NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON MARKET CONDUCT EXAMINATION

OF THE

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

CONDITION: JUNE 30, 2012

DATE OF REPORT: MARCH 29, 2013
NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER: SELREY N. DAVID
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December 27, 2016

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 30891, dated October 16, 2012, and annexed hereto, an examination has been made into the condition and affairs of Pruco Life Insurance Company of New Jersey, hereinafter referred to as “the Company,” at its home office located at 213 Washington Street, Newark NJ 07102.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.
1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Section 3230(b)(1) of the New York Insurance Law by failing to date the application in 3 of the 10 (30%) accelerated benefit claims reviewed. (See item 4C of this report)

- The Company violated Section 86.4(a) of Department Regulation No. 95 by failing to include the required fraud warning notice on five of its claim forms. (See item 4C of this report)
2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2009, through June 30, 2012. As necessary, the examiner reviewed matters occurring subsequent to June 30, 2012, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners’ Market Regulations Handbook or such other examination procedures, as deemed appropriate, in such review.

The examiner reviewed the corrective actions taken by the Company with respect to the market conduct violations and recommendations contained in the prior report on examination. The results of the examiner’s review are contained in item 5 of this report.

This report on examination is confined to comments on matters which involve departure from laws, regulations or rules, or which require explanation or description.
3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New Jersey under the name of Pruco Life Insurance Company of New Jersey on October 18, 1982, and commenced business on December 27, 1982. The Company was granted a license by the Department to conduct business in the State of New York on October 3, 1985.

B. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in two states, New Jersey and New York. In 2011, 53.40% of life premiums, 99.11% of annuity considerations and 56.67% of deposit-type contract funds were received from New York. Since the Company writes more premiums in New York than it does in New Jersey, its state of domicile, and such premium is more than 20% of premiums written, it is deemed to be a domestic insurer pursuant to Section 1501(d) of the New York Insurance Law for the purposes of Article 15 of the New York Insurance Law only. All policies are written on a non-participating basis.

The Company’s principal lines of business during the examination period were individual life insurance and individual annuities. Products provided by the Company include individual term life insurance, whole life insurance, variable life insurance, universal life insurance, variable annuities and immediate income annuities.

The Company’s agency operations are conducted on a general agency basis. The Company’s general agents are the same agents that write business in New York for Prudential Insurance Company of America.
4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company’s market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company’s sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

1. Section 3230(b) of the New York Insurance Law states:

“The application to accelerate benefits shall:

(1) be dated by the insurer upon transmittal and shall be completed and signed by the policy owner not more than thirty days thereafter . . .”

The examiner reviewed the 10 accelerated benefit claims that were received by the Company during the examination period. The examiner noted that in three of the 10 (30%) accelerated benefit claims reviewed, the Company failed to date the application in accordance with Section 3230(b)(1) of the New York Insurance Law.

The Company violated Section 3230(b)(1) of the New York Insurance Law by failing to date the application in three of the 10 (30%) accelerated benefit claims reviewed.
2. Section 86.4(a) of Department Regulation No. 95 states, in part

"... all claim forms for insurance, and all applications for commercial insurance and accident and health insurance, provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:

"Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."..."

The examiner's review of the life insurance and annuity claim forms used by the Company during the examination period noted that five of the specimen claim forms did not include the required fraud notice. These 5 forms were used for a total of 21 claims during the period under examination.

The Company violated Section 86.4(a) of Department Regulation No. 95 by failing to include the required fraud warning notice on five of its claim forms.

The examiner recommends that the Company modify its claim forms to include the required notice.
5. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendation and comment contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

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| A    | The Company violated Section 216.4(c) of Department Regulation No. 64 by failing to appoint a corporate officer as the Company’s consumer services officer.  
The Company appointed a corporate officer as the Company’s consumer services officer on February 21, 2003. |
| B    | The Company violated Section 2122(a)(2) of the New York Insurance Law by calling attention to an unauthorized insurer in its advertisements.  
The Company no longer calls attention to an unauthorized insurer in its advertisements. The disclosure currently required in such materials references either "The Prudential Insurance Company of America, Newark, NJ" or "The Prudential Insurance Company of America, Newark, NJ and its affiliates." |
| C    | The Department and the Company agreed on remediation plans.  
The Company performed an internal review of annuity sales made from November 1998 through June 2002 focusing on two issues: (1) Compliance with Department Regulation No. 60 with respect to annuity replacement sales in New York by Prudential Securities Financial Advisors; and (2) the extent to which unapproved illustrations may have been used in connection with sales of annuity products. |
| D    | The Company violated Section 51.7(a) of Department Regulation No. 60 by indicating that Prudential, rather than the Company, was replacing certain policies.  
The Examiner’s review did not reveal instances where the Company violated Section 51.7(a) of Department Regulation No. 60. |
| E    | The examiner recommended that the Company take greater care in distinguishing between itself and its affiliates with respect to application forms, Department Regulation No. 60 Disclosure Statement forms and advertisements.  
The Company implemented a centralized replacement unit to complete or review Department Regulation No. 60 Disclosure Statements for accuracy. In addition, the Company implemented a process to ensure that the application delivered to the customer is accurate. The Company also implemented procedures that require advertisements to include the full issuing company name and address. |
6. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

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<tr>
<td>A</td>
<td>The Company violated Section 3230(b)(1) of the New York Insurance Law by failing to date the application in 3 (30%) of the 10 accelerated benefit claims reviewed.</td>
<td>5</td>
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<tr>
<td>B</td>
<td>The Company violated Section 86.4(a) of Department Regulation No. 95 by failing to include the required notice on five of its claim forms.</td>
<td>6</td>
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<tr>
<td>C</td>
<td>The examiner recommends that the Company modify its claim forms to include the required notice.</td>
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Respectfully submitted,

/s/
Selrey David
Associate Insurance Examiner

STATE OF NEW YORK )
)SS:
COUNTY OF NEW YORK )

Selrey David, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Selrey David

Subscribed and sworn to before me
this_______ day of ________________
APPOINTMENT NO. 30891

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

S'EL REY DAVID

as a proper person to examine the affairs of the

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

and to make a report to me in writing of the condition of said COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 16th day of October, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU