UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission file number 333-18053

PRUCO LIFE INSURANCE COMPANY
OF NEW JERSEY

(Exact name of Registrant as specified in its charter)

New Jersey	22-2426091
(State or other jurisdiction, incorporation or organization)	(IRS Employer Identification No.)

213 Washington Street, Newark, New Jersey 07102
(Address of principal executive offices) (Zip Code)

(973) 802-3274
(Registrant's Telephone Number, including area code)

Securities registered pursuant to Section 12 (b) of the Act: NONE
Securities registered pursuant to Section 12 (g) of the Act: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

State the aggregate market value of the voting stock held by non-affiliates of the registrant: NONE

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of March 29, 2001 Common stock, par value of $5 per share: 400,000 shares outstanding

Pruco Life Insurance Company of New Jersey meets the conditions set forth in General Instruction (I) (1) (a) and (b) on Form 10-K and is therefore filing this Form with the reduced disclosure format.

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
(Registrant)

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PART 1

Item 1. Business

Pruco Life Insurance Company of New Jersey ("the Company") is a stock life insurance company organized in 1982 under the laws of the state of New Jersey. The Company is licensed to sell individual life insurance, variable life insurance, variable annuities, and fixed annuities ("the Contracts") only in the states of New Jersey and New York.

The Company is a wholly owned subsidiary of Pruco Life Insurance Company ("Pruco Life"), a stock life insurance company organized in 1971 under the laws of the state of Arizona. Pruco Life, in turn, is a wholly owned subsidiary of The Prudential Insurance Company of America ("Prudential"), a mutual insurance company founded in 1875 under the laws of the state of New Jersey. Prudential is in the process of reorganizing itself into a publicly traded stock company through a process known as "demutualization." On February 10, 1998, Prudential's Board of Directors authorized management to take the preliminary steps necessary to permit Prudential to demutualize and become a stock company. On July 1, 1998, legislation was enacted in New Jersey that would permit this demutualization to occur and that specified the process of demutualization. On December 15, 2000, Prudential's Board of Directors unanimously adopted the plan of reorganization, which provides the framework under which Prudential will convert from a mutual structure to stock ownership. Demutualization is a complex process involving development of a Plan of Reorganization, a public hearing, approval by two-thirds of the qualified policyholders who vote on the plan (with at least one million qualified policyholders voting) and review and approval by the New Jersey Commissioner of Banking and Insurance. Prudential is working toward completing this process in 2001. However, there is no certainty that the demutualization will be completed in this time frame or that the necessary approvals will be obtained. It is also possible that after careful review, Prudential could decide not to demutualize or could decide to delay its plans.

The Company is engaged in a business that is highly competitive because of the large number of stock and mutual life insurance companies and other entities engaged in marketing insurance products, and individual annuities.

Item 2. Properties

Office space is provided by Prudential, as is described in the Notes to the Financial Statements.

Item 3. Legal Proceedings

Prudential and the Company are subject to legal and regulatory actions in the ordinary course of our businesses, including class actions. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to the Company and Prudential and that are typical of the businesses in which the Company and Prudential operates. Some of these proceedings have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages.

Beginning in 1995, regulatory authorities and customers brought significant regulatory actions and civil litigation against the Company and Prudential involving individual life insurance sales practices. In 1996, Prudential, on behalf of itself and many of its life insurance subsidiaries including the Company entered into settlement agreements with relevant insurance regulatory authorities and plaintiffs in the principal life insurance sales practices class action lawsuit covering policyholders of individual permanent life insurance policies issued in the United States from 1982 to 1995. Pursuant to the settlements, the companies agreed to various changes to their sales and business practices controls, to a series of fines, and to provide specific forms of relief to eligible class members. Virtually all claims by class members filed in connection with the settlements have been resolved and virtually all aspects of the remediation program have been satisfied. While the approval of the class action settlement is now final, Prudential and the Company remain subject to oversight and review by insurance regulators and other regulatory authorities with respect to its sales practices and the conduct of the remediation program. The U.S. District Court has also retained jurisdiction as to all matters relating to the administration, consummation, enforcement and interpretation of the settlements.

As of December 31, 2000, Prudential and/or the Company remained a party to approximately 61 individual sales practices actions filed by policyholders who "opted out" of the class action settlement relating to permanent life insurance policies issued in the United States between 1982 and 1995. In addition, there were 48 sales practices actions pending that were filed by policyholders who were members of the class and who failed to "opt out" of the class action settlement. Prudential and the Company believe that those actions are governed by the class settlement release and expect them to be enjoined and/or dismissed. Additional suits may be filed by class members who "opted out" of the class settlements or who failed to "opt out" but nevertheless seek to proceed against Prudential and/or the Company. A number of the plaintiffs in these cases seek large and/or indeterminate amounts, including punitive or exemplary damages. Some of these actions are brought on behalf of multiple plaintiffs. It is possible that substantial punitive damages might be awarded in any of these actions and particularly in an action involving multiple plaintiffs.

Prudential has indemnified the Company for any liabilities incurred in connection with sales practices litigation covering policyholders of individual permanent life insurance policies issued in the United States from 1982 to 1995.

The balance of the Company's litigation is subject to many uncertainties, and given the complexity and scope, the outcomes cannot be predicted. It is possible that the results of operations or the cash flow of the Company in a particular quarterly or annual period could be materially effected by an ultimate unfavorable resolution of pending litigation and regulatory matters. Management believes, however, that the ultimate outcome of all pending litigation and regulatory matters, should not have a material adverse effect on the Company's financial position.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholders' Matters

The Company is a wholly-owned subsidiary of Pruco Life. There is no public market for the Company's common stock.

Item 7. Management's Discussion and Analysis of Financial Position and Results of Operations.

The following analysis should be read in conjunction with the Notes to Financial Statements.

The Company markets individual life insurance, variable life insurance, variable annuities, and fixed annuities through Prudential's sales force in New Jersey and New York. These markets are subject to regulatory oversight with particular emphasis placed on company solvency and sales practices. These markets are also subject to increasing competitive pressures as the legal barriers which have historically segregated the markets of the financial services industry have been changed through both legislative and judicial processes. Regulatory changes have opened the insurance industry to competition from other financial institutions, particularly banks and mutual funds, that are positioned to deliver competing investment products through large, stable distribution channels.

The Company's Results of Operations and Changes in Statements of Financial Position are described below.

1. Results of Operations

Net income for the year ended December 31, 2000 was $23.6 million, an increase of $10.8 million from $12.8 million earned in the year ended December 31, 1999. Revenue increased $13.4 million and expenses decreased $3.2 million. The income tax provision was higher by $5.8 million based on the corresponding increase in net income.

(a) 2000 versus 1999

Net investment income increased by $6.9 million, $4.4 million from fixed maturity income and $2.6 million from short term investment income primarily due to a corresponding increase in these asset bases during the period, and higher average investment yields. There were also realized losses of $1.0 million, an improvement of $4.0 million, as a result of gains on forward currency contracts, driven by a rise in the value of the US dollar against other currencies compared to the same period.

Policy charges and fee income, primarily consisting of expense, mortality, loading and other insurance charges assessed on policyholder account balances, increased by $2.5 million and asset management fees increased by $1.1 million from the prior year. Asset management fees represent investment advisory fees collected from the Prudential Series Funds ("PSF"), a portfolio of mutual fund investments related to the Company's Separate Account products. The increases are primarily related to higher mortality and expense charges and investment advisory fees resulting from the rise in Separate Account balances primarily as a result of sales and exchanges of Discovery Select and growth of the markets in 1999.
The Exchange Program had provided the contractholders of older Prudential, Pruco Life or Pruco Life of New Jersey annuity products an opportunity to convert to the Discovery Select product. The Exchange Program was terminated in May 2000.

As is described in Note 13 to the Consolidated Financial Statements, beginning January 1, 2001, the Company will not receive asset management fee revenue or pay asset management charges related to PSF. For the year ending December 31, 2000, $7.9 million of asset management fee revenue was earned from PSF. Asset management expenses charged by Prudential Global Asset Management ("PGAM") and Jennison Associates LLC ("Jennison") to manage the PSF were $3.8 million.

Policyholders' benefits increased by $2.0 million, primarily due to increases in reserves for extended term policies and annuitizations. Interest credited to policyholder account balances remained relatively flat during the period compared to the prior year.

General, administrative and other expenses decreased by $5.7 million to $39.4 million at year end December 31, 2000 from $45.1 million at December 31, 1999. Salary expenses are down by $2 million due to lower staff counts and consulting fees are also down by $2 million as the prior year had higher expenses due to Year 2000 systems projects. Distribution expenses (net of capitalization) are $2.2 million less due to change in allocation of these expenses to market based pricing. Amortization of deferred acquisition costs ("DAC") is relatively flat in the two years as annuity DAC amortization increased by $3.2 million due to gross profit emergence on Discovery Select. DAC amortization on life products decreased by $3.1 million due to prior year write-offs of DAC for policies that were rescinded as part of the sales remediation program, as described in the Notes to the Financial Statements.

(b) 1999 versus 1998

Policy charges and fee income, decreased by $.5 million to $52.7 million in 1999 from $53.2 million in 1998. The decrease is a result of lower fee income on variable life products due to decreased sales in 1999, offset somewhat by increases in annuity fee income. The annuity income increase reflects the growth in Separate Accounts as a result of the strong equity market and increased sales and exchanges of the Discovery Select annuity product.

Net investment income increased slightly by $.6 million to $47.6 million for the year ended December 31, 1999 from $47.0 million at year ended December 31, 1998. The General Account investment portfolio, consisting primarily of bonds, decreased from $818.6 million to $766.5 million in 1999 as new cash inflows were primarily invested in Separate Accounts; however the average asset balance in 1999 was slightly higher than in 1998. The yield also remained approximately the same at 6.75% in 1999 versus 6.79% in 1998, therefore the income remained relatively constant between the two years.

Realized investment losses, net were $5.0 million for the year ended December 31, 1999 compared to realized investment gains, net of $8.4 million for the year ended December 31, 1998. This variance reflects the sale of debt securities in 1999 during a period of rising interest rates.

Asset management fees increased by $1.8 million to $7.4 million at December 31, 1999 from $5.6 million at December 31, 1998. The increase was due to a $376.5 million increase in Separate Account assets in 1999 as a result of strong equity markets and increased sales and exchanges of the Discovery Select product.

Policyholder benefits were $26.2 million for the year ended December 31, 1999, a decrease of $4.5 million from $30.7 million for the year ended December 31, 1998. The decrease is related to variable life contracts, as death claims are $3.1 million less and reserve changes are $1.4 million less than last year. The reserve variance is primarily attributable to fewer extended term policies. Annuity policyholder benefits remained the same in the two years.

Interest credited to policyholder account balances for the year ended December 31, 1999 was $18.8 million, a slight decrease of $.2 million from $19.0 million in 1998. Variable life contracts had approximately the same average policyholder account balance of $245.0 million and an interest credited rate of 4.6% in the two years. Interest credited on annuity products was $7.7 million in both years as the average policyholder balance increased slightly by $3.0 million while the average crediting rate dropped about 20 basis points.

General, administrative and other expenses, net of capitalization and amortization of DAC, increased $22.5 million to $45.1 million at year end December 31, 1999 from $22.6 million at December 31, 1998. The increase was primarily the result of the implementation of a new expense allocation methodology from Prudential. This new allocation process shifts a greater amount of expenses to products requiring more complex business processes and more transactions, such as variable products which allow policyholders to make changes in their investment portfolio. These allocated expenses include distribution expenses from Prudential's retail agency network. A majority of these distribution expenses have been capitalized by the Company as DAC. In addition, there was an increase over the prior year in DAC amortization of $10.3 million, the majority of which reflects refinements in the gross profit margin used to amortize DAC.

Changes in Financial Position

2000 versus 1999

The Company's assets remained at $2.8 billion at December 31, 2000 and 1999, of which $1.8 billion were held in Separate Accounts in the two years to support variable life insurance policies and variable annuity contracts. The remaining assets consisted primarily of General Account investments in bonds, policy loans, short-term investments and DAC. For discussion of investments, see "Investment Portfolio and Investment Strategies" below.

1999 versus 1998

The Company had $2.8 billion in assets at December 31, 1999 compared to $2.4 billion at December 31, 1998 of which $1.8 billion and $1.5 billion were held in Separate Accounts in 1999 and 1998, respectively. The remaining assets consisted primarily of General Account investments in bonds, policy loans, short-term investments and DAC.

Investment Portfolio and Investment Strategies

The Company's investment portfolio supports its insurance and annuity liabilities and other obligations to customers for which it assumes investment related risks. The portfolio was comprised of total investments amounting to $804.8 million at December 31, 2000, versus $739.1 million at December 31, 1999. A diversified portfolio of publicly traded bonds, private placement investments and short term investments is managed under strategies intended to maintain a competitive asset mix consistent with current and anticipated cash flow requirements of the related obligations. The risk tolerance reflects the Company's aggregate capital position, exposure to business risk, liquidity and rating agency considerations.

The asset management strategy for the portfolio is set in accordance with an investment policy statement developed and coordinated within the Company by the Asset Liability and Risk Management Group, agreed to by senior management, and approved by the Board of Directors. In managing the investment portfolio, the long term objective is to generate favorable investment results through asset-liability management, strategic and tactical asset allocation and asset manager selection. Asset management strategies take into account the need to match asset structure to product liabilities, considering the underlying income and return characteristics of investment alternatives and seeking to closely approximate the interest rate sensitivity of the asset portfolio with the estimated interest rate sensitivity of the product liabilities. Asset management strategies also include broad diversification across asset classes, issuers and sectors; effective utilization of capital while maintaining liquidity believed to be adequate to satisfy cash flow requirements; and achievement of competitive performance. The major categories of invested assets, quality across the portfolio, and recent activities to manage the portfolio are discussed below.

Fixed Maturities

The fixed maturity portfolio is diversified across maturities, sectors and issuers. The Company has classified all publicly traded securities as "available for sale' ("AFS"). As of December 31, 2000 and 1999, approximately 96% of privately traded securities, were classified as AFS. The remainder of the privately placed fixed maturities were classified as "held to maturity" or ("HTM"). AFS securities are carried in the Statement of Financial Position at fair value, with unrealized gains and losses (after certain related adjustments) recognized by credits and charges to equity capital. HTM securities are carried at amortized cost, and unrealized gains or losses on these securities are not recognized in the financial statements. Fixed maturities totaled $620.3 million (AFS fair value of $612.8 million and HTM amortized cost of $7.5 million), an increase of $27.6 million compared to December 31, 1999. The increase resulted primarily from cash inflows from insurance operations and unrealized gains from a declining interest rate environment.

<TABLE>
<CAPTION>

	December 31, 2000	December 31, 1999

	Amortized Cost	Estimated Fair Value	Net Unrealized (Losses)	Amortized Cost	Estimated Fair Value	Net Unrealized (Losses)
			(In Thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed maturities						
Publicly traded	$ 444,423	$442,365	$(2,058)	$430,167	$414,695	$(15,472)
Privately placed	177,905	177,745	(160)	181,526	177,514	(4,012)
Total	$ 622,328	$620,110	$(2,218)	$611,693	$592,209	$(19,484)

</TABLE>

At December 31, 2000, the net unrealized losses on the AFS fixed maturity portfolio totaled $2.0 million compared to losses of $19.0 million at December 31, 1999. The increase is primarily due to a steadily declining interest rate environment during 2000.

The Company's holdings of private placement fixed maturities totaled $177.7 million and constituted 29% of total fixed maturities portfolio at December 31, 2000 compared to $177.5 million representing 30% in 1999. These investments generally offer higher yields than comparable quality public market securities and increase the diversification of the portfolio.

Gross investment income was $44.0 million in 2000 versus $39.5 million in 1999, due to an increase in the average asset base. Realized losses in 2000 of $4.3 million were basically unchanged as compared to 1999 of $4.6 million

Credit Quality

The following table describes the credit quality of the fixed maturity portfolio, based on ratings assigned by the National Association of Insurance Commissioners ("NAIC") or Moody's Corporation, an independent rating agency:

<TABLE>
<CAPTION>

		December 31, 2000				December 31, 1999			
NAIC	Standard & Poor's	Amortized Cost	%	Estimated Fair Value	%	Amortized Cost	%	Estimated Fair Value	%
					(In Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	AAA to AAA-	$ 256,136	41.2%	$ 260,857	42.2%	$ 224,037	36.7%	$ 218,163	36.9%
2	BBB+ to BBB-	300,867	48.3%	296,664	47.8%	356,235	58.2%	344,246	58.1%
3	BB+ to BB-	34,941	5.6%	34,367	5.5%	31,421	5.1%	29,800	5.0%
4	B+ to B-	27,312	4.4%	25,434	4.1%	0	0.0%	0	0.0%
5	CCC or lower	3,045	0.5%	2,761	0.4%	0	0.0%	0	0.0%
6	In or near default	27	0.0%	27	0.0%	0		0	0.0%
	Total	$ 622,328	100.0%	$ 620,110	100.0%	$ 611,693	100.0%	$ 592,209	100.0%

</TABLE>

The fixed maturity portfolio consists largely of investment grade assets (rated "1" or "2" by the NAIC). Based on fair value, these investments accounted for 90% of the portfolio at December 31, 2000, which was a decrease from 95% at December 31, 1999. The Company increased its holdings in non investment grade bonds to improve yields.

We maintain separate monitoring processes for public and private fixed maturities and create watch lists to highlight securities which require special scrutiny and management. Our public fixed maturity asset managers formally review all public fixed maturity holdings on a monthly basis and more frequently when necessary to identify potential credit deterioration whether due to ratings downgrades, unexpected price variances, and/or industry specific concerns. We classify public fixed maturity securities of issuers that have defaulted as loans not in good standing and all other public watch list assets as closely monitored.

Our private fixed maturity asset managers conduct specific servicing tests on each investment on a quarterly basis to determine whether the investment is in compliance or should be placed on the watch list or assigned an early warning classification. We assign early warning classification to those issuers that have failed a servicing test or experienced a minor covenant default, and we continue to monitor them for improvement or deterioration. We assign closely monitored status to those investments that have been recently restructured or for which restructuring is a possibility due to substantial credit deterioration or material covenant defaults. We classify as not in good standing securities of issuers that are in more severe conditions, for example, bankruptcy or payment default.

<TABLE>
<CAPTION>

	December 31, 2000	December 31, 1999

	Amortized Cost	% of Total	Amortized Cost	% of Total
		(In Thousands)		
<S>	<C>	<C>	<C>	<C>
Performing	$ 616,134	99.0%	$ 611,693	100.0%
Watch List				
Closely monitored	6,194	1.0%	-	0.0%
Not in good standing	-	0.0%	-	0.0%
Total	$ 622,328	100.0%	$ 611,693	100.0%

</TABLE>

Portfolio Diversity

The fixed maturity portfolio is broadly diversified by type and industry of issuer. The greatest industry concentrations within the public portfolio were finance, manufacturing, and utilities. While the greatest concentration within the private portfolio was asset backed securities. The total portfolio is summarized below by issuer category:

<TABLE>
<CAPTION>

	December 31, 2000		
	Amortized Cost	Estimated Fair Value	% of Fair Value
	(In Thousands)		
<S>	<C>	<C>	<C>
United States government securities and obligations	$ 25,050	$ 25,756	4.2%
Mortgage backed securities	-	-	0.0%
Asset backed securities (1)	111,706	110,850	17.9%
Foreign government securities	11,181	11,644	1.9%
Manufacturing	126,245	124,648	20.1%
Utilities	120,669	118,484	19.1%
Retail and wholesale	39,391	39,750	6.4%
Energy	-	-	-
Finance	101,945	104,154	16.8%
Services	58,082	57,256	9.2%
Transportation	28,059	27,568	4.4%
Total	$ 622,328	$ 620,110	100.0%

	December 31, 1999		
	Amortized Cost	Estimated Fair Value	% of Fair Value
	(In Thousands)		
United States government securities and obligations	$ 9,489	$ 9,424	1.6%
Mortgage backed securities	1,038	1,035	0.2%
Asset backed securities (1)	116,985	114,211	19.3%
Foreign government securities	5,000	4,932	0.8%
Manufacturing	102,483	97,638	16.5%
Utilities	98,860	93,991	15.9%
Retail and wholesale	41,148	40,337	6.8%
Energy	5,000	4,965	0.8%
Finance	119,475	117,371	19.8%
Services	51,403	48,767	8.2%
Transportation	60,812	59,538	10.1%
Total	$ 611,693	$ 592,209	100.0%

</TABLE>

During 2000, there was a reallocation from the Transportation and Finance sectors to a heavier concentration in Government Securities and the Manufacturing and Public Utilities sectors.

(1) The asset backed securities are primarily backed by credit card receivables, home equity loans, trade receivables and auto loans.

Short-Term Investments

Short-term investments include highly liquid debt instruments other than those held in "Cash and cash equivalents" with a maturity of twelve months or less when purchased. These securities are carried at amortized cost, which approximates fair value. As of December 31, 2000, the Company's short-term investments totaled $28.8 versus $0 million at December 31, 1999. The increase in short-term investments was primarily due to increased securities lending activity.

2. Liquidity and Capital Resources

The Company's liquidity requirements include the payment of sales commissions, other underwriting expenses and the funding of its contractual obligations for the life insurance and annuity contracts it has in-force. The Company has developed and utilizes a cash flow projection system and regularly performs asset/liability duration matching in the management of its asset and liability portfolios. The Company anticipates funding all its cash requirements utilizing cash from operations, normal investment maturities and anticipated calls and repayments or through short term lending from its affiliate Prudential Funding Corporation (refer to Footnote 13 in the Notes to Financial Statements). As of December 31, 2000, the Company's assets included $481 million of cash and cash equivalents, short-term investments and investment grade publicly traded fixed maturity securities that could be liquidated if funds were required.

In order to continue to market life insurance and annuity products, the Company must meet or exceed the statutory capital and surplus requirements of the insurance departments of the states in which it conducts business. Statutory accounting practices differ from generally accepted accounting principles ("GAAP") in two major respects. First, under statutory accounting practices, the acquisition costs of new business are charged to expense, while under GAAP they are initially deferred and amortized over a period of time. Second, under statutory accounting practices, the required additions to statutory reserves for new business in some cases may initially exceed the statutory revenues attributable to such business. These practices result in a reduction of statutory income and surplus at the time of recording new business.

Insurance companies are subject to Risk-Based Capital ("RBC") guidelines, monitored by insurance regulatory authorities, that measure the ratio of the Company's statutory surplus with certain adjustments ("Adjusted Capital") to its required capital, based on the risk characteristics of its insurance liabilities and investments. Required capital is determined by statutory formulae that consider risks related to the type and quality of invested assets, insurance-related risks associated with the Company's products, interest rate risks, and general business risks. The RBC calculations are intended to assist regulators in measuring the adequacy of the Company's statutory capitalization.

The Company considers RBC implications in its asset/liability management strategies. Each year, the Company conducts a thorough review of the adequacy of statutory insurance reserves and other actuarial liabilities. The review is performed to ensure that the Company's statutory reserves are computed in accordance with accepted actuarial standards, reflect all contractual obligations, meet the requirements of state laws and regulations and include adequate provisions for any other actuarial liabilities that need to be established. All significant reserve changes are reviewed by the Board of Directors and are subject to approval by the New Jersey Department of Banking and Insurance (the "Insurance Department"). The Company believes that its statutory capital is adequate for its currently anticipated levels of risk as measured by regulatory guidelines.

In March 1998 the NAIC adopted the Codification of Statutory Accounting Principles Guidance ("Codification"), which replaces the current Accounting Practices and Procedures manual as the NAIC's primary guidance on statutory accounting as of January 1, 2001. The Codification provides guidance for areas where statutory accounting has been silent and changes current statutory accounting in certain areas. Certain of the standards could have an impact on the measurement of statutory capital which, in turn, could affect RBC ratios of insurance companies. The Company has adopted the Codification guidance effective January 1, 2001, and has estimated the potential effect of the Codification guidance to have a favorable impact of at least $10 million on the Company's surplus position, primarily as a result of the recognition of deferred tax assets.

3. Regulatory Environment

The Company is subject to the laws of the Insurance Department. A detailed financial statement in the prescribed form (the "Annual Statement") is filed with the Insurance Department each year covering the Company's operations for the preceding year and its financial position as of the end of that year. Regulation by the Insurance Department includes periodic examination to verify the accuracy of contract liabilities and reserves. The Company's books and accounts are subject to review by the Insurance Department at all times. A full examination of the Company's operations is conducted periodically by the Insurance Department and under the auspices of the NAIC.

The Company is subject to regulation under the insurance laws of all jurisdictions in which it operates. The laws of the various jurisdictions establish supervisory agencies with broad administrative powers with respect to various matters, including licensing to transact business, overseeing trade practices, licensing agents, approving contract forms, establishing reserve requirements, fixing maximum interest rates on life insurance contract loans and minimum rates for accumulation of surrender values, prescribing the form and content of required financial statements and regulating the type and amounts of investments permitted. The Company is required to file the Annual Statement with supervisory agencies in each of the jurisdictions in which it does business, and its operations and accounts are subject to examination by these agencies at regular intervals.

The NAIC has adopted several regulatory initiatives designed to improve the surveillance and financial analysis regarding the solvency of insurance companies in general. These initiatives include the development and implementation of a risk-based capital formula as described in the Liquidity and Capital Resources disclosure. The implementation of these standards has not had an effect upon the Company.

Although the federal government generally does not directly regulate the business of insurance, federal initiatives often have an impact on the business in a variety of ways. Certain insurance products of the Company are subject to various federal securities laws and regulations. In addition, current and proposed federal measures which may significantly affect the insurance business include regulation of insurance company solvency, employee benefit regulation, removal of barriers preventing banks from engaging in the insurance business, tax law changes affecting the taxation of insurance companies and the tax treatment of insurance products and its impact on the relative desirability of various personal investment vehicles.

4. Effective New Accounting Pronouncements

Refer to Footnote 2, "Summary of Significant Accounting Policies," of the Notes to Financial Statements.

5. Information Concerning Forward-Looking Statements

Some of the statements contained in Management's Discussion and Analysis, including those words such as "believes", "expects", "intends", "estimates", "assumes", "anticipates" and "seeks", are forward-looking statements. These forward-looking statements involve risk and uncertainties. Actual results may differ materially from those suggested by the forward-looking statements for various reasons. In particular, statements contained in Management's Discussion and Analysis regarding the Company's business strategies involve risks and uncertainties, and we can provide no assurance that we will be able to execute our strategies effectively or achieve our financial and other objectives.

Item 8. Financial Statements and Supplementary Data

Information required with respect to this Item 6 regarding Financial Statements and Supplementary Data is set forth commencing on page F-3 hereof. See Index to Financial Statements elsewhere in this Annual Report.

Item 9. Changes in and Disagreements with Independent Accountants on Accounting and Financial Disclosure

Not applicable.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) and (2) Financial Statements and Schedules of Registrant are listed in the accompanying "Index to Financial Statements and Financial Statement Schedules" on page F-1 hereof and are filed as part of this Report.

(a) (3) Exhibits

Regulation S-K

2. Not applicable.

3. Documents Incorporated by Reference
   (i)The Articles of Incorporation of Pruco Life Insurance Company of New Jersey as amended March 11, 1983 and the Bylaws of Pruco Life Insurance Company of New Jersey, as amended February 1, 1991 are incorporated herein by reference to Post-Effective Amendment No. 26 to Form S-6, Registration No. 2-89780, filed April 28, 1997 on behalf of the Company; (ii) Bylaws of Pruco Life Insurance Company of New Jersey as amended May 5, 1997 are incorporated herein by reference to Form 10-Q, Registration No. 333-18117-01, filed August 15, 1997 on behalf of Pruco Life Insurance Company of New Jersey.

4. Exhibits

   Market-Value Annuity Contract, incorporated by reference to

Registrant's Form S-1 Registration Statement, Registration No. 333-18053, filed December 17, 1996, on behalf of Pruco Life Insurance Company of New Jersey.

9. None.

10. None.

11. Not applicable.

12. Not applicable.

13. Not applicable.

16. Not applicable.

18. None.

21. None.

22. None.

23. Not applicable.

24. Powers of Attorney for I. Edward Price, Esther H. Milnes, William J. Eckert, David Odenath, and Ira Kleinman are incorporated by reference to Pre-Effective Amendment No. 1 to Form S-6, Registration No. 333-49334, filed February 8, 2001 on behalf of the Pruco Life of New Jersey Variable Appreciable Account. A Power of Attorney for James J. Avery, Jr. is incorporated by reference to Post Effective Amendment No. 10 to Form S-1, Registration No. 33-20018, filed April 9, 1998 on behalf of the Pruco Life Insurance Company of New Jersey Variable Contract Real Property Account. Power of attorney for Ronald Joelson may be incorporated by reference to Form N-4, Registration No. 333-52754, filed December 26, 2000 on behalf of the Pruco Life Flexible Premium Variable Annuity Account.

99. The following table presents sales and related expenses of the Flexible Premium Variable Annuity Account since July 19, 1995, the effective date of the registration statement (SEC file number 333-18053).

<TABLE>
<CAPTION>

	For the account of the Company		For the account(s) of the contractholder(s)
	Aggregate offering price of amount registered	Amount sold	Amount sold
	(in thousands)		
<S>	<C>	<C>	<C>
Flexible Premium Variable Annuity Account *	$ 150,000	$ 32,674	$ 3,981
Underwriting discounts and commissions **		(858)	
Other expenses ***		(1,129)	
Total		(1,987)	
Net offering proceeds		$ 30,687	

</TABLE>

* Securities are not issued or sold in predetermined units.

** Amount represents estimated commissions paid to affiliated parties.

*** Amount represents estimated general administrative expenses paid to the parent under service and lease agreement.

SIGNATURES

Pursuant to the requirements of Section 13, or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
(Registrant)

Date: March 29, 2001 By: ______________________________
Esther H. Milnes
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
* James J. Avery, Jr.	Chairman of the Board	March 29, 2001
* I. Edward Price	Vice Chairman of the Board and Director	March 29, 2001
* Esther H. Milnes	President and Director	March 29, 2001
William J. Eckert, IV	Principal Financial Officer and Chief Accounting Officer	March 29, 2001
* Ronald Paul Joelson	Director	March 29, 2001
* Ira J. Kleinman	Director	March 29, 2001

</TABLE>

* By: ___________________________________
Thomas C. Castano
(Attorney-in-Fact)

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K
ANNUAL REPORT

FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2000

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

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Report of Independent Accountants

To the Board of Directors and Stockholder of
Pruco Life Insurance Company of New Jersey

In our opinion, the accompanying statements of financial position and the related statements of operations and comprehensive income, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of Pruco Life Insurance Company of New Jersey (an indirect, wholly-owned subsidiary of the Prudential Insurance Company of America) at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
March 13, 2001

Pruco Life Insurance Company of New Jersey

Statements of Financial Position
December 31, 2000 and 1999 (In Thousands)

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>
ASSETS		
Fixed maturities		
Available for sale, at fair value (amortized cost, 2000: $614,858; and 1999: $604,223)	$ 612,851	$ 585,271
Held to maturity, at amortized cost (fair value, 2000: $7,259; and 1999: $6,938)	7,470	7,470
Policy loans	152,111	143,815
Short-term investments	28,759	-
Other long-term investments	3,577	2,520

Total investments	804,768	739,076
Cash and cash equivalents	65,237	27,590
Deferred policy acquisition costs	116,653	129,184
Accrued investment income	13,781	12,492
Receivables from affiliate	22,265	16,231
Other assets	292	474
Separate Account assets	1,805,584	1,827,484
TOTAL ASSETS	$2,828,580	$2,752,531
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Policyholders' account balances	$ 434,442	$ 416,492
Future policy benefits and other policyholder liabilities	108,218	104,750
Cash collateral for loaned securities	48,309	17,900
Securities sold under agreements to repurchase	9,754	-
Income taxes payable	29,913	27,829
Other liabilities	8,793	7,107
Separate Account liabilities	1,805,584	1,827,484
Total liabilities	2,445,013	2,401,562
Contingencies - (See Footnote 11)		
Stockholder's Equity		
Common stock, $5 par value; 400,000 shares, authorized; issued and outstanding at December 31, 2000 and 1999	2,000	2,000
Paid-in-capital	128,689	125,000
Retained earnings	253,641	230,057
Accumulated other comprehensive (loss) income	(763)	(6,088)
Total stockholder's equity	383,567	350,969
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$2,828,580	$2,752,531

</TABLE>

See Notes to Financial Statements

Pruco Life Insurance Company of New Jersey

Statements of Operations and Comprehensive Income
Years Ended December 31, 2000, 1999 and 1998 (In Thousands)

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
REVENUES			

Premiums	$ 5,717	$ 6,742	$ 7,282
Policy charges and fee income	55,231	52,714	53,152
Net investment income	54,524	47,600	47,032
Realized investment (losses) gains, net	(1,045)	(5,013)	8,446
Asset management fees	8,467	7,407	5,641
Other income	331	386	114
Total revenues	123,225	109,836	121,667
BENEFITS AND EXPENSES			
Policyholders' benefits	28,201	26,237	30,679
Interest credited to policyholders' account balances	19,326	18,846	19,038
General, administrative and other expenses	39,415	45,065	22,557
Total benefits and expenses	86,942	90,148	72,274
Income from operations before income taxes	36,283	19,688	49,393
Income tax provision	12,699	6,891	17,570
NET INCOME	23,584	12,797	31,823
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on securities, net of reclassification adjustment	5,325	(7,681)	(1,363)
TOTAL COMPREHENSIVE INCOME	$ 28,909	$ 5,116	$ 30,460

</TABLE>

See Notes to Financial Statements

Pruco Life Insurance Company of New Jersey

Statements of Changes in Stockholder's Equity
Years Ended December 31, 2000, 1999 and 1998 (In Thousands)

<TABLE>
<CAPTION>

<S>	Common stock <C>	Paid - in - capital <C>	Retained earnings <C>	Accumulated other comprehensive income (loss) <C>	Total stockholder's equity <C>
Balance, December 31, 1997	$ 2,000	$ 125,000	$ 185,437	$ 2,956	$ 315,393
Net income	-	-	31,823	-	31,823
Change in net unrealized investment (losses) gains, net of reclassification and taxes	-	-	-	(1,363)	(1,363)
Balance, December 31, 1998	2,000	125,000	217,260	1,593	345,853
Net income	-	-	12,797	-	12,797
Change in net unrealized investment (losses) gains, net of reclassification and taxes	-	-	-	(7,681)	(7,681)
Balance, December 31, 1999	2,000	125,000	230,057	(6,088)	350,969
Contribution		3,689			3,689
Net income	-	-	23,584	-	23,584
Change in net unrealized investment (losses) gains, net of reclassification and taxes	-	-	-	5,325	5,325
Balance, December 31, 2000	$ 2,000	$ 128,689	$ 253,641	$ (763)	$ 383,567

</TABLE>

See Notes to Financial Statements

Pruco Life Insurance Company of New Jersey

Statements of Cash Flows
Years Ended December 31, 2000, 1999 and 1998 (In Thousands)

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	1998 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 23,584	$ 12,797	$ 31,823
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Policy charges and fee income	(9,881)	(11,399)	(5,180)
Interest credited to policyholders' account balances	19,326	18,846	19,038
Realized investment losses (gains), net	1,045	5,013	(8,446)
Amortization and other non-cash items	(9,254)	18,092	2,497
Change in:			
Future policy benefits and other policyholders' liabilities	3,468	14,918	5,304
Accrued investment income	(1,289)	(283)	1,866
Policy loans	(8,296)	(4,372)	(12,137)
Receivable from affiliates	(6,034)	(19,723)	(815)
Deferred policy acquisition costs	12,531	(15,261)	(12,298)
Income taxes payable	2,084	2,504	(9,826)
Contribution from parent	3,689	-	-
Other, net	1,868	2,523	(8,954)
Cash Flows From Operating Activities	32,841	23,655	2,872
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale/maturity of:			
Fixed maturities:			
Available for sale	396,117	702,380	1,001,096
Payments for the purchase of:			
Fixed maturities:			
Available for sale	(411,579)	(695,198)	(1,029,988)
Held to maturity	-	(7,470)	-
Other long term investments, net	(1,058)	99	(854)
Cash collateral for loaned securities, net	30,409	(16,524)	761
Securities sold under agreements to repurchase, net	9,754	(27,210)	27,210
Short term investments, net	(28,756)	11,040	6,800
Cash Flows (Used in) From Investing Activities	(5,113)	(32,883)	5,025
CASH FLOWS FROM FINANCING ACTIVITIES:			
Policyholders' account balances:			
Deposits	170,978	258,417	298,391
Withdrawals	(161,060)	(264,373)	(298,149)
Cash Flows From (Used in) Financing Activities	9,918	(5,956)	242
Net increase (decrease) in Cash and cash equivalents	37,647	(15,184)	8,139
Cash and cash equivalents, beginning of year	27,590	42,774	34,635
CASH and CASH EQUIVALENTS, END OF PERIOD	$ 65,237	$ 27,590	$ 42,774
SUPPLEMENTAL CASH FLOW INFORMATION			
Income taxes paid	$ 13,421	$ 480	$ 27,083

</TABLE>

See Notes to Financial Statements

Notes to Financial Statements

1. BUSINESS

Pruco Life Insurance Company of New Jersey ("the Company") is a stock life insurance company organized in 1982 under the laws of the state of New Jersey. The Company is licensed to sell individual life insurance, variable life insurance, variable annuities, and fixed annuities ("the Contracts") only in the states of New Jersey and New York.

The Company is a wholly owned subsidiary of Pruco Life Insurance Company ("Pruco Life"), a stock life insurance company organized in 1971 under the laws of the state of Arizona. Pruco Life, in turn, is a wholly owned subsidiary of The Prudential Insurance Company of America ("Prudential"), a mutual insurance company founded in 1875 under the laws of the state of New Jersey. Prudential is in the process of reorganizing itself into a publicly traded stock company through a process known as "demutualization." On February 10, 1998, Prudential's Board of Directors authorized management to take the preliminary steps necessary to permit Prudential to demutualize and become a stock company. On July 1, 1998, legislation was enacted in New Jersey that would permit this demutualization to occur and that specified the process of demutualization. On December 15, 2000, Prudential's Board of Directors unanimously adopted the Plan of Reorganization, which provides the framework under which Prudential will convert from a mutual structure to stock ownership. Demutualization is a complex process involving development of a plan of reorganization, a public hearing, approval by two-thirds of the qualified policyholders who vote on the plan (with at least one million qualified policyholders voting) and review and approval by the New Jersey Commissioner of Banking and Insurance. Prudential is working toward completing this process in 2001. However, there is no certainty that the demutualization will be completed in this time frame or that the necessary approvals will be obtained. It is also possible that after careful review, Prudential could decide not to demutualize or could decide to delay its plans.

The Company is engaged in a business that is highly competitive because of the large number of stock and mutual life insurance companies and other entities engaged in marketing insurance products, and individual annuities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company has extensive transactions and relationships with Prudential and other affiliates, as more fully described in Footnote 13. Due to these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular deferred policy acquisition costs ("DAC") and future policy benefits, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Investments

Fixed maturities classified as "available for sale" are carried at estimated fair value. Fixed maturities that the Company has both the intent and ability to hold to maturity are stated at amortized cost and classified as "held to maturity". The amortized cost of fixed maturities is written down to estimated fair value if a decline in value is considered to be other than temporary. Unrealized gains and losses on fixed maturities "available for sale", including the effect on deferred policy acquisition costs and policyholders' account balances that would result from the realization of unrealized gains and losses, net of income taxes, are included in a separate component of equity, "Accumulated other comprehensive income (loss)."

Policy loans are carried at unpaid principal balances.

Short-term investments, consisting of highly liquid debt instruments other than those held in "Cash and cash equivalents" with a maturity of twelve months or less when purchased, are carried at amortized cost, which approximates fair value.

Realized investment (losses) gains, net are computed using the specific identification method. Costs of fixed maturity and equity securities are adjusted for impairments considered to be other than temporary.

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Includes cash on hand, amounts due from banks, money market instruments, and other debt issues with a maturity of three months or less when purchased.

Deferred Policy Acquisition Costs

The costs that vary with and that are related primarily to the production of new insurance and annuity business are deferred to the extent that they are deemed recoverable from future profits. Such costs include certain commissions, costs of policy issuance and underwriting, and variable field office expenses. Deferred policy acquisition costs are subject to recognition testing at the time of policy issue and recoverability and premium defiency testing at the end of each accounting period. Deferred policy acquisition costs, for certain products, are adjusted for the impact of unrealized gains or losses on investments as if these gains or losses had been realized, with corresponding credits or charges included in "Accumulated other comprehensive (loss) income."

Policy acquisition costs related to interest-sensitive and variable life products and certain investment-type products are deferred and amortized over the expected life of the contracts (periods ranging from 25 to 30 years) in proportion to estimated gross profits arising principally from investment results, mortality and expense margins, and surrender charges based on historical and anticipated future experience, which is updated periodically. The effect of changes to estimated gross profits on unamortized deferred acquisition costs is reflected in "General and administrative expenses" in the period such estimated gross profits are revised.

Prudential and the Company have offered programs under which policyholders, for a selected product or group of products, can exchange an existing policy or contract issued by Prudential or the Company for another form of policy or contract. These transactions are known as internal replacements. If the new policies have terms that are substantially similar to those of the earlier policies, the DAC is retained with respect to the new policies and amortized over the life of the new policies. If the terms of the new policies are not substantially similar to those of the former policy, the unamortized DAC on the surrendered policies is immediately charged to expense.

Securities loaned

Securities loaned are treated as financing arrangements and are recorded at the amount of cash received as collateral. The Company obtains collateral in an amount equal to 102% and 105% of the fair value of the domestic and foreign securities, respectively. The Company monitors the market value of securities loaned on a daily basis with additional collateral obtained as necessary.

Non-cash collateral received is not reflected in the consolidated statements of financial position because the debtor typically has the right to redeem the collateral on short notice. Substantially all of the Company's securities loaned are with large brokerage firms.

Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are treated as financing arrangements and are carried at the amounts at which the securities will be subsequently reacquired, including accrued interest, as specified in the respective agreements. Assets to be repurchased are the same, or substantially the same, as the assets transferred and the transferor, through right of substitution, maintains the right and ability to redeem the collateral on short notice. The market value of securities to be repurchased is monitored and additional collateral is obtained, where appropriate, to protect against credit exposure.

Securities lending and securities repurchase agreements are used to generate net investment income and facilitate trading activity. These instruments are short-term in nature (usually 30 days or less). Securities loaned are collateralized principally by U.S. Government and mortgage-backed securities. Securities sold under repurchase agreements are collateralized principally by cash. The carrying amounts of these instruments approximate fair value because of the relatively short period of time between the origination of the instruments and their expected realization.

Separate Account Assets and Liabilities

Separate Account assets and liabilities are reported at estimated fair value and represent segregated funds which are invested for certain policyholders and other customers. The assets consist of common stocks, fixed maturities, real estate related securities, and short-term investments. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company. Investment risks associated with market value changes are borne by the customers, except to the extent

of minimum guarantees made by the Company with respect to certain accounts. The investment income and gains or losses for Separate Accounts generally accrue to the policyholders and are not included in the Consolidated Statements of Operations and Comprehensive Income. Mortality, policy administration and surrender charges on the accounts are included in "Policy charges and fee income".

Separate Accounts represent funds for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the policyholders, with the exception of the Pruco Life Modified Guaranteed Annuity Account. The Pruco Life Modified Guaranteed Annuity Account is a non-unitized Separate Account, which funds the Modified Guaranteed Annuity Contract and the Market Value Adjustment Annuity Contract. Owners of the Pruco Life Modified Guaranteed Annuity and the Market Value Adjustment Annuity Contracts do not participate in the investment gain or loss from assets relating to such accounts. Such gain or loss is borne, in total, by the Company.

Insurance Revenue and Expense Recognition
Premiums from insurance policies are generally recognized when due. Benefits are recorded as an expense when they are incurred. For traditional life insurance contracts, a liability for future policy benefits is recorded using the net level premium method. For individual annuities in payout status, a liability for future policy benefits is recorded for the present value of expected future payments based on historical experience.

Amounts received as payment for interest-sensitive life, individual annuities and guaranteed investment contracts are reported as deposits to "Policyholders' account balances". Revenues from these contracts reflected as "Policy charges and fee income" consist primarily of fees assessed during the period against the policyholders' account balances for mortality charges, policy administration charges and surrender charges. Benefits and expenses for these products include claims in excess of related account balances, expenses of contract administration, interest credited and amortization of deferred policy acquisition costs.

Asset Management Fees
The Company receives asset management fee income from policyholder account balances invested in The Prudential Series Fund ("PSF"), which are a portfolio of mutual fund investments related to the Company's Separate Account products. In addition, the Company receives fees from policyholder account balances invested in funds managed by companies other than Prudential. Asset management fees are recognized as income as earned.

Derivative Financial Instruments
Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, or the value of securities or commodities. Derivative financial instruments used by the Company include swaps, futures, forwards and option contracts and may be exchange-traded or contracted in the over-the-counter market. The Company uses derivative financial instruments to seek to reduce market risk from changes in interest rates or foreign currency exchange rates and to alter interest rate or currency exposures arising from mismatches between assets and liabilities.

To qualify for hedge accounting treatment, derivatives must be designated as hedges for existing assets, liabilities, firm commitments or anticipated transactions which are identified and probable to occur, and effective in reducing the market risk to which the Company is exposed. The effectiveness of the derivatives is evaluated at the inception of the hedge and throughout the hedge period. All derivatives used by the Company are for other than trading purposes.

Derivatives held for purposes other than trading are primarily used to seek to reduce exposure to interest rate and foreign currency risks associated with assets held or expected to be purchased or sold, and liabilities incurred or expected to be incurred. Additionally, other than trading derivatives are used to change the characteristics of the Company's asset/liability mix as part of the Company's risk management activities.

See Note 10 for a discussion of the accounting treatment of derivatives that qualify for hedge accounting treatment. If the Company's use of other than trading derivatives does not meet the criteria to apply hedge accounting, the derivatives are recorded at fair value in "Other long-term investments" or "Other liabilities" in the Consolidated Statements of Financial Position, and changes in their fair value are included in "Realized investment (losses)gains, net" without considering changes in fair value of the hedged assets or liabilities. Cash flows from other than trading derivatives are reported in the investing activities section in the Consolidated Statements of Cash Flows.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes
The Company is a member of the consolidated federal income tax return of Prudential and files separate company state and local tax returns. Pursuant to the tax allocation arrangement with Prudential, total federal income tax expense is determined on a separate company basis. Members with losses record tax benefits to the extent such losses are recognized in the consolidated federal tax provision. Deferred income taxes are generally recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to reduce a deferred tax asset to that portion that is expected to be realized.

New Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board ("FASB") issued

Statement of Financial Accounting Standard ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement No. 125". The Company is currently evaluating the effect of adopting the provisions of SFAS No. 140 relating to transfers and extinguishments of liabilities which are effective for periods occurring after March 31, 2001. The Company has adopted in these financial statements disclosures about securitizations and collateral and for recognition and reclassification of collateral required under the statement for fiscal years ending after December 15, 2000.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and, in June 2000, SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133". SFAS No. 133, as amended by SFAS No. 138 (collectively "SFAS No. 133"), requires that companies recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. SFAS No. 133 does not apply to most traditional insurance contracts. However, certain hybrid contracts that contain features which may affect settlement amounts similarly to derivatives may require separate accounting for the "host contract" and the underlying "embedded derivative" provisions. The latter provisions would be accounted for as derivatives as specified by the statement.

SFAS No. 133 provides, if certain conditions are met, that a derivative may be specifically designated as (1) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), (2) a hedge of the exposure to variable cash flows of a forecasted transaction (cash flow hedge), or (3) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security or a foreign-currency-denominated forecasted transaction (foreign currency hedge). Under SFAS No. 133, the accounting for changes in fair value of a derivative depends on its intended use and designation. For a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item. For a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. For a foreign currency hedge, the gain or loss is reported in other comprehensive income as part of the foreign currency translation adjustment. The accounting for a fair value hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security. Similarly, the accounting for a cash flow hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of a foreign-currency-denominated forecasted transaction. For all other derivatives not designated as hedging instruments, the gain or loss is recognized in earnings in the period of change.

The Company adopted SFAS No. 133, as amended, as of January 1, 2001. The adoption of this statement did not have a material impact on the results of operations of the Company. As part of the implementation, the Company reclassified held-to-maturity securities, amounting to approximately $7.5 million at January 1, 2001, to the available-for-sale category. This reclassification resulted in the recognition of a net unrealized loss of approximately $.2 million, net of tax, which was recorded as a component of "Accumulated other comprehensive (loss) income" on the implementation date.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, " Revenue Recognition in Financial Statements" ("SAB No. 101"). SAB No. 101 provides guidance for revenue recognition and related disclosure in the financial statements. The Company adopted SAB No. 101, and its related interpretations, as of October 1, 2000. The adoption of SAB No. 101 did not have a material effect on the Company's financial position or results of operations.

Reclassifications
Certain amounts in the prior years have been reclassified to conform to the current year presentation.

- --

3. INVESTMENTS

Fixed Maturities
The following tables provide additional information relating to fixed maturities as of December 31:
<TABLE>
<CAPTION>

	2000		
	Gross	Gross	Estimated

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(In Thousands)		
<S>	<C>	<C>	<C>	<C>
Fixed maturities available for sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 25,050	$ 708	$ 2	$ 25,756
Foreign government bonds	11,181	463	-	11,644
Corporate securities	578,627	7,314	10,490	575,451
Mortgage-backed securities	-	-	-	-
Total fixed maturities available for sale	$ 614,858	$ 8,485	$ 10,492	$ 612,851
Fixed maturities held to maturity				
Corporate securities	$ 7,470	-	$ 211	$,259
Total fixed maturities held to maturity	$ 7,470	$ -	$ 211	$ 7,259

	1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In Thousands)		
Fixed maturities available for sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 9,489	$ -	$ 63	$ 9,426
Foreign government bonds	5,000	-	68	4,932
Corporate Securities	588,696	681	19,499	569,878
Mortgage-backed securities	1,038	-	3	1,035
Total fixed maturities available for sale	$ 604,223	$ 681	$ 19,633	$ 585,271
Fixed maturities held to maturity				
Corporate securities	$ 7,470	$ -	$ 532	$ 6,938
Total fixed maturities held to maturity	$ 7,470	$ -	$ 532	$ 6,938

</TABLE>

3. INVESTMENTS (continued)

The amortized cost and estimated fair value of fixed maturities, by contractual maturities at December 31, 2000, is shown below:

<TABLE>
<CAPTION>

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In Thousands)		(In Thousands)	
<S>	<C>	<C>	<C>	<C>
Due in one year or less	$ 24,545	$ 24,476	$ -	$ -
Due after one year through five years	254,007	254,205	1,000	978
Due after five years through ten years	254,951	253,493	6,470	6,281
Due after ten years	81,356	80,677	-	-
Total	$ 614,858	$ 612,851	$ 7,470	$ 7,259

</TABLE>

Actual maturities may differ from contractual maturities because issuers have the right to call or prepay obligations.

Proceeds from the sale of fixed maturities available for sale during 2000, 1999, and 1998 were $354.4 million, $698.8 million, and $990.7 million, respectively. Gross gains of $2.2 million, $3.5 million, and $8.8 million, and gross losses of $5.2 million, $8.0 million, and $1.8 million were realized on those sales during 2000, 1999, and 1998, respectively. Proceeds from maturities of fixed maturities available for sale during 2000, 1999, and 1998 were $ 41.7 million, $3.6 million, and $10.4 million, respectively. During the years ended December 31, 2000, 1999, and 1998, there were no securities classified as held to maturity that were sold.

Writedowns for impairments which were deemed to be other than temporary for fixed maturities were $1.3 million, $0 million, and $.6 million for the years 2000, 1999 and 1998, respectively.

Special Deposits
Fixed maturities of $.5 million at both December 31, 2000 and 1999 respectively, were on deposit with governmental authorities or trustees as required by certain insurance laws.

Investment Income and Investment Gains and Losses

Net investment income arose from the following sources for the years ended December 31:
<TABLE>
<CAPTION>

	2000	1999	1998
		(In Thousands)	
<S>	<C>	<C>	<C>
Fixed maturities	$ 43,972	$ 39,538	$ 39,478
Policy loans	8,053	7,641	7,350
Short-term investments & cash equivalents	5,126	2,516	3,502
Other	1,300	60	(842)
Gross investment income	58,451	49,755	49,488
Less investment expenses	(3,927)	(2,155)	(2,456)
Net investment income	$ 54,524	$ 47,600	$ 47,032

</TABLE>

- --

3. INVESTMENTS (continued)

Realized investment (losses) gains, net, including charges for other than temporary reductions in value, for the years ended December 31, were from the following sources:
<TABLE>
<CAPTION>

	2000	1999	1998
		(In Thousands)	
<S>	<C>	<C>	<C>
Fixed maturities	$ (4,324)	$ (4,616)	$ 6,360
Derivatives	2,924	(412)	2,076
Other	355	15	10
Realized investment (losses) gains, net	$ (1,045)	$ (5,013)	$ 8,446

</TABLE>

Securities Pledged to Creditors

The Company pledges investment securities it owns to unaffiliated parties through certain transactions including securities lending, securities sold under agreements to repurchase, and futures contracts. At December 31, 2000, the carrying value of fixed maturities available for sale pledged to third parties as reported in the Statements of Financial Position are $57.3 million.

- --

3. INVESTMENTS (continued)

Net Unrealized Investment (Losses) Gains

Net unrealized investment (losses) gains on fixed maturities available for sale are included in the Statements of Financial Position as a component of "Accumulated other comprehensive income". Changes in these amounts include adjustments to exclude from "Other comprehensive income (loss)" those items that are included as part of "net income" for a period that also had been part of "Other comprehensive income (loss)" in earlier periods. The amounts for the years ended December 31, net of tax, are as follows:
<TABLE>
<CAPTION>

	Unrealized gains (losses) on investments	Deferred policy acquisition costs	Policyholders' Account Balances	Deferred income tax (liability) benefit	Accumulated other comprehensive income (loss) related to net unrealized investment gains (losses)
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1997	$ 7,252	$ (3,379)	$ 849	$ (1,766)	$ 2,956
Net investment gains on investments arising during the period	4,966			(1,662)	3,304
Reclassification adjustment for (losses) included in net income	(6,985)			2,338	(4,647)
Impact of net unrealized investment (losses) on deferred policy acquisition costs		(166)		58	(108)
Impact of net unrealized investment gains on policyholders' account balances			138	(50)	88
Balance, December 31, 1998	$ 5,233	$ (3,545)	$ 987	$ (1,082)	$ 1,593
Net investment (losses) on investments arising during the period	(28,794)			10,366	(18,428)
Reclassification adjustment for gains included in net income	4,610			(1,660)	2,950
Impact of net unrealized investment gains on deferred policy acquisition costs		14,681		(5,285)	9,396
Impact of net unrealized investment (losses) on policyholders' account balances			(2,499)	900	(1,599)
Balance, December 31, 1999	$ (18,951)	$ 11,136	$(1,512)	$ 3,239	$ (6,088)
Net investment gains (losses) on investments arising during the period	12,620			(4,454)	8,166
Reclassification adjustment for gains included in net income	4,324			(1,526)	2,798
Impact of net unrealized investment (losses)on deferred policy acquisition costs		(10,161)		3,658	(6,503)
Impact of net unrealized investment gains on policyholders' account balances			1,350	(486)	864
Balance, December 31, 2000	$ (2,007)	$ 975	$ (162)	$ 431	$ (763)

</TABLE>

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4. DEFERRED POLICY ACQUISITION COSTS

The balance of and changes in deferred policy acquisition costs for the year ended December 31, are as follows:

	2000	1999
	(In Thousands)	

Balance, beginning of year	$ 129,184	$ 113,923
Capitalization of commissions, sales and issue expenses	10,638	13,439
Amortization	(13,008)	(12,859)
Change in unrealized investment losses	(10,161)	14,681
Balance, end of year	$ 116,653	$ 129,184

5. POLICYHOLDERS' LIABILITIES

Future policy benefits and other policyholder liabilities at December 31 are as follows:

	2000	1999
	(In Thousands)	
Life insurance	$ 103,557	$ 100,686
Annuities	4,661	4,064
	$ 108,218	$ 104,750

Life insurance liabilities include reserves for death benefits. Annuity liabilities include reserves for annuities that are in payout status.

The following table highlights the key assumptions generally utilized in calculating these reserves:
<TABLE>
<CAPTION>

Product	Mortality	Interest Rate	Estimation Method
<S>	<C>	<C>	<C>
Life insurance variable and interest-sensitive	Generally rates guaranteed in calculating cash surrender values	2.5% to 7.5%	Net level premium based on non-forfeiture interest rate
Life insurance - term insurance	Best estimate plus a provision for adverse deviation	6.75%	Net level premium plus a provision for adverse deviation.
Individual annuities	Mortality table varies based on the issue year of the contract. Current table (for 1998 & later issues) is the Annuity 2000 Mortality Table with certain modifications	6.25% to 8.75%	Present value of expected future payment based on historical experience

</TABLE>
Policyholders' account balances at December 31, are as follows:

	2000	1999
	(In Thousands)	
Interest-sensitive life contracts	$ 332,761	$ 323,798
Individual annuities	101,681	92,694
	$ 434,442	$ 416,492

5. POLICYHOLDERS' LIABILITIES (continued)

Policyholders' account balances for interest-sensitive life and individual annuities are equal to policy account values plus unearned premiums. The policy account values represent an accumulation of gross premium payments plus credited interest less withdrawals, expenses, mortality charges.

Certain contract provisions that determine the policyholder account balances are as follows:
<TABLE>
<CAPTION>

Product	Interest Rate	Withdrawal / Surrender Charges
<S>	<C>	<C>
Interest sensitive life contracts	4.0% to 6.5 %	Various up to 10 years

Individual annuities	3.0% to 6.0%	0% to 7% for up to 7 years

</TABLE>

6. REINSURANCE

The Company participates in reinsurance with Prudential and other companies, in order to provide greater diversification of business, provide additional capacity for future growth and limit the maximum net loss potential arising from large risks. Reinsurance ceded arrangements do not discharge the Company or the insurance subsidiaries as the primary insurer. Ceded balances would represent a liability of the Company in the event the reinsurers were unable to meet their obligations to the Company under the terms of the reinsurance agreements. The likelihood of a material reinsurance liability reassumed by the Company is considered to be remote.

Reinsurance amounts included in the Statement of Operations and Comprehensive Income for the year ended December 31 are below.

	2000	1999	1998
		(In Thousands)	
Reinsurance premiums ceded - affiliated	$ (19)	$ (17)	$ (28)
Reinsurance premiums ceded - unaffiliated	$ (445)	$ 0	$ 0
Policyholders' benefits ceded	$ 110	$ 0	$ 0

Reinsurance recoverables, included in "Other assets" in the Company's Statements of Financial Position, at December 31 were as follows:

	2000	1999
	(In Thousands)	
Life insurance - affiliated	$ 369	$ 16
	=====	=====

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7. INCOME TAXES

The components of income taxes for the years ended December 31, are as follows:
<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	1998 <C>
		(In Thousands)	
Current tax expense (benefit):			
U.S.	$ 15,365	$ 6,769	$ 14,786
State and local	-	178	523
Total	15,365	6,947	15,309
Deferred tax expense (benefit):			
U.S.	(3,211)	(54)	2,198
State and local	545	(2)	63
Total	(2,666)	(56)	2,261
Total income tax expense	$ 12,699	$ 6,891	$ 17,570
	=========	========	=========

</TABLE>
The income tax expense for the years ended December 31, differs from the amount computed by applying the expected federal income tax rate of 35% to income from operations before income taxes for the following reasons:
<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	1998 <C>
		(In Thousands)	
Expected federal income tax expense	$ 12,699	$ 6,891	$ 17,288
State and local income taxes	354	115	381
Dividends received deduction	(843)	(878)	(500)
Other	489	763	401
Total income tax expense	$ 12,699	$ 6,891	$ 17,570
	=========	========	=========

</TABLE>

Deferred tax assets and liabilities at December 31, resulted from the items listed in the following table:

	2000	1999
	(In Thousands)	
Deferred tax assets		
Insurance reserves	$ 16,515	$ 9 ,711
Net unrealized losses on securities	723	6,823
Other	1,530	2,083
Deferred tax assets	$ 18,768	$ 18,617
Deferred tax liabilities		
Deferred acquisition costs	35,437	37,174
Net investment gains	-	-
Other	3,601	879
Deferred tax liabilities	39,038	38,053
Net deferred tax liability	$ 20,270	$ 19,436

Management believes that based on its historical pattern of taxable income, the Company and its subsidiaries will produce sufficient income in the future to realize its deferred tax assets after valuation allowance. Adjustments to the valuation allowance will be made if there is a change in management's assessment of the amount of the deferred tax asset that is realizable. At December 31, 2000 and 1999, respectively, the Company and its subsidiaries had no federal or state operating loss carryforwards for tax purposes.

7. INCOME TAXES (continued)

The Internal Revenue Service (the "Service") has completed all examinations of the consolidated federal income tax returns through 1995. The Service has begun their examination of the 1996 year.

8. STATUTORY NET INCOME AND SURPLUS

Accounting practices used to prepare statutory financial statements for regulatory purposes differ in certain instances from GAAP. The following table reconciles the Company's statutory net income and surplus determined in accordance with accounting practices prescribed or permitted by the New Jersey Department of Banking and Insurance, to net income and equity determined using GAAP:
<TABLE>
<CAPTION>

	2000	1999	1998
		(In Thousands)	
<S>	<C>	<C>	<C>
Statutory net income	$ 21,268	$ 20,221	$ 18,704
Adjustments to reconcile to net income on a GAAP basis:			
Amortization and capitalization of deferred acquisition costs	(2,370)	580	12,464
Deferred premium	252	(314)	534
Insurance revenues and expenses	1,409	983	(808)
Income taxes	4,633	(139)	(2,973)
Valuation of investments	280	(3,199)	5,896
Amortization of IMR	(986)	(2,089)	(2,102)
Asset management fees	(1,638)	(2,050)	-
Other, net	736	(1,196)	108
GAAP net income	$ 23,584	$ 12,797	$ 31,823

	2000	1999
	(In Thousands)	
Statutory surplus	$294,313	$274,437
Adjustments to reconcile to equity on a GAAP basis:		
Valuation of investments	9,232	(9,644)
Deferred acquisition costs	116,653	129,184
Deferred premium	(907)	(1,159)

Insurance liabilities	(19,274)	(23,889)
Income Taxes	(17,034)	(17,977)
Asset management fees	-	(2,050)
Other, net	584	2,067
GAAP stockholder's equity	$383,567	$350,969

</TABLE>

The New York State Insurance Department ("Department") recognizes only statutory accounting for determining and reporting the financial condition of an insurance company, for determining its solvency under the New York Insurance Law and for determining whether its financial condition warrants the payment of a dividend to its policyholders. No consideration is given by the Department to financial statements prepared in accordance with GAAP in making such determinations.

In March 1998, the NAIC adopted the Codification of Statutory Accounting Principles guidance ("Codification"), which replaces the current Accounting Practices and Procedures manual as the NAIC's primary guidance on statutory accounting as of January 1, 2001. The Codification provides guidance for areas where statutory accounting has been silent and changes current statutory accounting in certain areas. The Company has adopted the Codification guidance effective January 1, 2001, and has estimated the potential effect of the Codification guidance to have a favorable impact of at least $10 million on the Company's surplus position, primarily as a result of the recognition of deferred tax assets.

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values presented below have been determined using available market information and by applying valuation methodologies. Considerable judgment is applied in interpreting data to develop the estimates of fair value Estimates fair values may not be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The following methods and assumptions were used in calculating the estimated fair values (for all other financial instruments presented in the table, the carrying value approximates estimated fair value).

Fixed maturities
Estimated fair values for fixed maturities, other than private placement securities, are based on quoted market prices or estimates from independent pricing services. Generally, fair values for private placement securities are estimated using a discounted cash flow model which considers the current market spreads between the U.S. Treasury yield curve and corporate bond yield curve, adjusted for the type of issue, its current credit quality and its remaining average life. The estimated fair value of certain non-performing private placement securities is based on amounts estimated by management.

Policy loans
The estimated fair value of policy loans is calculated using a discounted cash flow model based upon current U.S. Treasury rates and historical loan repayment patterns.

Investment contracts
For individual deferred annuities and other deposit liabilities, fair value approximates carrying value.

Derivative financial instruments
See note 10 for disclosure of fair value on these instruments.

The following table discloses the carrying amounts and estimated fair values of the Company's financial instruments at December 31:
<TABLE>
<CAPTION>

	2000		1999	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In Thousands)			
<S>	<C>	<C>	<C>	<C>
Financial Assets:				
Fixed maturities:				
Available for sale	$ 612,851	$ 612,851	$ 585,271	$ 585,271
Held to maturity	7,470	7,259	7,470	6,938
Policy loans	152,111	156,786	143,815	136,990

Short-term investments	28,759	28,759	-	-
Cash and cash equivalents	65,237	65,237	27,590	27,590
Separate Accounts assets	1,805,584	1,805,584	1,827,484	1,827,484
Financial Liabilities:				
Investment contracts	$ 102,255	$ 102,255	$ 93,158	$ 93,158
Cash collateral for loaned securities	48,309	48,309	17,900	17,900
Securities sold under agreements to repurchase	9,754	9,754	-	-
Separate Accounts liabilities	1,805,584	1,805,584	1,827,484	1,827,484

</TABLE>

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10. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS

Futures
The Company uses exchange-traded Treasury futures and options to reduce market risk from changes in interest rates, and to manage the duration of assets and the duration of liabilities supported by those assets. In exchange-traded futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which are determined by the value of designated classes of Treasury securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts The Company enters into exchange-traded futures and options with regulated futures commissions merchants who are members of a trading exchange. The fair value of futures and options is based on market quotes. Treasury futures move substantially in value as interest rates change and can be used to either modify or hedge existing interest rate risk. This strategy protects against the risk that cash flow requirements may necessitate liquidation of investments at unfavorable prices resulting from increases in interest rates. This strategy can be a more cost effective way of temporarily reducing the Company's exposure to a market decline than selling fixed income securities and purchasing a similar portfolio when such a decline is believed to be over.

If futures meet hedge accounting criteria, changes in their fair value are deferred and recognized as an adjustment to the carrying value of the hedged item. Deferred gains or losses from the hedges for interest-bearing financial instruments are amortized as a yield adjustment over the remaining lives of the hedged item. Futures that do not qualify as hedges are carried at fair value with changes in value reported in current period earnings. The notional and fair value of futures contracts was $3.6 million and $.1 million at December 31, 2000, respectively. The notional and fair value of futures contracts was $46.4 million and $(.6) million at December 31, 1999, respectively.

Credit Risk
The current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. Credit risk is managed by entering into transactions with creditworthy counterparties and obtaining collateral where appropriate and customary. The Company also attempts to minimize its exposure to credit risk through the use of various credit monitoring techniques. All of the net credit exposure for the Company from derivative contracts is with investment-grade counterparties. As of December 31, 2000, 100% of the notional consisted of interest rate derivatives.

11. CONTINGENCIES AND LITIGATION

Prudential and the Company are subject to legal and regulatory actions in the ordinary course of our businesses, including class actions. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to the Company and Prudential and that are typical of the businesses in which the Company and Prudential operate. Some of these proceedings have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages.

Beginning in 1995, regulatory authorities and customers brought significant regulatory actions and civil litigation against the Company and Prudential involving individual life insurance sales practices. In 1996, Prudential, on behalf of itself and many of its life insurance subsidiaries including the Company entered into settlement agreements with relevant insurance regulatory authorities and plaintiffs in the principal life insurance sales practices class action lawsuit covering policyholders of individual permanent life insurance policies issued in the United States from 1982 to 1995. Pursuant to the settlements, the companies agreed to various changes to their sales and business practices controls, to a series of fines, and to provide specific forms of relief to eligible class members. Virtually all claims by class members filed in connection with the settlements have been resolved and virtually all aspects of the remediation program have been satisfied. While the approval of the class action settlement is now final, Prudential and the Company remain subject to oversight and review by insurance regulators and other regulatory authorities with respect to its sales practices and the conduct of the remediation program. The U.S. District Court has also retained jurisdiction as to all matters relating to the administration, consummation, enforcement and interpretation of the settlements.

As of December 31, 2000, Prudential and/or the Company remained a party to approximately 61 individual sales practices actions filed by policyholders who "opted out" of the class action settlement relating to permanent life insurance policies issued in the United States between 1982 and 1995. In addition, there were 48 sales practices actions pending that were filed by policyholders who were members of the class and who failed to "opt out" of the class action settlement. Prudential and the Company believe that those actions are governed by the class settlement release and expect them to be enjoined and/or dismissed. Additional suits may be filed by class members who "opted out" of the class settlements or who failed to "opt out" but nevertheless seek to proceed against Prudential and/or the Company. A number of the plaintiffs in these cases seek large and/or indeterminate amounts,

11. CONTINGENCIES AND LITIGATION (continued)

including punitive or exemplary damages. Some of these actions are brought on behalf of multiple plaintiffs. It is possible that substantial punitive damages might be awarded in any of these actions and particularly in an action involving multiple plaintiffs.

Prudential has indemnified the Company for any liabilities incurred in connection with sales practices litigation covering policyholders of individual permanent life insurance policies issued in the United States from 1982 to 1995.

The balance of the Company's litigation is subject to many uncertainties, and given the complexity and scope, the outcomes cannot be predicted. It is possible that the results of operations or the cash flow of the Company in a particular quarterly or annual period could be materially effected by an ultimate unfavorable resolution of pending litigation and regulatory matters. Management believes, however, that the ultimate outcome of all pending litigation and regulatory matters, should not have a material adverse effect on the Company's financial position.

12. DIVIDENDS

The Company is subject to New Jersey law which requires any shareholder dividend or distribution must be filed with the New Jersey Commissioner of Insurance. Cash dividends may only be paid out of earned surplus derived from realized net profits.

13. RELATED PARTY TRANSACTIONS

The Company has extensive transactions and relationships with Prudential and other affiliates. It is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Expense Charges and Allocations
All of the Company's expenses are allocations or charges from Prudential or other affiliates. These expenses can be grouped into the following categories: general and administrative expenses, retail distribution expenses and asset management fees.

The Company's general and administrative expenses are charged to the Company using allocation methodologies based on business processes. Management believes that the methodology is reasonable and reflects costs incurred by Prudential to process transactions on behalf of the Company. Prudential and the Company operate under service and lease agreements whereby services of officers and employees, supplies, use of equipment and office space are provided by Prudential.

The Company is allocated estimated distribution expenses from Prudential's retail agency network for both its domestic life and annuity products. The Company has capitalized the majority of these distribution expenses as deferred policy acquisition costs. Beginning April 1, 2000, Prudential and the Company agreed to revise the estimate of allocated distribution expenses to reflect a market based pricing arrangement.

In accordance with a profit sharing agreement with Prudential, the Company receives fee income from policyholder account balances invested in the Prudential Series Funds ("PSF"). These revenues are recorded as "Asset management fees" in the Consolidated Statements of Operations and Comprehensive Income. The Company is charged an asset management fee by Prudential Global Asset Management ("PGAM") and Jennison Associates LLC ("Jennison") for managing the PSF portfolio. These expenses are a component of general, administrative and other expenses.

On September 29, 2000, the Board of Directors for the Prudential Series Fund, Inc. ("PSFI") adopted resolutions to terminate the existing management agreement between PSFI and Prudential, and has appointed another subsidiary of Prudential as the fund manager for PSF. The change was approved by the shareholders of the PSFI during early 2001 and effective January 1,2001, the Company will no longer receives fees associated with the PSF. In addition, the Company will no longer incur the asset management expense from PGAM and Jennison associated with the PSF.

Corporate Owned Life Insurance
The Company has sold a Corporate Owned Life Insurance ("COLI") policy to Prudential. The cash surrender value included in Separate Accounts was $182.4 million and $199.0 million at December 31, 2000 and December 31, 1999, respectively.

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13. RELATED PARTY TRANSACTIONS (continued)

Reinsurance
The Company currently has a reinsurance agreement in place with Prudential ("the reinsurer"). The reinsurance agreement is a yearly renewable term agreement in which the Company may offer and the reinsurer may accept reinsurance on any life in excess of the Company's maximum limit of retention. The Company is not relieved of its primary obligation to the policyholder as a result of these reinsurance transactions. These agreements had no material effect on net income for the years ended December 31, 2000, 1999, and 1998.

Debt Agreements
In July 1998, the Company established a revolving line of credit facility with Prudential Funding LLC, a wholly-owned subsidiary of Prudential. There is no outstanding debt relating to this credit facility as of December 31, 2000.