STATE OF NEW JERSEY

COORDINATION EXAMINATION REPORT
RELATING TO THE CONDITION OF

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
NEWARK, NEW JERSEY

AS OF DECEMBER 31, 2021

NAIC COMPANY CODE 68241
NAIC GROUP CODE 0304

COORDINATING STATE
NEW JERSEY

PARTICIPATING STATES
ARIZONA
CONNECTICUT
INDIANA

Filed

June 26, 2023

Commissioner

Department of Banking &

Insurance

Table of Contents **Page**

State of New Jersey
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PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

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:

<u>THE PRUDENTIAL INSURANCE COMPANY OF AMERICA</u>
<u>NEWARK, NEW JERSEY 07102</u>
<u>NAIC GROUP CODE 0304</u>
<u>NAIC COMPANY CODE 68241</u>

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

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 PICA 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:

<u>New Jersey</u>	
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
<u>Arizona</u>	
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
<u>Connecticut</u>	
Prudential Retirement Insurance and Annuity Company (2)	NAIC #93629
<u>Indiana</u>	
Vantage Casualty Insurance Company	NAIC #11821

(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 $64,009,870,182 to $324,304,204,456 from $260,294,334,274, liabilities increased by $56,060,630,272 to $305,181,268,629 from $249,120,638,357 and total capital and surplus increased by $7,949,239,910 to $19,122,935,827 from $11,173,695,917.

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 traces its beginning to the incorporation of a stock life corporation under the name of the Widows' and Orphans' Friendly Society, which changed its name to the Prudential Friendly Society on February 18, 1875, and commenced business on October 13, 1875. During 1877, the Company changed its name to The Prudential Insurance Company of America ("PICA"), and the New Jersey legislature approved the change.

The Company's initial authorized capital stock was $25,000. By January 6, 1893, its authorized and outstanding capital had been increased to $2.0 million. In 1913, the New Jersey Legislature approved a bill authorizing PICA to become a mutual insurance company, and, in 1915, PICA was authorized to acquire all of its stock and effectively began operating as a mutual insurance company from that year forward. The total transfer of ownership to policyholders was completed on September 1, 1942, and PICA became a wholly mutual life insurance company on March 30, 1943, by action of the New Jersey legislature. In 1943, an amended charter was adopted pursuant to the provisions of Subtitle 3 of Title 17B and Chapter 9 of Title 14A of the New Jersey Statutes, in connection with the reorganization of the corporation pursuant to Chapter 17C of Title 17 of the New Jersey Statutes.

On February 10, 1998, the Company's Board of Directors ("Board") authorized, empowered, and directed its officers to do whatever they deemed necessary, proper, appropriate, or advisable to seek and assist in the enactment of legislation in New Jersey that would permit it to reorganize into a publicly owned stock corporation through a full demutualization.

In October 2001, the NJDOBI approved the Company's Insurance Plan of Reorganization (the "Plan"). On December 18, 2001, the Company converted from a mutual life insurance company owned by its policyholders to a stock life insurance company and became a wholly owned subsidiary of PFI. The demutualization was carried out under the Plan, which required the Company to establish and operate a regulatory mechanism known as the "Closed Block". The Closed Block includes certain in force participating insurance and annuity products and corresponding assets that are used for the payment of benefits and policyholders' dividends on these products, as well as certain related assets and liabilities. On the date of demutualization, eligible policyholders received shares of PFI's Common Stock or the right to receive cash or policy credits, which are increases in policy values or increases in other policy benefits, upon the extinguishment of all membership interests in the Company.

From demutualization through December 31, 2014, PFI had two classes of common stock outstanding: (1) the Common Stock, which is publicly traded (NYSE: "PRU") and reflected the performance of the Group's business operations excluding the Closed Block, and (2) the Class B Stock, which was issued through a private placement, did not trade on any stock exchange and reflected the performance of the Closed Block business. In January 2015, the Company repurchased and cancelled all of the outstanding shares of Class B Stock.

The Company, in its Amended and Restated Charter effective July 19, 2004, 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:

- "Legal services insurance" (as authorized per N.J.S.A. 17:46C-1, et. seq. of Title 17)
- "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.

The Company has 500,000 shares of capital stock with a par value of $5.00 per share which is authorized, issued and outstanding to PFI. There are no preferred shares outstanding.

Margaret M. Foran is the registered agent of the corporation 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 $2,706,297 for the New Jersey statutory deposit.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in all 50 states, as well as the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. PICA provides a wide range of insurance, investment management, and other financial products and services to both individual and institutional customers throughout the United States and its Territories, and as an offshore reinsurer in certain foreign countries. The principal products and services include individual life insurance and annuities, group insurance, and pension and retirement products and related services, distributed through affiliated and independent channels. The Company also reinsures certain products from affiliated international insurers. Individual life insurance and annuity product segments include individual variable life, term life, universal life and non-participating life insurance, and variable and fixed individual annuity products. Group insurance includes a full range of group life, long-term and short-term group disability, and corporate- and trust-owned life insurance in the U.S. offered to institutional clients primarily for use in connection with employee and membership benefits plans. Pension and retirement products include guaranteed investment contracts and group annuity contracts, including products to support the Company's pension risk transfer offerings, and longevity risk transfer reinsurance contracts with respect to non-U.S. pension schemes. The Company previously sold long-term care insurance but discontinued the sale of these products in 2012.

In connection with the demutualization in 2001, the Company ceased offering domestic participating individual life insurance and annuity products under which policyholders are eligible to receive dividends reflecting experience. The liabilities for those individual in force participating products were segregated, together with assets to be used exclusively for the payment of benefits and policyholder dividends, expenses, and taxes with respect to these products, in the Closed Block. No policies sold after demutualization have been added to the Closed Block. The majority of Closed Block policies have been reinsured to an affiliate, Prudential Legacy Insurance Company of New Jersey ("PLIC").

REINSURANCE

The Company strategically utilizes reinsurance on both an assumed and ceding basis. 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:

Institutional Retirement

Since 2014, the Company has entered into several reinsurance agreements to assume a portion of the pension liabilities of named beneficiaries for some pension plans in the United Kingdom. Under these arrangements, the Company provides for guaranteed future benefits in exchange for one-time, up-front premium. The Company also has several reinsurance agreements for assuming longevity risks on pension plans in the United Kingdom insured by third parties for which the Company earns a fee for the risks (longevity and/or investment) assumed.

Effective December 31, 2021, pursuant to the sale of then subsidiary PRIAC's full-service retirement business to Empower that occurred April 1, 2022, PICA assumed via contract novation all of PRIAC's longevity reinsurance transactions from underlying pension plan liabilities previously reinsured by PRIAC. Subsequent to the December 31, 2021 PICA-PRIAC transaction, all of the Group's pension risk transfer business has been undertaken through PICA, which assumes both longevity and asset risks supporting United Kingdom pension liabilities.

Effective April 1, 2022, in connection with the sale of the full-service retirement business, PICA entered into reinsurance agreements with Great-West Life & Annuity Insurance Company and Great-West Life & Annuity Insurance Company of New York (subsidiaries of Empower) whereby PICA ceded certain insurance contracts related to the sale. The reinsurance contract requires Great-West to pursue novation of all reinsured policies from PICA to Great-West by April 1, 2025.

Group Insurance
Group Insurance business is primarily conducted through PICA where a majority of non-experience rated group life insurance business is ceded to third parties on a yearly renewable term ("YRT") basis. The total in force amount of group life insurance ceded by PICA as of December 31, 2021 was approximately $1.1 trillion. Effective January 1, 2021, PICA began ceding 90% of the group insurance business to Canada Life Assurance Company and Hannover Life Reassurance Company (45% quota share each), with PICA retaining 10% of the risks.

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

Effective April 1, 2022, the Company sold its equity interest in subsidiary PALAC to the Fortitude Group. The PALAC business primarily consisted of non-New York traditional variable annuities with guaranteed living benefits that were issued prior to 2011, which constituted approximately $31 billion, or 18% of the Group's total in force individual annuity account values as of December 31, 2021. The Company has agreed to act as the third-party administrator for the former PALAC business.

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 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 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).

PLAZ generally retains 100% of the first $250 thousand for UL products, 70% of the first $250 thousand for term products, and 10% of the exposures in excess of retention. The remainder is ceded/retroceded to pools of external reinsurers. A notable change in the structure of the YRT pools took place in 2021 for permanent products new business, 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 Pruco Life Insurance Company of New Jersey ("PLNJ") to PLAZ as well as PLAZ to third parties.

PICA additionally reinsures certain USD-denominated individual life business from Japanese affiliates The Prudential Life Insurance Co., Ltd. ("POJ") and The Gibraltar Life Insurance Co., Ltd. ("GIB") on a coinsurance basis for the purpose of investment efficiency. As of December 31, 2021, PICA had assumed (YRT and coinsurance) approximately $144 billion of in force individual life business from POJ and GIB with approximately $30.6 billion in associated reserves. Effective during 2021, PICA no longer assumes new business under YRT cessions from affiliate Prudential of Mexico, and PICA terminated YRT retrocessions to Prudential of Taiwan.

In September 2021, affiliate Lotus Reinsurance Company Ltd. (“Lotus Re”) was registered in Bermuda to reinsure the individual Variable Universal Life (“VUL”) business from both PICA and PLAZ. There were no cessions of business from PICA to Lotus Re as of December 31, 2021.

Closed Block

Effective January 1, 2015, the Company entered into a reinsurance agreement with subsidiary PLIC to cede substantially all of the liabilities associated with PICA’s Closed Block of business on a 100% coinsurance basis. Policies within the Closed Block are specified individual life insurance policies and individual annuity contracts that were in force on the effective date and for which the Company is currently paying or expects to pay experience-based policy dividends. Contracts excluded from the 100% coinsurance agreement are a portion of the Closed Block’s New York policies and certain policies which were already reinsured to third parties. The assets backing this business are held in a guaranteed separate account of PLIC.

CORPORATE RECORDS

A review of the minutes of the Board meetings revealed conformity with the requirements of the Certificate of Incorporation, Charter 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 by-laws were amended and restated effective November 14, 2017 making general changes that were non-substantive in nature. On January 30, 2023, the Company’s by-laws were amended to change the number of directors who can serve on the Board to be no less than 9 (previously 10) nor more than 14 (previously 24), as determined by the holders of the majority of the issued and outstanding capital stock, or the Board. The Board may also alter or repeal the by-laws at any meeting given there is prior written notice to the sole shareholder.

The Company’s Charter was amended and restated effective July 19, 2004 and filed with the NJDOBI in July 2004. There were no updates to the Charter during the examination period.

MANAGEMENT AND CONTROL

As of the examination date, a meeting of the shareholders shall be held annually on the third Tuesday in June or on such other date as the Board shall fix and shall be at such place at such time as the Board shall each year determine in accordance with the Company’s by-laws. Special meetings of the shareholders may be called by shareholders owning 10% of the voting stock, the Chairman of the Board, the Chief Executive Officer, the President, or the Board. Except as otherwise required by law or by the Charter, the holders of at least a majority of the shares who are entitled to cast votes at a meeting shall constitute a quorum at all meetings of the shareholders for the transaction of business.

As of the examination date, the number of directors who shall serve on the Board shall be no less than ten nor more than twenty-four, as determined by the holders of the majority of the issued and outstanding capital stock, or the Board. A majority of Board members shall constitute a quorum for the transaction of business, and a majority of the directors should be outside directors who are not officers or employees of the corporation or of any entity controlling, controlled by or under common control with the corporation and who are not beneficial owners of a controlling interest in the voting securities of the corporation or any such entity. As of the examination date, at least annually, the full Board reviews strategic risks and opportunities facing the Company including those related to specific businesses.

The following directors were elected and serving at the examination date:

Director	**Occupation**
Thomas J. Baltimore Jr.	Chairman, President and Chief Executive Officer ("CEO"), Park Hotels & Resorts
Gilbert F. Casellas	Former Chairman, OMNITRU
Wendy E. Jones	Former SVP, Global Operations, eBay, Inc.
Karl J. Krapek	Former President and COO, United Technologies Corporation
Martina Hund-Mejean	Former Chief Financial Officer ("CFO"), Mastercard Worldwide
Peter R. Lighte	Former Vice Chairman, JP Morgan Corporate Bank, China
George Paz	Non-Executive Chairman and Former CEO, Express Scripts Holding Company
Sandra Pianalto	Former President and CEO, Federal Reserve Bank of Cleveland
Christine A. Poon	Former Dean and Executive in Residence, The Max M. Fisher College of Business
Douglas A. Scovanner	Founder and Managing Member, Comprehensive Financial Strategies, LLC
Michael A. Todman	Former Vice Chairman, Whirlpool Corporation
Charles F. Lowrey	Chairman and CEO, Prudential Financial, Inc.
Robert M. Falzon	Vice Chairman, Prudential Financial, Inc.

Note:
In October 2022, Mr. Paz passed away unexpectedly, vacating Mr. Paz's position on the Board.

On February 14, 2023, Thomas J. Baltimore notified the Board of his resignation effective March 14, 2023.

Effective May 9, 2023, the date of the annual meeting of Shareholders, Messrs. Krapek and Lighte reached the age of 74, which makes them ineligible for another term. The Board is actively recruiting new members and no decision has been made on the timing or number of additional Board members. Due to a change in 2023, the Company's by-laws now require the Board to have no fewer than 9 and no more than 14 directors, with which the current Board composition complies.

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3), which states that "not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity." The Company was determined to be in compliance with the provisions of N.J.S.A. 17:27A-4(d)(3) as of the report date, as the Board consisted of thirteen members, of which ten were considered outside directors.

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. In accordance with its by-laws the Company shall establish one or more committees comprised solely of outside directors to perform the following functions:

- Recommending the selection of independent certified public accountants;
- Reviewing the Company's financial condition and the scope and results of independent and internal audits;
- Nominating candidates for director for election by shareholders;
- Evaluating the performance of officers deemed to be principal officers of the Corporation; and,
- Recommending to the Board the selection and compensation including bonuses or other special payment of the principal officers.

These functions are encompassed by the Audit Committee (a committee of PFI), Compensation Committee, and Corporate Governance and Business Ethics Committee, which were comprised of the following outside members as of December 31, 2021 in compliance with N.J.S.A. 17:27A-4(d)(4):

Audit Committee
Martina Hund-Mejean (Chair)
Gilbert F. Casellas
Douglas A. Scovanner
Wendy E. Jones
George Paz

Compensation Committee
Michael A. Todman (Chair)
Karl J. Krapek
Thomas J. Baltimore

Corporate Governance and Business Ethics Committee
Gilbert F. Casellas (Chair)
Peter R. Lighte
Sandra Pianalto

Note:
Mr. Casellas rotated off the Audit Committee in June 2021 and was not replaced.

Wendy E. Jones replaced Thomas J. Baltimore on the Compensation Committee upon Mr. Baltimore's resignation.

The Board reviews the Company's risk profile and management processes for assessing and managing risk, both as a full Board and through its various committees. In general, key committees oversee the following risks:

- Audit Committee: insurance risk and operational risks, including model risk, as well as risks related to financial controls, legal, regulatory and compliance risks, and the overall risk management function;
- Compensation Committee: the design and operation of the Company's compensation programs so that they do not encourage unnecessary or excessive risk-taking;
- Corporate Governance and Business Ethics Committee: the Company's overall ethical culture, political contributions, lobbying expenses and overall political strategy, as well as the Company's environmental (which includes climate risk), sustainability and corporate social responsibility to minimize reputational risk and focus on future sustainability;
- Finance Committee: liquidity risks, risks involving capital management, the incurrence and repayment of borrowings, the capital structure of the enterprise, funding the benefit plans and statutory insurance reserves;
- Investment Committee: investment risk, market risk, and strength of the investment function;
- Risk Committee: monitoring of risk profile, risk capacity, and risk appetite. The Risk Committee also serves to coordinate the risk oversight functions of the other committees of the Board; and
- Executive Committee: authorized to exercise the corporate powers of the Company between meetings of the Board.

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 Chief Executive Officer, 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.

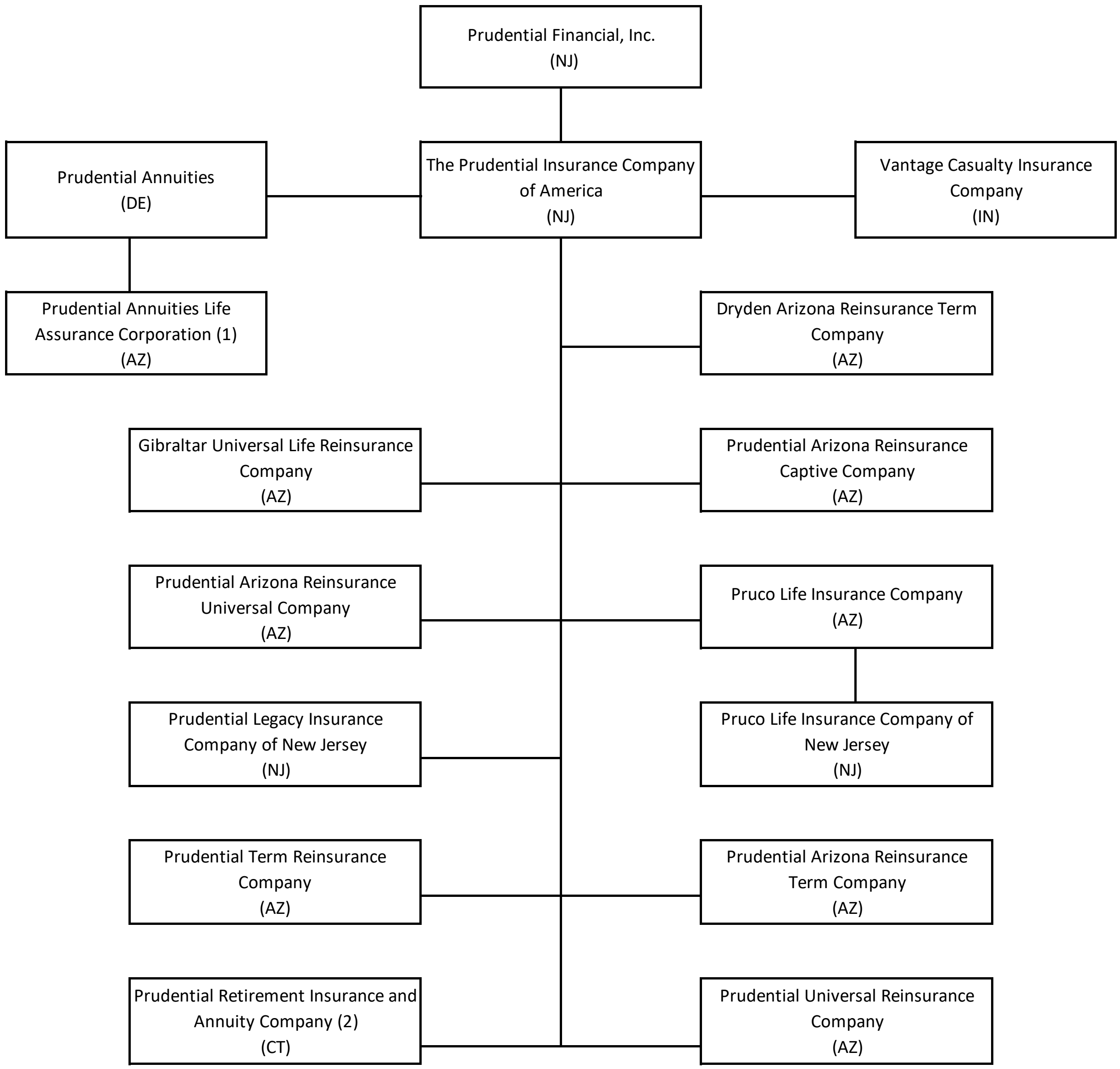
The following officers were elected and serving the Company as of December 31, 2021:

Name	Title
Charles Frederick Lowrey	President and Chief Executive Officer of PFI
Nandini Mongia	SVP and Treasurer
Candace Jo Woods	SVP and Chief Actuary
Margaret Mary Foran	SVP, Secretary and Chief Governance Officer of PFI
Robert Michael Falzon	Vice Chairman
Kenneth Yutaka Tanji	EVP and Chief Financial Officer
Ann Mary Kappler	EVP and General Counsel
Andrew Francis Sullivan	EVP and Head of U.S. Businesses

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, the Company 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 the Company's subsidiary captive reinsurance companies, and the agreement with PLNJ was amended to add PLIC. Effective January 1, 2017, the agreement with PLAZ was further amended to add affiliate Gibraltar

Universal Life Reinsurance Company. Under these agreements, the Company 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 the Company in connection with such services.

Effective October 1, 2010, PICA and Prudential Investment Management Services LLC (“PIMS”) entered into a Netting Agreement whereby PICA furnishes the same accounting and other general administrative support services, employee welfare services, materials, and supplies that it customarily provides in the operation of its own business, and PIMS shall furnish such services that in its capacity as a registered broker-dealer are necessary for PICA to distribute and service its securities products.

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 agreement, 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 March 15, 2013, PICA entered an Operational Guidelines Agreement with Prudential Trust Company (“PTC”) that facilitates the availability of Funds in retirement savings plans and sets forth the respective duties of PICA, as record keeper and trading agent, and PTC, as the trustee. Effective September 1, 2017, PICA also entered an Operations Agreement with PTC whereby PICA will trade and service collective investment trust funds which are manufactured by PTC.

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.

Effective, March 4, 2020, PICA entered into a Second Amended and Restated Administration Services Agreement with Pruco Securities, LLC (“PruSec”), which reinstates a previous services agreement between the parties that was inadvertently terminated in 2013.

Effective March 4, 2020, PICA entered into a Second Amended and Restated Administration Services Agreement with Prudential Annuities Distributors, Inc. (“PAD”), which reinstates a previous services agreement between the parties that was inadvertently terminated in 2013.

Tax Allocation and Payment Agreements

Effective January 1, 2001, the Company along with its affiliates and subsidiaries 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.

Effective January 1, 2015, the Company, PFI and PLIC entered into a Closed Block Business Tax Payment Agreement establishing criteria for the allocation and payment of certain tax benefits and tax liabilities attributable to the Closed Block business. PICA received the following extraordinary dividends from PLIC during the examination period pursuant to this agreement:

Year	Extraordinary Dividends
2021	$34,865,357
2020	$22,630,384
2019	$156,670,862
2018	$155,313,407
2017	$415,480,536

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

Effective December 17, 2012, PICA entered into an ISDA Master Agreement and Credit Support Annex with Prudential Global Funding, LLC ("PGF") to permit PGF to execute derivatives trades with PICA. This agreement was amended in 2021 in connection with revised ISDA initial margin posting requirements and to add a PICA separate account.

Investment Management Agreements

Effective January 27, 1982, PICA and PLAZ entered into an Investment Advisory Agreement. Under this agreement, PICA shall act as the investment manager for PLAZ's The Prudential Real Property Account separate account.

Effective August 1, 1982, PICA and PTC entered into an Investment Management Agreement whereby PICA provides investment management services through a subsidiary.

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 also entered into an Investment Management Agreement whereby PICA will provide investment management services for PLNJ through a subsidiary.

Effective November 30, 2007, PICA and PGIM, Inc. ("PGIM") entered into a Securities Lending Agency Agreement whereby PGIM manages and administers PICA's securities lending program.

During March 2021, PICA executed the Second Amended and Restated Investment Management Agreement with PGIM dated as of January 1, 2019, whereby PGIM provides investment management services to the Company. This agreement was also amended effective June 14, 2021, to reflect updated fee rates applicable to the accounts managed by PGIM Private Capital. The Second Amended and Restated Investment Management Agreement amended and restated the prior agreement that was dated as of September 27, 2004.

Distribution Agreements

Effective January 20, 2015, PICA and PIMS entered into a Distribution Agreement whereby PIMS will act as PICA's principal underwriter for the sale of variable investment options under group life insurance contracts.

Effective December 15, 2015, PICA and PIMS entered into a Distribution Agreement whereby PIMS will act as PICA's principal underwriter for the sale of certain life insurance contracts issued to corporations, banks, trusts and other entities.

Effective March 24, 2021, PICA and PIMS entered into a Distribution Agreement whereby PIMS will act as PICA's principal underwriter for the distribution of PICA's synthetic Guaranteed Investment Contracts.

Broker-Dealer Selling Agreement

Effective June 9, 2017, PICA, PLAZ, PLNJ, PALAC, PAD, 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.

Lending and Borrowing Agreements

The Company acts as both a direct and indirect lender and borrower through various revolving credit agreements and loan agreements with and between its subsidiary entities. At December 31, 2021, PICA had outstanding long-term debt of approximately $64.4 million owed to wholly owned subsidiary Prudential Funding, LLC ("Prudential Funding").

Prudential Funding acts as a financing source for the Company and its subsidiaries through a commercial paper program with an authorized capacity of $7.0 billion. The Prudential Funding commercial paper program serves as a source of additional financing to meet the working capital needs of the Company and its subsidiaries. Prudential Funding also lends to other subsidiaries of PFI up to limits agreed upon with NJDOBI. Prudential Funding maintains a support agreement with the Company whereby the Company has agreed to maintain Prudential Funding's tangible net worth at a positive level. PFI has issued a subordinated guarantee covering Prudential Funding's $7.0 billion commercial paper program. Additionally, the Company serves as a source of affiliate lending as appropriate.

At December 31, 2021, the Company and Prudential Funding had aggregate outstanding loans of approximately $1.03 billion to affiliated entities. The aggregate and individual affiliate loan balances did not exceed established limits.

The Company has issued surplus notes totaling $350,000,000 at December 31, 2021, which are summarized below:

Date Issued	Interest Rate	Note Amount	Maturity Date
07/01/1995	8.30%	$350,000,000	07/01/2025

All surplus note principal and interest payments are subject to the written approval of the NJDOBI, and any payment of principal or interest must be paid out of the Company's surplus, earnings, or profits. The surplus notes are subordinate in right of payment to policy claims, prior claims, and senior indebtedness.

Related Party Transactions

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

Year	Capital Contribution Received
2021	$4,279,017,012
2020	$0
2019	$514,900,000
2018	$714,500,000
2017	$163,760,965

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:

	Ordinary Dividends	Extraordinary Dividends
2021	$1,100,000,000	$0
2020	$500,000,000	$0
2019	$600,000,000	$0
2018	$0	$0
2017	$1,000,000,000	$0

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, which are reviewed with the Ethics Officer and the Corporate Secretary as appropriate. The 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
As of December 31, 2021

NET ADMITTED ASSETS **(000's)**	**Per Current Examination 12/31/2021**	**Per Company 12/31/2021**	**Examination Change**	**Note Number**
Bonds	$ 97,580,774	$ 97,580,774	0	1
Preferred Stocks	158,166	158,166	0	
Common Stocks	13,291,530	13,291,530	0	
Mortgage Loans on Real Estate	21,125,280	21,125,280	0	
Real Estate	415,272	415,272		
Cash, Cash Equivalents and Short-Term Investments	6,540,368	6,540,368	0	
Contract Loans	2,943,111	2,943,111	0	
Derivatives	3,709,030	3,709,030	0	
Other Invested Assets	8,958,163	8,958,163	0	
Receivables For Securities	223,333	223,333	0	
Aggregate Write-Ins for Invested Assets	87,564	87,564	0	
Investment Income Due and Accrued	921,497	921,497	0	
Uncollected Premiums and Agents' Balances	1,890,504	1,890,504	0	
Deferred Premiums	1,971,597	1,971,597	0	
Accrued Retrospective Premiums	78,429	78,429	0	
Reinsurance: Amounts Recoverable from Reinsurers	298,836	298,836	0	
Reinsurance: Other Amounts Receivable Under Reinsurance Contracts	77,270	77,270	0	
Amounts Receivable Relating to Uninsured Plans	18,570	18,570	0	
Net Deferred Tax Asset	1,949,167	1,949,167	0	
Guaranty Funds Receivable or on Deposit	35,686	35,686	0	
EDP Equipment and Software	92,147	92,147	0	
Receivables From Parent, Subsidiaries and Affiliates	354,127	354,127	0	
Aggregate Write-Ins for Other Than Invested Assets	278,443	278,443	0	
From Separate Account Statement	161,305,342	161,305,342	0	
Total Net Admitted Assets	**$ 324,304,204**	**$ 324,304,204**	**$ 0**	

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

LIABILITIES (000's)	Per Current Examination 12/31/2021	Per Company 12/31/2021	Examination Change	Note Number
Aggregate Reserve for Life Contracts	$ 84,904,344	$ 84,904,344	0	2, 3
Aggregate Reserve for Accident and Health Contracts	12,231,486	12,231,486	0	
Liability for Deposit-Type Contracts	16,340,875	16,340,875	0	
Contract Claims: Life	2,853,032	2,853,032	0	
Contract Claims: Accident and Health	136,832	136,832	0	
Policyholders' Dividends	7,933	7,933	0	
Policyholders' Dividends Apportioned For Payment	1,305,539	1,305,539	0	
Advance Premiums And Annuity Considerations	47,474	47,474	0	
Provision for Experience Rating Refunds	281,112	281,112	0	
Other Amounts Payable on Reinsurance	415,056	415,056	0	
Interest Maintenance Reserve	940,107	940,107	0	
Commissions to Agents Due or Accrued-Life	57,537	57,537	0	
Commissions and Expense Allowances Payable on Reinsurance Assumed	75,518	75,518	0	
General Expenses Due or Accrued	2,411,967	2,411,967	0	
Transfers to Separate Accounts Due or Accrued (Net)	(402,459)	(402,459)	0	
Taxes, Licenses and Fees Due or Accrued	30,211	30,211	0	
Current Federal and Foreign Income Taxes	29,711	29,711	0	
Unearned Investment Income	4,568	4,568	0	
Amounts Withheld or Retained by Reporting Entity as Agent or Trustee	71,892	71,892	0	
Remittances and Items Not Allocated	825,520	825,520	0	
Liability for Benefits for Employees and Agents if Not Included Above	1,496,202	1,496,202	0	
Borrowed Money	65,189	65,189	0	

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

LIABILITIES (continued)	**Per Current Examination 12/31/2021**	**Per Company 12/31/2021**	**Examination Change**	**Note Number**
(000's)				
Miscellaneous liabilities:				
Asset Valuation Reserve	$ 4,281,479	$ 4,281,479	0	
Reinsurance in Unauthorized and Certified Companies	10,977	10,977	0	
Funds Held Under Reinsurance Treaties with Unauthorized and Certified Reinsurers	411	411	0	
Payable to Parent, Subsidiaries and Affiliates	155,226	155,226	0	
Liability for Amounts Held Under Uninsured Plans	43	43	0	
Funds Held Under Coinsurance	54,838	54,838	0	
Derivatives	1,729,579	1,729,579	0	
Payable for Securities	211,154	211,154	0	
Payable for Securities Lending	3,891,544	3,891,544	0	
Aggregate Write-ins for Liabilities	9,912,631	9,912,631	0	
From Separate Accounts statement	160,803,741	160,803,741	0	
Total Liabilities	**$ 305,181,269**	**$ 305,181,269**	**$ 0**	
Surplus and Other Funds				
Common Capital Stock	$ 2,500	$ 2,500	0	
Surplus Notes	347,041	347,041	0	
Gross Paid In and Contributed Surplus	5,713,339	5,713,339	0	
Aggregate Write-Ins for Special Surplus Funds	195,778	195,778	0	
Unassigned Funds (Surplus)	12,864,278	12,864,278	0	
Surplus As Regards Policyholders	**19,122,936**	**19,122,936**	**-**	4
Total Liabilities, Surplus and Other Funds	**$ 324,304,204**	**$ 324,304,204**	**$ 0**	

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

REVENUE (000's) **As of December 31,**	**2021**	**2020**	**2019**	**2018**	**2017**
Premiums and Annuity Considerations for Life and Accident and Health Contracts	$ 33,229,120	$ 25,161,765	$ 29,746,033	$ 30,479,245	$ 25,303,813
Considerations For Supplementary Contracts with Life Contingencies	20,883	5,482	7,371	8,323	6,484
Net Investment Income	5,135,572	4,817,613	5,196,450	4,879,891	5,109,403
Amortization of Interest Maintenance Reserve	127,849	107,990	40,861	15,932	48,450
Separate Accounts Net Gain from Operations Excluding Unrealized Gains or Losses	151,673	42,078	(336,490)	119,629	62,224
Commissions and Expense Allowances on Reinsurance Ceded	370,560	382,671	404,523	414,645	434,546
Reserve Adjustments on Reinsurance Ceded	(100,948)	(235,713)	(267,511)	(113,020)	(293,237)
Miscellaneous Income:					
Income from Fees Associated with Investment Management, Administration and Contract Guarantees from Separate Accounts	720,191	698,861	746,775	713,043	751,443
Aggregate Write-ins for Miscellaneous Income	462,540	447,437	451,288	451,609	421,216
Total Income	$ 40,117,441	$ 31,428,185	$ 35,989,300	$ 36,969,296	$ 31,844,341
DEDUCTIONS (000'S)					
Death Benefits	5,560,702	4,877,776	4,572,195	4,803,696	5,391,652
Matured Endowments	1,977	3,734	1,190	911	2,755
Annuity Benefits	13,461,655	13,289,403	12,233,370	11,216,916	10,334,838
Disability Benefits and Benefits Under Accident and Health Contracts	1,189,419	1,097,615	1,055,533	1,018,243	966,890
Surrender Benefits And Withdrawals For Life Contracts	14,009,121	9,554,191	14,422,833	12,649,897	10,714,870
Group Conversions	(1,667)	459	837	343	(363)
Interest and Adjustments on Contract or Deposit-Type Contract Funds	401,875	474,121	528,118	513,141	496,237
Payments on Supplementary Contracts with Life Contingencies	17,484	17,420	17,871	18,694	18,735
Increase in Aggregate Reserves for Life And Accident and Health Contracts	4,698,708	4,102,742	5,133,217	3,218,016	3,634,293
Total Benefits	$ 39,339,277	$ 33,417,460	$ 37,965,164	$ 33,439,858	$ 31,559,907
Commissions on Premiums, Annuity Considerations and Deposit-Type Contract Funds	$197,748	$185,536	$212,009	$221,494	$180,183
Commissions and Expense Allowances on Reinsurance Assumed	995,572	1,114,896	1,043,130	835,266	731,862
General Insurance Expenses and Fraternal Expenses	1,745,714	1,856,658	2,021,793	1,659,693	1,826,723
Insurance Taxes, Licenses and Fees, Excluding Federal Income Taxes	296,962	251,425	294,885	287,756	293,364
Increase in Loading on Deferred and Uncollected Premiums	123	(1,179)	(668)	57	4,518
Net Transfers to or (from) Separate Accounts Net of Reinsurance	(1,867,297)	(5,794,300)	(4,570,667)	227,676	(2,295,499)
Matured Endowments (Excluding Guaranteed Annual Pure Endowments)	(2,162,423)	(1,489,782)	(1,091,077)	(1,309,306)	(1,206,275)
Total Expenses	$ 38,545,677	$ 29,540,713	$ 35,874,569	$ 35,362,494	$ 31,094,783
Net Gain from Operations Before Dividends to Policyholders, Refunds to Members and Federal Income Taxes	$ 1,571,764	$ 1,887,472	$ 114,732	$ 1,606,802	$ 749,558
Dividends to Policyholders and Refunds to Members	16,987	(110,680)	(125,368)	26,419	(140,938)
Federal and Foreign Income Taxes Incurred	591,287	22,511	269,831	176,745	385,219
Net Realized Capital Gains Or (Losses)	2,183	(205,281)	(139,567)	(79,174)	(722,013)
Net Income	**$ 965,674**	**$1,770,361**	**$ (169,298)**	**$1,324,465**	**$ (216,737)**

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

As of December 31,	**2021**	**2020**	**2019**	**2018**	**2017**
Capital and Surplus (000's)					
December 31, Previous Year	$ 11,597,343	$ 11,483,314	$ 10,694,836	$ 9,948,272	$ 11,173,696
Net Income	965,674	1,770,361	(169,298)	1,324,465	(216,737)
Change In Net Unrealized Capital Gains or Losses	2,669,601	(633,232)	1,327,809	(212,201)	472,512
Change in Net Deferred Income Tax	297,217	(330,444)	397,793	277,930	(654,957)
Change in Non Admitted Assets	(353,643)	(57,311)	137,254	(18,887)	(429,500)
Change in Net Unrealized Foreign Exch. Cap Gains/(Loss)	(48,358)	89,533	1,705	10,158	112,852
Change in Liability for Reinsurance in Unauthorized and Certified Companies	(2,008)	18,762	(19,666)	3,463	(2,436)
Change in Reserve on Account of Change in Valuation Basis	-	72,060	185,414	(877,196)	52,743
Change in Asset Valuation Reserve	(511,924)	(564,936)	(655,818)	(67,290)	(210,794)
Surplus (Contributed to) Withdrawn From Separate Accounts During Period	256,315	31,074	50,478	71,360	42,840
Other Changes in Surplus in Separate Accounts Statement	(116,720)	37,272	467,108	(319,821)	56,011
Change in Surplus Notes	696	639	(499,413)	539	496
Cumulative Effect of Changes in Accounting Principles	23,327	-	-	-	-
Paid in Capital	-	-	-	-	-
Paid in Surplus	4,279,017	-	514,900	714,500	163,761
Dividends to stockholders	(1,100,000)	(500,000)	(600,000)	-	(1,000,000)
Aggregate Write-ins for Gains or Losses in Surplus	1,166,397	180,252	(349,790)	(160,457)	387,785
Total Other Surplus Gains or Losses	6,559,917	(1,656,331)	957,774	(577,902)	(1,008,687)
Net Change in Capital and Surplus for the Year	7,525,593	114,029	788,478	746,564	(1,225,424)
Capital and Surplus					
December 31, Current Year	**$ 19,122,936**	**$ 11,597,343**	**$ 11,483,314**	**$ 10,694,836**	**$ 9,948,272**

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Invested Assets

At December 31, 2021, PICA held approximately 63% of its total cash and invested assets in bonds in the amount of $97,580,773,612. The majority of the Company's bond holdings are investment grade with NAIC 1 (59%) and NAIC 2 (35%) holdings comprising approximately 94% 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 1 - Statutory Deposits

The following securities were held on deposit by states and territories on behalf of the Company at December 31, 2021:

Arkansas	$155,672
Georgia	$51,891
Nevada	$401,157
New Jersey	$2,706,297
New Mexico	$465,186
North Carolina	$525,150
Puerto Rico	$1,555,143
U.S. Virgin Islands	$570,796

Note 2 - Statutory Reserves for Unlocated Annuitants

The NJDOBI commenced a Market Conduct examination of the Company during June 2019 to examine operational processing and reserving practices for Guaranteed Group Annuity contracts ("GAC"), with a focus 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 holders ("unlocated annuitants"). The related examination report was adopted April 27, 2021 and concluded that PICA's statutory reserves related to unlocated annuitants were understated in relation to N.J.S.A. 17B:19-11 and the Commissioners Reserve Valuation Method ("CRVM"). As a result of that examination, PICA posted an additional $197 million in statutory reserves as of 12/31/2019.

On May 1, 2020, subsequent to adoption of the Market Conduct examination report, the Company identified 3,913 additional unlocated annuitants that were not included within the scope of that examination. The Company stated that this was due to a data deficiency in the initial search criteria in identifying the unlocated annuitants. An additional $77 million in statutory reserves was established as of June 30, 2020 relating to the additional unlocated annuitants.

During this current examination, the Company provided supporting documentation indicating that enhanced reserving practices for unlocated annuitants conformed with the requirements of N.J.S.A. 17B:19-11 and CRVM as of December 31, 2021. The Company also indicated that no additional reserves were established or necessary for unlocated annuitants subsequent to December 31, 2021. As part of actuarial examination procedures, the examiners confirmed that the enhanced reserving practices were implemented as of December 31, 2021.

Note 3 - 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 4 - Capital and Surplus
The Company reported surplus as regards policyholders at December 31, 2021 of $19,122,935,827, which consisted of common stock of $2,500,000, gross paid in and contributed surplus of $5,713,339,124, and unassigned funds of $12,864,278,061.

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, limited partnerships and other investments, as well as commitments to originate mortgage loans. These commitments were approximately $5.2 billion at December 31, 2021.

PLIC enters into securities repurchase transactions pursuant to which PLIC transfers securities to third parties and receives cash as collateral, which it invests. The Company guarantees the obligations of PLIC to certain counterparties under these transactions in the event of PLIC's non-performance. The amount of the guarantees under these obligations was approximately $2.2 billion at December 31, 2021.

The Company has made certain guarantees and indemnifications in relation to direct investments and joint ventures as of December 31, 2021. The guarantees relate to events including fraud or malicious misconduct, and indemnification for any environmental claims/losses. Certain of these guarantees and indemnifications have stated maximum amounts of potential exposure to the Company, while others have no limitation on the maximum potential future payments under guarantee. There were no amounts payable by the Company under these obligations at December 31, 2021.

The Company writes credit default swaps requiring payment of principal due in exchange for the referenced credits, depending on the nature or occurrence of specified credit events for the referenced entities. In the event of a specified credit event, the Company's maximum amount at risk, assuming the value of the referenced credits become worthless, was approximately $1.9 billion at December 31, 2021.

During the normal course of its business, the Company provides certain financial guarantees and indemnities to third parties pursuant to which it may be contingently required to make payments now or in the future. These guarantees are primarily comprised of certain contracts underwritten by the Retirement business division, including guarantees related to financial assets owned by the guaranteed party. These contracts are accounted for as derivatives and carried at fair value. At December 31, 2021, such contracts in force carried a total guaranteed value of approximately $82.4 billion. These guarantees are supported by collateral that is not reflected on the Company's balance sheet. This collateral had a fair value of approximately $84.3 billion 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.

VM-21 Statutory Reserve Error

During the first quarter of 2023, an error was identified in the December 31, 2022 VM-21 statutory reserves of PICA and its subsidiary PLAZ. This error resulted in an overstatement of PICA's reserves by $55 million, and PLAZ's reserves by $420 million, the latter of which resulted in an understatement of PICA's invested assets. The associated corrections were made in the first quarter 2023 statutory financial statements of both insurers.

Bermuda Affiliated Reinsurance

Effective January 1, 2022, the Company reinsured a closed block of VUL business to affiliate Lotus Re. Under this reinsurance agreement, the Company ceded to Lotus Re approximately $2.4 billion in general account reserves on a coinsurance basis, and approximately $12.4 billion in separate account reserves on a modified coinsurance (“Modco”) basis. The Modco component of the reinsurance transaction was reported on a net basis in the Company’s financial statements.

Effective February 1, 2022, PFI repositioned Lotus Re from being a wholly owned subsidiary of the Company to being a wholly owned subsidiary of Prudential International Insurance Holdings.

Dispositions

In September 2021, PFI entered into an agreement with the Fortitude Group pursuant to which PFI agreed to sell to its equity interest in PALAC to the Fortitude Group. The PALAC business primarily consisted of non-New York traditional variable annuities with guaranteed living benefits that were issued prior to 2011, which constituted approximately $31 billion of the Group’s total in force individual annuity account values as of December 31, 2021. The Group retained, through a reinsurance agreement, its interest in all FlexGuard products and all fixed annuities and fixed indexed annuities remaining in PALAC. The sale closed on April 1, 2022, and as such, PALAC is no longer a PFI subsidiary entity.

In July 2021, PFI entered into an agreement with Empower pursuant to which PFI agreed to sell to Empower the full-service retirement business written by the Company and PRIAC, primarily through a combination of (i) the sale of all of the outstanding equity interests of certain legal entities, including PRIAC; (ii) the ceding of certain insurance policies through reinsurance; and (iii) the sale, transfer and/or novation of certain in-scope contracts and brokerage accounts. The transaction closed effective April 1, 2022, and as such, PRIAC is no longer a PFI subsidiary entity.

Effective April 3, 2023, the Company sold their 70% joint venture life insurance subsidiary, Gibraltar BSN Life Berhad, to FWD Group Holdings Limited, a Hong Kong based insurance group.

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.

Change in Board Governance

On May 9, 2023, the Risk Committee was disbanded. The Company stated risk issues will continue to be discussed in the relevant Committees and discussed as needed when the full Board meets.

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

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

AFFIDAVIT

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

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. Thaes
Notary Public of New Jersey

My commission expires: July 2025