STATE OF NEW JERSEY

COORDINATED MARKET CONDUCT EXAMINATION
(EXAM TRACKING NUMBER NJ-119-17)

OF

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
(NAIC COMPANY CODE 68241, GROUP 0304)

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY
(NAIC COMPANY CODE 93629, GROUP 0304)

GROUP CORPORATE OFFICE ADDRESS
751 BROAD STREET
NEWARK, NEW JERSEY 07102-3777

as of

April 16, 2021

<u>GROUP-WIDE SUPERVISOR AND LEAD STATE</u>

NEW JERSEY

<u>PARTICIPATING STATE</u>

CONNECTICUT

DATE ADOPTED: April 27, 2021

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I. INTRODUCTION

This is a report of a coordinated Market Conduct Examination ("Examination") of The Prudential Insurance Company of America ("PICA") and Prudential Retirement Insurance and Annuity Company ("PRIAC"), (collectively referred to as "Prudential" or the "Company"). The Examination was conducted pursuant to New Jersey's examination powers in N.J.S.A. 17:23-20 through -26, N.J.S.A. 17:27A-5, and New Jersey's powers as Group-wide Supervisor of Prudential Financial, Inc. ("PFI") under N.J.S.A. 17:27A-5.2.

The Examination commenced on June 3, 2019, by the New Jersey Department of Banking and Insurance ("NJDOBI"), and the Connecticut Insurance Department ("CID") joined the Examination in relation to PRIAC on October 8, 2019. In this report, examiners of NJDOBI present their findings, conclusions and recommendations as a result of the Examination.

A. SCOPE AND BACKGROUND OF EXAMINATION

NJDOBI examined the Company's operational processing and reserving practices for Guaranteed Group Annuity ("GAC") contracts. The Examination primarily focused on the Company's responsibilities to (i) contact and locate certificate holders of GACs, and (ii) account and reserve for payment obligations when the Company cannot locate the certificate holder ("unlocated annuitant").

Prudential has been in the pension risk transfer ("PRT") business since 1928. In PRT transactions, plan sponsors purchase annuity contracts from the Company to settle plan obligations for plan participants included in a transaction, and plan participants become annuitants under a GAC issued by Prudential. The Company has two types of payment arrangements under GACs, which are referred to as "Prupay" and "Reimbursement Contracts." The difference between the two types of payment arrangements is the party with whom the Company communicates and to which it pays the benefit. In a Prupay arrangement, the Company communicates directly with the annuitants and pays benefits directly to the annuitants. In a Reimbursement arrangement, the Company communicates with and pays benefits to the Client/Plan Sponsor, who in turn is responsible for communicating with and paying benefits directly to the annuitants.

Prudential's total GAC annuitant population as of January 2018 was approximately 1.9 million. Of this population, 13,911 annuitants [10,805 for PICA and 3,106 for PRIAC] were identified by the Company to be unlocated as of January 2018, which is .73% of the total population. The number of unlocated annuitants changes constantly. New annuitants are added to the unlocated list and, as annuitants are found, they are removed from the unlocated list. Generally, Prudential locates most unlocated annuitants within the first two years of their Normal Retirement Date ("NRD"), generally age 65. Even if annuitants become unlocated, their information is maintained indefinitely on Prudential's systems and they are searched for until found or death is confirmed.

The period of examination was January 1, 2018 through March 31, 2019 for GACs issued prior to and during the examination period. On May 1, 2020, the Company reported that they identified 3,913 additional unlocated annuitants [3,469 for PICA and 444 for PRIAC] that were not included in the initial scope of the examination. The Company stated that this was due to a data deficiency in the initial search criteria in identifying the unlocated annuitants.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled, or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once in calculating error ratios. However, any file that contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners' findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios.

The examiners sometimes found errors that may be technical in nature and/or which did not have an impact on a consumer. The examiners did not count each of these files as an error in determining error ratios. Whenever business practices or errors do have an impact on the consumer, all such files in error will be counted in the error ratio. The examiners indicated in the report whenever they did not count particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. These inquiries provided Prudential the opportunity to respond to the examiners' findings and to provide exceptions to the errors herein. In response to these inquiries, Prudential agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and any additional documentation Prudential provided to support their disagreement and gave due consideration to all comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries. For the most part, this is a report by exception. The findings included in the report are referred to as "Reportable Findings."

C. COMPANY PROFILE

PFI is a financial services company which has operations throughout the United States and outside of the United States. PFI offers, through its affiliated companies, a wide array of financial products and services including life insurance, annuities, retirement-related services, mutual funds, and investment management services. PFI's executive offices are located in Newark, New Jersey.

PFI has approximately 400 consolidated subsidiaries, consisting generally of operating companies for current or discontinued businesses, intermediate holding companies, entities holding strategic and other investments, and other single-purpose entities. The group has insurance businesses throughout the world, with the most significant insurance entities in the United States and Japan. Most of the group's non-insurance entities provide investment management and advisory services by means of institutional portfolio management, retail funds management, private lending, asset securitization activity and other structured products. These products and services are provided to third-party clients and to other group businesses.

PICA and PRIAC are two of the group's ten material legal entities. Through PICA and PRIAC, the group provides PRT arrangements and services to companies that are looking for de-risking strategies for their retirement benefit obligations, including pensions and retiree medical plans. The pension de-risking is typically completed through liability-driven investing, buy-outs, and longevity insurance and reinsurance. The buy-out program typically involves annuity purchases. Prudential's office in Scranton, Pennsylvania is where the main operations team is located that handles GACs and the associated onboarding process of new contracts and ongoing administration.

PICA traces its beginning to 1875. On December 18, 2001, PICA converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of PFI. PICA provides a wide array of financial products and services, including life insurance, annuities, pension, and retirement related services and administration, including GACs. PRIAC, formerly known as CIGNA Life Insurance Company, was Cigna's Retirement business, which was acquired by PFI in 2004. PRIAC provides retirement investment and income products and services to public, private, and not for profit organizations. PRIAC offers plan sponsors and their participants a broad range of products and services to assist in the delivery and administration of qualified and nonqualified defined contribution and defined benefit retirement plans. PRIAC also offered group annuity products that provide risk transfer solutions to U.S. pension plan sponsors, including GACs.

D. EXECUTIVE SUMMARY

The Examination included a review of the Company's operational processes and reserving practices related to GACs. The Examination primarily focused on the Company's responsibilities to (i) contact and locate certificate holders of GACs, and (ii) account and reserve for payment obligations when the Company cannot locate the certificate holder ("unlocated annuitant").

<u>Operational Processing for GACs</u>

Finding	Description	Error Rate
Reimbursement GAC Procedures	Failure to perform certain related procedures to contact annuitants of reimbursement contracts approaching Normal Retirement Date (NRD).	PICA: 20 of 116 (17.2%) PRIAC: 12 of 114 (10.5%)
Record Retention relating to Refresh Activities	Failure to maintain adequate documentation to fully respond to inquiries during the Examination.	PICA: 31 of 116 (26.7%) PRIAC: 51 of 114 (44.7%)
Annual Privacy Notices to Unlocated Annuitants or Client/Plan Sponsor Reminders	Failure to provide annual privacy notices to unlocated annuitants or reminder letters to the Client/Plan Sponsor.	PICA: 26 of 116 (22.4%) PRIAC: 25 of 114 (21.9%)

Finding	Description	Error Rate
Inconsistent Application of Death Matches	Failure to apply EOE procedures consistently to potential deceased annuitants within the population of unlocated annuitants.	882 of 5,913 (14.9%) PICA: 800 instances PRIAC: 82 instances

Reserving Practices for GACs

Statutory reserves related to unlocated annuitants were found to be understated in relation to N.J.S.A. 17B:19-11 and the Commissioners Reserve Valuation Method ("CRVM"), as well as the related Connecticut statutes. The Company posted an additional $218 million in statutory reserves as of 12/31/2019 [$197 million for PICA and $21 million for PRIAC]. Total GAC reserves as of 12/31/2019 were $69 billion [$66 billion for PICA and $3 billion for PRIAC].

Additional Unlocated Annuitants Identified after Review

On May 1, 2020, the Company reported that they identified 3,913 additional unlocated annuitants that were not included in their "Refresh" activities and in the initial scope of the examination. The Company stated that this was due to a data deficiency in the initial search criteria in identifying the unlocated annuitants.

The Company is conducting essentially the same "Refresh" activities for the additional unlocated annuitants. In addition, the Company has posted an additional $84 million in statutory reserves as of 6/30/2020 [$77 million for PICA and $7 million for PRIAC].

Detailed descriptions of the Reportable Findings appear in the sections that follow.

II. OPERATIONAL PROCESSING FOR GACs

A. INTRODUCTION

The focus of this part of the Examination was to determine if the Company's business practices and handling of unlocated annuitants for GACs were adequate and in compliance with New Jersey statutes and regulations.

Onboarding Procedures

When a new PRT transaction is onboarded, the annuitant's data is provided by the Plan Sponsor to Prudential. Prudential generally requires that the Plan Sponsor provide name, address, social security number, date of birth and sex; however, at times, particularly for earlier PRT contracts, some of this information was/is not available. After Prudential receives the data from the Plan Sponsor, a data integrity review is performed, and information is updated. The data is then reviewed by the Plan Sponsor, who approves the data file. Prudential then issues the GAC to the Plan Sponsor, and a Welcome Kit and Annuity Certificate is sent to the annuitant. Some of the annuitants are already retired and receiving payments, while other annuitants are deferred and are not yet receiving payments.

If the Welcome Kit and Annuity Certificate are returned as undeliverable, Prudential makes multiple attempts to contact the annuitant including using an outside vendor to identify a new address. The outside vendor provides a commercial research tool that utilizes numerous databases to deliver results. Prudential has been using the current vendor since 2002 to search for addresses. As these tools have matured, they have become more effective in locating individuals.

Procedures to Contact/Locate Annuitants

For deferred annuitants approaching NRD, Prudential performs an address search 90 days prior to NRD and writes to the annuitant to tell them a benefit may be due. If no response is received, Prudential sends another letter 60 days prior to NRD. If no response is received, Prudential will perform another address search and, if a new address is identified, the 90-day process is repeated. Once this process is completed, and if the annuitant is still not found, the annuitant is considered unlocated.

For those annuitants that can delay retirement, generally until age 70 ½, (more than half of Prudential's population) the 90-day process is repeated before the delayed retirement commencement date. An annuitant who is eligible to postpone retirement is only considered unlocated after all the searches at the annuitant's postponed date are completed and the annuitant does not respond to Prudential's requests for information required to commence benefits.

Continued Monitoring of Unlocated Annuitants

In addition to the efforts outlined above, unlocated annuitants are continually monitored through a monthly Evidence of Existence ("EOE") process. The Company contracts with an outside vendor to provide confirmed and potential death matches. Prudential also regularly compares a death reported in one business line against all covered lives in its other business lines to determine if the deceased has any other products with Prudential which are impacted. If Prudential is informed of a death in any line of business, procedures are in place to calculate whether any benefits are due to the individual, and they will be paid to a beneficiary, the individual's estate, or escheated, as appropriate.

Refresh Activities

In January 2018, the Company initiated a "Refresh" review of its identified unlocated annuitant population of approximately 13,900 and the associated procedures to maintain contact with and locate annuitants. The Company's Refresh activity included using online searches and locator services to research addresses on all unlocated annuitants and sending letters to the last known address of unlocated annuitants or to the Plan Sponsor for Reimbursement contracts. The Company also ran the unlocated annuitant population against a vendor's full text obituary search tool.

As of December 2019, the Company located approximately 31% (4,300) of the initial population of 13,900 unlocated annuitants. Of the approximately 4,300 located annuitants, benefits were paid to approximately 3,000, and 300 became unresponsive after contact with the Company and benefits could not be determined, with the remainder determined to have no benefits due.

B. ERRORS

The Examiners tested samples from the following three populations:

- Unlocated Annuitants
- GAC certificate holders as of December 31, 2018
- New GACs issued during the examination period

The Examiners developed testing procedures for each specific sample. When testing unlocated annuitants, the Examiners requested documentation to support that effective outreach to annuitants occurred at NRD and on an ongoing basis if the annuitant was nonresponsive at NRD. The Examiners also evaluated the Company's processes if the annuitant was deceased and was owed a benefit. Additionally, the Examiners assessed whether the Company followed the Refresh and Enhancement activities established by the Company in 2018.

When testing the GAC certificate holders, the Examiners viewed system documentation to evaluate whether the annuitant received monthly annuity payments through the date of death and whether the Company sent appropriate communication(s) to the annuitant and/or estate when payments were stopped upon death. Additionally, the Examiners reviewed documentation to evaluate whether the annuitant authorized any lump sum distributions and if any applicable communication was sent to the financial institution where the distribution was to be sent as designated by the annuitant.

When testing the onboarding of new GACs, the Examiners requested documentation to demonstrate that the Company followed its processes and procedures for onboarding new GACs.

This documentation included evidence to support that the following steps were completed: initial data completeness review, data integrity review, data reconciliation to administrative system, peer review of data reconciliation, and final Client/Plan Sponsor approval of data.

C. EXAMINERS' FINDINGS

Based on a review of processes and procedures as well as testing performed, the following issues were noted:

1. **Reimbursement Contract Procedures -** Testing identified 20 of 116 PICA samples (17.2% error rate) and 12 of 114 PRIAC samples (10.5% error rate) were non-compliant with the Company's internal reimbursement contract procedures for GACs. The Company's procedures indicate that for Reimbursement contracts, the Company will contact the Client/Plan Sponsor to inform him/her that an annuitant is approaching NRD. If no response is received, the Company sends a follow-up message. If no response is received to the second request, the benefit is processed as "Due and Unpaid." Procedures specify that before changing the annuitant's status to due and unpaid, a locator search should be performed to verify the payee is not deceased. Testing indicated that this step was not performed in the cases cited as errors. The Company acknowledged there was a lapse in procedures and has since updated its procedures.

2. **Record Retention relating to Refresh Activities** – Testing identified 31 of 116 PICA samples (26.7% error rate) and 51 of 114 PRIAC samples (44.7% error rate) where the Company did not maintain or was not able to produce documentation requested during the Examination. The Company's processes and procedures for the 2018 Refresh activities included sending a letter to the annuitant informing him/her that a benefit may be due. According to the Company's procedures, if the annuitant did not respond, the Company was to perform various follow-up actions, referred to as Further Search Activities, in an attempt to locate the annuitant. The Company provided a spreadsheet indicating that the Further Search Activities were performed, but actual documentation to support their response was not retained. Examples of additional documentation that was missing included: (1) a system generated 2018 Refresh letter for situations when an unlocated annuitant had an invalid address, and (2) locator search results.

3. **Annual Privacy Notices to Unlocated Annuitants or Reminder Emails to Client/Plan Sponsors -** Testing identified 26 of 116 PICA samples (22.4% error rate) and 25 of 114 PRIAC samples (21.9% error rate) were non-compliant with the Company's processes and procedures related to sending annual privacy notices to unlocated annuitants or reminder letters to Client/Plan Sponsors. Procedures indicate that on an annual basis, the Company will send a privacy notice to annuitants or a reminder email to the Client/Plan Sponsor. The Company was unable to produce documentation to support that annual privacy notices or reminder emails were sent. Through the examination process, the Company discovered that annuitants coded as "unlocated" in the administrative systems were not programmed to receive automated privacy notices due to being considered known bad addresses.

4. **Death Matches of Unlocated Annuitants.** The Company inconsistently applied procedures relating to potential deceased annuitants within the population of unlocated annuitants. The Company self-reported that unlocated annuitants reflected in "canceled status" were not considered within the monthly EOE process including when the Company contracts with an outside vendor to provide confirmed and potential death matches. This included the 3,913 additional unlocated annuitants identified after review and approximately 2,000 of the unlocated population of 13,911 found in 2018. The Company stated that corrective action was taken as part of the Refresh Activities. There were 882 instances [14.9%] of this unlocated population (5,913) which were identified as a confirmed death match through the EOE process.

III. RESERVING PRACTICES FOR GACS

A. INTRODUCTION

Company's Statutory Reserving Practice for Unlocated Annuitants

The Company indicated that GACs are "proof-of-life" contracts, where benefits are payable while an annuitant is living and "evidence of existence" is provided/confirmed. If an annuitant is determined to be unlocated, the Company suspends benefit payments. Records are maintained such that the Company continues to search for the annuitant and can readily reestablish benefits if the annuitant or his/her estate is subsequently located. If an annuitant becomes unlocated but is later located or date of death is determined, the Company indicates that any back benefits due are calculated and paid.

The Company also stated the following: "We consider the reserves for unlocated annuitants to be prudent, though not required, under SVL, where the liability for unlocated policyholders is analogous to claim reserves / liabilities as defined in *SSAP No. 55, Unpaid Claims, Losses and Loss Adjustment Expenses*."

The Company provided the following statement which further explains its position:

> Since there does not exist any regulatory requirement which specifically addresses reserving procedures for situations of unresponsive annuitants under group annuity contracts, we have opted to hold additional reserves for unlocated annuitants. According to *Section 7B of A-820* of the Standard Valuation Law, 'reserves for any category of policies, contracts or benefits established by the commissioner may be calculated, at the option of the company, according to any standards that produce greater aggregate reserves for the category than those calculated according to the minimum standard provided herein…' We liken the additional liability for unlocated policyholders to claim reserves/liabilities as defined in *SSAP No. 55, Unpaid Claims, Losses and Loss Adjustment Expenses*. We believe this practice is prudent, though not required, under statutory accounting rules applicable to group annuity contracts, and is analogous to disability claims for which a provision is made for potential future reopening of terminated claims

Prior to June 30, 2018, the Company released reserves associated with unlocated annuitants from GACs and did not hold reserves for unlocated annuitants for statutory accounting purposes. The Company paid the benefits for these annuitants if they were ultimately located and owed a benefit. The Company stated that this practice was commensurate with the financial immateriality of the experience of the block. Management also indicated that they performed an actuarial experience study of the Company's cumulative annuitant location history due to the growth and maturity of the block driving an increasing annual level of unlocated annuitants and reinstatements over the prior two years from a previously immaterial level. Upon review, the Company indicated that a probability-weighted location rate was a reasonable interpretation of New Jersey's statutory reserving requirements found in N.J.S.A. 17B:19-8 (i.e., the Standard Valuation Law) and should be implemented in the determination of the statutory reserves to better reflect recent increases in unlocated activity.

The reserve impact associated with introducing a location contingency into the statutory reserve calculation was approximately $97 million established as of June 30, 2018 [$87 million for PICA and $10 million for PRIAC].

Statutory Reserving Requirement pursuant to New Jersey Law

Relevant statutory reserving requirements are found in N.J.S.A 17B:19-11 and, more specifically, N.J.S.A. 17B:19-8 and N.J.S.A. 17B:19-10 which are consistent with the National Association of Insurance Commissioners ("NAIC") Model Regulation 820 ("NAIC Standard Valuation Law" or "SVL"), as well as the related Connecticut statutes.

1. The requirements for setting reserves are based on the Commissioners Reserve Valuation Method ("CRVM") with minimum specified mortality and interest assumptions only. The relevant statutes are set forth below.

17B:19-8. Standard valuation law

This section shall be known as the standard valuation law and shall apply to all the life insurance policies, pure endowment contracts and annuity contracts issued by every life insurer on or after January 1, 1948 or such earlier date as shall have been elected by the insurer as the operative date for such insurer of the standard nonforfeiture law.

17B:19-8.a. – CRVM with specified mortality and interest

a. Except as otherwise provided in paragraph (ix) and paragraph (x) of this subsection, the minimum standard for the valuation of all such policies and contracts shall be the commissioner's reserve valuation methods defined in subsections b., e. and f. of this section, 3 1/2% interest, or in the case of life insurance policies and contracts, other than annuity and pure endowment contracts, issued on or after January 1, 1973, 4% interest for such policies issued prior to January 1, 1977 and 4 1/2% interest for such policies issued on or after January 1, 1977, and the following tables:

...

(iv) For group annuity and pure endowment contracts, except annuities and pure endowments purchased thereunder on or after the operative date of paragraph (ix) of this subsection, excluding any disability and accidental death benefits in such contracts, the Group Annuity Mortality Table for 1951, any modification of such table approved by the commissioner, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(ix) Except as provided in paragraph (x) of this subsection, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph (ix), as defined herein, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, the commissioner's reserve valuation methods defined in subsections b. and f. and the following tables and interest rates:

(2) For all annuities and pure endowments purchased under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table or any group annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the commissioner for use in determining the minimum standard of valuation for such annuities and pure endowments, or any modification of any such table approved by the commissioner, and 6% interest; except 7 1/2% interest for purchases on or after January 1, 1977.

(x) The interest rates used in determining the minimum standard for the valuation of all life insurance policies issued in a particular calendar year on or after the operative date provided for in subsection h. (xi) of N.J.S.17B:25-19; all individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1981; all annuities and pure endowments purchased in a particular calendar year on or after January 1, 1981 under group annuity and pure endowment contracts; and the net increase, if any, in a particular calendar year after January 1, 1981, in amounts held under guaranteed interest contracts shall be the calendar year statutory valuation interest rates established below.

2. The reserve requirements above are the minimum standard under CRVM and that the Commissioner's approval is required to reduce these minimum required reserves. The relevant statute is set forth below.

17B:19-8.d. – Commissioner approval required to reduce reserves

d. Reserves for any category of policies, contracts or benefits as established by the commissioner may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided. An insurer which adopts any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard pursuant to this section may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum standard pursuant to this section herein provided; provided, however, that, for purposes of this subsection, the holding of additional reserves previously determined by a qualified actuary to be necessary to render the opinion required pursuant to section 2 of P.L.1995, c.339 (C.17B:19-10) shall not be deemed to be the adoption of a higher standard of valuation.

B. EXAMINERS' FINDINGS

Based on our review of Prudential's statutory reserving practices, we have determined that the Company understated statutory reserves in relation to N.J.S.A. 17B:19-11 and the CRVM, as well as the related Connecticut statutes, since the statutory calculation requirements do not provide for decrements or assumptions absent explicit guidance. The Company stated that they released the reserves related to unlocated annuitants between 2005 and 2017, and re-established $97 million in reserves at June 30, 2018 [$87 million for PICA and $10 million for PRIAC], with the amount of the reserve increase reflecting the contingency of location for this group of unlocated annuitants.

As a result of the examination findings, the Company agreed to post an additional $218 million in statutory reserves as of December 31, 2019 [$197 million for PICA and $21 million for PRIAC] which reflects the increase in statutory reserves for unlocated annuitants without any decrements or assumptions absent explicit guidance under the law. Total GAC reserves as of December 31, 2019 were $69 billion [$66 billion for PICA and $3 billion for PRIAC].

As a result of identifying additional unlocated annuitants after the 2018 review, the Company agreed to post an additional $84 million in statutory reserves as of 6/30/2020 [$77 million for PICA and $7 million for PRIAC].

IV. RECOMMENDATIONS

Prudential should inform all responsible personnel and third-party entities who handle the files and records cited in this report of any process changes related to the relevant examiners' findings, recommendations and remedial measures that follow in the report sections indicated. The examiners also recommend that the Company establish procedures to monitor compliance with these measures.

The Company has represented that all corrective actions, procedures and any implementation of the recommendations in this report have or will be implemented country-wide in all US jurisdictions where the Company does business.

The examiners acknowledge that, during the Examination, Prudential agreed and already complied with, either in whole or in part, some of the recommendations in the report. For the purpose of obtaining proof of compliance, the examiners have listed recommendations below.

A. GENERAL INSTRUCTIONS

Within 30 days of the issuance of the adopted report, the company shall file a Board resolution confirming that each of its directors has received a copy of the adopted report and related orders.

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be electronically submitted to the Commissioner, c/o David Wolf, Group-wide Supervision, Mary Roebling Building, 20 West State Street, 8th Floor, Trenton, N.J. 08625, within the timeframes specified within each recommendation in Sections B, D and E.

B. OPERATIONAL PROCESSING

1. The Company shall provide updated reimbursement contract procedures to NJDOBI within 60 days of the issuance of the adopted report.

2. The Company shall review its policies and procedures to handle unlocated annuitants and maintain appropriate documentation to support compliance with such policies and procedures. This includes maintaining evidence to support that Search Activities were performed or why Search Activities were not performed relating to unlocated annuitants.

3. The Company shall ensure that privacy notices to annuitants and Client/Plan Sponsor reminder emails are sent on an annual basis. The Company will continue to utilize a manual process to comply with this requirement with appropriate controls in place.

4. The Company will ensure consistency in applying procedures relating to potential deceased annuitants within the population of unlocated annuitants.

5. Within 60 days of issuance of the adopted report, an officer of the Company must attest that the corrective actions in this Section B have been completed and implemented with appropriate controls in place.

C. RESERVING PRACTICES FOR GACS

1. By December 31, 2019, the Company established and maintained statutory reserves for unlocated annuitants without any decrements or assumptions absent explicit guidance under the law.

2. The Company has acknowledged that it must seek and obtain Commissioner approval to reduce statutory reserves for unlocated annuitants absent explicit guidance under the law.

D. ADDITIONAL UNLOCATED ANNUITANTS IDENTIFIED

1. By December 31, 2020, the Company completed the "Refresh" activities for the additional unlocated annuitants identified after the 2018 review.

2. By June 30, 2020, the Company established and maintained statutory reserves for the additional unlocated annuitants identified after the 2018 review without any decrements or assumptions absent explicit guidance under the law.

3. Within 60 days of the issuance of the adopted report, an officer of the Company must attest that complete and reasonable efforts have been made to identify all unlocated annuitants.

E. AUDIT OF COMPANY POLICIES AND PROCEDURES

1. By December 31, 2020, Prudential's Internal Audit Department: (i) completed an audit of the processes and associated key controls within the pension risk transfer group annuity business which support the business's efforts to contact and locate certificate holders of GACs; (ii) evaluated the controls to assess whether they are sufficiently designed and operating effectively to be sustainable; and (iii) evaluated other specific items included in the examiners' recommendations. The Company provided the Department with the results of that internal audit in January 2021. By September 30, 2021, an officer of the Company must attest that the corrective actions included in the results of the internal audit have been completed and implemented with appropriate controls in place.

VI. VERIFICATION PAGE

I, David Wolf, am the Examiner-in-Charge of the Market Conduct Examination of The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company conducted by the New Jersey Department of Banking and Insurance.

The findings, conclusions, and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct Examination as of April 16, 2021.

I certify the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willingly false, I am subject to punishment.

April 16, 2021
Date

David Wolf
Examiner-in-Charge
New Jersey Department of
Banking and Insurance