities, Capital and Surplus	<u>\$ 20,574,711</u>	<u>\$ 20,574,711</u>	<u>0</u>	

Exhibit B

Summary of Revenue and Expenses For the Five-Year Period Ending December 31, 2021

REVENUE (000's)	2021	2020	2019	2018	2017
As of December 31,					
Premiums and Annuity Considerations for Life and Accident and Health Contracts	\$ 321,891	\$ 364,132	\$ 296,967	\$ 257,297	\$ 219,753
Considerations for Supplementary Contracts with Life Contingencies					25
Net Investment Income	84,131	77,410	74,222	68,384	65,742
Amortization of Interest Maintenance Reserve	578	(34)	471	378	457
Separate Accounts Net Gain from Operations Excluding Unrealized Gains or Losses	(81)	(520)	1,916	(344)	(271)
Commissions and Expense Allowances on Reinsurance Ceded	103,375	142,601	209,482	203,210	209,682
Reserve Adjustments on Reinsurance Ceded	(1,154,788)	(598,407)	(143,224)	(166,902)	(187,192)
Miscellaneous Income:					
Income From Fees Associated with Investment Management, Administration and Contract Guarantees from Separate Accounts	376,186	349,041	338,149	326,353	314,355
Aggregate Write-ins for Miscellaneous Income	11,518	8,921	6,203	7,769	12,136
Total Income	\$ (257,190)	\$ 343,143	\$ 784,185	\$ 696,145	\$ 634,687
DEDUCTIONS (000'S)					
Death Benefits	\$ 172,116	\$ 93,206	\$ 77,099	\$ 63,729	\$ 57,342
Disability Benefits and Benefits Under Accident and Health Contracts	4,261	4,480	4,693	4,696	4,929
Surrender Benefits and Withdrawals for Life Contracts	59,762	48,335	58,924	53,303	138,011
Interest and Adjustments on Contract or Deposit-Type Contract Funds	7,641	6,165	5,088	5,014	4,811
Payments on Supplementary Contracts with Life Contingencies	16	16	16	16	15
Increase in Aggregate Reserves for Life and Accident and Health Contracts	5,643	203,290	100,109	123,079	85,941
Total Benefits	\$ 249,439	\$ 355,491	\$ 245,929	\$ 249,837	\$ 291,048
Commissions on Premiums, Annuity Considerations and Deposit-Type Contract Funds (Direct Business Only)	\$ 101,179	\$ 114,790	\$ 123,672	\$ 106,747	\$ 100,581
General Insurance Expenses and Fraternal Expenses	114,808	131,534	142,829	134,646	143,125
Insurance Taxes, Licenses and Fees, Excluding Federal Income Taxes	12,092	13,581	11,153	13,495	13,038
Increase in Loading on Deferred and Uncollected Premiums	272	(73)	2,479	1,271	282
Net Transfers to or (from) Separate Accounts Net of Reinsurance	(789,927)	(160,713)	209,264	151,717	50,874
Aggregate Write-ins for Deductions	29	7	3	11	3
Total Expenses	\$ (312,108)	\$ 454,618	\$ 735,329	\$ 657,723	\$ 598,952
Net Gain from Operations Before Dividends to Policyholders, Refunds to Members and Federal Income Taxes	54,918	(111,475)	48,856	38,422	35,735
Federal and Foreign Income Taxes Incurred	9,797	(35,421)	6,217	6,389	3,669
Net Realized Capital Gains or (Losses)	6,922	5,750	(4,308)	560	1,268
Net Income	\$ 52,042	\$ (70,303)	\$ 38,332	\$ 32,594	\$ 33,335

Capital and Surplus Account
For the Five-Year Period Ending December 31, 2021

As of December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Capital and Surplus (000's)					
December 31, Previous Year	\$ 337,110	\$ 338,593	\$ 233,551	\$ 222,988	\$ 313,266
Net Income	52,042	(70,303)	38,332	32,594	33,335
Change in Net Unrealized Capital Gains or Losses	11,386	4,201	12,664	(9,264)	3,826
Change in Net Deferred Income Tax	8,891	3,873	12,027	7,848	(19,620)
Change in Non-Admitted Assets	(4,828)	(8,413)	(6,113)	(9,279)	8,173
Change in Net Unrealized Foreign Exch. Cap Gains/(Losses)	94	419	(276)	307	(188)
Change in Asset Valuation Reserve	(7,166)	(6,975)	(4,502)	2,654	(2,238)
Surplus (Contributed to) Withdrawn from Separate Accounts					
During Period	(866)	(371)	1,506	(626)	(673)
Other Changes in Surplus in Separate Accounts Statement	866	371	(1,506)	626	673
Paid in Surplus	201,300	85,112	59,536	1,300	(19,700)
Dividends to stockholders	-	-	-	-	(79,000)
Aggregate Write-ins for Gains or Losses in Surplus	(7,258)	(9,397)	(6,626)	(15,597)	(14,866)
Total Other Surplus Gains or Losses	<u>202,419</u>	<u>68,820</u>	<u>66,710</u>	<u>(22,031)</u>	<u>(123,613)</u>
Increase or Decrease as Regards Policyholders	254,461	(1,483)	105,042	10,563	(90,278)
Surplus as Regards Policyholders					
December 31, Current Year	<u>\$ 591,571</u>	<u>\$ 337,110</u>	<u>\$ 338,593</u>	<u>\$ 233,551</u>	<u>\$ 222,988</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Invested Assets

At December 31, 2021, PLNJ held approximately 75% of its total cash and invested assets in bonds in the amount of \$1,799,081,853. The majority of the Company's bond holdings are investment grade with NAIC 1 (63%) and NAIC 2 (33%) holdings comprising approximately 96% of total bonds held. The Company's invested assets were determined to be in compliance with New Jersey laws and regulations and the NAIC's Securities Valuation Office Purposes and Procedures Manual at December 31, 2021.

Note 2 - Actuarial Review

In conjunction with the coordinated full-scope examination of the Group, NJDOBI utilized the services of RRC to perform an actuarial examination based on statutory requirements and to provide a report for the insurers domiciled in the U.S. The risk-focused examination procedures included evaluation of actuarial controls, procedures and processes. Data for the valuation of company liabilities was reviewed, and an evaluation was conducted to ensure all relevant data was included in the review. Significant ceded reinsurance agreements were also evaluated to ensure the agreement terms supported a transfer of risk to the assuming reinsurers. Based on these reviews, actuarial accounts based on statutory requirements were deemed to be adequately stated as of December 31, 2021, and reinsurance agreements adequately transferred risk.

Note 3 - Capital and Surplus

The Company reported surplus as regards policyholders at December 31, 2021, of \$591,571,304, which consisted of common stock of \$2,000,000, gross paid in and contributed surplus of \$416,401,197, and unassigned funds of \$173,170,107.

The Company was determined to be in compliance with the minimum capital and surplus requirements of the State of New Jersey at December 31, 2021.

PERMITTED PRACTICES

The Company filed two (2) permitted practices on October 8, 2015. The permitted practices supported: (1) the recapture of PLNJ's variable annuity living benefit rider risks from Prudential's captive reinsurer, Pruco Reinsurance Ltd. ("Pruco Re") and (2) the reinsurance of PLNJ's variable annuity contracts with PICA. Each permitted practice was approved by NJDOBI on December 3, 2015 for only a one (1) year period to not extend beyond the implementation of a new variable annuities framework resulting from the NAIC's Variable Annuities Issues Working Group ("VAIWG") work.

During the examination period, each permitted practice was renewed for a one (1) year period. The Company used only one of the two permitted practices for the 2019 financial statements. The Company no longer needed the permitted practices for 2020 due to the implementation of Actuarial Guideline 43.

COMMITMENTS AND CONTINGENCIES

The Company is routinely involved in claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of business. The Company believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on the results of operations, financial condition or liquidity based on management's current knowledge and taking into consideration current accruals.

During the normal course of its business, the Company utilized financial instruments with off-balance sheet risk such as commitments to fund investments in private placement securities and commitments to originate mortgage loans. These commitments were approximately \$62 million at December 31, 2021.

SUMMARY OF EXAMINATION RECOMMENDATIONS

The examination warranted no reportable findings nor statutory violations. Other observations and recommendations have been communicated to the Board and Management which relate to corporate governance, general controls, and procedures and processes, as well as specific items identified during the examination.

SUBSEQUENT EVENTS

COVID-19

The Company continues to monitor the impact of the COVID-19 global pandemic due to uncertainty regarding the long-term impact to the U.S. and global insurance industry. Subsequent developments with COVID-19 could have a significant financial impact on insurers, including the Company. As such, the Company will continue to monitor and share information with NJDOBI as appropriate related to COVID-19 developments.

Impact of Changes in the Interest Rate Environment

The U.S. Federal Reserve ("Fed") increased rates by 25 basis points and set the federal funds target rate range between 4.75% and 5.0% following the second Federal Open Market Committee ("FOMC") meeting of 2023 on March 21 and March 22. Prior to the March increase, the Fed increased the rate by 25 basis points in February 2023 and 50 basis points in December 2022. This followed four consecutive increases of 75 basis points during June through November 2022, and increases of 50 basis points in May 2022 and 25 basis points in March 2022.

As a global financial services company, market interest rates are a key driver of liquidity and capital position, cash flows, results of operations and financial position of the Company. Changes in interest rates can affect the Company in several ways, including, but not limited to, favorable or adverse impacts to investment-related activity, including: investment income returns, the valuation of fixed income investments and derivative instruments, collateral posting requirements, hedging costs and other risk mitigation activities, customer account values and assets under management. Insurance reserve levels, policyholder behavior, including surrender or withdrawal activity, may also be affected. NJDOBI is in regular communication with Management and is closely monitoring the impact of changes in interest rates. Additionally, in light of the significant impact of rising

interest rates on derivative instruments, NJDOBI as Group-wide Supervisor will perform an interim review of the Group's Hedge Effective accounting practices.

Capital Contribution

In February 2022, the Company received approval from the NJDOBI to record a \$100 million receivable as of December 31, 2021, for a capital contribution from parent PLAZ. The capital contribution was received by the Company prior to March 1, 2022.

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff.

The examination and audit was conducted remotely. The courteous assistance and cooperation of the Company's management is acknowledged.

Respectfully submitted,



Darin Benck, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

The undersigned hereby certifies that an examination has been made of Pruco Life Insurance Company of New Jersey and the foregoing report is true to the best of my knowledge and belief. The examination was performed in accordance with the NAIC Financial Condition Examiners Handbook and New Jersey Statutes and Regulations.

Respectfully submitted,

Darin Benck

Darin Benck, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 26th day of June, 2023.

Sheila M. Thrus

Notary Public of New Jersey

My commission expires: July 2025