



TARGETED MARKET CONDUCT REPORT ON EXAMINATION

OF THE

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

AS OF DECEMBER 31, 2020

EXAMINER:

JOCELYNE TURENE

DATE OF REPORT:

SEPTEMBER 7, 2022

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

November 21, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32450, dated September 7, 2022, 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”. The Company’s home office is located at 213 Washington Street, Newark, NJ 07102. The examination was conducted remotely because of the COVID-19 pandemic.

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 findings and violations contained in this report are summarized below.

- The Company violated Section 3201(b)(1) of the New York Insurance Law by using various individual life insurance policy forms in the electronic process in a manner not approved by the superintendent and by failing to obtain an extension of approval from the superintendent. (See item 4B of this report.)
- The Company violated Section 3201(b)(1) of the New York Insurance Law by using three annuity application policy forms in an electronic process that had not been filed with and approved by the superintendent prior to April 13, 2020. (See item 4B of this report.)

2. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2020, to December 31, 2020.

The examination comprised a review of the Company's electronic application process and related market conduct activities.

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 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. Pruco Life Insurance Company of New Jersey is a wholly owned subsidiary of the Pruco Life Insurance Company which in turn a wholly owned subsidiary of The Prudential Insurance Company of America or “Prudential Insurance”. Prudential Insurance is a direct wholly owned subsidiary of Prudential Financial, Inc.

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, namely New Jersey and New York. In 2020, 74.48% of life premiums, 98.93% of annuity considerations and 57.11% 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 commercially 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 written during the examination period were individual life insurance and individual annuities. Products provided by the Company include individual term life insurance, variable life insurance, universal life insurance and variable annuities.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2020:

| <u>Life Insurance Premiums</u> | | <u>Annuity Considerations</u> | |
|--------------------------------|---------------|-------------------------------|---------------|
| New York | 74.5% | New York | 98.9% |
| New Jersey | <u>25.2</u> | New Jersey | <u>1.1</u> |
| Subtotal | 99.7% | Total | <u>100.0%</u> |
| All others | <u>0.3</u> | | |
| Total | <u>100.0%</u> | | |
| <u>Deposit Type Funds</u> | | | |
| New York | 57.1% | | |
| New Jersey | <u>42.9</u> | | |
| Subtotal | 100.0% | | |
| All others | <u>0.0</u> | | |
| Total | <u>100.0%</u> | | |

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.

The Company utilizes independent brokers and dealers, banks, independent financial planners, and producer groups in the sale of its products. It also utilizes its affiliate, Prudential Advisors, to produce business including universal, term and variable life insurance and variable and fixed annuities.

The Company markets universal, variable and term life products as well as variable and fixed annuities through individual financial planners, wirehouse brokers, banks, independent agents, and its own sales force.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's electronic application processes for life insurance and annuities 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, solicitation, and the replacement of insurance policies as part of the Company's electronic application process review.

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 as part of the Company's electronic application process review.

Section 3201(b)(1) of New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law . . .”

The examiner reviewed a sample of 84 individual life insurance policies issued, 19 life insurance policies not taken out, and 83 individual annuity contracts issued by the Company in the year 2020 using the electronic application process. The results of the review revealed that:

- In 14 of 84 (17%) individual life policies issued, the Company used policy form number ORD 96200-2019 Variable New York in the electronic application process and this policy form was approved on March 13, 2019. However, there is no record of the Company receiving an extension of approval to use this form in an electronic process.
- In 15 of 84 (18%) individual life policies issued, the Company used the Benefit Access Rider Supplement policy form number ORD 96200-2015AP BENEFITACCESS RIDER NEW YORK and this policy form was approved on December 16, 2014. The Company submitted two policy forms under Department file number 1412054, one that is considered the “computer-produced version”, form number ORD 96200-2015AP BENEFIT ACCESS

RIDER NEW YORK, and another described as the “standalone version”, policy form number ORD 96200-2015 BENEFIT ACCESS RIDER NEW YORK. It is the Department’s policy not to approve two separate versions or a separate version of an application for electronic use. Therefore, policy form number ORD 96200-2015AP BENEFIT ACCESS RIDER NEW YORK, the separate “electronic” version, should not have been submitted.

- In 70 of 84 (83%) individual life policies issued and in 6 of 19 (32%) individual life policies not taken out, the Company used the Authorization, Acknowledgement & Limited Insurance form policy form number ORD 96200F-2019 NEW YORK. There is no record of the Company’s submission and the superintendent’s approval of policy form number ORD 96200F-2019 NEW YORK.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using various individual life insurance policy forms in the electronic process in a manner not approved by the superintendent and by failing to obtain an extension of approval from the superintendent.

The examiner noted 23 instances in which the Company used application policy forms Premier Retirement Variable Annuity Application Form (form number P-VAA(5/17)NY), Prudential Defined Income Variable Annuity Application (form number P-BBND-APP(5/17)NY) and Premier Investment Variable Annuity Application Form (form number P-PIVA-APP(5/17)NY) in the electronic application process.

The three applications noted above were approved for paper use under the Department filing number 1702022 on February 14, 2017. In the filing description, the Company stated that the three applications would be used “with electronic signature processes acknowledged by the Department on March 17, 2014, via NY File No. 1401027 and January 19, 2017, via NY File No. 1609080.” However, the Company improperly relied on previous processes that were approved for earlier versions of the forms under Department file numbers 1401027 and 1608090. Since an extension of approval is form specific, the Company cannot rely on previous extensions of approval received for other forms. However, the Company filed a submission to the Department that complied with the COVID-19 electronic application guidance and was approved for use on April 13, 2020.

In 17 of 23 (74%) of these contracts, the files contained applications: Premier Retirement Variable Annuity Application Form under form number P-VAA(5/17)NY, Prudential Defined Income Variable Annuity Application under form number P-BBND-APP(5/17)NY and Premier Investment Variable Annuity Application Form under form number P-PIVA-APP(5/17)NY. For these 17 contracts, the applications were signed electronically by the applicants before April 13, 2020, the date the superintendent approved the extension of use for the three policy forms.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using three annuity application policy forms in an electronic process that had not been filed with and approved by the superintendent prior to April 13, 2020.

C. Option to Opt-Out

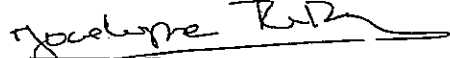
The examiner verified that the applicants had an opportunity to opt out of the electronic process as required by Section 309 of the New York State Technology Law.

5. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

| <u>Item</u> | <u>Description</u> | <u>Page No(s).</u> |
|-------------|---|--------------------|
| A | The Company violated Section 3201(b)(1) of the New York Insurance Law by using various individual life insurance policy forms in the electronic process in a manner not approved by the superintendent and by failing to obtain an extension of approval from the superintendent. | 7 |
| B | The Company violated Section 3201(b)(1) of the New York Insurance Law by using three annuity application policy forms in an electronic process that had not been filed with and approved by the superintendent prior to April 13, 2020. | 8 |

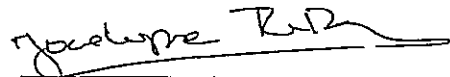
Respectfully submitted,


~~Jocelyne Turene~~

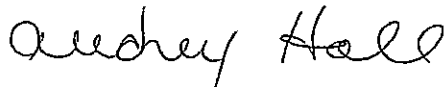
Senior Insurance Examiner

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

Jocelyne Turene, being duly sworn, deposes and says that the foregoing report, subscribed by her,
is true to the best of her knowledge and belief.


~~Jocelyne Turene~~

Subscribed and sworn to before me
this 21st day of November, 2022



AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

_____/s/
Anthony Mauro
Principal Insurance Examiner

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

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

_____/s/
Anthony Mauro

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32450

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ADRIENNE A. HARRIS, 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:

JOCELYNE TURENE

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 she 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 7th day of September, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Mark McLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

