As filed with the Securities and Exchange Commission on April 9, 2001

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PRUDENTIAL FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

New Jersey	6719	22-3703799
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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751 Broad Street
Newark, New Jersey 07102
(973) 802-6000
(Address, including Zip code, and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 of the Securities Act of 1933, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If the delivery of the prospectus is expected to be made pursuant to Rule

434 under the Securities Act, check the following box. [_]

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

Title of Each Class of Securities to Be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
<S>	<C>	<C>
Common Stock, par value $.01 per share (3).....	$3,889,300,000	$972,325

</TABLE>

(1) A portion of the shares to be registered represents shares that are to be offered outside of the United States but that may be resold from time to time in the United States. Such shares are not being registered for the purpose of sales outside the United States.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.
(3) Each share of Common Stock includes one Shareholder Protection Right as described under "Description of Capital Stock".

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

+The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.+

Subject to Completion. Dated , 2001.

[LOGO]

89,000,000 Shares

Prudential Financial, Inc.

Common Stock

This is an initial public offering of shares of Common Stock of Prudential Financial, Inc. We are offering these shares in connection with the reorganization of The Prudential Insurance Company of America from a mutual life insurance company owned by its policyholders to a stock life insurance company that will be a wholly owned indirect subsidiary of Prudential Financial, Inc. in a process known as a demutualization. All of the 89,000,000 shares are being sold by Prudential Financial, Inc.

In addition to these offered shares, we will issue an estimated 454,600,000 shares of Common Stock of Prudential Financial, Inc. to policyholders of The Prudential Insurance Company of America and some of its subsidiaries as part of the demutualization. We also are seeking to issue an estimated 2,000,000 shares of Class B Stock of Prudential Financial, Inc. to institutional investors in a private placement completed concurrently with or within 30 days following this offering, although the completion of the sale of the shares of Class B Stock is not a condition to the completion of this offering.

Prior to this offering, there has been no public market for the Common Stock. We currently estimate that the initial public offering price per share will be between $ and $. We intend to list the Common Stock on the New York Stock Exchange under the symbol "PRU".

See "Risk Factors" beginning on page 20 to read about factors you should

consider before buying shares of the Common Stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

<TABLE>
<CAPTION>

	Per Share	Total
<S>	<C>	<C>
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Prudential Financial, Inc.	$	$

</TABLE>

To the extent that the underwriters sell more than 89,000,000 shares of Common Stock, the underwriters have the option to purchase up to an additional 13,350,000 shares from Prudential Financial, Inc. at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2001.

Goldman, Sachs & Co. Prudential Securities Incorporated

Prospectus dated , 2001.

PROSPECTUS SUMMARY

We currently conduct our business through The Prudential Insurance Company of America and its subsidiaries. In connection with the demutualization, Prudential Financial, Inc. will become the ultimate holding company for all of our companies. "Prudential", "we" and "our" refer to our consolidated operations before and after demutualization. "The Prudential Insurance Company of America" also refers to its stock successor upon completion of the demutualization.

We have included a glossary of insurance and other terms commencing on page G-1. These terms are printed in boldface type the first time they appear in this prospectus summary and the first time they appear after the prospectus summary.

Prudential

We are one of the largest financial services institutions in the United States. We provide a wide range of insurance, investment management and other financial products and services and have more than 15 million individual and institutional customers in the United States and over 30 foreign countries.

We have a leading or significant market presence in most of the markets we serve. The Prudential name and "Rock" logo are among the most widely recognized in the United States.

At December 31, 2000, we had $20.6 billion in total equity and $272.8 billion in total assets. In 2000, our total revenues were $26.5 billion and our net income was $398 million. As of December 31, 2000, we had

- total assets under management and administration of $592.9 billion, consisting of:
  - total assets under management (including assets in our general and separate accounts) of approximately $371.1 billion, and
  - additional assets in securities brokerage and bank custodial accounts and other assets under administration of $221.8 billion,
- total gross life insurance in force in the United States of $1.2 trillion (including individual and group insurance), and
- total gross life insurance in force in Japan and other countries outside the United States of $154 billion.

At December 31, 1999 (the latest date for which information is available), we had the largest individual life insurance business in the United States in terms of statutory in force premiums and were the second largest U.S. life insurer in terms of total gross life insurance in force in the United States according to A.M. Best.

We have one of the largest distribution forces in the financial services industry, with approximately 16,250 sales people worldwide at December 31, 2000, including approximately

- 6,100 Prudential Agents, who are insurance agents in our insurance operations in the United States,
- 3,500 Life Planners, who are insurance agents in our insurance operations outside the United States, and
- 6,650 domestic and international Financial Advisors, who are financial advisors and securities brokers in our Prudential Securities operations.

Business Divisions and Segments

We conduct our principal businesses through four divisions: U.S. Consumer, Employee Benefits, International and Asset Management. We also conduct other activities in Corporate and Other operations. We refer to the businesses that comprise our four operating divisions and our Corporate and Other operations, collectively, as our "Financial Services Businesses". We also have a Traditional Participating Products segment primarily composed of our domestic participating products. We will cease offering these participating products in connection with the demutualization.

Financial Services Businesses

U.S. Consumer Division. Our U.S. Consumer division consists of four segments: Individual Life Insurance, Private Client Group, Retail Investments and Property and Casualty Insurance.

Our Individual Life Insurance segment manufactures and distributes variable life, term life and other non-participating life insurance protection products to the U.S. retail market and distributes investment and protection products for our other segments.

- As of December 31, 2000, we were the largest U.S. variable life insurer according to Tillinghast-Towers Perrin, with $15.9 billion of variable life insurance assets, representing a market share of 20%.
- In 2000, we were the sixth largest seller of individual variable life insurance and the fifth largest seller of individual term life insurance, including participating term life policies, in the United States, in terms of new annualized premiums according to LIMRA.

We distribute our individual life insurance products in the United States primarily through our Prudential Agents. Increasingly, we also distribute individual life insurance domestically through PruSelect, which targets the affluent and mass affluent markets through third-party distribution channels. In 2000, our PruSelect channel accounted for 33% of our total domestic individual life insurance sales, including traditional participating policies, as measured by statutory first year premiums and deposits, up from 12% in 1996.

Our Private Client Group segment provides full service securities brokerage and financial advisory services to U.S. retail customers. At December 31, 2000, Prudential Securities, with approximately 5,900 domestic Financial Advisors, was the seventh largest securities brokerage firm in the United States based on the number of retail registered representatives according to the Securities Industry Association.

Our Retail Investments segment provides mutual funds, variable and fixed annuities, wrap-fee and unit investment trust products to U.S. retail customers. At December 31, 2000, we were the seventh largest mutual fund wrap provider based on market share according to Cerulli Associates, Inc., and the 23rd largest mutual fund management company in the United States in terms of assets under management according to the Investment Company Institute. Our Retail Investments segment distributes primarily through our Financial Advisors and Prudential Agents and, beginning in 1999, through third-party channels.

Our Property and Casualty Insurance segment manufactures and distributes personal lines property and casualty insurance products, principally automobile and homeowners insurance, to the U.S. retail market. We distribute these products through our Prudential Agents and through alternative channels. In 2000, approximately 62% of our Property and Casualty Insurance segment's first year direct written premiums came through alternative channels.

Employee Benefits Division. Our Employee Benefits division consists of two segments: Group Insurance and Other Employee Benefits. Our Group Insurance segment manufactures and distributes group life, disability and related insurance products in connection with employee and member benefit plans. For the nine months ended September 30, 2000, we were the second largest seller of group life insurance in the United States based on new sales according to

LIMRA. The principal sales channel for our group life and disability insurance is our institutional sales force, which distributes through the independent broker and consultant market. Our Other Employee Benefits segment provides products and services for defined contribution and other retirement plans as well as guaranteed investment contracts and group annuities. We distribute employee benefits products primarily through our own specialized institutional sales forces, third-party distributors and Financial Advisors. At December 31, 2000, we were the second largest provider of relocation services to employers according to Relocation Information Service Incorporated. We also market real estate brokerage franchises to regional and local real estate brokers.

International Division. Our International division consists of two segments: International Insurance and International Securities and Investments. Our International Insurance segment manufactures and distributes individual life insurance products through approximately 3,500 Life Planners to affluent markets in Japan, Korea and six other Asian, Latin American and European countries. In Japan, which, according to Moody's, has the largest insurance market of any country in the world based on total premium income as a percentage of the gross domestic product, we ranked third based on absolute growth in Japanese yen of life insurance in force in 1999.

We are seeking to acquire Kyoei Life Insurance Co., Ltd., a financially troubled, Japanese life insurer, at the conclusion of pending reorganization proceedings in Japan. Kyoei's assets and liabilities will be substantially restructured through its reorganization. If we acquire Kyoei, we expect to invest approximately $1.3 billion. Within our International Securities and Investments segment we provide full service securities brokerage, asset management and financial advisory services to retail and institutional clients outside the United States, primarily through approximately 620 international Financial Advisors.

Asset Management Division. Our Asset Management division consists of two segments: Investment Management and Advisory Services and Other Asset Management. The Investment Management and Advisory Services segment provides institutional asset management products and services to unaffiliated institutional clients as well as management services for assets supporting products offered by our other businesses. At December 31, 2000, this segment managed approximately $313 billion of our $371 billion of total assets under management, as follows:

- $108 billion of retail customer assets, including mutual funds and variable insurance and variable annuity products,
- $95 billion of institutional customer assets, and
- $110 billion of general account assets.

The Other Asset Management segment engages in equity securities sales and trading, investment research, investment activities and syndications.

Corporate and Other. Corporate and Other includes corporate-level activities, including investment activities and international ventures that we do not allocate to our business segments.

During the last five years, we have divested or stopped pursuing a number of under-performing businesses, including healthcare, reinsurance, commercial insurance and home mortgage businesses. Additionally, we restructured the capital markets activities of Prudential Securities, exiting its lead-managed underwriting and institutional fixed income businesses. Corporate and Other operations also include these divested and wind-down businesses, except for our divested healthcare business, which is treated as a discontinued operation.

Traditional Participating Products

As a mutual insurance company, we issued most of our individual life insurance products on a "participating" basis, whereby policyholders are eligible to receive policyholder dividends reflecting experience. These life insurance products have historically been included in our Traditional Participating Products segment. In connection with the demutualization, we will cease offering domestic participating products. The liabilities for our individual in force participating products will then be segregated, together with assets which will be used exclusively for the payment of guaranteed benefits and policyholder dividends, expenses and taxes with respect to these products, in a regulatory mechanism referred to as the "Closed Block". We have selected the amount and type of assets and liabilities of the Closed Block, which we refer to as the "Closed Block Assets" and "Closed Block Liabilities", so that these assets, which initially will have a lower book value than the liabilities, are expected to generate sufficient cash flow over the life of the Closed Block to fund payments of all expenses, taxes and policyholder benefits to be paid to, and the reasonable dividend expectations of, policyholders of the Closed Block products. We also will segregate, for accounting purposes, the surplus and related assets that we will need to hold outside the Closed Block to meet capital requirements related to the products included within the Closed

Block. We refer to these segregated assets outside the Closed Block as the "Surplus and Related Assets". No new policies will be added to the Closed Block following demutualization and its in force business is expected to ultimately decline as policyholder benefits are paid in full. We expect the proportion of our business represented by the Closed Block to decline as we grow other businesses. A minor portion of our Traditional Participating Products segment has consisted of other traditional insurance products that will not be included in the Closed Block.

Historically, the participating products to be included in the Closed Block, as well as the other products included in the Traditional Participating Products segment, have yielded lower returns on capital invested than many of our other businesses. The separation, for segment reporting purposes, of the Traditional Participating Products segment from our Financial Services Businesses permits us to better identify the results of these

businesses. However, the relatively lower returns to us on traditional participating products will continue to affect our consolidated results of operations for many years.

As discussed below, concurrent with this offering, we are seeking to issue, to institutional investors in a private placement, shares of Class B Stock that will be designed to reflect the performance of our participating products to be included in the Closed Block and other related assets and liabilities. Following any such issuance, we would refer to this business as the "Closed Block Business". If we issue the Class B Stock, the Common Stock issued in this offering would then reflect the performance of our Financial Services Businesses, which will include the capital previously included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business and the other traditional insurance products previously included in the Traditional Participating Products segment but which will not be included in the Closed Block.

Strategy

Our goal is to be a worldwide financial services leader in both the growth and protection of our clients' assets. We seek to achieve this goal by providing our customers with the advice and information that they seek through the distribution options of their choice, offering investment and insurance products supported by excellent service. We seek to achieve this goal through the following strategies:

- Build on our brand name and leading market positions. We have been in business for over 125 years, and the Prudential name and "Rock" logo are among the most widely recognized in the United States. Our "Rock" logo has long been associated with trust and financial strength. We believe that our brand will continue to be a significant competitive advantage in an increasingly crowded financial services marketplace. In the United States, we are among the most diversified organizations in the financial services industry, with leading or significant positions in life insurance, annuities, securities brokerage, mutual funds, 401(k) plan products, asset management and residential real estate brokerage franchise and relocation services. We have built a customer base of over 10 million households in the United States, or one in every 10 U.S. households. We will continue to focus aggressively on customer service and retention as we attempt to maximize the value of our customer base. In addition, we have in excess of 24,000 institutional relationships and over one million international retail customers.

- Grow our U.S. retail mass affluent customer base. Our customer base today includes over 2.5 million U.S. retail households with incomes or investable assets in excess of $100,000, which we refer to as the "mass affluent". We seek to expand our presence in this market as well as in the emerging affluent and pre-retirement markets. We have taken several steps to improve the quality of services provided to the mass affluent market by our Prudential Agent and Financial Advisor distribution system. First, we are targeting new hires for our Prudential Agent force with college educations and prior experience and are enhancing the training and product choices available to them. Second, we have increased the productivity standards for our Prudential Agents several times in the past few years. The actions we have taken to improve the quality and productivity of our Prudential Agent force have resulted in a reduction in the size of the agency force. In 2001, we have again increased the productivity standards. Third, we have begun to transition our Prudential Agents from a transaction focus using proprietary products to meet our customers' financial needs to an approach of offering advice on an array of products manufactured by Prudential as well as other companies. We call this strategy "Advised Choice" and believe it enables our customers to make more informed decisions about investment and insurance choices. We also have begun to transition our Financial Advisors from a transaction focus to an approach emphasizing fee-based financial advisory services to better meet the needs of the mass affluent market.

The productivity of our Prudential Agents, as measured by average commissions on new sales of all products by agents employed the entire year, has increased 86% from $18,700 in 1996 to $34,700 in 2000. The productivity of our domestic Financial Advisors, as measured by gross revenues, has increased 26% from $319,000 in 1996 to $401,000 in 2000.

. Improve the profitability of our existing U.S. consumer franchise. In addition to our mass affluent customers, we have an existing customer base of nearly eight million U.S. households which we refer to as the "mass market". We seek to improve the profitability of this customer base by reducing the cost of our operations infrastructure. In addition, we will seek to sell certain commodity products to the mass market through telemarketing, the Internet and our workplace marketing and employee benefits platform.

. Expand distribution channels to meet customer needs. In addition to our Prudential sales forces, we are expanding our distribution channels to allow U.S. retail customers to access us through the distribution methods of their choice. Our distribution platform now includes multiple points of access including independent financial advisors, affinity programs, workplace marketing, direct mail, Internet and telemarketing. PruSelect, our third-party distribution channel, focuses on serving the intermediaries who provide insurance solutions in support of estate and wealth transfer planning for affluent individuals. We have begun to explore additional third-party channels for life insurance products, including broker-dealers and independent producers. We sell our retail investment products such as mutual funds, annuities and wrap-fee products through independent financial advisors. Net sales of mutual funds, other than money market funds, through this channel totaled $1.2 billion in 2000. We also seek to expand sales of our mutual funds and separate account products by participating in competitors' variable annuities and wrap-fee programs. We have invested in workplace/payroll deduction models with the acquisition of a property and casualty subsidiary that specializes in workplace marketing and our minority investment in an Internet-based employee benefits broker.

Prudential Securities was one of the first full-service brokerage firms to develop and offer electronic choices in connection with full-service brokerage accounts. We believe that Internet technology and electronic commerce will continue to provide us with new and more efficient ways to communicate with and distribute products to our customers.

. Continue profitable growth of our international operations. We believe that many of our best opportunities for growth lie outside of the United States. We have a well-established international presence with a client base in excess of one million individuals.

The compound annual growth rate in our international annualized new business premiums for individual life insurance was 25% per year from 1998 to 2000 on a constant exchange rate basis. In Japan, we pioneered a highly effective Life Planner distribution model that targets affluent market segments. We believe that this distribution model contributed to a second year persistency level of 90% in 2000 in comparison to the Japanese industry average of 74%. We have expanded our presence in other international markets, including Korea and Taiwan, where we have successfully implemented the Life Planner model. We have also entered five other markets in Asia, Latin America and Europe.

We seek to expand our position internationally in securities brokerage, financial advisory and asset management services for the affluent market. We have made several acquisitions and investments in international asset management firms, and we intend to continue to grow our international businesses significantly in the future.

. Strengthen institutional relationships to grow our employee benefits businesses and enhance access to retail customers. We are a leading provider of life and disability insurance, retirement services, relocation services and other benefits to employees through group contracts and our relationships with institutional clients. We have relationships with over 24,000 institutions of all sizes, representing over 30 million employees and members with over 12 million participants. Our Group Insurance segment has grown significantly since 1997, with a compound annual growth rate in revenues of 13% from 1998 to 2000. We also believe that the workplace channel is an effective way to acquire additional individual customers. By using our employee and group benefits marketing skills, we seek to strengthen our relationships with institutions of all sizes and increase the distribution of voluntary benefits products to their employees. We seek to use technology to accelerate revenue growth and improve cost efficiencies. Through our voluntary benefits website, we offer employees of our institutional customers Prudential voluntary benefits products as well as selected products from other leading companies in a convenient, easy to use on-

line format with call center support. Our business arrangements with an Internet-based employee benefits service provider are intended to broaden our distribution of Prudential products and services.

- Grow fee-based assets under management. We are a leading asset manager with $371 billion of assets under management at December 31, 2000, including $313 billion managed by our Asset Management division. We seek to increase fee-based assets under management by expanding our sales of investment and insurance products such as variable annuities, mutual funds, variable life insurance and wrap-fee

products that provide customers with a variety of investment options, as well as providing investment management services to institutions. During 2000, we consolidated resources in our public equity asset management businesses into Jennison Associates, our widely recognized manager of institutional assets. By doing so, we seek to enhance our competitive position, increase sales of proprietary products through our distribution channels and expand distribution through outside channels.

- Improve our financial performance. We are seeking to improve our operating performance, especially in our mature businesses, in two primary ways: by focusing on capital management and by targeting expense reductions. We have improved capital efficiency by exiting under-performing businesses, such as lead-managed underwriting and institutional fixed income, healthcare, reinsurance and residential first mortgage lending, as well as by focusing on asset accumulation, variable insurance products and other businesses that offer attractive returns for the capital that they require. We are also implementing strategies to improve our performance by reducing expenses, including overhead in our corporate and field offices. In particular, beginning in 1999 we commenced an initiative to restructure our field operations in our Individual Life Insurance segment by reducing the number of sales territories, from 16 to 6, and by consolidating our field offices, which we reduced from 266 to 79. This resulted in the elimination of 600 management positions and approximately 1,100 non-agent positions.

  We seek growth internally and through acquisition, joint venture or other forms of business combination or investment. Our principal acquisition focus is in our current business lines, both domestically and internationally.

- Reposition Prudential Securities' domestic businesses to focus on investors rather than issuers. In late 2000 we announced a restructuring of Prudential Securities' capital markets activities to implement a fundamental shift in our business strategy. We exited our lead-managed underwriting and institutional fixed income businesses. Prudential Securities' investment bank historically aspired to lead-manage capital raising transactions in the new issues market. We have exited that business, and we will redirect some of its resources to engage in underwritings and syndications led by investment banks to generate new issues market products for our investor clients. In addition, our equity research staff, which previously focused on coverage of potential issuer customers, will emphasize coverage of companies and other topics of interest to our investor clients. We believe that our new strategy, through which we seek to provide advice and quality execution to our retail and institutional customers, will differentiate us from our competitors and will reduce earnings volatility.

- Strengthen performance-based culture. We are committed to aligning the incentives and rewards of our senior management team with shareholders' interests. A portion of our managers' compensation is directly linked to market-based measures for their businesses. We will implement stock and option ownership programs for employees that will allow them to become shareholders as soon as possible following the initial public offering. We believe this will strengthen our performance-based culture throughout the organization.

Demutualization and Related Transactions

We are conducting this offering in connection with the demutualization of The Prudential Insurance Company of America. In this process, The Prudential Insurance Company of America will convert, pursuant to our plan of reorganization, from a mutual life insurance company owned by policyholders to a stock life insurance company that is a wholly owned indirect subsidiary of Prudential Financial, Inc. The demutualization will extinguish policyholders' membership interests in The Prudential Insurance Company of America, and eligible policyholders will receive compensation in the form of shares of Prudential Financial, Inc.'s Common Stock, cash or policy credits, which are increases in policy values or increases in other policy benefits. We believe the demutualization will allow us to compete more effectively in the global financial services industry by providing full access to the capital markets to fund growth in our businesses. Access to equity will make it easier for us to build new products, services or sales channels that are consistent with our

strategy. We will also be able to use our stock to pay for possible acquisitions. In addition, we will be able to use stock-based compensation

programs to recruit and retain management and sales personnel whose long-term interests can be aligned with shareholders' interests. Once the conditions to the demutualization have been met, the demutualization will become effective when we complete this offering.

In connection with the demutualization, we plan to implement three significant changes to our organization and capital structure designed to increase the value of demutualization compensation received by eligible policyholders and enhance our financial flexibility, although we are not required to implement any of them as a condition to completing our demutualization. These intended changes are:

- Destacking: We plan to "destack" or reorganize the ownership of various subsidiaries of The Prudential Insurance Company of America so that they become direct or indirect subsidiaries of Prudential Financial, Inc. rather than The Prudential Insurance Company of America. The destacking will be accomplished as an extraordinary dividend concurrently with, or within 30 days following, the demutualization. Destacking requires regulatory review separate from the approval required for demutualization, and, if it is disapproved prior to demutualization, we will proceed with the demutualization without the destacking or, subject to the appropriate regulatory approvals, with a partial destacking. The principal subsidiaries that we are seeking to destack, together with certain related assets and liabilities, are:

  - our property and casualty insurance companies,

  - our principal securities brokerage companies,

  - our international insurance companies,

  - our principal asset management operations, and

  - our international securities and investments, domestic banking, residential real estate brokerage franchise and relocation services operations.

  The destacking itself will not affect Prudential Financial, Inc.'s consolidated results or financial reporting. One of the principal purposes of the destacking is to diversify the sources of cash flow that may be paid to Prudential Financial, Inc. by permitting the destacked subsidiaries to pay dividends to Prudential Financial, Inc. directly rather than through The Prudential Insurance Company of America. In addition, we believe that destacking will permit a more efficient use of our capital and will create a better platform for possible acquisitions.

- Class B Stock and IHC Debt Issuances: We are seeking to issue shares of Class B Stock of Prudential Financial, Inc. to institutional investors in a private placement concurrently with or within 30 days following this offering of our Common Stock. We also are seeking to issue debt securities through a newly-formed intermediate holding company of The Prudential Insurance Company of America, which debt we refer to as the "IHC debt", prior to, concurrently with or within 30 days following the demutualization, and we currently intend that the IHC debt will be insured by a bond insurer. If issued, the Class B Stock will be designed to reflect the performance of the Closed Block Business, including the Closed Block Assets and Closed Block Liabilities and the Surplus and Related Assets, as well as other related assets and liabilities noted below, including the IHC debt. If issued, the IHC debt is expected to be serviced by, and the dividends to the holders of the Class B Stock are expected to reflect, the net cash flows of the Surplus and Related Assets.

  We believe the sale of the Class B Stock and IHC debt will improve the value and investment attributes of the Common Stock distributed to eligible policyholders in our demutualization and in this offering, and this is the purpose of their issuances. If we issue the Class B Stock, we expect the Common Stock will then reflect the performance of our post-demutualization Financial Services Businesses without reflecting the relatively lower returns of the participating products included in the Closed Block. Further, we will allocate the entire net proceeds from the issuance of the Class B Stock and the IHC debt to our Financial Services Businesses. We will use most of these proceeds in our Financial Services Businesses, which should further increase the value of the Financial Services Businesses, although we expect that a minority portion of the proceeds of the IHC debt will secure servicing thereof as discussed below.

  We are currently negotiating both the terms of the Class B Stock with potential investors and the terms of the IHC debt with potential bond insurers. Our intent is to enter into subscription agreements with Class B

Stock investors prior to the public hearing on the plan of reorganization commencing on

July 17, 2001, and to achieve net proceeds of approximately $170 to $225 million from issuance of the Class B Stock. We also are seeking to enter into a policy binder with a bond insurer committing the bond insurer to insure approximately $1.75 billion of IHC debt. The IHC debt would be marketed and sold following the public hearing. We expect the subscription agreements and policy binder will contain conditions to the investors' and bond insurer's commitments, and accordingly, even if we enter into subscription agreements and a policy binder, there is no assurance the Class B Stock or the IHC debt will ultimately be issued. Furthermore, since we have not completed negotiations with either the potential Class B Stock investors or the potential bond insurers, the terms of the Class B Stock and the IHC debt may vary from those described in this prospectus. However, we will issue the Class B Stock and the IHC debt only if we believe the terms of their issuances will improve the value and investment attributes of the Common Stock.

If the Class B Stock is issued, dividends declared and paid on the Common Stock will then depend upon the financial performance of the Financial Services Businesses, and the interest of holders of Common Stock in any liquidation of Prudential Financial, Inc. would then exclude any interest attributable to the Closed Block Business. Dividends declared and paid on the Common Stock would not depend upon or be affected by the financial performance of the Closed Block Business, unless the Closed Block Business were in financial distress. Dividends declared and paid on the Class B Stock would depend upon the financial performance of the Closed Block Business, and the interest of holders of Class B Stock in any liquidation of Prudential Financial, Inc. would be limited to that attributable to the Closed Block Business. Essentially, holders of the Class B Stock would receive as dividends the net cash flows of the Surplus and Related Assets. We have proposed that dividends on the Class B Stock be paid at a specified dollar rate per annum per share but not to exceed such cash flows. If we issue the Class B Stock, Prudential Financial, Inc. will retain the net proceeds from such issuance for general corporate purposes.

If we issue the IHC debt, the issuer would be Prudential Holdings, LLC. Most of the net proceeds would be distributed by Prudential Holdings, LLC to Prudential Financial, Inc. for general corporate purposes. We expect the bond insurer would require that a minority portion of the net proceeds of the IHC debt be deposited by Prudential Holdings, LLC in a debt service coverage account which, together with reinvested earnings thereon, would constitute a source of payment and security for the IHC debt. Since such net proceeds and earnings are allocated to the Financial Services Businesses, to the extent they are used to service payments with respect to the IHC debt, an inter-business loan would be established. Such inter-business loan would reflect the obligation of the Closed Block Business to repay amounts so used from the debt service coverage account within the Financial Services Businesses, and would be reduced and eliminated to the extent such amounts are replenished.

We believe that the proceeds of issuances of the Class B Stock and IHC debt would reflect capital in excess of that necessary to support the Closed Block Business and that the Closed Block Business would have sufficient assets and cash flows to repay the IHC debt. The investors in the Class B Stock and the IHC debt must understand and agree to this allocation and usage of issuance proceeds prior to their investment. In effect, the Closed Block Business will be financially leveraged in connection with the sale of the Class B Stock, and investors in the Class B Stock will understand that their investment returns are subject to prior servicing of the IHC debt.

The issuances of the Class B Stock and the IHC debt are not assured and are not conditions to completion of this offering. If we proceed with this offering but do not issue any Class B Stock, the Common Stock will reflect the performance of all our businesses, including the Traditional Participating Products segment, and we will not achieve the intended benefits noted above. If we issue the Class B Stock, we will refer to the Financial Services Businesses and the Closed Block Business as the "Businesses".

. Extraordinary Dividend: At the time, or within 30 days, of demutualization, The Prudential Insurance Company of America expects to pay an extraordinary dividend, in addition to the destacking, not to exceed $2.5 billion to Prudential Financial, Inc. for use in the Financial Services Businesses.

If the Class B Stock is issued, in order to separately reflect the financial performance of the Financial Services Businesses and the Closed Block Business, we will allocate all our assets and liabilities and earnings between the two Businesses and account for them as if they were separate legal entities. Assets

and liabilities

allocated to the Closed Block Business will be those that we consider appropriate to operate that business. After giving effect to the demutualization and the issuances of Class B Stock and the IHC debt, the Closed Block Business would consist of:

- Within The Prudential Insurance Company of America, Closed Block Assets, Surplus and Related Assets and deferred policy acquisition costs and other assets and, with respect to liabilities, Closed Block Liabilities.

- Within Prudential Holdings, LLC, the principal amount of the IHC debt and related unamortized debt issuance costs.

- Within Prudential Financial, Inc., dividends received from Prudential Holdings, LLC, and reinvestment thereof, and other liabilities of Prudential Financial, Inc., in each case as attributable to the Closed Block Business.

The Financial Services Businesses will bear any expenses and liabilities from litigation affecting the Closed Block policies. In the event that interest expense on the IHC debt is not deductible for federal income tax purposes, the additional tax expense will also be borne by the Financial Services Businesses. These expenses would therefore be reflected in the Financial Services Businesses, and not in the Closed Block Business.

Within the Closed Block Business, the assets and cash flows attributable to the Closed Block would inure solely to the benefit of the Closed Block policyholders through policyholder dividends after payment of benefits, expenses and taxes. The Surplus and Related Assets would inure to the benefit of the holders of Class B Stock. The earnings on, and distribution of, the Surplus and Related Assets over time would be the source or measure of payment of the interest and principal of the IHC debt and of dividends on the Class B Stock. The Closed Block Assets would not be available to service interest and principal of the IHC debt or dividends on the Class B Stock. It is expected that any inter-business loan, reflecting the obligation of the Closed Block Business to repay the Financial Services Businesses any amounts used in the debt service coverage account to service the IHC debt, would be repaid in full out of Surplus and Related Assets, but not Closed Block Assets. Such loan would be subordinate to the IHC debt.

All assets and liabilities of Prudential Financial, Inc. and its subsidiaries not included in the Closed Block Business would constitute the Financial Services Businesses. If the Class B Stock is issued, the Financial Services Businesses will include the capital previously included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business. Additionally, the minor portion of traditional insurance products historically included in the Traditional Participating Products segment but which will not be included in the Closed Block would be reflected in our Individual Life Insurance segment. For further information regarding the allocation of the assets and liabilities of the Businesses, see "Unaudited Pro Forma Condensed Consolidated Financial Information".

The following diagram reflects the potential allocation of Prudential Financial, Inc.'s consolidated assets and liabilities between the Financial Services Businesses and the Closed Block Business:

[DIAGRAM]

If we issue Class B Stock, you should understand that there would be no legal separation of the two Businesses and that holders of Common Stock and holders of Class B Stock would both be common stockholders of Prudential Financial, Inc. They would vote together on all matters unless otherwise required by law and would have relative dividend and liquidation rights with respect to Prudential Financial, Inc. as described in this prospectus. Holders of our Common Stock will have no interest in a legal entity representing the Financial Services Businesses, holders of Class B Stock will have no interest in a legal entity representing the Closed Block Business and holders of each class of common stock will be subject to all of the risks associated with an investment in Prudential Financial, Inc. and all of our businesses, assets and liabilities.

The Class B Stock would be exchangeable for shares of Common Stock at our discretion and in the event of certain regulatory events or a change of control of Prudential Financial, Inc. at any time. Upon any such exchange, the separation of the Businesses would cease and the intended benefits of such separation noted above would also cease.

If the Class B Stock is issued, Prudential Financial, Inc.'s GAAP financial statements reported to you will be prepared so that the following financial

disclosures will be made following demutualization:

- audited annual consolidated financial statements and unaudited interim consolidated financial statements of Prudential Financial, Inc. as would otherwise be prepared regardless of the issuance of the Class B Stock; and

- audited supplemental combining financial information on an annual basis and unaudited supplemental combining financial information on an interim basis, which will separately report the financial positions and results of operations of the Financial Services Businesses and the Closed Block Business.

Having two classes of common stock could result in potential conflicts of interest between the two classes. Prudential Financial, Inc.'s Board of Directors would have a fiduciary duty to all holders of Common Stock and Class B Stock and intends to resolve such conflicts in a manner it deems fair to such holders.

The Common Stock Offering

Common Stock Offering.....	The Common Stock will be offered in separate, concurrent U.S. and international offerings as follows:
U.S. Offering.....	million shares
International Offering.....	million shares
Total.....	89.0 million shares
	We refer to these offerings collectively as the "offering". The shares do not include 13.35 million shares of Common Stock issuable upon exercise of the underwriters' options to purchase additional shares as described under "Underwriting".
Shares of Common Stock to be Outstanding after the Offering...	Approximately 543.6 million shares. This number does not include the 13.35 million shares of Common Stock issuable upon exercise of the underwriters' options to purchase additional shares as described under "Underwriting". This number also does not include up to approximately 0.86 million shares of Common Stock to be issuable under employee stock options expected to be granted at the time of the offering.
Use of Proceeds.....	We estimate that Prudential Financial, Inc. will receive net proceeds from the offering of $2,562 million, or $2,948 million if the underwriters' options to purchase additional shares as described under "Underwriting" are exercised in full, assuming an initial public offering price of $30.00 per share. Prudential Financial, Inc. will: . use the net proceeds of this offering, other than proceeds obtained from any exercise of the underwriters' options to purchase additional shares, to make certain cash payments to eligible policyholders receiving cash in the demutualization, and . retain any remaining proceeds for general corporate purposes.
Common Stock Dividend Policy.....	Prudential Financial, Inc.'s Board of Directors currently intends to declare dividends, payable once annually, and expects that the first annual dividend will be $ per share, which will be declared in . See "Dividend Policy" for a discussion of the factors that will affect the determination by our Board of Directors to declare dividends as well as other matters concerning our dividend policy.
Risk Factors.....	For a discussion of factors you should consider before buying shares of Common Stock, see "Risk Factors".

New York Stock Exchange Symbol... PRU
</TABLE>

We based the information above on assumptions we have made as to the number of shares of Common Stock and the amount of cash and policy credits that we will distribute to eligible policyholders in our demutualization. We discuss these assumptions in "--Summary Unaudited Pro Forma Condensed Consolidated Financial Information" below. See "--Other Concurrent Offerings--Effects of Issuance of Class B Stock" below for the effects of such issuance on your rights as a holder of our Common Stock.

Acquisitions of 5% or more shares of our common stock or the total voting power of the Common Stock and any Class B Stock will be subject to certain legal restrictions as described under "Business--Regulation-- Regulation Affecting Prudential Financial, Inc.--Insurance Holding Company Regulation--Acquisition of Control".

Other Concurrent Offerings

Class B Stock and IHC debt to be Concurrently Offered in Private Placements.....	Up to 2.0 million shares of Class B Stock are expected to be offered in a private placement concurrently with or within 30 days following this offering of Common Stock. Assuming issuance of all such shares, upon completion of the demutualization, this offering and the private placement of Class B Stock, Prudential Financial, Inc. will have approximately 545.6 million total shares of Common Stock and Class B Stock outstanding, with the shares of Class B Stock representing less than 1% of the outstanding shares, based on the assumptions noted above regarding the number of shares issued in the demutualization. Approximately $1.75 billion of IHC debt is expected to be offered in a private placement concurrently with the offering of the Class B Stock.
Other Concurrent Financings.....	In addition to this offering and the private placements of Class B Stock and the IHC debt, the plan of reorganization permits us, subject to any required regulatory approval, to raise funds for use in connection with the plan of reorganization prior to, on or within 30 days after the effective date of the demutualization through one or more of the following transactions: (i) the offering of public or private debt; (ii) the offering of preferred stock or other equity securities or options, warrants or other securities convertible, exchangeable or exercisable for any of the foregoing; and (iii) bank borrowings. We retain flexibility to raise funds for general corporate purposes at any time.
Effects of Issuance of Class B Stock.....	If we issue the Class B Stock, the voting, dividend and liquidation rights of the Common Stock would be affected. The Common Stock and the Class B Stock would be separate classes of common stock under New Jersey corporate law. The shares of Common Stock would vote together with the shares of Class B Stock on all matters (one share, one vote) except as otherwise required by law. Holders of Common Stock would be entitled to receive dividends, if and when declared by the Board of Directors, out of assets of the Financial Services Businesses legally available for the payment of dividends as if the Financial Services Businesses were a separate corporation. The declaration and payment of dividends on the Common Stock would depend upon the financial condition, results of operations, cash requirements, future prospects and other factors relating to the Financial Services Businesses, as well as regulatory restrictions on the payment of dividends by Prudential Financial, Inc.'s

subsidiaries. Dividends declared and paid on the Common Stock will not depend upon or be affected by the financial performance of the Closed Block Business, unless the Closed Block Business is in financial distress. We have proposed that dividends on the Class B Stock be paid at a specified dollar rate per annum per share but not to exceed the net cash flows of the Surplus and Related Assets. In the event of a liquidation, dissolution or winding-up of Prudential Financial, Inc., holders of Common Stock and holders of Class B Stock would be entitled to receive their proportionate share of the net assets of Prudential Financial, Inc. that remain after paying all liabilities and the liquidation preferences of any preferred stock, such proportion being based on the market value of the Common Stock and an appraisal of the fair market value of the Class B Stock, each determined on or about 60 days after this offering.

The issuance of the Class B Stock is not a condition to completion of this offering. If we proceed with this offering but do not issue any Class B Stock, the Common Stock will reflect the performance of all our businesses, including the Traditional Participating Products segment.

Summary Consolidated Financial and Other Information

All financial data and ratios presented in this prospectus have been prepared using generally accepted accounting principles unless otherwise indicated. The consolidated financial statements of The Prudential Insurance Company of America prior to the demutualization will become Prudential Financial, Inc.'s consolidated financial statements upon demutualization. References to our financial results or condition refer to our consolidated results or condition unless otherwise indicated.

We derived the summary consolidated income statement data, balance sheet data and division operating results as of and for the annual periods shown below from our audited consolidated financial statements which, for years 2000 and 1999, are included in this prospectus.

We have made several dispositions that materially affect the comparability of the data presented below. In the fourth quarter of 2000 we restructured the capital markets activities of Prudential Securities, exiting its lead-managed underwriting and institutional fixed income businesses. These businesses recorded a pre-tax loss of $620 million in 2000, pre-tax income of $23 million in 1999, a pre-tax loss of $73 million in 1998 and pre-tax income of $55 million in 1997. The loss from these operations in 2000 included charges of $476 million associated with our termination and wind-down of these businesses. In 2000, we sold Gibraltar Casualty Company, a commercial property and casualty insurer that we placed in wind-down status in 1985. Gibraltar recorded pre-tax losses of $7 million in 2000, $72 million in 1999, $76 million in 1998, $24 million in 1997 and $29 million in 1996. In 1996, we sold substantially all of our Canadian life insurance operations and policies in force and our Canadian property and casualty insurer. These divested Canadian businesses generated pre-tax income of $85 million in 1996, which reflects a $116 million gain on disposal. In 1996, we sold substantially all of the remaining mortgage servicing rights from our residential first mortgage banking business that we had previously sold, which resulted in a pre-tax gain of $229 million. We also recognized a pre-tax loss of $41 million in 1998 and a pre-tax profit of $9 million in 1997 primarily related to our remaining obligations with respect to this business.

You should read this summary consolidated financial and other data in conjunction with "Selected Consolidated Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Unaudited Pro Forma Condensed Consolidated Financial Information" and our consolidated financial statements included in this prospectus.

<TABLE>
<CAPTION>

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Income Statement Data:	(in millions)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Premiums	$ 10,221	$ 9,528	$ 9,048	$ 9,043	$ 9,999

Policy charges and fee income	1,639	1,516	1,465	1,423	1,490
Net investment income	9,497	9,367	9,454	9,458	9,461
Realized investment gains (losses), net	(288)	924	2,641	2,168	1,128
Commissions and other income	5,475	5,233	4,416	4,381	4,512
Total revenues	26,544	26,568	27,024	26,473	26,590
Benefits and expenses:					
Benefits and expenses other than sales practices remedies and costs	25,817	24,213	23,277	23,073	23,925
Sales practices remedies and costs	--	100	1,150	2,030	1,125
Total benefits and expenses	25,817	24,313	24,427	25,103	25,050
Income from continuing operations before income taxes	727	2,255	2,597	1,370	1,540
Income taxes	406	1,042	970	407	180
Income from continuing operations	321	1,213	1,627	963	1,360
Net gain (loss) from discontinued operations, net of taxes	77	(400)	(521)	(353)	(282)
Net income	$ 398	$ 813	$ 1,106	$ 610	$ 1,078
Division Data:					
Income from continuing operations before income taxes(1):					
U.S. Consumer Division	$ 744	$ 659	$ 980		
Employee Benefits Division	269	485	936		
International Division	307	242	166		
Asset Management Division	277	253	167		
Corporate and Other	(1,063)	272	(1,319)		
Total--Financial Services Businesses	534	1,911	930		
Traditional Participating Products segment	193	344	1,667		
Total	$ 727	$ 2,255	$ 2,597		
Balance Sheet Data:					
Total assets	$272,753	$285,094	$279,422	$259,571	$228,867
Long-term debt	2,502	5,513	4,734	4,273	3,760
Total liabilities	252,145	265,803	259,027	239,853	210,344
Equity	20,608	19,291	20,395	19,718	18,523
Equity excluding net unrealized investment gains and losses on available-for-sale securities	20,249	19,951	19,123	17,966	17,387

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(1) Prepared in accordance with GAAP. Operating results by division for periods prior to 1998 are neither readily available nor practicable to obtain.

In managing our business, we analyze our operating performance separately for our Financial Services Businesses and our Traditional Participating Products segment using a non-GAAP measure we call "adjusted operating income". We calculate adjusted operating income by adjusting our income from continuing operations before income taxes shown above to exclude certain items. The items we exclude are:

- realized investment gains, net of losses and related charges;
- sales practices remedies and costs;
- the gains, losses and contribution to income/loss of divested businesses that do not qualify for "discontinued operations" accounting treatment under GAAP; and
- demutualization costs and expenses.

Wind-down businesses that we have not divested remain in adjusted operating income. We exclude our discontinued healthcare operations from income from continuing operations before income taxes, as shown above.

The excluded items are important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for net income determined in accordance with GAAP, and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses. We exclude realized investment gains, net of losses and related charges, from adjusted operating income, because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our businesses. We exclude sales practices remedies and costs because they relate to a substantial and identifiable non-recurring event. We exclude the gains and losses and contribution to income/loss of divested businesses because, as a result of our decision to dispose of these businesses, these results are not relevant to the profitability of our ongoing operations and could distort the trends associated with our ongoing businesses. We exclude demutualization costs and expenses because they are directly related to our demutualization and could distort the trends associated with our business operations.

We show our revenues and adjusted operating income by division and for the Traditional Participating Products segment, as well as a reconciliation of both measures on a consolidated basis to their corresponding GAAP amounts, below.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating Results:			
Financial Services Businesses:			
Revenues(1):			
U.S. Consumer Division	$ 8,015	$ 7,530	$ 7,335
Employee Benefits Division	5,686	5,442	5,463
International Division	2,624	2,102	1,622
Asset Management Division	1,344	1,137	993
Corporate and Other	283	566	313
Total	17,952	16,777	15,726
Other amounts included in consolidated revenues:			
Realized investment gains (losses), net	(379)	586	944
Revenues from divested businesses	269	511	325
Total revenues--Financial Services Businesses	17,842	17,874	16,995
Traditional Participating Products segment:			
Revenues(1)	8,611	8,356	8,332
Other amounts included in consolidated revenues:			
Realized investment gains, net	91	338	1,697
Total revenues--Traditional Participating Products segment	8,702	8,694	10,029
Total consolidated revenues	$26,544	$26,568	$27,024
Financial Services Businesses:			
Adjusted operating income(2):			
U.S. Consumer Division	$ 740	$ 667	$ 852
Employee Benefits Division	387	400	440
International Division	322	233	157
Asset Management Division	276	252	166
Corporate and Other	(4)	137	(34)
Total adjusted operating income	1,721	1,689	1,581
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains (losses), net	(379)	586	944
Related charges(3)	(29)	(142)	(225)

Total realized investment gains, net of losses and related charges	(408)	444	719
Sales practices remedies and costs	--	(100)	(1,150)
Divested businesses	(636)	(47)	(196)
Demutualization costs and expenses	(143)	(75)	(24)
Income from continuing operations before income taxes--Financial Services Businesses	534	1,911	930
Traditional Participating Products segment:			
Adjusted operating income(2)	547	316	206
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains, net	91	338	1,697
Dividends to policyholders(4)	(445)	(310)	(236)
Total realized investment gains, net of losses and related charges	(354)	28	1,461
Income from continuing operations before income taxes--Traditional Participating Products segment	193	344	1,667
Consolidated income from continuing operations before income taxes	$ 727	$ 2,255	$ 2,597

</TABLE>

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(1) Revenues by division exclude (i) realized investment gains, net and (ii) revenues from divested businesses. Revenues for the Traditional Participating Products segment exclude realized investment gains, net.

(2) Adjusted operating income equals revenues as defined above in footnote (1) less benefits and expenses excluding (i) the impact of net realized investment gains on deferred acquisition cost amortization, reserves and dividends to policyholders; (ii) sales practices remedies and costs; (iii) the benefits and expenses of divested businesses; and (iv) demutualization costs and expenses.

(3) Net realized investment gains impacts our reserves for future policy benefits, our deferred policy acquisition costs, and our policyholder dividends. We refer to these impacts collectively as the "related charges". Related charges for the Financial Services Businesses consist of the following:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Reserves for future policy benefits	$(36)	$(147)	$(218)
Amortization of deferred policy acquisition costs	7	5	(7)
Total	$(29)	$(142)	$(225)

</TABLE>

We adjust the reserves for some of our policies when cash flows related to these policies are affected by net realized investment gains and the related charge for reserves for future policy benefits represents that adjustment. We amortize deferred policy acquisition costs for certain investment-type products based on estimated gross profits, which include net realized investment gains on the underlying invested assets, and the related charge for amortization of deferred policy acquisition costs represents the amortization related to net realized investment gains.

(4) Net realized investment gains is one of the elements that we consider in establishing the dividend scale, and the related charge for dividends to policyholders represents the estimated portion of our expense charge for policyholder dividends that is attributable to net realized investment gains that we consider in determining our dividend scale. These gains are reflected in the dividend scale over a number of years.

Due to the potential issuance of the Class B Stock, we have included below supplemental condensed consolidated financial information for the Financial Services Businesses and the Traditional Participating Products segment. If we issue the Class B Stock, the Common Stock would then reflect the performance of the Financial Services Businesses only. After the demutualization and if the Class B Stock is issued, the Financial Services Businesses will then include

the capital presently included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business. Additionally, the minor portion of traditional insurance products historically included within the Traditional Participating Products segment but which will not be included in the Closed Block would then be reflected in the Financial Services Businesses. Accordingly, the results of the Financial Services Businesses and the Traditional Participating Products segment following the demutualization and issuance of the Class B Stock would not be comparable to, and may vary materially from, the results reflected below.

<TABLE>
<CAPTION>

	Year Ended December 31, 2000		
	Financial Services Businesses	Traditional Participating Products Segment	Consolidated
		(in millions)	
<S>	<C>	<C>	<C>
Revenues(1)	$17,952	$8,611	$26,563
Expenses(2)	16,231	8,064	24,295
Adjusted Operating Income	$ 1,721	$ 547	$ 2,268

</TABLE>

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(1) Excludes realized investment gains, net of losses, and revenues from divested businesses.

(2) Excludes impact of net realized investment gains on deferred acquisition cost amortization; reserves and dividends to policyholders; demutualization costs and expenses; and benefits and expenses of divested businesses.

Other Data:

<TABLE>
<CAPTION>

	As of December 31,		
	2000	1999	1998
Assets Under Management and Administration (at fair market value):		(in billions)	
<S>	<C>	<C>	<C>
Managed by Asset Management division:			
Retail customers(1)	$107.4	$108.5	$ 96.5
Institutional customers(2)	95.1	96.8	92.0
General account	110.0	107.9	119.8
Total proprietary assets under management	312.5	313.2	308.3
Non-proprietary investment product assets(3)	11.0	8.9	7.8
Non-proprietary wrap-fee assets(4)	39.4	35.5	25.2
Other(5)	8.2	5.7	7.5
Total assets under management	371.1	363.3	348.8
Client assets under administration	221.8	232.9	197.7
Total assets under management and administration	$592.9	$596.2	$546.5

</TABLE>

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(1) Consists of individual mutual funds, including investments in our mutual funds through wrap-fee products, and both variable annuities and variable life insurance assets in our separate accounts. Fixed annuities and the fixed rate options of both variable annuities and variable life insurance are included in our general account.

(2) Consists of third-party institutional assets and group insurance contracts.

(3) Consists of funds invested in the non-proprietary options of our investment products other than wrap-fee products.

(4) Consists of wrap-fee assets gathered by the Private Client Group and Retail Investments segments.

(5) Consists primarily of general account assets supporting our International Insurance segment and wind-down Canadian insurance operations.

<TABLE>
<CAPTION>

	As of December 31,				
	2000	1999	1998	1997	1996

Employees and Representatives:					
<S>	<C>	<C>	<C>	<C>	<C>
Prudential Agents	6,086	7,818	8,868	10,115	12,126
Life Planners	3,495	2,884	2,332	1,908	1,603
Financial Advisors	6,653	6,649	6,584	6,473	6,209
Total employees(1)	56,925	59,530	61,793	60,777	59,824

</TABLE>

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(1) All periods exclude employees of our discontinued healthcare operations.

We discuss our net income and adjusted operating income under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Summary Unaudited Pro Forma Condensed Consolidated Financial Information

The following summary unaudited pro forma condensed consolidated financial information summarizes the unaudited pro forma condensed consolidated financial information and the accompanying notes included in this prospectus. This information gives effect to the demutualization and this offering, as if they each had occurred as of December 31, 2000 for purposes of the unaudited pro forma statement of financial position information and as of January 1, 2000 for purposes of the unaudited pro forma statement of operations information. We have provided this information for informational purposes only and it is not necessarily indicative of our consolidated financial position or results of operations had the demutualization and this offering been consummated on the dates assumed. It also does not project or forecast our consolidated financial position or results of operations for any future date or period.

Under the plan of reorganization, we will allocate approximately 616.5 million notional shares of Common Stock to eligible policyholders. The information set forth below assumes that 161.9 million shares of these allocated notional shares of Common Stock are not issued to eligible policyholders who, under the plan of reorganization, are required to receive payments in the form of cash or policy credits, and further reflects the assumptions that 20% of policyholders eligible to elect to receive shares actually elect to receive shares and that this election is available to policyholders who are allocated 30 or fewer shares.

<TABLE>
<CAPTION>

	Number of Shares	Percentage Ownership of Shares Outstanding
	(in millions)	
<S>	<C>	<C>
Common Stock Share Data:		
Shares notionally allocated to eligible policyholders	616.5	
Less shares allocated to eligible policyholders who receive cash or policy credits	161.9	
Shares issued to eligible policyholders	454.6	84%
Shares issued in the offering	89.0	16%
Total shares of Common Stock outstanding	543.6	100%

</TABLE>

The data set forth below under Pro Forma for Demutualization and the Offering give effect to gross proceeds of $2,670 million from the issuance of Common Stock in this offering less the underwriting discount and estimated offering expenses aggregating $108 million, or net proceeds from the offering of $2,562 million, in each case based on an assumed initial public offering price of $30.00 per share without giving any effect to exercise of the underwriters' options to purchase additional shares. The data do not give effect to any other financing transaction that may be consummated at the time of demutualization.

<TABLE>
<CAPTION>

	As of and For the Year Ended December 31, 2000	
	Historical	Pro Forma for Demutualization and the Offering
	(in millions, except per share data)	
<S>	<C>	<C>
Income from continuing operations	$ 321	$ 397
Income from continuing operations per share of:		

Common Stock	--	$ 0.73
Attributed equity	$ 20,608	$ 18,116
Book value per share of:		
Common Stock	--	$ 33.33

</TABLE>

RISK FACTORS

You should carefully consider the following risks before investing. These risks could materially affect our business, results of operations or financial condition and cause the trading price of our Common Stock to decline. You could lose part or all of your investment.

We could incur income statement charges if our insurance and annuity reserves are inadequate.

Our reserves for future policy benefits and claims may prove to be inadequate. We establish and carry, as a liability, reserves based on estimates by actuaries of how much we will need to pay for future benefits and claims. For our life insurance and annuity products, we calculate these reserves based on many assumptions and estimates, including estimated premiums we will receive over the assumed life of the policy, the timing of the event covered by the insurance policy, the amount of benefits or claims to be paid and the investment returns on the assets we purchase with the premiums we receive. We establish property and casualty reserves based on assumptions and estimates of damages and liabilities incurred. We establish disability and long-term care reserves based on assumptions and estimates of morbidity rates, policy and claim termination rates, benefit amounts, investment returns and other factors. Our reserving assumptions and estimates are inherently uncertain. Accordingly, we cannot determine with precision the ultimate amounts that we will pay for, or the timing of payment of, actual benefits and claims or whether the assets supporting the policy liabilities will grow to the level we assume prior to payment of benefits or claims. If our actual experience is different from our assumptions or estimates, our reserves could be inadequate. This could result in income statement charges from benefit or claim payments greater than the level used to establish or increase our reserves.

We have retained contingent liabilities from discontinued, divested and wind-down businesses that may require us to incur income statement charges.

We have retained insurance or reinsurance obligations and other contingent liabilities in connection with our divestiture or winding down of various businesses, and our reserves for these obligations and liabilities may prove to be inadequate. In particular, in connection with the sale of our healthcare operations, we agreed that if the medical loss ratio, which is the sum of the amount of claims paid plus an actuarial estimate of the claims incurred divided by the premiums earned, for substantially all of the healthcare business exceeds specified levels between August 6, 1999 and December 31, 2000, we will pay 75% of the additional losses that the purchaser suffers. This loss guarantee will ultimately be settled in the fourth quarter of 2001. We also retained all liabilities associated with litigation arising from or related to the healthcare business that existed at August 6, 1999 or that commences within two years after that date with respect to claims relating to events that occurred prior to that date, as discussed in relation to legal and regulatory matters below. In connection with the sale of Gibraltar Casualty Company, we entered into a stop-loss agreement whereby we reinsured the buyer for up to 80% of the first $200 million of adverse loss development in excess of Gibraltar's reserves on the closing date of the sale. Gibraltar's remaining insurance and reinsurance liabilities primarily include significant exposure to asbestos, environmental and product liability claims which involve substantial uncertainty as to, among other things, the number and value of possible claims, the timing of resolution of possible claims, responsibility for damages and other matters. While we believe that as of December 31, 2000 we had adequately reserved in all material respects for remaining costs and liabilities associated with our divested and wind-down businesses, including the costs associated with the healthcare loss guarantee and litigation and the Gibraltar exposure, retained and contingent liabilities in connection therewith could cause us to take additional charges that could be material to our results of operations. See "Business--Discontinued Operations--Healthcare" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Consolidated Results of Operations--Discontinued Operations" for a further discussion of our discontinued healthcare business and "Business--Corporate and Other Operations--Divested Businesses" and "--Wind-down Businesses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Consolidated Results of Operations--Divested Businesses" and "--Corporate and Other Operations" for a further discussion of Gibraltar and other divested and wind-down businesses.

Catastrophe losses could materially reduce our profitability or cash flow.

Our personal lines property and casualty insurance operations expose us to claims arising out of catastrophes, principally arising under our homeowners

insurance policies. Hurricanes, earthquakes, tornadoes, wind, hail, fires, explosions and other events may cause catastrophes, and the occurrence and severity of catastrophes are inherently unpredictable. In accordance with generally accepted accounting principles, we do

not establish reserves for catastrophes in advance of their occurrence, and the loss or losses from a single or multiple catastrophes could be material to our results of operations or cash flow in particular quarterly or annual periods. Our catastrophe exposure risk management program relies heavily on reinsurance to reduce our catastrophe exposure, and the loss of availability of all or portions of our reinsurance program could subject us to increased exposure, which could be material. The cost of reinsurance affects the profitability of our property and casualty insurance business. There have been, and in the future may be, periods when reinsurance has not been available or at least not at acceptable rates and levels. We also face credit risk with respect to our reinsurers and other risk bearers, such as the Florida Hurricane Catastrophe Fund, in all lines of our insurance business, including property and casualty insurance, because the ceding of risk to them does not relieve us of our liability to insureds. Our recovery of less than contracted amounts from our reinsurers and other risk bearers could have a material adverse effect on our results of operations.

Interest rate fluctuations could negatively affect our profitability.

Changes in interest rates may reduce both our profitability from spread businesses and our return on invested capital. Some of our products, principally traditional whole life insurance, fixed annuities and guaranteed investment contracts, expose us to the risk that changes in interest rates will reduce our "spread", or the difference between the amounts that we are required to pay under the contracts and the rate of return we are able to earn on our general account investments intended to support our obligations under the contracts. Declines in our spread from these products or other spread businesses we conduct could have a material adverse effect on our businesses or results of operations.

In periods of increasing interest rates, we may not be able to replace the assets in our general account with higher yielding assets needed to fund the higher crediting rates necessary to keep our interest sensitive products competitive. We therefore may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In periods of declining interest rates, we have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments then available. Moreover, borrowers may prepay fixed-income securities, commercial mortgages and mortgage-backed securities in our general account in order to borrow at lower market rates, which exacerbates this risk. Because we are entitled to reset the interest rates on our fixed rate annuities and guaranteed investment contracts only at limited, pre-established intervals, and since many of our policies have guaranteed minimum interest or crediting rates, our spreads could decrease and potentially become negative.

A decline in market interest rates available on investments could also reduce our return from investments of capital that do not support particular policy obligations, which also could have a material adverse effect on our results of operations.

Increases in interest rates may cause increased surrenders and withdrawals of insurance products. In periods of increasing interest rates, policy loans and surrenders and withdrawals of life insurance policies and annuity contracts may increase as policyholders seek to buy products with perceived higher returns. This process may lead to a flow of cash out of our businesses. These outflows may require investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. A sudden demand among consumers to change product types or withdraw funds could lead us to sell assets at a loss to meet the demand for funds. In addition, unanticipated withdrawals and terminations also may require us to accelerate the amortization of deferred policy acquisition costs. This would increase our current expenses.

Changes in interest rates may reduce profitability or result in potential losses in non-insurance businesses where we take principal risk on fixed-income investments. We operate two fixed-income securities hedge portfolios in our Other Asset Management segment in which we take principal positions that we hedge with short positions and support through securities repurchase, reverse repurchase and lending transactions. As of December 31, 2000, the hedge portfolios had a total carrying value of approximately $7.9 billion, reflecting both principal positions and securities financing positions. We also run a commercial mortgage banking business in our Asset Management division in which we make or purchase loans secured by commercial mortgages and hold them until they can be aggregated in a combined investment fund, the securities of which we sell to investors in a securitization transaction. Similarly, we hold or "warehouse" other loan receivables pending sale in

securitization transactions. As of December 31, 2000, we held approximately $1.2 billion of commercial mortgages and other loan receivables pending securitization, substantially all of which is supported by approximately $1.3 billion of financing. We hold a matched book and other inventory in our Private Client Group

segment principally in connection with our business with customers. We engage in corporate investment activities, in which we borrow funds and use our asset/liability management techniques to earn additional spread income on the borrowed funds. As of December 31, 2000, the total indebtedness supporting these activities was approximately $3.8 billion.

Losses due to defaults by others could reduce our profitability or negatively affect the value of our investments.

Third parties that owe us money, securities or other assets may not pay or perform their obligations. These parties include the issuers whose securities we hold, borrowers under the mortgage loans we make, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons. The current uncertain trend in the U.S. and other economies has resulted in rising investment impairments, and a further downturn could result in increased impairments. We recognized impairments of fixed maturities of $540 million in 2000 as compared to $266 million in 1999.

The default of a major market participant could disrupt the securities markets or clearance and settlement systems in the United States or abroad. A failure of a major market participant could cause some clearance and settlement systems to assess members of that system, including our broker-dealer subsidiaries, or could lead to a chain of defaults that could adversely affect us. A default of a major market participant could disrupt various markets which could in turn cause market declines or volatility.

Other market fluctuations and general economic, market and political conditions may also negatively affect our business and profitability.

Our investment returns, and thus our profitability, may also be adversely affected from time to time by conditions affecting our specific investments and, more generally, by stock, real estate and other market fluctuations and general economic, market and political conditions.

Our ability to make a profit on insurance products, fixed annuities and guaranteed products depends in part on the returns on investments supporting our obligations under these products and the value of specific investments may fluctuate substantially depending on the foregoing conditions.

We also make investments in securities to support our customer operations in our securities operations, including our market-making and other principal trading activities to facilitate customer transactions, and our commercial mortgage securitization operations. We also engage in proprietary trading of equities, commodities and futures and take proprietary positions in our hedge portfolios and our proprietary investment and syndication activities. The foregoing activities expose us to significant market risk as we buy securities or other assets, including assets to be repackaged, all of which are subject to market fluctuation. Even though we generally buy the securities or other assets for resale and the risk in most, but not all, cases is short-term, our exposure is often for large amounts. We use a variety of strategies to hedge our exposure to interest rate and other market risk. However, hedging strategies are not always available, and our hedging could be ineffective. As a result of exiting the lead-managed underwriting and institutional fixed income businesses, we are winding down related portfolios of loans and loan commitments to clients of these businesses which, at December 31, 2000, aggregated approximately $3.5 billion. We could incur material losses from these activities.

The current uncertain trend in the U.S. and Japanese economic and investment climates may adversely affect our businesses and profitability, particularly in the event of a U.S. recession. Our profitability has benefitted from strong equity markets in 1998 through 2000, and the decline in global stock markets has adversely affected, and can be expected to adversely affect, profitability of many of our businesses.

A decline or increase in volatility in the securities markets may negatively affect our businesses.

Our investment-based and asset management products and services and our investment advisory and securities brokerage services expose us to the risk that sales will decline and lapses of variable life and annuity products and withdrawals of assets from other investment products will increase if, as a result of a failure of the market to maintain its rate of growth, a market

downturn, increased market volatility or other market conditions, customers become dissatisfied with their investments. A market downturn also would result in lower account balances as a result of decreases in market value and lower margin account balances. In many cases our fees in

these businesses are based on a percentage of the assets we manage and, if account values decline, our fee revenue would decline. Declines in margin account balances would result in a decline in our net interest revenues. A market downturn also could result in a decline in the volume of transactions that we execute for our customers, and therefore a decline in our commission and fee revenue.

A downgrade in our claims-paying or credit ratings could limit our ability to market products, increase the number or value of policies being surrendered and/or hurt our relationships with creditors or trading counterparties.

Our claims-paying ratings, which are intended to measure our ability to meet policyholder obligations, are an important factor affecting public confidence in most of our products and, as a result, our competitiveness. The interest rates we pay on our borrowings are largely dependent on our credit ratings. Starting in 1992 and as recently as 1998, the various ratings agencies downgraded our claims-paying and credit ratings. You can read about the downgrades of our claims-paying ratings under "Business--Ratings".

We believe our current claims-paying and credit ratings are stable. However, further downgrading of our claims-paying ratings would limit our ability to sell our insurance and annuity products and guaranteed contracts and would reduce our profitability. Further downgrading of our credit ratings would further increase the cost of borrowing and reduce our profitability.

Intense competition could negatively affect our ability to maintain or increase our profitability.

Our businesses are intensely competitive. We compete based on a number of factors including name recognition, service, the quality of investment advice, investment performance, product features, price, perceived financial strength, and claims-paying and credit ratings. Our competitors include insurers, broker-dealers, financial advisors, asset managers and other financial institutions. A number of our business units face competitors that have greater market share, offer a broader range of products or have higher claims-paying or credit ratings than we do.

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry, particularly as the laws separating banking, insurance and securities have been relaxed, resulting in increased competition from large, well-capitalized financial services firms. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired other financial services businesses such as a broker-dealer or an insurance company. Many of these firms also have been able to increase their distribution systems through mergers or contractual arrangements. We expect consolidation to continue and perhaps accelerate in light of the adoption of the Gramm-Leach-Bliley Act, which we discuss below.

In recent years our rankings against competitors in sales of certain investment and insurance products have declined. We continue our efforts to strengthen and broaden both our distribution channels and our product offerings but we cannot assure they will be successful. In particular, the marketplace may make a more significant or rapid shift to non-affiliated and direct distribution alternatives than we anticipate or are able to achieve ourselves. If this happens, our rankings against competitors' market shares and results of operations could be adversely affected.

We may be unable to attract and retain sales representatives and other employees, particularly Financial Advisors.

We compete to attract and retain Prudential Agents, Financial Advisors, Life Planners, asset managers, research analysts, investment bankers and other employees, as well as independent distributors of our products. Intense competition exists for persons and independent distributors with demonstrated ability. We compete with other financial institutions primarily on the basis of our products, compensation, support services and financial position. In particular, we have experienced continuing turnover among Financial Advisors, including experienced Financial Advisors, due in part to greater industry competition for productive Financial Advisors and the lack of a stock-based compensation program. While we have undertaken several initiatives with respect to our Financial Advisors, these initiatives may not succeed in attracting or retaining new Financial Advisors. In addition, our decision to exit the lead-managed underwriting and institutional fixed income businesses of Prudential Securities, and to pursue our strategy of providing research of interest to our investor clients is new, and its effect on our ability to attract and retain Financial Advisors and research analysts is uncertain. Sales and

persistency in our businesses and our results of operations and financial condition could be materially adversely affected if we are unsuccessful in attracting and retaining sales representatives.

Fluctuations in foreign currency exchange rates and foreign securities markets could negatively affect our profitability.

Our foreign insurance operations generally write policies denominated in local currencies and invest in local currencies. Although investing in local currencies limits the effect of currency exchange rate fluctuation on local operating results, fluctuations in such rates affect the translation of these results into our consolidated financial statements. Our foreign securities operations transact business in both local currencies and U.S. dollars. Accordingly, fluctuations in foreign currency exchange rates may directly affect these operations.

Our domestic and international insurance and securities businesses own foreign securities and are subject to fluctuations in foreign securities markets, which can be volatile. In the last several years, various emerging market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies and low or negative growth rates in their economies. Interest rates in Japan have been at historically low levels in recent years, and continued low or declining rates could affect the profitability of our international insurance operations. The possible effects of these conditions include losses in our securities inventory positions and in our general account.

Our international operations face political, legal, operational and other risks that could negatively affect those operations or our profitability.

Our international operations face political, legal, operational and other risks that we do not face in our domestic operations. We face the risk of discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies. Some of our foreign insurance operations are, and are likely to continue to be, in emerging markets where these risks are heightened. In addition, we rely on local sales forces in these countries and we may encounter labor problems resulting from workers' associations and trade unions in some countries. If our business model is not successful in a particular country, we may lose all or most of our investment in building and training the sales force in that country.

Our businesses are heavily regulated and changes in regulation may reduce our profitability.

Our insurance operations are subject to state insurance laws regulating all aspects of our business and are regulated and supervised principally by state insurance departments in the fifty states and U.S. territories and possessions. Our principal insurance regulatory authorities are the New Jersey Department of Banking and Insurance and the state insurance authorities in other states where our insurance subsidiaries are organized. The purpose of the state regulation of insurance is to protect policyholders and not our shareholders. Foreign insurance regulatory authorities regulate our international insurance operations. Products that are also "securities", such as variable life insurance and variable annuities, are also subject to federal and state securities laws and are regulated and supervised by the SEC, the NASD and state securities commissions.

On November 11, 1999, the Gramm-Leach-Bliley Act was adopted. This federal law permits the creation of financial services firms that can include commercial banking, merchant banking, securities, insurance and investment management activities under one holding company that would be subject to federal regulation. We expect the legislation will result in increased consolidation within the financial services industry. We cannot predict the effect of this legislation or further consolidation on our competitive position.

State insurance regulators and the National Association of Insurance Commissioners regularly re-examine existing laws and regulations applicable to insurance companies. Existing or future insurance-related laws and regulations may become more restrictive and may adversely affect our profitability.

State insurance guaranty associations have the right to assess insurance companies doing business in their state for funds to help pay the obligations of insolvent insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond our control, the reserves that we have currently established for these potential liabilities may not be adequate.

Our asset management, securities, banking and other operations are subject to extensive regulation at the federal and/or state level by regulators including the SEC, the NASD, the NYSE, the CFTC, the Department of Labor, the FDIC, the OTS, the FTC, the Georgia Department of Banking and Finance, the Pennsylvania Department of Banking, and state securities authorities, and are subject to regulation in those jurisdictions outside the United States in which the businesses operate. The requirements imposed by regulators are generally designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our shareholders. As a result, regulatory requirements often limit our activities, and we face the risk of significant intervention by regulatory authorities.

Many of the foregoing regulatory or governmental bodies have the authority to review our products and business practices and those of our agents and employees and to bring regulatory or other legal actions against us if, in their view, our practices, or those of our agents or employees, are improper. These actions can result in substantial fines, penalties or prohibitions or restrictions on our business activities and could have a material adverse effect on our business, results of operations or financial condition.

Legal and regulatory actions are inherent in our businesses and could result in financial losses or harm our businesses.

We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our insurance, asset management, securities, investing and other operations, both domestically and internationally. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to us and proceedings that are typical of the businesses in which we operate, including in both cases businesses that we have divested or placed in wind-down status. 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. Substantial legal liability in these or future legal or regulatory actions could have a material financial effect or cause significant reputational harm which in turn could seriously harm our business prospects.

Regulatory authorities and customers brought significant regulatory actions and civil litigation against us in the past involving sales of individual permanent life insurance policies that we issued in the United States from 1982 to 1995. These proceedings alleged principally that we made misrepresentations concerning the use of existing life insurance policies to fund additional policies, the number of annual out-of-pocket cash premium payments required to fund life insurance policies and the characterization of policies as investments rather than life insurance policies. These proceedings, substantial related negative publicity and our actions to improve sales practice controls caused significant turnover and reduced headcount in our Prudential Agent sales force, principally in 1996 and 1997. Primarily as a result of this turnover, reduced headcount and negative publicity, we lost policies, customer accounts and assets in our individual life insurance and property and casualty insurance businesses. In 1996 we settled the insurance regulatory proceedings and the principal life insurance sales practices class action lawsuit. Pursuant to these settlements, we have distributed final remedies to virtually all eligible class members through the alternative dispute resolution process that we established. In addition, as of December 31, 2000, we remained a party to approximately 61 individual sales practices actions filed by class members who "opted out" of the class settlement relating to permanent life insurance policies we issued in the United States between 1982 and 1995, as well as 48 sales practices actions filed by class members who failed to "opt out" of the class settlement. Many of these suits seek substantial punitive damages in addition to compensatory damages. You can read about the life insurance related litigation in greater detail under "Business--Litigation and Regulatory Proceedings--Insurance--Life Insurance Sales Practices Issues".

We remain liable for certain litigation involving our divested healthcare operations. This litigation includes purported class actions and individual suits involving various issues, including payment of claims, denial of benefits, vicarious liability for malpractice claims, contract disputes with provider groups and former policyholders, and class actions challenging practices of our former managed care operations. The class actions involve purported nationwide classes of participants and multiple defendants and allege, among other things, misrepresentation of the level and quality of services, failure to disclose financial incentive agreements with physicians, interference with the physician-patient relationship, breach of contract and fiduciary duty, violations of ERISA, violations of and conspiracy to violate RICO, deprivation of plaintiffs' rights to the delivery of honest medical services and industry-wide conspiracy to defraud physicians by failing to pay under provider agreements and by unlawfully coercing providers to enter into agreements with unfair and unreasonable terms. The class actions are only in the preliminary stage and the remedies sought include unspecified damages, restitution,

disgorgement of profits, treble damages, punitive damages and injunctive relief. You can read about the healthcare related litigation in greater detail under "Business--Litigation and Regulatory Proceedings--Discontinued Operations".

Although we believe we have adequately reserved in all material respects for the costs of our litigation and regulatory matters, we can provide no assurance of this. It is possible that our results of operations or cash flow in particular quarterly or annual periods could materially decline due to an ultimate unfavorable outcome of these matters.

Employee misconduct is difficult to detect and deter and could harm our business, results of operations or financial condition.

Employee misconduct could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm. Employee misconduct can occur in each of our businesses and could include:

- binding us to transactions that exceed authorized limits,
- hiding unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses,
- improperly using or disclosing confidential information,
- recommending transactions that are not suitable,
- engaging in fraudulent or otherwise improper activity,
- engaging in unauthorized or excessive trading to the detriment of customers, particularly in our Private Client Group segment, or
- otherwise not complying with laws or our control procedures.

We cannot always deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. We cannot assure you that employee misconduct will not lead to a material adverse effect on our business, results of operations or financial condition.

Changes in federal income tax law could make some of our products less attractive to consumers and increase our tax costs.

Congress has, from time to time, considered tax legislation that could make our products less attractive to consumers. Some of the more important are:

- Congress has, in the past, considered legislation that would reduce or eliminate the benefit of the current federal income tax rule under which tax on the build-up of value of annuities and life insurance products can generally be deferred until payments are actually made to the policyholder or other beneficiary and excluded when paid as a death benefit under a life insurance contract.
- The Bush Administration introduced legislation that was passed by the House of Representatives in March 2001 that would lower individual tax rates. This legislation could, if enacted, also reduce the benefit of deferral.
- The Bush Administration has stated that it intends to introduce legislation that would eliminate, over time, the estate, gift and generation-skipping taxes and would partially eliminate the step-up in basis rule applicable to property held in a decedent's estate. Similar legislation was passed by Congress in 2000 and subsequently vetoed by President Clinton. Changes in the law that reduce estate taxes could hinder sales and result in increased surrenders of our insurance products. On the other hand, termination of the step-up in basis rule may increase the attractiveness of insurance products.

Congress, as well as foreign, state and local governments, also consider from time to time legislation that could increase our tax costs. If such legislation is adopted, our consolidated net income could decline.

We cannot predict whether any such legislation will be enacted, what the specific terms of any such legislation will be or how, if at all, it might affect sales of our products.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk, which could negatively affect our businesses or result in losses.

We have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks

may not be fully effective. Many of our methods of managing risk and exposures are based upon our use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us, which may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Allocation of inadequate assets to the Closed Block could reduce net income available to our shareholders.

The plan of reorganization requires us to establish and operate a Closed Block for the benefit of holders of certain participating individual insurance and annuity policies issued by The Prudential Insurance Company of America. The Closed Block is a mechanism designed to provide for the reasonable expectations for future policy dividends after demutualization of the holders of the policies included in the Closed Block by allocating assets that will be used for the payment of guaranteed benefits and policyholder dividends, expenses and taxes on those policies. The policies that we will include in the Closed Block are certain individual life insurance policies and individual annuity contracts that are in force on the effective date of the demutualization on which we are currently paying or expect to pay experience-based policy dividends.

We initially will allocate assets to the Closed Block equal to approximately 26% of The Prudential Insurance Company of America's general account invested assets. This amount, together with the investment cash flows they produce and the anticipated revenue from the Closed Block policies, are expected to be reasonably sufficient to provide for all guaranteed Closed Block policy benefits and expenses and taxes charged to the Closed Block, as well as future policy dividends after demutualization in accordance with the dividend scales in effect for 2000 if the experience underlying these scales continues. These assets include public and private fixed maturities, commercial and agricultural mortgages, public and private equities and real estate. See "Unaudited Pro Forma Condensed Consolidated Financial Information--Unaudited Pro Forma Closed Block Information" for a description of the establishment and funding of the Closed Block.

We will operate the Closed Block for the benefit of the holders of the policies included in the Closed Block, and cash flows provided by the Closed Block Assets will solely benefit the holders of those policies and will not be available for dividends to our shareholders. However, in the unlikely event that poor results from business operations outside of the Closed Block completely deplete The Prudential Insurance Company of America's surplus, The Prudential Insurance Company of America may be required to use Closed Block Assets to pay guaranteed benefits on policies not included in the Closed Block. Closed Block policies will continue to be the obligation of The Prudential Insurance Company of America, and we will remain obligated to pay guaranteed policy benefits on these policies in accordance with their terms should the assets of the Closed Block be insufficient to satisfy the claims. If, over the period the Closed Block remains in existence, performance of the Closed Block Assets is more favorable than we originally expected, we will pay the excess to Closed Block policyholders as additional policyholder dividends, and it will not be available to our shareholders. If performance is less favorable, The Prudential Insurance Company of America will not be required to support the payment of dividends on Closed Block policies from its general funds, although it could choose to provide such support. If we were to make substantial payments to the benefit of Closed Block policies from our general funds, either in support of the payment of policyholder dividends or to satisfy claims, a lower amount of assets and net income would be available to our shareholders and the market price of our Common Stock could decline. The Closed Block will continue in effect as long as any policy in the Closed Block remains in force, which we currently expect will be at least 100 years.

We will also establish a separate closed block for the benefit of the owners of the participating insurance policies issued by our remaining Canadian branch. We will operate this closed block, which, because of the substantially smaller number of outstanding Canadian policies, will be insignificant in size, in a similar manner as the U.S. Closed Block and reflect it in our Corporate and Other operations of our Financial Services Businesses.

Our ability to pay shareholder dividends may be affected by limitations imposed on The Prudential Insurance Company of America and our other subsidiaries.

Prudential Financial, Inc. will act as a holding company for all our operations, and we do not intend that Prudential Financial, Inc. will have significant operating businesses. Prudential Financial, Inc.'s principal sources of revenues to meet its obligations, including the payment of shareholder dividends and operating expenses, will be dividends and interest from its subsidiaries. Prudential Financial, Inc.'s regulated insurance, broker-dealer and various other subsidiaries are subject to regulatory limitations on their payment of dividends and other transfers of funds to affiliates.

New Jersey insurance law provides that, except in the case of extraordinary dividends or distributions, all dividends or distributions paid by The Prudential Insurance Company of America may be declared or paid only from unassigned surplus, as determined pursuant to statutory accounting principles. The Prudential Insurance Company of America also must notify the New Jersey insurance regulator prior to paying a dividend and if the dividend, together with other dividends or distributions made within the preceding twelve months, would exceed a specified statutory limit based on financial results under statutory accounting principles, obtain a non-disapproval from the New Jersey insurance regulator. You should note that results under statutory accounting principles may not be as favorable as results under generally accepted accounting principles. For a description of the statutory dividend limit, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources". Upon demutualization, unassigned surplus will be reduced to zero, thereby limiting The Prudential Insurance Company of America's ability to pay a dividend immediately following demutualization. Unassigned surplus is expected to grow thereafter in the ordinary course of business, including gains from operations and any realized capital gains.

The laws regulating dividends of the other states in which our other insurance companies are organized are similar, but not identical, to New Jersey's. In addition, the net capital rules to which our broker-dealer subsidiaries are subject may limit their ability to pay dividends to Prudential Financial, Inc. The laws of foreign countries may also limit the ability of our insurance and other subsidiaries organized in those countries to pay dividends to Prudential Financial, Inc.

We cannot assure that Prudential Financial, Inc.'s subsidiaries will have enough earnings to support dividend payments to Prudential Financial, Inc. in an amount sufficient to fund Prudential Financial, Inc.'s cash requirements and shareholder dividends. From time to time the National Association of Insurance Commissioners and various state insurance regulators have considered, and may in the future consider, proposals to further limit dividend payments that an insurance company may make without regulatory approval. These proposals, if enacted, could further restrict the ability of our insurance companies to pay dividends to Prudential Financial, Inc.

A challenge to the Commissioner's approval of the plan of reorganization could adversely affect the terms of the demutualization and the market price of our Common Stock.

After a public hearing, the Commissioner of Banking and Insurance of the State of New Jersey will determine whether to approve the plan of reorganization. To approve the plan, the Commissioner must find that the plan meets the standards of New Jersey law governing demutualizations, including, among other things, whether the plan is fair and equitable to the policyholders of The Prudential Insurance Company of America. We do not expect that any Commissioner order approving the plan will address the fairness of the plan to purchasers of Common Stock in the offering.

The New Jersey law governing the demutualization provides that a Commissioner order approving or disapproving the plan of reorganization shall be a final agency decision subject to appeal in accordance with, and within the time period specified by, the rules governing the courts of the state of New Jersey. Accordingly, if the Commissioner approves the plan it is possible that an appeal challenging the Commissioner's approval could be filed up to 45 days after the date of the Commissioner's order. We cannot predict whether any lawsuit challenging the plan or the Commissioner's approval will be commenced or what aspects of the plan, if any, such an action might challenge. The existence of such a challenge could delay completion of the plan of reorganization or, when completed, negatively affect the market price of the Common Stock.

In the event that the plan or the Commissioner's order is challenged, a successful challenge could impede consummation of the demutualization or result in monetary damages, a modification of the plan or the Commissioner's approval of the plan being set aside. In addition, a successful challenge would likely result in substantial uncertainty relating to the terms and effectiveness of the plan of reorganization, and a substantial

period of time might be required to reach a final determination. Such an

outcome would likely negatively affect holders of Common Stock and could have a material adverse effect on our business, results of operations or financial condition.

Regulatory requirements, provisions of our certificate of incorporation and by-laws and our shareholder rights plan could delay, deter or prevent a takeover attempt that shareholders might consider in their best interests.

Under the New Jersey statute governing the demutualization and our plan of reorganization, for the three years after the effective date of the demutualization, no person other than Prudential Financial, Inc., certain of its subsidiaries or any employee benefit plans or trusts sponsored by us may acquire 5% or more of the total voting power of Prudential Financial, Inc.'s Common Stock and, if issued, Class B Stock without the prior approval of the New Jersey insurance regulator. In addition, various states in which our insurance companies are organized, including New Jersey, must approve any change of control of insurance companies organized in those states. Under most states' statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. Federal, and in some cases state, banking authorities would also have to approve the indirect change of control of our banking operations. The federal securities laws could also require reapproval by customers of our investment advisory contracts to manage mutual funds, including mutual funds included in annuity products. In addition, the New Jersey Business Corporation Act prohibits certain business combinations with interested shareholders. These regulatory and other restrictions may delay a potential merger or sale of Prudential Financial, Inc., even if the Board of Directors decides that it is in the best interests of shareholders to merge or be sold. These restrictions also may delay sales or acquisitions of our subsidiaries.

Prudential Financial, Inc.'s certificate of incorporation and by-laws also contain provisions that may delay, deter or prevent a takeover attempt that shareholders might consider in their best interests. These provisions may adversely affect prevailing market prices for our Common Stock and include:

- classification of Prudential Financial, Inc.'s Board of Directors into three classes that serve staggered three-year terms,
- a prohibition on the removal of directors without cause,
- a restriction on the filling of vacancies on the Board of Directors by shareholders,
- restrictions on the calling of special meetings by shareholders,
- a requirement that shareholders may take action without a meeting only by unanimous written consent,
- advance notice procedures for the nomination of candidates to the Board of Directors and shareholder proposals to be considered at shareholder meetings, and
- supermajority voting requirements for the amendment of certain provisions of the certificate of incorporation and by-laws.

Prudential Financial, Inc.'s Board of Directors also has authorized a shareholders rights plan that will be effective upon the effective date of the demutualization. This rights plan may also create obstacles that may delay, deter or prevent a takeover attempt that shareholders might consider in their best interests.

The price of our Common Stock may decline due to the large number of shares that will be eligible for public sale following the demutualization.

Substantially all of the shares of our Common Stock distributed in the demutualization will be eligible for resale in the public market without restriction. It is possible that many of our policyholders might want to sell their shares. Policyholders will not be able to sell their shares of Common Stock until they receive a confirmation of the issuance of their shares. We expect that policyholders will receive such confirmation within 45 days of the effective date of the demutualization but it may happen earlier. Once a policyholder receives this confirmation, the policyholder will be able to sell shares either through the sales facility described below or by transferring the shares to a brokerage account for sale.

Pursuant to the requirements of the New Jersey demutualization statute, we will provide a program for a period of time beginning some time prior to the second anniversary of the effective date of the demutualization that permits each policyholder who receives 99 or fewer shares of Common Stock in the demutualization, and other shareholders holding 99 or fewer shares, to sell, at market prices and without brokerage commissions or

similar fees, all of his or her shares, or purchase shares to obtain ownership of 100 shares. We estimate that when we complete the demutualization we will have approximately 4 million policyholders who will in total receive in excess of 165.5 million shares that we believe would be eligible to participate in this commission-free program. In addition to the commission-free program, our transfer agent is expected to offer a sales facility for policyholders holding 1,000 shares of Common Stock or less to sell shares, at their own expense, through the transfer agent. The sales facility will not be available until at least 30 days after the effective date of the demutualization, and a policyholder may not use the sales facility until receiving the confirmation noted above. The terms of the commission-free program and these sales procedures will be designed in accordance with SEC requirements.

Sales of substantial amounts of Common Stock, or uncertainty as to whether sales of substantial amounts may occur, may adversely affect the price of the Common Stock. We cannot predict what the effect, if any, on our Common Stock price will be of future sales, or the availability of shares for future sales, under the commission-free program, the foregoing sales procedures or otherwise.

Risks Related to our Proposed Acquisition of Kyoei Life Insurance Co., Ltd.

We are seeking to acquire Kyoei Life Insurance Co., Ltd., a financially troubled, Japanese life insurer, at the conclusion of pending reorganization proceedings in Japan in which Kyoei's assets and liabilities will be substantially restructured. There is no assurance that we will consummate the proposed acquisition. If we acquire Kyoei, we expect to invest approximately $1.3 billion. This proposed acquisition involves a number of risks:

- Kyoei's results of operations and financial condition have deteriorated over recent years and this deterioration accelerated in 2000 prior to Kyoei's filing for reorganization proceedings on October 20, 2000. There is no assurance that we will be able to operate Kyoei profitably or as to the level of such profitability. Kyoei could experience post-reorganization policyholder surrenders and withdrawals materially different than those we anticipate and/or incur material losses, including deterioration of assets or lower than expected investment returns.

- While the reorganization plan for Kyoei has been approved, it is subject to amendment and challenge as described herein. It is possible that the reorganization plan could be amended in a manner materially less favorable to us.

See "Recent Developments--Proposed Acquisition of Kyoei Life Insurance Co., Ltd." for a discussion of Kyoei and the proposed acquisition.

Additional risks relevant to you as holder of our Common Stock if we issue Class B Stock.

The issuances of the Class B Stock and the IHC debt are not assured and are not conditions to completion of this offering. If we proceed with this offering but do not issue any Class B Stock, there will be no separation of the Businesses, the Common Stock will reflect the performance of all our businesses, including the Traditional Participating Products segment, and we will not achieve the intended benefits of such issuances described in the "Prospectus Summary". If we issue the Class B Stock and IHC debt, you should consider the following risks:

Holders of Common Stock will be common stockholders of Prudential Financial, Inc. and will be subject to risks associated with an investment in Prudential Financial, Inc. as a whole, including the Closed Block Business. We cannot assure you that the market value of Common Stock will in fact reflect the performance of the Financial Services Businesses as we intend. Even though we will allocate all our consolidated assets, liabilities, revenue, expenses and cash flow between the Financial Services Businesses and the Closed Block Business in order to prepare the supplemental combining financial information regarding the Businesses, that allocation will not change the legal title to any assets or responsibility for any liabilities and will not affect the rights of any of our creditors. Further, holders of the Common Stock will not have any legal rights related to specific assets of the Financial Services Businesses. In any liquidation, holders of the Common Stock and Class B Stock would be entitled to receive a proportionate share of the net assets of Prudential Financial, Inc. that remain after paying all liabilities and the liquidation preferences of any preferred stock, such proportion being based on the market value of Common Stock and an appraisal of the fair market value of Class B Stock, each determined on or about 60 days after this offering. Holders of Common Stock will be common stockholders of Prudential Financial, Inc., and, as such will be subject to all risks associated with an investment in Prudential Financial, Inc. and all of our businesses, assets and liabilities, including the Closed Block Business. For example, if the cash flow of the Closed Block Business is insufficient to satisfy its liabilities, the Financial Services Businesses and the holders of Common Stock would be adversely affected.

If the Closed Block Business runs into financial difficulty, the value of Common Stock may suffer for reasons having nothing to do with the prospects for the Financial Services Businesses. Financial results of the Closed Block Business, including debt service on the IHC debt, will affect Prudential Financial, Inc.'s consolidated results of operations, financial position and borrowing costs. Prudential Holdings, LLC's assets, including the net proceeds of the IHC debt initially deposited in the debt service coverage account established for the security of the holders of the IHC debt, and any reinvested earnings thereon, and any other assets of Prudential Holdings, LLC allocated to the Financial Services Businesses, could be used to satisfy such debt service in the event of Prudential Holdings, LLC's insolvency. This could affect the results of operations, financial position or borrowing costs of the Financial Services Businesses or the market price of the Common Stock. Repayment to the Financial Services Businesses of any inter-business loan created upon use of the debt service coverage account to satisfy IHC debt service would be subordinate to repayment of the IHC debt. In addition, any net losses of the Closed Block Business, and any dividends or distributions on, or repurchases of, the Class B Stock, will reduce the assets of Prudential Financial, Inc. legally available for dividends on the Common Stock. Accordingly, you should read financial information for the Financial Services Businesses together with financial information for Prudential Financial, Inc. as a whole.

Having two classes of common stock could create potential conflicts of interest and the Board of Directors could make decisions that adversely affect holders of Common Stock. Having two classes of common stock could give rise to occasions when the interests of holders of one class might diverge or appear to diverge from the interests of holders of the other class. Examples include:

- our decisions as to how to allocate consideration received in connection with a merger involving Prudential Financial, Inc. between holders of Common Stock and Class B Stock,

- our decisions as to whether and when to issue shares of Common Stock in exchange for Class B Stock,

- our decisions as to whether and when to approve dispositions of assets of either the Financial Services Businesses or the Closed Block Business, and

- our decisions as to whether to pay dividends on Common Stock and Class B Stock.

Principles of corporate law may protect decisions of the Board of Directors that have a disparate impact upon holders of Common Stock and Class B Stock. To our knowledge New Jersey courts have not considered the duties of a board of directors to holders of separate classes of common stock. However, general principles of corporate law involving different treatment of two classes of common stock, which we believe would apply in New Jersey, provide that a board of directors has a fiduciary duty to all common stockholders regardless of class or series. Under these principles and the related principle known as the "business judgment rule", you may not be able to challenge decisions that have a disparate impact upon holders of Common Stock and Class B Stock if the Board of Directors:

- is disinterested and adequately informed with respect to such decisions, and

- acts in good faith and in the belief that it is acting in the best interests of Prudential Financial, Inc.'s stockholders.

The Board of Directors has sole discretion to allocate proceeds upon issuances of Common Stock, or the costs of repurchases of Class B Stock, to the Financial Services Businesses or the Closed Block Business. Proceeds from future issuances of Common Stock may not necessarily be allocated to the equity of the Financial Services Businesses and the costs of repurchases of Class B Stock may not necessarily be allocated to the equity of the Closed Block Business. Although this is the present intention, the Board of Directors retains discretion, subject to its fiduciary duties, whether to allocate the proceeds of issuances of Common Stock, or the costs of repurchases of Class B Stock, to the Financial Services Businesses or to the equity of the Closed Block Business.

Exchanges of Class B Stock for Common Stock may be disadvantageous to holders of Common Stock. The Class B Stock would be exchangeable for shares of Common Stock at our discretion (including in anticipation of a merger) and in the event of certain regulatory events or a change of control at any time. Any such exchange will provide for delivery of shares of Common Stock having a value, based on the then trading price of the Common Stock, equal to the then appraised fair market value of the Class B Stock, provided exchanges made at our discretion require delivery of shares of Common Stock having a value set at a premium to (i.e., in excess of 100% of) the then appraised fair market value of the Class B Stock. Any exchange could occur at a time when either or

both of the Common Stock and Class B Stock may be considered to be

overvalued or undervalued. Accordingly, any such exchange may be disadvantageous to holders of the Common Stock. In the future, if the Class B Stock is exchanged for Common Stock, the number of shares of Common Stock then obtainable by the Class B Stockholders might constitute a higher proportion of the total shares of Common Stock then outstanding than the proportion represented by (x) the number of shares of Class B Stock initially issued divided by (y) the total number of shares of Common Stock outstanding upon completion of the demutualization (which is expected to be less than 1%). The degree of any such proportionate increase would depend principally on: the performance of the Closed Block Business over time and the valuation of the Closed Block Business at the time of exchange; whether the exchange implemented involves a premium; the number of any new shares of Common Stock we issue after the demutualization for financing, acquisition or other purposes or any repurchases of Common Stock that we may make; and the market value of our Common Stock at the time of exchange. In particular, in the event the Closed Block Business performs well but the Financial Services Businesses and, accordingly, the market value of our Common Stock, do not perform well, the number of new shares of Common Stock issued upon an exchange would increase and, dependent on the foregoing factors, could increase as a percentage of total outstanding shares of Common Stock.

Stockholders will not vote on how to allocate consideration received in connection with a merger among holders of Common Stock and holders of Class B Stock. Our certificate of incorporation will not contain any provisions governing how consideration received in connection with a merger or consolidation involving Prudential Financial, Inc. is to be allocated between holders of Common Stock and holders of Class B Stock. Unless otherwise required by law, neither holders of Common Stock nor holders of Class B Stock will have a separate class vote in any merger or consolidation so long as we divide the type and amount of consideration between holders of Common Stock and holders of Class B Stock in a manner we determine, in our sole discretion, to be fair.

We may dispose of assets of either the Financial Services Businesses or the Closed Block Business without your approval. New Jersey law requires stockholder approval only for a sale or other disposition of all or substantially all of the assets of Prudential Financial, Inc. As long as the assets attributed to the Financial Services Businesses or the Closed Block Business represent less than substantially all of Prudential Financial, Inc.'s assets, we may approve sales and other dispositions of any amount of the assets of either the Financial Services Businesses or the Closed Block Business without any stockholder approval. In addition, if we sell all or substantially all of the assets of the Closed Block Business, we would be required to exchange all outstanding shares of Class B Stock into shares of Common Stock at a premium. Because such an exchange of Common Stock for Class B Stock would be at a premium, and the exchange could occur at a time when either or both of the Common Stock and Class B Stock may be considered to be overvalued or undervalued, any such exchange may be disadvantageous to holders of the Common Stock.

We will not pay dividends equally on Common Stock and Class B Stock. We have the right to, and expect to, pay dividends on Common Stock or Class B Stock, or both, in unequal amounts. Dividends declared on either class of stock may not reflect:

- the performance of either the Financial Services Businesses or the Closed Block Business,
- the amount of assets available for dividends on either class,
- the amount of prior dividends declared on either class, or
- any other factor.

In addition, net losses of the Closed Block Business, and any dividends or distributions on, or repurchases of, Class B Stock, will reduce the assets of Prudential Financial, Inc. legally available for dividends on Common Stock.

The Board of Directors may make operational and financial decisions affecting the Financial Services Businesses and the Closed Block Business differently. The Board of Directors, in its sole discretion, will make operational and financial decisions and implement policies that affect the businesses of the Financial Services Businesses and the Closed Block Business differently. Examples include:

- any transfers of funds between the Financial Services Businesses and the Closed Block Business as discussed below,
- the manner of accounting for any transfers of funds between the Financial Services Businesses and the Closed Block Business,

. allocation of funds for capital expenditures,

. other transactions between the Financial Services Businesses and the Closed Block Business, and

. the allocation of business opportunities, resources and personnel.

Decisions of the Board of Directors may favor either the Financial Services Businesses or the Closed Block Business at the expense of the other. For example, a decision to provide funds for the Closed Block Business may adversely affect the ability of the Financial Services Businesses to obtain funds sufficient to implement its growth strategies.

The Board of Directors will have discretion to transfer assets between the Businesses and to allocate earnings between the Businesses and to make such transfers or allocations in a manner that is disadvantageous to holders of Common Stock. While all our assets and liabilities will be allocated between the Businesses, we will be permitted to make transfers of assets and liabilities between the Businesses in order to accomplish cash management objectives, to fund, if necessary, unsatisfied liabilities of one Business with the assets of the other, to pay taxes and to achieve other objectives which we may deem appropriate, subject to regulatory oversight. In addition, we will retain discretion over accounting policies and the appropriate allocation of earnings between the two Businesses.

The Board of Directors will adopt certain policies with respect to inter-business transfers and accounting matters, including allocation of earnings. For a discussion of these policies, see "Demutualization and Related Transactions--Related Transactions--Class B Stock and IHC Debt Issuances--Inter-Business Transfers and Allocation Policies". In the future, the Board of Directors may, in its sole discretion, modify, rescind or add to any of these policies, although it has no present intent to do so. The decision of the Board of Directors to modify, rescind or add to any of these policies would, however, be subject to the Board of Directors' general fiduciary duties. As a result of the Board of Directors' broad discretion in these areas, an investment in the Common Stock is riskier than an investment in the Common Stock if the Class B Stock were not issued.

With respect to inter-business cash management transfers, the Board of Directors has sole discretion to determine, among other things, whether a transfer of cash from one Business to the other Business will be treated as a revolving credit advance or a long-term subordinated loan. The determination of the Board of Directors as to how to account for a cash transfer will affect the amount of interest expense and interest income reflected in the supplemental combining financial information of the Financial Services Businesses and the Closed Block Business. Any inter-business loan established to reflect usage of the net proceeds of the IHC debt initially deposited in the debt service coverage account, and any reinvested earnings thereon, to pay debt service on the IHC debt would accrete in principal amount by a fixed percentage per annum. Any such loan would not pay cash interest and would be reduced or eliminated to the extent the funds are replenished in the debt service coverage account.

If the Closed Block Business is unable to repay advances or loans owed to the Financial Services Businesses, the Financial Services Businesses would be adversely affected. Also, if the Financial Services Businesses extends an advance or loan to the Closed Block Business at an interest rate below the Financial Services Businesses' cost of funds or opportunity cost, the Financial Services Businesses' results would be adversely affected to the extent of the difference.

The Board of Directors has discretion to transfer assets of the Financial Services Businesses to the Closed Block, or use such assets for the benefit of Closed Block policyholders, if it believes such transfer or usage is in the best interests of the Financial Services Businesses. Any such transfer or usage may be made without requiring any repayment of the amounts transferred or used or the payment of any other consideration from the Closed Block Business.

Holders of Common Stock will vote together with holders of Class B Stock and will have limited separate voting rights. The Common Stock and Class B Stock are separate classes of common stock under the New Jersey Business Corporation Act. Holders of Common Stock and Class B Stock will vote together as a single class, except as otherwise required by law.

If we issue the Class B Stock and an exchange of all outstanding shares of Class B Stock takes place, the separation of the two Businesses will cease. Upon an exchange of all Class B Stock for Common Stock as herein described, the separation of the Businesses would cease and the intended benefits of such separation noted above would also cease.

We cannot predict the market price for Common Stock. We cannot predict the prices at which the Common Stock will trade after the offering. Certain terms of the Common Stock and Class B Stock may adversely affect the trading price of Common Stock. These terms include:

- the potential that shares of Class B Stock will be exchanged for Common Stock, and

- the discretion of the Board of Directors in making determinations relating to a variety of cash management and earnings allocation matters.

Having two classes of common stock may inhibit or prevent acquisition bids for Prudential Financial, Inc. The existence of two classes of common stock could present complexities and could in certain circumstances pose obstacles, financial or otherwise, to an acquiring person. The existence of two classes of common stock could, under certain circumstances, prevent holders of Common Stock from profiting from an increase in the market value of their shares as a result of a change in control of Prudential Financial, Inc. by delaying or preventing such change in control.

Some of the statements contained in this prospectus, including those using words such as "believes", "expects", "intends", "estimates", "assumes", "anticipates" and "seeks", are forward-looking statements. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those suggested by the forward-looking statements for various reasons, including those discussed in this section. In particular, statements contained in this prospectus regarding our 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.

As with any common stock investment, the price of our Common Stock may fluctuate widely depending on many factors, including:

- the perceived prospects of our business in particular and the insurance, asset management, securities and financial services industries generally;

- differences between our actual financial and operating results and those expected by investors and analysts;

- changes in analysts' recommendations or projections;

- changes in general economic market conditions; and

- broad market fluctuations.

USE OF PROCEEDS

Based upon an assumed initial public offering price of $30.00 per share, we estimate that Prudential Financial, Inc. will receive net proceeds from the offering of $2,562 million, or $2,948 million if the underwriters' options to purchase additional shares described under "Underwriting" are exercised in full, after deducting the underwriting discount and estimated offering expenses payable by us. Prudential Financial, Inc. will use the net proceeds of the offering, other than proceeds obtained from any exercise of the underwriter's options to purchase additional shares, to make certain cash payments to eligible policyholders in the demutualization, and will retain any remaining net proceeds, which we estimate will be $386 million if the underwriters' options to purchase additional shares are exercised in full, for general corporate purposes.

We will satisfy our needs for cash payments in the demutualization from the net proceeds of this offering as well as any proceeds from other financing transactions and/or internally generated funds.

In addition to this offering and the private placements of Class B Stock and the IHC debt, the plan of reorganization governing the demutualization permits us, subject to any required regulatory approvals, to raise funds for use in connection with the plan of reorganization prior to, on or within 30 days after the effective date of the demutualization through one or more of the following transactions: (i) the offering of public or private debt; (ii) the offering of preferred stock or other equity securities or options, warrants or other securities convertible, exchangeable or exercisable for any of the foregoing; and (iii) bank borrowings. We retain flexibility to raise funds for general corporate purposes at any time.

DIVIDEND POLICY

Prudential Financial, Inc.'s Board of Directors currently intends to declare dividends on the Common Stock, payable once annually, and expects that the

first annual dividend will be $ per share, which will be declared in . The declaration of dividends is subject to the discretion of Prudential Financial, Inc.'s Board of Directors and will depend on our financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by Prudential Financial, Inc.'s subsidiaries and such other factors as the Board of Directors may deem relevant. Dividends payable by Prudential Financial, Inc. are limited to the amount that would be legally available for payment under New Jersey corporate law.

If the Class B Stock is issued, the declaration and payment of dividends on the Common Stock will depend upon the financial condition, results of operations, cash requirements, future prospects and other factors relating to the Financial Services Businesses, as well as regulatory restrictions on the payment of dividends by Prudential Financial, Inc.'s subsidiaries. Dividends declared and paid on the Common Stock will not depend upon or be affected by the financial performance of the Closed Block Business, unless the Closed Block Business is in financial distress. Furthermore, dividends on the Common Stock will be limited to the amount that would be legally available for payment under New Jersey corporate law if the Financial Services Businesses were treated as a separate corporation thereunder. We have proposed that dividends on the Class B Stock be paid at a specified dollar rate per annum per share but not to exceed the net cash flows of the Surplus and Related Assets. Dividends on the Class B Stock will depend on the financial condition, results of operations, cash requirements, future prospects and other factors relating to the Closed Block Business, as well as regulatory restrictions on the payment of dividends by Prudential Financial, Inc.'s subsidiaries. Dividends on the Class B Stock will be limited to the amount that would be legally available for payment under New Jersey corporate law if the Closed Block Business were treated as a separate corporation thereunder.

Prudential Financial, Inc.'s principal sources of revenues to pay dividends on the Common Stock and, if issued, Class B Stock and meet its obligations will be dividends from its subsidiaries. There are regulatory limits on the ability of Prudential Financial, Inc.'s regulated insurance, broker-dealer and various other subsidiaries to pay dividends or otherwise transfer funds to Prudential Financial, Inc. See "Risk Factors--Our ability to pay shareholder dividends may be affected by limitations imposed on The Prudential Insurance Company of America and our other subsidiaries" and "--Additional risks relevant to you as holder of our Common Stock if we issue Class B Stock" for an explanation of the risks that may affect our ability to pay dividends on the Common Stock.

CAPITALIZATION

The following table sets forth our consolidated short-term debt and capitalization as of December 31, 2000:

- on an historical basis; and
- on a pro forma basis to give effect to the demutualization, as if the demutualization had occurred on December 31, 2000, and to reflect the sale of 89.0 million shares of Common Stock in the offering at an assumed initial public offering price of $30.00 per share, after deduction of the underwriting discounts and estimated expenses payable by us in the offering.

We based the pro forma information for demutualization and the offering on the assumptions we have made about the number of shares of Common Stock and the amount of cash and policy credits that will be distributed to eligible policyholders in the demutualization and the number of shares of Common Stock that will be issued to investors in this offering. We describe these assumptions in "Unaudited Pro Forma Condensed Consolidated Financial Information". The pro forma information does not give effect to any other financing transaction that may be consummated at the time of the demutualization. You should read the following table together with the audited consolidated financial statements, the unaudited interim consolidated financial statements and the information under the caption "Unaudited Pro Forma Condensed Consolidated Financial Information" elsewhere in this prospectus.

<TABLE>
<CAPTION>

	As of December 31, 2000			
	Historical	Demutualization Adjustments	Initial Public Offering Adjustments	Pro Forma for Demutualization and the Offering
		(in millions, except per share data)		
<S>	<C>	<C>	<C>	<C>
Short-term debt:				
Commercial paper.....	$ 7,686	$ --	$ --	$ 7,686

Notes payable.....	2,728	--	--	2,728
Current portion of long-term debt.....	717	--	--	717
Total short-term debt.....	$11,131	$ --	$ --	$11,131
Long-term debt:				
Senior debt.....	$ 1,514	$ --	$ --	$ 1,514
Surplus notes.....	988	--	--	988
Total long-term debt..	2,502	--	--	2,502
Equity:				
Preferred stock, par value $.01 per share; 10 million shares authorized; no shares issued and outstanding.....	--	--	--	--
Common Stock, par value $.01 per share; 1.5 billion shares authorized; 543.6 million shares issued and outstanding for pro forma.....	--	4	1	5
Capital in excess of par value.....	--	15,316	2,561	17,877
Accumulated other comprehensive income..	234	--	--	234
Retained earnings.....	20,374	(20,374)	--	--
Total equity.....	20,608	(5,054)	2,562	18,116
Total capitalization..	$23,110	$ (5,054)	$2,562	$20,618

</TABLE>

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

We derived the selected consolidated income statement data and division and segment operating results for the years ended December 31, 2000, 1999 and 1998 and the selected consolidated balance sheet data as of December 31, 2000 and 1999 from our audited consolidated financial statements included in this prospectus. We derived the selected consolidated income statement data for the years ended December 31, 1997 and 1996 and the selected consolidated balance sheet data as of December 31, 1998, 1997 and 1996 from audited consolidated financial statements not included in this prospectus.

We have made several dispositions that materially affect the comparability of the data presented below. In the fourth quarter of 2000 we restructured the capital markets activities of Prudential Securities, exiting its lead-managed underwriting and institutional fixed income businesses. These businesses recorded a pre-tax loss of $620 million in 2000, pre-tax income of $23 million in 1999, a pre-tax loss of $73 million in 1998 and pre-tax income of $55 million in 1997. The loss from these operations in 2000 included charges of $476 million associated with our termination and wind-down of these businesses. In 2000, we sold Gibraltar Casualty Company, a commercial property and casualty insurer that we placed in wind-down status in 1985. Gibraltar recorded pre-tax losses of $7 million in 2000, $72 million in 1999, $76 million in 1998 and $24 million in 1997. In 1996, we sold substantially all of our Canadian life insurance operations and policies in force and our Canadian property and casualty insurer. These divested Canadian businesses generated pre-tax income of $85 million in 1996, which reflects a $116 million gain on disposal. In 1996 we sold substantially all of the remaining mortgage servicing rights from our residential first mortgage banking business that we had previously sold, which resulted in a pre-tax gain of $229 million. We also recognized a pre-tax loss of $41 million in 1998 and a pre-tax profit of $9 million in 1997 primarily related to our remaining obligations with respect to this business.

You should read this selected consolidated financial and other information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Unaudited Pro Forma Condensed Consolidated Financial Information" and our consolidated financial statements included in this prospectus.

<TABLE>
<CAPTION>

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(in millions)				
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Revenues:					
Premiums	$ 10,221	$ 9,528	$ 9,048	$ 9,043	$ 9,999
Policy charges and fee income	1,639	1,516	1,465	1,423	1,490
Net investment income	9,497	9,367	9,454	9,458	9,461
Realized investment gains (losses), net	(288)	924	2,641	2,168	1,128
Commissions and other income	5,475	5,233	4,416	4,381	4,512
Total revenues	26,544	26,568	27,024	26,473	26,590
Benefits and expenses:					
Policyholders' benefits	10,640	10,226	9,786	9,956	11,094
Interest credited to policyholders' account balances	1,751	1,811	1,953	2,170	2,251
Dividends to policyholders	2,724	2,571	2,477	2,422	2,339
General and administrative expenses	10,083	9,530	9,037	8,525	8,241
Capital markets restructuring	476	--	--	--	--
Sales practices remedies and costs	--	100	1,150	2,030	1,125
Demutualization expenses	143	75	24	--	--
Total benefits and expenses	25,817	24,313	24,427	25,103	25,050
Income from continuing operations before income taxes	727	2,255	2,597	1,370	1,540
Income taxes	406	1,042	970	407	180
Income from continuing operations	321	1,213	1,627	963	1,360
Discontinued operations:					
Loss from healthcare operations, net of taxes	--	--	(298)	(353)	(282)
Gain (loss) on disposal of healthcare operations, net of taxes	77	(400)	(223)	--	--
Net gain (loss) from discontinued operations, net of taxes	77	(400)	(521)	(353)	(282)
Net income	$ 398	$ 813	$ 1,106	$ 610	$ 1,078
Division and Segment Data:					
Income from continuing operations before income taxes(1):					
Individual Life Insurance	$ 108	$ 94	$ 196		
Private Client Group	237	224	114		
Retail Investments	233	180	343		
Property and Casualty Insurance	166	161	327		
Total U.S. Consumer	744	659	980		
Group Insurance	156	143	221		
Other Employee Benefits	113	342	715		
Total Employee Benefits	269	485	936		
International Insurance	281	227	153		
International Securities and Investments	26	15	13		
Total International	307	242	166		
Investment Management and Advisory Services	155	156	145		
Other Asset Management	122	97	22		

Total Asset Management....	277	253	167		
Corporate and Other.....	(1,063)	272	(1,319)		
Total--Financial Services Businesses.....	534	1,911	930		
Traditional Participating Products segment.....	193	344	1,667		
Total.....	$ 727	$ 2,255	$ 2,597		
Balance Sheet Data:					
Total investments excluding policy loans.....	$140,469	$151,338	$148,837	$146,594	$134,123
Separate account assets.....	82,217	82,131	80,931	73,451	62,840
Total assets.....	272,753	285,094	279,422	259,571	228,867
Future policy benefits, policyholders' account balances and unpaid claims and claim adjustment expenses.....	104,130	102,887	104,301	105,615	105,816
Separate account liabilities.....	82,217	82,131	80,931	73,451	62,840
Short-term debt.....	11,131	10,858	10,082	6,774	6,562
Long-term debt.....	2,502	5,513	4,734	4,273	3,760
Total liabilities.....	252,145	265,803	259,027	239,853	210,344
Equity.....	20,608	19,291	20,395	19,718	18,523
Equity excluding net unrealized investment gains and losses on available-for-sale securities.....	20,249	19,951	19,123	17,966	17,387

</TABLE>

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(1) Prepared in accordance with GAAP. Operating results by division and segment for periods prior to 1998 are neither readily available nor practicable to obtain.

In managing our business, we analyze our operating performance by separately considering our Financial Services Businesses and our Traditional Participating Products segment. In addition, within the Financial Services Businesses and the Traditional Participating Products segment we analyze our operating performance using a non-GAAP measure we call "adjusted operating income". We calculate adjusted operating income by adjusting our income from continuing operations before income taxes shown above to exclude certain items. The items we exclude are:

- realized investment gains, net of losses and related charges;
- sales practices remedies and costs;
- the gains, losses and contribution to income/loss of divested businesses that we have sold but that do not qualify for "discontinued operations" accounting treatment under GAAP; and
- demutualization costs and expenses.

Wind-down businesses that we have not divested remain in adjusted operating income. We exclude our discontinued healthcare operations from income from continuing operations before income taxes, as shown above.

The excluded items are important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for net income determined in accordance with GAAP and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our business. We exclude realized investment gains, net of losses and related charges, from adjusted operating income because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our businesses. We exclude sales practices remedies and costs because they relate to a substantial and identifiable non-recurring event. We exclude the gains and losses and contribution to income/loss of divested businesses because, as a result of our decision to dispose of these businesses, these results are not relevant to the profitability of our ongoing operations and could distort the trends associated with our ongoing businesses. We also exclude demutualization

costs and expenses because they are directly related to our demutualization and could distort the trends associated with our business operations.

We show our revenues and adjusted operating income by division and segment, as well as a reconciliation of both measures on a consolidated basis to their corresponding GAAP amounts, below.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Division and Segment Operating Results:			
Financial Services Businesses:			
Revenues(1):			
Individual Life Insurance	$ 1,855	$ 1,723	$ 1,674
Private Client Group	2,689	2,509	2,317
Retail Investments	1,631	1,551	1,532
Property and Casualty Insurance	1,840	1,747	1,812
Total U.S. Consumer	8,015	7,530	7,335
Group Insurance	2,801	2,428	2,205
Other Employee Benefits	2,885	3,014	3,258
Total Employee Benefits	5,686	5,442	5,463
International Insurance	1,920	1,522	1,090
International Securities and Investments	704	580	532
Total International	2,624	2,102	1,622
Investment Management and Advisory Services	874	768	740
Other Asset Management	470	369	253
Total Asset Management	1,344	1,137	993
Corporate and Other	283	566	313
Total	17,952	16,777	15,726
Other amounts included in consolidated revenues:			
Realized investment gains (losses), net	(379)	586	944
Revenues from divested businesses	269	511	325
Total revenues--Financial Services Businesses	17,842	17,874	16,995
Traditional Participating Products segment:			
Revenues(1)	8,611	8,356	8,332
Other amounts included in consolidated revenues:			
Realized investment gains, net	91	338	1,697
Total revenues--Traditional Participating Products segment	8,702	8,694	10,029
Total consolidated revenues	$ 26,544	$26,568	$27,024
Financial Services Businesses:			
Adjusted operating income(2):			
Individual Life Insurance	$ 114	$ 117	$ 178
Private Client Group	237	224	114
Retail Investments	239	174	249
Property and Casualty Insurance	150	152	311
Total U.S Consumer	740	667	852
Group Insurance	158	128	98
Other Employee Benefits	229	272	342
Total Employee Benefits	387	400	440
International Insurance	296	218	144
International Securities and Investments	26	15	13
Total International	322	233	157
Investment Management and Advisory Services	154	155	144
Other Asset Management	122	97	22
Total Asset Management	276	252	166

Corporate and Other	(4)	137	(34)
Total	1,721	1,689	1,581
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains (losses), net	(379)	586	944
Related charges(3)	(29)	(142)	(225)
Total realized investment gains, net of losses and related charges	(408)	444	719
Sales practices remedies and costs	--	(100)	(1,150)
Divested businesses	(636)	(47)	(196)
Demutualization costs and expenses	(143)	(75)	(24)
Income from continuing operations before income taxes--Financial Services Businesses	534	1,911	930
Traditional Participating Products segment:			
Adjusted operating income(2)	547	316	206
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains, net	91	338	1,697
Dividends to policyholders(4)	(445)	(310)	(236)
Total realized investment gains, net of losses and related charges	(354)	28	1,461
Income from continuing operations before income taxes--Traditional Participating Products segment	193	344	1,667
Consolidated income from continuing operations before income taxes	$ 727	$ 2,255	$ 2,597

</TABLE>

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(1) Revenues by segment exclude (i) realized investment gains, net and (ii) revenues from divested businesses. Revenues for the Traditional Participating Products segment exclude realized investment gains, net.

(2) Adjusted operating income equals revenues as defined above in footnote (1) less benefits and expenses excluding (i) the impact of net realized investment gains on deferred acquisition cost amortization, reserves and dividends to policyholders; (ii) sales practices remedies and costs; (iii) the benefits and expenses of divested businesses; and (iv) demutualization costs and expenses.

(3) Net realized investment gains impacts our reserves for future policy benefits, our deferred policy acquisition costs, and our policyholder dividends. We refer to these impacts collectively as the "related charges". Related charges for the Financial Services Businesses consist of the following:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Reserves for future policy benefits	$(36)	$(147)	$(218)
Amortization of deferred policy acquisition costs	7	5	(7)
Total	$(29)	$(142)	$(225)

</TABLE>

We adjust the reserves for some of our policies when cash flows related to these policies are affected by net realized investment gains and the related charge for reserves for future policy benefits represents that adjustment. We amortize deferred policy acquisition costs for certain investment-type products based on estimated gross profits, which include net realized investment gains on the underlying invested assets, and the related charge for amortization of deferred policy acquisition costs represents the amortization related to net realized investment gains.

(4) Net realized investment gains is one of the elements that we consider in establishing the dividend scale, and the related charge for dividends to

policyholders represents the estimated portion of our expense charge for policyholder dividends that is attributable to net realized investment gains that we consider in determining our dividend scale. These gains are reflected in the dividend scale over a number of years.

Due to the potential issuance of the Class B Stock, we have included below supplemental condensed consolidated financial information for the Financial Services Businesses and the Traditional Participating Products segment. If we issue the Class B Stock, the Common Stock would then reflect the performance of the Financial Services Businesses only. After the demutualization and if the Class B Stock is issued, the Financial Services Businesses will then include the capital presently included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business. Additionally, the minor portion of traditional insurance products historically included within the Traditional Participating Products segment but which will not be included in the Closed Block would then be reflected in the Financial Services Businesses. Accordingly, the results of the Financial Services Businesses and the Traditional Participating Products segment following the demutualization and issuance of the Class B Stock would not be comparable to, and may vary materially from, the results reflected below.

<TABLE>
<CAPTION>

	Year Ended December 31, 2000		
	Financial Services Businesses	Traditional Participating Products Segment	Consolidated
		(in millions)	
<S>	<C>	<C>	<C>
Revenues(1)	$17,952	$8,611	$26,563
Expenses(2)	16,231	8,064	24,295
Adjusted Operating Income	$ 1,721	$ 547	$ 2,268

</TABLE>

(1) Excludes realized investment gains, net of losses, and revenues from divested businesses.
(2) Excludes impact of net realized investment gains on deferred acquisition cost amortization; reserves and dividends to policyholders; demutualization costs and expenses; and benefits and expenses of divested businesses.

Other Data:

<TABLE>
<CAPTION>

	As of December 31,		
	2000	1999	1998
	(in billions)		
<S>	<C>	<C>	<C>
Assets Under Management and Administration (at fair market value):			
Managed by Asset Management division:			
Retail customers(1)	$107.4	$108.5	$ 96.5
Institutional customers(2)	95.1	96.8	92.0
General account	110.0	107.9	119.8
Total proprietary	312.5	313.2	308.3
Non-proprietary investment product assets(3)	11.0	8.9	7.8
Non-proprietary wrap-fee assets(4)	39.4	35.5	25.2
Other(5)	8.2	5.7	7.5
Total assets under management	371.1	363.3	348.8
Client assets under administration	221.8	232.9	197.7
Total assets under management and administration	$592.9	$596.2	$546.5

</TABLE>

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(1) Consists of individual mutual funds, including investments in our mutual funds through wrap-fee products, and both variable annuities and variable life insurance assets in our separate accounts. Fixed annuities and the fixed rate options of both variable annuities and variable life insurance are included in general account.
(2) Consists of third-party institutional assets and group insurance contracts.
(3) Consists of funds invested in the non-proprietary options of our investment products other than wrap-fee products.

(4) Consists of wrap-fee assets gathered by the Private Client Group and Retail Investments segments.
(5) Consists primarily of general account assets supporting our International Insurance segment and wind-down Canadian operations.

<TABLE>
<CAPTION>

	As of December 31,				
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Employees and Representatives:					
Prudential Agents	6,086	7,818	8,868	10,115	12,126
Life Planners	3,495	2,884	2,332	1,908	1,603
Financial Advisors	6,653	6,649	6,584	6,473	6,209
Total employees(1)	56,925	59,530	61,793	60,777	59,824

</TABLE>
- --------
(1) All periods exclude employees of our discontinued healthcare operations.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial information presented below gives effect to the demutualization and the offering as if they had occurred as of December 31, 2000 for purposes of the unaudited pro forma condensed consolidated statement of financial position and as of January 1, 2000 for purposes of the unaudited pro forma condensed consolidated statement of operations. We prepared the pro forma information based on the plan of reorganization and the assumptions set forth below. See "Demutualization and Related Transactions" for a description of the demutualization and a summary of the plan of reorganization.

The basic assumptions that we used in the pro forma information are as follows:

- a total of 616.5 million notional shares of Common Stock are allocated to eligible policyholders under the plan of reorganization; in this allocation of notional shares we have assumed a price of $30.00 per share of Common Stock:
  - 36.9 million of these notionally allocated shares are not issued to eligible policyholders who, under the plan of reorganization, are required to receive payments in the form of policy credits rather than in shares of Common Stock;
  - 11.7 million of these notionally allocated shares are not issued to eligible policyholders of certain policies that The Prudential Insurance Company of America transferred to London Life Insurance Company in connection with the sale of most of its Canadian branch operations who, under the plan of reorganization, are required to receive payments in the form of cash;
  - 6.3 million of these notionally allocated shares are not issued to eligible policyholders located outside of the United States who, under the plan of reorganization, are required to receive payments in the form of cash;
  - 21.6 million of these notionally allocated shares are not issued to eligible policyholders who, under the plan of reorganization, are entitled to receive payments in the form of cash, but whom we cannot locate and for whom a liability therefore is established;
  - 85.4 million of these notionally allocated shares are not issued to eligible policyholders who, under the plan of reorganization, will receive cash unless the eligible policyholder affirmatively elects to receive Common Stock. For purposes of the unaudited pro forma condensed consolidated statement of financial position, we assume that 20% of policyholders eligible to elect to receive shares actually elect to receive shares; and
  - 454.6 million of these notionally allocated shares are issued to eligible policyholders under the plan of reorganization;
- 89.0 million shares of Common Stock are sold to investors in this offering at an assumed initial public offering price of $30.00 per share, resulting in $2,670 million of gross proceeds, or $2,562 million of net proceeds;
- the underwriters do not exercise their options to purchase additional shares of Common Stock in this offering;

. an income tax rate of 41.87% is used to compute the income tax effect of the pro forma adjustments for the year ended December 31, 2000; and

. the Closed Block is established and operated as described below.

Prudential Financial, Inc. will use the net proceeds of this offering of our Common Stock to make cash payments to eligible policyholders who will receive cash and will retain the remaining proceeds, if any, for general corporate purposes. The pro forma information below does not give effect to any other financing transaction, other than the issuances of Common Stock, that may be consummated at the time of the demutualization.

We will account for the demutualization using the historical carrying values of the assets and liabilities of The Prudential Insurance Company of America including those attributable to the Closed Block. At the time of the demutualization we are required to establish a Closed Block for the benefit of holders of certain participating insurance and annuity policies. The establishment of the Closed Block will have no impact on our consolidated financial position or results of operations as of the date of demutualization. Pro forma information for the Closed Block is presented below under "-- Unaudited Pro Forma Closed Block Information". The characteristics of the

major types of invested assets allocated to the Closed Block will be substantially similar to the general account of The Prudential Insurance Company of America.

We will determine the amount of cash or policy credits an eligible policyholder will receive by multiplying the number of notional shares allocated by the greater of:

. the initial public offering price, or

. an amount equal to the initial public offering price plus, if the average closing price of the Common Stock for the first 20 days of trading is greater than 110% of the initial public offering price, such excess above 110%, but not to exceed 10% of the initial public offering price.

For purposes of the pro forma financial statements, we have assumed the amount of cash or policy credits is determined based upon 100% of the initial public offering price.

The plan of reorganization provides that we will make cash payments in lieu of Common Stock to each eligible policyholder who is allocated 50 or fewer shares, or some other maximum cut-off number less than 50 that the Board of Directors of The Prudential Insurance Company of America may specify, unless the eligible policyholder affirmatively elects to receive shares. For purposes of the unaudited pro forma condensed consolidated statement of financial position, we assume that the Board of Directors establishes a maximum cut-off of 30 shares or less. The actual amount of cash payments to eligible policyholders will depend on the actual initial public offering price per share, the elections made by eligible policyholders to receive Common Stock instead of cash and whether the Board of Directors of The Prudential Insurance Company of America lowers below 50 the cut-off number of shares for which cash payments will be made in lieu of Common Stock.

We based the pro forma information on available information and assumptions we believe are reasonable. The pro forma information is not necessarily indicative of our consolidated financial position or results of operations had the demutualization and the offering actually occurred on the dates assumed, and does not project or forecast our consolidated financial position or results of operations for any future date or period.

You should read the pro forma information together with the consolidated financial statements included in this prospectus and with the information under "Demutualization and Related Transactions", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business".

Unaudited Pro Forma Condensed Consolidated Statement of Financial Position as of December 31, 2000

<TABLE>
<CAPTION>

	Historical	Demutualization Adjustments	Pro Forma for Demutualization	Initial Public Offering Adjustments	Pro Forma for Demutualization and the Offering
			(in millions)		
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Total investments.....	$148,515		$148,515		$148,515

Cash and cash equivalents.....	7,676	$ (2,562)(E) (351)(C) (189)(D)	4,574	$2,562(A)	7,136
Deferred policy acquisition costs.....	7,063	--	7,063	--	7,063
Other assets.....	27,282	--	27,282	--	27,282
Separate account assets.....	82,217	--	82,217	--	82,217
TOTAL ASSETS.....	$272,753	$ (3,102)	$269,651	$2,562	$272,213
LIABILITIES AND EQUITY					
LIABILITIES					
Future policy benefits.....	$ 69,288	$ 1,107 (F)	$ 70,395	$ --	$ 70,395
Policyholders' account balances.....	32,722	--	32,722	--	32,722
Unpaid claims and claim adjustment expenses and policyholders' dividends.....	3,583	--	3,583	--	3,583
Securities sold under agreements to repurchase.....	15,010	--	15,010	--	15,010
Short-term and long-term debt.....	13,633	--	13,633	--	13,633
Other liabilities.....	35,692	648 (G) 197 (H)	36,537	--	36,537
Separate account liabilities.....	82,217	--	82,217	--	82,217
Total liabilities.....	252,145	1,952	254,097	--	254,097
COMMITMENTS AND CONTINGENCIES					
EQUITY					
Common Stock.....	--	4 (I)	4	1(A)	5
Additional paid-in capital	--	15,316 (I)	15,316	2,561(A)	17,877
Accumulated other comprehensive income..	234	--	234	--	234
Retained earnings.....	20,374	(20,374)(I)	--	--	--
Total equity.....	20,608	(5,054)	15,554	2,562	18,116
TOTAL LIABILITIES AND EQUITY.....	$272,753	$ (3,102)	$269,651	$2,562	$272,213

</TABLE>

The accompanying Notes are an integral part of this Unaudited Pro Forma Condensed Consolidated Statement of Financial Position

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2000

<TABLE>
<CAPTION>

	Historical	Demutualization Adjustments	Pro Forma for Demutualization	Initial Public Offering Adjustments	Pro Forma for Demutualization and the Offering
		(in millions, except per share information)			
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES					
Premiums.....	$10,221		$10,221		$10,221
Policy charges and fee income.....	1,639		1,639		1,639
Net investment income..	9,497	(42)(J)	9,455		9,455
Realized investment gains, net.....	(288)		(288)		(288)
Commissions and other income.....	5,475		5,475		5,475
Total revenues.....	26,544	(42)	26,502	--	26,502
BENEFITS AND EXPENSES					
Policyholders' benefits.....	10,640		10,640		10,640
Interest credited to policyholders' account					

balances.....	1,751		1,751		1,751
Dividends to policyholders.....	2,724		2,724		2,724
General and administrative expenses.....	10,083		10,083		10,083
Capital markets restructuring.....	476		476		476
Demutualization expenses.....	143		143		143
Total benefits and expenses.....	25,817	--	25,817	--	25,817
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES.....	727	(42)	685	--	685
Income taxes	406	$(100)(K) (18)(J)	288	--	288
INCOME FROM CONTINUING OPERATIONS.....	$ 321	$ 76	$ 397	--	$ 397
EARNINGS PER SHARE INFORMATION					
Common Stock:					
Shares used in the calculation of basic and diluted income per share (B).....					543,600,000
Basic and diluted income from continuing operations per share..					$ 0.73

</TABLE>

The accompanying Notes are an integral part of this Unaudited Pro Forma Condensed Consolidated Statement of Operations

Notes to Unaudited Pro Forma Financial Information

Demutualization and Initial Public Offering Adjustments

The following adjustments reflect the pro forma effects of the demutualization and the offering on the pro forma condensed consolidated statement of financial position and pro forma condensed consolidated statement of operations:

(A) The pro forma financial statements assume net proceeds of $2,562 million from the initial public offering, resulting from gross proceeds of $2,670 million from the issuance of 89,000,000 shares of $.01 par value Common Stock at an assumed initial public offering price of $30.00 per share, less an assumed underwriting discount and estimated offering expenses aggregating $108 million.

(B) The number of shares of Common Stock used in the calculation of the pro forma basic and diluted income per share, assuming that 20% of policyholders eligible to elect to receive shares actually elect to receive shares, is as follows:

<TABLE>

<S>	<C>
Shares notionally allocated to eligible policyholders.....	616,500,000
Less:	
Shares notionally allocated to eligible policyholders who receive cash or policy credits.....	140,300,000
Shares notionally allocated to eligible policyholders whom we cannot locate.....	21,600,000
Shares issued to eligible policyholders.....	454,600,000
Plus:	
Shares issued in the initial public offering.....	89,000,000
Total shares of Common Stock outstanding after the initial public offering.....	543,600,000

</TABLE>

The pro forma financial information assumes that we use the net proceeds of the offering to fund cash payments to those eligible policyholders

receiving cash who, although eligible to affirmatively elect to receive Common Stock, do not so elect. If we issue more than 89,000,000 shares of Common Stock (including, but not limited to, any shares issued pursuant to the underwriters' options to purchase additional shares) and the additional net proceeds are not used to fund payments to policyholders receiving cash, then the pro forma basic and diluted income per share would decline.

(C) Assuming an initial public offering price of $30.00 per share, we expect to pay $351 million to holders of certain policies that The Prudential Insurance Company of America transferred to London Life Insurance Company in connection with the sale of most of its Canadian branch operations in lieu of 11,700,000 notionally allocated shares of Common Stock. See "Demutualization and Related Transactions--The Demutualization--Allocation and Payment of Compensation to Eligible Policyholders".

These payments have been reflected as a reduction in cash and retained earnings in the unaudited pro forma condensed consolidated statement of financial position. The cash payments to certain former Canadian branch policyholders will be recorded as an expense at the time of the demutualization but have not been reflected within the pro forma statement of operations as they will not have a continuing impact.

(D) Represents the cash payment in lieu of 6,300,000 notionally allocated shares of Common Stock not issued to eligible policyholders located outside of the United States who, under the plan of reorganization, are required to receive payments in the form of cash, at an assumed price of $30.00 per share.

(E) Represents the cash payment in lieu of 85,400,000 notionally allocated shares of Common Stock not issued to eligible policyholders who, under the plan of reorganization, will receive cash, at an assumed price of $30.00 per share, unless the eligible policyholder affirmatively elects to receive Common Stock. For purposes of the unaudited pro forma condensed consolidated statement of financial position, we assume, based upon common stock election experience in recent demutualizations, that 20% of policyholders eligible to elect to receive shares actually elect to receive shares. If 100% of policyholders eligible to elect to receive

shares actually elect to receive shares, the number of shares to be issued in the initial public offering would be decreased by the same number of shares allocated to policyholders electing to receive shares. As a result, based on the assumptions herein, there would be no impact on the pro forma earnings per share if 100% of the policyholders eligible to elect to receive shares actually elect to receive shares.

(F) Represents a liability of the Financial Services Businesses established to fund policy credits in lieu of the distribution of 36,900,000 notionally allocated shares of Common Stock.

(G) Represents a liability of the Financial Services Businesses of $648 million, to be settled through a cash payment, established to reflect policyholders whom we cannot locate in lieu of the distribution of 21,600,000 notionally allocated shares of Common Stock. This liability will be paid to policyholders as they are located. To the extent we are unable to locate a policyholder within a prescribed period of time, generally up to seven years, we will make a cash payment to the state of the policyholder's last known address in accordance with that state's escheat laws.

(H) Reflects estimated additional non-recurring expenses of $197 million, net of tax benefit of $26 million, related to demutualization costs and expenses assumed to be incurred at the date of the pro forma statement of financial position. We have shown the additional non-recurring expenses as the establishment of a liability and a decrease to retained earnings within the pro forma statement of financial position. The additional non-recurring expenses have not been reflected within the pro forma statement of operations as they will not have a continuing impact.

In addition, subsequent to the demutualization we will incur additional expenses associated with servicing our stockholder base, including mailing and printing fees. These costs are expected to range from $30 million to $80 million annually, depending on the number of shareholders, and will decrease in future periods if there is a decrease in the number of shareholders. As these expenses are not directly related to the transaction, they have not been reflected within the pro forma condensed consolidated statement of operations.

(I) Represents the reclassification of retained earnings of The Prudential Insurance Company of America to reflect the demutualization, as follows:

<TABLE>
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	Assuming 100% of Initial Public Offering Price	Assuming 120% of Initial Public Offering Price
	(in millions)	
<S>	<C>	<C>
Historical retained earnings	$20,374	$20,374
Less:		
Payment of cash in lieu of Common Stock to former Canadian branch policyholders (Note C)	351	386
Payment of cash in lieu of Common Stock to eligible policyholders located outside of the United States (Note D)	189	208
Payment of cash in lieu of Common Stock (Note E)	2,562	2,818
Provision for policy credits in lieu of Common Stock (Note F)	1,107	1,218
Establishment of a liability for policyholders whom we cannot locate (Note G)	648	713
Additional demutualization expenses (net of tax benefit of $26 million) (Note H)	197	197
Retained earnings related to eligible policyholders receiving Common Stock and reclassified to Common Stock ($4 million) and additional paid-in capital ($15,316 and $14,830 million, respectively)	$15,320	$14,834

</TABLE>

We will determine the amount of cash or policy credits an eligible policyholder receives by multiplying the number of notional shares allocated to the policyholder by the greater of:

- the initial public offering price; or
- an amount equal to the initial public offering price plus, if the average closing price of the Common Stock for the first 20 days of trading is greater than 110% of the initial public offering price, such excess above 110%, but not to exceed 10% of the initial public offering price.

The pro forma financial statements have assumed that the amount of cash or policy credits is determined based upon 100% of the assumed initial public offering price, or $30.00 per share. We have also presented above the impact on the amount of cash, liability for policyholders whom we cannot locate and policy credits, if the average closing price for the first 20 days is equal to or greater than 120% of the initial public offering price and cash and policy credits are determined based upon a share price of 110% of the assumed initial public offering price, or $33.00 per share.

(J) Represents the decrease in net investment income of $42 million, and a related tax benefit of $18 million, on the assets to be paid to former Canadian branch policyholders and to eligible policyholders located outside the United States. The decrease in net investment income assumes a rate of return on those assets of 7.8%.

(K) Represents the elimination of the equity tax, a federal tax applicable to mutual life insurance companies. The Prudential Insurance Company of America will no longer be subject to the equity tax after the effective date of the plan of reorganization.

Issuances of Class B Stock and IHC Debt

If we issue the Class B Stock and IHC debt, the consolidated financial statements will contain supplemental combining financial information separately reporting the financial position and results of operations of the Financial Services Businesses and the Closed Block Business. Presented below is supplemental unaudited pro forma condensed consolidated financial information as of and for the year ended December 31, 2000 which gives effect to the separate allocation of results to the Financial Services Businesses and the Closed Block Business, as well as the demutualization, this offering of our Common Stock and the issuances of Class B Stock and IHC debt as if they had occurred as of December 31, 2000 for purposes of the statement of financial position and as of January 1, 2000 for purposes of the statement of operations. Historical results of the Financial Services Businesses and the Traditional Participating Products segment are presented within the Supplemental Combining Financial Information within the consolidated financial statements of The Prudential Insurance Company of America.

In preparing the supplemental information below, in addition to the assumptions regarding the Common Stock described above, we have assumed the following:

- $175 million of gross proceeds, or $171 million of net proceeds, are raised from the issuance of 2,000,000 shares of the Class B Stock, which proceeds are allocated to the Financial Services Businesses;
- $1,750 million of gross proceeds, or $1,730 million of net proceeds, are raised from the issuance of the IHC debt by the Closed Block Business, which will be allocated to the Financial Services Businesses; and
- we will not issue either the Class B Stock or the IHC debt without issuing the other.

<TABLE>
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	Financial Services Businesses		Closed Block Business		
	Historical	Pro Forma for Demutualization, the Offering and Issuance of Class B Stock and IHC Debt	Historical Traditional Participating Products Segment	Pro Forma for Demutualization, the Offering and Issuance of Class B Stock and IHC Debt	Consolidated Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>
Total assets.....	$ 202,826	$ 211,580	$69,927	$62,554	$274,134
Total attributed equity.....	13,741	16,885	6,867	1,402	18,287
Total revenues.....	17,842	18,274	8,702	8,228	26,502
Total benefits and expenses.....	17,308	17,481	8,509	8,473	25,954
Income/(loss) from continuing operations..	234	460	87	(143)	317
Earnings per share:					
Common Stock.....	--	$ 0.85	--	--	$ 0.85
Class B Stock.....	--	--	--	$(71.50)	$ (71.50)
Book value per share:					
Common Stock.....	--	$ 31.06	--	--	$ 31.06
Class B Stock.....	--	--	--	$701.00	$ 701.00

</TABLE>

The issuances of the Class B Stock and the IHC debt are not assured and are not conditions to completion of this offering.

Unaudited Pro Forma Closed Block Information

Under the plan of reorganization, The Prudential Insurance Company of America will establish a Closed Block for certain individual life insurance policies and annuities issued by The Prudential Insurance Company of America. The policies that we will include in the Closed Block are specified individual life insurance policies and individual annuity contracts that are in force on the effective date of the reorganization and on which we are currently paying or expect to pay experience-based policy dividends. The purpose of the Closed Block is to provide for the reasonable expectations for future policy dividends after demutualization of the holders of the policies included in the Closed Block. The establishment of the Closed Block, including the Closed Block Assets and Closed Block Liabilities, is subject to the review and approval of the New Jersey Department of Banking and Insurance. The Closed Block will continue in effect until the date none of the included policies is in force unless the Commissioner of the New Jersey Department of Banking and Insurance consents to an earlier termination.

Presented below is pro forma financial information for the Closed Block Assets and Closed Block Liabilities as of December 31, 2000, as well as Closed Block revenues, benefits and expenses for the year ended December 31, 2000. This pro forma information gives effect to the establishment of the Closed Block as if it occurred as of December 31, 2000 for the pro forma Closed Block Assets and Closed Block Liabilities and as of January 1, 2000 for the pro forma Closed Block Revenues, Benefits and Expenses. The Closed Block Assets and Closed Block Liabilities, as well as the Surplus and Related Assets outside the Closed Block, are reflected in our Traditional Participating Products segment. We are generally prohibited from distributing Closed Block Assets to our stockholders and from using Closed Block Assets for any purpose other than to fund Closed Block Liabilities.

<TABLE>
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Closed Block Assets and Closed Block Liabilities	As of December 31, 2000 (in millions)
Closed Block Liabilities:	
Future policy benefits	$45,814
Policyholders' dividends payable	1,241
Policyholders' account balances	5,267
Other Closed Block liabilities	7,080
Total Closed Block Liabilities	59,402
Closed Block Assets:	
Total investments	53,582
Cash	1,354
Accrued investment income	760
Other Closed Block assets	418
Total Closed Block Assets	56,114
Excess of reported Closed Block Liabilities over Closed Block Assets	3,288
Portion of above representing other comprehensive loss	(717)
Maximum future earnings to be recognized from Closed Block Assets and Closed Block Liabilities(1)	$ 2,571

Closed Block Revenues, Benefits and Expenses	Year Ended December 31, 2000 (in millions)
Revenues:	
Premiums	$4,308
Net investment income	3,558
Realized investment losses, net	(20)
Other income	77
Total Closed Block revenues	7,923
Benefits and Expenses:	
Policyholders' benefits	4,462
Interest credited to policyholders	133
Dividends to policyholders	2,706
General & administrative expense charge	856
Total Closed Block benefits and expenses	8,157
Closed Block benefits and expenses, net of Closed Block revenues, before income taxes	(234)
Income Tax Benefit	109
Closed Block benefits and expenses, net of Closed Block revenues and income taxes	$ (125)

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(1) Component of future earnings to be recognized for the Traditional Participating Products segment, which will also include earnings from other assets and equity outside the Closed Block.

The Closed Block will have an excess of Closed Block Liabilities over Closed Block Assets. The Closed Block Business will include additional assets and liabilities not included within the Closed Block which, we believe, will result in sufficient capital to support the Closed Block Business and adequate assets and cash flows to service the IHC debt. For a description of the Closed Block Business assets and liabilities, see "Unaudited Pro Forma Condensed Consolidated Information" and "Demutualization and Related Transactions--Related Transactions--Class B Stock and IHC Debt Issuances".

The Closed Block will reflect those revenues, benefit payments, policyholder dividends, expenses and taxes that we considered in funding the Closed Block. Under the terms of the Closed Block, expenses of the Closed Block will be based on a formula representing historical expenses attributable to the Closed Block. To the extent such expenses vary in the future from those established pursuant to formula, the variance (positive or negative) will inure to the financial results of our Financial Services Businesses.

We will record the assets and liabilities that we allocate to the Closed

Block in our consolidated financial statements at their historical carrying amount, which is on the same basis as similar other assets and liabilities. The carrying amount of the Closed Block Assets will be less than the carrying amount of the Closed Block Liabilities at the effective date of the demutualization. The excess of the carrying amount of Closed Block

Liabilities over the carrying amount of Closed Block Assets at the effective date, adjusted to eliminate the impact of related amounts in accumulated other comprehensive income, represents the maximum future earnings from the assets and liabilities designated to the Closed Block that we can recognize in our consolidated net income over the period the policies in the Closed Block remain in force. As indicated above, these earnings will be included in our Traditional Participating Products segment.

As required by AICPA Statement of Position 00-3, "Accounting by Insurance Enterprises for Demutualizations and Formations of Mutual Insurance Holding Companies and for Certain Long-Duration Participating Contracts," as of the date of demutualization, we will develop an actuarial calculation of the timing of such maximum future earnings. If actual cumulative earnings in any given period are greater than the cumulative earnings we expect, we will only recognize the expected earnings in income. Any excess of actual cumulative earnings over cumulative earnings we expect will represent undistributed accumulated earnings attributable to policyholders. We will record this excess, if any, as a policyholder dividend obligation because we will pay it to Closed Block policyholders as an additional policyholder dividend unless it is otherwise offset by future Closed Block performance that is less favorable than we originally expected. If actual cumulative performance is less favorable than we expected, we will only recognize actual earnings in income.

The principal cash flow items that will impact the amount of Closed Block Assets and Closed Block Liabilities are premiums, net investment income, purchases and sales of investments, policyholders' benefits, policyholders' dividends, premium taxes, expenses and income taxes. The principal income and expense items that we will exclude from the Closed Block are a portion of management and maintenance expenses, commissions and net investment income and realized investment gains and losses on invested assets outside the Closed Block that support the Closed Block policies, all of which enter into the determination of total gross margins of Closed Block policies for the purpose of determining periodic amortization of deferred acquisition costs. The amounts shown in the table above for Closed Block Assets and Closed Block Liabilities are those that enter into the determination of amounts that are to be paid to policyholders.

The pro forma Closed Block Assets reflect an allocation of assets necessary to fund the Closed Block Liabilities. The Closed Block Liabilities reflect the GAAP policyholder benefit reserves derived from our records for all policies to be included in the Closed Block under the plan of reorganization. We determined the Closed Block Assets necessary to fund the Closed Block Liabilities based on actuarial cash flow models and related assumptions that we believe are reasonable and which are documented in the plan of reorganization. We used cash flow models to project all insurance cash flows from the policies included in the Closed Block, which include premiums and policy loans activity, less policy benefits, dividends and expenses. The actuarial cash flow models contain various assumptions concerning mortality, persistency, expenses, investment experience and other factors. After projecting the insurance cash flows, we identified Closed Block Assets so that cash flows from the assets, including both principal and income, together with insurance cash flows and assets purchased with reinvested cash, would reasonably be expected to fund all Closed Block Liabilities as well as continuation of the dividend scales in effect in 2000 assuming the experience underlying the 2000 dividend scales continues and assuming that the actual reinvestment rate on our Closed Block invested assets is approximately 8.10%. The final funding and selection of assets included in the Closed Block are subject to the approval of the New Jersey Department of Banking and Insurance.

We will also establish a separate closed block for the benefit of the owners of participating individual life insurance policies issued by our Canadian branch that we did not transfer to London Life. Because of the substantially smaller number of outstanding Canadian policies, this separate closed block will be insignificant in size, and it will be managed among our corporate level activities rather than with the U.S. Closed Block. Accordingly, it is not included in our Traditional Participating Products segment or the Closed Block Business or reflected above.

The opinion of Daniel J. McCarthy, M.A.A.A., independent consulting actuary associated with Milliman & Robertson, Inc., dated December 12, 2000, as attached hereto as Annex A, states that the establishment and operation of the Closed Block as the plan of reorganization contemplates makes adequate provision for allocating assets to the Closed Block that will be reasonably sufficient to enable the Closed Block to provide for the benefits we have guaranteed, certain expenses and taxes associated with Closed Block policies, and to provide for the continuation of the dividend scales in effect for 2000 if the experience underlying those scales continues.

UNAUDITED PRO FORMA SUPPLEMENTARY INFORMATION

We derived the pro forma supplementary information from our unaudited pro forma condensed consolidated financial information and related notes included in this prospectus. The pro forma supplementary information gives effect to the demutualization and the offering as if they had occurred as of December 31, 2000, for purposes of the information derived from our unaudited pro forma condensed consolidated statement of financial position and as of January 1, 2000 for purposes of the information derived from our unaudited pro forma condensed consolidated statement of operations. The pro forma supplementary information is not necessarily indicative of our consolidated financial position or results of operations had the demutualization and the offering of our Common Stock actually occurred on the dates assumed and does not project or forecast our consolidated financial position or results of operations for any future date or period. The pro forma supplementary information set forth below should be read in conjunction with the information set forth under, or referred to in, "Unaudited Pro Forma Condensed Consolidated Financial Information".

The plan of reorganization provides that we will make cash payments in lieu of Common Stock to each eligible policyholder who is allocated 50 or fewer shares, or some other maximum cut-off number less than 50 that the Board of Directors of The Prudential Insurance Company of America may specify, unless the eligible policyholder affirmatively elects to receive shares. For purposes of the unaudited pro forma supplementary information, we have assumed that the Board of Directors establishes a maximum cut-off of 30 shares or less.

The information set forth in the table below gives effect to the sale of 89,000,000 shares of Common Stock in this offering of our Common Stock and Common Stock allocated to eligible policyholders, assuming 20% of policyholders eligible to elect to receive shares actually elect to receive shares, which assumption we believe is consistent with past demutualizations. The information reflects assumed initial public offering prices per share of Common Stock which we have disclosed to our policyholders of $22.00, $30.00, and $38.00. These prices are for illustrative purposes and are not intended to predict either the initial range of public offering prices at the time of the offering or the actual public offering price. The $38.00 and $22.00 prices are an approximation of our management's best estimate of the high and low share prices in recent demutualizations, when comparing the price to the pro forma book value of Prudential Financial, Inc. For purposes of the unaudited pro forma supplementary information, we have assumed the amount of cash or policy credits is determined based upon 100% of the initial public offering price. The information is intended to illustrate how the Unaudited Pro Forma Condensed Consolidated Financial Information would be affected by varying the price per share in the offering of our Common Stock. The information does not give effect to the possible issuances of the Class B Stock and IHC debt.

<TABLE>
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	As of and for the Period Ended December 31, 2000		
	Assuming the Following Initial Public Offering Price		
	$22.00	$30.00	$38.00
	(Share data in millions, dollars in millions except per share amounts)		
<S>	<C>	<C>	<C>
DEMUTUALIZATION AND THE OFFERING			
Income from continuing operations	$ 321	$ 321	$ 321
Transaction adjustments(1)	76	76	76
Pro forma income from continuing operations	$ 397	$ 397	$ 397
Total equity	$20,608	$20,608	$20,608
Transaction adjustments for demutualization:			
Gross proceeds	1,958	2,670	3,382
Underwriting expenses	(79)	(108)	(137)
Payment to eligible policyholders who do not elect stock	(1,879)	(2,562)	(3,245)
To support policy credits	(812)	(1,107)	(1,402)
To support unknown addresses	(475)	(648)	(821)
To support amounts owed to transferred Canadian			

branch policyholders	(257)	(351)	(445)
To support amounts owed to other policyholders located outside the United States	(139)	(189)	(239)
Estimated demutualization expenses	(197)	(197)	(197)
Subtotal of transaction adjustments	(1,880)	(2,492)	(3,104)
Pro forma equity	$18,728	$18,116	$17,504
Pro forma book value per share of Common Stock	$ 34.45	$ 33.33	$ 32.20
Share Data			
Shares allocated to eligible policyholders	616.5	616.5	616.5
Less:			
Estimated shares allocated to eligible policyholders who do not elect stock	(85.4)	(85.4)	(85.4)
Estimated shares allocated to eligible policyholders who receive cash or policy credits	(76.5)	(76.5)	(76.5)
Shares issued to eligible policyholders	454.6	454.6	454.6
Shares issued in the offering	89.0	89.0	89.0
Total shares of Common Stock outstanding	543.6	543.6	543.6
Common Stock Ownership Percentage (excluding any Class B Stock)			
Eligible policyholders	83.6%	83.6%	83.6%
Purchasers in the offering	16.4%	16.4%	16.4%

</TABLE>

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(1) Represents the elimination of equity tax of $100 million, which is applicable only to mutual life insurance companies, and the net investment income of $24 million, net of tax benefit of $18 million, assumed to be foregone due to cash payments to certain eligible policyholders. The equity tax can vary significantly from year to year and will not be applicable after we convert to a stock life insurance company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following analysis of our consolidated financial condition and results of operations in connection with the "Selected Consolidated Financial and Other Information" and the consolidated financial statements included elsewhere in this prospectus. Our consolidated financial condition and results of operations for all periods prior to the effective date of the demutualization, including the years ended December 31, 2000, 1999 and 1998, represent the financial condition and results of operations of The Prudential Insurance Company of America and its consolidated subsidiaries. On the effective date of the demutualization, The Prudential Insurance Company of America will become a wholly owned indirect subsidiary of Prudential Financial, Inc. The consolidated financial statements of The Prudential Insurance Company of America prior to the demutualization will become Prudential Financial, Inc.'s consolidated financial statements upon demutualization.

Overview

Business Divisions and Segments

Financial Services Businesses

We refer to the businesses in our four operating divisions and our Corporate and Other operations, collectively, as our Financial Services Businesses. The U.S. Consumer division consists of our Individual Life Insurance, Private Client Group, Retail Investments and Property and Casualty Insurance segments. The Employee Benefits division consists of our Group Insurance and Other Employee Benefits segments. The International division consists of our International Insurance and International Securities and Investments segments. The Asset Management division consists of our Investment Management and Advisory Services and Other Asset Management segments. We also have Corporate and Other operations, which contain corporate items and initiatives that are not allocated to the business segments. Corporate and Other operations also include businesses that we have divested or placed in wind-down status (other than our divested healthcare business, which is treated as a discontinued operation). The principal corporate items are the expense of corporate management and earnings on equity not allocated to our businesses.

We attribute financing costs to each segment based on its use of financing and reflect financing costs in each segment's results.

Traditional Participating Products Segment

In connection with the demutualization, we will cease offering domestic participating products. The liabilities for our individual in force participating products will then be segregated, together with assets which will be used exclusively for the payment of guaranteed benefits and policyholder dividends, expenses and taxes with respect to these products, in a regulatory mechanism referred to as the "Closed Block". We have selected the amount and type of assets and liabilities of the closed block, which we refer to as the "Closed Block Assets" and "Closed Block Liabilities", so that these assets, which initially will have a lower book value than the liabilities, are expected to generate sufficient cash flow over the life of the Closed Block to fund payments of all expenses, taxes and policyholder benefits to be paid to, and the reasonable dividend expectations of, policyholders of the Closed Block products. We also will segregate for accounting purposes the surplus and related assets that we will need to hold outside the Closed Block to meet capital requirements related to the products included within the Closed Block. We refer to these segregated assets outside the Closed Block as the "Surplus and Related Assets". No new policies will be added to the Closed Block following demutualization and its in force business is expected to ultimately decline as policyholder benefits are paid in full. We expect the proportion of our business represented by the Closed Block to decline as we grow other businesses. A minor portion of our Traditional Participating Products segment has consisted of other traditional insurance products that will not be included in the Closed Block.

Revenues and Expenses

We earn our revenues principally from insurance premiums; mortality, expense, and asset management fees from insurance and investment products; commissions and other revenues from securities brokerage transactions; and investment of general account and other funds. We earn premiums primarily from the sale of individual life insurance, group life and disability insurance and automobile and homeowners insurance. We earn mortality, expense, and asset management fees from the sale and servicing of separate account products including variable

life insurance and variable annuities. We also earn asset management and administrative fees from the sale and servicing of mutual funds, retirement products and other asset management products and services. Our operating expenses principally consist of insurance benefits provided, general business expenses, dividends to policyholders, commissions and other costs of selling and servicing the various products we sell and interest credited on general account liabilities.

Profitability

Our profitability depends principally on our ability to price and manage risk on insurance products, our ability to attract and retain customer assets, and our ability to manage expenses. Specific drivers of our profitability include:

- our ability to manufacture and distribute products and services and to introduce new products gaining market acceptance on a timely basis;
- our ability to price our insurance products at a level that enables us to earn a margin over the cost of providing benefits and the expense of acquiring customers and administering those products;
- our mortality and morbidity experience on individual and group life insurance, annuity and group disability insurance products;
- our persistency experience, which affects our ability to recover the cost of acquiring new business over the lives of the contracts;
- our management of our exposure to catastrophic and other losses on our property and casualty insurance products;
- our cost of administering insurance contracts and providing asset management products and services;
- our returns on invested assets, net of the amounts we credit to policyholders' accounts;
- our ability to earn commissions and fees from the sale and servicing of mutual funds, annuities, defined contribution and other investment products at a level that enables us to earn a margin over the expense of providing such services;
- the amount of our assets under management and changes in their fair value, which affect the amount of asset management fees we receive;
- our ability to generate commissions and fees from securities activities at a level that enables us to earn a margin over the expenses of

providing such services; and

. our ability to generate favorable investment results through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes, foreign exchange rates, securities market conditions and general economic conditions affect our profitability. In some of our product lines, particularly those in the Traditional Participating Products segment, we share experience on mortality, morbidity, persistency and investment results with our customers, which can offset the impact of these factors on our profitability from those products.

Historically, the participating products to be included in the Closed Block, as well as the other products included in the Traditional Participating Products segment, have yielded lower returns on capital invested than many of our other businesses. Following the demutualization, we expect that the proportion of the traditional participating products in our in force business will gradually diminish as these older policies age and we grow other businesses. However, the relatively lower returns to us on this existing block of business will continue to affect our consolidated results of operations for many years. If we issue the Class B Stock, however, the Common Stock issued in this offering would then reflect the performance of our Financial Services Businesses, which will include the capital previously included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business, and other traditional insurance products previously included in the Traditional Participating Products segment but which will not be included in the Closed Block. The Class B Stock will be designed to reflect the financial performance of our Closed Block Business.

In February 1998, we announced our intention to seek legislation that would permit our demutualization. The publicity about our possible demutualization may have contributed to improvements in our sales, our persistency experience or both in a number of product lines since that time, although we cannot be certain of this.

Demutualization and Related Transactions

On the effective date of the demutualization, which will occur at the time of closing of the offering, The Prudential Insurance Company of America will convert from a mutual life insurance company owned by its policyholders to a stock life insurance company and become a wholly owned indirect subsidiary of Prudential Financial, Inc.

The plan of reorganization requires us to establish and operate a mechanism known as the Closed Block. The Closed Block is designed generally to provide for the reasonable expectations for future policy dividends after demutualization of the holders of the policies included in the Closed Block by allocating assets that will be used for the payment of benefits on those policies. We will initially allocate assets to the Closed Block equal to approximately 26% of The Prudential Insurance Company of America's general account invested assets, in a mix approximately proportional to the invested assets of Prudential's general account supporting our Traditional Participating Products segment. See "Unaudited Pro Forma Condensed Consolidated Financial Information--Unaudited Pro Forma Closed Block Information" and "Demutualization and Related Transactions--The Demutualization--The Closed Block" below for additional information regarding the terms of the Closed Block and the assets and liabilities allocated thereto. In connection with the demutualization, we intend, but are not required, to "destack" or reorganize the ownership of various subsidiaries of The Prudential Insurance Company of America so that they become indirect or direct subsidiaries of Prudential Financial, Inc. rather than The Prudential Insurance Company of America. See "Demutualization and Related Transactions--Related Transactions--The Destacking" below for additional information regarding the terms of the destacking and its pro forma effect on The Prudential Insurance Company of America. Additionally, in connection with our demutualization, we are seeking, but are not required, to issue shares of Class B Stock of Prudential Financial, Inc. and the IHC debt in private placements. See "Demutualization and Related Transactions--Related Transactions--Class B Stock and IHC Debt Issuances" for information regarding these securities.

Consolidated Results of Operations

In managing our business, we analyze our operating performance by separately considering our Financial Services Businesses and our Traditional Participating Products segment. In addition, within both the Financial Services Businesses and the Traditional Participating Products segment, we analyze our operating performance using a non-GAAP measure we call "adjusted operating income". We calculate adjusted operating income by adjusting our income from continuing operations before income taxes to exclude certain items. The items excluded are:

- realized investment gains, net of losses and related charges;

- sales practices remedies and costs;

- the gains, losses and contribution to income/loss of divested businesses that we have sold but that do not qualify for "discontinued operations" accounting treatment under GAAP; and

- demutualization costs and expenses.

Wind-down businesses that we have not divested remain in adjusted operating income. We exclude our discontinued healthcare operations from income from continuing operations before income taxes.

The excluded items are important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for net income determined in accordance with GAAP, and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability of our businesses. We exclude realized investment gains, net of losses and related charges, from adjusted operating income, because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our businesses. We exclude sales practices remedies and costs because they relate to a substantial and identifiable non-recurring event. We exclude the gains and losses and contribution to income/loss of divested businesses because, as a result of our decision to dispose

of these businesses, these results are not relevant to the profitability of our ongoing operations and could distort the trends associated with our ongoing operations. We also exclude demutualization expenses because they are directly related to our demutualization and could distort the trends associated with our business operations.

In the discussion below of our consolidated results of operations, we separately discuss income from continuing operations before income taxes and adjusted operating income for the Financial Services Businesses, as well as the divisions thereof and Corporate and Other operations, and the Traditional Participating Products segment. We also discuss the items excluded from adjusted operating income, i.e., realized investment gains, sales practices remedies and costs, demutualization expenses and divested businesses, as well as items not included in income from continuing operations before taxes, i.e., taxes and discontinued operations. Realized investment gains are allocated between the Financial Services Businesses and the Traditional Participating Products segment. Sales practices remedies and costs and divested businesses are allocated entirely to the Financial Services Businesses. For purposes of analyzing our results, taxes and discontinued operations are not allocated to our segments or divisions. Following this consolidated discussion, you will find a detailed discussion of our results of operations by division and by the segments of each division, as well as the Traditional Participating Products segment.

Net Income

2000 to 1999 Annual Comparison. Net income decreased $415 million, or 51%, from $813 million in 1999 to $398 million in 2000. This decrease reflects a $1.528 billion decrease in income from continuing operations before income taxes, partially offset by a $636 million decrease in the related provision for income taxes as discussed below under "--Taxes". Additionally, net income for 2000 included $77 million of income resulting from a reduction in our loss on disposal of our discontinued healthcare operations, while 1999 net income included a $400 million increase in our loss on disposal of these operations, as discussed below under "--Discontinued Operations".

The $1.528 billion decrease in income from continuing operations before income taxes resulted from a $1.377 billion decrease from the Financial Services Businesses and a $151 million decrease from the Traditional Participating Products segment. The $1.377 billion decrease from the Financial Services Businesses came primarily from a $1.335 billion decline from Corporate and Other operations and a $216 million decline from our Employee Benefits division, partially offset by an $85 million increase from our U.S. Consumer division and a $65 million increase from our International division. The $1.335 billion decline from Corporate and Other operations came primarily from a $637 million decline in realized investment gains, net of losses, and from a $643 million decline from the former lead-managed underwriting and institutional fixed income businesses of Prudential Securities, which we include in "divested businesses." The $216 million decline from our Employee

Benefits division came primarily from a $203 million decline in realized investment gains, net of losses and related charges. The $85 million increase from our U.S. Consumer division came primarily from a $73 million increase in adjusted operating income. The $65 million increase from our International division reflected an $89 million increase in adjusted operating income.

See "--Adjusted Operating Income" below for a discussion of the adjusted operating income results of our divisions and Corporate and Other operations, and our Traditional Participating Products segment.

See "--Realized Investment Gains" below for a discussion of realized investment gains, net of losses, and charges related to net realized investment gains.

1999 to 1998 Annual Comparison. Net income decreased $293 million, or 26%, from $1.106 billion in 1998 to $813 million in 1999. This decrease reflects a $342 million decrease in income from continuing operations before income taxes and a $72 million increase in the related provision for income taxes as discussed below under "--Taxes". A decrease of $121 million in the loss from our discontinued healthcare operations, as discussed below under "--Discontinued Operations", was a partial offset.

The $342 million decrease in income from continuing operations before income taxes resulted from a $1.323 billion decrease from the Traditional Participating Products segment, partially offset by a $981 million increase from the Financial Services Businesses. The $1.323 billion decline from the Traditional Participating Products segment came from a $1.433 billion decrease in realized investment gains, net of losses and related charges, which was partially offset by a $110 million increase in adjusted operating income. The $981 million increase from the Financial Services Businesses came primarily from a $1.591 billion improvement from Corporate and Other operations and increases in income from continuing operations before income taxes of $86 million from our Asset Management division and $76 million from our International division, partially offset by

a $451 million decline from our Employee Benefits division and a $321 million decline from our U.S. Consumer division. The $1.591 billion improvement from Corporate and Other operations came primarily from a decrease in charges for sales practices remedies and costs of $1.050 billion, which is discussed below under "--Sales Practices Remedies and Costs", a $272 million increase in realized investment gains, net of losses, and a $171 million improvement in adjusted operating income. The $86 million increase in income from continuing operations before income taxes from our Asset Management division, and the $76 million increase from our International division, came entirely from increases in adjusted operating income. The $451 million decrease from our Employee Benefits division came primarily from a $411 million decrease in realized investment gains, net of losses and related charges. The $321 million decrease from our U.S. Consumer division came from a $185 million decrease in adjusted operating income and a $136 million decline in realized investment gains, net of losses and related charges.

Adjusted Operating Income

2000 to 1999 Annual Comparison. On a consolidated basis, adjusted operating income increased $263 million, or 13%, from 1999 to 2000. The increase came from a $231 million increase from the Traditional Participating Products segment and a $32 million increase from the Financial Services Businesses.

Adjusted operating income of our Financial Services Businesses increased $32 million, or 2%, from 1999 to 2000. The increase came primarily from increases of $89 million from our International division and $73 million from our U.S. Consumer division, partially offset by a $141 million decrease from Corporate and Other operations.

The $89 million increase in adjusted operating income from our International division came primarily from a $78 million increase from the International Insurance segment. The $73 million increase in adjusted operating income from our U.S. Consumer division came primarily from an increase of $65 million from the Retail Investments segment. The $141 million decrease from Corporate and Other operations came primarily from corporate-level activities, which included a one-time benefit of $114 million recognized in 1999 as a result of a reduction of recorded liabilities for our own employee benefits.

Adjusted operating income of the Traditional Participating Products segment increased $231 million, or 73%, from 1999 to 2000, primarily as a result of an increase in investment income net of interest expense and a decline in operating expenses.

1999 to 1998 Annual Comparison. On a consolidated basis, adjusted operating income increased $218 million, or 12%, from 1998 to 1999. The increase came from a $110 million increase from the Traditional Participating Products segment and a $108 million increase from the Financial Services Businesses.

Adjusted operating income of our Financial Services Businesses increased $108 million, or 7%, from 1998 to 1999. The increase came primarily from a $171 million improvement from Corporate and Other operations, an $86 million increase in adjusted operating income from our Asset Management division, and a $76 million increase in adjusted operating income from our International division, partially offset by a $185 million decrease from our U.S. Consumer division.

Our adjusted operating income for 1999 included $137 million from Corporate and Other operations, compared to a $34 million loss in 1998. The $171 million improvement came primarily from corporate level activities, which included a $114 million one-time benefit recognized in 1999 as a result of a reduction in recorded liabilities for our own employee benefits. The $86 million increase in adjusted operating income from our Asset Management division came primarily from a $75 million increase from our Other Asset Management segment, which includes our commercial mortgage securitization operations, hedge portfolios, and equity sales and trading operations. The $76 million increase in adjusted operating income from our International division came primarily from a $74 million increase from the International Insurance segment. The $185 million decrease in adjusted operating income from our U.S. Consumer division came from decreases of $159 million from the Property and Casualty Insurance segment, $75 million from the Retail Investments segment, and $61 million from the Individual Life Insurance segment, partially offset by a $110 million increase from the Private Client Group segment.

Adjusted operating income of the Traditional Participating Products segment increased $110 million, or 53%, from 1998 to 1999, primarily as a result of a decrease in operating expenses.

Realized Investment Gains

We generated significant realized investment gains in recent years prior to 2000, primarily as a result of our real estate sales and our strategies for our fixed maturity portfolio and hedging. We carried out a program from 1997 through 1999 to reduce our exposure to illiquid direct real estate and real estate related investments, which in the aggregate had appreciated in value, by selling a substantial portion of these investments and investing in more liquid fixed-income securities and, to a lesser extent, securities of real estate investment trusts. As a result, the book value of our real estate investments decreased by 41% to $2.0 billion at December 31, 1999 from $3.4 billion at January 1, 1997, and we generated net realized investment gains of $982 million in 1997, $1.076 billion in 1998, and $703 million in 1999. We believe that it is unlikely that the investments made and to be made to replace the real estate sold will result in a similar level of realized investment gains in the future. As a result of continuing sales, our real estate and real estate related investments were further reduced to $1.6 billion at December 31, 2000.

We generated significant realized investment losses in 2000 and 1999 and realized investment gains in 1998 in our fixed maturity portfolio primarily as a result of our active bond management strategy. We generally use an active management strategy for a significant portion of our public fixed maturity investment portfolio to maximize the overall return on our investments, subject to our adjusted operating income objectives. See "Business--General Account Investments--Fixed Maturity Securities" for a description of this strategy. We expect our active management strategy to generate both gains, as occurred in 1998, and losses, as occurred in 1999 and 2000. We expect that using this strategy in a declining interest rate environment will result in lower investment income partially offset by realized investment gains and that using this strategy when rates are rising will result in increased investment income offset by realized investment losses. The amount of our gains or losses also depends on relative value opportunities and other variables. In consideration of our adjusted operating income objectives, and other factors, we may choose, at times, to constrain our active management and, therefore, the magnitude of realized investment gains or losses.

In addition, we require most issuers of private fixed maturity securities to pay us make-whole yield maintenance payments when they prepay the securities. Prepayment levels are also driven by the interest rate environment and other factors not within our control. The prepayment of private fixed maturities we held contributed $74 million of realized investment gains in 2000, $155 million in 1999, and $189 million in 1998.

Realized investment gains, net of losses, also includes impairments on fixed income and equity assets, which we recognize on an ongoing basis. The level of impairments generally reflects economic conditions, and is expected to increase when economic conditions worsen and to decrease when economic conditions improve.

We use derivative contracts to hedge the risk that changes in interest rates or foreign currency exchange rates will affect the market value of certain investments. The vast majority of these derivative contracts do not qualify

for hedge accounting and, consequently, we recognize the changes in fair value of such contracts from period to period as realized investment gains or losses in our income statement, although we do not necessarily treat the underlying assets the same way. Accordingly, our hedging activities contribute significantly to fluctuations in realized investment gains and losses.

The comparisons below discuss realized investment gains net of losses and related charges. These charges relate to policyholder dividends, deferred acquisition costs, or DAC, and reserves for future policy benefits. Net realized investment gains is one of the elements that we consider in establishing the dividend scale, and the related charge for dividends to policyholders represents the estimated portion of our expense charge for policyholder dividends that is attributable to net realized investment gains that we consider in determining our dividend scale. See "--Results of Operations for Financial Services Businesses by Division and Traditional Participating Products Segment--Traditional Participating Products Segment" below. We amortize deferred policy acquisition costs for interest sensitive products based on estimated gross profits, which include net realized investment gains on the underlying invested assets, and the related charge for amortization of deferred policy acquisition costs represents the amortization related to net realized investment gains. We adjust the reserves for some of our policies when cash flows related to these policies are affected by net realized investment gains, and the related charge for reserves for future policy benefits represents that adjustment. The changes in these related charges from one period to another may be disproportionate to the changes in realized investment gains, net of losses, because the indicated reserve adjustments relate to realized investment gains, but not losses, evaluated over several periods, and because realized investment gains and losses are reflected in the dividend scale over a number of years.

2000 to 1999 Annual Comparison. For the Financial Services Businesses, realized investment gains, net of losses and related charges, declined $852 million from a net gain of $444 million in 1999 to a net loss of $408 million in 2000. For the Traditional Participating Products segment, realized investment gains, net of losses and related charges, declined $382 million, from a net gain of $28 million in 1999 to a net loss of $354 million in 2000.

On a consolidated basis, realized investment gains, net of losses and related charges, declined $1.234 billion, from a net gain of $472 million in 1999 to a net loss of $762 million in 2000. Realized investment gains, net of losses but excluding related charges, declined $1.212 billion, from a net gain of $924 million in 1999 to a net loss of $288 million in 2000. Charges related to net realized investment gains and losses were essentially unchanged, amounting to $452 million in 1999 and $474 million in 2000. These charges did not change proportionately with the change in realized investment gains, net of losses, in 2000 from 1999 for the reasons described above.

We realized losses of $1.066 billion on fixed maturity investments in 2000 and $557 million in 1999. These net realized losses reflected the impact of fixed maturity investment sales in environments of higher interest rates than those when the securities were purchased. The $509 million increase in fixed maturity realized losses in 2000 from 1999 came primarily from a portfolio strategy we implemented to sell securities with lower investment income yields underlying some of our long-duration products in the Other Employee Benefits segment and in our debt-financed corporate investment portfolio, reinvesting the proceeds in higher yielding securities, and from increased impairments in 2000. For additional information on the portfolio strategy relative to the Other Employee Benefits segment, see "--Results of Operations for Financial Services Businesses by Division and Traditional Participating Products Segment--Employee Benefits Division--Other Employee Benefits". We recognized impairments on fixed maturity investments of $540 million in 2000, primarily on publicly traded high yield and other corporate bonds, compared to $266 million in 1999. These impairments are consistent with our expected levels, with the increase reflecting a slowing of the economy. We realized net gains on sales of equity securities of $450 million in 2000, compared to $223 million in 1999. We realized net gains from disposals of direct real estate and real estate related joint ventures of $149 million in 2000 compared to $703 million in 1999, reflecting several major transactions that closed in 1999. We recorded net investment gains of $165 million on derivatives during 2000, compared to net gains of $305 million in 1999.

1999 to 1998 Annual Comparison. For the Financial Services Businesses, realized investment gains, net of losses and related charges, declined $275 million from a net gain of $719 million in 1998 to a net gain of $444 million in 1999. For the Traditional Participating Products segment, realized investment gains, net of losses and related charges, declined $1.433 billion from a net gain of $1.461 billion in 1998 to a net gain of $28 million in 1999.

On a consolidated basis, realized investment gains, net of losses and related charges, declined $1.708 billion from $2.180 billion in 1998 to $472 million in 1999. Realized investment gains, net of losses but excluding

related charges, declined $1.717 billion from $2.641 billion in 1998 to $924 million in 1999. Realized investment gains in 1999 included a $201 million release of our mortgage loan reserve, which reflected the continuing improvement in the economic climate and a continuing significant decrease in impaired loans. We believe that similar reserve releases are unlikely in the near future.

We realized net losses of $557 million on fixed maturity investments for 1999, compared to net gains of $1.381 billion in 1998. This reflected the impact of sales of fixed maturity investments in an increasing interest rate environment during 1999, compared to a declining interest rate environment during 1998. Also contributing to the 1999 net losses realized on fixed maturity investments were impairments recognized, amounting to $266 million, compared to impairments of $96 million in 1998. Net realized investment gains on equity securities amounted to $223 million for 1999 and $427 million for 1998. The 1999 results included impairment losses of $205 million, primarily on Asian private equity investments resulting from adverse economic conditions in that region and on investments in securities of real estate investment trusts. Net realized investment gains from direct real estate and real estate-related joint ventures and limited partnerships amounted to $703 million in 1999 compared to $1.076 billion in 1998. We recorded net investment gains of $305 million on derivatives in 1999, primarily as a result of the increasing interest rate environment, compared to net losses of $263 million for 1998 resulting from a decreasing interest rate environment.

Sales Practices Remedies and Costs

As of December 31, 2000, we have provided $4.405 billion before tax, equivalent to $2.850 billion after tax, for both the cost of remedies to be provided to life insurance policyholders under the remediation process required under the principal sales practices class action settlement to which we are a party and additional sales practices costs and expenses. We believe we are fully reserved and we did not record any incremental charges during 2000. These costs include estimated administrative costs related to the remediation program and its accompanying alternative dispute resolution process, regulatory fines, penalties and related payments, litigation costs and settlements, including settlements associated with the resolution of claims of deceptive sales practices asserted by policyholders who elected to "opt-out" of the class action settlement and litigate their claims against us separately, as well as other associated fees and expenses, which we refer to in the aggregate as additional sales practices costs.

Charges associated with the cost of remedying policyholder claims and additional sales practices costs have been adjusted from year to year, beginning in 1996 and ending in 2000. No additional net charges were recorded in 2000. The charges from year to year primarily reflected the increased availability over time of more specific information about the number of policyholder claims received and remedied, the accrued interest associated with claim relief, other factors affecting both the cost of remedies and the cost to us of administering the remediation program, and the cost of resolving "opt out" litigation as described above. See Note 17 of our audited consolidated financial statements for a further description of these charges.

The charges related to our estimated costs of sales practices remedies and additional sales practices costs and the related liability balances at the dates indicated are shown below.

<TABLE>
<CAPTION>

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(in millions)				
<S>	<C>	<C>	<C>	<C>	<C>
Liability balance at beginning of period....	$891	$3,058	$2,553	$ 963	$ --
Charges to expense, pre-tax:					
Remedy costs.....	(54)	(99)	510	1,640	410
Additional sales practices costs.....	54	199	640	390	715
Total charges to expense.....	--	100	1,150	2,030	1,125
Amounts paid or credited:					
Remedy costs.....	448	1,708	147	--	--
Additional sales practices costs.....	190	559	498	440	162
Total amount paid or credited.....	638	2,267	645	440	162
Liability balance at end of period.....	$253	$ 891	$3,058	$2,553	$ 963

</TABLE>

See "Business--Litigation and Regulatory Proceedings--Insurance--Life

Insurance Sales Practices Issues" for a description of the life insurance sales practices litigation.

While a portion of the sales practices remedies have been in the form of policy credits or enhancements, the major portion of the total cost for sales practices remedies and additional sales practices costs have resulted in cash disbursements. The cash outflows from these disbursements have reduced our invested assets and consequently have reduced and will continue to reduce our investment income. We included the investment income from the assets used to satisfy the sales practices remedies and additional sales practices costs prior to their disbursement in our adjusted operating income for Corporate and Other operations. The $4.4 billion of cash disbursements do not include the cash flow from surrenders associated with the implementation of the sales practices remediation program, which are discussed under "--Results of Operations for Financial Services Businesses by Division and Traditional Participating Products Segment--Traditional Participating Products Segment--Policy Surrender Experience".

Divested Businesses

Our income from continuing operations includes results from several businesses that we have divested but that under generally accepted accounting principles do not qualify for "discontinued operations" treatment in our income statement. Our results from divested businesses primarily relate to the former lead-managed underwriting and institutional fixed income businesses of Prudential Securities and the operations of Gibraltar Casualty Company, a commercial property and casualty insurer that we sold in September 2000, as well as obligations we retained or agreed to in the transactions to sell our other divested businesses. The lead-managed underwriting and institutional fixed income businesses of Prudential Securities recorded pre-tax losses of $620 million in 2000, pre-tax income of $23 million in 1999 and pre-tax losses of $73 million in 1998. The losses from these operations in 2000 came primarily from charges of $476 million associated with our termination and

wind-down of these activities. The losses in 1998 came primarily from $64 million in proprietary fixed income trading losses from Russian bond exposure and other fixed income losses. By the end of 1998, we terminated the proprietary fixed income trading activities within these operations. Gibraltar recorded pre-tax losses of $7 million in 2000, $72 million in 1999, and $76 million in 1998. The 1999 losses are attributable to increased reserves for environmental and asbestos-related claims resulting primarily from an increase in the number of lawsuits being filed against manufacturers of asbestos-related products. The remainder of our results from divested businesses are attributable to our remaining obligations with respect to our divested residential mortgage banking business, a benefits plan administration business we sold in 1998, and a Canadian life insurance subsidiary that we sold in May 2000. These results relate primarily to our divested residential mortgage business, which incurred a pre-tax loss of $41 million in 1998 primarily as a result of an increase in reserves relating to our remaining exposures in that business.

Demutualization Costs and Expenses

We incurred expenses related to demutualization totaling $143 million in 2000, $75 million in 1999 and $24 million in 1998. These expenses are reported separately in our consolidated income statements within income from continuing operations before income taxes. Demutualization expenses consist primarily of the costs of engaging independent accounting, actuarial, investment banking, legal and other consultants to advise us and insurance regulators in the demutualization process and related matters as well as printing and postage for communication with policyholders. We estimate that we will incur approximately $574 million of additional demutualization costs and expenses, before related tax benefits, including the payment of $351 million of demutualization consideration to former Canadian branch policyholders.

Taxes

A provision of federal tax law applicable to mutual life insurance companies has resulted in significant fluctuations in our effective tax rate. This tax law requires adjustment to the deductible portion of policyholder dividends based on a complex multi-year formula that compares the financial accounting earnings rates of mutual life insurance companies with those of stock life insurers. The actual rate to be applied to a particular tax year is determined by the IRS up to two years after the end of the tax year. Accordingly, we must estimate the current year's rate in determining our tax provision for the current year for accounting purposes. When the actual rate is announced by the IRS, we must recognize any difference between our estimated rate and the IRS's actual rate in that year. We will no longer be subject to this tax after the demutualization. The impact of this tax law as reflected in reported results, including the current year estimate and adjustment of prior year estimates, constitutes the primary reason for the difference between our reported effective tax rates and the statutory rate of 35%. See Note 11 of the audited consolidated financial statements.

Our income tax provisions amounted to $406 million for 2000 and $1.042 billion for 1999. The income tax provisions represented 56% of income from continuing operations before income taxes in 2000 and 46% of income from continuing operations before income taxes in 1999. This increase in the effective rate was due primarily to the mutual life insurance company tax discussed above and an increase in demutualization expenses.

Income tax provisions increased $72 million, or 7%, in 1999 from 1998. The income tax provisions represented 46% of income from continuing operations before income taxes in 1999 and 37% of income from continuing operations before income taxes in 1998. This increase in the effective rate was due primarily to an increase in the provision for the mutual life insurance company tax discussed above.

Discontinued Operations

In December 1998, we entered into a definitive agreement to sell our healthcare operations as described under "Business--Discontinued Operations--Healthcare". The sale was completed in August 1999. Net losses from these operations, after related income tax benefits, were $521 million in 1998, including a $223 million loss on disposal. We recognized an additional loss on disposal of these operations during 1999 amounting to $400 million after related tax benefits. Higher than anticipated operating losses prior to the closing date, resulting principally from adverse claims experience, and the impact of this experience on our evaluation of our obligations under our agreement to make payments to the purchaser of our healthcare operations if the medical loss ratio exceeds specified levels, caused the additional loss. In 2000, upon completion of the period covered by that agreement and comparing other costs we incurred related to the healthcare disposal to those estimated in 1998 and 1999, we reduced the loss on disposal by $77 million, after related income taxes. While we believe that, as of December 31, 2000, we have adequately reserved in all material respects for remaining costs and liabilities associated with our healthcare business, we might have to incur additional charges that might be material to our results of operations.

Results of Operations for Financial Services Businesses by Division and Traditional Participating Products Segment

In managing our business, we analyze our operating performance using "adjusted operating income", which is a non-GAAP measure that excludes certain items as described above under "--Consolidated Results of Operations". The following table, prepared on that basis, sets forth the revenues, adjusted operating income and income from continuing operations before income taxes for each of our four divisions and for Corporate and Other operations, including consolidating adjustments, which together comprise our Financial Services Businesses, and for our Traditional Participating Products segment, for the years ended December 31, 2000, 1999 and 1998, as well as their assets as of those dates.

<TABLE>
<CAPTION>

	As of or for Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Revenues(1):			
Financial Services Businesses:			
U.S. Consumer	$ 8,015	$ 7,530	$ 7,335
Employee Benefits	5,686	5,442	5,463
International	2,624	2,102	1,622
Asset Management	1,344	1,137	993
Corporate and Other	283	566	313
Total Financial Services Businesses	17,952	16,777	15,726
Traditional Participating Products segment	8,611	8,356	8,332
Total	$ 26,563	$ 25,133	$ 24,058
Adjusted operating income(2):			
Financial Services Businesses:			
U.S. Consumer	$ 740	$ 667	$ 852
Employee Benefits	387	400	440
International	322	233	157
Asset Management	276	252	166
Corporate and Other	(4)	137	(34)
Total Financial Services Businesses	1,721	1,689	1,581
Traditional Participating Products segment	547	316	206
Total	$ 2,268	$ 2,005	$ 1,787

Income from continuing operations before income taxes:			
Financial Services Businesses:			
U.S. Consumer	$ 744	$ 659	$ 980
Employee Benefits	269	485	936
International	307	242	166
Asset Management	277	253	167
Corporate and Other	(1,063)	272	(1,319)
Total Financial Services Businesses	534	1,911	930
Traditional Participating Products segment	193	344	1,667
Total	$ 727	$ 2,255	$ 2,597
Assets(3):			
Financial Services Businesses:			
U.S. Consumer	$ 73,223	$ 78,235	$ 68,546
Employee Benefits	75,817	73,955	79,716
International	10,370	9,275	7,789
Asset Management	30,602	25,558	24,137
Corporate and Other	12,814	29,498	33,454
Total Financial Services Businesses	202,826	216,521	213,642
Traditional Participating Products segment	69,927	68,573	63,098
Total	$272,753	$285,094	$276,740

</TABLE>

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(l) Revenues exclude realized investment gains, net of losses, and revenues from divested businesses.

(2) Adjusted operating income equals revenues as defined above in footnote (1) less benefits and expenses excluding (i) the impact of net realized investment gains on deferred acquisition cost amortization, reserves and dividends to policyholders; (ii) sales practices remedies and costs; (iii) the benefits and expenses from divested businesses; and (iv) demutualization expenses.

(3) Assets exclude $2.682 billion at December 31, 1998 related to our discontinued healthcare operations.

U.S. Consumer Division

The U.S. Consumer division generates income from premiums, as well as fee-based revenues and spread income, through the Individual Life Insurance, Retail Investments and Property and Casualty Insurance segments. Premiums and investment income are received by the Individual Life Insurance and Property and Casualty Insurance segments on insurance products and by the Retail Investments segment on some of its annuity products. Products and services that generate fee-based revenue include mutual funds, variable annuities, variable life insurance and wrap-fee products. The latter fee-based revenues consist primarily of asset management fees, account servicing fees and risk charges. The Retail Investments segment receives fees and investment income from retail investment products. Additionally, the securities brokerage operations that account for the major portion of revenues of the Private Client Group segment generate revenues from client commissions, asset management and portfolio service fees, and net interest revenues derived primarily from margin lending to customers, as well as sales credits related to transactions with retail customers associated with equity and fixed income sales and trading operations. We also earn trading revenues from our fixed income trading operations which are incidental to our retail operations. We include fee-based revenues in the line captioned "commissions and other income" or "policy charges and fee income" in our consolidated statement of operations. The Private Client Group segment also includes our consumer banking operations.

We seek to earn spread income in our general account on various products. Spread income is the difference between our return on the investments supporting the products net of expenses and the amounts we credit to our contractholders. Products that generate spread income primarily include the general account insurance products of the Individual Life Insurance segment, and fixed annuities and the fixed-rate option of variable annuities of the Retail Investments segment. We include revenues from these products, other than premiums received from policyholders, primarily in the line captioned "net investment income" in our consolidated statement of operations.

The Individual Life Insurance and Private Client Group segments pay the expenses of their own proprietary sales forces for distribution of products. Additionally, the Retail Investments segment pays the Individual Life Insurance and Private Client Group segments for distribution of its products by Prudential Agents and Financial Advisors. The Individual Life Insurance, Retail Investments and Property and Casualty Insurance segments also pay our Investment Management and Advisory Services segment for management of

proprietary assets which include the general account investments that support our Individual Life Insurance, Retail Investments and Property and Casualty Insurance segments, as well as most of the assets supporting our separate account life insurance and annuity products such as variable life insurance and annuities. These fees result in expenses to the segments of the U.S. Consumer division and revenues to the Asset Management division. We reflect all of the intra-company asset management services at rates that we determine with reference to market rates.

In recent years, sales in our individual life and property and casualty insurance businesses, as measured by both number of policies and premiums, have generally declined or not grown significantly. This trend is due in part to a continuing decline in the number of Prudential Agents. We believe that the decline in Prudential Agents results from higher productivity standards and the dislocations in connection with our sales practices litigation as well as our responsive actions to this litigation. This has had an adverse impact on premiums, primarily from new business, and adjusted operating income. We are seeking to improve performance by taking steps to refocus the Prudential Agent sales force on the mass affluent market and to continue to improve productivity. However, we cannot predict whether these steps will succeed or have the desired effects.

In recent years, we have experienced net redemptions in our proprietary retail investment products due in substantial part to turnover among experienced Financial Advisors and our focus on the value style of investment management in our equity mutual funds. The impact of these outflows has been partially offset by higher revenues resulting from market appreciation of remaining assets, which has produced increases in assets under management. Over the last several years, we have been building investment manager choice into most of our Retail Investments products. This advised choice approach, in which we retain the primary relationship with the customer, allows to us to offer customers investment alternatives advised by third parties in our products and asset management styles that we might not otherwise offer. Our wrap-fee assets have increased to $19.6 billion at December 31, 2000, from $16.7 billion a year earlier and $11.5 billion at December 31, 1998. We believe these increases reflect increased marketplace emphasis on products that provide customers a broader choice of investments. We believe the continuing turnover among domestic Financial Advisors is due in part to the lack of a stock-based compensation program. In 1999 this turnover increased due in part to greater industry competition

for productive Financial Advisors. We have taken actions to stabilize the Financial Advisor force, including implementing a newly designed equity-market-linked, voluntary long-term deferred compensation plan effective January 1, 2000, and expect that turnover rates will improve over time as participation in this plan increases, although there can be no assurance of this.

Most of our variable life insurance, variable annuity and wrap-fee products include investment alternatives that are managed by third parties. The Individual Life Insurance and Retail Investments segments pay investment management fees to the third-party managers for the funds invested through these non-proprietary options. We also sponsor a limited number of mutual funds that have third-party advisors. Because of these arrangements, our assets under management and administration that are invested through non-proprietary options and our proprietary funds that are managed by third parties offer lower profitability than the assets we manage directly.

Division Results

The following table and discussion present the U.S. Consumer division's results based on our definition of adjusted operating income, which is a non-GAAP measure, as well as income from continuing operations before income taxes, which is prepared in accordance with GAAP. As shown below, adjusted operating income excludes realized investment gains, net of losses and related charges. The excluded items are important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for income from continuing operations determined in accordance with GAAP, and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses. We exclude realized investment gains, net of losses and related charges, from adjusted operating income because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our businesses.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Division operating results:			
Revenues(1)	$8,015	$7,530	$7,335
Benefits and expenses(2)	7,275	6,863	6,483
Adjusted operating income	$ 740	$ 667	$ 852
Adjusted operating income by segment:			
Individual Life Insurance	$ 114	$ 117	$ 178
Private Client Group	237	224	114
Retail Investments	239	174	249
Property and Casualty Insurance	150	152	311
Total	740	667	852
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains (losses), net	2	(9)	131
Related charges(3)	2	1	(3)
Total realized investment gains, net of losses and related charges	4	(8)	128
Income from continuing operations before income taxes	$ 744	$ 659	$ 980

- --------
(1) Revenues exclude realized investment gains, net of losses.
(2) Benefits and expenses exclude the impact of net realized investment gains on deferred acquisition cost amortization and reserves.
(3) Related charges consist of the following:

<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Amortization of deferred policy acquisition costs	$ 6	$ 1	$ (3)
Reserves for future policy benefits	(4)	--	--
Total	$ 2	$ 1	$ (3)

</TABLE>

2000 to 1999 Annual Comparison. Adjusted operating income of our U.S. Consumer division increased $73 million, or 11%, in 2000 from 1999. The increase came primarily from an increase in adjusted operating income from our Retail Investments segment. Income from continuing operations before income taxes increased $85 million, or 13%, primarily as a result of the increase in adjusted operating income.

1999 to 1998 Annual Comparison. Adjusted operating income of our U.S. Consumer division decreased $185 million, or 22%, in 1999 from 1998. The decline resulted primarily from decreases in adjusted operating income in our Property and Casualty Insurance, Retail Investments and Individual Life Insurance segments, partially offset by increased adjusted operating income from our Private Client Group segment. Income from continuing operations before income taxes decreased $321 million, or 33%, from 1998 to 1999. This decline resulted from the $185 million decrease in adjusted operating income and a $136 million decrease in realized investment gains, net of losses and related charges. For a discussion of realized investment gains and losses and charges related to realized investment gains and losses, see "--Consolidated Results of Operations--Realized Investment Gains".

Individual Life Insurance

Operating Results

The following table sets forth the Individual Life Insurance segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,

	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues(1)	$ 1,855	$ 1,723	$ 1,674
Benefits and expenses	1,741	1,606	1,496
Adjusted operating income	$ 114	$ 117	$ 178

</TABLE>
- --------
(1) Revenues exclude realized investment gains, net of losses.

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income was essentially unchanged in 2000 from 1999. Growth in our base of term products in force resulted in an increase in premium revenues, and investment income increased due to the larger base of general account assets and an increased investment yield. However, these increases were essentially offset by a one-time increase in reserves related to a portion of our variable life insurance business in force.

1999 to 1998 Annual Comparison. Adjusted operating income for 1999 decreased $61 million, or 34%, primarily from a $104 million increase in operating expenses. The increase in operating expenses resulted primarily from costs of a field management and agency restructuring program described below.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $132 million, or 8%, in 2000 from 1999. The increase came primarily from a $58 million increase in net investment income and a $36 million increase in premiums.

Premiums increased $36 million, or 13%, from $269 million in 1999 to $305 million in 2000. The increase came primarily from an increase in renewal premiums for our term products, reflecting the increased base of business in force.

Policy charges and fees amounted to $1.023 billion for 2000, relatively unchanged from $1.030 billion in 1999.

Net investment income increased $58 million, or 18%, from $316 million in 1999 to $374 million in 2000. The increase resulted from an increase in the base of general account invested assets and a slight increase in investment yield.

1999 to 1998 Annual Comparison. Revenues were relatively unchanged from 1998 to 1999. Premiums increased $41 million, or 18%, from $228 million in 1998 to $269 million in 1999. The increase was primarily due to an increase in premiums for our term products.

Policy charges and fee income decreased $26 million, or 2%, from $1.056 billion in 1998 to $1.030 billion in 1999, reflecting the impact of policy rescissions arising from the implementation of the alternative dispute resolution process required under our principal sales practices class action settlement.

Net investment income increased $16 million, or 5%, from $300 million in 1998 to $316 million in 1999. The increase resulted from an increase in the base of general account invested assets, as investment yields were relatively unchanged.

Benefits and Expenses

2000 to 1999 Annual Comparison. Benefits and expenses, as shown in the table above under "--Operating Results", increased $135 million, or 8%, in 2000 from 1999. The increase came primarily from an increase in policyholder benefits and related changes in reserves of $131 million, from $519 million in 1999 to $650 million in 2000, as a result of growth in the base of term insurance in force and aging of policies in force as well as the reserve increase related to a portion of our variable life insurance business as noted above amounting to $23 million. Operating expenses, including distribution costs that we charge to expense, were essentially unchanged in 2000 from 1999.

Operating expenses included severance, termination benefits, facilities closure and other costs that we incurred largely in connection with our program to restructure our field management and agency structure. This program resulted in a reduction in the number of sales territories, establishing a smaller number of larger field offices, and eliminated approximately 1,700

non-agent positions, as well as targeting cost level reductions for product manufacturing support commencing in 2000. The expenses related to this program amounted to $107 million in 2000 and $116 million in 1999. We expect to incur additional costs of approximately $130 million for related and additional initiatives in 2001. While there can be no assurance, we believe these initiatives will reduce operating expenses below 2000 levels by approximately $200 million on an annual basis in 2002, and that reduced expenses resulting from these initiatives will similarly benefit results thereafter.

1999 to 1998 Annual Comparison. Benefits and expenses increased $110 million, or 7%, in 1999 from 1998. Operating expenses increased $104 million, or 16%, from $660 million in 1998 to $764 million in 1999, primarily as a result of charges reflected in 1999 operating expenses in connection with the implementation of the program described above. The cost of implementing this program was $21 million in 1998 and $116 million in 1999.

Sales Results

The following table sets forth the Individual Life Insurance segment's sales, as measured by statutory first year premiums and deposits for the periods indicated. These amounts do not correspond to revenues under GAAP. In managing our individual life insurance business, we analyze statutory first year premiums and deposits as well as revenues because statutory first year premiums and deposits measure the current sales performance of the business unit, while revenues reflect, predominantly in our case, the renewal persistency and aging of in force policies written in prior years and net investment income, as well as current sales.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Sales(1):			
Variable life	$328	$ 301	$ 313
Term life	59	74	88
Total	$387	$ 375	$ 401

</TABLE>

- --------

(1) Statutory first year premiums and deposits.

2000 to 1999 Annual Comparison. Sales of new life insurance, as measured by statutory first year premiums, increased $12 million, or 3%, in 2000 from 1999. The increase came from greater unscheduled premiums on variable life insurance products in 2000 and reflected a higher level of third-party sales through our PruSelect alternative sales channel, which grew by $40 million, or 45%, in 2000 from 1999. PruSelect accounted for 33% of the Individual Life Insurance segment's sales in 2000, compared to 23% of its sales in 1999. The increase in sales through PruSelect was partially offset by a decline in sales from Prudential Agents. We continued to take actions to improve Prudential Agent productivity. The number of Prudential Agents declined to approximately 6,100 at December 31, 2000 compared to approximately 7,800 one year earlier. However, Prudential Agent productivity increased 11%, from $31,300 for 1999 to $34,700 in 2000. We measure Prudential Agent productivity as commissions on new sales of all products, not only life insurance, by Prudential Agents with us for the entire year, divided by the number of those Prudential Agents.

1999 to 1998 Annual Comparison. Sales of new life insurance decreased $26 million, or 6%, in 1999 from 1998. As part of the program to restructure our field management and agency structure as described above, we restructured our retail distribution channel during the first half of 1999, which adversely affected new sales by Prudential Agents. In addition, we continued to take actions intended to improve Prudential Agent productivity, including increasing the minimum production level required for continuation of agents' employment contracts. Reflecting these actions and continued attrition generally among Prudential Agents, particularly those with lower levels of sales production, the number of Prudential Agents continued to decline in 1999, from approximately 8,900 at December 31, 1998 to approximately 7,800 at December 31, 1999. However, while the number of Prudential Agents continued to decline, Prudential Agent productivity, measured as described above, increased 12%, from $28,000 in 1998 to $31,300 in 1999. Partially offsetting the decline in sales from Prudential Agents was a higher level of third-party sales through our PruSelect alternative sales channels, which grew by $14 million, or 19%, from 1998 to 1999. PruSelect accounted for 23% of Individual Life's sales in 1999, compared to 18% in 1998.

Policy Surrender Experience

The following table sets forth the Individual Life Insurance segment's policy surrender experience for variable life insurance, measured by cash value of surrenders, for the periods indicated. These amounts do not correspond to expenses under GAAP. In managing this business, we analyze the cash value of surrenders because it is a measure of the degree to which policyholders are maintaining their in force business with us, a driver of future profitability. Our term life insurance products do not provide for cash surrender values.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Cash value of surrenders	$ 641	$ 597	$ 554
Cash value of surrenders as a percentage of mean future policy benefit reserves, policyholders' account balances, and separate account balances	3.7%	3.7%	3.8%

</TABLE>

2000 to 1999 Annual Comparison. The total cash value of surrenders increased $44 million, or 7%, in 2000 from 1999. The level of surrenders as a percentage of mean future policy benefits, policyholders' account balances and separate account balances remained constant from 1999 to 2000.

1999 to 1998 Annual Comparison. The total cash value of surrenders increased $43 million, or 8%, in 1999 from 1998. The levels of surrenders as a percentage of mean future policy benefit reserves, policyholders' account balances and separate account balances remained relatively constant from 1998 to 1999.

Private Client Group

Operating Results

The following table sets forth the Private Client Group segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Non-interest revenues	$2,390	$2,240	$2,062
Net interest revenues	299	269	255
Total revenues, net of interest expense	2,689	2,509	2,317
Total non-interest expenses	2,452	2,285	2,203
Adjusted operating income	$ 237	$ 224	$ 114

</TABLE>

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income increased $13 million, or 6%, from 1999 to 2000. Adjusted operating income from our consumer banking operations increased $27 million, primarily as a result of the sale of a major portion of the consumer bank's credit card receivables in 2000. Adjusted operating income from our domestic securities brokerage operations decreased $14 million, from $204 million in 1999 to $190 million in 2000.

1999 to 1998 Annual Comparison. Adjusted operating income increased $110 million, or 96%, from 1998 to 1999. Adjusted operating income from our domestic securities brokerage operations increased $64 million, from $140 million in 1998 to $204 million in 1999. The increase came primarily from higher commission revenues, reflecting increased transaction volume, greater asset management and service fees on wrap assets under management and higher net interest income reflecting higher margin lending balances as the business benefited from the active over-the-counter equity markets. The remaining $46 million of the increase in adjusted operating income came from our consumer

banking operations, which had a loss of $26 million in 1998 and adjusted operating income of $20 million in 1999. The 1998 loss resulted from reserve increases relating to a loss-sharing agreement entered into in connection with the 1997 sale of the bank's broad market credit card portfolio. In 1999, the loss sharing agreement expired, at which time we released remaining reserves of $18 million.

Revenues

The following table sets forth the Private Client Group segment's revenues, as shown in the table above under "--Operating Results", by source for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Commissions	$1,789	$1,751	$1,659
Fees	464	327	256
Other	137	162	147
Total non-interest revenues	2,390	2,240	2,062
Net interest revenues	299	269	255
Total revenues, net of interest expense	$2,689	$2,509	$2,317

</TABLE>

2000 to 1999 Annual Comparison. Total revenues, net of interest expense, as shown in the table above under "--Operating Results", increased $180 million, or 7%, from 1999 to 2000. The increase came primarily from our domestic securities brokerage operations, which recorded an increase of $177 million, or 7%, from $2.420 billion in 1999 to $2.597 billion in 2000.

Commission revenues increased slightly in 2000 from 1999, as increases of $54 million from mutual funds and $13 million from equity securities transactions were partially offset by a decline in commissions from fixed income products and commodity transactions. While commission revenues from our securities brokerage operations benefited from active over-the-counter equity markets and increased transaction volume during the first four months of the year, commission revenues declined slightly during the May through December period of 2000 versus the same period of 1999, reflecting less active securities markets and reduced transaction volume. Although an increasing proportion of Private Client Group revenues are derived from wrap-fee assets and asset management services, commissions accounted for 75% of total segment non-interest revenues for 2000. Accordingly, we expect that a continued trend of reduced transaction volume would have a negative impact on our revenues and adjusted operating income.

Fee revenues, comprised of asset management and portfolio service fees, increased $137 million, or 42%, from 1999 to 2000. This increase resulted primarily from a $4.7 billion increase in wrap-fee assets under management to $26.4 billion at December 31, 2000 from $21.7 billion a year earlier.

Net interest revenues increased $30 million, or 11%, from 1999 to 2000. Substantially all of the increase came from our domestic securities brokerage operations, primarily from higher average customer margin lending balances, which increased from $5.06 billion in 1999 to $6.54 billion in 2000. Partially offsetting the increase in average customer margin lending balances was a decrease in the spread earned on these balances, reflecting competitive pressures on the rates charged to clients who buy securities on margin.

The number of domestic Financial Advisors was 5,883 at December 31, 2000, a decrease of 3% from 6,072 a year earlier. As discussed above, in response to recruiting efforts by our competitors, we have introduced an equity-market-linked voluntary long-term deferred compensation plan to seek to enhance our Financial Advisor recruitment and retention efforts.

Assets under management and client assets decreased $16 billion to $272 billion at December 31, 2000 from $288 billion a year earlier, primarily as a result of overall market value declines.

1999 to 1998 Annual Comparison. Total revenues, net of interest expense, increased $192 million, or 8%, from 1998 to 1999. Substantially all of the increase came from our domestic securities brokerage operations.

Commission revenues increased $92 million, or 6%, from 1998 to 1999. The increase came from commissions from equity securities transactions, which increased by $99 million, reflecting favorable over-the-counter equity markets and increased transaction volume.

Fee revenues, comprised of asset management and portfolio service fees, increased $71 million, or 28%, in 1999 from 1998. This increase resulted primarily from an increase in wrap-fee assets under management to $21.7 billion at December 31, 1999 from $13.5 billion a year earlier, as well as higher account service fees.

Net interest revenues increased $14 million, or 5%, from 1998 to 1999. The increase was primarily a consequence of an increase in average customer margin lending balances at the domestic securities brokerage operations from $4.07 billion in 1998 to $5.06 billion in 1999. Partially offsetting the increase in average customer margin lending balances was a decrease in the spread earned on customer margin lending balances, reflecting competitive pressures related to the rate charged to clients who buy securities on margin. Net interest revenues from the consumer banking operations decreased $15 million, primarily from lower credit card finance charge income in 1999 compared to 1998.

Assets under management and client assets increased $35 billion, to $288 billion at December 31, 1999 from $253 billion a year earlier.

Non-Interest Expenses

2000 to 1999 Annual Comparison. Total non-interest expenses, as shown in the table above under "--Operating Results", increased $167 million, or 7%, from 1999 to 2000. The increase came primarily from employee compensation and benefits at our retail securities brokerage operations, which increased by $108 million, or 8%, due to higher commissions paid to Financial Advisors on higher fee and commission revenues, and higher incentive and other compensation, as well as higher costs to recruit and retain Financial Advisors. Additionally, other non-interest expenses at the domestic securities brokerage operations increased $83 million, or 10%, primarily as a result of higher operations and administrative support costs, higher equity research costs, and increased investment in our branch office technology platform.

1999 to 1998 Annual Comparison. Total non-interest expenses increased $82 million, or 4%, from 1998 to 1999. The increase came primarily from employee compensation and benefits at our retail securities brokerage operations, which increased by $96 million, or 8%, due to higher commissions paid to Financial Advisors on higher fee and commission revenues and higher incentive and other compensation resulting from improved overall profitability of the operations. Additionally, other non-interest expenses at the domestic securities brokerage operations increased $32 million, or 4%, primarily as a result of increased investment in our branch office technology platform. These increases were partially offset by a decrease in non-interest expenses at the consumer banking operations of $46 million as costs for servicing and maintaining the credit card portfolio sold in 1998 were not recurring in 1999.

Retail Investments

Operating Results

The following table sets forth the Retail Investments segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues(1)	$ 1,631	$ 1,551	$ 1,532
Benefits and expenses(2)	1,392	1,377	1,283
Adjusted operating income	$ 239	$ 174	$ 249

</TABLE>

(1) Revenues exclude realized investment gains, net of losses.
(2) Benefits and expenses exclude the impact of net realized investment gains on deferred acquisition cost amortization and reserves.

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income increased by $65 million, or 37%, from 1999 to 2000. Adjusted operating income for 2000 benefited $21 million from refinements in our calculations of deferred policy

acquisition costs. Excluding this change, adjusted operating income increased $44 million, or 25%. Approximately $26 million of the $44 million increase came from our annuity business. This increase was primarily due to greater fee revenues from variable annuities, and resulted from an increase in average account values. A decrease in administrative expenses, primarily the result of expense management efforts, also contributed to the increase in adjusted operating income.

The remainder of the increase in adjusted operating income came from our mutual funds and wrap-fee products business. Asset-based and transaction-based fees increased as a result of continued growth in our proprietary mutual fund assets under management and expansion of our wrap-fee products.

1999 to 1998 Annual Comparison. Adjusted operating income declined by $75 million, or 30%, in 1999 from 1998. Adjusted operating income in 1998 benefited $9 million from a change in reserves arising from refinements in our calculations of GAAP annuity reserves. Excluding this change, adjusted operating income declined by $66 million, or 28%, from $240 million in 1998 to $174 million in 1999.

The $66 million decline in adjusted operating income came from a decline of that amount in adjusted operating income from our annuity business, primarily due to increased amortization of deferred policy acquisition costs, as well as other costs associated with an annuity exchange program we initiated in 1997 to help retain annuity business and increased renewal commissions related to assets retained under this program. Reduced spread income from our fixed annuities and the fixed rate option of our variable annuities, resulting from net asset outflows, also contributed to this decline in adjusted operating income. Greater fee revenues from variable annuities, resulting from an increase in average account values, less the impact of related amortization of previously deferred selling costs, partially offset this decline.

Adjusted operating income from our mutual funds and wrap-fee products business was unchanged.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $80 million, or 5%, from 1999 to 2000. Fee-based revenues increased $74 million, from $1.007 billion in 1999 to $1.081 billion in 2000. The increase came primarily from our mutual funds and wrap-fee products, as well as our variable annuity products, reflecting growth in our average assets under management for these products. In addition, premiums increased by $19 million as a result of increased conversions of deferred annuities by our customers to income-paying status. Net investment income declined $13 million, from $491 million in 1999 to $478 million in 2000, as a result of reductions in our base of fixed annuity business due to withdrawals and scheduled benefit payments.

1999 to 1998 Annual Comparison. Revenues remained relatively unchanged from 1998 to 1999. Fee-based revenues increased $101 million, from $906 million in 1998 to $1.007 billion in 1999. The increase came primarily from asset management and service fees for our mutual funds and wrap-fee products, and our variable annuity products, reflecting market appreciation in our assets under management. Net investment income declined $76 million, from $567 million in 1998 to $491 million in 1999, primarily as a result of reductions in our base of fixed annuity business due to withdrawals and scheduled benefit payments as well as a decline in investment yield.

Benefits and Expenses

2000 to 1999 Annual Comparison. Benefits and expenses, as shown in the table above under "--Operating Results", remained relatively unchanged from 1999 to 2000. Benefits and expenses for 2000 includes a $21 million reduction in amortization of deferred policy acquisition costs from the refinements noted above. Excluding the impact of this change, benefits and expenses increased $36 million, or 3%. Changes in reserves, net of benefit payments, increased $34 million, from $118 million in 1999 to $152 million in 2000, as a result of customers converting deferred annuities to income-paying status and a $12 million charge to increase annuity reserves due to investment portfolio restructuring to reduce the emphasis on equity investments. During 2000, we recorded $20 million of additional amortization of deferred policy acquisition costs, to reflect a decrease in expected future gross profits on our annuity products primarily due to declines in market values of the underlying assets on which our fees are based. However, this increased charge was essentially offset by reduced amortization resulting from our termination, in the second quarter of 2000, of the annuity exchange program we commenced in 1997. Other general expenses were flat in 2000 from 1999, as a decrease in administrative expenses reflecting

our expense management efforts was largely offset by a $30 million increase in sub-advisory expense resulting from growth in assets under management of our mutual funds and wrap-fee products and our variable annuity products.

1999 to 1998 Annual Comparison. Benefits and expenses increased $94 million, or 7%, from 1998 to 1999. The increase includes a $9 million benefit in 1998 from refinements in our annuity reserve calculations, as noted above. Excluding the impact of this change, the increase in benefits and expenses was $85 million, or 7%. Commissions and other expenses increased $124 million, or 14%, from $864 million in 1998 to $988 million in 1999. The increase came primarily from costs for development of third-party distribution, increased mutual fund service and sub-advisory fees associated with the growth of assets under management, a $50 million increase in amortization of deferred policy acquisition costs reflecting lapse activity and exchange redemptions, and increased commissions associated with a change in mutual fund commission structure as well as the annuity exchange program discussed above. Interest credited to policyholders' account balances declined $23 million, or 8%, from $294 million in 1998 to $271 million in 1999, as a result of the reductions in our base of fixed rate annuity business.

Sales Results and Assets Under Management

The following table sets forth the changes in the total proprietary assets, excluding wrap-fee products, and the balance of wrap-fee product assets, at fair market value for mutual funds and account value for annuities, and net sales of our proprietary Retail Investments products for the periods indicated. Net sales (redemptions) are gross sales minus redemptions or surrenders and withdrawals, as applicable. Neither sales nor net sales are revenues under GAAP; they are, however, relevant measures of sales and business activity. Revenues are derived from fees and spread income as discussed above.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Mutual Funds and Wrap-fee Products(1):			
Proprietary assets, excluding wrap-fee products:			
Beginning total proprietary assets	$55,245	$53,412	$46,715
Sales (other than money market)	5,378	3,773	3,829
Redemptions (other than money market)	(5,561)	(4,872)	(3,478)
Reinvestment of distributions and change in market value	726	3,744	1,271
Net money market sales	1,976	(812)	5,075
Ending total proprietary assets	57,764	55,245	53,412
Wrap-fee product assets at end of period(2)	19,621	16,723	11,458
Total proprietary and wrap-fee product assets at end of period	$77,385	$71,968	$64,870
Net proprietary sales (redemptions) other than money market(3)	$ (183)	$(1,099)	$ 351
Variable Annuities(1):			
Beginning total account value	$22,614	$19,919	$17,608
Sales, excluding exchanges	1,809	2,025	2,276
Exchanges sales	481	1,402	988
Surrenders, withdrawals and exchange redemptions	(2,989)	(3,432)	(2,528)
Change in market value, interest credited and other activity(4)	(856)	2,700	1,575
Ending total account value	$21,059	$22,614	$19,919
Net sales (redemptions)	$ (699)	$ (5)	$ 736
Fixed Annuities:			
Beginning total account value	$ 3,020	$ 3,249	$ 3,723
Sales	221	160	56
Surrenders, withdrawals and exchange redemptions	(361)	(425)	(575)
Interest credited and other activity(4)	46	36	45
Ending total account value	$ 2,926	$ 3,020	$ 3,249
Net sales (redemptions)	$ (140)	$ (265)	$ (519)

</TABLE>

- --------

(1) Mutual funds and variable annuities include only those sold as retail investment products. Investments through defined contribution plan products are included with such products.
(2) Wrap-fee product assets include proprietary assets of $3.4 billion at December 31, 2000, $3.5 billion at December 31, 1999, and $3.1 billion at December 31, 1998.
(3) Excludes wrap-fee products.

(4) Includes maintenance and insurance charges assessed, net bonus payments credited to contract holder accounts, annuity benefits and other adjustments.

2000 to 1999 Annual Comparison. Proprietary mutual funds and wrap-fee product assets under management amounted to $77.4 billion at December 31, 2000, an increase of $5.4 billion, or 8%, from December 31, 1999. Proprietary assets under management at December 31, 2000 amounted to $57.8 billion, an increase of $2.5 billion, or 5%, from December 31, 1999. Excluding money market funds, net proprietary redemptions for 2000 were $183 million, which included $359 million of gross sales from our purchases of stock index shares for a long-term deferred compensation program for our own Financial Advisors. Gross sales increased $1.2 billion, or 33%, from 1999 to 2000 excluding the latter purchases of stock index shares, which was partially offset by an increase of $689 million, or 14%, in redemptions. Redemptions, other than money market funds, increased $689 million, from $4.9 billion in 1999 to $5.6 billion in 2000. The increase in gross sales was a result of strong sales of growth-oriented mutual funds, primarily products managed by our Jennison unit. Net money market sales increased by $2.8 billion for 2000 compared to 1999, reflecting customer response to volatile securities market conditions during 2000.

Wrap-fee assets increased $2.9 billion, or 17%, from $16.7 billion at December 31, 1999 to $19.6 billion at December 31, 2000. The increase came from net sales during 2000 of $4.8 billion of wrap-fee products, in which we offer customers a choice of proprietary and non-proprietary mutual funds as well as managed accounts, which was partially offset by declines in market values. We believe these net sales reflect increased marketplace emphasis on products that provide customers with a broader choice of investment options.

Total account values for fixed and variable annuities amounted to $24.0 billion at December 31, 2000, a decrease of $1.6 billion, or 6%, from December 31, 1999. The decrease resulted from market value declines and greater net redemptions. Net redemptions of variable annuities were $699 million for 2000, an increase of $694 million compared to 1999. This increase resulted from an increase in surrenders, other than those related to exchange activity, consistent with maturation of the business, as a larger percentage of the business is no longer subject to surrender charges.

Our withdrawals of variable and fixed annuities include exchanges of $481 million in 2000 and $1.4 billion in 1999. The discontinuance, during the second quarter of 2000, of the annuity exchange program referred to below did not appear to have a material impact on net variable annuity redemptions during that period or thereafter.

Fixed annuity net redemptions of $140 million in 2000 were $125 million, or 47%, lower than the comparable net outflows for 1999. The decrease in net redemptions was attributable to an increase in new sales of our Discovery Classic annuity product.

1999 to 1998 Annual Comparison. Mutual fund proprietary and wrap-fee product assets under management increased $7.1 billion, or 11%, from December 31, 1998, primarily as a result of an increase in assets invested in wrap-fee products. Proprietary assets under management increased $1.8 billion, or 3%, from December 31, 1998. The increase came from market appreciation and amounts reinvested, as we experienced net mutual fund redemptions of $1.9 billion, including net money market fund redemptions of $812 million, for 1999. Redemptions, other than money market funds, increased $1.4 billion from $3.5 billion in 1998 to $4.9 billion in 1999. Wrap-fee product assets increased $5.3 billion, or 46%, from $11.5 billion at December 31, 1998 to $16.7 billion at December 31, 1999, as a result of net sales of our wrap-fee products, as well as market appreciation.

Our domestic Financial Advisors are the principal distribution channel for our retail mutual funds. In 1999 and 2000, we continued to experience turnover of our domestic Financial Advisors, including experienced Financial Advisors. In addition to the impact of this turnover, we believe that our historic focus on the value style of investment in our equity mutual funds, as well as the unfavorable performance of fixed income mutual funds, have adversely affected our sales of mutual funds and our growth and retention of assets under management in these products.

Total account values for variable and fixed annuities increased $2.5 billion, or 11%, from December 31, 1998. The increase came from market appreciation and interest credited on our variable annuity products, as we experienced net outflows of $270 million in 1999. This resulted primarily from an increase in redemptions consistent with the maturation of the business because a larger percentage of the business is no longer subject to surrender charges. We also experienced a decline in sales of annuities, which were affected by the lower number of Prudential Agents in 1999, our primary distribution channel for annuities.

We experienced net outflows of $5 million for variable annuities during 1999, versus net sales of $736 million for 1998 consistent with the increase in surrenders and withdrawals noted above. In an effort to increase our retention of annuity business, we commenced a program in 1997 to offer clients who had either fixed or variable annuities with us for which the surrender period had ended or was close to ending, the option to exchange their current contract for a Discovery Select variable annuity. Our withdrawals of variable and fixed annuities include exchanges of $1.4 billion in 1999 and $1.0 billion in 1998.

We experienced net outflows in our fixed annuities of $265 million in 1999 and $519 million in 1998, continuing a trend of the past several years, which reflects the exchange program as well as the low interest rate environment and the desire of investors to move to equity investments with perceived higher returns. However, surrenders, withdrawals and exchanges for 1999 decreased to $425 million, from $575 million for 1998.

Property and Casualty Insurance

Operating Results

The following table sets forth the Property and Casualty Insurance segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues(1)	$ 1,840	$ 1,747	$ 1,812
Benefits and expenses	1,690	1,595	1,501
Adjusted operating income	$ 150	$ 152	$ 311

</TABLE>

(1) Revenues exclude realized investment gains, net of losses.

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income was essentially unchanged from 1999 to 2000. Results in 2000 reflect an $80 million recovery from a stop-loss reinsurance contract based on current accident-year results during that year and a $15 million greater benefit from prior accident year development. We released reserves of $165 million in 2000 and $150 million in 1999 because our automobile casualty claims experience for prior accident years was more favorable than we previously estimated in establishing reserves for these accident years. However, these favorable developments were largely offset by a $93 million increase in operating expenses, other than expenses of the specialty automobile business we acquired in 2000 as discussed below. The increase in operating expenses was primarily due to increases in expenses to expand our distribution capabilities in direct, affinity group, property and casualty agent and independent agent channels, and a provision for refunds or credits to certain New Jersey automobile policyholders under insurance regulations based on profits generated from that business.

In May 2000, we completed the acquisition of the specialty automobile business of the St. Paul Companies, which writes in the non-standard automobile insurance segment. While, as discussed under "--Revenues" below, this acquisition had an effect on the comparison of revenues for 2000 to 1999, it did not have a material impact on adjusted operating income.

Commencing in 1996, we made a number of improvements in our underwriting practices and instituted several claims management initiatives, such as early contact and settlement programs, reduced settlement authority for casualty field adjusters, increased field training and stronger fraud detection programs. We believe these developments, as well as industry factors such as tort reforms and a stronger economy, favorably affected our loss experience relative to the historical loss development patterns we used to establish reserves in prior years. Nevertheless, while the factors discussed above have led to the favorable reserve development for prior years, accident year combined ratios as defined below did not improve from 1998 through 2000, primarily due to increases in the overall expense ratio which reflected our expenses to expand distribution channels and the impact of a prolonged period of intense price competition.

1999 to 1998 Annual Comparison. Adjusted operating income decreased $159 million, or 51%, from 1998 to 1999. Results in 1999 reflect favorable prior accident year reserve development of $150 million, and our 1998 results reflect similar favorable development of $245 million.

The decrease in adjusted operating income in 1999 resulted primarily from the $95 million lower benefit from prior accident year reserve development compared to 1998, a $64 million increase in operating expenses, which included expenses to expand our distribution channels as mentioned above, a $26 million reduction in investment income and the negative impact of greater claim severity on our loss experience for 1999 that was partially offset by an improvement in claim frequency. A $107 million reduction in our ceded premiums for reinsurance, from $168 million in 1998 to $61 million in 1999, partially offset the impact of those variances. Approximately $79 million of the reduction in ceded premiums came from stop-loss reinsurance and supplemental catastrophe covers, reflecting more favorable pricing in 1999 compared to 1998. The remainder of the reduction came primarily from the expiration of a quota-share reinsurance agreement, a return of hurricane fund premium and lower assessments from reinsurance pools.

Revenues

The following table sets forth the Property and Casualty Insurance segment's earned premiums, which are net of reinsurance ceded, for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Automobile	$ 1,193	$ 1,069	$ 1,119
Homeowners	413	447	431
Other	33	32	31
Total earned premiums	$ 1,639	$ 1,548	$ 1,581

</TABLE>

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $93 million, or 5%, from 1999 to 2000. Total revenues of $1.840 billion for 2000 include revenues of $178 million from the subsidiary we acquired in May 2000 that specializes in non-standard automobile business. Excluding the impact on revenues from this newly-acquired subsidiary, revenues declined by $85 million, or 5%, from $1.747 billion in 1999 to $1.662 billion in 2000, due principally to a $77 million decrease in earned premiums on our existing automobile and homeowners business. The $77 million decline in earned premiums resulted in part from a $30 million increase in reinsurance premiums ceded due to our purchase of additional reinsurance coverage in 2000.

Total earned premiums, as shown in the immediately preceding table, increased by $91 million, or 6%, from 1999 to 2000. Excluding the impact on earned premiums from the acquisition noted above, earned premiums declined $77 million, or 5%, from $1.548 billion in 1999 to $1.471 billion in 2000, continuing the decline that we have experienced over the past several years.

Automobile earned premiums increased $124 million, or 12%, from 1999 to 2000. Excluding the impact of the acquisition mentioned above, automobile earned premiums declined by $44 million, or 4%, from $1.069 billion in 1999 to $1.025 billion in 2000 primarily as a result of a decline in average premium, due in part to the continued phase-in of a 15% rate reduction for New Jersey policyholders mandated by New Jersey law that came into effect in March 1999. As of December 31, 2000, this premium reduction has been entirely reflected in our earned premiums. Our policies in force from our existing automobile business, excluding the newly acquired subsidiary, increased 2% at December 31, 2000 from a year earlier. The increase reflected improved persistency in 2000 as compared to 1999 as well as an increase in new policies sold, representing an improvement from prior year declines.

Homeowners earned premiums decreased $34 million, or 8%, from 1999 to 2000. Excluding the impact of reinsurance premiums ceded, which increased in 2000 from 1999, homeowners earned premiums were flat as the number of policies in force was relatively unchanged. This stabilization of our policies in force represents an improvement compared to the declines in prior years, which reflected intense rate competition that attracted customers to other companies. The improvement came from better persistency in 2000 and an increase in new policies sold.

Net investment income was $193 million for 2000, relatively unchanged from $197 million in 1999.

1999 to 1998 Annual Comparison. Revenues decreased $65 million, or 4%, from 1998 to 1999. Revenues were adversely affected by a decline in earned premiums of $33 million, or 2%. Revenues are net of reinsurance premiums ceded of $61 million in 1999 and $168 million in 1998.

Automobile earned premiums decreased $50 million, or 4%, from 1998 to 1999. Excluding the impact of reinsurance premiums ceded, which declined in 1999, automobile earned premiums declined $118 million, or 11%. Ceded premiums were lower primarily due to more favorable pricing for reinsurance coverage in 1999. The automobile earned premium decline resulted from a 6% decrease in the number of policies in force and a decline in average premiums due in part to price competition. The decline in average premiums also partially resulted from the mandated 15% premium reduction for New Jersey policyholders described above. We estimate that this required premium reduction lowered our earned premiums by about $24 million for 1999.

Homeowners earned premiums increased $16 million, or 4%, in 1999. Excluding the impact of reinsurance premiums ceded, which declined in 1999, homeowners earned premiums declined $16 million, or 3%, reflecting a 4% decrease in policies in force primarily due to price competition. Ceded premiums were lower due to more favorable pricing for reinsurance coverage in 1999 as well as a reduction in reinsurance premiums resulting from the expiration of a reinsurance agreement and a return of hurricane fund premium.

Revenues were also adversely affected by a decline in net investment income of $26 million, or 12%, from $223 million in 1998 to $197 million in 1999, reflecting a decline in the amount of invested assets due to the decline in business in force as well as a lower yield on investments in 1999.

Benefits and Expenses

The following table shows our calendar year loss, expense and combined ratios, the impact on these calendar year ratios of catastrophic losses and our accident year combined ratios based on loss experience for the periods indicated (all based on statutory accounting principles).

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Loss ratio(1):			
Automobile	62.0%	71.1%	66.1%
Homeowners	72.4	70.7	69.8
Overall	64.3	71.1	67.7
Expense ratio(2):			
Automobile	37.3	30.5	26.1
Homeowners	45.3	39.1	34.2
Overall	39.2	33.1	28.7
Combined ratio(3):			
Automobile	99.3	101.6	92.2
Homeowners	117.7	109.8	104.0
Overall	103.5	104.2	96.4
Effect of catastrophic losses included in combined ratio(4):	2.6	3.3	3.9
Accident year combined ratio(5):	113.1	110.6	107.1

</TABLE>

- --------

(1) Represents ratio of incurred losses and loss adjustment expenses to earned premium. Ratios reflect the favorable development in the calendar period from prior accident year reserves of $165 million in the year ended December 31, 2000, $150 million in 1999 and $245 million in 1998 and, in 2000, the $80 million recovery from our stop-loss reinsurance contract noted above.
(2) Represents ratio of operating expenses to net written premium.
(3) Represents the sum of (1) and (2).
(4) Represents losses and loss adjustment expenses attributable to catastrophes that are included in the combined ratio. We classify as catastrophes those events that are declared catastrophes by Property Claims Services, which is an industry organization that declares and tracks all property-related catastrophes causing insured property damage in the United States. Property Claims Services declares an event a catastrophe if it causes in excess of a specified dollar amount of insured property damage, which was $25 million throughout the periods presented, and affects a significant number of policyholders and insurance companies.
(5) Accident year combined ratios for annual periods reflect the combined ratios for accidents that occur in the indicated calendar year, restated to reflect subsequent changes in loss estimates for those claims based on cumulative loss data through December 31, 2000. The ratio for the year ended December 31, 2000 reflects the $80 million recovery from our stop-

loss reinsurance contract noted above. We analyze accident year combined ratios because they reflect the actual loss experience of accidents that occur in a given period excluding the effect of accidents that occur in other periods.

2000 to 1999 Annual Comparison. Our automobile and total combined ratios, as shown in the table immediately above, improved in 2000 from 1999 primarily as a result of the $80 million recovery from a stop-loss reinsurance contract during 2000 and the $15 million greater benefit from prior accident year reserve development. The decrease in the automobile loss ratio came primarily from our recovery from a stop-loss reinsurance contract as noted above, and the greater benefit from release of prior accident year reserves in 2000 as well as our efforts to limit loss severity, partially offset by a slight increase in claim frequency. The increase in the homeowners' loss ratio primarily came from a 13% increase in claim severity, partially offset by a 9% decrease in claim frequency.

Our catastrophe losses, net of reinsurance, amounted to $45 million for 2000 compared to $51 million for 1999.

Losses that we ceded through reinsurance resulted in a decrease in the total combined ratio of 8.1% for 2000 and an increase of 2.6% for 1999. See "Business--U.S. Consumer Division--Property and Casualty Insurance--Catastrophe Exposure Risk Management Program and Reinsurance" for a description of the Property and Casualty Insurance segment's reinsurance program.

Our overall expense ratio for 2000 increased in comparison to 1999 mainly because of the impact of increased operating expenses as discussed above.

1999 to 1998 Annual Comparison. Our automobile and total combined ratios, as shown in the table immediately above, increased in 1999 from 1998 as a result of the lower benefit of $150 million from favorable development on prior accident year reserves in 1999 as compared to $245 million in 1998. The increase in the loss ratio for homeowners business came primarily from a 3% increase in claim severity, primarily from fire and extended coverage claims, partially offset by a 2% decrease in claim frequency.

Our catastrophe losses, net of reinsurance, amounted to $51 million for 1999 compared to $62 million for 1998.

Losses that we ceded through reinsurance resulted in an increase in the total combined ratio of 2.6% in 1999 and a reduction of 2.5% in 1998.

Our overall expense ratio for 1999 increased in comparison to 1998 principally because the decline in premiums earned was not accompanied by a commensurate decline in our overhead and other fixed expenses, and because of the impact of increased operating expenses to expand our distribution channels.

The increase in the accident year combined ratio was principally driven by these increases in the overall expense ratio.

Employee Benefits Division

The Employee Benefits division generates income from premiums, as well as fee-based revenues and spread income, through the Group Insurance and Other Employee Benefits segments. Premiums and investment income from group life and disability insurance, as well as fee-based revenues from products like group variable universal life insurance, are the primary sources of revenues for the Group Insurance segment. The Other Employee Benefits segment also receives premiums and investment income, as well as fee-based revenues. Products and services for defined contribution and defined benefit retirement plans, as well as real estate and relocation services, generate the major portion of the Other Employee Benefits segment's fee-based revenues. We include these fee-based revenues in the line captioned "commissions and other income" or "policy charges and fee income" in our consolidated statement of operations.

We seek to earn spread income in our general account on various products, which is the difference between our return on the investments supporting the products net of expenses and the amounts we credit to our contractholders. These products primarily include the general account insurance group life and disability products of the Group Insurance segment as well as guaranteed investment contracts and certain group annuity products of the Other Employee Benefits segment. We include revenues from these products, other than premiums received from policyholders, primarily in the line captioned "net investment income" in our consolidated statement of operations.

The Group Insurance and Other Employee Benefits segments pay the expenses of their own proprietary sales forces for distribution of products, and pay the Individual Life Insurance and Private Client Group segments within the U.S. Consumer division for distribution of their products through Prudential Agents

Advisors. These segments also pay our Investment Management and Advisory Services segment for management of proprietary assets. These fees result in expenses to the segments of the Employee Benefits division and revenues to the Asset Management division. We reflect all of the intra-company services at rates that we determined with reference to market rates. The Other Employee Benefits segment also pays third-party managers for management of non-proprietary assets that support some of its defined contribution retirement products.

Division Results

The following table and discussion present the Employee Benefits division's results based on our definition of "adjusted operating income," which is a non-GAAP measure, as well as income from continuing operations before income taxes, which is prepared in accordance with GAAP. As shown below, adjusted operating income excludes realized investment gains, net of losses and related charges. The excluded items are important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for income from continuing operations determined in accordance with GAAP, and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses. We exclude realized investment gains, net of losses and related charges, from adjusted operating income because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our business.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Division operating results:			
Revenues(1)	$ 5,686	$ 5,442	$ 5,463
Benefits and expenses(2)	5,299	5,042	5,023
Adjusted operating income	$ 387	$ 400	$ 440
Adjusted operating income by segment:			
Group Insurance	$ 158	$ 128	$ 98
Other Employee Benefits	229	272	342
Total	387	400	440
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains (losses), net	(87)	228	718
Related charges(3)	(31)	(143)	(222)
Total realized investment gains, net of losses and related charges	(118)	85	496
Income from continuing operations before income taxes	$ 269	$ 485	$ 936

</TABLE>

(1) Revenues exclude realized investment gains, net of losses.
(2) Benefits and expenses exclude the impact of net realized investment gains on reserves and deferred acquisition cost amortization.
(3) Related charges consist of the following:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Reserves for future policy benefits	$ (32)	$ (147)	$ (218)
Amortization of deferred policy acquisition costs	1	4	(4)

Total	$ (31)	$ (143)	$ (222)

</TABLE>

2000 to 1999 Annual Comparison. Adjusted operating income of our Employee Benefits division decreased $13 million, or 3%, from 1999 to 2000 as a result of a $43 million decrease in adjusted operating income from our Other Employee Benefits segment which was partially offset by a $30 million increase from our Group Insurance segment. Income from continuing operations before income taxes decreased $216 million, from $485 million in 1999 to $269 million in 2000. This decline resulted primarily from realized investment losses, net of related charges, of $118 million in 2000 compared to realized investment gains, net of related charges, of $85 million in 1999. For a discussion of realized investment gains and losses and charges related to realized investment gains and losses, see "--Consolidated Results of Operations--Realized Investment Gains".

1999 to 1998 Annual Comparison. Adjusted operating income of our Employee Benefits division decreased $40 million, or 9%, from 1998 to 1999, as a $70 million decrease in adjusted operating income from our Other Employee Benefits segment was partially offset by improved results from our Group Insurance segment. Income from continuing operations before income taxes decreased by $451 million, or 48%, from 1998 to 1999. This decrease resulted primarily from a $411 million decline in realized investment gains, net of losses and related charges.

Group Insurance

Operating Results

The following table sets forth the Group Insurance segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues(1)	$ 2,801	$ 2,428	$ 2,205
Benefits and expenses	2,643	2,300	2,107
Adjusted operating income	$ 158	$ 128	$ 98

</TABLE>

- --------

(1) Revenues exclude realized investment gains, net of losses.

Adjusted Operating Income

2000 to 1999 Annual Comparison Adjusted operating income increased $30 million, or 23%, from 1999 to 2000. Approximately half of the increase came from growth in earned premiums on both group life and disability products, reflecting increased sales and strong persistency, as well as improved mortality and morbidity on group life and disability products in 2000. Adjusted operating income benefited $32 million in 2000 from refinements in our calculations of reserves and return premiums for waiver of premium features. However, about half of this benefit was offset during 2000, primarily by a charge to increase the allowance for receivables.

1999 to 1998 Annual Comparison. Adjusted operating income increased $30 million, or 31%, from 1998 to 1999. We experienced growth in earned premiums on both group life and disability products, accompanied by improved mortality and morbidity experience during 1999. As discussed below, the growth in earned premiums reflected increased sales of both life and disability products as well as strong persistency. However, increased operating expenses of $54 million partially offset these developments. Expenses in 1998 included a charge of $18 million to establish a reserve to settle certain liabilities and a charge of $12 million to increase reserves for disability as discussed below under "--Benefits and Expenses".

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased by $373 million, or 15%, from 1999 to 2000. Group life insurance premiums increased by $189 million, or 13%, to $1.655 billion primarily due to growth in business in force resulting from new sales, which increased in 2000. Persistency increased from 94% in 1999 to 95% in

2000. Group disability premiums, which include long-term care products, increased by $71 million, or 18%, also reflecting the growth in business in force resulting from new sales, which increased in 2000. Persistency increased from 88% in 1999 to 90% in 2000. The remainder of the increase in revenues came primarily from higher fees on products sold to employers for funding of employee benefit programs and retirement arrangements, reflecting growth of this business in 2000. Net investment income was $485 million in 2000, relatively unchanged from $470 million in 1999.

1999 to 1998 Annual Comparison. Revenues increased by $223 million, or 10%, from 1998 to 1999. Group life premiums increased by $126 million, or 9%, to $1.466 billion primarily due to new sales in 1999. Persistency declined slightly from 97% for 1998 to 94% for 1999. Group disability premiums increased by $35 million, or 10%, also reflecting increased new sales in 1999. Persistency declined slightly from 90% in 1998 to 88% for 1999. Net investment income increased $29 million, or 7%, from $441 million in 1998 to $470 million in 1999, which is largely offset by corresponding expense charges for interest credited.

Benefits and Expenses

The following table sets forth the Group Insurance segment's benefits and administrative operating expense ratios for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Benefits ratio(1):			
Group life	85.8%	88.3%	89.9%
Group disability	101.9	102.7	109.6
Administrative operating expense ratio(2):			
Group life	11.6	11.4	10.9
Group disability	21.0	23.5	21.2

</TABLE>

- --------

(1) Ratio of policyholder benefits to earned premiums, policy charges and fee income. Group disability ratios include long-term care products.
(2) Ratio of administrative operating expenses (excluding commissions) to gross premiums, policy charges and fee income.

2000 to 1999 Annual Comparison. Benefits and expenses, as shown in the table above under "--Operating Results", increased by $343 million, or 15%, from 1999 to 2000. This increase includes the changes in reserves from the refinements in reserve calculations noted above, which reduced our expenses by $54 million in 2000. Excluding this change, total benefits and expenses increased $397 million, or 17%. The increase resulted in large part from an increase of $337 million, or 19%, in policyholders' benefits, including the change in policy reserves. This increase reflected the growth in business in force, partially offset by the impact of improved mortality and morbidity experience on group life and disability products in 2000. An increase of $47 million, or 13%, in operating expenses also contributed to the increase in benefits and expenses. The increase in operating expenses, from $354 million in 1999 to $401 million in 2000, resulted primarily from the sales-based compensation costs related to the increase in sales of our group life and group disability products, and volume related costs to administer the increased business in force.

The group life benefits ratio for 2000 improved by 2.5 percentage points from 1999 primarily as a result of improved mortality experience. The group disability benefits ratio improved by 0.8 percentage points from 1999 to 2000 reflecting better morbidity experience, which we attribute to our ongoing efforts to improve the quality of our underwriting and claims management processes. The group life administrative operating expense ratio was relatively unchanged, while the group disability insurance administrative operating expense ratio improved 2.5 percentage points, reflecting the impact of our efforts to improve operational efficiencies.

1999 to 1998 Annual Comparison. Benefits and expenses increased $193 million, or 9%, from 1998 to 1999. The increase resulted in large part from an increase of $109 million, or 7%, in policyholders' benefits, including policy reserves. This increase reflected the growth in business in force, partially offset by the impact of a reserve increase of $12 million in 1998 that did not recur in 1999 as a result of longer life expectancies of disabled insureds due to medical advances in the treatment of AIDS, as well as improved mortality and morbidity experience in 1999. Interest credited to policyholders increased $29 million, or 18%, corresponding to the increase in investment income referred to above. The increase also resulted from an increase of $55 million, or 18%, in operating expenses.

The increase in operating expenses, from $299 million in 1998 to $354 million in 1999, reflected the costs to administer the increased business in force as well as our continued investment in processes and technologies to support actual and intended growth in business, partially offset by the impact of a charge of $18 million in 1998 to establish a reserve to settle liabilities in connection with certain contracts. The investments in processes and technologies relate in part to our need to develop autonomous administrative systems to replace support previously shared with our healthcare business that we sold in August 1999.

The group life benefits ratio improved by 1.6 percentage points from 1998 to 1999 due to better mortality experience. The group disability benefits ratio improved by 6.9 percentage points, with about half of the improvement related to the 1998 reserve increase for longer life expectancies as discussed above. The remainder of this improvement came from better morbidity experience. However, our group disability benefits ratio continued to remain high primarily due to the continuing effect of long-term disability claims we incurred from business we wrote in the early and mid-1990s, largely in the healthcare, legal and securities industries. We believe our experience parallels the industry's experience during this period. Also, as a result of an increase in

administrative operating expenses, the administrative operating expense ratios for both group life and disability insurance increased in 1999.

Sales Results

The following table sets forth the Group Insurance segment's new annualized premiums for the periods indicated. In managing our group insurance business, we analyze new annualized premiums, which do not correspond to revenues under GAAP, as well as revenues, because new annualized premiums measure the current sales performance of the business unit, while revenues reflect the renewal persistency and aging of in force policies written in prior years and net investment income in addition to current sales.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
New annualized premiums:			
Group life(1)	$ 321	$ 262	$ 245
Group disability(2)	162	105	86
Total	$ 483	$ 367	$ 331

</TABLE>

(1) Amounts do not include excess premiums, which are premiums that build cash value but do not purchase face amounts of group universal life insurance.
(2) Includes long-term care products.

2000 to 1999 Annual Comparison. Total new annualized premiums increased $116 million, or 32%, from 1999 to 2000, with increases of $59 million in group life sales and $57 million in group disability sales. Sales for 1999 benefited from annualized premiums of $40 million from one sale. We believe the sales increase reflected improved competitiveness of our products as well as sales opportunities resulting from the well-publicized financial difficulties of a competitor.

1999 to 1998 Annual Comparison. Total new annualized premiums increased $36 million, or 11%, from 1998 to 1999. An increase in sales to new customers, including $40 million from one sale, reflecting an expansion of the dedicated Group Insurance sales force and greater productivity as well as availability of a new disability contract that was approved for sale by regulators in 1999, more than offset a lower level of additional sales to existing group life customers.

Other Employee Benefits

Operating Results

The following table sets forth the Other Employee Benefits segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998

	(in millions)		
Operating results:			
Revenues(1)	$ 2,885	$ 3,014	$ 3,258
Benefits and expenses(2)	2,656	2,742	2,916
Adjusted operating income	$ 229	$ 272	$ 342

</TABLE>

(1) Revenues exclude realized investment gains, net of losses.
(2) Benefits and expenses exclude the impact of net realized investment gains on reserves and deferred acquisition cost amortization.

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income decreased $43 million, or 16%, from 1999 to 2000. Adjusted operating income benefited $64 million in 2000 and $54 million in 1999 primarily from refinements in our annuity reserves. Excluding these changes, adjusted operating income decreased $53 million, or 24%, from $218 million in 1999 to $165 million in 2000. The $53 million decrease came primarily from a $45 million decline in adjusted operating income from our guaranteed products business. Results from this business were negatively affected by a $56 million charge we recorded in 2000 to increase our reserves for

structured settlement products as a result of our restructuring of the investment portfolio supporting these products to reduce the emphasis on equity investments. We recorded charges of $26 million in 2000 and $37 million in 1999 to establish reserves for guaranteed benefits on several separate account contracts. Results from this business continue to be affected by the scheduled runoff of our general account GIC business that we have experienced over the past several years. We expect to continue to have low sales of general account GICs, unless and until our ratings improve. Losses from our full service defined contribution business were $42 million in 2000, relatively unchanged from $39 million in 1999.

1999 to 1998 Annual Comparison. Adjusted operating income declined by $70 million, or 20%, in 1999 from 1998. Adjusted operating income benefited $54 million in 1999 and $46 million in 1998 primarily from refinements in our calculation of annuity reserves. Excluding these changes, adjusted operating income declined by $78 million, or 26%, from $296 million in 1998 to $218 million in 1999. The decrease reflected a decline of $115 million in adjusted operating income from our guaranteed products business, which was negatively affected by a $37 million charge in 1999 to establish reserves for guaranteed benefits on several separate account contracts. The remainder of the decrease reflects the continuing scheduled runoff of our general account GIC business as noted above and a decline in mortgage prepayment fees received in 1999. The decrease in adjusted operating income from our guaranteed products business was partially offset by a $23 million decrease in losses from our full service defined contribution business, reflecting higher asset and participant-based fee revenues as a result of the growth of our full service defined contribution business and a reduced level of cost per participant. The results of our defined contribution business include commissions and selling costs that, for sales of products for which we are not reimbursed for these costs by future distribution fees and contingent deferred sales charges, we charge immediately to expense under GAAP (rather than capitalizing and recognizing over time) resulting in a loss in the year of sale.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", decreased $129 million, or 4%, from 1999 to 2000. Net investment income decreased $128 million, or 5%, from $2.460 billion in 1999 to $2.332 billion in 2000. The majority of this decline relates to the continued runoff of our general account GIC business. We expect this business to continue to runoff. Fee-based revenue in 2000 was approximately equal to 1999, as the impact on 1999 revenues from $16 million in fees we earned in connection with our participation in the rehabilitation of another life insurance company was essentially offset by higher fee-based revenues resulting from growth in our full service defined contribution and real estate and relocation businesses in 2000.

1999 to 1998 Annual Comparison. Revenues decreased $244 million, or 7%, from 1998 to 1999. Net investment income decreased $270 million, or 10%, from $2.730 billion in 1998 to $2.460 billion in 1999. The majority of this decline relates to the runoff of our general account GIC business. The decline in investment income also reflects a decline in mortgage prepayment fees received in 1999. Fee-based revenue increased $17 million, or 4%, from $457 million in 1998 to $474 million in 1999, primarily as a result of growth of our full service defined contribution business.

Benefits and Expenses

2000 to 1999 Annual Comparison. Benefits and expenses, as shown in the table above under "--Operating Results", decreased $86 million, or 3%, from 1999 to 2000. Interest credited to policyholders declined from $1.086 billion in 1999 to $1.024 billion in 2000, primarily as a result of the runoff of our general account GIC business as noted above. This decrease was essentially offset by the $56 million charge we recorded in 2000 to increase our reserves for structured settlement products. The remainder of the decrease came primarily from a decrease in policyholders' benefits, including the change in policy reserves, reflecting our maturing block of group annuity business.

1999 to 1998 Annual Comparison. Benefits and expenses decreased $174 million, or 6%, from 1998 to 1999. This decrease includes the changes in reserves from refinements in the reserve calculations for our annuity business as noted above, which reduced our expenses by $54 million in 1999 and $32 million in 1998. Excluding these changes, the decrease in total benefits and expenses was $152 million, or 5%. Interest credited to policyholders decreased $168 million, reflecting the attrition of our general account GIC business and a reduction in credited rates for a majority of our fixed rate defined contribution business. A $37 million charge in 1999 to establish reserves for guaranteed benefits on several separate account contracts partially offset this decrease.

Sales Results and Assets Under Management

The following table shows the changes in the account values and net sales of Other Employee Benefits segment products for the periods indicated. Net sales are total sales minus withdrawals or withdrawals and benefits, as applicable. As noted above under "--U.S. Consumer Division--Retail Investments--Sales Results and Assets Under Management", neither sales nor net sales are revenues under GAAP.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Defined Contribution:			
Beginning total account value	$25,788	$21,527	$17,737
Sales	5,439	4,736	4,939
Withdrawals	(3,937)	(3,287)	(2,585)
Change in market value and interest credited	(1,244)	2,812	1,436
Ending total account value	$26,046	$25,788	$21,527
Net sales	$ 1,502	$ 1,449	$ 2,354
Guaranteed Products(1):			
Beginning total account value	$41,757	$45,560	$47,723
Sales	2,024	1,951	2,511
Withdrawals and benefits	(5,279)	(7,244)	(9,487)
Change in market value and interest income	2,997	2,070	4,020
Other(2)	78	(580)	793
Ending total account value	$41,577	$41,757	$45,560
Net sales	$(3,255)	$(5,293)	$(6,976)

</TABLE>

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(1) Prudential's retirement plan accounted for 27% of sales for the year ended December 31, 2000, 28% for 1999 and 25% for 1998. Ending total account value includes assets of Prudential's retirement plan of $8.2 billion at December 31, 2000, $8.2 billion at December 31, 1999 and $7.8 billion at December 31, 1998.

(2) Changes in asset balances for externally managed accounts.

2000 to 1999 Annual Comparison. Assets under management in our full service defined contribution business were relatively unchanged at December 31, 2000 from a year earlier. Net sales benefited from increased participant contributions, reflecting an increased participant base. However, the $1.5 billion net sales in 2000 were largely offset by negative changes in market value of $1.2 billion resulting from poor performance in the equity markets.

Assets under management for guaranteed products at December 31, 2000 were also relatively unchanged from a year earlier. Although assets related to our general account GIC business continued to decline, reflecting the scheduled runoff of that business, this decrease was largely offset by an increase in our separate account annuity assets resulting primarily from market

appreciation and interest income on fixed income investments. Withdrawals and benefits from guaranteed products for 2000 totaled $5.3 billion, $2.0 billion less than those of 1999, reflecting the declining volume of general account GIC contracts. Sales of guaranteed products increased $73 million over 1999, as an increase in separate account GICs and funding agreements more than offset a decline in traditional GICs.

As of December 31, 2000, our guaranteed products assets under management included $10.4 billion relating to non-participating group annuities and structured settlements that were sold predominantly in a high interest rate environment. Historically, we have actively managed the investment portfolios underlying these long-duration products to maximize economic value. This strategy has produced significant realized investment gains over the years; however, the reinvestment of sales proceeds in lower yielding assets has resulted in marginally profitable adjusted operating income on these products for the years ended December 31, 2000, 1999 and 1998. Commencing in the third quarter of 2000, we have initiated strategic actions including the sale of some of the investments underlying these products and reinvestment of the proceeds at a higher yield which, while resulting in realized investment losses, are intended to result in improved operating profitability in the future. There can be no assurance that these actions will result in improved overall profitability, however.

1999 to 1998 Annual Comparison. Assets under management in our full service defined contribution business amounted to $25.8 billion at December 31, 1999, an increase of $4.3 billion, or 20%, from December 31, 1998. The increase is primarily due to market appreciation and interest credited of $2.8 billion, primarily due

to market appreciation in equity funds, as well as net sales of $1.4 billion. Net sales in 1999 decreased by $905 million from 1998, reflecting the inclusion in 1998 results of a sale to one customer totaling $1.3 billion. Excluding the impact of this single sale in 1998, sales increased $1.1 billion, or 30%, in 1999 from 1998, which we believe reflects our offering of more competitive products. Net sales were also affected by a higher absolute level of withdrawals in 1999, although the rate of withdrawal compared to average assets under management was consistent with prior years.

Assets under management for guaranteed products decreased $3.8 billion, or 8%, from December 31, 1998. The decrease is primarily a result of a $1.7 billion decrease in separate account annuity assets, a $1.0 billion decrease in assets related to our general account GIC business and withdrawals from our synthetic and separate account GIC business. The decrease in separate account annuity assets came primarily from scheduled annuity benefits. The decrease in general account GIC assets reflected the continued scheduled runoff of that business. Withdrawals and benefits from guaranteed products for 1999 totaled $7.2 billion, $2.2 billion or 24% less than those of 1998, reflecting the declining volume of remaining general account GIC contracts. Sales of guaranteed products in 1999 were $560 million or 22% lower than 1998, primarily due to a decrease in sales of floating rate non-traditional GIC products.

International Division

The International division generates revenues from premiums and investment income through our International Insurance segment and from commissions, asset management fees and investment income from the international securities and futures brokerage and trading operations that comprise our International Securities and Investments segment. We include the asset management fees and commissions from these operations in the line captioned "commissions and other income" in our consolidated statement of operations.

The International Insurance and International Securities and Investments segments pay the expenses of their own proprietary sales forces, consisting of Life Planners and Financial Advisors, for distribution of products.

Our international operations conduct their business primarily in local currencies and, accordingly, fluctuations in foreign currency exchange rates, net of the impact of our hedging strategies, affect the profitability of these operations in our consolidated financial statements.

In addition, we must manage our risk in connection with principal transactions associated with the international and futures operations of the International Securities and Investments segment. The liquidity of markets and transactional volume, the level and volatility of interest rates, security and currency valuations, competitive conditions and other factors also affect our revenues and profitability. See "--Overview--Profitability".

Division Results

The following table and discussion present the International division's results based on our definition of "adjusted operating income," which is a non-GAAP measure, as well as income from continuing operations before income

taxes, which is prepared in accordance with GAAP. As shown below, adjusted operating income excludes realized investment gains, net of losses. The excluded item is important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for income from continuing operations determined in accordance with GAAP, and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses. We exclude realized investment gains, net of losses, from adjusted operating income because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our businesses.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Division operating results:			
Revenues(1)	$ 2,624	$ 2,102	$ 1,622
Benefits and expenses	2,302	1,869	1,465
Adjusted operating income	$ 322	$ 233	$ 157
Adjusted operating income by segment:			
International Insurance	$ 296	$ 218	$ 144
International Securities and Investments	26	15	13
Total	322	233	157
Item excluded from adjusted operating income:			
Realized investment gains, net of losses	(15)	9	9
Income from continuing operations before income taxes	$ 307	$ 242	$ 166

</TABLE>

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(1) Revenues exclude realized investment gains, net of losses.

2000 to 1999 Annual Comparison. Adjusted operating income of our International division increased $89 million, or 38%, in 2000 from 1999 due to increases in both segments in the division. Income from continuing operations before income taxes increased $65 million, or 27%, in 2000 from 1999. The increase came from the $89 million increase in adjusted operating income, which was partially offset by a $24 million decrease in realized investment gains, net of losses. For a discussion of realized investment gains and losses, see "--Consolidated Results of Operations--Realized Investment Gains".

1999 to 1998 Annual Comparison. Adjusted operating income of our International division increased $76 million, or 48%, from 1998 to 1999. The increase came primarily from an increase in adjusted operating income of $74 million from our International Insurance segment. Income from continuing operations before income taxes increased by $76 million, or 46%, from 1998 to 1999 as a result of the increase in adjusted operating income.

International Insurance

Our international insurance operations are subject to currency fluctuations that can materially impact the U.S. dollar results of our international insurance operations from period to period even if results on a local currency basis are relatively constant. Exchange rates fluctuated significantly in 1998, 1999 and 2000. The financial results of our International Insurance segment reflect the impact of our currency hedging strategies including internal hedges, whereby some currency fluctuation exposure is assumed in our Corporate and Other operations. Unless otherwise stated, we have translated all information in this section on the basis of exchange rates in accordance with GAAP. To achieve a better understanding of local operating performance, where indicated below, we analyze results both on the basis of GAAP translated results and on the basis of local results translated at a constant exchange rate. When we discuss constant exchange rate information below, we translated on the basis of the average exchange rates for the year ended December 31, 2000.

Operating Results

The following table sets forth the International Insurance segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues(1)	$ 1,920	$ 1,522	$ 1,090
Benefits and expenses	1,624	1,304	946
Adjusted operating income	$ 296	$ 218	$ 144

</TABLE>

- ---

(1) Revenues exclude realized investment gains, net of losses.

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income increased $78 million, or 36%, from 1999 to 2000. The increase resulted from continuing improved results from our Japanese insurance operations, from $240 million in 1999 to $315 million in 2000, which experienced continued growth in insurance in force due to strong persistency and new sales. Our operations in countries other than Japan resulted in operating losses of $19 million in 2000 and $22 million in 1999, as improved operating income from our Korean insurance operations was partially offset by increased costs associated with our expansion into additional countries. The segment's increase in adjusted operating income includes the favorable effect of year over year fluctuations in currency exchange rates as well as the impact of our hedging at expected exchange rates. On a constant exchange rate basis and excluding the impact of currency hedging, adjusted operating income increased $45 million, or 19%.

1999 to 1998 Annual Comparison. Adjusted operating income increased $74 million, or 51%, from 1998 to 1999. The increase resulted primarily from continuing improved results from our Japanese operations, from $161 million in 1998 to $240 million in 1999, which experienced continued growth in insurance in force due to increased sales and favorable persistency as well as improved mortality experience, partially offset by costs associated with expanding operations to other countries. Our operations in countries other than Japan resulted in operating losses of $22 million in 1999 and $17 million in 1998. The increase in these operating losses reflected higher costs associated with our expansion into additional countries. The segment's increase in adjusted operating income includes the favorable effect of year over year fluctuations in currency exchange rates as well as the impact of our hedging at expected exchange rates. On a constant exchange rate basis and excluding the impact of currency hedging, adjusted operating income increased $70 million, or 43%.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $398 million, or 26%, from 1999 to 2000. The growth in revenues came primarily from an increase in premium income of $335 million, from $1.345 billion in 1999 to $1.680 billion in 2000. Premiums from our Japanese operations increased $227 million, from $1.167 billion in 1999 to $1.394 billion in 2000, as a result of continued strong persistency and new sales, as well as the favorable impact of currency exchange fluctuations. Premiums in all other countries increased $108 million, from $178 million in 1999 to $286 million in 2000, primarily as a result of increased sales and strong persistency in Korea and Taiwan. Net investment income increased $30 million, from $99 million in 1999 to $129 million in 2000, as a result of the growth in invested assets related to the increase in our business in force. On a constant exchange rate basis and excluding the impact of currency hedging, revenues increased $306 million, or 19%, from 1999 to 2000.

1999 to 1998 Annual Comparison. Revenues increased $432 million, or 40%, from 1998 to 1999. The growth in revenues came primarily from an increase of $386 million, or 40%, in premium income, from $959 million in 1998 to $1.345 billion in 1999. Premiums in Japan increased $312 million, from $855 million in 1998 to $1.167 billion in 1999, as a result of growth in sales and continued strong persistency as well as the favorable impact of currency exchange fluctuations. Premiums in all other countries increased $74 million, from $104 million in 1998 to $178 million in 1999, primarily as a result of growth in business and new sales in Korea and Taiwan. Net investment income increased $34 million, from $65 million in 1998 to $99 million in 1999, as a result of the growth in invested assets related to the increase in our business in force. On a constant exchange rate basis and excluding the impact

of currency hedging, revenues increased $302 million, or 23%.

Benefits and Expenses

2000 to 1999 Annual Comparison. Benefits and expenses, as shown in the table above under "--Operating Results", increased $320 million, or 25%, from 1999 to 2000. The increase in benefits and expenses came primarily from an increase of $235 million in policyholders' benefits, which includes the change in reserves for future policy benefits. Policyholders' benefits increased from $1.032 billion in 1999 to $1.267 billion in 2000, primarily as a result of the greater volume of business in force, which was driven by new sales and continued strong persistency, as well as the aging of business in force in markets where our operations are more seasoned. The remaining increase in benefits and expenses of $85 million reflected the increase in administrative expenses associated with the greater volume of business in force and increased expenses related to opening additional agencies in existing markets and expansion into new markets. On a constant exchange rate basis, benefits and expenses increased $261 million, or 19%.

1999 to 1998 Annual Comparison. Benefits and expenses increased $358 million, or 38%, from 1998 to 1999. The increase in benefits and expenses came primarily from an increase of $287 million in policyholders' benefits, which includes the change in reserves for future policy benefits. Policyholders' benefits increased from $745 million in 1998 to $1.032 billion in 1999 primarily as a result of the greater volume of business in force. The remaining increase came primarily from administrative expenses associated with the growth of business in force and expenses related to our expansion into additional countries. On a constant exchange rate basis, benefits and expenses increased $233 million, or 21%.

Sales Results

In managing our international insurance business, we analyze new annualized premiums, which do not correspond to revenues under GAAP, as well as revenues, because new annualized premiums measure the current sales performance of the business unit, while revenues reflect the renewal persistency and aging of in force policies written in prior years and net investment income in addition to current sales.

2000 to 1999 Annual Comparison. New annualized premiums increased $111 million, or 28%, from $398 million in 1999 to $509 million in 2000, including the favorable impact of currency exchange fluctuations. On a constant exchange rate basis, new annualized premiums increased $93 million, or 22%. For all countries other than Japan, on a constant exchange rate basis, new annualized premiums increased $51 million, or 52%, with $44 million of the increase coming from our operations in Korea and Taiwan. The increase in countries other than Japan reflects an increase in the number of Life Planners, from 1,203 at December 31, 1999 to 1,684 at December 31, 2000, which we attribute to our recruitment program and retention of existing Life Planners. New annualized premiums in Japan, on a constant exchange rate basis, increased $42 million, or 13%, reflecting an increase in the number of Life Planners from 1,681 at December 31, 1999 to 1,811 at December 31, 2000. As discussed below under "--Investment Margins and Other Profitability Factors", in April 1999 Japanese regulators approved a reduction in the required interest rates for most of the products we sell due to the low interest rate environment in that country. We believe that customer purchases of life insurance in 1999 in anticipation of this change before it was implemented benefited 1999 sales, partially offsetting the impact of additional Life Planners in 2000.

1999 to 1998 Annual Comparison. New annualized premiums increased $128 million, or 47%, from $270 million in 1998 to $398 million in 1999, including the favorable impact of currency exchange fluctuations. On a constant exchange rate basis, new annualized premiums increased $92 million, or 28%. In Japan, new annualized premiums on a constant exchange rate basis increased $47 million, or 17%, from 1998 to 1999. For all other countries combined, also on a constant exchange rate basis, new annualized premiums increased $45 million, or 83%, with $33 million of the increase from our operations in Korea. These increases are primarily a result of new business generated by increased numbers of Life Planners.

Investment Margins and Other Profitability Factors

Many of our insurance products sold in international markets provide for the buildup of cash values for the policyholder at mandated guaranteed interest rates. The spread between the actual investment returns and these guaranteed rates of return to the policyholder is an element of the profit or loss that we will experience on these products. Interest rates guaranteed in our Japanese insurance contracts are regulated by Japanese authorities. Between July 1, 1996 and April 1, 1999, we credited an interest rate of 3.1% on most of the products we sell even though the yield on Japanese government and high-quality corporate bonds was less than that much of this time. This resulted in some negative investment spreads over this period. As a consequence, our profitability with respect to these products in Japan during that period

resulted primarily from margins on mortality charges and expenses. In response to the low interest rate environment, Japanese regulators approved a reduction in the required rates for most of the products we sell to 2.35% in April of 1999, which has allowed us to charge higher premiums on new business for the same amount of insurance. While this has also resulted in an improvement in investment spreads, the profitability of these products in Japan continues to result primarily from margins on mortality charges and expenses.

We base premiums and cash values in the countries in which we operate on mandated mortality tables. Our mortality experience in the International Insurance segment on an overall basis for the years ended December 31, 2000, 1999 and 1998 was well within our pricing assumptions and below the guaranteed levels reflected in the premiums we charge.

International Securities and Investments

Operating Results

The following table sets forth the International Securities and Investments segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues	$ 704	$ 580	$ 532
Expenses	678	565	519
Adjusted operating income	$ 26	$ 15	$ 13

</TABLE>

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income increased $11 million from 1999 to 2000. Adjusted operating income from our international securities operations, including our futures operations, increased $30 million in 2000 from 1999, including a $21 million gain in 2000 from our interest in the conversion of London Stock Exchange and Hong Kong Stock and Futures Exchange seats into listed shares and trading rights. Our international securities operations benefited from continued active U.S. equity markets, particularly during the early part of 2000. An $11 million decline in adjusted operating income from our futures operations due to reduced volatility in the global commodity and foreign exchange markets in 2000 was a partial offset. Losses from our international investments operations increased $19 million, from $32 million in 1999 to $51 million in 2000, reflecting increased expenses from the expansion of this developing business.

1999 to 1998 Annual Comparison. Adjusted operating income was essentially unchanged in 1999 from 1998. Adjusted operating income from our international securities operations, including our futures operations, increased $26 million in 1999 from 1998. Our international securities operations benefited from active U.S. equity markets, and 1998 results for these operations include a loss of $28 million from the sale and final closure of our Australian securities operations. A $26 million decline in adjusted operating income from our futures operations, resulting primarily from the introduction of the Euro which decreased activity in the global foreign exchange markets in 1999, was a partial offset. Losses from our international investments operations increased $24 million, from $8 million in 1998 to $32 million in 1999, reflecting increased expenses from the expansion of this developing business.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $124 million, or 21%, from 1999 to 2000. The increase came primarily from a $106 million increase in revenues from our international securities operations, which include our futures operations. The increase reflected higher commission revenues associated with increased transaction volume, primarily due to active U.S. equity markets particularly during the early part of 2000, higher fee revenues from a London-based broker and asset manager that we acquired in 1999, and the $21 million gain from our interest in the conversion of Exchange seats as noted above. The increase in revenues also reflects an increase in the number of international Financial Advisors to 620 at December 31, 2000 from 577 a year earlier. The remainder of the increase in revenues came from our international investments operations, reflecting their expansion as noted above.

1999 to 1998 Annual Comparison. Revenues increased $48 million, or 9%, from 1998 to 1999. Revenues for 1998 include $21 million related to the Australian securities operations, which were closed in the fourth quarter of 1998. Excluding the impact of 1998 revenues of the Australian securities operations, revenues increased by $69 million, or 14%, from $511 million in 1998 to $580 million in 1999. This increase was primarily driven by an $84 million increase in revenues from the remaining international securities operations, reflecting increased transaction volume primarily associated with active U.S. equity markets, and growth in assets under management and client assets of approximately $9 billion which included nearly $4 billion of assets under management and client assets of a London-based broker and asset manager that we acquired in 1999. The increases in assets under management and client assets, and revenues, reflected an increase in the number of international Financial Advisors from 456 at the end of 1998 to 577 at the end of 1999. A $20 million decrease

in revenues from our futures operations, due to lower levels of activity in the global foreign exchange markets in 1999, partially offset the increased revenues from international securities operations.

Expenses

2000 to 1999 Annual Comparison. Expenses, as shown in the table above under "--Operating Results", increased $113 million, or 20%, from 1999 to 2000. Expenses of our international securities operations increased $76 million, primarily as a result of increased compensation paid to Financial Advisors on higher commission revenues, increased formula-based and incentive compensation on higher revenues and earnings, increased expenses from a London-based broker and asset manager that we acquired in 1999 and costs to expand our securities operations in Asia and Latin America. Expenses of our international investment operations increased $37 million, reflecting expenses from the development of this business.

1999 to 1998 Annual Comparison. Expenses increased $46 million, or 9%, from 1998 to 1999. Expenses for 1998 included approximately $50 million related to the Australian securities operations, which were closed in the fourth quarter of 1998. Excluding the impact of 1998 expenses of the Australian securities operations, expenses increased $96 million, or 20%, from $469 million in 1998 to $565 million in 1999. The increase was primarily driven by a $59 million increase from our remaining international securities operations, reflecting higher compensation paid to Financial Advisors on higher commission revenues, increased formula-based and incentive compensation on higher revenues and earnings, and expansion of our product, distribution and research capabilities, including the acquisition noted above. Expenses of our international investment operations increased $29 million, reflecting expenses from the development of this business.

Asset Management Division

The Asset Management division, through our Investment Management and Advisory Services segment, receives asset-based management fees from the businesses of the U.S. Consumer and Employee Benefits divisions, from third parties, and also from the Traditional Participating Products segment. The Other Asset Management segment includes our commercial mortgage securitization operations and investment research activities supporting our Private Client Group operations. This segment also participates in securities underwritings where our research efforts are attractive to issuers and lead underwriters, engages in equity securities sales and trading, manages our hedge portfolios, and engages in proprietary investments and syndications. We include the division's asset-based management fees in the line captioned "commissions and other income" in our consolidated statement of operations.

The Asset Management division pays the expenses of its own portfolio managers for asset management and the expenses of its own proprietary sales force for distribution of products to third parties.

Profitability of the Asset Management division depends primarily on our ability to develop and retain a base of assets under management, both through the U.S. Consumer and Employee Benefits divisions and directly from third parties, on which we can earn asset-based fees, and to manage the level of expenses incurred in the management of those assets. We generally base asset management fees on the market value of the underlying assets and, accordingly, profitability varies as these market values change due to external factors, such as securities market conditions and interest rates and other factors that may affect the values of particular investments. We also earn transaction-based and performance-based fees which depend on such external factors. In addition, revenue streams, including mark-to-market adjustments, from our commercial mortgage securitizations and hedge portfolios are subject to market fluctuations.

Division Results

The following table sets forth the Asset Management division's results for

the periods indicated.

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
Division operating results:			
Revenues(1)	$ 1,344	$ 1,137	$ 993
Benefits and expenses	1,068	885	827
Adjusted operating income	$ 276	$ 252	$ 166
Adjusted operating income by segment:			
Investment Management and Advisory Services	$ 154	$ 155	$ 144

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
Other Asset Management	122	97	22
Total	276	252	166
Items excluded from adjusted operating income:			
Realized investment gains, net of losses	1	1	1
Income from continuing operations before income taxes	$ 277	$ 253	$ 167

- --------
(1) Revenues exclude realized investment gains, net of losses.

2000 to 1999 Annual Comparison. Adjusted operating income of our Asset Management division increased $24 million, or 10%, in 2000 from 1999, due to an increase from the Other Asset Management segment. Income from continuing operations before income taxes increased $24 million, or 9%, as a result of the increase in adjusted operating income.

1999 to 1998 Annual Comparison. Adjusted operating income of our Asset Management division increased $86 million, or 52%, in 1999 from 1998, primarily due to an increase of $75 million from the Other Asset Management segment. Income from continuing operations before income taxes increased $86 million, or 51%, as a result of the increase in adjusted operating income.

Investment Management and Advisory Services

Operating Results

The following table sets forth the Investment Management and Advisory Services segment's operating results for the periods indicated.

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
Operating results:			
Revenues(1)	$ 874	$ 768	$ 740
Benefits and expenses	720	613	596
Adjusted operating income	$ 154	$ 155	$ 144

- --------
(1) Revenues exclude realized investment gains, net of losses.

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income was flat from 1999 to 2000. Although revenues increased, the increase was essentially offset primarily by expenses related to the consolidation of substantially all of our

public equity management capabilities into our Jennison unit.

1999 to 1998 Annual Comparison. Adjusted operating income increased $11 million, or 8%, from 1998 to 1999. The increase resulted primarily from increased revenues from management of institutional and retail customer assets, reflecting growth in assets under management partially offset by a decline in revenues from management of our general account and increased expenses associated with the expansion of our asset management capabilities and compensation charges that are linked to revenues.

Revenues

The following table sets forth the Investment Management and Advisory Services segment's revenues, as shown in the table above under "--Operating Results", by source for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Revenues:			
Retail customers(1)	$ 244	$ 225	$ 203
Institutional customers	409	322	296
General account	221	221	241
Total revenue	$ 874	$ 768	$ 740

</TABLE>

- --------

(1) Consists of individual mutual funds and both variable annuities and variable life insurance in our separate accounts. Fixed annuities and the fixed rate options of both variable annuities and variable life insurance are included in general account. Also includes funds invested in proprietary mutual funds through our defined contribution plan products.

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $106 million, or 14%, from 1999 to 2000. The increase was principally a result of an $87 million increase in revenues from management of institutional customer assets, which included $32 million of mortgage origination and servicing revenues from a subsidiary we acquired in 2000. The remainder of the increase came primarily from a $25 million performance incentive fee as well as increased revenue from our real estate and private equity advisory businesses.

1999 to 1998 Annual Comparison. Revenues increased $28 million, or 4%, from 1998 to 1999. Increases of $26 million from management of institutional customer assets, primarily from our real estate advisory business, and $22 million from management of retail customer assets were partially offset by a $20 million decline in revenues from management of our general account assets due to a decline in market value of fixed income securities from rising interest rates as well as net asset outflows.

Expenses

2000 to 1999 Annual Comparison. Expenses, as shown in the table above under "--Operating Results", increased $107 million, or 17%, from 1999 to 2000. The increase reflected approximately $40 million of expenses related to the consolidation of substantially all of our public equity management capabilities into our Jennison unit and $24 million of expenses related to the mortgage origination and servicing activities of the subsidiary we acquired in 2000. The remainder of the increase came primarily from compensation charges that are linked to revenues and costs to expand our domestic and European proprietary investment activities.

1999 to 1998 Annual Comparison. Expenses increased $17 million, or 3%, from 1998 to 1999, primarily as a result of increased expenses associated with the expansion of our domestic and international asset management capabilities and compensation charges that are linked to revenues.

Other Asset Management

Operating Results

The following table sets forth the Other Asset Management segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,

	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues	$ 470	$ 369	$ 253
Benefits and expenses	348	272	231
Adjusted operating income	$ 122	$ 97	$ 22

</TABLE>

Adjusted Operating Income

2000 to 1999 Annual Comparison. Adjusted operating income increased $25 million, or 26%, from 1999 to 2000. The increase came primarily from a $26 million increase in adjusted operating income from our equity sales and trading operations, from $54 million in 1999 to $80 million in 2000, primarily due to increased trading volume in the equity markets during the first four months of 2000. Results from our commercial mortgage securitization operations and hedge portfolios were essentially unchanged in 2000 from 1999. As of December 31, 2000, the hedge portfolios held assets, including both principal positions and securities financing positions, of approximately $7.9 billion, compared to $5.9 billion a year earlier. Subject to market conditions and other considerations, we currently expect to increase the assets of these portfolios to a maximum of about $20 billion during the year 2001.

1999 to 1998 Annual Comparison. Adjusted operating income increased $75 million from 1998 to 1999. The increase came from improvements in adjusted operating income from each of the segment's business lines. The commercial mortgage securitization operations produced $41 million of the increase, with an additional $21 million from our hedge portfolios.

Our commercial mortgage securitization operation reported adjusted operating income of $22 million for 1999, which came primarily from market value increases on financial instruments used to hedge the value of mortgages in inventory due to tightening of credit spreads and a rise in interest rates, compared to $19 million of losses in 1998.

The hedge portfolios initiated investing activities during the second quarter of 1998 and had no significant results during 1998. The portfolios' trading strategies resulted in adjusted operating income of $21 million in 1999. At December 31, 1999, the portfolios held assets, including both principal positions and securities financing positions, of approximately $5.9 billion, compared to $3.9 billion a year earlier.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $101 million, or 27%, from 1999 to 2000. The increase came from a $102 million increase in revenues from our equity sales and trading operations, from $302 million in 1999 to $404 million in 2000. The equity sales and trading operations benefited from increased volume from retail activity associated with the strength of the technology sector early in 2000, as well as increased transaction volume from institutional clients.

1999 to 1998 Annual Comparison. Revenues increased $116 million, or 46%, from 1998 to 1999. Revenues from our commercial mortgage securitization operations increased $49 million, primarily from market value increases on financial instruments used to hedge the value of mortgages in inventory as noted above. Revenues from our equity sales and trading operations increased $46 million, primarily due to increased transaction volume. Revenues from the hedge portfolios increased $21 million.

Expenses

2000 to 1999 Annual Comparison. Expenses, as shown in the table above under "--Operating Results", increased $76 million, or 28%, from 1999 to 2000. The increase came from an increase of $76 million in our equity sales and trading operations, from $248 million in 1999 to $324 million in 2000, reflecting increased employee compensation expenses driven by increased revenue and earnings as well as increased expenses to expand our equity research capabilities.

1999 to 1998 Annual Comparison. Expenses increased $41 million, or 18%, from 1998 to 1999. The increase came primarily from an increase of $35 million in our equity sales and trading operations, from $213 million in 1998 to $248 million in 2000, reflecting increased employee compensation expenses driven by increased revenue and earnings as well as increased expenses to expand our equity research capabilities.

Corporate and Other Operations

Corporate and Other operations includes corporate-level activities that we do not allocate to our business segments. It also consists of international ventures, divested businesses and businesses that we have placed in wind-down status, but that we have not divested. The latter businesses include individual health insurance, group credit insurance and Canadian life insurance. The divested businesses include the lead-managed underwriting and institutional fixed income businesses of Prudential Securities, Gibraltar Casualty Company, a Canadian life insurance subsidiary, and our divested residential first mortgage banking business. As previously discussed, we exclude the gains, losses and contributions to income/loss of the divested businesses from adjusted operating income.

The following table and discussion present results of these activities based on our definition of adjusted operating income, which is a non-GAAP measure, as well as income from continuing operations before income taxes, which is prepared in accordance with GAAP. As shown below, in addition to the gains, losses and contributions to income/loss of divested businesses, adjusted operating income excludes realized investment gains, net of losses, sales practices remedies and costs and demutualization expenses.

The excluded items are important to an understanding of our overall results of operations. You should not view adjusted operating income as a substitute for income from continuing operations determined in accordance with GAAP, and you should note that our definition of adjusted operating income may differ from that used by other companies. However, we believe that the presentation of adjusted operating income as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our businesses. We exclude realized investment gains, net of losses because the timing of transactions resulting in recognition of gains or losses is largely at our discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of our businesses. We exclude sales practices remedies and costs because they relate to a substantial and identifiable non-recurring event. We exclude the gains and losses and contribution to income/loss of divested businesses because, as a result of our decision to dispose of these businesses, these

results are not relevant to the profitability of our ongoing operations and could distort the trends associated with our ongoing businesses. We exclude demutualization expenses because they are directly related to our demutualization and could distort the trends associated with our business operations.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Adjusted operating income:			
Corporate-level activities(1)	$ (22)	$ 126	$ (141)
Other businesses:			
International ventures	(32)	(11)	(2)
Other	50	22	109
Total	(4)	137	(34)
Items excluded from adjusted operating income:			
Sales practices remedies and costs	--	(100)	(1,150)
Realized investment gains, net of losses	(280)	357	85
Divested businesses	(636)	(47)	(196)
Demutualization expenses	(143)	(75)	(24)
Income (loss) from continuing operations before income taxes	$(1,063)	$ 272	$(1,319)

</TABLE>

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(1) Includes consolidating adjustments.

Corporate-level activities consist primarily of corporate-level expenses not allocated to any of our business segments, including costs for company-wide initiatives such as enhancement of our Internet capabilities, and investment returns on our unallocated equity, which is capital that is not deployed in any of our segments, returns from a debt-financed investment portfolio, and transactions with other segments. Our policy is to include expenses incurred by corporate-level functions such as operations and systems, human resources, financial management, auditing, law and compliance in the operating results of our business segments to the extent that the expenses are either directly or

indirectly attributable to the operations of the segment. We include expenses incurred by corporate-level functions that are not allocated to any of our business segments, such as research and development pertaining to company-wide information technology applications or marketing expenses not specific to a particular business unit, in corporate-level activities.

2000 to 1999 Annual Comparison. Corporate and other operations resulted in a pre-tax loss of $4 million in 2000, compared to pre-tax income of $137 million in 1999, on an adjusted operating income basis. The $141 million decline came primarily from corporate-level activities.

Corporate-level activities resulted in a pre-tax loss of $22 million in 2000, compared to pre-tax income of $126 million in 1999. The $148 million decline resulted primarily from a one-time $114 million reduction of liabilities for our own employee benefits that we recorded in 1999 due to a clarification of law that led us to take into account previously unrecognized assets in that amount. Corporate-level activities benefited from income related to our own qualified pension plan amounting to $415 million in 2000 compared to $197 million in 1999, an increase of $218 million. This income is partially offset in our consolidated results by charges for our other retirement plans allocated both to Corporate and Other operations and our business segments. On a consolidated basis, our net pension credit related to continuing operations amounted to $362 million in 2000 and $201 million in 1999. The increase in pension plan income came primarily from a reduction in the number of plan participants due to the sale of our healthcare operations in 1999, increased income on pension assets and amortization of deferred gains. The $218 million increase in qualified pension plan income was offset by an increase in general and administrative expenses, and a reduction of investment income net of interest expense at the corporate level. General and administrative expenses at the corporate level, on a gross basis before qualified pension income, were $687 million in 2000 compared to $576 million in 1999. The $111 million increase came primarily from costs incurred during 2000 for company-wide technology development including enhancement of our Internet capabilities. We expect general and administrative expenses at the corporate level, including costs for company-wide technology development, to continue in 2001 at approximately the same level as those incurred during 2000. The decrease in investment income net of interest expense, from $386 million in 1999 to $287 million in 2000, resulted primarily from a reduction in invested assets related to sales practices remedies and costs as disbursements were made to satisfy these liabilities.

Income from continuing operations before income taxes declined $1.335 billion, from $272 million in 1999 to a loss of $1.063 billion in 2000. The increase in losses came primarily from a $637 million decline in realized investment gains, net of losses, and from the former lead-managed underwriting and institutional fixed income businesses of Prudential Securities, which we include in "divested businesses", as well as the $141 million decline in adjusted operating income and a $68 million increase in demutualization expenses.

For a discussion of sales practices remedies and costs, realized investment gains, net of losses, divested businesses and demutualization costs and expenses, see "--Consolidated Results of Operations--Sales Practices Remedies and Costs", "--Realized Investment Gains", "--Divested Businesses" and "--Demutualization Costs and Expenses".

1999 to 1998 Annual Comparison. Corporate and Other operations resulted in pre-tax income of $137 million in 1999, compared to a $34 million pre-tax loss in 1998, on an adjusted operating income basis. The $171 million improvement came primarily from corporate-level activities.

Corporate-level activities resulted in pre-tax income of $126 million in 1999, compared to a pre-tax loss of $141 million in 1998. The $267 million improvement in these results was due in part to a one-time $114 million reduction of liabilities for our own employee benefits arising from a clarification of law that led us to take into account previously unrecognized assets in that amount. In addition, investment income, net of interest expense at the corporate level, increased $63 million from $323 million in 1998 to $386 million in 1999 primarily as a result of expansion of our debt-financed corporate investment portfolio, lower average interest rates on corporate borrowings and a greater level of unallocated equity. The remainder of the reduction in pre-tax losses from corporate-level activities came primarily from a $37 million improvement from currency fluctuation exposure assumed from our International Insurance segment under an internal hedging program. Results from corporate-level activities benefited from income related to our own qualified pension plan amounting to $197 million in 1999 and $179 million in 1998. This income is partially offset in our consolidated results by charges for our other retirement plans allocated both to Corporate and Other operations and our business segments. On a consolidated basis, our net pension credit related to continuing operations amounted to $201 million in 1999 and $159 million in 1998. General and administrative expenses at the corporate level, on a gross basis before qualified pension plan income, amounted to $576 million in 1999 and $570 million in 1998.

Other businesses included in Corporate and Other operations contributed pre-tax income of $22 million in 1999 compared to $109 million in 1998. The $87 million decline was primarily due to results from our wind-down group credit insurance operations and our remaining Canadian insurance operations. Our wind-down group credit insurance operations recorded a pre-tax loss of $6 million in 1999, compared to a pre-tax gain of $53 million in 1998. The 1998 pre-tax income came from a $55 million release of reserves for credit insurance premium refunds and related administration costs that were established in 1997 under a remediation program. Our remaining Canadian insurance operations recorded pre-tax income of $19 million in 1999, compared to $60 million pre-tax income in 1998. The $41 million decrease primarily resulted from inclusion in 1998 results of a $39 million reduction in the reserves relating to this retained business that we originally established at the time of the sale of the Canadian branch of The Prudential Insurance Company of America, in 1996.

Income from continuing operations before income taxes improved $1.591 billion, from a loss of $1.319 billion in 1998 to $272 million in 1999. The improvement came primarily from a $1.050 billion decrease in charges for sales practices remedies and costs, an increase of $272 million in realized investment gains, net of losses, and the $171 million improvement in adjusted operating income, as well as a $149 million reduction in losses from divested businesses, partially offset by a $51 million increase in demutualization expenses.

Traditional Participating Products Segment

The Traditional Participating Products segment includes our domestic in force participating policies and assets that will be used for the payment of benefits on these policies, including policyholder dividends, as well as other assets and equity that support these policies. In connection with our demutualization, we will cease offering these domestic participating products.

In December of each year, the Board of Directors of The Prudential Insurance Company of America determines the dividends payable for participating policies for the following year based on its statutory results and past experience, including investment income, net realized gains over a number of years, mortality experience and other factors.

Operating Results

The following table sets forth the Traditional Participating Products segment's operating results for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Operating results:			
Revenues(1)	$ 8,611	$ 8,356	$ 8,332
Benefits and expenses(2)	8,064	8,040	8,126
Adjusted operating income	547	316	206
Items excluded from adjusted operating income:			
Realized investment gains, net of losses and related charges:			
Realized investment gains, net of losses	91	338	1,697
Related charges(3)	(445)	(310)	(236)
Total realized investment gains, net of losses and related charges	(354)	28	1,461
Income from continuing operations before income taxes	$ 193	$ 344	$ 1,667

</TABLE>

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(1) Revenues exclude realized investment gains, net of losses.
(2) Benefits and expenses exclude the impact of net realized investment gains on dividends to policyholders.
(3) Related charges consist of the portion of dividends to policyholders attributable to realized investment gains, net of losses.

Adjusted Operating Income and Income from Continuing Operations Before Income Taxes

2000 to 1999 Annual Comparison. Adjusted operating income increased $231

million, or 73%, in 2000 from 1999. The increase came primarily from a $180 million increase in investment income, net of interest expense, and a $93 million decline in operating expenses. Income from continuing operations before income taxes decreased $151 million, or 44%, in 2000 from 1999, primarily as a result of a $382 million decline in realized investment gains, net of losses and related charges, partially offset by the increase in adjusted operating income. For a discussion of realized investment gains and losses, and charges related to realized investment gains and losses, see "--Consolidated Results of Operations--Realized Investment Gains".

1999 to 1998 Annual Comparison. Adjusted operating income increased $110 million, or 53%, in 1999 from 1998. The increase was primarily a result of a $121 million decrease in operating expenses. Income from continuing operations before income taxes decreased $1.323 billion, or 79%, from 1998 to 1999, primarily as a result of a $1.433 billion decline in realized investment gains, net of losses and related charges, partially offset by the increase in adjusted operating income.

Revenues

2000 to 1999 Annual Comparison. Revenues, as shown in the table above under "--Operating Results", increased $255 million, or 3%, in 2000 from 1999. Premiums were relatively unchanged, amounting to $4.320 billion in 2000 and $4.276 billion in 1999, as an increase in paid-up additions which represent additional insurance purchased with policyholder dividends was essentially offset by lower first year and renewal premiums. Paid-up additions, along with policyholder dividends, have continued to grow as the average length of time our traditional whole life insurance policies have been in force increases. The decline in first year and renewal premiums reflects a shift in our sales during recent years away from traditional whole life into variable life insurance products. We believe the trend from traditional whole life to variable life reflects shifts in industry-wide consumer demand, and we expect this trend to continue in the future. Net investment income increased $261 million, or 7%, from $3.911 billion in 1999 to $4.172 billion in 2000. The increase, which was partially offset by an $81 million increase in interest expense, as discussed below, resulted from an increase in investment yield and an increase in the base of general account invested assets.

1999 to 1998 Annual Comparison. Revenues remained relatively unchanged in 1999 as compared to 1998. Premiums decreased $84 million, or 2%, from $4.360 billion in 1998 to $4.276 billion in 1999, as an increase in paid-up additions was more than offset by the attrition of traditional whole life business that resulted in a decline in renewal premiums from $2.780 billion in 1998 to $2.633 billion in 1999. The decline in renewal premiums reflects the trend from traditional whole life to variable life as discussed above, as well as the impact of policy rescissions arising from the implementation of the alternative dispute resolution process required under our principal life insurance sales practices class action settlement. Most of the sales practices related rescissions took

place in 1999, and the process was substantially completed in early 2000. These rescissions in the aggregate will have a negative impact on renewal premiums of about $45 million on an annual basis, and we do not expect that they will result in a material adverse impact on our future results. The attrition was partially offset by an increase in paid-up additions from $1.503 billion in 1998 to $1.577 billion in 1999.

Net investment income increased $117 million, or 3%, from $3.794 billion in 1998 to $3.911 billion in 1999. The increase resulted from an increase in the base of general account invested assets, offset in part by a slight decline in investment yield.

Benefits and Expenses

2000 to 1999 Annual Comparison. Benefits and expenses, as shown in the table above under "--Operating Results", were essentially unchanged in 2000 from 1999. An $81 million increase in interest expense, from $71 million in 1999 to $152 million in 2000, relates primarily to a higher level of borrowing activity associated with the increase in investment income. Policyholder benefits and related changes in reserves and interest credited to policyholders increased $66 million, from $4.550 billion in 1999 to $4.616 billion in 2000, reflecting the continued increase in the length of time that the policies have been in force. Operating expenses, including distribution costs that we charge to expense, decreased $93 million, or 11%, from $859 million in 1999 to $766 million in 2000, as a result of our continued efforts to reduce operating cost levels which resulted in reduced employee costs.

Dividends to policyholders, which excludes the portion of dividends relating to net realized investment gains as discussed under "--Consolidated Results of Operations--Realized Investment Gains" above, amounted to $2.261 billion in 2000, relatively unchanged from $2.246 billion in 1999. There was no adjustment to the dividend scale for 2000 from the scale for 1999. Mortality experience for both 2000 and 1999 was consistent, on an overall basis, with

our pricing assumptions.

1999 to 1998 Annual Comparison. Benefits and expenses remained relatively unchanged from 1998 to 1999. Operating expenses, including distribution costs that we charge to expense, decreased $121 million, or 12%, from $980 million in 1998 to $859 million in 1999, as a result of continued efforts to reduce costs associated with this business and the impact of costs incurred in 1998 toward this objective. Policyholder benefits and related changes in reserves and interest credited to policyholders increased $57 million, from $4.493 billion in 1998 to $4.550 billion in 1999, reflecting the continued increase in the length of time that policies have been in force.

Dividends to policyholders, net of dividends related to net realized investment gains, amounted to $2.246 billion in 1999, relatively unchanged from $2.229 billion in 1998. There was no significant adjustment to the dividend scale for 1999 from the scale for 1998. Mortality experience for both 1999 and 1998 was consistent, on an overall basis, with our pricing assumptions.

Sales Results

New statutory premiums from sales of traditional participating individual life insurance products amounted to $49 million for 2000, $61 million for 1999, and $58 million for 1998. The limited sales of these products reflect a continuing shift in our sales during recent years away from traditional whole life into variable life insurance products. We believe the trend from traditional whole life to variable life reflects shifts in industry-wide consumer demand, and we expect this trend to continue in the future. As indicated above, we will cease sales of traditional participating products in connection with our demutualization.

Policy Surrender Experience

The following table sets policy surrender experience for the Traditional Participating Products segment, measured by cash value of surrenders, for the periods indicated. These amounts do not correspond to the income statement impact of surrenders under GAAP. In managing this business, we analyze the cash value of surrenders because it is a measure of the degree to which policyholders are maintaining their in force business with us, a driver of future profitability.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Cash value of surrenders	$ 1,217	$ 1,226	$ 1,219
Cash value of surrenders as a percentage of mean future policy benefit reserves	2.7%	2.9%	2.9%

</TABLE>

2000 to 1999 Annual Comparison. The total cash value of surrenders was essentially unchanged from 1999 to 2000. Traditional life policy surrenders reflected $109 million of surrenders in 2000 associated with the implementation of the sales practices remediation program. The levels of surrenders as a percentage of mean future policy benefit reserves remained relatively constant from 1999 to 2000.

1999 to 1998 Annual Comparison. The total cash value of surrenders in 1999 was approximately equal to 1998. Traditional life policy surrenders reflected $123 million of incremental surrenders in 1999 associated with the implementation of the sales practices remediation program. Absent this activity, the cash value of surrenders of traditional whole life and term life would have decreased $116 million in 1999 from 1998, which we believe reflects the impact of customer retention programs that we implemented in late 1997. The levels of surrenders as a percentage of mean future policy benefit reserves remained constant from 1998 to 1999.

Liquidity and Capital Resources

Prudential Financial, Inc.'s principal source of revenues to meet its obligations, including the payment of shareholder dividends and operating expenses, will be dividends and interest income from its direct and indirect subsidiaries. In addition, we anticipate that upon completion of the demutualization, Prudential Financial, Inc. will have approximately $1.6 to $1.7 billion in net proceeds from the Class B Stock and IHC debt if they are issued and up to $2.5 billion in proceeds from the extraordinary dividend if

it is declared. Prudential Financial, Inc.'s insurance, broker-dealer and various other companies are subject to regulatory limitations on the payment of dividends and on other transfers of funds to affiliates. One purpose of the destacking is to enable each entity to pay dividends to Prudential Financial, Inc. according to its own financial condition and permitted dividend capacity, rather than from and through The Prudential Insurance Company of America according to its financial condition and permitted dividend capacity. See "Demutualization and Related Transactions--Related Transactions--The Destacking" for a discussion of the destacking.

New Jersey insurance law provides that, except in the case of extraordinary dividends or distributions, all dividends or distributions paid by The Prudential Insurance Company of America may be declared or paid only from unassigned surplus, as determined pursuant to statutory accounting principles, less unrealized investment gains and revaluation of assets. Upon demutualization, unassigned surplus will be reduced to zero, thereby limiting The Prudential Insurance Company of America's ability to pay a dividend immediately following demutualization. Unassigned surplus is expected to grow thereafter in the ordinary course of business, including gains from operations and any realized capital gains. The Prudential Insurance Company of America also must notify the New Jersey insurance regulator of its intent to pay a dividend, if the dividend, together with other dividends or distributions made within the preceding twelve months, would exceed a specified statutory limit and obtain a non-disapproval from the New Jersey insurance regulator. The current statutory limitation applicable to New Jersey life insurers generally is the greater of:

(1) 10% of such insurer's surplus as regards policyholders as of the December 31 next preceding the date of the proposed dividend or distribution or

(2) the net gain from operations of such insurer, not including realized investment gains, for the 12-month period ending the December 31 next preceding the date of the proposed dividend or distribution,

in each case determined under statutory accounting principles. Statutory accounting principles differ from GAAP primarily in relation to deferred policy acquisition costs, deferred taxes, reserve calculation assumptions and required investment reserves, including the asset valuation reserve and the interest maintenance reserve. The New Jersey insurance regulator is also authorized to disallow the payment of any dividend or distribution that would otherwise be permitted under the statutory limit if it determines that a company does not have a reasonable surplus as to policyholders relative to its outstanding liabilities and adequate to its financial needs or if it finds such company to be in a hazardous financial condition. We expect that the terms of the IHC debt, if issued, will also contain restrictions potentially limiting dividends by The Prudential Insurance Company of America applicable to the Financial Services Businesses in the event the Closed Block Business is in financial distress.

Other states have similar regulations to those of New Jersey which affect the ability of our other insurance companies to pay dividends. The laws regulating dividends of the other states where our other insurance companies are domiciled are similar, but not identical, to New Jersey's. In addition, the net capital rules to which our broker-dealer subsidiaries are subject may limit their ability to pay dividends to Prudential Financial, Inc.

Consolidated Liquidity and Financial Leverage Management

We manage our liquidity and capital resources on a company-wide basis, as well as by legal entity and business, recognizing regulatory restrictions on transfers of funds among entities engaged in the insurance, securities and other businesses.

We seek to manage our consolidated liquidity position so that we have, on a cost-effective basis, adequate resources to satisfy operating cash requirements and investment objectives, as well as to fund business growth. We also seek to manage our liquidity so that we have adequate sources of funding to support our needs under stress scenarios so that we can meet our obligations without materially disrupting our operating and investing activities.

We borrow money on an ongoing basis to support our business operations and strategies and seek to do so in a manner consistent with maintaining our current credit ratings. We manage our borrowing according to company-wide, legal entity and business borrowing limits, which are monitored by our Treasurer's department and reviewed regularly by the Committee on Finance and Dividends of the Board of Directors. To this end, we monitor a number of financial leverage measures on a legal entity and on a consolidated basis, including our ratios of corporate debt to capital, liabilities to equity capital, liquid assets to short-term liabilities, and various other capitalization and liquidity ratios. We seek to reduce our liquidity and

refinancing risks by employing a variety of liability management techniques, including staggering of maturities, actively utilizing alternative sources of financing, investor base diversification, and maintaining lines of credit in excess of the amount we believe will actually be required.

Financing Activities

Our financing principally consists of unsecured short- and long-term debt borrowings and asset-based or secured forms of financing. These secured financing arrangements include transactions such as securities lending and repurchase agreements, which we generally use to finance portfolios of liquid securities.

Prudential Funding, LLC, a wholly owned subsidiary of The Prudential Insurance Company of America, historically has served as a financing company for The Prudential Insurance Company of America and its subsidiaries and has facilitated the centralized management of most unsecured borrowing arrangements with unrelated parties on a company-wide basis. Prudential Funding borrows funds primarily through the direct issuance of commercial paper, private placement medium-term notes, Eurobonds, Eurocommercial paper, Euro medium-term notes and master notes and lends the proceeds of its borrowings to The Prudential Insurance Company of America and its subsidiaries, generally at cost. Borrowings of the destacked subsidiaries from Prudential Funding will be repriced to market terms upon the destacking. Prudential Securities also engages in external unsecured financing. Following the effective date of the demutualization, we anticipate that Prudential Funding's outstanding borrowings will decline over time as it transitions into a financing company primarily for The Prudential Insurance Company of America and its remaining subsidiaries. We anticipate that our other companies, including the destacked subsidiaries, will borrow on market terms from third parties or their affiliates.

Under a support agreement, The Prudential Insurance Company of America has agreed to maintain Prudential Funding's positive tangible net worth at all times. We manage Prudential Funding's borrowings so that cash inflows from the operating companies to Prudential Funding are sufficient to meet Prudential Funding's debt service requirements. Prudential Funding also generally maintains cash and short-term investments that can be used in the event of cash flow timing differences.

The Prudential Insurance Company of America and Prudential Funding have unsecured committed lines of credit as of December 31, 2000 with 36 banks totaling $3.5 billion, of which $1.0 billion expires in May 2001, $1.5 billion expires in May 2002 and the remaining $1.0 billion expires in May 2004. We use these facilities primarily as back-up liquidity lines for our commercial paper programs. Our ability to borrow under these facilities is conditioned on our continued satisfaction of customary conditions, including maintenance at all times by The Prudential Insurance Company of America of at least $8.5 billion of combined surplus and asset valuation reserve based on statutory accounting principles prescribed under New Jersey law ("statutory accounting principles"). We expect that the combined surplus and asset valuation reserve that is required to be maintained under these facilities will be reduced upon renewal of our credit lines prior to demutualization from $8.5 billion to a level that The Prudential Insurance Company of America can meet on a pro forma basis after giving effect to the destacking and related transactions. As of December 31, 2000, The Prudential Insurance Company of America's combined surplus and asset valuation reserve, based on statutory accounting principles, was $11.708 billion. On a pro forma basis, giving effect to the destacking and transactions related to the demutualization, this

amount would be $6.979 billion. These transactions include payments to former Canadian branch policyholders and eligible policyholders located outside the United States, and extraordinary dividends assumed to be paid at the time of the demutualization to Prudential Financial, Inc. by The Prudential Insurance Company of America based upon its financial condition and risk-based capital ratio at December 31, 2000. In addition, we have an uncommitted credit facility utilizing a third-party-sponsored, asset-backed, commercial paper conduit, under which we can borrow up to $1 billion. Our actual ability to borrow under this facility depends on market conditions. This facility expires in July 2001. Prudential Securities Group, which includes the principal operating subsidiaries that conduct our Private Client Group and International Securities and Investments activities, also maintains an $800 million committed line of credit with a syndicate of banks, which expires in June 2001. We also use uncommitted lines of credit from banks and other financial institutions.

The following table sets forth our outstanding financing as of the dates indicated:

<TABLE>
<CAPTION>

	As of December 31,

	2000	1999
	(in millions)	
<S>	<C>	<C>
Borrowings:		
Short-term debt	$11,131	$10,858
Long-term debt:		
Senior debt	1,514	4,526
Surplus notes	988	987
Total long-term debt	2,502	5,513
Total borrowings	13,633	16,371
Total asset-based financing	32,590	43,645
Total borrowing and asset-based financings	$ 46,223	$ 60,016

</TABLE>

Our total borrowings consist of amounts used for general corporate purposes, investment related debt and securities business related debt. Borrowings used for general corporate purposes include those used for investing in equity and debt securities of subsidiaries including amounts needed for regulatory capital purposes. Investment related borrowings consist of debt issued to finance specific investment assets or portfolios of investment assets, including real estate, institutional spread lending investment portfolios and real estate related investments held in consolidated joint ventures. Securities business related borrowings consist of debt issued to finance primarily the liquidity of our broker-dealers, and our capital markets and other securities business related operations.

We classified $2.5 billion of commercial paper at December 31, 1999 as long-term debt based on our intent and ability as of that date to refinance these borrowings under long-term syndicated credit line agreements. Subsequently, these borrowings have been classified as short-term debt since, although we continue to have the ability to refinance a portion of our commercial paper borrowings under these credit line agreements, we no longer intend to do so in the ordinary course of business. We will determine whether to utilize these credit line agreements to refinance these borrowings based on future market conditions, our future funding needs and other considerations.

Total borrowings and asset-based financing at December 31, 2000 decreased approximately $13.8 billion, or 23%, from December 31, 1999, reflecting a $2.7 billion decrease in short-term and long-term debt and an $11.1 billion decrease in asset-based financing. The decrease in short-term and long-term debt came primarily from a decrease in outstanding commercial paper issued in connection with short-term investment positions in our insurance operations. The decrease in asset-based financing largely reflected the termination of the institutional fixed income capital markets activities of Prudential Securities Group. The remainder of our asset-based financing relates primarily to the hedge portfolios and to "matched book" transactions in our broker-dealer operations. The matched book transactions are principally utilized to facilitate customer transactions. Our short-term debt includes bank borrowings and commercial paper outstanding under Prudential Funding's domestic and European commercial paper programs. The weighted average interest rates on the commercial paper borrowings under these programs were 6.31% for the year ended December 31, 2000, 5.11% for 1999 and 5.48% for 1998. The total principal amount of debt outstanding under Prudential Funding's medium-term note programs was $1.6 billion at December 31, 2000 and $1.8 billion at December 31, 1999. The weighted average interest rates on Prudential Funding's long-term debt, in the aggregate, were 6.67% for the year ended December 31, 2000, 5.61% for 1999 and 6.39% for 1998. See Note 9 of our audited consolidated financial statements for additional information on our short-term and long-term debt.

We had outstanding surplus notes totaling $988 million at December 31, 2000 and $987 million at December 31, 1999. These debt securities, which are included as surplus of The Prudential Insurance Company of America on a statutory accounting basis, are subordinate to other borrowings and to policyholder obligations and are subject to regulatory approvals for principal and interest payments.

The ratings assigned by independent rating agencies are an important determinant of the market acceptance and cost of our financing through commercial paper, medium-term notes, surplus notes and other indebtedness. See "Business--Ratings" for a discussion of our credit ratings.

We use interest rate swaps to convert some of our fixed rate long-term debt to floating rates of interest to match the interest rate sensitivity of the positions financed. We hedge currency risks related to non-United States dollar borrowings by using foreign currency swaps and/or foreign exchange forward contracts. See "--Risk Management, Market Risk and Derivative

Instruments--Market Risk--Other Than Trading Activities--Market Risk Related to Foreign Currency Exchange Rates" below.

Intermediate Holding Company Debt

As described in more detail under "Demutualization and Related Transactions--Related Transactions--Class B Stock and IHC Debt Issuances", we are seeking to issue shares of Class B Stock of Prudential Financial, Inc. to institutional investors in a private placement concurrently with or within 30 days following this offering of our Common Stock. In connection with the issuance of the Class B Stock, we also are seeking to issue debt securities through a newly-formed intermediate holding company of The Prudential Insurance Company of America, which debt we refer to as the "IHC debt", prior to, concurrently with or within 30 days following the demutualization, and we currently intend that the IHC debt be insured by a bond insurer. If issued, we expect that the IHC debt will be serviced by, and the dividends to the holders of the Class B Stock will reflect, the net cash flows of the Surplus and Related Assets. The issuances of the Class B Stock and IHC debt are not assured and are not conditions to completion of this offering. See "Demutualization and Related Transactions--Related Transactions--Class B Stock and IHC Debt Issuances" for a further discussion of the IHC debt.

Insurance, Annuities and Guaranteed Products Liquidity

Our principal cash flow sources from insurance, annuities and guaranteed products are premiums and annuity considerations, investment and fee income, and investment maturities and sales. We supplement these cash inflows with financing activities. We actively use our balance sheet capacity to finance on a secured basis through securities lending, repurchase, and dollar roll transactions, and, through Prudential Funding, on an unsecured basis for temporary cash flow mismatch coverage and to earn additional spread income, primarily through our debt-financed investment portfolio included in Corporate and Other operations.

Cash outflow requirements principally relate to benefits, claims, dividends paid to policyholders, and payments to contract holders as well as amounts paid to policyholders and contract holders in connection with surrenders, withdrawals and net policy loan activity. Uses of cash also include commissions, general and administrative expenses, purchases of investments, and debt service and repayments in connection with financing activities. Some of our products, such as guaranteed products offered to institutional customers of the Employee Benefits division, provide for payment of accumulated funds to the contract holder at a specified maturity date unless the contract holder elects to roll over the funds into another contract with us. We regularly monitor our liquidity requirements associated with policyholder and contractholder obligations so that we can manage cash inflows to match anticipated cash outflow requirements.

Gross account withdrawals amounted to $8.165 billion in 2000, $10.594 billion in 1999 and $12.079 billion in 1998. These withdrawals include contractually scheduled maturities of traditional guaranteed investment contracts totaling $1.785 billion in 2000, $2.620 billion in 1999 and $4.465 billion in 1998. We experienced these large withdrawals on guaranteed products as a result of contractual expirations of products sold in the late 1980s and early 1990s. Since these contractual withdrawals, as well as the level of surrenders experienced, were consistent with our assumptions in asset liability management, the associated cash outflows did not have an adverse impact on our overall liquidity.

Interest rate fluctuations can affect the timing of cash flows associated with our insurance and annuity liabilities as well as the value of the assets supporting these obligations. Changes in interest rates and other market conditions can also expose us to the risk of accelerated surrenders as policyholders and contract holders are attracted to alternative products. We seek to maintain an appropriate match between our assets and liabilities

so that we can satisfy the changing cash flow requirements associated with interest rate fluctuations. In response to interest rate changes, we can alter our strategies for investment of new cash flows, adjust credited interest rates if and to the extent permitted by contracts, and adjust the pricing of new products. We can also adjust dividend scales on our participating products.

We closely monitor surrenders and withdrawals for our life insurance and annuity contracts. Upon policy surrender, life insurance policyholders are surrendering the life insurance protection in addition to their investment in the contract, which would typically require new underwriting and acquisition costs to replace. Therefore, our exposure to increased surrenders is considerably less for life insurance policies than for annuities. In addition, many of our contracts contain provisions that discourage early surrender. Market value adjustment features in some contracts provide for adjustments of the amount available in the event of surrender to reflect changes in the value of the underlying investments. We deduct policy loans, which we report as

assets, from amounts available on surrender. Some contracts impose surrender charges that we deduct in the event of surrender before specified dates.

We use these surrender charges and other contract provisions to mitigate the extent, timing and profitability impact of withdrawals of funds by customers from annuity contracts. The following table sets forth withdrawal characteristics of our annuity reserves and deposit liabilities (based on statutory liability values) as of the dates indicated.

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Amount	% of Total	Amount	% of Total
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Not subject to discretionary withdrawal provisions	$38,184	41%	$37,990	40%
Subject to discretionary withdrawal, with adjustment:				
With market value adjustment	22,602	24%	24,185	25%
At market value	25,508	27%	25,544	27%
At contract value, less surrender charge of 5% or more	1,330	1%	1,380	1%
Subtotal	87,624	93%	89,099	93%
Subject to discretionary withdrawal at contract value with no surrender charge or surrender charge of less than 5%	6,746	7%	6,799	7%
Total annuity reserves and deposit liabilities	$94,370	100%	$95,898	100%

</TABLE>

We sell variable life insurance products that contain both general and separate account components, with the bulk of account balances in separate accounts. The principal product of this type, Variable Appreciable Life, also imposes surrender charges for the first ten years after issuance. In addition to the right to surrender, policyholders may transfer account balances between the general account and the separate account components, subject to limitations on the amount transferred and only within a 30-day period following each anniversary of the policy. As of December 31, 2000 and 1999, general account balances for variable life insurance products other than single-payment life were $1.791 billion and $1.636 billion, respectively, while separate account balances were $13.886 billion and $14.049 billion, respectively.

We believe that cash flows from operating and investing activities of our insurance, annuity and guaranteed products operations are adequate to satisfy liquidity requirements of these operations based on our current liability structure and considering a variety of reasonably foreseeable stress scenarios. The continued adequacy of this liquidity will depend upon factors including future securities market conditions, changes in interest rate levels and policyholder perceptions of our financial strength, which could lead to reduced cash inflows or increased cash outflows. As of December 31, 2000 and 1999, we had short-term investments of approximately $5 billion and $3 billion, respectively, and fixed maturity investments classified as "available for sale" with fair values of $84 billion and $79 billion at those dates, respectively. The latter portfolios are comprised primarily of investment grade corporate bonds and United States government obligations, substantially all of which we consider to be highly liquid and can be sold and/or pledged in financing transactions.

Securities Operations Liquidity

Prudential Securities Group Inc. maintains a highly liquid balance sheet with substantially all of its assets consisting of securities purchased under agreements to resell, short-term collateralized receivables from clients and broker-dealers arising from securities transactions, marketable securities, securities borrowed and cash equivalents.

Prudential Securities Group's assets totaled $25.8 billion at December 31, 2000 and $45.3 billion at December 31, 1999. Prudential Securities Group's total capitalization, including equity, subordinated debt and long-term debt, was $3.4 billion at December 31, 2000 and $3.2 billion at December 31, 1999. In October 2000, we announced that we would terminate our institutional fixed income activities which constituted the major portion of the debt capital markets operations of Prudential Securities Group. As indicated above, our termination of institutional fixed income activities resulted in a reduced level of asset-based financing at Prudential Securities Group and on a

consolidated basis. At December 31, 2000, Prudential Securities Group had remaining assets amounting to approximately $2.0 billion related to its institutional fixed income activities, as compared to $17 billion at December 31, 1999. Substantially all of these assets were financed by means of asset-based borrowings.

Prudential Securities Group finances its balance sheet principally through asset-backed financing, including repurchase transactions, securities lending arrangements and free credit balances in customers' accounts. Prudential Securities Group may supplement these sources of funding through internal short-term and long-term borrowings from Prudential Funding, uncommitted lines of credit from banks and other financial institutions and the asset-backed commercial paper market. Prudential Securities Group maintains a contingency funding plan that is designed to permit it to repay obligations using alternative forms of financing rather than by raising cash through the sale of assets in the event that it experiences restrictions in access to unsecured, uncommitted lines of credit and alternative forms of financing, including an $800 million committed line of credit with a syndicate of banks that terminates in June 2001.

Hedge Portfolios, Commercial Mortgage Securitization and Proprietary Investments and Syndications Operations Liquidity

Our Asset Management division includes our hedge portfolios, the commercial mortgage securitization operation and proprietary investments and syndications. The hedge portfolios are financed through securities repurchase agreements and other securities financing activity and to a lesser extent unsecured borrowing. The underlying securities are government securities or corporate bonds and are generally liquid. The commercial mortgage securitization operation is financed by loans from Prudential Funding and by pledging assets to a third-party asset-backed commercial paper conduit. We generally finance the mortgages until a portfolio accumulates that is large enough to securitize and sell, which currently takes approximately 180 to 270 days, a period that we expect will shorten when we have a more fully developed process for accumulating mortgages. The commercial mortgage securitization operation's portfolio is less liquid than publicly traded securities. To mitigate those risks in this portfolio we use an alternative asset-backed commercial paper conduit and maintain a higher proportion of long-term financing to support these activities. In addition, we acquire public and private debt and equity investments, including controlling interests, of domestic and international companies, with the intention of selling them to institutional investors, including Prudential's general account. We acquire the investments with equity or short- or long-term debt depending on the liquidity and anticipated time for selling the investment.

Deferred Acquisition Costs

We capitalize costs that vary with and are directly related to the production of new insurance and annuity business. These costs include commissions paid, costs to issue and underwrite the policies and certain variable field office expenses. The capitalized amounts are known as deferred policy acquisition costs, or DAC. Our total DAC, including the impact of unrealized investment gains and losses, amounted to $7.063 billion at December 31, 2000 compared to $7.324 billion at December 31, 1999. Approximately 44% of our total DAC at December 31, 2000 relates to our Individual Life Insurance segment, and approximately 24% relates to our Traditional Participating Products segment. Excluding the impact of unrealized investment gains and losses, our total DAC increased $95 million, from $7.018 billion at December 31, 1999 to $7.113 billion at December 31, 2000. The $95 million increase came primarily from growth of our international life insurance business. To date, our experience on an overall basis has been generally consistent with our assumptions used in determining the periods over which we write off this DAC. However, if we were to experience a significant increase in lapse or surrender rates on policies for which we amortize DAC based on estimated gross margins or gross profits, such as participating and variable life insurance, we would expect acceleration of the write-off of DAC for the affected blocks of policies. Additionally, for all policies on which we have outstanding DAC, we would be required to evaluate whether this experience called into question our ability to recover all or a portion of the DAC, and we would be required to write off some or all of the DAC if we concluded that we could not recover it. While an accelerated write-off of DAC would not affect our cash flow or liquidity, it would negatively affect our reported earnings and level of capital under generally accepted accounting principles.

Risk Management, Market Risk and Derivative Instruments

Risk management includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns on the underlying assets or liabilities. We consider risk management an integral part of our core businesses.

The primary risks inherent in our operations are market risk, product risk,

credit risk, and operating risk. We discuss various product risks, credit risks and operating risks under "Risk Factors". We discuss various market risks below.

Market Risk

Market risk is the risk of change in the value of financial instruments as a result of absolute or relative changes in interest rates, foreign currency exchange rates or equity or commodity prices. To varying degrees, the investment and trading activities supporting all of our products and services generate market risks. The market risks incurred and our strategies for managing these risks vary by product.

With respect to non-variable life insurance products, fixed rate annuities, the fixed rate options in our variable life insurance and annuity products, consumer banking products, and other finance businesses, we incur market risk primarily in the form of interest rate risk. We manage this risk through asset/liability management strategies that seek to match the interest rate sensitivity of the assets to that of the underlying liabilities. Our overall objective in these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of our insurance liabilities than that of the related assets, to the extent that we can measure such sensitivities we believe that interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products.

For variable annuities and variable life insurance products, excluding the fixed rate options in these products, mutual funds and most separate accounts, our main exposure to the market is the risk that asset management fees decrease as a result of declines in assets under management due to changes in prices of securities. We also run the risk that asset management fees calculated by reference to performance could be lower. For variable annuity and variable life insurance products with minimum guaranteed death benefits, we also face the risk that declines in the value of underlying investments as a result of changes in prices of securities may increase our net exposure to death benefits under these contracts. We do not believe that these risks add significantly to our overall market risk. We manage our exposure to equity price risk relating to our general account primarily by seeking to match the risk profile of equity investments against risk-adjusted equity market benchmarks. We measure benchmark risk levels in terms of price volatility in relation to the market in general.

The sources of our exposure to market risk can be divided into two categories, "other than trading" activities conducted primarily in our insurance, annuity and guaranteed products operations, and "trading" activities conducted primarily in our securities operations. As part of our management of both "other than trading" and "trading" market risks, we use a variety of risk management tools and techniques. These include sensitivity and Value-at-Risk measures, position and other limits based on type of risk, and various hedging methods.

Other Than Trading Activities

We hold the majority of our assets for "other than trading" activities in our segments that offer insurance, annuities and guaranteed products. We incorporate asset/liability management techniques and other risk management policies and limits into the process of investing our assets. We use derivatives for hedging purposes in the asset/liability management process.

Insurance, Annuities and Guaranteed Products Asset/Liability Management

We seek to maintain interest rate and equity exposures within established ranges, which we periodically adjust based on market conditions and the design of related products sold to customers. Our risk managers establish investment risk limits for exposures to any issuer, geographic region, type of security or industry sector and oversee efforts to manage risk within policy constraints set by management and approved by the Board of Directors.

We use duration and convexity analyses to measure price sensitivity to interest rate changes. Duration measures the relative sensitivity of the fair value of a financial instrument to changes in interest rates. Convexity measures the rate of change of duration with respect to changes in interest rates. We seek to manage our interest rate exposure by matching the relative sensitivity of asset and liability values to interest rate changes, or controlling "duration mismatch" of assets and liabilities. We have a target duration mismatch constraint of plus or minus 0.5 years. As of December 31, 2000, the difference between the pre-tax duration of assets and the target duration of liabilities in our duration managed portfolio was less than 0.2 years. We consider risk-based capital implications in our asset/liability management strategies.

We also perform portfolio stress testing as part of our regulatory cash flow

testing. In this testing, we evaluate the impact of altering our interest-sensitive assumptions under various moderately adverse interest rate environments. These interest-sensitive assumptions relate to the timing and amount of redemptions and prepayments of fixed-income securities and lapses and surrenders of insurance products. We evaluate any shortfalls that this cash flow testing reveals to determine if we need to increase statutory reserves or adjust portfolio management strategies.

Market Risk Related to Interest Rates

Our "other-than trading" assets that subject us to interest rate risk include fixed maturity securities, mortgage loans and policy loans. In the aggregate, the carrying value of these assets represented 63% of our consolidated assets, other than assets that we held in separate accounts, as of December 31, 2000 and 58% as of December 31, 1999.

With respect to "other than trading" liabilities, we are exposed to interest rate risk through policyholder account balances relating to interest-sensitive life insurance, annuity and investment-type contracts and through outstanding short-term and long-term debt.

We assess interest rate sensitivity for "other than trading" financial assets, financial liabilities and derivatives using hypothetical test scenarios that assume either upward or downward 100 basis point parallel shifts in the yield curve from prevailing interest rates. The following tables set forth the potential loss in fair value from a hypothetical 100 basis point upward shift at December 31, 2000 and 1999, because this scenario results in the greatest net exposure to interest rate risk of the hypothetical scenarios tested at those dates. While the test scenario is for illustrative purposes only and does not reflect our expectations regarding future interest rates or the performance of fixed-income markets, it is a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These test scenarios do not measure the changes in value that could result from non-parallel shifts in the yield curve, which we would expect to produce different changes in discount rates for different maturities. As a result, the actual loss in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

This presentation does not include approximately $77 billion of insurance reserve and deposit liabilities at December 31, 2000 and $75 billion at December 31, 1999. We believe that the interest rate sensitivities of these insurance liabilities offset, in large measure, the interest rate risk of the financial assets set forth in the following tables.

<TABLE>
<CAPTION>

	December 31, 2000			
	Notional Value of Derivatives	Estimated Fair Value	Hypothetical Fair Value After + 100 Basis Point Parallel Yield Curve Shift	Hypothetical Change in Fair Value
		(in millions)		
<S>	<C>	<C>	<C>	<C>
Financial assets with interest rate risk:				
Fixed maturities:				
Available for sale.....		$ 83,827	$ 79,312	$ (4,515)
Held to maturity.....		12,615	12,085	(530)
Mortgage loans on real estate.....		15,308	14,634	(674)
Mortgage securitization inventory.....		1,448	1,373	(75)
Policy loans.....		8,659	8,147	(512)
Derivatives:				
Swaps.....	$ 4,765	4	125	121
Futures.....	3,878	34	15	(19)
Forwards.....	3,247	(50)	(50)	--
Financial liabilities with interest rate risk:				
Short-term and long-term debt.....		(13,800)	(13,683)	117
Investment contracts...		(25,359)	(25,122)	237
Securities sold but not yet purchased.....		(157)	(141)	16
Total estimated potential loss.....				$ (5,834)

</TABLE>

<TABLE>
<CAPTION>

	December 31, 1999			
	Notional Value of Derivatives	Estimated Fair Value	Hypothetical Fair Value After + 100 Basis Point Parallel Yield Curve Shift	Hypothetical Change in Fair Value
		(in millions)		
<S>	<C>	<C>	<C>	<C>
Financial assets with interest rate risk:				
Fixed maturities:				
Available for sale.....		$ 79,130	$ 74,968	$ (4,162)
Held to maturity.....		14,112	13,550	(562)
Mortgage loans on real estate.....		15,826	15,104	(722)
Mortgage securitization inventory.....		803	751	(52)
Policy loans.....		7,462	7,060	(402)
Derivatives:				
Swaps.....	$ 4,205	124	265	141
Futures.....	4,579	(37)	(240)	(203)
Options.....	33	--	--	--
Forwards.....	3,424	(19)	(19)	--
Financial liabilities with interest rate risk:				
Short-term and long-term debt.....		(16,563)	(16,454)	109
Investment contracts...		(25,394)	(25,121)	273
Total estimated potential loss.....				$ (5,580)

</TABLE>

The estimated changes in fair values of our financial assets shown above relate to assets invested to support our insurance liabilities, but do not include assets associated with products for which investment risk is borne primarily by the contract holders rather than by us.

Market Risk Related to Equity Prices

We actively manage equity price risk against benchmarks in respective markets. We benchmark our return on equity holdings against a blend of market indices, mainly the S&P 500 and Russell 2000, and we target price sensitivities that approximate those of the benchmark indices. We estimate our equity price risk from a hypothetical 10% decline in equity benchmark market levels and measure this risk in terms of the decline in fair market value of equity securities we hold. Using this methodology, our estimated equity price risk at December 31, 2000 was $232 million, representing a hypothetical decline in fair market value of equity securities we held at that date from $2.317 billion to $2.085 billion. Our estimated equity price risk using this methodology at December 31, 1999 was $326 million, representing a hypothetical decline in fair market value of equity securities we held at that date from $3.264 billion to $2.938 billion. In calculating these amounts, we exclude equity securities related to products for which the investment risk is borne primarily by the contractholder rather than by us. While these scenarios are for illustrative purposes only and do not reflect our expectations regarding future performance of equity markets or of our equity portfolio, they represent near term reasonably possible hypothetical changes that illustrate the potential impact of such events.

Market Risk Related to Foreign Currency Exchange Rates

We are exposed to foreign currency exchange rate risk in our general account and through our operations in foreign countries. In our international life insurance business, we generally invest in assets denominated in the same currencies as our insurance liabilities, which mitigates our foreign currency exchange rate risk for these operations.

Our exposure to foreign currency risk within the general account investment portfolios supporting our U.S. insurance operations arises primarily from purchased investments that are denominated or payable in foreign currencies. We generally hedge substantially all foreign currency-denominated fixed-income investments supporting our U.S. operations into U.S. dollars, using foreign exchange forward contracts and currency swaps, in order to mitigate the risk that the fair value of these investments fluctuates as a result of changes in foreign exchange rates. We generally do not hedge all of the foreign currency risk of our equity investments in unaffiliated foreign entities.

Our operations in foreign countries create two additional sources of foreign currency risk. First, we reflect the operating results of our foreign branches

and subsidiaries in our financial statements based on the average exchange rates prevailing during the period. We hedge some of these foreign currency flows based on our overall risk management strategy and loss limits. We generally hedge our anticipated exposure to adjusted operating income fluctuations resulting from changes in foreign currency exchange rates relating to our operations in Japan, which are

the most significant of these operations, using foreign exchange forward contracts and currency swaps. Second, we translate our equity investment in foreign branches and subsidiaries into U.S. dollars using the foreign currency exchange rate at the financial statement period-end date. We have chosen to partially hedge this exposure.

We actively manage foreign currency exchange rate risk within specified limits at the consolidated level using Value-at-Risk analysis. This statistical technique estimates, at a specified confidence level, the potential pretax loss in portfolio market value that could occur over an assumed time horizon due to adverse market movements. We calculate this using a variance/covariance approach.

We calculate Value-at-Risk estimates of exposure to loss from volatility in foreign currency exchange rates for one-month time periods. Our estimated VaR at December 31, 2000 for foreign currency assets not hedged to U.S. dollars, measured at the 95% confidence level and using a one-month time horizon, was $18 million, representing a hypothetical decline in fair market value of these foreign currency assets from $906 million to $888 million. Our estimated VaR at December 31, 1999 for foreign currency assets not hedged to U.S. dollars, measured at the 95% confidence level and using a one-month time horizon, was $23 million, representing a hypothetical decline in fair market value of these foreign currency assets from $752 million to $729 million. These calculations use historical price volatilities and correlation data at a 95% confidence level. We discuss limitations of VaR models below.

Our average monthly Value-at-Risk from foreign currency exchange rate movements measured at the 95% confidence level over a one month time horizon was $16 million during 2000 and $18 million during 1999.

Derivatives

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, or the prices of securities or commodities. Derivative financial instruments may be exchange-traded or contracted in the over-the-counter market and include swaps, futures, options and forward contracts. See Note 15 of our audited consolidated financial statements for a summary of our derivative positions as of December 31, 2000 and 1999. Under insurance statutes, our insurance companies may use derivative securities in hedging activities that are intended to offset changes in the market value of assets held, obligations and anticipated transactions and certain income-generating activities. These statutes prohibit the use of derivatives for speculative purposes. We use 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 foreign currency exposures arising from mismatches between assets and liabilities. In addition, derivatives are used in our securities operations for trading purposes.

Trading Activities

We engage in trading activities primarily in connection with our securities businesses. We maintain trading inventories in various equity and fixed-income securities, foreign exchange instruments and commodities, primarily to facilitate transactions for our clients. Market risk affects the values of our trading inventories through fluctuations in absolute or relative interest rates, credit spreads, foreign currency exchange rates, securities and commodity prices. We seek to use short security positions and forwards, futures, options and other derivatives to limit exposure to interest rate and other market risks. We also trade derivative financial instruments that allow our clients to manage exposure to interest rate, currency and other market risks. Most of our derivative transactions involve exchange-listed contracts and are short-term in duration. We act both as a broker, by selling exchange-listed contracts, and as a dealer, by entering into futures and security transactions as a principal. As a broker, we assume counterparty and credit risks that we seek to mitigate by using margin or other credit enhancements and by establishing trading limits and credit lines. As a dealer, we are subject to market risk as well as counterparty and credit risk. We manage the market risk associated with trading activities through hedging activities and formal policies, risk and position limits, counterparty and credit limits, daily position monitoring, and other forms of risk management.

Value-at-Risk

VaR is one of the tools we use to monitor and manage our exposure to the market risk of our trading activities. We calculate a VaR that encompasses our trading activities using a 95% confidence level. The VaR method incorporates

the risk factors to which the market value of our trading activities are exposed, which consist of interest rates, including credit spreads, foreign exchange rates, equity prices and commodity prices,

estimates of volatilities from historical data, the sensitivity of our trading activities to changes in those market factors and the correlations of those factors. We regularly test our VaR model by comparing actual adverse results to those estimated by the VaR model with a 95% confidence level over a one-day time horizon. The VaR for our trading activities expressed in terms of adverse changes to fair value at the 95% confidence level over a one-day time horizon was $6 million at December 31, 2000 and $13 million at December 31, 1999. The average daily VaR for our trading activities, expressed in terms of adverse changes to fair value with a 95% confidence level over a one-day time horizon, was $9 million during 2000 and $14 million during 1999. The following table sets forth a breakdown of this VaR by risk component as follows:

<TABLE>
<CAPTION>

	As of December 31, 2000	Average for 2000	As of December 31, 1999	Average for 1999
		(in millions)		
<S>	<C>	<C>	<C>	<C>
Interest rate risk.....	$ 4	$ 6	$10	$12
Equity risk.....	2	3	3	2
Total(1).....	$6	$ 9	$13	$14

</TABLE>

- --------

(1) At December 31, 2000 and 1999, and during the years then ended, VaR from each of foreign currency exchange rate risk and commodity risk in our trading activities was immaterial.

Limitations of VaR Models

Although VaR models represent a recognized tool for risk management, they have inherent limitations, including reliance on historical data that may not be indicative of future market conditions or trading patterns. Accordingly, you should not view VaR models as a predictor of future results. We may incur losses that could be materially in excess of the amounts indicated by the models on a particular trading day or over a period of time, and there have been instances when results have fallen outside the values generated by our VaR models. A VaR model does not estimate the greatest possible loss. We use these models together with other risk management tools, including stress testing. The results of these models and analysis thereof are subject to the judgment of our risk management personnel.

Recent Accounting Pronouncements

See Note 2 of our audited consolidated financial statements for a discussion of recently issued accounting pronouncements.

RECENT DEVELOPMENTS

Proposed Acquisition of Kyoei Life Insurance Co., Ltd.

In the following discussion, U.S. dollar amounts are translated from Japanese Yen amounts at the exchange rate as of December 31, 2000, i.e., $1 = (Yen)114.35.

We are seeking to acquire Kyoei Life Insurance Co., Ltd. ("Kyoei"), a financially troubled Japanese life insurer, subject to final completion of reorganization proceedings involving Kyoei under the Corporate Reorganization Law of Japan, which we refer to as the Reorganization Law. Pursuant to these proceedings, on April 2, 2001, the Tokyo District Court approved a reorganization plan ("Reorganization Plan") providing for the restructuring of Kyoei's assets and liabilities. The Reorganization Plan includes the extinguishment of all existing stock for no consideration and the issuance of one million new shares of common stock. Under the Reorganization Plan, we will contribute (Yen)50 billion ($437 million) in cash to Kyoei's capital and acquire 100% of Kyoei's newly issued common stock and will provide (Yen)98 billion ($857 million) to Kyoei in the form of a subordinated loan. The new shares of common stock will be issued to Prudential Holdings of Japan, K.K., an indirect wholly owned subsidiary of The Prudential Insurance Company of America. Kyoei will be renamed Gibraltar Life Insurance Company, Ltd. Following the acquisition, Kyoei will be included in our consolidated GAAP financial statements based on the date of acquisition.

Kyoei

Kyoei was established in 1947 and as of the end of December 2000 had over five million policies in force and approximately 9,000 sales persons in 590 offices across Japan. The company has business relationships with a number of affinity groups or "associations", which provide Kyoei with access to their members or employees. Kyoei's business consists mainly of individual protection products, which account for over 80% of the total number of in force policies.

Kyoei primarily offers four types of insurance products: individual insurance, including life and indemnity health coverage; individual annuities; group life insurance; and group annuities. Kyoei distributes products through an agency force and affinity channels. Some products are created specifically for the affinity channels. In addition to offering insurance products to individuals and groups, Kyoei underwrites life reinsurance. Kyoei also has domestic and foreign subsidiaries, including non-insurance businesses. The foreign businesses include operations in Brazil and Indonesia.

Japanese life insurance companies offer products with guaranteed interest rates to policyholders. The primary cause for Kyoei's gradual financial deterioration over the past few years has been that the investment returns it achieved on invested assets purchased with premiums and deposits received from policyholders were lower than the guaranteed rates it had to pay to policyholders (a so-called "negative spread"). For many years, insurance was written with guaranteed rates to policyholders of up to 6.25%. With the decline of the Japanese economy and Japanese financial and real estate markets in the 1990s, together with low interest rates, Kyoei was unable to achieve investment returns on its invested assets at least equal to the guaranteed rates, and Kyoei experienced substantially negative spreads. Kyoei's average investment returns fell from 3.82% for the fiscal year ended March 31, 1997 to 2.89%, 2.01% and 1.54%, for the fiscal years ended March 31, 1998, 1999 and 2000, respectively. The decline of the Japanese economy and of the Japanese financial and real estate markets also resulted in a substantial deterioration in the value in Kyoei's investment assets, and Kyoei has experienced significant and growing amounts of assets with impaired value. Finally, owing to its deteriorating financial condition, lowered financial credit ratings, and decreased public confidence in its financial viability, Kyoei's premiums and other revenue declined over 23% from fiscal years 1996 to 1999, from (Yen)815 billion ($7.1 billion) to (Yen)627 billion ($5.5 billion), as reported by Kyoei.

Kyoei was downgraded by Moody's to Caal in June 1999, indicating Moody's believes that Kyoei offered "very poor" financial security (C is the lowest rating). Kyoei's March 31, 2000 solvency margin of 211% was one of the weakest in the Japanese life insurance industry. Kyoei's revenues, results of operations and financial condition continued to deteriorate materially after the announcement of its financial results for the fiscal year ended March 31, 2000, including material increases in surrenders and withdrawals prior to the commencement of reorganization proceedings.

Kyoei's Financial Statements

Historically, Kyoei has prepared financial statements in accordance with generally accepted accounting principles in Japan, which we refer to as J GAAP. J GAAP differs in material respects from U.S. GAAP. Kyoei's historical financial statements have never been reconciled to U.S. GAAP. Further, in performing audits of Kyoei, its independent auditors have not followed U.S. generally accepted auditing standards, so the audits performed would not necessarily have resulted in identification and resolution of issues regarding the appropriateness of accounting policies or procedures or the adequacy or sufficiency of financial presentation in accordance with U.S. standards. For the foregoing reasons, Kyoei's historically reported financial statements do not reflect Kyoei's past financial performance in accordance with U.S. GAAP. Furthermore, Kyoei's historical J GAAP financial statements do not reflect the effects of Kyoei's prospective restructuring pursuant to the Reorganization Plan. Accordingly, we believe historical financial information regarding Kyoei is not comparable to or indicative of Kyoei's future financial condition or operating results on a post-reorganization basis in accordance with U.S. GAAP. For the foregoing reasons, we have not relied upon historically reported financial information in making our decision to acquire Kyoei.

Background and Strategy

We have had significant life insurance operations in Japan for approximately 20 years, as discussed under "Business--International Division". This has positioned us to work with Kyoei to restore its financial viability and to grow our position in the Japanese life insurance marketplace. After Kyoei's announcement of its results for

the fiscal year ended March 31, 2000, Kyoei's financial situation deteriorated to the point that only a restructuring of its in force business, combined with a substantial investment, appeared to be adequate to revitalize the company.

Kyoei filed a petition to commence reorganization proceedings with the Tokyo District Court on October 20, 2000, and the Tokyo District Court issued an order commencing the proceedings on October 23, 2000. At the commencement of the proceedings, we were selected as Kyoei's "Business Sponsor" (an informal status under the Reorganization Law) which has allowed us to work with the reorganization trustee to restructure Kyoei on a mutually acceptable basis, as described under "--Reorganization Proceedings and Reorganization Plan" below.

If we are successful in acquiring Kyoei, our existing Japanese operations and the restructured Kyoei will have different target markets; accordingly, the field forces will remain separate and we intend that they be perceived as autonomous in the marketplace. While we intend to continue Kyoei's traditional agent distribution system, we also plan to make changes to streamline its management, to strengthen its compliance monitoring and to change its agent compensation system to provide increased incentives for sales. We also intend to enhance Kyoei's product portfolio by introducing new life insurance products and, possibly, investment trust products from our International Investments business. In addition, we plan to improve service levels, increase operating efficiency and reduce expenses, and to use our global investment experience and resources to improve the restructured Kyoei's investment performance, including realigning its portfolio to reduce risk, improve returns and better align assets with liabilities; however, there is no assurance that we will be successful in doing so.

Reorganization Proceedings and Reorganization Plan

The Reorganization Law, similar to Chapter 11 of the U.S. Bankruptcy Code, is intended to provide a mechanism for restructuring financially troubled companies by permitting the adjustment of the interests of creditors, shareholders and other interested parties. The reorganization trustee determines the extent and nature of claims against the company, identifies the assets which the company owns or to which it is entitled, determines the current value of the company's assets on a going concern basis, and prepares a plan of reorganization that may adjust the liabilities owed creditors. Following approval of the plan by the interested parties and the formal recognition of the plan by the Tokyo District Court, the company re-emerges from the reorganization and begins conducting business in an ordinary fashion. In Kyoei's restructuring, the assets of Kyoei will be written down to the value set forth in the Reorganization Plan and the benefits to policyholders will be reduced. It is expected that the restructuring will eliminate Kyoei's negative net worth and that its in force business will become profitable.

On October 20, 2000, upon Kyoei's filing under the Reorganization Law, the Tokyo District Court issued an order generally freezing Kyoei's assets and appointed an interim trustee who, on October 23, 2000, was appointed as sole trustee. The trustee then commenced the formulation of the Reorganization Plan. Prior to the October 23, 2000 order, in connection with our appointment as Business Sponsor, we entered into an agreement with the interim trustee providing, among other things, that the Reorganization Plan to be submitted to the Tokyo District Court for approval would not require funds to be contributed by the Life Insurance Policyholders Protection Corporation of Japan.

On February 14, 2001, the trustee submitted the Reorganization Plan to the Tokyo District Court. According to the adjusted asset valuation provided in the Reorganization Plan, assets totaled (Yen)4,089 billion ($35.8 billion) as of October 23, 2000, which included (Yen)364 billion ($3.2 billion) of an intangible asset recognized for regulatory purposes under J GAAP (but not U.S. GAAP). Prior to the policy reserve reductions and other liability adjustments provided under the Reorganization Plan, Kyoei's liabilities totaled (Yen)4,414.5 billion ($38.6 billion) as of October 23, 2000, resulting in a negative net worth of (Yen)325.5 billion ($2.8 billion).

Kyoei's creditors have approved the Reorganization Plan and on April 2, 2001 the Tokyo District Court issued its official recognition order approving the Reorganization Plan. The Reorganization Plan became effective immediately upon the issuance of the recognition order, and is binding upon Kyoei, its creditors, including policyholders, its shareholders and other interested parties, whether or not they submitted claims or voted for or against the plan. The Prudential management team formally took control of Kyoei on April 2, 2001.

Under the Reorganization Plan, Kyoei will be restructured as follows:

- Kyoei will be discharged from all financial indebtedness, retaining only liabilities under insurance policies and contracts, liabilities incurred in the ordinary course of business and certain other claims approved by the trustee. All existing shares of stock will be extinguished without consideration.

- Kyoei will remain responsible for pension liabilities, which we currently believe to be understated by at least (Yen)68 billion ($595 million).

- An intangible asset of approximately (Yen)364 billion ($3.2 billion) will be established for regulatory reporting purposes under J GAAP and written off over the applicable period. Neither the intangible asset nor its amortization is recognized under U.S. GAAP financial reporting.

- We will contribute (Yen)50 billion ($437 million) in cash to Kyoei's capital and acquire 100% of Kyoei's newly issued common stock, and will further provide (Yen)98 billion ($857 million) to Kyoei in the form of a subordinated loan.

- There will be no policy changes for group life, collective term and reinsurance policies.

- The guaranteed rate on all other in force policies will be reduced to 1.75%.

- Statutory reserves will first be reduced to the lowest level allowed by Japanese regulation and then reduced by an additional 8% on restructured policies except individual annuities (these annuities will only be subject to the reserve reductions if they are surrendered).

- Special surrender penalties will be imposed on existing policies according to the following schedule (for each fiscal year ending March 31):

<TABLE>
<CAPTION>

2002	2003	2004	2005	2006	2007	2008	2009
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
15%	14%	12%	10%	8%	6%	4%	2%

</TABLE>

- Although participating policies will retain their current participating status, it is not anticipated that policy dividends will be paid until such time as Kyoei's remaining intangible asset is fully amortized, Kyoei has reached the standard reserve level as defined in the Japanese insurance business law, and Kyoei has achieved cumulative profits equal to our aggregate initial investment on a J GAAP basis.

- In years four and eight following the recognition of the Reorganization Plan by the Tokyo District Court, a special dividend to policyholders will be payable based on 70% of net gains, if any, over the Reorganization Plan valuation of real estate and loans, net of transaction costs and taxes.

- No funds will be requested from the Life Insurance Policyholders Protection Corporation of Japan.

While there can be no assurance, we believe that the Reorganization Plan will eliminate Kyoei's existing "negative spread" and that the in force business will become profitable. While the surrender penalties are intended to limit policyholder surrenders and withdrawals following implementation of the Reorganization Plan, we anticipate that significant policyholder surrenders and withdrawals will occur, further reducing the size and ongoing premium income of the business we have purchased. While we believe we will be able to operate Kyoei on a profitable basis after the acquisition, there is no assurance we will achieve that objective.

Pursuant to the Reorganization Plan, Kyoei's balance sheet will be restructured to reflect the write-down of its assets, the modification of its liabilities and our capital and loan commitment as discussed above. The table below compares Kyoei's assets as of October 23, 2000 (i) based on information obtained from Kyoei and contained in the Reorganization Plan and (ii) according to the asset valuation adopted in the Reorganization Plan. Columns B and D below show the financial information in Columns A and C converted to U.S. dollars based on the exchange rate as of December 31, 2000 ($1=(Yen)114.35).

As of October 23, 2000
In accordance with J GAAP
(unaudited)

<TABLE>
<CAPTION>

(A)	(B)	(C)	(D)
Asset Balances as of 10/23/00 Provided by Kyoei ((Yen)	Column A Amounts in US$ Millions	Adjusted Assets Provided under Reorganization Plan ((Yen)	Column C Amounts in US$ Millions

Account	millions)	($1=(Yen) 114.35)	millions)	($1=(Yen) 114.35)
<S>	<C>	<C>	<C>	<C>
Assets				
Cash and Deposits.....	83,439	730	83,489	730
Call Loans.....	335,000	2,930	335,000	2,930
Monetary Claims Bought..	13,096	115	11,899	104
Money in Trust.....	386,011	3,376	386,011	3,376
Securities.....	1,745,671	15,266	1,703,212	14,895
Loans.....	1,365,299	11,940	1,088,467	9,519
Policy Loans.....	58,108	508	58,108	508
Corporate/General Loans.....	1,307,191	11,432	1,030,359	9,011
Real Estate.....	144,534	1,264	39,024	341
Accounts Receivable from Agencies.....	294	3	294	3
Accounts Receivable from Reinsurers.....	1,348	12	56,446	494
Other Assets.....	27,849	243	19,158	167
Customers' Liabilities for Acceptance & Guarantee.....	2,000	17	2,000	17
Reserves for Bad Debt...	(19,767)	(173)	0	0
Intangible Asset.....	0	0	364,000	3,183
Total Assets.....	4,084,774	35,723	4,089,000	35,759

</TABLE>

Prior to the policy reserve reductions and other liability adjustments provided under the Reorganization Plan, Kyoei's liabilities totaled (Yen)4,414.5 billion ($38.6 billion) as of October 23, 2000. The policy reserve reductions and other liability adjustments under the Reorganization Plan have been developed with the expectation that total liabilities will equal total assets (i.e., (Yen)4,089 billion as noted above) as of the commencement date of the reorganization. Kyoei's immediate post-reorganization equity is therefore expected to equal our contribution of (Yen)50 billion ($437 million) in cash to Kyoei's capital to acquire 100% of Kyoei's newly issued common stock.

The information contained in Column A above was prepared based upon information obtained from Kyoei. The information contained in Column C above is based on the Reorganization Plan as approved by the Tokyo District Court. In assessing this information, you should consider the following:

- the information was prepared in accordance with J GAAP which, as noted above, differs in material respects from information prepared in accordance with U.S. GAAP;

- the adjustments reflected in the Reorganization Plan were determined based upon information and advice from consultants of the trustee (accountants, investment bankers and actuaries) and the trustee's best judgment and are not necessarily adjustments that would have been prepared had the information been prepared in accordance with pro forma requirements established by the U.S. Securities and Exchange Commission; and

- upon our acquisition of Kyoei, for U.S. GAAP accounting purposes, the assets and liabilities of Kyoei will be adjusted to their fair value at that date. The fair value of assets and liabilities at the acquisition date may differ significantly from those reflected above due to changes in market values and changes in the composition of assets and liabilities.

Remaining Proceedings

As of the date hereof, the following steps remain to be taken in order for the Reorganization Plan to be approved and implemented.

- Immediately following the issuance of the recognition order by the Tokyo District Court, the implementation of the Reorganization Plan will proceed. As indicated above, such implementation will include a reduction of capital, the issuance of new shares and the incurrence of a subordinated loan. Under the Reorganization Plan, the reduction of Kyoei's capital will occur on the day following the payment date for the new shares. This is currently scheduled to occur on April 20, 2001, subject to the appeal process described below.

- If there is an error or a defect in the official recognition order of the Reorganization Plan granted by the Tokyo District Court, then any interested party may appeal such order to the Tokyo High Court within two weeks from the day after such order is published in the official gazette. We expect this appeal period to expire on April 17, 2001. Even if an appeal is made, it will not suspend the implementation of the

Reorganization Plan. If an appeal is not made within the above period or if any appeal made by an interested party is rejected by the Tokyo High Court, then the recognition order becomes final and non-appealable.

- Until the conclusion of the reorganization proceedings (which we expect to occur on or about April 23, 2001), the trustee or an interested party may apply to the Tokyo District Court to amend the Reorganization Plan. The Reorganization Plan may be amended if "compelling circumstances" arise during this period. In the event that Kyoei were to incur unexpected losses that constitute "compelling circumstances" for amending the Reorganization Plan in a manner that adversely affects the rights of creditors or shareholders, any such amendment would have to be approved by a vote of the interested parties. If, on the other hand, excess profits were earned during the period prior to the conclusion of reorganization proceedings, such profits would be allocated in accordance with the Reorganization Plan as adopted, and no amendment would be required.

- When the Reorganization Plan has been fully implemented, the Tokyo District Court will issue a ruling for, and give public notice of, conclusion of the reorganization proceedings. We currently expect that the Tokyo District Court will grant the conclusion on or about April 23, 2001, subject to the appeal process previously discussed.

There is no assurance that interested parties will not seek to challenge and amend the Reorganization Plan during this period, including in a manner materially adverse to our proposed investment.

Risks of Proposed Acquisition

There is no assurance that we will consummate the proposed acquisition.

If consummated, the proposed acquisition involves a number of risks.

- The terms of the Reorganization Plan ultimately approved, following any appeal, might be materially different from those described in this prospectus and materially less favorable to us.

- Our belief that we can operate Kyoei on a profitable basis after its reorganization may be wrong, and Kyoei could experience post-reorganization policyholder surrenders and withdrawals materially different than those we anticipate and/or incur material losses, including deterioration of assets and/or lower than expected investment returns.

- The reorganization proceedings will not extinguish the liabilities of Kyoei's affiliates. While there can be no assurance, we do not believe any existing or contingent liabilities of Kyoei's affiliates involve exposures that are material to our consolidated financial position or results of operations.

DEMUTUALIZATION AND RELATED TRANSACTIONS

The demutualization will be consummated pursuant to a plan of reorganization. The following is a summary of the material terms of the demutualization and the plan of reorganization, including the destacking, the issuances of Class B Stock and IHC debt and the extraordinary dividend. The statements below concerning the plan of reorganization are only a summary, and reference is made to the plan of reorganization, a copy of which is filed as an exhibit to the registration statement of which this prospectus forms a part. Each statement is qualified in its entirety by such reference.

The Demutualization

Summary of the Plan of Reorganization

Upon effectiveness of the plan of reorganization, The Prudential Insurance Company of America will convert from a mutual life insurance company owned by its policyholders to a stock life insurance company and become a wholly owned indirect subsidiary of Prudential Financial, Inc. Eligible policyholders as defined in the plan of reorganization will receive shares of Prudential Financial, Inc.'s Common Stock, cash or policy credits upon the extinguishment of all membership interests in The Prudential Insurance Company of America. In addition, two closed blocks will be established for the benefit of certain participating individual life insurance policies and annuities issued by The Prudential Insurance Company of America and its Canadian branch, respectively. Concurrently, we will sell Common Stock in the offering.

Approval of the Plan of Reorganization

We expect the Commissioner of Banking and Insurance of the State of New Jersey to hold a public hearing regarding the plan of reorganization commencing on July 17, 2001. We expect the policyholder vote on the plan of

reorganization to be held at a policyholders' meeting on July 31, 2001.

Allocation and Payment of Compensation to Eligible Policyholders

Eligible policyholders entitled to receive compensation in the demutualization consist of:

- policyholders of The Prudential Insurance Company of America;
- U.S. policyholders of Pruco Life Insurance Company, Pruco Life Insurance Company of New Jersey and Prudential Select Life Insurance Company of America, each of which is a direct or indirect subsidiary of The Prudential Insurance Company of America;
- holders of certain policies that The Prudential Insurance Company of America transferred to London Life Insurance Company in 1996 in connection with the sale of most of its Canadian branch operations and certain successor policies thereto;
- holders of health insurance policies transferred to Aetna remaining in Prudential's name or issued by Aetna following notice of non-renewal or cancellation; and
- holders of policies that The National Life Assurance Company of Canada and The Prudential Insurance Company of America jointly issued pursuant to a reinsurance agreement.

In certain situations involving group policies issued to trusts established by Prudential, we will distribute demutualization compensation directly to certain participants (which may be either employers or individuals depending on the nature of the group), rather than the group policyholder, as if each participant were a separate policyholder.

In addition, we have offered to certain former policyholders who rescinded their policies, or who gave up their right to acquire policies, through the alternative dispute resolution process that we established in connection with the settlement of our principal life insurance sales practices litigation, the opportunity to repurchase their policies and participate in the demutualization as eligible policyholders.

The compensation an eligible policyholder receives under the plan of reorganization will be based on the number of shares of Common Stock notionally allocated to that eligible policyholder. The formula for allocating notional shares of Common Stock among eligible policyholders has two components. Every eligible policyholder will be entitled to receive a minimum allocation of eight notional shares, which we refer to as the basic fixed

component of compensation. Every eligible policyholder will receive only one basic fixed component regardless of the number of eligible policies the eligible policyholder owns or their value. Eligible policyholders will also be entitled to receive an allocation of notional shares, which we refer to as the basic variable component, if the eligible policies they own have contributed, or are expected to contribute, to Prudential's surplus. We will calculate the amount of the basic variable component, if any, for each eligible policyholder based upon actuarial formulas. In addition, eligible policyholders receiving cash or policy credits but not Common Stock will be entitled to an additional allocation of notional shares equal to approximately 10% of the aggregate of such policyholder's basic fixed and variable components, subject to a minimum of two additional notional shares.

We will distribute to all eligible policyholders actual shares of Common Stock with respect to the number of shares notionally allocated to them in the demutualization, except as follows:

- We will provide policy credits with respect to policies that are tax-qualified individual retirement annuities, tax-deferred annuities or individual life insurance policies or individual annuity contracts issued in connection with specified tax-qualified plans.
- We will pay cash to each eligible policyholder whose address for mailing purposes, as of the effective date of the demutualization, as shown on our records is outside the United States or is shown on our records to be an address at which mail to such eligible policyholder is undeliverable within the United States and to each eligible policyholder who holds a policy that was issued by the Canadian branch of The Prudential Insurance Company of America and is denominated in Canadian dollars. Cash that we cannot provide to eligible policyholders because we cannot locate them will be subject to the unclaimed property acts and escheat laws of applicable jurisdictions.
- Each eligible policyholder to whom we allocate 50 (or such lower number as The Prudential Insurance Company of America's Board of Directors specifies) or fewer shares will receive cash unless such eligible

policyholder affirmatively elects to receive shares.

. We will pay cash to each eligible policyholder whose policy is subject to a judgment lien, creditor lien (other than a policy loan made by Prudential) or bankruptcy proceeding as of the effective date of the demutualization.

We will determine the amount of cash or policy credits an eligible policyholder will receive by multiplying the number of notional shares allocated pursuant to the foregoing by the greater of:

. the initial public offering price, or

. an amount equal to the initial public offering price plus, if the average closing price of the Common Stock for the first 20 days of trading is greater than 110% of the initial public offering price, such excess, but not to exceed 10% of the initial public offering price.

We fixed the right of eligible policyholders to receive compensation as of December 15, 2000, the date on which The Prudential Insurance Company of America's Board of Directors adopted the plan of reorganization. Except for the former policyholders that rescinded policies, or who gave up their right to acquire policies, in the sales practices alternative dispute resolution process and elect to repurchase their policies to participate in the demutualization, an eligible policyholder must own one or more eligible policies that were in force, or were deemed to have been in force under the plan of reorganization, on the board adoption date in order to be eligible to receive compensation. We expect to distribute demutualization compensation to eligible policyholders within 45 days of the effective date, except that where the amount of compensation to be received by an eligible policyholder cannot be determined until after the effective date, because of the provision discussed above that applies if the Common Stock trades at a price greater than the specified amount over the first 20 trading days, we expect to distribute compensation within 45 days of the date that such amount and type are determined.

We have retained Milliman & Robertson, Inc., an actuarial consulting firm, to advise us in connection with actuarial matters involved in the development of the plan of reorganization and the payment of compensation to eligible policyholders. The opinion of Daniel J. McCarthy, M.A.A.A., an independent consulting actuary associated with Milliman & Robertson, Inc., dated December 12, 2000 states that the plan for allocation of policyholder compensation set forth in the plan of reorganization is reasonable and appropriate as required by the New Jersey demutualization law. We have included a copy of this opinion as Annex A of this prospectus.

Commission-Free Program and Sales Facility

The plan of reorganization requires us to establish one or more commission-free programs under which eligible policyholders receiving 99 or fewer shares of Common Stock in the demutualization, and other shareholders holding 99 or fewer shares, may sell all, but not less than all, of their shares without paying brokerage commissions or similar expenses. The commission-free program will also permit policyholders receiving 99 or fewer shares to purchase enough additional shares to own exactly 100 shares. In the event that, on any particular day, the number of shares to be sold under the commission-free program exceeds the number of shares to be purchased, we will be offered the opportunity to buy back all or any portion of the excess shares. The sales and purchases made under the commission-free program will be at prevailing market prices without brokerage commissions or similar expenses. The commission-free program will involve transactions effected on a periodic basis on the NYSE. The first commission-free program will begin no sooner than 90 days after the effective date of demutualization and not later than the second anniversary of the effective date of the demutualization and will last for not less than three months. We estimate that upon consummation of the demutualization we will have approximately 4 million policyholders who will in total receive in excess of 165.5 million shares that we believe would be eligible to participate in the commission-free program. In addition to the commission-free program, we will arrange procedures for policyholders to obtain share certificates from the transfer agent or request transfer of their shares from the transfer agent to brokerage accounts. In addition, our transfer agent is expected to offer a sales facility for policyholders holding 1,000 shares of Common Stock or less, to sell shares, at their own expense, through the transfer agent. The sales facility will not be available until at least 30 days after the effective date of the demutualization.

The Closed Block

Under the plan of reorganization, The Prudential Insurance Company of America will establish a Closed Block for certain participating individual life insurance policies and annuities issued by The Prudential Insurance Company of America in the United States. The policies that we will include in

the Closed Block are specified participating individual life insurance policies and individual annuity contracts that are in force on the effective date of the reorganization and on which we are currently paying or expect to pay experience-based policy dividends. The purpose of the Closed Block is to provide for the reasonable expectations for future policy dividends after demutualization of the holders of the policies included in the Closed Block. The establishment of the Closed Block, including the Closed Block Assets and Closed Block Liabilities, is subject to the review and approval of the New Jersey Department of Banking and Insurance. The Closed Block will continue in effect until the date none of the included policies is in force unless the Commissioner of the New Jersey Department of Banking and Insurance consents to an earlier termination.

We will also establish a separate closed block for the benefit of the owners of participating individual life insurance policies issued by our Canadian branch that we did not transfer to London Life. Our objective in establishing a separate closed block for these Canadian policies is to maintain consistency with the way we have managed the U.S. and Canadian blocks of business in the past for pricing and dividend purposes and to simplify the implementation details related to the funding calculation and cash flow tracking of the respective groups of policies. We will operate this closed block, which, because of the substantially smaller number of outstanding Canadian policies, will be insignificant in size, in a similar manner as the U.S. Closed Block and reflect it in our Corporate and Other operations of our Financial Services Businesses; it is not included in our Traditional Participating Products segment or the Closed Block Business.

The plan of reorganization provides that we may, with the prior consent of the Commissioner of Banking and Insurance of the State of New Jersey, enter into agreements to transfer to a third party all or any part of the risks under the Closed Block policies.

See "Unaudited Pro Forma Condensed Consolidated Financial Information--Unaudited Pro Forma Closed Block Information" for pro forma financial information and the funding of the Closed Block.

Related Transactions

In connection with the demutualization, we plan to implement three significant changes to our organization and capital structure designed to increase the value of demutualization compensation received by eligible policyholders and enhance our financial flexibility, although we are not required to implement any of them as a condition to completing our demutualization. These intended changes are:

- on or within 30 days following the date of the demutualization, the "destacking" or reorganization of the ownership of various subsidiaries of The Prudential Insurance Company of America so that they become direct or indirect subsidiaries of Prudential Financial, Inc.,

- concurrently with or within 30 days following the date of the demutualization, the issuance of Class B Stock designed to reflect the performance of the Closed Block Business and prior to, concurrently with or within 30 days following the date of the demutualization, the issuance of IHC debt, and

- on or within 30 days following the date of the demutualization, the payment by The Prudential Insurance Company of America of an extraordinary dividend, in addition to the destacking, not to exceed $2.5 billion to Prudential Financial, Inc. for use in the Financial Services Businesses.

The Destacking

The first planned change is the "destacking". The following chart illustrates the organization of our principal operating companies prior to the demutualization.

[CHART]

In connection with the demutualization, Prudential Financial, Inc. will become the ultimate holding company for all of our companies. The destacking will establish Prudential Financial, Inc.'s ownership of The Prudential Insurance Company of America and the destacked subsidiaries in parallel ownership chains, rather than "stacked" ownership through The Prudential Insurance Company of America. The destacking will be accomplished as an extraordinary dividend concurrently with, or within 30 days following, the demutualization. Destacking requires regulatory review separate from the approval required for demutualization and, if it is disapproved prior to demutualization, we will proceed with the demutualization without the destacking or, subject to the appropriate regulatory approvals, with a partial destacking. To effect the destacking, The Prudential Insurance Company of America will distribute to Prudential Financial, Inc., directly or indirectly,

the following subsidiaries, together with certain related assets and liabilities:

- our property and casualty insurance companies,
- our principal securities brokerage companies,
- our international insurance companies,

- our principal asset management operations, and
- our international securities and investments, domestic banking, and residential real estate brokerage franchise and relocation services operations.

The following chart illustrates the principal elements of our organization after giving effect to the demutualization and the complete destacking.

[CHART]

Class B Stock and IHC Debt Issuances

General

We are seeking to issue shares of Class B Stock of Prudential Financial, Inc. to institutional investors in a private placement concurrently with or within 30 days following this offering of our Common Stock. We also are seeking to issue the IHC debt prior to, concurrently with or within 30 days following the demutualization, and we currently intend that the IHC debt will be insured by a bond insurer. If issued, the Class B Stock will be designed to reflect the performance of the Closed Block Business, including the Closed Block Assets and Closed Block Liabilities and the Surplus and Related Assets as well as other related assets and liabilities noted below, including the IHC debt. If issued, the IHC debt is expected to be serviced by, and the dividends to the holders of the Class B Stock are expected to reflect, the net cash flows of the Surplus and Related Assets. If we issue the Class B Stock, the Common Stock issued in this offering would then reflect the performance of our Financial Services Businesses, which will include the capital previously included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business, other traditional insurance products previously included in the Traditional Participating Products segment but which will not be included in the Closed Block, and the proceeds of issuing the Class B Stock and IHC debt.

We believe the sale of the Class B Stock and IHC debt will improve the value and investment attributes of the Common Stock distributed to eligible policyholders in our demutualization and in this offering, and this is the purpose of their issuances. If we issue the Class B Stock, we expect the Common Stock will then reflect the performance of our post-demutualization Financial Services Businesses without reflecting the relatively lower returns of the participating products included in the Closed Block. Further, we will allocate the entire net proceeds from the issuance of the Class B Stock and the IHC debt to our Financial Services Businesses. We will use most of these proceeds in our Financial Services Businesses, which should further increase the value of the Financial Services Businesses, although we expect a minority portion of the proceeds of the IHC debt will secure servicing thereof as discussed below.

We are currently negotiating both the terms of the Class B Stock with potential investors and the terms of the IHC debt with potential bond insurers. Our intent is to enter into subscription agreements with Class B Stock investors prior to the public hearing on the plan of reorganization commencing on July 17, 2001, and to achieve net proceeds of approximately $170 to $225 million from issuance of the Class B Stock. We also are seeking to

enter into a policy binder with a bond insurer committing the bond insurer to insure approximately $1.75 billion of IHC debt. The IHC debt would be marketed and sold following the public hearing. We expect the subscription agreements and policy binder will contain conditions to the investors' and bond insurer's commitments, and accordingly, even if we enter into subscription agreements and a policy binder, there is no assurance the Class B Stock or the IHC debt will ultimately be issued. Furthermore, since we have not completed negotiations with either the potential Class B Stock investors or the potential bond insurers, the terms of the Class B Stock and the IHC debt may vary from those described in this prospectus. However, we will issue the Class B Stock and the IHC debt only if we believe the terms of their issuances will improve the value and investment attributes of the Common Stock.

If the Class B Stock is issued, dividends declared and paid on the Common Stock will then depend upon the financial performance of the Financial Services Businesses, and the interest of holders of Common Stock in any

liquidation of Prudential Financial, Inc. would then exclude any interest attributable to the Closed Block Business. Dividends declared and paid on the Common Stock would not depend upon or be affected by the financial performance of the Closed Block Business, unless the Closed Block Business were in financial distress. Dividends declared and paid on the Class B Stock would depend upon the financial performance of the Closed Block Business, and the interest of holders of Class B Stock in any liquidation of Prudential Financial, Inc. would be limited to that attributable to the Closed Block Business. Essentially, holders of the Class B Stock would receive as dividends the net cash flows of the Surplus and Related Assets. We have proposed that dividends on the Class B Stock be paid at a specified dollar rate per annum per share but not to exceed such cash flows. If we issue the Class B Stock, Prudential Financial, Inc. would retain the net proceeds from such issuance for general corporate purposes.

If we issue the IHC debt, the issuer would be Prudential Holdings, LLC. Most of the net proceeds would be distributed by Prudential Holdings, LLC to Prudential Financial, Inc. for use for general corporate purposes. We expect the bond insurer would require that a minority portion of the net proceeds of the IHC debt be deposited by Prudential Holdings, LLC in a debt service coverage account which, together with reinvested earnings thereon, would constitute a source of payment and security for the IHC debt. Since such net proceeds and earnings are allocated to the Financial Services Businesses, to the extent they are used to service payments with respect to the IHC debt, an inter-business loan would be established. Such inter-business loan would reflect the obligation of the Closed Block Business to repay amounts so used from the debt service coverage account within the Financial Services Businesses, and would be reduced and eliminated to the extent such amounts are replenished.

We believe that the proceeds of issuances of the Class B Stock and IHC debt would reflect capital in excess of that necessary to support the Closed Block Business and that the Closed Block Business would have sufficient assets and cash flows to repay the IHC debt. The investors in the Class B Stock and the IHC debt must understand and agree to this allocation and usage of issuance proceeds prior to their investment. In effect, the Closed Block Business will be financially leveraged in connection with the sale of the Class B Stock, and investors in the Class B Stock will understand that their investment returns are subject to prior servicing of the IHC debt.

The issuances of the Class B Stock and the IHC debt are not assured and are not conditions to completion of this offering. If we proceed with this offering but do not issue any Class B Stock, the Common Stock will reflect the performance of all our businesses, including the Traditional Participating Products segment, and we will not achieve the intended benefits noted above. If we issue the Class B Stock, we will refer to the Financial Services Businesses and the Closed Block Business as the "Businesses".

If the Class B Stock is issued, in order to separately reflect the financial performance of the Financial Services Businesses and the Closed Block Business, we will allocate all our assets and liabilities and earnings between the two Businesses and account for them as if they are separate legal entities. Assets and liabilities allocated to the Closed Block Business will be those that we consider appropriate to operate that business. You can see pro forma information regarding this allocation under "Unaudited Pro Forma Condensed Consolidated Financial Information". After giving effect to the demutualization and the issuance of Class B Stock and the IHC debt, the Closed Block Business would consist of:

- Within The Prudential Insurance Company of America, Closed Block Assets, Surplus and Related Assets and deferred policy acquisition costs and other assets and, with respect to liabilities, Closed Block Liabilities.

- Within Prudential Holdings, LLC, the principal amount of the IHC debt and related unamortized debt issuance costs.

- Within Prudential Financial, Inc., dividends received from Prudential Holdings, LLC, and reinvestment thereof, and other liabilities of Prudential Financial, Inc., in each case as attributable to the Closed Block Business.

The Financial Services Businesses will bear any expenses and liabilities from litigation affecting the Closed Block policies. In the event that interest expense on the IHC debt is not deductible for federal income tax purposes, the additional tax expense will also be borne by the Financial Services Businesses. These expenses would therefore be reflected in the Financial Services Businesses, and not in the Closed Block Business.

The following table sets forth the allocation of assets and liabilities to the Closed Block Business on a pro forma basis as of December 31, 2000:

<TABLE>
<CAPTION>

	Assets	Liabilities
	(in millions)	
Traditional Participating Products segment within The Prudential Insurance Company of America(1):		
Closed Block Assets	$56,114	--
Surplus and Related Assets	4,118	--
Closed Block Liabilities	--	$59,402
Deferred policy acquisition costs and other assets	2,302	--
Prudential Holdings, LLC:		
IHC debt	--	1,750
Unamortized debt issuance costs	20	--
Prudential Financial, Inc.:		
Dividends received from Prudential Holdings, LLC	--	--
Closed Block Business(1)	$62,554	$61,152

- ---

(1) Closed Block Business amounts exclude certain assets and liabilities allocated to the Financial Services Businesses at the time of the establishment of the Closed Block.

All assets and liabilities of Prudential Financial, Inc. and its subsidiaries not included in the Closed Block Business would constitute the Financial Services Businesses. If the Class B Stock is issued, the Financial Services Businesses will include the capital previously included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business. Additionally, the minor portion of traditional insurance products historically included in the Traditional Participating Products segment but which will not be included in the Closed Block would be reflected in our Individual Life Insurance segment.

It is expected that any inter-business loan referred to above would be repaid in full out of Surplus and Related Assets, but not Closed Block Assets. Such loan would be subordinate to the IHC debt.

The following diagram reflects the potential allocation of Prudential Financial, Inc.'s consolidated assets and liabilities between the Financial Services Businesses and the Closed Block Business:

[DIAGRAM]

If we issue the Class B Stock, you should understand that there would be no legal separation of the two Businesses. The foregoing allocation of assets and liabilities would not require Prudential Financial, Inc., The Prudential Insurance Company of America, any of their subsidiaries, or the Closed Block to transfer any specific assets or liabilities to a new entity.

The Class B Stock would be exchangeable for shares of Common Stock at our discretion and in the event of certain regulatory events or a change of control of Prudential Financial, Inc. at any time. Upon any such exchange, the separation of the Businesses would cease and the intended benefits of such separation noted above would also cease.

Financial Reporting

If the Class B Stock is issued, Prudential Financial, Inc.'s GAAP financial statements reported to you will be prepared so that the following financial disclosures will be made following demutualization:

- audited annual consolidated financial statements and unaudited interim consolidated financial statements of Prudential Financial, Inc. as would otherwise be prepared regardless of the issuance of the Class B Stock; and

- audited supplemental combining financial information on an annual basis and unaudited supplemental combining financial information on an interim basis, which will separately report the financial position and results of operations of the Financial Services Businesses and the Closed Block Business.

Even though Prudential Financial, Inc. would allocate all of its consolidated assets, liabilities, revenue, expenses and cash flow between the Financial Services Businesses and the Closed Block Business, there would be no legal separation of the two Businesses, and holders of Common Stock and holders of Class B Stock would be common stockholders of Prudential Financial, Inc. and, as such, would be subject to all risks associated with an investment in Prudential Financial, Inc. and all of its businesses, assets and liabilities. Holders of Common Stock and holders of Class B Stock would vote together as one class unless otherwise required by law and would have relative

dividend and liquidation rights with respect to Prudential Financial, Inc., as further described under "Description of Capital Stock--Common Stock". This means that:

- holders of Common Stock would have no equity interest in a legal entity representing the Financial Services Businesses;
- holders of Class B Stock would have no equity interest in a legal entity representing the Closed Block Business; and
- holders of each class of common stock would be subject to all of the risks associated with an investment in Prudential Financial, Inc. and all of our businesses, assets and liabilities.

Within the Closed Block Business the assets and cash flows attributable to the Closed Block would inure solely to the benefit of the Closed Block policyholders through policyholder dividends after payment of benefits, expenses and taxes. The Surplus and Related Assets would inure to the benefit of the holders of Class B Stock. The earnings on, and distribution of, the Surplus and Related Assets over time would be the source or measure of payment of the interest and principal of the IHC debt and of dividends on the Class B Stock. The earnings of the Closed Block would be reported as part of the Closed Block Business, although no cash flows or assets of the Closed Block would inure to the benefit of our stockholders. The Closed Block Assets would not be available to service interest and principal of the IHC debt or dividends on the Class B Stock.

Inter-Business Transfers and Allocation Policies

If the Class B Stock is issued, while all our assets and liabilities would be allocated between the Businesses, we will be permitted to make transfers of assets and liabilities between the Businesses in order to accomplish cash management objectives, to fund, if necessary, unsatisfied liabilities of one Business with the assets of the other, to pay taxes and to achieve other objectives which we may deem appropriate, subject to regulatory oversight. In addition, we would retain discretion over accounting policies and the appropriate allocation of earnings between the two Businesses.

If the Class B Stock is issued, the Board of Directors will adopt certain policies with respect to inter-business transfers and accounting and tax matters, including the allocation of earnings. Such policies are summarized below. In the future, the Board of Directors may, in its sole discretion, modify, rescind or add to any of these policies, although it has no present intention to do. The decision of the Board of Directors to modify, rescind or add to any of these policies would, however, be subject to the Board of Directors' general fiduciary duties.

Inter-Business Transactions and Transfers

The following transactions will be permitted between the Financial Services Businesses and the Closed Block Business, subject to any required regulatory approval:

- The Closed Block Business may lend to the Financial Services Businesses and the Financial Services Businesses may lend to the Closed Block Business, in either case for cash management purposes in the ordinary course of business and on market terms pursuant to our internal short-term cash management facility.
- An inter-business loan from the Financial Services Businesses to the Closed Block Business may be established to reflect usage of the net proceeds of the IHC debt initially deposited in the debt service coverage account, and any reinvested earnings thereon, to pay principal or interest on the IHC debt.
- Cash payments for administrative purposes from the Closed Block Business to the Financial Services Businesses will be based on a formula that initially approximates the actual expenses incurred by the Financial Services Businesses to provide such services. Expenses recorded by the Closed Block Business, and the related income tax effect, will be based upon actual expenses incurred. Any difference in the cash amount transferred and actual expenses will be recorded, on an after-tax basis at the applicable current rate, as direct adjustments to the respective GAAP equity balances of the Closed Block Business and the Financial Services Businesses, without the issuance of shares of either Business to the other Business.
- The Board of Directors has discretion to transfer assets of the Financial Services Businesses to the Closed Block, or use such assets for the benefit of Closed Block policyholders, if it believes such transfer or usage is in the best interests of the Financial Services Businesses, and such transfer or usage may be made without requiring any repayment of the amounts transferred or used or the payment of any other consideration

from the Closed Block Business.

Allocation Policies

The following policies relate to the allocation of assets, liabilities, equity and earnings between the two Businesses:

- Assets, liabilities and equity of The Prudential Insurance Company of America, Prudential Holdings, LLC and Prudential Financial, Inc. will be designated as either the Closed Block Business or the Financial Services Businesses according to the principles for the allocation of assets and liabilities referred to above.

- Administrative, overhead and investment expenses, taxes other than income taxes, and certain commissions and commission-related expenses associated with the Closed Block Business will be allocated between the Closed Block Business and the Financial Services Businesses on the basis of actual expenses. Interest expense generated by the IHC debt is considered directly attributable to the Closed Block Business and is therefore allocated in its entirety to the Closed Block Business except in the circumstances and to the extent indicated under "--Taxes" below.

- Any transfers of funds between the Closed Block Business and the Financial Services Businesses will typically be accounted for as either reimbursement of expense, investment income, return of principal or a subordinated loan, except with respect to transfers contemplated by the last item under "--Inter-Business Transactions and Transfers" above.

Taxes

In general, the Closed Block Business and each legal entity within it will be treated as if it were a consolidated subsidiary of Prudential Financial, Inc. Accordingly, if the Closed Block Business has taxable income, it will pay its share of income tax as if it were a stand-alone company. If the Closed Block Business has losses or credits, it will receive a current income tax benefit to the extent that such losses or credits can be utilized in the consolidated federal income tax return of Prudential Financial, Inc. for the year in which such losses or credits arise.

The Closed Block Business will also pay or receive its appropriate share of tax or interest resulting from adjustments attributable to the settlement of tax controversies or the filing of amended tax returns. If Closed Block Business losses or tax credits cannot be currently utilized in the consolidated federal income tax return of Prudential Financial, Inc. for the year in which such losses or credits arise, the Closed Block Business will still receive a full current benefit to the extent that the losses or credits were generated by the Closed Block Business. This payment will be provided by the Financial Services Businesses, which will subsequently recover the payment for itself at the time the losses or credits are actually utilized in computing estimated payments or in the consolidated federal income tax return of Prudential Financial, Inc.

The Closed Block Business will not be charged for tax or interest on such tax if (and to the extent) no tax benefit is received with respect to the interest expense on the IHC debt. The Financial Services Businesses will bear the excess tax expense, both prospectively from the date of such disallowance and retroactively through an adjustment at the time of such disallowance.

Class B Stock

You should read "Description of Capital Stock--Common Stock" below for a further description of the terms of the Class B Stock that may be issued and how such terms may affect your rights as a holder of our Common Stock.

IHC debt

We are seeking to issue the IHC debt through Prudential Holdings, LLC, a newly-formed intermediate holding company of The Prudential Insurance Company of America, whose principal asset will be 100% of the stock of The Prudential Insurance Company of America. If issued, the IHC debt will be sold in a private placement to institutional investors prior to, concurrently with or within 30 days following this offering of our Common Stock. We expect that the IHC debt will be serviced from net cash flows of the Surplus and Related Assets which support the Closed Block, and that principal and interest payments on the IHC debt will be insured by a bond insurer. Most of the net proceeds of the IHC debt will be distributed to Prudential Financial, Inc. for use for general corporate purposes. As indicated, we expect the bond insurer will require that a minority portion of the net proceeds of the IHC debt be deposited by Prudential Holdings, LLC in a debt service coverage account which, together with reinvested earnings thereon, will constitute a source of payment and security for the IHC debt. The issuance of the IHC debt is not assured and is not a condition to completion of this offering.

The IHC debt will be senior, secured indebtedness of Prudential Holdings, LLC. Its maturity is expected to be 22 years, although we expect that it will be callable at a premium at our option. It will be secured by such percentage of the outstanding shares of The Prudential Insurance Company of America as represents a book value at the time of issuance of the IHC debt equal to the lesser of (x) 125% of the principal amount of the IHC debt or (y) the fair market value of the Closed Block Business and the debt service coverage account for the IHC debt, as well as certain other assets of Prudential Holdings, LLC. Such proportion of shares may never exceed 49%.

Extraordinary Dividend

At the time of our demutualization or within 30 days thereafter, we expect that The Prudential Insurance Company of America will pay an extraordinary dividend, in addition to the destacking, not to exceed $2.5 billion to Prudential Financial, Inc. for use in the Financial Services Businesses. Following the destacking and the additional extraordinary dividend, The Prudential Insurance Company of America's statutory net income and surplus will be significantly reduced. The following table reflects historical statutory financial information for The Prudential Insurance Company of America and pro forma statutory financial information reflecting the destacking and the additional extraordinary dividend as if they had occurred on January 1, 2000 for purposes of statutory net gain/(loss) from operations and net income (loss) and on December 31, 2000 for statutory adjusted capital purposes:

<TABLE>
<CAPTION>

	As of and for the Year Ended December 31, 2000	
	Historical	Pro Forma
	(in millions)	
<S>	<C>	<C>
Surplus and Asset Valuation Reserve (1)	$11,741	$7,012
One-half Dividend Liability (2)	1,289	1,289
Total Adjusted Capital	13,030	8,301
Net (Loss) from Operations (3)	(134)	(334)
Net realized capital gains	283	283
Net income (loss)	$ 149	$ (51)

</TABLE>

- --------

(1) Includes asset valuation reserve for subsidiaries of $33 million not included in The Prudential Insurance Company of America's asset valuation reserve.

(2) One-half of the policyholder dividends apportioned for payment to December 31 of the following year and policyholder dividends not yet apportioned.

(3) Pro forma net loss from operations does not include $351 million we expect to pay to holders of certain policies that The Prudential Insurance Company of America transferred to London Life Insurance Company in connection with the sale of most of its Canadian branch operations. These payments will be recorded as an expense at the time of the demutualization but have not been reflected in the pro forma net loss from operations as they will not have a continuing impact.

In addition to the adjustments for the destacking and the additional extraordinary dividend, pro forma 2000 net (loss) from operations and net income (loss) above has been adjusted to reflect the elimination of the equity tax because The Prudential Insurance Company of America will no longer be subject to equity taxes after demutualization, and the related earnings on these adjustments.

Statutory net gain from operations will be a key determinant of The Prudential Insurance Company of America's ability to pay dividends to Prudential Financial, Inc. The Prudential Insurance Company of America's 2000 net (loss) from operations reflected the negative impact of significant non-recurring items including charges associated with the restructuring of the capital markets activities of Prudential Securities, a wholly-owned subsidiary, and the establishment of additional insurance reserves due to a portfolio strategy we implemented to sell securities with lower investment income yields underlying some of our long duration products in the Retail Investments and Other Employee Benefits segments and to reinvest the proceeds in higher yielding securities. Statutory accounting changes that became effective on January 1, 2001 allow for the reduction of certain significant tax provisions included in net (loss) from operations. After demutualization, we expect that the net gain from operations will be adequate to provide for

dividends to Prudential Financial, Inc.

After giving effect to the above transactions, we believe that The Prudential Insurance Company of America will be adequately capitalized to meet all regulatory requirements and to carry out its business plan.

Federal Income Tax Consequences to Policyholders

It is a condition to the effectiveness of the plan of reorganization that we receive either rulings from the Internal Revenue Service or opinions from one or more nationally recognized independent tax counsel substantially to the effect that:

- policies issued or purchased before the demutualization will not be deemed newly issued, issued in exchange for existing policies or newly purchased for any material federal income tax purpose as a result of the conversion of The Prudential Insurance Company of America from a mutual to a stock life insurance company under the plan of reorganization or, in the case of the policies described in the following paragraph, the crediting of compensation in the form of policy credits; and

- the crediting of compensation in the form of policy credits to tax-qualified individual retirement annuities (under section 408 or 408A), tax deferred annuities (under section 403(b)), or individual life insurance policies or individual annuity contracts issued in connection with plans qualified under section 401(a) or 403(a) of the Internal Revenue Code will not adversely affect the tax-favored status accorded to such contracts under the Internal Revenue Code, and will not be treated as a distribution under, or a contribution to, such contracts under the Internal Revenue Code.

By letters dated April 26, 2000 and June 12, 2000, we received these rulings from the IRS. We have requested a supplemental ruling letter from the IRS confirming that certain changes that have been made to the proposed structure since we received the ruling letters, such as the issuance of the Class B Stock, would not change these rulings.

It is also a condition to the effectiveness of the plan of reorganization that a nationally recognized independent tax counsel opine that the summary of the principal federal income tax consequences to eligible policyholders of their receipt of compensation under the plan of reorganization that is set forth in the policyholder information booklet is accurate as of the date of such policyholder information booklet and remains accurate in all material respects under the applicable federal income tax law in effect as of the effective date of the plan of reorganization, with the exception of developments between the mailing date and the effective date of the plan of reorganization that The Prudential Insurance Company of America determines to be not materially adverse to the interests of the eligible policyholders.

Federal Income Tax Consequences to Prudential

By letter dated April 26, 2000, we received rulings from the IRS substantially to the effect that:

- no income, gain or loss should be recognized by Prudential Financial, Inc. or The Prudential Insurance Company of America for federal income tax purposes as a result of the conversion of The Prudential Insurance Company of America from a mutual to a stock life insurance company or the distribution of Common Stock to eligible policyholders in exchange for their membership interests in The Prudential Insurance Company of America;

- the federal income tax attributes of The Prudential Insurance Company of America, including its tax basis and holding period of its assets, carryforwards of tax losses or other tax benefits (if any) and accounting methods should not be affected by its conversion from a mutual to a stock life insurance company;

- the affiliated federal income tax group of which The Prudential Insurance Company of America is the common parent immediately before the reorganization will remain in existence and will continue to be able to file a consolidated federal income tax return, with Prudential Financial, Inc. as the new common parent of the group and The Prudential Insurance Company of America as an eligible member for inclusion in the group; and

- the major distributions in connection with the destacking described in this prospectus are tax-free to Prudential Financial, Inc., The Prudential Insurance Company of America and its affiliates.

We have requested a supplemental ruling letter from the IRS confirming that certain changes that have been made to the proposed structure since we received the ruling letter, such as the issuance of the Class B Stock, would not change these rulings.

With respect to the Class B Stock, the IRS will not issue advance rulings on the classification of an instrument whose dividend rights are determined by reference to the earnings of a segregated portion of the issuing corporation's assets, including assets held by a subsidiary, and accordingly, no ruling has been sought from the IRS. In addition, there are no court decisions or other authorities bearing directly on the classification of instruments with characteristics similar to those of the Class B Stock. However, we believe that the Class B Stock should be treated as common stock of Prudential Financial, Inc., and that the issuance of the Class B Stock should not result in taxation to us.

The preceding summary of the federal income tax consequences to policyholders and Prudential is based on the Internal Revenue Code, regulations thereunder, administrative interpretations thereof and judicial interpretations with respect thereto, all of which are subject to change. In particular, Congress could enact legislation affecting the treatment of stock with characteristics similar to the Class B Stock, or the Treasury Department could issue regulations that change current law. Any future legislation or regulations could, but are unlikely to, apply retroactively. We may issue additional Common Stock in exchange for Class B Stock if the enactment of legislative or administrative changes would adversely impact us.

The opinions of our special tax counsel are not binding on the IRS. The opinions of our special tax counsel, and any IRS rulings obtained, are based on the accuracy of representations, statements and undertakings by us.

BUSINESS

We are one of the largest financial services institutions in the United States. We provide a wide range of insurance, investment management and other financial products and services and have more than 15 million individual and institutional customers in the United States and over 30 foreign countries. We have one of the largest distribution forces in the financial services industry, with approximately 16,250 sales people worldwide at December 31, 2000, including approximately

- 6,100 Prudential Agents,
- 3,500 international Life Planners, and
- 6,650 domestic and international Financial Advisors.

We also distribute our retail products through a number of alternative channels, including PruSelect and our workplace marketing platforms. We have a leading or significant market presence in most of the markets we serve.

The following table shows the primary products, primary sales channels and other sales channels for each of the segments in our Financial Services Businesses.

<TABLE>

<CAPTION>

FINANCIAL SERVICES BUSINESSES	Primary Products	Primary Sales Channels	Other Sales Channels
<S>	<C>	<C>	<C>
U.S. Consumer Division			
Individual Life Insurance	.Variable life .Term life .Universal life	.Prudential Agents	.PruSelect .Financial Advisors
Private Client Group	.Financial advisory and brokerage services	.Financial Advisors	.Internet (securities transactions only)
	.Consumer banking	.Direct sales	.Telemarketing .Internet .Financial Advisors .Prudential Agents
Retail Investments	.Mutual funds .Wrap-fee products .Variable annuities .Fixed annuities .Unit investment trusts	.Financial Advisors .Prudential Agents	.Independent financial advisors .Independent registered representatives
Property and Casualty Insurance	.Automobile .Homeowners	.Prudential Agents .Direct distribution	.Property and casualty agents

			.Independent agents .Workplace marketing
Employee Benefits Division			
Group Insurance	.Group term life .Group disability	.Institutional sales force	.Prudential Agents .Independent benefits brokers and consultants
Other Employee Benefits	.Retirement plans, incl. defined contribution plans .Guaranteed products	.Financial Advisors .Institutional sales forces	.Prudential Agents .Independent benefits brokers and consultants
	.Real estate franchises and relocation services	.Institutional sales forces	
International Division			
International Insurance	.Traditional whole life .Term life	.Life Planners	
International Securities and Investments	.International securities sales and trading .International asset management	.Financial Advisors .Institutional sales force	.Internet (securities transactions only) .Third-party distribution
Asset Management Division			
Investment Management and Advisory Services	.Institutional asset management	.Institutional sales force	
Other Asset Management	.Proprietary activities	.Institutional sales force	

U.S. Consumer Division

The U.S. Consumer division conducts its operations through four segments: Individual Life Insurance, Private Client Group, Retail Investments and Property and Casualty Insurance.

- Individual Life Insurance manufactures and distributes variable life, term life and other non-participating life insurance products to the U.S. retail market and distributes investment and protection products with proprietary and non-proprietary investment options for our other segments as well as selected insurance products manufactured by others.

- Private Client Group offers full service securities brokerage and financial advisory services to U.S. retail customers.

- Retail Investments manufactures and distributes mutual funds, variable and fixed annuities, wrap-fee products and unit investment trusts to U.S. retail customers.

- Property and Casualty Insurance manufactures and distributes automobile and homeowners insurance products to the U.S. retail market.

Division Strategy

In our U.S. Consumer division, we have aligned our strategies around two distinct customer markets: the mass affluent market and the mass market. In general, we define households with income or investable assets in excess of $100,000 as mass affluent and households with income and investable assets of less than $100,000 as mass market. Our strategy includes the following components:

- Grow our U.S. retail mass affluent customer base. We believe that the mass affluent market offers the best opportunity for growth in revenues and profit margins and we seek to expand our presence in this market as well as in the emerging affluent and pre-retirement markets. Our domestic customer base today includes over 2.5 million mass affluent customers. We have taken several steps to improve the quality of services provided to the mass affluent market by our Prudential Agent and Financial Advisor distribution system. First, we are targeting new

hires for our Prudential Agent force with college educations and prior experience and are enhancing the training and product choices available to them. Second, we have increased the productivity standards for our Prudential Agents several times in the past few years. The actions we have taken to improve the quality and productivity of our Prudential Agent force have resulted in a reduction in the size of the agency force. In 2001, we have again increased the productivity standards. Third, we have begun to transition our Prudential Agents from a transaction focus using proprietary products to meet our customers' financial needs to an approach of offering advice on an array of products manufactured by Prudential as well as other companies. We call this strategy "Advised Choice" and believe it enables our customers to make more informed decisions about investment and insurance choices. We also have begun to transition our Financial Advisors from a transaction focus to an approach emphasizing fee-based financial advisory services to better meet the needs of the mass affluent market.

The productivity of our Prudential Agents, as measured by average commissions on new sales of all products by agents employed the entire year, has increased 86% from $18,700 in 1996 to $34,700 in 2000. The productivity of our domestic Financial Advisors, as measured by gross revenues, has increased 26% from $319,000 in 1996 to $401,000 in 2000.

. Improve the profitability of our existing U.S. consumer franchise. In addition to our mass affluent customers, we have an existing customer base of nearly eight million U.S. households which we refer to as the mass market. We seek to improve the profitability of this customer base by reducing the cost of our operations infrastructure. In addition, we will seek to sell certain commodity products to the mass market through telemarketing, the Internet and our workplace marketing and employee benefits platform.

. Expand distribution channels to meet customer needs. In addition to our Prudential sales forces, we are expanding our distribution channels to allow U.S. retail customers to access us through the distribution methods of their choice. Our distribution platform now includes multiple points of access including independent financial advisors, affinity programs, workplace marketing, direct mail, Internet and telemarketing. PruSelect, our third-party distribution channel, focuses on serving the intermediaries who provide insurance solutions in support of estate and wealth transfer planning for affluent individuals. We have begun to explore additional third-party channels for life insurance products, including broker-dealers and independent producers. We sell our retail investment products such as mutual funds, annuities,

wrap-fee products and unit investment trusts through independent financial advisors. Net sales of mutual funds, other than money market funds, through this channel totaled $1.2 billion in 2000. We also seek to expand sales of our mutual funds and separate account products by participating in competitors' variable annuities and wrap-fee programs. We have invested in workplace/payroll deduction models with the acquisition of a property and casualty subsidiary that specializes in workplace marketing and our minority investment in an Internet-based employee benefits broker.

Prudential Securities was one of the first full-service brokerage firms to develop and offer electronic choices in connection with full-service brokerage accounts. We believe that Internet technology and electronic commerce will continue to provide us with new and more efficient ways to communicate with and distribute products to our customers.

. Reposition Prudential Securities' domestic businesses to focus on investors rather than issuers. In the fourth quarter of 2000, we exited Prudential Securities' lead-managed underwriting and institutional fixed income businesses. We continue to provide fixed income products and services and are increasing the resources for fixed income research and portfolio capabilities to support our individual investor clients. We also continue to engage in underwritings and syndications led by investment banks to generate new issues market products for our investor clients. Our equity research group, which previously focused on supporting our investment bank, will be refocused on providing objective investment advice to both our individual and institutional investor clients. We believe that this strategic repositioning, through which we will seek to enhance the quality of advice and service that we provide to our clients, will differentiate us from our competitors, and will reduce our earnings volatility.

. Utilize common processes and tools across businesses. For each of our customer markets, we seek to make our customers' experiences consistent regardless of how they access Prudential. Our U.S. retail businesses will utilize standard processes and tools, such as financial planning, estate planning, and trust capabilities to serve the needs of our mass affluent customers. All businesses will operate a common customer

account platform through an Internet foundation and linkage that will serve the needs of our mass affluent and mass market customers.

- Improve retention and persistency. We have undertaken a number of initiatives to improve retention and persistency. For example, we seek to contact policyholders in our Individual Life Insurance and Traditional Participating Products segments who wish to terminate a policy and offer alternate solutions to meet their needs. We believe that these efforts have reduced our life insurance premium outflows in recent years. Further, in 1997 we implemented our Client Acquisition Process, which requires a life insurance underwriter to contact the purchaser to confirm the purpose of the life insurance purchase, verify the initial and ongoing source of payment and complete the medical portion of the application. We believe that this process contributes to improved persistency. Between 1997 and 2000, first year persistency of our individual life insurance products, including in our Traditional Participating Products segment, improved from 87.5% to 92.9%.

Individual Life Insurance

Our Individual Life Insurance segment manufactures and distributes individual variable life, term life, recently introduced universal life and other non-participating individual life insurance products primarily to the U.S. mass affluent market and mass market through Prudential Agents and increasingly to the affluent market through PruSelect. Going forward, we will seek to sell certain commodity products to the mass market through telemarketing, the Internet and our workplace marketing and employee benefits platform. Historically we have written most of our traditional individual life insurance products on a participating basis and, for financial reporting purposes, these products are included in our Traditional Participating Products segment. Upon demutualization, these policies, together with the assets supporting them, will be segregated for accounting purposes from our other assets and liabilities in the Closed Block. Following demutualization, we will continue to service policyholders with policies in the Closed Block through our Prudential Agents and other distributors as well as centralized service centers. However, following demutualization, traditional participating products will not be written and are not part of our growth strategy.

Unless otherwise indicated in the discussion below, we include historical information regarding both our non-participating policies included in the Individual Life Insurance segment and participating policies included in our Traditional Participating Products segment, reflecting the historical development of our business through the initial establishment of the Closed Block. However, unless otherwise indicated, statements below relating to

our current strategy relate only to the Individual Life Insurance segment. The future operation of the Traditional Participating Products segment is discussed separately under "--Traditional Participating Products" below.

At December 31, 1999 we had the largest individual life insurance business in the United States in terms of statutory in force premiums according to A.M. Best. At December 31, 2000 we had the largest individual variable life insurance business in the United States in terms of variable life insurance assets according to Tillinghast-Towers Perrin. In 2000, in the United States, we were the sixth largest seller of individual variable life insurance, the fifth largest seller of individual term life insurance and the eighth largest seller of all types of individual life insurance combined, in each case in terms of new annualized premiums according to LIMRA.

Life Insurance Industry

Individual life insurance in the United States is, in aggregate, a mature industry. According to A.M. Best, new ordinary life policies issued, including whole, variable and term life, declined at an annual rate of 1.2% between 1995 and 1999. During this period new annualized premiums for variable and term life increased by an average of 22.9% and 10.2% per year, respectively, according to LIMRA.

Operating Data

The following table sets forth premium, product mix and other information for Individual Life Insurance and the life insurance products included in the Traditional Participating Products segment as of and for the periods indicated.

<TABLE>
<CAPTION>

	As of or for the Year Ended December 31,				
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Statutory first year					

premiums and deposits (in millions)(1)	$ 436	$ 436	$ 459	$ 432	$ 495
Average face amount per policy sold	$189,884	$164,307	$149,560	$128,262	$ 95,528
Average annual premium per policy sold	$ 2,777	$ 2,158	$ 1,639	$ 1,358	$ 1,155
New policies (in thousands)	157	202	280	318	429
Product mix by percentage of statutory first year premiums and deposits:					
Variable life	77%	69%	70%	69%	69%
Term life	13%	17%	20%	17%	15%
Traditional whole life	10%	14%	10%	14%	16%
In force face amount (in billions)	$ 391	$ 393	$ 394	$ 389	$ 389
Statutory in force premiums (in millions)(2)	$ 4,574	$ 4,456	$ 4,907	$ 4,935	$ 5,070
Total policies in force (in thousands)	13,457	14,060	14,779	15,364	16,041
Number of Prudential Agents	6,086	7,818	8,868	10,115	12,126
Prudential Agent termination or loss	4,018	4,049	4,229	4,602	4,699
New hires	2,286	2,999	2,982	2,591	3,297
Net change in Prudential Agents	(1,732)	(1,050)	(1,247)	(2,011)	(1,402)
Base force retention(3)	63%	63%	67%	67%	74%
Prudential Agent productivity(4)	$ 34,700	$ 31,300	$ 28,000	$ 21,500	$ 18,700
Policy persistency(5):					
First year	92.9%	92.1%	89.0%	87.5%	n/a
Second year	94.5%	94.1%	92.6%	91.6%	n/a
Renewal	95.0%	95.0%	94.2%	93.6%	n/a

</TABLE>

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(1) Excludes life insurance issued with respect to Prudential employees of $277 million for the year ended December 31, 1999 and $195 million for the year ended December 31, 1998.
(2) Total statutory first year and renewal premiums and deposits collected.
(3) The percentage of full-time Prudential Agents remaining with us at December 31 who were under contract as of January 1 of that year.
(4) Average commissions on new sales of all products by surviving base force Prudential Agents. Excludes commissions on new sales by Prudential Agents hired or departed during the period.
(5) Percentage of premiums that remain in force at the first, second and subsequent policy anniversary in relation to the amount of in force premiums at the beginning of the year.

As shown in the foregoing table, our statutory first year premiums and deposits declined 3% from 1996 to 2000, on a compound annual basis. A 22% decline in new policies issued was partially offset by a 19% increase in the average face amount and a 25% increase in the average premium of policies sold each on a compound annual basis. These improvements in part reflect the growing importance of the PruSelect distribution channel. The decline in new policies reflects in part a substantial decline in the number of Prudential Agents, at a rate of 16% compounded annually. This decline was due to a number of factors, including recent actions to improve agent productivity, the negative publicity associated with sales practices issues and our responsive corrective actions, as well as a general industry-wide reduction in the number of career agents. Our actions to improve

Prudential Agent productivity and profitability included increasing the minimum production level required for continuation of Prudential Agents' contracts in 1999 and 1998. These actions resulted in an increased level of Prudential Agent attrition particularly among Prudential Agents with lower levels of sales production, causing our statutory first year premiums and deposits in 2000 to decline from their 1998 level. At the same time, productivity of Prudential Agents remaining with us increased, continuing a trend that began during 1996.

Business Initiatives

We are taking various steps to improve our business as follows:

- Reorganizing to Improve Profitability. In 2000, we removed significant marketing, operations, and systems infrastructure that was no longer required to support the goals of each business and aligned the remaining functions with the businesses to support our strategy. Our goal is to continue to reduce infrastructure and other costs supporting our businesses to improve operating margins.

Commencing in 1999, we restructured our field operations by reducing the number of sales territories from 16 to 6 and by consolidating our field offices from 266 to 79. These efforts resulted in the elimination of 600 management positions and approximately 1,100 non-agent positions across our businesses through the end of 2000.

- Refocusing of the Prudential Agents. In 1999, we developed a new recruiting, selection and training process in pursuit of our objective of distributing to mass affluent customers a choice of insurance, investment and other financial services products. The key elements of this initiative are improving our candidate profile and instituting a new training program. During an initial two-year period, newly hired agents receive broad training on our financial products and services. At the end of two years, they may select from a number of career paths, all of which emphasize protection products. In an effort to attract and retain productive agents, we introduced a program in 2000 which allows Prudential Agents who are vested to transfer the equity in their practice to an approved successor when they leave the business. In addition, we are designing field management compensation to focus on profitability, long-term growth and targeted sales. In 1998 and 1999, we raised our minimum sales productivity requirements for agents, and are doing so again in 2001. We have also completed a project to provide all of our agents with laptop computers and assistance with marketing and customer support.

- Alternative Sales Channels. We are focusing on growing sales from third-party distribution channels including general agencies, producer groups, broker-dealers and independent brokers who have a significant customer base in the affluent and mass affluent market. We have expanded our access to the independent broker-dealer marketplace through an Internet-based service platform. We anticipate rolling out this platform to our high potential broker-dealers over the balance of the year.

- Market Segmentation and Redesign of Product Portfolio. In 1999, we began focusing our product design according to market segments. We will continue to tailor products targeted for the affluent and mass affluent markets. We have introduced new products, including a survivorship variable universal life product, corporate-owned life insurance, universal life insurance and enhanced term products. Additionally, we are providing proprietary products to selected distributors for exclusive distribution through their systems. The first product will be introduced in April 2001. For the mass market segment, we are simplifying and reducing the number of products. We have stopped selling certain low-face amount products and increased the minimum face amount we sell on other existing products.

Products

Individual Life Insurance's principal products are:

Variable Life Insurance. We offer a number of individual variable life insurance products that provide a return linked to an underlying investment portfolio designated by the policyholder while providing the policyholder the flexibility to change both the death benefit and premium payments. Each product provides for the deduction of charges and expenses from the customer's investment account. We also offer variable life products targeted to the estate planning and corporate-owned life insurance markets. As of December 31, 2000, our statutory in force premium for variable life insurance was approximately $1.76 billion.

Term Life Insurance. We offer a variety of term life insurance products. Some term products include a conversion feature that allows the policyholder to convert the policy into a whole life policy. Term insurance

does not generate a cash value. As of December 31, 2000, our statutory in force premium for term life insurance was $385 million.

Universal Life Insurance. In late 2000, we introduced our universal life insurance products. Universal life insurance features a market rate fixed interest investment account and flexible premiums.

Marketing and Distribution

Prudential Agents

Our Prudential Agents distribute variable and term life, investment and protection products with proprietary and non-proprietary investment options as well as selected insurance products manufactured by others.

Prudential Agents accounted for 67% of individual life insurance 2000 sales, based on statutory first year premiums and deposits, down from 84% in 1997. The following table sets forth the number of Prudential Agents, field managers, home office and field staff and field offices as of the dates

indicated.

<TABLE>
<CAPTION>

	As of December 31,				
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
Prudential Agents	6,086	7,818	8,868	10,115	12,126
Field management	542	811	1,176	1,279	1,589
Home office and field staff	1,173	2,051	2,285	2,986	3,999
Prudential Field offices	79	150	266	282	331

</TABLE>

Prudential Agents historically have sold life insurance products primarily to customers in households with income ranging from about $20,000 to $80,000 per year and, to a lesser but increasing extent, to mass affluent individuals as well as small business owners.

The majority of Prudential Agents are multi-line traditional agents. Other than certain training allowances paid at the beginning of their employment, we pay traditional Prudential Agents on a commission basis for the products they sell. In addition to commissions, traditional Prudential Agents receive the employee benefits we provide to other Prudential employees generally, including medical and disability insurance, an employee savings program and qualified retirement plans.

PruSelect

Our PruSelect distribution channel accounted for 33% of individual life insurance sales in 2000, based on statutory first year premiums and deposits, an increase from 12% in 1996. PruSelect sells products through a variety of channels, including independent brokers, general agencies, producer groups and broker-dealers. PruSelect's sales are relatively balanced among these wholesale channels and do not depend upon a particular wholesaler or producer. PruSelect focuses on serving the intermediaries who provide insurance solutions in support of estate and wealth transfer planning for affluent individuals and corporate-owned life insurance for businesses. PruSelect generally sells the same life insurance products that Prudential Agents sell. PruSelect has its own dedicated management and underwriting, case management and post-issuance support staff.

PruSelect is organized into a network of 17 regional brokerage directors who make sales through independent brokers and smaller general agencies. It directly manages relationships with larger wholesalers, such as producer groups, broker-dealers, and national general agencies.

Underwriting and Pricing

Our underwriters follow detailed and uniform policies and procedures to assess and quantify risk of our individual life insurance products. If the policy amount exceeds a specified amount, we require the applicant to take a variety of underwriting tests, such as medical examinations, electrocardiograms, blood tests, urine tests, chest x-rays and consumer investigative reports.

In 1997, we implemented a new process for underwriting and issuing individual life insurance that we call the Client Acquisition Process. We believe we were the first major life insurer to implement such a process. We designed the Client Acquisition Process to streamline the new business process and to increase customer understanding of the products they purchase. Following the gathering and transfer of client information from the

agent to the home office in the initial stage of the sales process, a Prudential underwriter contacts the client by telephone to confirm the purpose of the life insurance purchase, verify the initial and ongoing source of payment, and complete the medical portion of the application. Because of this direct interaction between a Prudential underwriter and the client, we have significantly reduced our need to order additional underwriting information, including attending physician statements, and less time is required for the underwriting process. The Client Acquisition Process permits Prudential Agents to spend more time pursuing sales and less time processing applications for completed sales. In 1999 and 2000, we processed approximately 95% of all individual life insurance applications through this process. The remaining 5% was made up of large amount and complex cases such as corporate-owned life insurance that are better suited to a more traditional underwriting approach.

Our life insurance policies, both participating and non-participating, generally provide us the flexibility to adjust dividend scales and/or adjust charges and credits to reflect changes from expected mortality and expense experience or higher or lower investment returns. However, contractual maximum charges and minimum credits and state regulatory limits on increasing charges

after a policy is issued limit this flexibility. Some of our more recently issued term insurance policies do not include this flexibility.

We price new products to achieve a target return on equity based on assumptions regarding mortality, expenses, investment return, persistency and required reserves and equity. We develop these assumptions based on regular reviews of company experience. We periodically revise in force products, both participating and non-participating, with dividends or other non-guaranteed charges or credits to reflect changes in experience and preserve the margins originally priced into the product.

Reinsurance

We reinsure portions of the risks we assume under our individual life insurance products. Historically, the maximum amount of individual life insurance we may retain on any life is $30 million under an individual policy and $50 million under a second-to-die life policy. At December 31, 2000, we had reinsured $43.9 billion, or 11.2%, of the total face amount of our individual life insurance in force. In 2000, we began to reinsure substantially all of the mortality risk associated with our newly introduced insurance products.

Reserves

We establish reserve and policyholder fund liabilities to recognize our future benefit obligations under both participating and non-participating in force life policies. For variable and interest-sensitive life insurance contracts, we establish policyholders' account balances that represent cumulative gross premium payments plus credited interest and/or fund performance, less withdrawals, expenses and mortality charges. For participating traditional whole life contracts, which are included in our Traditional Participating Products segment, we calculate future policy benefits using the net level premium method based on the interest rates and mortality rates that we use in calculating the guaranteed cash surrender values as described in each contract. The interest rates generally range from 2.5% to 7.5%. In addition, we include a liability for terminal dividends.

Private Client Group

The Private Client Group provides full service securities brokerage and financial advisory services to individuals and businesses. At December 31, 2000, the Private Client Group served approximately 1.2 million households in the United States through our domestic Prudential Securities Financial Advisor force and network of branch offices. In this business, in addition to market trading volume and volatility, the number of Financial Advisors, their productivity and attrition are significant drivers of profitability. In recent years, we have experienced continuing turnover among domestic Financial Advisors, including experienced Financial Advisors, due in part to the lack of a stock-based compensation program. This turnover increased in 1999 and remained at high levels in 2000 due in part to greater industry competition for productive Financial Advisors. In response, we have introduced a new voluntary equity-market-linked deferred compensation program to seek to improve the retention of our Financial Advisors and increase recruitment of experienced Financial Advisors. This segment also includes our consumer banking operations.

Products and Services

Most of the client assets in our Private Client Group are held in Command accounts or basic brokerage accounts. The Command account, our primary retail client account, helps clients manage their assets and is the

cornerstone of our asset gathering strategy. Through a Command account, clients can consolidate their financial assets, obtain a range of financial services and invest in a wide variety of investment products. Total Private Client Group client assets in Command accounts were approximately $166 billion as of December 31, 2000, representing 61% of Private Client Group client assets. Private Client Group clients also can access account information, our research, market news and other information and execute transactions through our on-line service, PrudentialSecurities.com.

In May 1999, we introduced Prudential Advisor, a program that redefines full service brokerage by combining a sliding scale asset-based fee for advice with a fixed fee for transaction execution. Clients have the choice of executing transactions directly through PrudentialSecurities.com or through their Financial Advisor. Prudential Securities also offers clients two fee-based programs providing for full-time discretionary management by the client's Financial Advisor in addition to the wrap-fee products that our Retail Investments segment manufactures.

Clients may borrow from us to fund the purchase of securities using the securities purchased or other securities in the account as collateral. As a matter of credit policy, we generally require our clients to maintain higher

percentages of collateral values than the minimum percentages required by the applicable federal and stock exchange margin rules. Interest on margin loans is an important component of our revenue and is subject to change based on market trading volume and volatility.

In addition, this segment engages in sales and trading of government, corporate, agency, municipal and mortgage-backed fixed income securities and related products, primarily for retail customers. Finally, it provides domestic securities clearing services to other brokers. Providing these clearing services to unaffiliated correspondent brokers offsets overhead costs for all businesses within the Prudential Securities legal entity, primarily benefiting this segment.

Marketing and Distribution

As of December 31, 2000 we had approximately 5,900 retail Financial Advisors and 120 Financial Advisors-in-Training in our 295 U.S. branch offices. Our Financial Advisor force is the primary sales channel for our mutual funds and wrap-fee products and accordingly the profitability of our Retail Investments business and the Private Client Group is dependent on our ability to hire, train and retain these Financial Advisors. Most Financial Advisors are licensed to sell our annuity and insurance products. We compensate Financial Advisors with a percentage of the commissions and fees they generate, supplemented by a recently introduced equity-market-linked long-term deferred compensation plan.

The following table sets forth information about our domestic Financial Advisor force and branch office network as of the dates or for the periods indicated.

<TABLE>
<CAPTION>

	As of or for the Year Ended December 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Financial Advisors (end of period)	5,883	6,072	6,128
Financial Advisors trained(1)	652	1,202	1,217
Financial Advisor average client assets (in millions)(2)	$ 46	$ 48	$ 42
Average annual retail Financial Advisor productivity (in thousands)(3)	$ 401	$ 367	$ 336
Branches	295	275	272
Client accounts (in millions)	2.2	2.1	2.1
Client assets, including managed assets (in billions)	$ 272	$ 288	$ 253

</TABLE>

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(1) Number of Financial Advisors that completed the retail Financial Advisor training program in the year.
(2) Private Client Group client assets at year-end divided by average number of domestic Financial Advisors for the year.
(3) Private Client Group gross revenues, excluding revenues generated by the consumer bank, divided by average number of domestic Financial Advisors for the year.

Consumer Banking

We conduct consumer banking activities primarily on a direct-response basis through two subsidiaries, The Prudential Bank and Trust Company, a state chartered bank, and The Prudential Savings Bank, F.S.B., a federally chartered savings bank. Our principal products are home equity loans and lines of credit, secured lending products, personal trust services and deposits, including money market deposit accounts and certificates of deposit. We have no branches for our consumer banking operations. Our vision for our consumer banking

activities is to provide banking products and services that supplement other Prudential offerings and facilitate asset retention and asset growth. We intend to focus primarily on the development and marketing of products and services such as deposits, secured lending and trust capabilities.

Prior to 1997, we offered credit cards on a broad-market basis to customers other than Prudential customers. This strategy resulted in delinquencies and losses on credit cards significantly greater than the industry average, and resulted in significant losses in 1996 and 1997. In 1997 and 1998, we sold substantially all of our broad-market credit card portfolio in two separate transactions, which resulted in losses in those years. In 2000, the remaining consumer credit card portfolio was sold at a gain. At December 31, 2000, our banking operations had approximately $734 million of home equity, credit card,

and other receivables and $620 million of deposits, compared to $1.2 billion of receivables and $853 million of deposits, at January 1, 1998.

Retail Investments

We manufacture, distribute and service investment management products utilizing proprietary and non-proprietary asset management expertise to the U.S. retail market. Our products are designed to be sold by Financial Advisors, Prudential Agents and third-party financial professionals. We also provide private label products for other financial services firms. We offer a family of retail investment products consisting of 70 mutual funds, eight annuity products, four wrap-fee products and over one hundred unit investment trusts as of December 31, 2000. These products cover a wide array of investment styles and objectives designed to attract and retain assets from individuals with varying objectives and to accommodate investors' changing financial needs.

Operating Data

The following table sets forth the account values of the Retail Investments segment's products as of the dates indicated. Annuity account values represent the amounts held for the benefit of policyholders or contractholders. For mutual funds and wrap-fee products, account value is equal to fair market value.

<TABLE>
<CAPTION>

	As of December 31,		
	2000	1999	1998
	(in billions)		
<S>	<C>	<C>	<C>
Retail Investments:			
Mutual funds(1)	$57.8	$ 55.2	$ 53.4
Wrap-fee products(2)	19.6	16.7	11.5
Variable annuities	21.1	22.6	19.9
Fixed annuities	2.9	3.0	3.2
Unit investment trusts	1.6	3.2	4.3

</TABLE>

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(1) Mutual funds includes only those sold as retail investment products.
(2) Wrap-fee product assets include $3.4 billion, $3.5 billion and $3.1 billion of proprietary assets at December 31, 2000, 1999 and 1998, respectively.

Since the 1990s, there has been an industry trend for products such as variable annuities and wrap-fee products to include investment alternatives that are managed by asset managers other than the product sponsor. Over the last several years, we have been building investment management choice into most of our variable annuity and wrap-fee products. We are able to offer customers investment alternatives advised by third parties in our products and in asset management styles that we may or may not offer. Most importantly, we maintain the primary relationship with the customer. We believe this advised choice approach provides the potential for higher sales and client asset retention.

Products

Mutual Funds

As of December 31, 2000, we sponsored 70 mutual fund portfolios covering all major asset classes and a wide array of investment styles and objectives. These offerings consisted of:

- 22 domestic equity funds,
- 9 global/international equity funds,
- 4 asset allocation funds,

- 8 general taxable bond funds,
- 2 global bond funds,
- 9 tax-exempt municipal bond funds,
- 9 taxable money market funds, and
- 7 tax-exempt money market funds.

The following table sets forth the net sales (redemptions) of our retail mutual funds by asset class for the periods indicated. Net sales (redemptions)

are equal to gross sales minus redemptions. This data excludes mutual funds sold through defined contribution plan products.

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
Equity	$ 985	$ (349)	$ 469
Fixed income	(1,168)	(750)	(118)
Total proprietary net sales (redemptions) other than money market	(183)	(1,099)	351
Money market	1,976	(812)	5,075
Total net sales (redemptions)	$ 1,793	$(1,911)	$ 5,426

The following table sets forth our retail mutual fund assets under management by asset class at fair market value as of the dates indicated.

	As of December 31,		
	2000	1999	1998
	(in billions)		
Equity	$20.8	$ 20.0	$ 17.5
Fixed income	7.1	8.8	10.2
Money market	29.9	26.4	25.7
Total assets under management	$57.8	$ 55.2	$ 53.4

Our equity funds have historically focused on the value style of investment. Through most of the periods shown in the table above, growth stocks generally outperformed value stocks and large capitalization stocks generally outperformed medium and small capitalization stocks. As a result, new investments into mutual funds flowed disproportionately into large capitalization growth stock funds and large capitalization index funds that seek to match the performance of the major market averages. Given our historical emphasis on the value style of investing and our lack of emphasis on index funds, these trends were unfavorable to us in these periods.

In response to these trends, from 1998 to 2000 we introduced a variety of new mutual funds, many with growth-oriented objectives, including health sciences, financial services and technology sector funds, a tax-managed equity fund and others. These funds had over $4.2 billion in assets as of December 31, 2000. We believe that our family of mutual funds now includes a greater variety of investing styles.

We offer our mutual funds with a variety of sales charges or "loads". We do not generally offer "no-load" funds. We generally do not charge a load for our mutual funds purchased through wrap-fee programs offered by us or third parties, our defined contribution products and in certain other circumstances. In addition, most of our mutual funds charge ongoing fees for servicing and distribution-related expenses as permissible under SEC and NASD rules.

We earn investment management fees from our mutual funds based on average daily net assets. Our mutual funds bear the expenses associated with their operations as well as the issuance and redemption of their shares. These expenses include those related to investment management, legal, accounting and auditing expenses, transfer agent expenses, custodian expenses, the expenses of printing and mailing prospectuses and reports to shareholders and independent directors' expenses. We bear advertising, promotion and selling expenses, including sales commissions, of our Private Client Group and Individual Life Insurance segments and of our third-party distributors.

Wrap-Fee Products

We offer several wrap-fee products that provide access to mutual funds and separate account products with the payment of fees based on the market value of assets under management. Our wrap-fee products have higher minimum investment levels than our mutual funds and variable annuities, and offer a choice of both proprietary and non-proprietary investment management. Our

principal mutual fund wrap-fee product is PruChoice, which provides investors with more than 400 investment options from more than 70 fund managers, including 55 Prudential funds. Our principal separate account wrap-fee product is Managed Assets Consulting Services, which provides investors with over 50 portfolio managers and more than 100 investment strategies from which to select. Net sales of our wrap-fee products were $4.8 billion in 2000, $3.0 billion in 1999 and $1.9 billion in 1998.

Annuities

We have a number of variable and fixed annuities with different options. Our variable annuities provide customers the opportunity to invest in proprietary and non-proprietary mutual funds and fixed-rate options. Our fixed annuities provide a guarantee of principal and a guarantee of the interest rate to be credited to the principal amount for a specified period of time.

The following table sets forth our net sales (redemptions) of our variable and fixed annuities for the periods indicated. Net sales are equal to gross sales minus surrenders, withdrawals and exchanges.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Variable annuities	$(699)	$ (5)	$ 736
Fixed annuities	(140)	(265)	(519)
Total net sales (redemptions)	$(839)	$ (270)	$ 217

</TABLE>

The following table sets forth the total account values of our variable and fixed annuities as of the dates indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in billions)		
<S>	<C>	<C>	<C>
Variable annuities:			
Proprietary separate account	$14.8	$ 16.7	$ 15.1
General account(1)	3.1	3.1	3.3
Non-proprietary	3.2	2.8	1.5
Total variable annuities	$21.1	$ 22.6	$ 19.9
Fixed annuities	$ 2.9	$ 3.0	$ 3.2

</TABLE>

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(1) Represents amounts invested in the fixed-rate options of our variable annuities.

Our principal annuity product from a historical sales perspective is Discovery Select, a flexible payment variable deferred annuity. Discovery Select offers investors a broad range of investment alternatives through two fixed-rate options and 24 separate equity and fixed income investment portfolios. We manage 11 of these portfolios and the remaining 13 are sub-advised by unaffiliated fund managers. As of December 31, 2000, approximately 67% of Discovery Select annuity deposits were invested in a Prudential-managed portfolio. In the fourth quarter of 2000, we introduced a new flexible payment variable annuity product, Strategic Partners Annuity One. This product offers investors a choice of features including a bonus program, enhanced death benefits, and a retirement income guarantee. In addition, the product provides a broad selection of investment options including two fixed rate investment options and 25 variable investment portfolios managed by well known, highly regarded asset managers.

Our primary fixed annuity product is Discovery Classic, which we introduced in 1998. Discovery Classic is a flexible payment annuity that provides a specified fixed interest rate for the first year. After the first year, the interest crediting rate changes at our discretion, subject to a minimum. Our fixed annuity products also include a single premium annuity that offers the customer a choice of deferred or immediate annuities. We price our fixed annuities as well as the fixed-rate options of our variable annuities based on assumptions as to investment returns, expenses and persistency. Competition also influences our pricing. We seek to maintain a spread between the return on our general account invested assets and the interest we credit on our fixed

annuities.

To encourage persistency, all of our variable and fixed annuities, other than our single premium fixed annuities, have withdrawal restrictions and declining surrender or withdrawal charges for a specified number of years, which is a maximum of nine years for Strategic Partners Annuity One annuities, seven years for Discovery Select annuities and six years for Discovery Classic annuities. Our single premium fixed annuities do not permit withdrawals.

Unit Investment Trusts

We serve as the sponsor to 138 unit investment trusts with a market value of $1.6 billion as of December 31, 2000. Unit investment trusts invest in fixed portfolios of either equity securities, municipal bonds or a combination of zero-coupon government bonds and equity securities known as government securities equity trusts. The unit investment trusts offer only redeemable units with a pre-determined maturity date.

Marketing and Distribution

To better meet the needs of the mass affluent market, Prudential Agents are being transitioned to focus on offering advice on an array of proprietary and non-proprietary products. Similarly, Financial Advisors are being transitioned to focus on fee-based financial advisory services. To support these transitions, we have instituted a research-driven approach to money management across our mutual funds, annuities, managed accounts and wrap-fee programs. Investment manager research and monitoring supports our Financial Advisors and Prudential Agents positioning them as advisors and providing them with a wide range of selected investment alternatives. We call this strategy "Advised Choice" and believe it fills a need for many customers--better enabling them to make more informed decisions about investment and insurance choices. We conduct ongoing training to Financial Advisors and Prudential Agents that provides them with knowledge of our new products and helps them develop better relationship management techniques that foster greater customer satisfaction.

Our marketing emphasizes investor education, individual retirement planning, diversification and asset allocation, and tax-efficient investing.

In mid-1998, the Retail Investments segment began to develop and implement plans for sales through third parties. We believe that diversifying our distribution channels will enable us to grow revenues and enhance the Prudential name and its association with investment advice and choice. Such sales were responsible for approximately 8% of the segment's 2000 overall gross sales, excluding money market funds. Net sales of mutual funds, other than money market funds, through third-party channels totaled $1.2 billion in 2000 and represents the fastest growing sales channel in this segment on a net basis. We have also launched an initiative under which outside asset-gathering companies add our investment options to their products. In December 1999, we expanded our alternative distribution for our mutual funds and annuities by acquiring an 80% interest in Hochman & Baker, Inc., a broker-dealer that recruits and trains public accountants as its registered representatives to sell investment and insurance products to their clients.

Property and Casualty Insurance

Our Property and Casualty Insurance segment manufactures and distributes personal lines property and casualty insurance products, principally homeowners and automobile coverages, to the U.S. retail market. We distribute our products through Prudential Agents, workplace and affinity marketing, independent agents, property and casualty agents and direct distribution. We also distribute certain specialty coverages written by other insurers through brokerage arrangements.

The personal lines property and casualty insurance industry in the United States is mature, and in 2000, according to A.M. Best, we were the 19th largest writer with a market share of 1%.

Operating Data

The following table sets forth net written premiums and other operating data for Property and Casualty Insurance as of the dates and for the periods indicated.

<TABLE>
<CAPTION>

	As of and for the Year Ended December 31,				
	2000	1999	1998	1997	1996
	($ in millions)				
<S>	<C>	<C>	<C>	<C>	<C>

Net written premium(1):					
Automobile	$1,189.8	$1,031.2	$1,081.4	$1,253.3	$1,383.0
Homeowners	414.6	436.1	437.6	426.3	456.1
Other	32.7	33.0	29.3	31.4	37.8
Total	$1,637.1	$1,500.3	$1,548.3	$1,711.0	$1,876.9
Number of Prudential Agents authorized to sell Property and Casualty Insurance policies	4,705	6,106	6,427	6,368	8,018

</TABLE>

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(1) Premiums written for the period, including assumed premiums and net of ceded and returned premiums.

From 1996 through 2000, our annual total net written premiums declined 21% and our total number of policies in force declined 17%, excluding those relating to a subsidiary we acquired in 2000 as discussed below. The decline in net written premiums is primarily a result of a decline in policies, as the number of policies not renewed exceeded the number of new policies written, as well as increased rate competition.

Historically, a significant portion of our property and casualty insurance business has been concentrated in New Jersey. Our New Jersey automobile coverages accounted for 20% of our property and casualty net written premiums in 2000. New Jersey law requires an insurance company to provide automobile insurance to every applicant that meets certain minimum eligibility criteria; therefore, we are compelled to provide insurance coverage at rates that may not be sufficient for the risks we insure. New Jersey law also caps profits on automobile coverages under an excess profits law and caps the rates that may be charged in certain territories regardless of the loss experience of the territory.

Products

Our primary property and casualty products are automobile and homeowners insurance. We also offer specialty property and casualty coverages that are written by us or by other insurers.

We segment our automobile customers based upon their respective driving and loss histories into preferred, standard and non-standard segments. In May 2000, we purchased the specialty automobile insurance business of the St. Paul Companies, THI Holdings, Inc., which writes policies in the non-standard segment. We intend to write all of our non-standard business through this unit.

We offer four main homeowners products: standard and premier policies for owner-occupied houses, a policy for owner-occupied condominiums and a tenant policy for renters. These policies all include coverage for personal property, loss of use, personal liability and medical payments to others. Our owner-occupied policies also include coverage for the dwelling and other structures. To limit our catastrophe exposure we offer special deductibles in certain states for hurricane, windstorm, hail and earthquake, when earthquake coverage is purchased by the insured. We generally do not write coverage for homes with replacement values of greater than $950,000.

Marketing and Distribution

In 1996, we adopted a geographic market segmentation strategy that targets various states for growth based on our assessment of the potential for catastrophic loss, the regulatory environment and underwriting experience. At that time, we implemented a new product pricing policy to achieve targeted geographical growth and shifted our focus to automobile coverage, which, over the last decade, has generally produced more stable results than homeowners. As a result, since 1996, we have lowered our automobile rates in over 40 states.

Prudential Agents

Historically, we relied primarily on Prudential Agents to distribute our property and casualty products to the mass market. In 2000, Prudential Agents accounted for 38% of first year direct written premiums and 83% of total direct written premiums of the Property and Casualty Insurance segment.

To supplement sales growth, we are seeking to develop other distribution channels, including a career agent channel focused solely on selling automobile and homeowners insurance, workplace and affinity marketing, independent agents, and direct distribution. In 2000, these alternative distribution channels accounted for 62% of

first year direct written premiums. In June 1998, we acquired Merastar Insurance Company. Merastar offers individual property and casualty policies to workplace groups and professional work-related associations, a payroll deduction capability for the sale of its products and pricing that reflects a

group discount. As of December 31, 2000, this business accounted for 1.9% of first year direct written premiums. In 1999, we began to access the mass market segment using direct distribution which, in 2000, accounted for 11.4% of first year direct written premiums as a result of increased emphasis. In 1999, we also began our automobile and homeowners insurance career agent channel, and at December 31, 2000, we had 213 salaried agents dedicated to selling our automobile and homeowners products; in 2000, they accounted for 6.2% of first year direct written premiums. In 1999, we also began offering products through small- to medium-sized independent insurance agencies which, in 2000, accounted for 5.8% of total first year net written premiums. Our acquisition of THI, which sells non-standard automobile policies through independent agents and on a direct basis, has broadened the scope of our mass market. First year direct written premiums through THI, from its acquisition in May 2000 through December 31, 2000, accounted for 37.1% of total first year direct written premiums in 2000.

Underwriting and Pricing

Our agents are responsible for field underwriting by following the risk selection guidelines developed and provided by the underwriting department. The underwriting department performs a final review of all applications other than applications processed through an on-line system that is now in place in several states. For agents with binding authority, coverage becomes effective immediately upon taking an application from an applicant that meets the selection guidelines for the quoted rate. However, the underwriting department may ultimately reject coverage for an applicant based upon its review of the application.

We seek to price our products to be competitive with the industry, subject to adjustments reflecting our market segmentation strategy. Our pricing considers the expected frequency and severity of losses and the costs of providing the necessary coverage, including the cost of administering policy benefits, sales and other administrative costs. State rate regulation significantly affects pricing. The Company's property and casualty operations are subject to rate and other laws and regulations covering a range of trade and claim settlement practices. State insurance regulatory authorities have broad discretion in approving an insurer's proposed rates. A significant portion of the Company's automobile insurance is written in the state of New Jersey. Under certain circumstances New Jersey insurance laws require an insurer to provide a refund or credit to policyholders based upon the profits earned on automobile insurance.

Catastrophe Exposure Risk Management Program and Reinsurance

Hurricane Andrew, which struck southern portions of Florida and Louisiana in August 1992, resulted in $15.5 billion of losses to the U.S. property and casualty insurance industry, according to Property Claims Service, the largest aggregate insurance loss due to a single catastrophe in U.S. history. We suffered pre-tax losses, net of reinsurance, of $908 million. The losses eliminated the surplus of our property and casualty insurance subsidiaries, which was replenished by a capital infusion of $733 million from The Prudential Insurance Company of America in 1992.

We have taken significant steps to reduce our exposure to catastrophic losses since Hurricane Andrew, including:

- reducing the number of homes insured against wind in southern Florida by over 70%;
- increasing deductibles on homeowners' policies and offering separate deductibles for hurricane, windstorm, hail and earthquake in some states;
- participating in the Florida Hurricane Catastrophe Fund;
- withdrawing from business in Hawaii; and
- transferring our California earthquake exposure to the California Earthquake Authority.

These activities have reduced our catastrophe exposure and the number of our homeowners' policies in force. In addition to these risk management actions, we rely substantially on catastrophe reinsurance and other reinsurance to limit our catastrophe exposure.

Our greatest exposure to catastrophe loss is during hurricane season, from June to November of each year. Based on our policies in force as of December 31, 2000, we believe we have limited our pre-tax catastrophe exposure from a single one-in-250 year catastrophe to approximately $365 million, or approximately $235

million on an after-tax basis representing approximately 1% of our consolidated equity as of December 31, 2000. This limitation relies significantly on our catastrophe protection reinsurance program. Catastrophes

are inherently uncertain, however, and the loss or losses from a single or multiple catastrophes could exceed the foregoing amount, perhaps materially. It is possible that catastrophes could materially negatively affect our results of operations or cash flow in particular quarterly or annual periods. We believe, however, that, based on our current estimated exposures, losses from catastrophes, net of reinsurance, should not have a material adverse effect on our financial condition.

We periodically revise our reinsurance program to reflect what we believe are our reinsurance needs. Our current catastrophe protection reinsurance program, in effect until July 1, 2001, consists of an excess of loss reinsurance contract with a consortium of U.S. and international reinsurers, including Lloyds of London syndicates. In addition, we currently have two annual aggregate stop-loss reinsurance contracts with a U.S. reinsurer.

Future changes in our reinsurance programs will likely affect our assessment of our exposure to a major catastrophe loss. There have been, and in the future may be, periods when reinsurance is not available or at least not at acceptable rates and levels. The loss of all or portions of our reinsurance program could subject us to increased exposure, which could be material. We are also subject to credit risk with respect to our reinsurers and other risk bearers, such as the Florida Hurricane Catastrophe Fund, because the ceding of risk to them does not relieve us of our liability to insureds. Our recovery of less than contracted amounts from our reinsurers and other risk bearers could have a material adverse effect on our results of operations. We seek to mitigate this risk through diversification of reinsurers as well as maintenance of minimum financial standards for their participation in our reinsurance programs.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations for Financial Services Businesses by Division and Traditional Participating Products Segment--U.S. Consumer Division--Property and Casualty Insurance" for a discussion of the impact of these agreements on our earnings.

Claims

We staff our property and casualty claims department with approximately 1,360 claims associates based in 21 offices throughout the United States. We generally specialize our claims handling by type of claim, and our home office claims staff is responsible for setting policies and procedures and overseeing field claim operations. Whenever possible, we use our own staff to conduct claim inspections. We use independent claims adjusters when necessary to handle claims in remote areas and to handle overflow during catastrophes.

Reserves

We establish reserves for payment of loss and loss adjustment expenses in accordance with applicable regulations. Consistent with industry practice, we do not establish loss reserves until a loss, including a loss from a catastrophe, has occurred. The following table sets forth a summary reconciliation of our automobile and homeowners property and casualty beginning and ending reserves, determined on the basis of statutory accounting principles for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	(in millions)		
<S>	<C>	<C>	<C>
Reserves for loss and loss adjustment expenses, beginning of the year	$1,439	$ 1,622	$ 1,856
Loss and loss adjustment expenses:			
Provision attributable to the current year	1,271	1,249	1,325
Increase (decrease) in provision attributable to prior years	(165)	(150)	(245)
Total loss and loss adjustment expenses	1,106	1,099	1,080
Payments:			
Loss and loss adjustment expenses attributable to current year	841	700	725
Loss and loss adjustment expenses attributable to prior years	583	582	605
Total payments	1,424	1,282	1,330
Acquisition of Merastar	--	--	16
Acquisition of THI holdings	119		
Reserve for loss and loss adjustment expenses, end of year(1)(2)	$1,240	$ 1,439	$ 1,622

=======	=======	=======

</TABLE>

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(1) Total reserves are net of reinsurance recoverables of $608 million at December 31, 2000, $330 million at December 31, 1999 and $416 million at December 31, 1998.

(2) Our Property and Casualty Insurance segment has limited exposure to pre-1986 mass tort claims as a result of its former interest in Prudential-LMI Commercial Insurance Company, which we purchased in 1986 and sold in 1992. Our total reserves held for these contracts, which we included in the reserve table above, aggregated $25 million as of December 31, 2000, on both a net and gross basis. Based on currently available information, we believe approximately 80% of the liabilities on these contracts, representing $20 million or less than 2% of Property and Casualty Insurance's total reserves for loss and adjustment expenses, may be related to asbestos or environmental exposures. Reported claims activity levels to date for these asbestos and environmental exposures do not appear to be material. Estimation of ultimate liabilities for these claims is unusually difficult, however, due to outstanding issues such as the existence of coverage, the definition of an occurrence, the determination of ultimate damages and allocation of damages to financially responsible parties. It is possible that claims might become material in the future.

Our net reserves have declined over the past three years primarily due to the net reduction in policies in force and the release of reserves from prior years of $165 million in 2000, $150 million in 1999 and $245 million in 1998.

We establish loss reserves to recognize the estimated amount necessary to bring all pending reported, and incurred but not reported, claims to final settlement. Many factors can influence the amount of loss reserves required, such as changes in laws and regulations, judicial decisions, litigation and settlements, medical care costs, rehabilitation costs, the costs of automobile and home repair materials and labor rates, and other factors. We review our loss reserves quarterly. We record our loss reserves at their full undiscounted value. We do not make an explicit provision for the effects of inflation in loss adjustment expense reserve calculations. The establishment of loss reserves is an inherently uncertain process and we cannot assure that ultimate losses will not exceed Property and Casualty Insurance's reserves.

Employee Benefits Division

Our Employee Benefits division consists of two segments: Group Insurance and Other Employee Benefits.

- Group Insurance manufactures and distributes a full range of group life, disability and related insurance products through employers and other groups in connection with employee and member benefit plans.

- Other Employee Benefits manufactures, services and delivers products and services to meet the retirement needs of employers of all sizes. These products and services include full service defined contribution plans, and various guaranteed products. We distribute these products through a direct sales force, third parties and Financial Advisors. As part of our employee benefits business, we also offer real estate brokerage and relocation services and workplace marketing services.

Division Strategy

The Employee Benefits division seeks to be a leading non-medical employee benefits provider to companies throughout the United States. Our goal is to help employers attract and retain employees by providing a competitive array of both employer-paid benefits and employee-paid voluntary benefits and services. We help companies and their employees grow and protect retirement plan assets by providing a broad array of qualified and non-qualified retirement vehicles. Currently, we do business with over 24,000 institutional clients of all sizes, including 83 of the Fortune 100 firms, representing over 30 million employees and members with over 12 million participants.

Our strategy includes the following components:

- Improve and Grow Our Product Businesses. We seek to strengthen our leadership position in Group Insurance by focusing on growth segments. We are investing in technology, product development and Internet distribution to achieve these goals. We are also exploring partnerships and acquisitions that will help us increase scale and expand distribution, both domestically and internationally. In addition, we seek to improve the capital efficiency of our businesses.

- Leverage Our Institutional Positioning to Grow Our Client Base. We seek to increase the number of Prudential products purchased by our clients and their employees through the coordinated efforts of a dedicated

relationship management team and our existing sales forces and account management teams. We seek to better understand client needs and refine our market segmentation based on client information, which will also aid in our national advertising and direct mail campaigns as well as in sales force management.

. Become an eBusiness Workplace Marketing Leader. We offer WorkingSolutionsSM, a web-based platform to deliver a broad array of proprietary and non-proprietary voluntary benefits to help employers meet the diverse needs of their employees. This platform is designed to extend our relationship beyond the institutional client directly to their employees. We have also established a relationship with Rewards Plus of America Corporation, an Internet-based employee benefits service provider, through which we plan to broaden our distribution of Prudential products and services.

Group Insurance

Our Group Insurance segment manufactures and distributes a full range of group life insurance, long-term and short-term group disability insurance, long-term care insurance and corporate- and trust-owned life insurance in the United States to institutional clients primarily for use in connection with employee and membership benefits plans. Group Insurance also sells accidental death and dismemberment and other ancillary coverages and provides plan administrative services in connection with its insurance coverages. Group Insurance has its own dedicated sales force that distributes through the broker and consultant market. Group Insurance also uses the Prudential Agent distribution channel and third-party general agencies to sell group life products to smaller clients.

The group life insurance industry in the United States is relatively mature. In 1999, the five largest writers accounted for nearly two-thirds of new sales according to LIMRA. The group disability industry is more concentrated than the group life industry, with one company accounting for 32.5% of industry new sales in 1999 according to John Hewitt & Associates, Inc. For the nine months ended September 30, 2000, according to LIMRA, we were the second largest group life insurer, based on new sales, and the fifth largest group disability insurer according to John Hewitt & Associates, Inc., based on new sales through June 30, 2000.

In 1997, we separated our group life and disability products from our healthcare business. We recruited experienced personnel to build a dedicated sales force with members who have a record of sales success and established relationships with brokers and consultants, which resulted in sales increases in 1998, 1999 and 2000. In addition, we refocused group life on premium growth and improved persistency and refocused group disability on improved risk selection and reduced benefits ratios. We believe these actions have repositioned Group Insurance and have facilitated our retention of existing relationships notwithstanding the sale of our healthcare business.

Operating Data

The following table sets forth certain operating data for Group Insurance for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	2000	1999	1998
	($ in millions)		
<S>	<C>	<C>	<C>
Group Life Insurance:			
Gross premiums(1)(2)	$ 1,913	$ 1,872	$ 1,691
New annualized premiums(3)	$ 321	$ 262	$ 245
Group Disability Insurance:			
Gross premiums(1)(4)	$ 472	$ 413	$ 370
New annualized premiums	$ 162	$ 105	$ 86

</TABLE>

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(1) Insurance premium before returns to participating policyholders for favorable claims experience. Group disability amounts include long-term care products.

(2) Includes $23 million in 2000, $24 million in 1999 and $20 million in 1998 from Prudential employee benefit plans. Also includes $136 million in 2000, $165 million in 1999 and $171 million in 1998 from the Serviceman's Group Life insurance program, which is available to members of the U.S. armed forces through a contract with the U.S. Veterans Administration. We reinsure all but approximately 18% of our premiums and risk exposure from this program to a voluntary reinsurance pool comprised of other U.S. life insurers, which participate in accordance with their market shares. While this business produces substantial premium, the Veterans Administration

limits profitability to 0.2625% of premium.
(3) Amounts do not include excess premiums, which are premiums that build cash value but do not purchase face amounts of group universal life insurance.
(4) Includes $23 million in 2000, $28 million in 1999 and $36 million in 1998 from Prudential employee benefit plans.

Products

Group Life Insurance. We offer group life insurance products including basic, supplemental or optional, and dependent term and universal life insurance. Commencing in 1998, we also began offering group variable universal life insurance and supplemental accidental death and dismemberment insurance. Many of our employee-pay coverages include a portability feature, allowing employees to retain their coverage when they change employers or retire. We also offer a living benefits option which allows insureds who are diagnosed with a terminal illness to receive up to 50% of their life insurance benefit upon diagnosis, in advance of death, to use as needed. We believe that we pioneered this benefit in the group insurance industry.

Group Disability Insurance. We offer short- and long-term group disability insurance, which protects against loss of wages due to illness or injury. Short-term disability generally provides coverage for three to six months, and long-term disability covers the period after short-term disability ends.

Other. We offer individual and group long-term care insurance and group corporate- and trust-owned life insurance. Long-term care insurance protects the insured from the costs of care in the community, at an adult day care center, or in a nursing home or similar live-in care situation or at home by providing a home health or a personal care aide. Group corporate- and trust-owned life insurance are group variable life insurance contracts typically used by large corporations to fund benefit plans for retired employees. These latter products also may be used as vehicles to deliver deferred compensation or non-qualified benefits to active employees.

Marketing and Distribution

As is common in the industry, we segment the market by employer or group size. We generally refer to employers or groups with 5,000 or more employees or members as the jumbo case market; 1,000 to 4,999 as the large case market; 250 to 999 as the medium case market; and less than 250 as the small case market. We tailor our product features to the different needs of each market segment, with significant standardization in the small case market and full flexibility for jumbo clients. Historically, the majority of our premiums have come from customers in the large and jumbo case market segments. We are seeking to increase our sales in the small and medium case markets, particularly in disability and supplemental life, because we believe these segments are under-penetrated and growing, and present a greater opportunity for profit than the larger segments. We have become more selective in marketing group disability to the large and jumbo case markets.

Group Insurance's dedicated sales force is organized around products and market segments and distributes primarily through employee benefits brokers and consultants. In 1997, we established our Group Life Sales Director force to sell our group life products in the large and jumbo case markets and our Life and Disability Sales Manager force to sell our group life and disability products in the small and medium case markets. Group Insurance also distributes group life products through Prudential Agents, primarily to the small case market, and individual long-term care products through Prudential Agents and PruSelect. At December 31, 2000, Group Insurance had field sales offices in 36 major metropolitan areas.

Underwriting and Pricing

Group Insurance's product underwriting and pricing is centralized. We have developed standard rating systems for each product line based on our past experience and relevant industry experience. We are not obligated to accept any application for a policy or group of policies from any distributor. We follow uniform underwriting practices and procedures. If the coverage amount exceeds certain prescribed age and amount limits, we may require a prospective insured to submit to paramedical examinations.

We determine premiums on either a guaranteed cost basis or an experience-rated participating basis, in which case the policyholder bears some of the risk associated with claim experience fluctuations during the policy period. At December 31, 2000, approximately 62% of our group life insurance premiums and 16% of our group disability insurance premiums were attributable to experience-rated participating policies as compared to 73% and 30% at December 31, 1996. We base product pricing of group insurance products on the expected pay-out of benefits that we calculate using assumptions for mortality, morbidity, expenses and persistency, depending upon the specific product features.

The adequacy of our initial pricing of non-participating policies determines

their profitability. Long-term disability, in particular, involves a commitment to insure disability that continues potentially over a person's lifetime and, accordingly, contains the risk that loss experience is affected by circumstances we did not expect

when we issued a policy and substantially exceeds pricing assumptions. In addition, the trend towards multiple year rate guarantees for new policies, which are typically three years for life insurance and two years for disability insurance, further increases the adverse consequences of mispricing coverage and lengthens the time it takes to reduce loss ratios.

Reserves and Reinsurance

We establish and carry as liabilities actuarially determined reserves that we believe will meet our future obligations. We base these reserves on actuarially recognized methods using prescribed morbidity and mortality tables in general use in the United States, which we modify to reflect our actual experience when appropriate. We calculate our reserves to equal the amounts that we expect will be sufficient to meet our policy obligations. Reserves also include claims reported but not yet paid, claims incurred but not reported and claims in the process of settlement.

We reinsure portions of our disability insurance risks with third-party reinsurers. As of December 31, 2000, the amount of ceded in force disability insurance premiums totaled $5.8 million, representing less than 2% of our gross disability insurance in force.

Other Employee Benefits

Retirement Services

Our Retirement Services unit distributes and services defined contribution products for companies of all sizes. We offer products and services across the defined contribution market -- for example, the 401(a), 401(k), 403(b), 457, and Taft-Hartley markets. We also offer products in the non-qualified retirement market. Our flagship PruArray product includes proprietary and non-proprietary investments. We also manufacture, distribute and administer guaranteed products such as GICs, funding agreements and group annuities for defined contribution plans, defined benefit pension plans and non-qualified entities. However, the downgrade of our claims-paying rating to below double-A has substantially limited our ability to market traditional guaranteed products, which are backed by our general account.

The following table sets forth the account values of Retirement Services' products and the number of defined contribution plans and plan participants as of the dates indicated.

<TABLE>
<CAPTION>

	As of December 31,		
	2000	1999	1998
	($ in billions)		
<S>	<C>	<C>	<C>
Defined contribution products account value(1):			
Proprietary	$ 19.1	$ 20.5	$ 18.1
Non-proprietary	6.9	5.3	3.4
Total account value	$ 26.0	$ 25.8	$ 21.5
Number of defined contribution plans	8,127	7,868	7,613
Number of defined contribution plan participants	1,027,948	939,579	869,089
Guaranteed products total account value(2)(3):			
Spread Lending Products	$ 19.2	$ 20.0	$ 21.3
Fee-Based Products	22.4	21.8	24.3
Total account value	$ 41.6	$ 41.8	$ 45.6

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(1) Includes mutual fund investments through defined contribution plan products.

(2) Includes $4.7 billion in 2000, $4.6 billion in 1999 and $5.2 billion in 1998 of externally managed separate accounts.

(3) Includes $8.2 billion at December 31, 2000, $8.2 billion at December 31, 1999 and $7.8 billion at December 31, 1998 of Prudential's retirement plan assets.

Products

Our primary defined contribution product, PruArray, offers plan sponsors access to more than 500 mutual funds, 45 of which are sponsored by Prudential, with the balance sponsored by more than 25 other mutual fund companies.

PruArray also offers stable value investment options. We tailor PruArray to the various defined contribution product markets, as appropriate, and to suit retirement plans of different sizes.

Clients can customize PruArray through the addition of optional services which include Goalmaker, our proprietary asset allocation program, as well as a self-directed brokerage option that allows participants to trade stocks in their accounts at Prudential Securities. We provide secure access to our website for plan sponsors and plan participants who can obtain plan and account information, undertake transactions, and obtain tools, to aid in financial and retirement planning. Many of these capabilities are also available to plan participants via wireless Internet access.

We offer general account GICs and funding agreements, through which customers deposit funds with us under contracts that provide for a specified rate of interest on the amount invested through the maturity of the contract. We are obligated to pay principal and interest according to the contracts' terms. This obligation is backed by our general account assets, and we bear all of the investment and asset/liability management risk on these contracts. As spread products, general account GICs and funding agreements make a profit to the extent that the rate of return on the investments we make with the invested funds exceeds the promised interest rate and our expenses. Since 1998, we have offered our credit-enhanced GIC, which has a triple-A rating, the highest rating possible, as a result of a guarantee from a financial insurer. We also offer separate account and synthetic GICs, through which we hold customers' funds either in a separate account or in trust outside of our general account for the benefit of the customer. We pass all of the investment results through to the customer, subject to a minimum interest rate, and we do not earn spread income. As fee-based products, separate account and synthetic GICs are less capital intensive and produce lower levels of income than spread products. To the extent that Prudential's asset management units are selected to manage client assets associated with fee-based products, those units also earn investment management fees from those relationships. A limited amount, $506 million, of our in force GIC business at December 31, 2000 is putable to us at the option of the holder prior to the applicable termination dates.

We offer group annuities primarily to defined benefit plans to provide fixed lifetime benefits for a specified group of plan participants. These annuities are generally single premium annuities that provide for either immediate or deferred payments. We offer fixed payment annuities backed by our general account (spread products) as well as separate account annuities (fee products) that permit a plan sponsor to realize the benefit of investment and actuarial results while receiving a general account guarantee of minimum benefits. We also offer group fixed and variable annuities to individuals taking lump sum distributions from defined contribution plans.

Finally, we offer structured settlement products, which are customized annuities used to provide ongoing periodic payments to a claimant in malpractice or personal injury lawsuits instead of a lump sum settlement.

We set our rates for guaranteed products using a proprietary pricing interest model that considers the investment environment and our risk, expense and profitability assumptions. Upon sale of a product, we adjust the duration of our asset portfolio and lock in the prevailing interest rates. We continuously monitor cash flow experience and work closely with our Portfolio Management Group to review performance and ensure compliance with our investment policy. We perform cash flow testing on an annual basis using various interest rate scenarios to determine the adequacy of our reserves for future benefit obligations.

Marketing and Distribution

Historically, defined contribution plans have been sold through Financial Advisors and, to a lesser extent, Prudential Agents. A high concentration of these plans have been in the core and small plan markets, with less than $50 million in plan assets. To increase our market share, we created a distribution network to include over 30 third-party distributors including brokers, regional broker-dealers, and others. In addition, in 1999 we created a small direct sales force to develop sales among plans with greater than $50 million in plan assets.

Because of downgrades of our S&P, Moody's and A.M. Best claims-paying ratings in the mid-1990s, including as recently as 1998, our ability to sell traditional guaranteed products has been very limited and we have focused our efforts on our credit-enhanced GICs. Using a small salaried sales force, we place most of our traditional, separate account and credit-enhanced GIC business with clients with whom we have an existing relationship.

Residential Real Estate Brokerage Franchise and Relocation Services

Prudential Real Estate and Relocation Services is our integrated real estate brokerage franchise and relocation services business. The real estate group markets franchises primarily to existing real estate companies.

As of December 31, 2000, there were approximately 1,585 franchise offices and 42,000 sales associates in the franchise network. The relocation group is the second largest provider of comprehensive global relocation services to institutional clients throughout North America in connection with the transfer of their employees according to Relocation Information Service Incorporated.

Our franchise agreements grant the franchisee the right to use the Prudential name and real estate service marks in return for royalty payments on gross commissions generated by the franchisees. The franchises generally are independently owned and operated. Our franchise group network has grown significantly since it began offering franchises in 1988 and is now one of the largest real estate brokerage franchise networks in North America.

Our relocation group offers institutional clients a variety of services in connection with the relocation of their employees. These services include coordination of appraisal, inspection and sale of relocating employees' homes, equity advances to relocating employees, assistance in locating homes at the relocating employee's destination, household goods moving services, and client cost-tracking and a variety of relocation policy and group move consulting services. For a number of clients, our relocation services are provided at the client's workplace.

International Division

Our International division offers its services through two segments: International Insurance and International Securities and Investments.

- International Insurance manufactures and distributes principally life insurance products to the affluent retail market in Japan, as well as Korea and Taiwan and has commenced operations in selected Asian, Latin American and European countries.

- International Securities and Investments offers brokerage, primarily in U.S. securities, asset management and financial advisory services to retail and institutional clients outside the United States. International Investments offers domestic and foreign proprietary and non-proprietary asset management services to mass affluent clients outside the United States, marketed through proprietary and non-proprietary distribution in selected international markets.

Division Strategy

Our strategy is to grow our businesses in key international markets by focusing on providing wealth growth and protection services for the affluent. In executing this strategy, we target those countries that we believe offer the opportunity and potential for scale operations that will generate attractive financial returns.

In International Insurance, our strategy is to provide life insurance products to affluent customers through a career agency force of well-trained, motivated and predominantly university-educated professional representatives known as Life Planners, using a needs analysis based sales process. We seek to grow our established operations and to expand in selected international markets.

In our international securities business, we focus on delivering quality investment advice and a wide breadth of product choice through highly trained Financial Advisors to affluent individuals globally.

In our international investments business we seek to expand our affluent customer base outside the U.S. by increasing our global assets under management, primarily by investing in asset management businesses around the world.

International Insurance

Our International Insurance segment manufactures and distributes individual life insurance products to the affluent market in Japan and other foreign markets through Life Planners. We commenced sales in foreign markets as follows: Japan, 1988; Taiwan, 1990; Italy, 1990; Korea, 1991; Brazil, 1998; Argentina, 1999; the Philippines, 1999; and Poland, 2000. We also have a representative office in China. In Brazil we operate through a joint venture with Bradesco Seguros, Brazil's largest insurer based on total premium according to the Brazilian National Federation of Insurance Companies. To date, our Japanese operation has driven International Insurance's premium revenue and adjusted operating income.

We run each country operation on a stand-alone basis with local management and sales teams initially supported by senior International Insurance staff based in Tokyo and Newark. Each operation has its own

marketing, underwriting and claims and investment management functions. Each operation invests predominantly in local currency securities, typically bonds issued by the local government or its agencies. In our larger operations, we have more diversified portfolios.

Operating Data

The following table sets forth certain operating data for International Insurance for the periods indicated.

<TABLE>
<CAPTION>

	Japan			All Other Countries			Total		
	As of or for Year Ended December 31,			As of or for Year Ended December 31,			As of or for Year Ended December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
	($ in millions unless otherwise noted)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
GAAP exchange rate basis(1):									
Net premiums, policy charges and fee income	$1,486	$1,244	$ 906	$ 287	$ 178	$ 104	$1,773	$1,422	$1,010
Annualized new business premiums	$ 359	$ 302	$ 223	$ 150	$ 96	$ 47	$ 509	$ 398	$ 270
Constant exchange rate basis(2):									
Net premiums, policy charges and fee income	$1,486	$1,308	$1,101	$ 287	$ 185	$ 118	$1,773	$1,493	$1,219
Annualized new business premiums	$ 359	$ 318	$ 271	$ 150	$ 99	$ 54	$ 509	$ 417	$ 325
Face amount of policies in force at year end ($ in billions)	$ 126	$ 111	$ 95	$ 28	$ 18	$ 12	$ 154	$ 129	$ 107
Average policy size ($ in thousands)	$ 157	$ 158	$ 159	$ 74	$ 69	$ 66	$ 130	$ 134	$ 137
Number of policies in force (in thousands)	805	701	597	376	261	179	1,181	962	776
Number of Life Planners	1,811	1,681	1,479	1,684	1,203	853	3,495	2,884	2,332
Number of field managers	286	225	193	448	364	197	734	589	390
Number of agencies	41	37	34	88	68	43	129	105	77

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(1) When we show GAAP exchange rate information, we translate based on the applicable average exchange rate for the period shown.

(2) When we show constant exchange rate information, we translate based on the applicable average exchange rate for the year ended December 31, 2000.

International Insurance has grown significantly since 1998. While the Japanese life insurance market is saturated and new annualized premiums have been decreasing industry-wide in Japan for the past several years, our new annualized premiums in Japan increased by an annual average of 15.1% per year from 1998 to 2000 on a constant exchange rate basis. Of the approximately 45 established life insurance companies operating in Japan, we ranked third in the increase in the amount of insurance in force in fiscal year 1999 according to the Life Insurance Association of Japan. The number of our Life Planners in Japan increased by 10.7% per year from 1998 to 2000. The increase in Life Planners results from both strong recruiting and high retention, and is the primary driver of our growth.

Other International Insurance operations also are growing. The strongest growth outside Japan has been in Korea. From 1998 to 2000, our new annualized premiums in Korea increased by an annual average of 74.5% per year and the face amount of our policies in force grew 72.8% per year on a constant exchange rate basis. This growth results primarily from a significant increase in the number of Life Planners, which increased 34% from 1998 to 2000. In Taiwan, our sales force increased by an annual average of 20% per year, which contributed to an annual average growth in new annualized premiums of 30% per year.

Not all of our international start-up operations have been successful. We are currently restructuring our Italian operations to adhere more closely to the Life Planner model by replacing inadequately performing Life Planners. Our strategy is to adhere to a disciplined approach to expense control and business expansion evaluation and to close new operations if we determine that the Life Planner model is not being successfully implemented in a new country.

Products

We currently offer various traditional whole life, term life and endowment policies, which provide for payment on the earlier of death or maturity, in all of the countries in which we operate. We also offer variable and interest-sensitive life products in Japan. Our policies generally are non-participating. In connection with our Brazilian joint venture, we co-insure certain personal lines property and casualty coverages written through the Bradesco group. Generally, our international insurance products are denominated in local currency, with the

exception of products in Argentina, which are U.S. dollar denominated, and some policies in Japan for which premiums and benefits are payable in U.S. dollars.

Marketing and Distribution

Our Life Planner model is significantly different from the way traditional industry participants offer life insurance in Japan and in some of the other countries where we do business. We believe that our recruitment standards, training, motivation and compensation package are key to the Life Planner model and have helped our International Insurance segment achieve higher rates of agent retention, agent productivity and policy persistency than our local competitors. In general, we recruit Life Planners with

- university degrees, so that the Life Planner will have the same educational background and outlook as the target customer,
- a minimum of two to three years sales or sales management experience,
- no life insurance sales experience, and
- a pattern of job stability and success.

The Life Planner's objective is to sell protection-oriented life insurance products on a needs basis to upper middle and upper income customers. The Life Planner model relies in part on significant motivational training of the career force in order to instill belief in the product. We train Life Planners to help customers understand their needs for life insurance, help customers meet their needs through the purchase of selected products and provide continuing service to customers so that the customer's program remains current. We believe that customers who understand their needs and purchase policies based on their needs are more likely to keep their policies in force.

The following table sets forth Life Planner retention, Life Planner productivity and policy persistency information for the periods indicated.

<TABLE>
<CAPTION>

	Japan			All Other Countries			Total		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Life Planner Retention:									
12 Month.....	92%	91%	93%	66%	72%	79%	75%	79%	86%
24 Month.....	83%	84%	89%	54%	60%	49%	65%	72%	69%
Life Planner Productivity(1):	6.7	7.0	7.2	8.4	8.3	7.0	7.5	7.5	7.1
Policy Persistency(2):									
13 Months.....	95%	95%	95%	90%	87%	83%	94%	94%	93%
25 Months.....	90%	89%	90%	82%	74%	74%	88%	86%	88%

</TABLE>

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(1) Average number of policies issued per Life Planner each month.
(2) The percentage of policies issued that are still in force at the beginning of their second policy year or third policy year.

In 2000, our average 12- and 24-month Life Planner retention rates in Japan were 92% and 83%, respectively, compared to 41% and 19% for all life agents in Japan according to Gyomu Kondan-Kai, a Japanese life insurance industry trade association. In 2000, our average Life Planner in Japan sold approximately 6.7 policies per month compared to a 2.7 policy average for all life agents in Japan according to Gyomu Kondan-Kai. In 2000, we generated 13-month and 25-month policy persistency rates of 95% and 90%, respectively, compared to 86% and 74% for the entire life insurance industry in Japan according to Gyomu Kondan-Kai. These numbers compare our 2000 calendar year data with the most recent competitor data available from Japan, which is for the year ending March 31, 2000.

In 1998, International Insurance developed the "Top Gun" training program to meet the growing need for field managers as it expands. This program is designed to provide intensive management training for specially recruited

candidates who we believe will make leading managers. Managers trained in the Top Gun program will start new operations where International Insurance is expanding and will recruit and train new Life Planners. In areas where International Insurance has existing operations, we expect that managers trained in this program will strengthen existing management and increase our expansion capacity.

Underwriting and Pricing

Our International Insurance segment is subject to substantial local regulation that is generally more restrictive of product offerings, pricing and structure than U.S. insurance regulation. Each International Insurance

country operation has its own underwriting department that employs variations of our domestic practices in underwriting individual policy risks designed to assess and quantify risks. In setting underwriting limits, we consider local industry standards to prevent adverse selection and to stay abreast of industry trends. We also set underwriting limits together with each operation's reinsurers.

Pricing of individual life insurance products, particularly in Japan and Korea, is more regulated than in the United States. In Japan, premiums are different for participating and non-participating products, but within each product type they are generally uniform for all companies. The mortality and morbidity rates and interest rates that we use to calculate premiums are restricted by regulation on the basis of product type. The interest rates do not always reflect the market rates we earn on our investments, and, as a result, there have been periods when we have experienced negative spreads between the rate we were required to pay and the rate we earned on investments.

Reserves and Reinsurance

We establish and carry as liabilities actuarially determined reserves which we believe will meet our future obligations. In Japan, we set reserves for variable and interest-sensitive life products according to premiums collected plus investment results credited less charges. We base other fixed death benefit reserves on appropriate assumptions for investment yield, persistency, mortality and morbidity rates, expenses and margins for adverse deviation.

International Insurance reinsures portions of its insurance risks with both third-party reinsurers and The Prudential Insurance Company of America under reinsurance agreements primarily on a yearly renewable term basis. International Insurance also buys catastrophe reinsurance that covers multiple deaths from a single occurrence in Japan and Taiwan and has a coinsurance agreement with The Prudential Insurance Company of America for U.S. dollar denominated business in Japan. As of December 31, 2000, the amount of ceded business in force totaled $9.1 billion to third-party reinsurers and $43.3 billion to The Prudential Insurance Company of America, representing 6.3% and 30.0% of International Insurance's gross insurance in force.

International Securities and Investments

Our International Securities and Investments segment provides advice and investment product choice to retail and institutional clients in selected international markets. Our securities business offers financial advisory, private banking and brokerage services, primarily in U.S. securities, as well as sales and trading for a wide range of futures and forward contracts, on a global basis, for retail and institutional customers. Our investments business includes manufacturing of proprietary products and distribution of both proprietary and non-proprietary products, all tailored to meet client needs in the target countries.

We conduct our operations through a network of 29 branch offices in Europe, Asia and Latin America. At December 31, 2000, we had 620 international Financial Advisors and $23 billion of client assets and assets under management outside the United States. Our international operations also include a private bank based in London with an office in Luxembourg and a private trust based in the Cayman Islands.

We offer our international retail clients products and services similar to the products we offer to domestic clients, including the Command account and access to PrudentialSecurities.com. In the United Kingdom and Hong Kong, we also provide full service retail brokerage in local equities, supported by research and securities clearing operations. We also provide our U.S. equity research coverage and execution services to institutional clients.

We manage and compensate our international Financial Advisors in a manner similar to our domestic Financial Advisor force. We generally recruit and train our own new Financial Advisors in our international operations; however, our strategy of selectively entering local markets through acquisitions also allows us to add Financial Advisors. In September 1999, we acquired BH Matheson Holdings Limited, a London-based stockbroker, investment advisor and

asset manager with approximately $3.2 billion in institutional and retail client assets at that time.

Our futures operations provide advice, sales and trading on a global basis covering a wide variety of commodity, financial and foreign exchange futures and forward contracts, including agricultural commodities, base and precious metals, major currencies, interest rate and stock indices. We conduct these operations through offices in the United States, Europe and Asia, and we are members of most major futures exchanges. We transact

most of our business with institutions. We conduct futures transactions on margin according to the regulations of the different futures exchanges. As with any margin transaction, the risk of credit loss is greater than in cash transactions.

In our international investments business we invest in asset management businesses around the world in order to expand our affluent customer base outside the U.S. and to increase our global assets under management.

Asset Management Division

Our Asset Management division consists of two segments: Investment Management and Advisory Services and Other Asset Management.

- Investment Management and Advisory Services provides investment management and advisory services primarily for the U.S. Consumer and Employee Benefits divisions and the Traditional Participating Products segment. It also provides these services and related products across a broad range of asset classes directly to institutional clients, to whom it markets through its own sales force. In 1998, we formed our Investment Management and Advisory Services segment by aggregating asset management units into a single organization.

- Other Asset Management engages in equity securities sales and trading and investment research, and seeks to participate in securities underwritings, as a co-manager or other participant, where our research efforts are attractive to issuers and investment banks. This segment also engages in commercial mortgage securitization operations, manages our hedge portfolios and engages in proprietary investments and syndications.

Division Strategy

Our Asset Management business strategy is to increase assets under management and profitability by providing clients with consistently strong investment performance, excellent service and a choice of quality products in a way that uses our scale and breadth to their advantage. In addition, we seek to earn incremental returns by extending our investment capabilities into proprietary trading and investing in selected areas.

Investment Management and Advisory Services

Initiatives

We have completed the following initiatives:

- In 2000, the segment consolidated substantially all of our public equity management capabilities into our wholly owned subsidiary, Jennison, a widely recognized institutional manager of growth stocks.

- During 1999, the segment consolidated three fixed income functions serving separate customer constituents into one organization.

Operating Data

The following tables set forth the Investment Management and Advisory Services segment's assets under management at fair market value by asset class and source as of the dates indicated.

<TABLE>
<CAPTION>

	December 31, 2000			
	Equity(1)	Fixed Income(2)	Real Estate	Total
	(in billions)			
<S>	<C>	<C>	<C>	<C>
Retail customers(3)	$ 58.7	$ 48.7	$ --	$107.4
Institutional customers	46.4	38.7	10.0	95.1
General account	2.2	105.6	2.2	110.0

Total	$107.3	$193.0	$ 12.2	$312.5

<CAPTION>

	December 31, 1999			
	Equity(1)	Fixed Income(2)	Real Estate	Total
	(in billions)			
<S>	<C>	<C>	<C>	<C>
Retail customers(3)	$ 60.2	$ 48.3	$ --	$108.5
Institutional customers	52.9	35.3	8.6	96.8
General account	3.1	102.8	2.0	107.9
Total	$116.2	$186.4	$ 10.6	$313.2

<CAPTION>

	December 31, 1998			
	Equity(1)	Fixed Income(2)	Real Estate	Total
	(in billions)			
<S>	<C>	<C>	<C>	<C>
Retail customers(3)	$ 49.8	$ 46.7	$ --	$ 96.5
Institutional customers	46.4	37.6	8.0	92.0
General account	2.6	113.4	3.8	119.8
Total	$ 98.8	$197.7	$ 11.8	$308.3

</TABLE>

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(1) Includes private equity investments of institutional customers of $0.6 billion as of December 31, 2000, $1.2 billion as of December 31, 1999 and $0.8 billion as of December 31, 1998, and private equity assets in our general account of $1.3 billion, $1.2 billion and $0.8 billion, as of those dates.

(2) Includes private fixed income assets of institutional customers of $4.2 billion as of December 31, 2000, $3.4 billion as of December 31, 1999 and $3.2 billion as of December 31, 1998, and private fixed income assets in our general account of $45.9 billion, $46.1 billion and $53.8 billion, as of those dates.

(3) Consists of individual mutual funds and both variable annuities and variable life insurance in our separate accounts. Fixed annuities and the fixed-rate option of both variable annuities and variable life insurance are included in our general account.

Most of the retail customer assets reflected in the foregoing tables are invested through our mutual funds and variable annuities described above under "--U.S. Consumer Division--Retail Investments" and the remainder is invested through our variable life insurance products described above under "--U.S. Consumer Division--Individual Life Insurance--Products". These assets under management are gathered by the U.S. Consumer division and are managed by the Asset Management division.

The following is a description of the Asset Management segment's products and services. We discuss our general account below under "--General Account Investments".

Products and Services

Institutional Public Equity and Fixed Income Asset Management

Our institutional public equity and fixed income units provide discretionary and non-discretionary asset management services to a broad array of institutional clients. These units managed $80.3 billion of our $95.1 billion of institutional assets under management as of December 31, 2000. Of the $80.3 billion, $59.7 billion was gathered by the Asset Management division's sales force and $20.6 billion was acquired by the Employee Benefits division's sales forces. We manage a broad array of publicly traded equity and debt asset classes using various investment styles. We tailor investment portfolios to the specific objectives and risk tolerance levels of each client.

As noted above, substantially all of our public equity asset management capabilities were consolidated into Jennison during 2000. Jennison is a widely recognized manager of institutional assets, although increasingly the firm acts as a subadvisor for mutual funds. Under former arrangements with Jennison, we received a specified share of the gross revenues generated and its remaining revenues were used by Jennison to pay compensation and other operating expenses. As part of the consolidation, commencing in 2001, Jennison's compensation arrangements are based on investment and operating performance, consistent with current industry standards.

Institutional Real Estate and Private Equity Asset Management

Our real estate unit provides asset management services for single-client and commingled real estate portfolios and manufactures and manages a variety of real estate investment vehicles for institutional clients. These operations accounted for $10.0 billion of our assets under management as of December 31, 2000. Our real estate investment vehicles range from fully diversified funds to specialized funds that invest in specific types of properties or specific geographic regions or follow other specific investment strategies.

Our institutional private equity unit manufactures and manages a variety of investment vehicles for investment in private equities. The private equities include venture capital, leveraged buyouts, development capital, mezzanine debt and special situation subclasses. These subclasses share attributes of illiquidity, less efficient markets, high risk and high target returns.

Commercial Mortgage Origination and Servicing

Our commercial mortgage banking business provides mortgage origination and servicing for our general account and institutional clients. At December 31, 2000, we serviced a commercial mortgage loan portfolio of approximately $14 billion. The unit also originates and purchases commercial mortgages for sale in securitization transactions. Origination and servicing activity is included in this segment. Securitization activity is included in the Other Asset Management segment, as described below under "--Other Asset Management--Commercial Mortgage Securitization".

In May 2000, the business acquired the WMF Group, Ltd., a leading originator and servicer of multi-family and commercial mortgage loans, which was combined with the rest of our commercial mortgage banking activities. The WMF businesses that were acquired include Fannie Mae loan origination and servicing, FHA loan origination and servicing, and a high-yield real estate funds management company. WMF was the largest of the 26 Fannie Mae Delegated Underwriter/Servicer companies.

Other Asset Management

Equity Securities Sales and Trading

We engage in equity securities sales and trading, and pursue co-manager positions and participations in underwritings where our research efforts are attractive to issuers and lead underwriters. We execute client transactions in equity securities on both an agency and a principal basis in listed and NASDAQ equities and equity options and make a market in 545 NASDAQ securities.

Investment Research

Research is an important component of our advice-based strategy. Our analysts, which numbered approximately 63 as of December 31, 2000, produce reports and studies on the economy; the equity markets; industries and specific companies; investment and portfolio strategies; and regulatory, political, legislative and tax issues. As of December 31, 2000, our equity research group covered a broad range of industries and more than 700 companies. In the past we focused our research on many of the same industries and market segments that were covered by our former lead-managed underwriting and institutional fixed income businesses. In the future, we expect to increasingly focus our research on companies of interest to our retail and institutional customers, as our research is intended to provide information and advice to clients.

Commercial Mortgage Securitization

We sell commercial mortgages originated by the Investment Management and Advisory Services segment, together with other commercial mortgages we may purchase for this purpose, in securitization transactions. We also make interim loans when we expect the loan to lead to a securitization opportunity. Since we commenced operations, we have completed six securitizations involving a total of $2.4 billion of mortgages. As of December 31, 2000, our warehouse balance of mortgages pending securitization and interim loans totaled approximately $1.2 billion.

Hedge Portfolios

In 1998, we started a hedge portfolio that holds principal positions in U.S. government and agency securities and hedges them with short positions in similar securities in order to utilize our general account investment management strengths. We currently have authorized a maximum aggregate principal position limit of $10 billion for this hedge portfolio. In December 1999, we began operating a second hedge portfolio, that involves a wider range of security types, including domestic and foreign investment grade corporate bonds, foreign sovereign debt and currency forward contracts and has an authorized maximum aggregate principal position limit of $10 billion. As of December 31, 2000 the hedge portfolios had a total carrying value of

approximately $7.9 billion, reflecting both principal positions and securities financing positions, and a principal position carrying value of $5.1 billion.

Proprietary Investments and Syndications

We also make proprietary investments in public and private debt and equity securities, including controlling interests, with the intention to sell or syndicate to investors, including our general account. As of December 31, 2000, we had invested approximately $29 million in this portfolio. After sale or syndication, these assets will be managed by our Investment Management and Advisory Services segment.

Corporate and Other Operations

Our Corporate and Other operations include corporate-level activities and international ventures that we do not allocate to our business segments. Corporate-level activities consist primarily of corporate-level expenses not allocated to any of our business segments, including costs for company-wide initiatives such as enhancement of our Internet capabilities, as well as investment returns on our capital that is not deployed in any of our business segments. We engage in corporate investment activities, in which we borrow funds and use our asset/liability management techniques to earn additional spread income on the borrowed funds. These activities accounted for approximately $3.8 billion of indebtedness as of December 31, 2000 and contributed $77 million to adjusted operating income. In addition, we maintain an equity portfolio in which we intend to invest up to $100 million. As of December 31, 2000, we had invested $80 million in this portfolio, which had a carrying value of $114 million. During the last five years, we have divested or stopped pursuing a number of under-performing businesses, most of which were incurring losses. Corporate and Other operations include these divested and wind-down businesses, except for our divested healthcare business, which is treated as a discontinued operation.

Wind-down Businesses

Group Credit Insurance

We ceased writing new business in our group credit insurance operations in 1996. These operations consisted primarily of credit life insurance, which upon the insured's death pays off the insured's debt to the creditor through which the coverage was purchased, and credit disability insurance, which pays the insured's monthly minimum debt payment to the creditor for a specified period while the insured borrower is disabled. Although we ceased writing new business in 1996, our existing contracts permitted new insured borrowers to be added under those contracts in 1997. We ceded through assumption reinsurance, pursuant to which the reinsurer assumes the role of the insurer, or terminated substantially all of our outstanding balance business in 1997 and 1998. In 1998, we entered into a service agreement with a third-party administrator to administer the runoff of our remaining in force business. For business in which the borrower paid a single premium for insurance coverage on a loan, the insurance coverage remains in force until the debt is discharged or the final maturity date. We estimate that a substantial majority of our remaining group credit insurance business will expire by 2006, although the latest policy expiration date is in 2026. As of December 31, 2000, our reserves for future policy benefits and claims for the remaining in force group credit insurance business totaled approximately $28.5 million.

Individual Health

We began selling individual health and disability income policies in the early 1950s. In 1992, we ceased writing individual disability income policies and a year later ceased writing hospital expense and major medical policies due to declining sales and poor financial results. Most of our disability income policies are noncancelable, which means that we can neither change the premium nor cancel the coverage. The 1997 Health Insurance Portability and Accountability Act guarantees renewal of all health policies. Under certain

circumstances, we are permitted to change the premiums charged for individual health coverage if we can demonstrate that the premiums have not been sufficient to pay claims and expenses. As of December 31, 2000, we had reserves of $97 million for approximately 49,000 individual health policies and reserves of $54 million for approximately 33,000 individual disability income policies in effect at that date. As of July 1, 1999, we reinsured all the disability income policies.

Canadian Operations

We have retained and continue to service several blocks of insurance not sold with our divested Canadian businesses described under "--Divested Businesses--Divested Canadian Businesses" below. These blocks represent approximately $129 million of policy liabilities at December 31, 2000. These blocks of insurance include the policies that we will include in the Canadian closed block described above under "Demutualization and Related Transactions--

The Demutualization--The Closed Block". A significant portion of the retained business constitutes paid-up individual life insurance.

Divested Businesses

The following operations are businesses that we previously divested but that do not qualify for "discontinued operations" accounting treatment under GAAP. We include the results of these divested businesses in our income from continuing operations before income taxes, but we exclude these results from our adjusted operating income. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Consolidated Results of Operations--Adjusted Operating Income" for an explanation of adjusted operating income.

Lead-Managed Underwriting and Institutional Fixed Income Activities of Prudential Securities

In the fourth quarter of 2000, we announced a restructuring of Prudential Securities' activities to implement a fundamental shift in our business strategy. We have exited the lead-managed underwriting and institutional fixed income businesses. The total reduction in staffing from the former lead-managed underwriting and institutional fixed income businesses of Prudential Securities involves 700 positions. See "Business--U.S. Consumer Division--Division Strategy" for a discussion of this restructuring.

Gibraltar Casualty

On September 19, 2000, we sold all of the stock of Gibraltar Casualty Company, our commercial property and casualty insurer that we had placed in wind-down status in 1985. Gibraltar's business consisted primarily of surplus and excess lines insurance, including property, casualty, professional liability and product liability, underwritten for medium to large corporations. As of the date of sale, Gibraltar's largest continuing exposures were potential liabilities for asbestos and environmental damages. The ultimate liability for asbestos and environmental claims cannot be estimated using traditional reserving techniques due to significant uncertainties. In addition, Gibraltar faced potential liability arising from claims for latent injury product exposures involving silicone implants, HIV-contaminated blood products and pharmaceutical products. Upon closing of the sale, we entered into a stop-loss agreement with the purchaser under which we will reinsure the purchaser for up to 80% of the first $200 million of any adverse loss development in excess of Gibraltar's carried reserves as of the closing date of the transaction. We believe that any payments ultimately made pursuant to the stop-loss agreement will not have a material adverse effect on our financial position.

Divested Canadian Businesses

We previously sold individual and group life insurance, annuities and group health insurance in Canada through a Canadian branch of The Prudential Insurance Company of America and through Prudential of America Life Insurance Company, as well as property and casualty insurance through Prudential of America General Insurance Company (Canada) and OTIP/RAEO Insurance Company. In 1996, except as noted above, we sold substantially all of the Canadian branch's operations and policies in force and all of our Canadian property and casualty operations. Also, in 2000, we sold our interest in Prudential of America Life Insurance Company.

In the sale of the life insurance operations, the purchaser assumed through assumption reinsurance, pursuant to which it assumed our role as insurer, approximately $3 billion of our insurance and annuity liabilities, received an equal amount of investment assets to support the assumed liabilities and purchased substantially all of the Canadian branch's operating assets. We have indemnified the purchaser for damages with respect to any claims

related to sales practices or market conduct issues arising from the Canadian branch's operations prior to the sale. We retained no policy liabilities with respect to the property and casualty business following that company's sale. While there can be no assurance, we believe we have reserved in all material respects for any contingent liabilities arising from these divested Canadian businesses prior to sale. In connection with the sales, we agreed to refrain from conducting new individual and group life and health insurance, annuity, property and casualty insurance and mutual funds business in Canada for five years from the applicable sale date.

Residential First Mortgage Banking

Prior to May 1996, we conducted substantial residential first mortgage banking and related operations through The Prudential Home Mortgage Company, Inc. and its affiliates. Prudential Home Mortgage originated and purchased residential first mortgage loans and generally sold the loans it originated and purchased, through both direct sales and securitizations, while retaining the servicing rights and ongoing servicing fees. We decided to sell Prudential

Home Mortgage in 1995 and sold substantially all of the business operations and mortgage loan inventory and approximately two-thirds of the loan servicing rights in 1996. In 1997, we sold substantially all of the remaining loan servicing rights and, since 1996, have sold most of its remaining first mortgage loans, foreclosed properties and other assets.

While we were actively engaged in this business, Prudential Home Mortgage sold a portion of its mortgage loans with full or partial recourse that requires Prudential Home Mortgage to either repurchase or indemnify the purchaser for losses incurred with respect to any of the sold loans that become non-performing. For a loan sold with full recourse, this contingent obligation continues until Prudential Home Mortgage either discharges or repurchases the loan. The last scheduled maturity date of a loan sold with full recourse is in 2029. For a loan sold with partial recourse, the repurchase obligation generally ends after a specified period of time. The aggregate principal amount of the remaining outstanding loans that we sold with full and partial recourse totaled approximately $119 million at December 31, 2000.

We also remain liable with respect to claims concerning these operations prior to sale, including claims made by borrowers under the loans Prudential Home Mortgage originated or serviced, purchasers of the loans Prudential Home Mortgage sold, investors in the mortgage-backed securities issued in the securitizations and purchasers of the operations and servicing rights. Since the sale of the operations, we have been involved in a number of class action lawsuits relating to Prudential Home Mortgage's operations prior to sale that remain pending. These class actions primarily allege that certain of Prudential Home Mortgage's loan origination or servicing practices violated applicable federal or state consumer protection laws. While we believe that as of December 31, 2000 we had adequately reserved in all material respects for the remaining liabilities associated with Prudential Home Mortgage, we may be required to take additional charges that could be material to our results of operations.

Traditional Participating Products

As a mutual insurance company, we issued most of our individual life insurance products on a "participating" basis, whereby policyholders are eligible to receive policyholder dividends reflecting experience. These life insurance products have historically been included in our Traditional Participating Products segment. In connection with the demutualization, we will cease offering domestic participating products. The liabilities for our individual in force participating products will then be segregated, together with assets which will be used exclusively for the payment of guaranteed benefits and policyholder dividends, expenses and taxes with respect to these products, in a regulatory mechanism referred to as the "Closed Block". We have selected the amount and type of assets and liabilities of the Closed Block, which we refer to as the "Closed Block Assets" and "Closed Block Liabilities", so that these assets, which initially will have a lower book value than the liabilities, are expected to generate sufficient cash flow over the life of the Closed Block to fund payments of all policyholder benefits to be paid to, and the reasonable dividend expectations of, policyholders of the Closed Block products. We also will segregate for accounting purposes the surplus and related assets that we will need to hold outside the Closed Block to meet capital requirements related to the products included within the Closed Block. We refer to these segregated assets outside the Closed Block as the "Surplus and Related Assets". No new policies will be added to the Closed Block following demutualization and its in force business is expected to ultimately decline as policyholder benefits are paid in full. We expect the proportion of our business represented by the Closed Block to decline as we grow other businesses. A minor portion of our Traditional Participating Products segment has consisted of other traditional insurance products that will not be included in the Closed Block.

Historically, the participating products to be included in the Closed Block, as well as the other products included in the Traditional Participating Products segment, have yielded lower returns on capital invested than many of our other businesses. The separation for segment reporting purposes of the Traditional Participating Products segment from our Financial Services Businesses permits us better to identify the results of these businesses. However, the relatively lower returns on traditional participating products will continue to affect our consolidated results of operations for many years.

You can see historical information regarding both our participating and non-participating life insurance policies under "--U.S. Consumer Division--Individual Life Insurance" above and both our participating and non-participating individual annuities under "--U.S. Consumer Division--Retail Investments" above. You can see a discussion regarding the future operation of the Closed Block under "Demutualization and Related Transactions--The Demutualization--The Closed Block".

Our strategy for the Traditional Participating Products segment is to maintain the Closed Block included in the segment as required by our plan of

reorganization over the time period of the gradual diminishment as policyholder benefits are paid in full. As discussed under "Unaudited Pro Forma Condensed Consolidated Financial Information--Unaudited Pro Forma Closed Block Information", if performance of the Closed Block is more favorable than we originally assumed in funding, we will pay the excess to Closed Block policyholders as additional policyholder dividends, and it will not be available to shareholders. If we issue the Class B Stock, it will be designed to reflect the performance of our participating products to be included in the Closed Block and other related assets and liabilities. Following such issuance, we will refer to this business as the "Closed Block Business".

Discontinued Operations--Healthcare

Overview and Principal Sale Transaction

We sold substantially all of the assets and liabilities of our group managed and indemnity healthcare business to Aetna Inc. in a transaction that closed on August 6, 1999. Aetna paid $500 million of cash, $500 million of senior notes maturing on August 6, 2002 and stock appreciation rights covering one million shares of Aetna common stock, valued at approximately $30 million at the date of closing.

The sale included the following principal transactions:

- We transferred to Aetna the operating subsidiaries that collectively accounted for most of our fully insured managed medical and dental business and a related pharmacy service company.

- We entered into a coinsurance agreement with Aetna Life Insurance Company under which Aetna Life Insurance reinsures 100% of the risk, in exchange for 100% of the premiums, on our group indemnity medical and dental business and the remaining portion of our managed medical and dental business. Under this agreement, Aetna Life Insurance may require us to issue additional policies for:

  - medical and dental insurance coverages for new customers in response to proposals made to brokers or customers within six months after the closing date, or later in certain limited circumstances, and renewals of these coverages, and

  - renewals of medical and dental insurance coverages in effect on the closing date,

  provided that the renewals have effective dates no later than two years after the closing date and provided that certain other conditions are satisfied. We will not receive any additional consideration for the issuance of these additional policies, which Aetna Life Insurance will reinsure fully under this agreement.

- We entered into a risk sharing agreement with Aetna U.S. Healthcare, Inc. whereby each party agreed to pay the other a specified amount of money in the event that the medical loss ratio for substantially all of the healthcare business that we sold deviates from specified levels between the closing date and December 31, 2000. The medical loss ratio is equal to the amount of medical claims paid plus an actuarial estimate of claims incurred but not paid, divided by the premiums earned. Pursuant to the agreement, we have made payments to Aetna of $212 million through December 31, 2000, including initial payments with respect to the year 2000 described below.

  Aetna U.S. Healthcare will calculate, and an independent accounting firm will audit, the final ratio calculation for the year 2000 based on the actual payment experience for premiums and medical claims

  through September 30, 2001 and reserve estimates as of September 30, 2001 for any remaining uncollectible premium receivables and any remaining unpaid medical claims. The resulting settlement will take place in November 2001.

- We and Aetna Life Insurance Company entered into an administrative services agreement, under which Aetna Life Insurance is providing specified administrative services, including services required to perform administrative services contracts under which we provide administrative services only to healthcare self-insurance plans of third parties. In exchange for the services relating to these administrative services contracts, we pass on to Aetna Life Insurance all of the fees that we receive under the contracts, and we agreed to pay Aetna Life Insurance approximately an additional $263 million that we paid in installments through February 28, 2001.

- We agreed not to re-enter, directly or through acquisitions, the group managed or indemnity medical or dental business for a period of five years after the closing date.

. We entered into a trademark license agreement that grants Aetna and Aetna Life Insurance a non-exclusive license to use certain Prudential trademarks in connection with the disposed healthcare business until January 31, 2002, subject to extension in certain circumstances.

The sale did not include our 50% interest in Rush Prudential Health Plans, a joint venture with Rush-Presbyterian--St. Luke's Medical Center of Chicago which provided managed and indemnity healthcare coverages. On March 1, 2000 we and our joint venture partner completed the sale of this joint venture to WellPoint Health Networks, Inc.

Contingent Exposures

We have remaining exposure under the risk sharing agreement described above in the event that the medical loss ratio exceeds the specified levels for the year 2000. The medical loss ratio for 1999 exceeded the level that requires us to pay Aetna, resulting in initial payments to Aetna with respect to 1999 of $80 million. Through December 31, 2000, the medical loss ratio for 2000 exceeded the level that requires us to pay Aetna, resulting in initial payments to Aetna with respect to 2000 of $132 million. The remaining exposure under this agreement relates to the final payment that may be due under the risk sharing agreement as discussed above.

We agreed to indemnify Aetna and Aetna Life Insurance for actual losses they may incur as a result of any inaccurate representations that we may have made in the sale agreement. This indemnification obligation is limited to $595 million and is subject to a $23 million deductible.

We retained all liabilities associated with litigation that existed at the closing date or commences within two years of that date with respect to claims relating to events that occurred prior to the closing date. These liabilities are not subject to, and do not count toward, the limitation discussed in the previous paragraph. As of December 31, 2000, there were approximately 192 matters under litigation with respect to healthcare claims. See "--Litigation and Regulatory Proceedings--Discontinued Operations".

Financial Impact

The assets that we sold or transferred to Aetna had an aggregate book value of approximately $2.15 billion as of the closing date and exceeded by approximately $700 million the aggregate book value of the liabilities assumed by or transferred to Aetna. We also transferred approximately 14,000 employees to Aetna.

In 1998 and 1999, we recognized an aggregate pre-tax loss of $994 million, $623 million after tax, in connection with the healthcare sale. This pre-tax loss reflects the difference between the consideration that Aetna paid us and the sum of:

(1) the $700 million difference between the assets and liabilities of the healthcare business;

(2) the operating losses of the healthcare business in 1999 prior to the closing date, including a strengthening of healthcare reserves of $160 million;

(3) the $263 million of payments made to Aetna Life Insurance under the administrative services agreement;

(4) reserves for possible payments to Aetna under the risk sharing agreement, including the $212 million paid to date by us in that regard;

(5) reserves for the litigation for which we remain liable and the indemnification provisions of the sale agreement; and

(6) other payments and reserves for closing, transition and employee-related costs.

In 2000, upon the completion of the period covered by the risk sharing agreement and taking into consideration other costs incurred compared with those estimated in 1998 and 1999, we reduced the loss on disposal by $77 million, net of taxes. While we believe that at December 31, 2000 we had adequately reserved in all material respects for remaining costs and liabilities associated with the healthcare business, taking into account amounts paid and received to date, we may be required to take additional charges that could be material to our results of operations.

Intangible and Intellectual Property

We use numerous federal, state and foreign service and trademarks. We

believe that the goodwill associated with many of our marks, particularly the word marks "Prudential", "Prudential Insurance", "Prudential Securities", "Prudential Investments" and "Prudential Real Estate" and our "Rock" logo, are significant competitive assets in the United States. In a number of countries outside North and South America, primarily the United Kingdom, western Europe, Hong Kong and Singapore, we are unable to use the "Prudential" name. Where these limitations apply, we combine our "Rock" logo with alternative word marks. We believe that these limitations do not materially affect our ability to operate or expand internationally.

General Account Investments

We maintain a diversified investment portfolio in our domestic insurance companies to support our liabilities to customers in our U.S. Consumer and Employee Benefit divisions as well as certain of our Corporate and Other operations and our other general liabilities. Our general account does not include assets of our securities brokerage, international securities, international insurance and banking operations, assets of our asset management operations managed for third parties, and separate account assets for which the customer assumes risks of ownership.

Management of Investments

Our long-term objective in managing our general account is to maximize our total return through asset-liability management and strategic and tactical asset allocations within a disciplined risk management framework, and subject to our adjusted operating income objectives. We design asset mix strategies to match the characteristics of our products and other obligations and seek to closely approximate the interest rate sensitivity of the assets with the estimated interest rate sensitivity of the product liabilities. Our asset allocation also reflects our desire for broad diversification across asset classes, sectors and issuers.

The Investment Committee of our Board of Directors oversees our general account. The Investment Committee annually approves the investment policy for the general account that includes investment guidelines, a target asset mix, risk tolerances and performance benchmarks. It also reviews performance and risk positions quarterly. Our Senior Vice President, Asset Liability and Risk Management, oversees the investment management process for our general account. Under his direction the Asset Liability and Risk Management Group develops investment policies and asset allocation ranges.

The Asset Liability and Risk Management Group works closely with the business units to ensure that the specific characteristics of our products are incorporated into its processes. The Asset Liability and Risk Management Group has the authority to initiate tactical shifts, within exposure ranges approved annually by the Investment Committee. The Investment Management and Advisory Services segment manages virtually all of our investments, other than those of our International Insurance operations, under the Asset Liability and Risk Management Group's direction. Our International Insurance operations manage their investments locally.

Asset/Liability Management

The Asset Liability and Risk Management Group has used a disciplined, risk-controlled approach to asset/liability management for over a decade. The methodology, which we continually refine, focuses on aligning assets to the effective sensitivity of the cash flow and return requirements of our liabilities. The Asset Liability and Risk Management Group consults with the product experts in the business units on an ongoing basis to arrive at asset/liability matching policies and decisions. We adjust this dynamic process as products change, as we develop new products and as unanticipated changes in the market environment occur.

We develop asset strategies for specific classes of product liabilities and attributed or accumulated surplus, each with distinct risk characteristics. We categorize products in the following four classes:

- interest-crediting products, for which the rates credited to customers are periodically adjusted to reflect market and competitive forces and actual investment experience, such as fixed annuities;
- participating individual and group life products, in which customers participate in actual investment and business results through annual dividends or interest, such as traditional whole life insurance;
- guaranteed products, for which there are price or rate guarantees for the life of the contract, such as GICs; and
- other products, such as automobile and homeowners insurance.

We determine a target asset mix for each product class that we reflect in our investment policies. Our asset/liability management process has permitted

us to manage interest-sensitive products successfully through several market cycles even as some asset classes behaved in an unexpectedly volatile manner.

Summary of Investments

The following table sets forth the composition of our general account as of the dates indicated.

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Amount	% of Total	Amount	% of Total
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Fixed maturities:				
Public available for sale, at fair value	$ 62,454	47.6%	$ 58,555	46.0%
Public held to maturity, at amortized cost	757	0.6	25	--
Private available for sale, at fair value	21,294	16.2	20,411	16.1
Private held to maturity, at amortized cost	11,686	8.9	14,208	11.2
Trading account assets, at fair value	3	0.0	4	0.0
Equity securities, at fair value	2,315	1.8	3,262	2.6
Mortgage loans on real estate, at book value	15,418	11.8	15,850	12.5
Other long-term investments(1)	4,259	3.2	4,457	3.5
Policy loans, at outstanding balance	8,046	6.1	7,590	6.0
Short-term investments, at amortized cost	4,963	3.8	2,770	2.1
Total investments	$ 131,195	100.0%	$127,132	100.0%

</TABLE>

(1) Other long-term investments consist of real estate related interests, largely through joint ventures and partnerships, oil and gas investments and venture capital and private equity funds and investment real estate held through direct ownership.

The overall income yield on our general account invested assets after investment expenses, but excluding realized investment gains/losses, was 6.85% for 2000 and 7.02% for 1999. Although the yield before investment expenses was relatively unchanged in 2000 from 1999, investment expenses as a proportion of gross yield increased, primarily due to interest charges related to our securities lending program, which we expanded in 2000. The following table sets forth the income yield and investment income, excluding realized investment gains/losses, for each major asset category of our general account for the periods indicated.

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Yield	Amount	Yield	Amount
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Fixed maturities	7.54%	$ 6,958	7.39%	$ 6,811
Equity securities	2.42	67	2.61	63
Mortgage loans on real estate	8.23	1,255	8.68	1,327
Policy loans	6.34	478	6.11	448
Short-term investments and cash equivalents	7.58	683	6.13	484
Other investments	9.54	420	14.59	514
Total before investment expenses	7.54%	$ 9,861	7.52%	$ 9,647
Total after investment expenses	6.85%	$ 8,990	7.02%	$ 9,031

</TABLE>

Portfolio composition is a critical element of the investment management process. The composition of our general account reflects, within the discipline provided by our risk management approach, our need for competitive results and the diverse selection of investment alternatives available through

our Asset Management segment. The size of our portfolio enables us to invest in asset classes that may be unavailable to the typical investor because of cost and/or volatility.

Fixed Maturity Securities

We held approximately 73% of general account assets in fixed maturity securities at December 31, 2000, unchanged from 73% a year earlier. These securities include both publicly traded and privately placed debt securities.

Subject to our adjusted operating income objectives, we actively manage our public portfolio using a relative value strategy while maintaining a risk profile directed by the Asset Liability and Risk Management Group. Generally, we use proprietary models to help us purchase securities that we believe will out-perform broad market benchmarks and combine them into portfolios that otherwise match the risk characteristics of each benchmark and dispose of securities when they no longer meet those criteria. One effect of this strategy is that the yield we earn on this portfolio is not fully reflected as investment income because a portion is reflected as realized investment gain or loss. We expect that using this strategy in a declining interest rate environment will result in lower investment income partially offset by realized investment gains and that using this strategy when rates are rising will result in increased investment income partially offset by realized investment losses.

We use our private placement and asset-backed portfolios to enhance the diversification and yield of our overall fixed maturity portfolio. We maintain a private fixed income portfolio that is larger than the industry average as a percentage of total fixed income holdings, according to A.M. Best. Our investment staff directly originates approximately half of all of our private placements. Our origination capability offers the opportunity to lead transactions and gives us the opportunity for better terms, including covenants and call protection, and to take advantage of innovative deal structures.

Our credit and portfolio management processes help ensure prudent controls over valuation and management of the private portfolio. We have separate pricing and authorization processes to establish "checks and balances" for new investments. We apply consistent standards of credit analysis and due diligence for all transactions, whether they originate through our own in-house origination staff or through agents. Our regional offices closely monitor the portfolios in their regions. We set all valuation standards centrally, and we assess the fair value of all investments quarterly.

The following table sets forth the composition of our fixed maturity portfolio by industry category as of the dates indicated.

<TABLE>
<CAPTION>

	As of December 31,					
	2000			1999		
	Amortized Cost	% of Total Cost	Fair Value	Amortized Cost	% of Total Cost	Fair Value
	($ in millions)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Government.....	$10,109	10.6%	$10,639	$ 8,089	8.5%	$ 7,809
Manufacturing.....	18,864	19.7	18,689	21,469	22.5	20,686
Utilities.....	15,688	16.4	15,771	12,874	13.5	12,717
Finance.....	11,792	12.3	11,931	12,663	13.3	12,454
Services.....	11,264	11.8	11,204	10,767	11.3	10,376
Mortgage-backed.....	6,495	6.8	6,669	6,546	6.8	6,507
Foreign government.....	4,650	4.9	4,853	4,804	5.0	4,864
Retail and wholesale....	4,022	4.2	4,005	4,572	4.8	4,421
Asset-backed securities.....	6,063	6.4	6,068	5,784	6.1	5,687
Transportation.....	3,233	3.4	3,199	3,718	3.9	3,600
Energy.....	937	1.0	947	1,104	1.2	1,065
Other.....	2,361	2.5	2,382	2,927	3.1	2,890
Total.....	$95,478	100.0%	$96,357	$95,317	100.0%	$93,076

</TABLE>

The amortized cost of our below-investment grade fixed maturities as of December 31, 2000 totaled $10.2 billion or 10.7% of total fixed maturities on that date, compared to $10.8 billion or 11.4% as of December 31, 1999.

At year-end 2000, securities backed by residential mortgage loans made up less than 7% of our fixed maturity investments. Nearly 94% of the mortgage-

backed securities in the general account were publicly traded agency pass-through securities. Collateralized mortgage obligations represented only 6% of our total mortgage-backed securities, and less than 0.4% of fixed maturities. The primary risk of these mortgage-backed securities is the rate at which the loans are prepaid. The loans can generally be prepaid at any time without penalty. As a general rule, when the interest rates on the loans underlying the securities are significantly higher than prevailing interest rates on similar loans, borrowers are more likely to prepay their loans, and we would likely reinvest the prepayment proceeds in lower interest rate obligations, with a resulting net reduction of our future investment income.

The NAIC evaluates the investments of insurers for regulatory reporting purposes and assigns fixed maturity securities to one of six categories called "NAIC Designations". NAIC designations of "1" or "2" include fixed maturities considered investment grade, which include securities rated Baa3 or higher by Moody's or BBB- or higher by S&P. NAIC Designations of "3" through "6" are referred to as below investment grade, which include securities rated Ba1 or lower by Moody's and BB+ or lower by S&P. The following tables set forth our public and private fixed maturity portfolios by NAIC rating as of the dates indicated.

Public Fixed Maturities by Credit Quality

<TABLE>
<CAPTION>

		As of December 31,					
		2000			1999		
NAIC Rating	Rating Agency Equivalent	Amortized Cost	% of Total Cost	Fair Value	Amortized Cost	% of Total Cost	Fair Value
		($ in millions)					
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	Aaa, Aa, A.....	$42,311	67.6%	$43,208	$38,255	63.5%	$37,336
2	Baa.....	15,346	24.5	15,273	16,344	27.1	15,730
3	Ba.....	2,427	3.9	2,401	2,795	4.7	2,712
4	B.....	2,125	3.4	2,004	2,628	4.4	2,597
5	C and lower.....	369	0.6	331	176	0.3	182
6	In or near default.....	12	0.0	11	24	0.0	25
	Total.....	$62,590	100.0%	$63,228	$60,222	100.0%	$58,582

</TABLE>

Private Fixed Maturities by Credit Quality

<TABLE>
<CAPTION>

		As of December 31,					
		2000			1999		
NAIC Rating	Rating Agency Equivalent	Amortized Cost	% of Total Cost	Fair Value	Amortized Cost	% of Total Cost	Fair Value
		($ in millions)					
<C>	<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	Aaa, Aa, A.....	$12,242	37.2%	$12,517	$11,846	33.8%	$11,807
2	Baa.....	15,390	46.8	15,501	18,026	51.2	17,625
3	Ba.....	2,766	8.4	2,709	3,435	9.8	3,341
4	B.....	1,893	5.8	1,792	1,321	3.8	1,290
5	C and lower.....	405	1.2	382	379	1.1	350
6	In or near default.....	192	0.6	228	88	0.3	81
	Total.....	$32,888	100.0%	$33,129	$35,095	100.0%	$34,494

</TABLE>

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. When a decline in value of a security is deemed to be other than temporary, we record an impairment loss in our Consolidated Statement of Operations within "realized investment gains, net".

Factors we consider in evaluating whether a decline in value is other than temporary are: (1) whether this decline is substantial; (2) our ability and intent to retain our investment for a period of time sufficient to allow for an anticipated recovery in value; (3) the duration and extent to which the

market value has been less than cost; and (4) the financial condition and near-term prospects of the issuer.

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. In certain situations, the general account benefits from negotiated rate increases or fees resulted from a covenant breach. 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.

The following table sets forth the amount of our public and private fixed maturity portfolio watch list as of the dates indicated.

Fixed Maturities--Watch List

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Book Value	% of Total	Book Value	% of Total
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Closely monitored	$1,147	1.2%	$1,034	1.1%
Not in good standing	209	0.2	125	0.1
Total	$1,356	1.4%	$1,159	1.2%

</TABLE>

Mortgage Loans

As of December 31, 2000, we held approximately 12% of our general account portfolio in mortgage loans, essentially unchanged from December 31, 1999. The portfolio as of December 31, 2000 consisted of approximately 1,200 commercial mortgage loans with a carrying value of $13.6 billion and $2.0 billion of residential and agricultural loans. These values are gross of a $221 million mortgage loan loss reserve.

We originate commercial mortgages through two sources, both managed out of three regional offices in Atlanta, Chicago and San Francisco. The direct channel, staffed by Prudential investment personnel, originates loans with principal amounts of $20 million and higher. The Pru Express channel uses a network of independent companies to originate loans in the $2 million to $20 million range. All loans are underwritten consistently to Prudential standards using our proprietary rating system that was developed using our experience in real estate and mortgage lending.

Our mortgage portfolio strategy emphasizes diversification by property type and geographic location. The following tables set forth the breakdown of the commercial mortgage loan portfolio by geographic region, property type and maturity as of the dates indicated.

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Carrying Value	% of Total	Carrying Value	% of Total
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Region:				
Pacific	$ 3,863	28.5%	$ 3,832	27.6%
South Atlantic	2,488	18.3	2,709	19.6
Middle Atlantic	2,490	18.4	2,542	18.4
East North Central	1,440	10.6	1,556	11.2
Mountain	846	6.2	772	5.6
West South Central	828	6.1	893	6.4
West North Central	579	4.3	598	4.3
New England	662	4.9	537	3.9
East South Central	316	2.3	332	2.4

Other	55	0.4	81	0.6
Total	$13,567	100.0%	$13,852	100.0%

</TABLE>

Commercial mortgage loans on properties in the California and New York areas accounted for $2.8 billion and $1.6 billion, respectively, of the foregoing as of December 31, 2000. See Note 5 to the audited consolidated financial statements for information on the property types collectively collateralizing our mortgage loan portfolios, including commercial, residential and agricultural mortgage loans.

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Carrying Value	% of Total	Carrying Value	% of Total
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Property Type:				
Apartment complexes	$ 4,455	32.8%	$ 4,508	32.5%
Office buildings	3,719	27.4	3,948	28.5
Retail stores	2,465	18.2	2,627	19.0
Industrial buildings	2,331	17.2	2,157	15.6
Other	597	4.4	612	4.4
Total	$13,567	100.0%	$13,852	100.0%

</TABLE>

The following table sets forth the distribution of maturities of our commercial mortgage loan portfolio.

Commercial Mortgage Loan Maturities

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Principal Balance Maturing	% of Total	Principal Balance Maturing	% of Total
	($ in millions)			
<S>	<C>	<C>	<C>	<C>
Due in one year or less	$ 405	3.0%	$ 742	5.4%
Due in two to three years	827	6.1	631	4.6
Due in three to four years	712	5.2	804	5.8
Due in four to five years	1,422	10.5	735	5.3
Due in five to six years	1,273	9.4	1,374	9.9
Due in six to seven years	939	6.9	1,197	8.6
Due in seven to eight years	1,070	7.9	908	6.6
Due in eight to nine years	1,335	9.8	1,034	7.5
Due in nine to ten years	1,500	11.1	1,339	9.7
Due in more than ten years	4,084	30.1	5,088	36.6
Total	$13,567	100.0%	$13,852	100.0%

</TABLE>

We evaluate our loans on a quarterly basis for watch list status based on compliance with various financial ratios and other covenants set forth in the loan agreements, borrower credit quality, property condition and other factors. We may place loans on early warning status in cases where we detect that the physical condition of the property, the financial situation of the borrower or tenant, or other factors could lead to a loss of principal or interest. We classify as closely monitored those loans that have experienced material covenant defaults or substantial credit or collateral deterioration. Not in good standing loans are those for which there is a high probability of loss of principal, such as when the borrower is in bankruptcy or the loan is in foreclosure. An experienced staff of workout professionals actively manages the loans in the closely monitored category.

The following table shows the percentages of our commercial loan portfolio that are delinquent but not in foreclosure, delinquent and in foreclosure, restructured and foreclosed as well as the industry averages.

Commercial Mortgage Loan Comparisons

<TABLE>
<CAPTION>

	As of December 31,			
	2000		1999	
	Prudential	ACLI Average(1)	Prudential	ACLI Average(1)
<S>	<C>	<C>	<C>	<C>
Delinquent, not in foreclosure.....	0.13%	0.28%	0.61%	0.16%
Delinquent, in foreclosure.....	0.00	0.15	0.00	0.09
Restructured.....	1.45	1.50	2.09	2.04
Subtotal.....	1.58	1.93	2.70	2.29
Loans foreclosed during period.....	0.38	0.22	0.06	0.30
Total.....	1.96%	2.15%	2.76%	2.59%

</TABLE>

- --------

(1) Represents the average for the U.S. life insurance industry according to The American Council of Life Insurance.

The low level of delinquencies and loans in process of foreclosure is primarily attributable to the strong commercial real estate market in the United States during 1999 and 2000.

Equity Securities

We held approximately 2% of general account assets in equity securities as of December 31, 2000, essentially unchanged from December 31, 1999. These securities consist of investments in common stock, including shares of real estate investment trusts. Approximately 80% of our equity securities are publicly traded on national securities exchanges. In 2000 and 1999, net realized investment gains from sales of equity securities were $450 million and $223 million.

Other Long-Term Investments

Through the mid-1990s, we were a major investor in equity real estate, both wholly owned and through joint ventures. Beginning in 1997, we implemented a real estate sales program, which significantly reduced our exposure to real estate, and have deemphasized direct real estate investments. We now look to other forms of exposure to real estate markets, such as shares of real estate investment trusts. From January 1, 1997 to December 31, 2000, largely as a result of a program to dispose of our real estate holdings, we reduced the book value of these holdings from approximately $3.4 billion to $1.6 billion, with aggregate sales proceeds of approximately $2.5 billion in 1997, $2.7 billion in 1998, $1.4 billion in 1999 and $0.5 billion in 2000. We used the proceeds from these real estate sales to invest in public and private fixed maturities and shares in real estate investment trusts.

As of December 31, 2000, the book value of our foreclosed real estate was $111 million. Our policy is generally to sell any foreclosed real estate, seeking to maximize the residual value of our interest.

Ratings

Claims-paying and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. Rating organizations continually review the financial performance and condition of insurers, including The Prudential Insurance Company of America and its insurance company subsidiaries. Our credit ratings are also important to our ability to raise capital through the issuance of debt and to the cost of such financing.

The following table summarizes the current ratings from A.M. Best, S&P, Moody's and Fitch (formerly Duff & Phelps) for our rated U.S. insurance companies, The Prudential Insurance Company of America's outstanding rated debt securities, the indebtedness issued through Prudential Funding, LLC and the long-term counterparty rating of Prudential Securities Group. You can read an explanation of these ratings in the Glossary under the definitions "claims-paying ratings" and "credit ratings".

<TABLE>
<CAPTION>

	A.M. Best	S&P	Moody's	Fitch
<S>	<C>	<C>	<C>	<C>

Insurance Claims-Paying Ratings:				
The Prudential Insurance Company of America.....	A	A+	A1	AA-
Pruco Life Insurance Company.....	A	A+	A1	NR*
Pruco Life Insurance Company of Arizona.....	A	A+	A1	NR
Prudential Property & Casualty Insurance Company of Indiana.....	A-	A+	A1	NR
Prudential Property & Casualty Insurance Company of New Jersey.....	B++	NR	A1	NR
Prudential Life Insurance Co. Ltd. (Prudential of Japan).....	NR	AA-	NR	NR
Credit Ratings:				
The Prudential Insurance Company of America:				
Capital and surplus notes, due 2000-2005.....	NR	A-	A3	NR
Prudential Funding, LLC:				
Commercial Paper.....	NR	A1	P1	NR
Long-Term Senior Debt.....	NR	A+	A2	NR
Prudential Securities Group Inc.	NR	BBB	NR	NR

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* "NR" indicates not rated.

Insurance Claims-Paying Ratings

Since the mid 1990s the rating agencies have each downgraded our ratings, including as recently as 1998, at different times, in different degrees and sometimes for different reasons. The most recent downgrades occurred in 1997 and 1998 and were based primarily on disappointment in The Prudential Insurance Company of America's financial performance and concerns regarding the life insurance sales practices litigation. In particular, the rating agencies were concerned with financial results that were below expectations and/or those of competitors in the Individual Life Insurance segment and healthcare. These downgrades resulted in the ratings of A+ from S&P, A1 from Moody's and AA- from Fitch. In 1998, the rating agencies also noted that the process of reorganizing our Individual Life Insurance segment and our efforts to reposition ourselves with respect to distribution and markets to address sales force productivity, sales distribution inefficiencies, alternative distribution channels and increased competition in the financial services arena, also posed threats to our financial strength and claims-paying ability. The rating agencies' concerns regarding the reorganization of Individual Life Insurance and our efforts to reposition ourselves will not be resolved before we complete this process.

The rating agencies based earlier downgrades between 1991 and 1997 on our exposures to catastrophe risk, heightened by geographic concentration, as was highlighted by our Hurricane Andrew losses, exposure to real estate and high yield securities in our investment portfolio and limited partnership sales practices litigation at Prudential Securities.

The ratings set forth above with respect to The Prudential Insurance Company of America and its insurance and financing subsidiaries reflect current and past opinions of each rating organization with respect to claims-paying ability, financial strength, operating performance and ability to meet obligations to policyholders or debt holders, as the case may be. These ratings are of concern to policyholders, agents and intermediaries. They are not directed toward stockholders and do not in any way reflect evaluations of the safety and security of the Common Stock. You should not rely upon the ratings in making a decision whether or not to purchase shares of Common Stock.

Competition

In each of our businesses we face intense competition from domestic and foreign insurance companies, asset managers, investment banks and diversified financial institutions. Many of our competitors are large, well-capitalized and some have higher claims-paying or credit ratings than we do. We compete in our businesses generally on the basis of price, quality of service, scope of distribution, quality of products and brand recognition. The relative importance of these factors depends on the particular product in question.

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry, particularly as the laws separating banking and insurance have been relaxed, resulting in increased competition from large, well-capitalized financial services firms. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired other financial services businesses such as a broker-dealer or an insurance company. Many of these firms also have been able to increase their distribution systems through mergers or contractual arrangements. We expect consolidation to continue and perhaps accelerate. We expect that the Gramm-Leach-Bliley Act, which was adopted on November 11, 1999, will contribute to consolidation by

liberalizing restrictions on affiliation of banks with insurance companies and other financial institutions and on activities of bank affiliates with respect to mutual funds, private equity investments and other activities. While we are among the largest competitors in terms of market share in many of our business lines, in some cases there are one or more dominant market players in a particular line of business. The trend toward consolidation in the financial services industry may result in competitors with increased market shares, or the introduction of larger or financially stronger competitors through acquisitions or otherwise, in those or other lines of business in which we compete.

Our investment-linked insurance products and our Investment Management and Advisory Services and Retail Investments segments also compete on the basis of investment performance. A material decline in the investment performance of our variable life, mutual fund, variable annuity or defined contribution products could have an adverse effect on our sales. Rankings and ratings of investment performance have a significant effect on our ability to increase our assets under management.

Competition for personnel in all of our businesses is intense, including for Prudential Agents, Financial Advisors and other captive sales personnel, and our investment managers. In the ordinary course of business, we

lose from time to time personnel in whom we have invested significant training, and in the recent past we have in particular lost some of our most experienced Financial Advisors. We are focusing substantial efforts on refocusing our Prudential Agents, on increasing productivity requirements for Prudential Agents and on reducing turnover among Financial Advisors. The loss of key investment managers could have a material adverse effect on our Investment Management and Advisory Services segment. Our decision to exit the lead-managed underwriting and institutional fixed income businesses of Prudential Securities, and to pursue our strategy of providing research of interest to our investor clients is new, and its effect on our ability to attract and retain Financial Advisors and research analysts is uncertain.

Many of our businesses are in industries where access to multiple sales channels may be a competitive advantage. We believe that insurance and investment products will continue to be sold primarily through face-to-face sales channels, although customers' desire for objective and not product-related advice will, over time, increase the amount of insurance and investment products sold through non-affiliated distributors such as independent agents, insurance brokers and investment advisors. In addition, we expect that insurance and investment products will increasingly be sold through direct marketing, including through electronic commerce. The proliferation and growth of multiple sales channels puts pressure on our face-to-face sales channels to either increase their productivity or reduce their costs. We continue our efforts to strengthen and broaden our sales channels, but we cannot assure they will be successful. We run the risk that the marketplace will make a more significant or rapid shift to non-affiliated and direct distribution alternatives than we anticipate or are able to achieve ourselves. If this happens, our market share and results of operations could be adversely affected.

Our current claims-paying ratings have substantially reduced our ability to sell traditional guaranteed products, and further reduction in our claims-paying ratings could adversely affect our ability to sell our insurance products and reduce our profitability.

Internationally, our international life insurance business competes by focusing on a limited market using our Life Planner model to offer high quality service and needs-based protection products. Certain competitors, including Sony Life in Japan, employ or seek to employ versions of the Life Planner model.

Regulation

Overview

Our businesses are subject to comprehensive regulation and supervision primarily as follows:

Insurance Operations. State insurance laws regulate all aspects of our insurance businesses and state insurance departments in the fifty states and U.S. territories and possessions supervise our insurance operations. The Prudential Insurance Company of America is organized in New Jersey and its principal insurance regulatory authority is the New Jersey Department of Banking and Insurance. Our other insurance companies are principally regulated by the insurance departments of the states in which they are organized. Our international insurance operations are principally regulated by foreign insurance regulatory authorities in the jurisdiction in which they operate, including the Japanese Ministry of Finance and Financial Supervisory Agency. Our insurance products are substantially affected by federal, state and foreign tax laws. Products that also constitute "securities", such as variable

life insurance and variable annuities, are also subject to federal and state securities laws and regulations. The SEC, the NASD, state securities commissions and foreign authorities regulate and supervise these products.

Asset Management Operations. Our investment products and services, including mutual funds, are subject to federal, state and foreign securities, fiduciary, including ERISA, and other laws and regulations. The SEC, the NASD, state securities commissions, the Department of Labor and similar foreign authorities are the principal regulators that regulate and supervise our Asset Management Operations. Federal, state and foreign tax laws also substantially affect our investment products and services.

Securities Operations. Our securities operations, principally conducted by Prudential Securities Incorporated and a number of other SEC-registered broker-dealers, are subject to federal, state and foreign securities, commodities and related laws. The SEC, the CFTC, state securities authorities, the NYSE, the NASD and similar foreign authorities are the principal regulators of our securities operations.

The purpose of these regulations is primarily to protect our customers and not our shareholders. Many of the laws and regulations to which we are subject are regularly re-examined, and existing or future laws and

regulations may become more restrictive or otherwise adversely affect our operations. The summary below is of U.S. regulation. Our international operations are subject to similar types of regulation in the jurisdictions in which they operate.

Regulation Affecting Prudential Financial, Inc.

Prudential Financial, Inc. will act as a holding company for all of our operations. Prudential Financial, Inc. itself will not be licensed as an insurer, investment advisor, broker-dealer, bank or other regulated entity. However, because it will own regulated entities, Prudential Financial, Inc. will be subject to regulation as an insurance holding company and a savings and loan holding company.

Insurance Holding Company Regulation

Prudential Financial, Inc. will be subject to the insurance holding company laws in the states where our insurance subsidiaries are, or are treated as, organized, which currently include New Jersey, Arizona, Delaware, Indiana, Michigan, Minnesota, Oklahoma, Tennessee, Texas and others. These laws generally require the insurance holding company and each insurance company directly or indirectly owned by the holding company to register with the insurance department in the insurance company's state of domicile and to furnish annually financial and other information about the operations of companies within the holding company system. Generally, all transactions affecting the insurers in the holding company system must be fair and, if material, require prior notice and approval or non-disapproval by the state's insurance department.

Acquisition of Control

Under the New Jersey statute governing the demutualization and the plan of reorganization, for the three years after the effective date of the demutualization, no person, other than Prudential Financial, Inc., its subsidiaries or any employee benefit plans or trusts sponsored by us, may offer to acquire 5% or more of Prudential Financial, Inc.'s common stock or total voting power without the prior approval of the New Jersey insurance regulator. Under this statute, the New Jersey insurance regulator may not approve the acquisition unless he or she determines, among other things, that:

- the acquisition would not frustrate the plan of reorganization;
- either Prudential Financial, Inc.'s Board of Directors has approved the acquisition or extraordinary circumstances that the plan of reorganization did not contemplate have arisen that justify their approval of the acquisition; and
- the acquisition would be in the interests of our policyholders.

The New Jersey statute governing the demutualization provides that any security that is subject to an agreement regarding acquisition or that is acquired or to be acquired in violation of the statute or in violation of an order of the New Jersey insurance regulator may not be voted at any shareholders' meeting, and any action of shareholders requiring the affirmative vote of a percentage of shares may be taken as though these securities were not issued and outstanding. If these securities are voted, however, any action taken at a shareholders' meeting will be valid unless it materially affects control of Prudential Financial, Inc. or unless a New Jersey court has otherwise ordered.

Most states, including the states in which our insurance companies are domiciled, have insurance laws that require regulatory approval of a change of control of an insurer or an insurer's holding company. Laws such as these that apply to us prevent any person from acquiring control of Prudential Financial, Inc. or of our insurance subsidiaries unless that person has filed a statement with specified information with the insurance regulators and has obtained their prior approval. Under most states' statutes, acquiring 10% or more of the voting stock of an insurance company or its parent company is presumptively considered a change of control, although such presumption may be rebutted. Accordingly, any person who acquires 10% or more of the voting securities of Prudential Financial, Inc. without the prior approval of the insurance regulators of the states in which our insurance companies are domiciled will be in violation of these states' laws and may be subject to injunctive action requiring the disposition or seizure of those securities by the relevant insurance regulator or prohibiting the voting of those securities and to other actions determined by the relevant insurance regulator.

In addition, many state insurance laws require prior notification of state insurance departments of a change in control of a non-domiciliary insurance company doing business in that state. While these prenotification statutes do not authorize the state insurance departments to disapprove the change in control, they authorize

regulatory action in the affected state if particular conditions exist such as undue market concentration. Any future transactions that would constitute a change in control of Prudential Financial, Inc. may require prior notification in those states that have adopted preacquisition notification laws.

These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of Prudential Financial, Inc., including through transactions, and in particular unsolicited transactions, that some or all of the stockholders of Prudential Financial, Inc. might consider to be desirable.

Bank and Savings and Loan Holding Company Regulation

Although The Prudential Bank and Trust Company is a "bank" as defined in the Bank Holding Company Act of 1956, The Prudential Insurance Company of America currently is, and Prudential Financial, Inc. will be, exempted from regulation as a bank holding company under federal law as long as we continue to comply with certain restrictions. As a result of its ownership of The Prudential Savings Bank, F.S.B., The Prudential Insurance Company of America is, and Prudential Financial, Inc. will be, a savings and loan holding company. Federal and state banking laws generally provide that no person may acquire control of Prudential Financial, Inc., and gain indirect control of The Prudential Bank and Trust Company, The Prudential Savings Bank, F.S.B. or Prudential Trust Company, without prior regulatory approval. Beneficial ownership of 10% or more of the voting securities of Prudential Financial, Inc., among other things, generally would be presumed to constitute control of Prudential Financial, Inc.

Insurance Operations

State Insurance Regulation

State insurance authorities have broad administrative powers with respect to all aspects of the insurance business including:

- licensing to transact business,
- licensing agents,
- admittance of assets to statutory surplus,
- regulating premium rates,
- approving policy forms,
- regulating unfair trade and claims practices,
- establishing reserve requirements and solvency standards,
- fixing maximum interest rates on life insurance policy loans and minimum accumulation or surrender values, and
- regulating the type, amounts and valuations of investments permitted and other matters.

State insurance laws and regulations require our insurance companies to file financial statements with insurance departments everywhere they do business, and the operations of our insurance companies and accounts are subject to examination by those departments at any time. Our insurance companies prepare statutory financial statements in accordance with accounting practices and

procedures prescribed or permitted by these departments.

State insurance departments conduct periodic examinations of the books and records, financial reporting, policy filings and market conduct of insurance companies domiciled in their states, generally once every three to five years. Examinations are generally carried out in cooperation with the insurance departments of other states under guidelines promulgated by the NAIC. The New Jersey insurance regulator completed a financial examination of The Prudential Insurance Company of America and its indirect insurance subsidiary, Pruco Life Insurance Company of New Jersey, for each of the previous five years for the period ended December 31, 1996, and found no material deficiencies.

Financial Regulation

Dividend Payment Limitations. The New Jersey insurance law and the insurance laws of the other states in which our insurance companies are domiciled regulate the amount of dividends that may be paid by The Prudential Insurance Company of America and our other insurance companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Prudential Financial, Inc." for more detail.

Risk-Based Capital. In order to enhance the regulation of insurers' solvency, the NAIC adopted a model law to implement risk-based capital requirements for life and property and casualty insurance companies. All states have adopted the NAIC's model law or a substantially similar law. The RBC calculation, which regulators use to assess the sufficiency of an insurer's capital, measures the risk characteristics of a company's assets, liabilities and certain off-balance sheet items. RBC is calculated by applying factors to various asset, premium and liability items. Within a given risk category, these factors are higher for those items with greater underlying risk and lower for items with lower underlying risk. Insurers that have less statutory capital than the RBC calculation requires are considered to have inadequate capital and are subject to varying degrees of regulatory action depending upon the level of capital inadequacy. The RBC ratios for each of our insurance companies currently are well above the ranges that would require any regulatory or corrective action.

The NAIC approved a series of statutory accounting principles which have been adopted, in some cases with modifications, by all state insurance regulators effective as of January 1, 2001. Certain of the adopted principles could have an impact on the measurement of statutory capital which, in turn, could affect the RBC ratios of insurance companies. The NAIC is currently reviewing the RBC formulas for possible changes as a result of the adoption of these codified statutory accounting principles. We currently cannot estimate the potential impact of the implementation of these principles on our RBC position.

IRIS Tests. The NAIC has developed a set of financial relationships or tests known as the Insurance Regulatory Information System to assist state regulators in monitoring the financial condition of insurance companies and identifying companies that require special attention or action by insurance regulatory authorities. Insurance companies generally submit data annually to the NAIC, which in turn analyzes the data using prescribed financial data ratios each with defined "usual ranges". Generally, regulators will begin to investigate or monitor an insurance company if its ratios fall outside the usual ranges for four or more of the ratios. If an insurance company has insufficient capital, regulators may act to reduce the amount of insurance it can issue. None of our insurance companies is currently subject to regulatory scrutiny based on these ratios.

Insurance Reserves. New Jersey insurance law and the laws of several other states require us to analyze the adequacy of our reserves annually. Our actuary must submit an opinion that our reserves, when considered in light of the assets we hold with respect to those reserves, make adequate provision for our contractual obligations and related expenses.

The NAIC has adopted a model regulation called "Valuation of Life Insurance Policies Model Regulation" that would establish new minimum statutory reserve requirements for individual life insurance policies written in the future. If these reserve standards are enacted by the states in their current form, insurers selling some individual life insurance products such as term life insurance with guaranteed premium periods will need to adjust reserves. While we expect that the model regulation will be enacted by the states in which we have domestic companies, we do not expect the enactment of the regulation to have a material impact on us.

Market Conduct Regulation

State insurance laws and regulations include numerous provisions governing the marketplace activities of insurers, including provisions governing the form and content of disclosure to consumers, illustrations, advertising, sales practices and complaint handling. State regulatory authorities generally enforce these provisions through periodic market conduct examinations.

Property and Casualty Regulation

Our property and casualty operations are subject to rate and other laws and regulations covering a range of trade and claim settlement practices. State insurance regulatory authorities have broad discretion in approving an insurer's proposed rates. When a state restricts underwriting, pricing and profits, as is the case for automobile insurance in New Jersey, an insurer's ability to operate profitably on a consistent basis may be affected. In New Jersey, if the profit earned on automobile insurance over a three-year period exceeds the amount determined under insurance regulations, the insurer must provide a refund or credit to policyholders.

State insurance laws and regulations require us to participate in mandatory property-liability "shared market", "pooling" or similar arrangements that provide insurance coverage to individuals or others who otherwise are unable to purchase coverage voluntarily provided by private insurers. Shared market mechanisms include assigned risk plans; fair access to insurance requirement or "FAIR" plans; and reinsurance facilities, such as the New Jersey Unsatisfied Claim and Judgment Fund, the Florida Hurricane Catastrophe Fund, and the California Earthquake Authority. In addition, some states require insurers to participate in reinsurance pools for

claims that exceed specified amounts. Our participation in these mandatory shared market or pooling mechanisms generally is related to the amounts of our direct writings for the type of coverage written by the specific arrangement in the applicable state. We cannot predict the financial impact of our participation in these arrangements.

Insurance Guaranty Association Assessments

Each state has insurance guaranty association laws under which life and property and casualty insurers doing business in the state may be assessed by state insurance guaranty associations for certain obligations of insolvent insurance companies to policyholders and claimants. Typically, states assess each member insurer in an amount related to the member insurer's proportionate share of the business written by all member insurers in the state. For the years ended December 31, 2000 and 1998, we paid approximately $8.5 million and $44.8 million, respectively, in assessments pursuant to state insurance guaranty association laws. For the year ended December 31, 1999, we received approximately $0.5 million in refunds pursuant to these laws. While we cannot predict the amount and timing of any future assessments on our insurance companies under these laws, we have established reserves that we believe are adequate for assessments relating to insurance companies that are currently subject to insolvency proceedings.

Federal Regulation

Our variable life insurance products, as well as our variable annuity and mutual fund products, generally are securities within the meaning of federal and state securities laws, are registered under the Securities Act of 1933 and are subject to regulation by the SEC, the NASD and state securities commissions. Federal and state securities regulation similar to that discussed below under "--Asset Management Operations" and "--Securities Operations" affect investment advice and sales and related activities with respect to these products. In addition, although the federal government does not comprehensively regulate the business of insurance, federal legislation and administrative policies in several areas, including taxation, financial services regulation and pension and welfare benefits regulation, can significantly affect the insurance industry. Congress also periodically considers and is considering laws affecting privacy of information and genetic testing that could significantly and adversely affect the insurance industry.

Potential Tax Legislation

Current federal income tax laws generally permit certain holders to defer taxation on the build-up of value of annuities and life insurance products until payments are actually made to the policyholder or other beneficiary and to exclude the build-up of value which is paid as a death benefit under a life insurance contract. Congress has, from time to time, considered possible legislation that would eliminate the benefit of this deferral on some annuities and insurance products, as well as other types of changes that could reduce or eliminate the attractiveness of annuities and life insurance products to consumers. The Bush Administration has stated that it intends to introduce legislation that would eliminate, over time, the estate, gift and generation-skipping taxes. The Bush Administration has also introduced legislation that was passed by the House of Representatives in March 2001 that would lower individual tax rates. In addition, there have been proposals from time to time that would increase the tax costs of insurance companies. See "Risk Factors--Changes in federal income tax law could make some of our products less attractive to consumers and increase our tax costs" for a discussion of this proposed tax legislation.

ERISA

ERISA is a comprehensive federal statute that applies to employee benefit plans sponsored by private employers and labor unions. Plans subject to ERISA include pension and profit sharing plans and welfare plans (including health, life and disability plans). Among ERISA's requirements are reporting and disclosure rules, standards of conduct that apply to plan fiduciaries, prohibitions on conflict-of-interest transactions and certain transactions between a benefit plan and a party in interest ("prohibited transactions"), and a scheme of civil and criminal penalties and enforcement. Prudential's insurance, asset management, group administrative services and brokerage businesses all provide services to employee benefit plans subject to ERISA, including services where Prudential may act as an ERISA fiduciary. In addition to ERISA regulation of those businesses in the sales of products to and servicing of ERISA plans, Prudential and its affiliates will become parties in interest to those plans and subject to ERISA's prohibited transaction rules for transactions with those plans, which may affect the

ability to enter transactions, or the terms on which transactions may be entered, with those plans, even in businesses unrelated to those giving rise to party in interest status. Insurers may also be subject to the fiduciary requirements of ERISA with respect to certain contracts issued from the insurer's general account unless the insurer meets certain requirements. Prudential intends to satisfy the regulation's requirements to be exempted from the fiduciary obligations of ERISA for certain pre-1999 contracts. The cancellation options provided for under the regulations, if exercised by the policyholders, would reduce policy persistency.

Asset Management Operations

Some of our separate accounts, mutual funds and other pooled investments, in addition to being registered under the Securities Act of 1933, are registered as investment companies under the Investment Company Act of 1940, and the shares of certain of these entities are qualified for sale in some states and the District of Columbia. We also have several subsidiaries that are registered as broker-dealers under the Securities Exchange Act of 1934 ("Exchange Act") and are subject to federal and state regulation, including but not limited to the SEC's net capital rules. In addition, we have several subsidiaries that are investment advisors registered under the Investment Advisers Act of 1940. Our Prudential Agents and other employees, insofar as they sell products that are securities, as well as our Financial Advisors, are subject to the Exchange Act and to examination requirements and regulation by the SEC, the NASD and state securities commissioners. Regulation also extends to various Prudential entities that employ or control those individuals.

For a discussion of potential federal tax legislation and other federal regulation affecting our variable annuity products, see "--Insurance Operations--Federal Regulation" above.

Securities Operations

Prudential Securities Incorporated and a number of our other subsidiaries are registered as broker-dealers with the SEC and with some or all of the 50 states and the District of Columbia. Prudential Securities and a number of our other subsidiaries are also registered as investment advisors with the SEC. Prudential Securities and its broker-dealer affiliates are members of, and are subject to regulation by "self-regulatory organizations", including the NASD and the NYSE. Many of these self-regulatory organizations conduct examinations of and have adopted rules governing their member broker-dealers. In addition, state securities and certain other regulators have regulatory and oversight authority over our registered broker-dealers. We are also subject to the rules of the Municipal Securities Rulemaking Board in our municipal activities. Our Financial Advisors are also subject to regulation under the Securities Exchange Act as described above under "--Asset Management Operations".

Broker-dealers and their sales forces are subject to regulations that cover many aspects of the securities business, including sales methods and trading practices. The regulations cover the suitability of investments for individual customers, use and safekeeping of customers' funds and securities, capital adequacy, record-keeping, financial reporting and the conduct of directors, officers and employees.

The commodity futures and commodity options industry in the United States is subject to regulation under the Commodity Exchange Act. The CFTC is the federal agency charged with the administration of the Commodity Exchange Act and the regulations adopted under the act. Prudential Securities Incorporated and a number of our other subsidiaries are registered with the CFTC as futures commission merchants, commodity pool operators or commodity trading advisors. Our futures business is also regulated in the United States by the National Futures Association.

The SEC and other governmental agencies and self-regulatory organizations, as well as state securities commissions in the United States, have the power

to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or suspension, termination or limitation of the activities of a broker-dealer or an investment advisor or its employees.

As registered broker-dealers and members of various self-regulatory organizations, Prudential Securities Incorporated and our other registered broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule. The Uniform Net Capital Rule sets the minimum level of net capital a broker-dealer must maintain and also requires that at least a minimum part of a broker-dealer's assets be kept in relatively liquid form. These net capital requirements are designed to measure the financial soundness and liquidity of broker-dealers. Prudential Securities Incorporated is also subject to the net capital requirements of the CFTC and the various securities and commodities exchanges of which it is a member. Compliance with the net capital requirements could limit those

operations that require the intensive use of capital, such as underwriting and trading activities, and may limit the ability of these subsidiaries to pay dividends to Prudential Financial, Inc. As of December 31, 2000, Prudential Securities Incorporated's regulatory net capital was well in excess of the required amount.

Margin lending by certain of our broker-dealer subsidiaries is subject to the margin rules of the Federal Reserve Board, which limit the amount they may lend when customers are buying securities. These subsidiaries are also required by NYSE rules to impose maintenance requirements on the values of securities contained in margin accounts.

Other Businesses

Our domestic banking operations are subject to extensive federal and state regulation, including examination and review by state authorities of consumer finance offices. Prudential provides trust services through Prudential Trust Company, a state-chartered trust company incorporated under the laws of the Commonwealth of Pennsylvania, The Prudential Bank and Trust Company, and The Prudential Savings Bank, F.S.B. Our bank in the United Kingdom is subject to banking and securities regulation. The sale of real estate franchises by our real estate franchise operation is regulated by various state laws and the FTC. The federal Real Estate Settlement Procedures Act and state real estate brokerage and unfair trade practice laws regulate payments among participants in the sale or financing of residences or the provision of settlement services such as mortgages, homeowners insurance and title insurance.

Privacy of Customer Information

Federal law and regulation requires financial institutions to protect the security and confidentiality of customer information and to notify customers about their policies and practices relating to their collection and disclosure of customer information and their policies relating to protecting the security and confidentiality of that information. Federal and state laws also regulate disclosures of customer information. Congress and state legislatures are expected to consider additional regulation relating to privacy and other aspects of customer information.

Environmental Considerations

Federal, state and local environmental laws and regulations apply to our ownership and operation of real property. Inherent in owning and operating real property is the risk of hidden environmental liabilities and the costs of any required clean-up. As to our commercial mortgage lending, under the laws of certain states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of clean-up. In several states, this lien has priority over the lien of an existing mortgage against such property. In addition, in some states and under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), we may be liable, as an "owner" or "operator", for costs of cleaning-up releases or threatened releases of hazardous substances at a property mortgaged to us. We also risk environmental liability when we foreclose on a property mortgaged to us. Recent legislation provides for a safe harbor from CERCLA liability for secured lenders that foreclose and sell the mortgaged real estate, provided that certain requirements are met. However, there are circumstances in which actions taken could still expose us to CERCLA liability. Application of various other federal and state environmental laws could also result in the imposition of liability on us for costs associated with environmental hazards.

We routinely conduct environmental assessments for real estate we acquire for investment and before taking title through foreclosure to real property collateralizing mortgages that we hold. Although unexpected environmental liabilities can always arise, based on these environmental assessments and compliance with our internal procedures, we believe that any costs associated with compliance with environmental laws and regulations or any clean-up of properties would not have a material adverse effect on our results of

operations.

Litigation and Regulatory Proceedings

We are subject to legal and regulatory actions in the ordinary course of our businesses, including class actions. Our pending legal and regulatory actions include proceedings specific to us and proceedings generally applicable to business practices in the industries in which we operate. In our insurance operations, we are subject to class actions and individual suits involving a variety of issues, including sales practices, underwriting practices, claims payment, premium charges for premiums paid on a periodic basis, denial or delay of benefits and breaching fiduciary duties to customers. In addition to the types of claims generally affecting our insurance

operations, with respect to our automobile and homeowners insurance products, we are also subject to individual and class action lawsuits involving a variety of issues including allegations of "redlining" or impermissible discrimination among customers, diminution of automobile value following a casualty loss, improper adjustment of earthquake claims, and challenges to the method of calculating replacement cost value for homes, the deduction of depreciation for certain types of property losses, the amount of and changes to policy deductibles, and other coverage and claims payment disputes. In our asset management operations, we are subject to litigation involving commercial disputes with counterparties or partners and class action and other litigation alleging, among other things, that we made improper or inadequate disclosures in connection with the sale of assets and annuity and investment products or charged excessive or impermissible fees on these products, recommended unsuitable products to customers, mishandled customer accounts or breached fiduciary duties to customers. In our securities operations, we are subject to class action suits, arbitrations and other actions arising out of our retail securities brokerage, account management, underwriting, former investment banking and other activities, including claims of improper or inadequate disclosure regarding investments or charges, recommending unsuitable investments or products that were unsuitable for tax advantaged accounts, assessing impermissible fees or charges, engaging in excessive or unauthorized trading and breaching fiduciary duties to customers. We may be a defendant in, or be contractually responsible to third parties for, class action and individual litigation arising from our other operations, including claims for breach of contract and payment of real estate taxes on transfer of equitable interests in residential properties in our relocation businesses, or the businesses we are winding down or have divested, including claims under the Real Estate Settlement Procedures Act in connection with our divested residential first mortgage operations and claims related to our discontinued healthcare operations. We are also subject to litigation arising out of our general business activities, such as our investments, contracts, leases and labor and employment relationships, including claims of discrimination and harassment.

In some of our pending legal and regulatory actions, parties are seeking large and/or indeterminate amounts, including punitive or exemplary damages. The following is a summary of certain pending proceedings.

Insurance

Life Insurance Sales Practices Issues

We have experienced substantial regulatory investigations and civil litigation involving allegations of deceptive life insurance sales practices by us and our insurance agents in violation of state and federal laws. The sales practices alleged to have occurred were and are contrary to our policy.

In July 1996, a task force consisting of insurance regulators from 29 states and the District of Columbia released a report that found that some of our life insurance sales had been improper. The report focused on misrepresentations concerning the use of existing life insurance policies to fund additional policies, the number of out-of-pocket cash premium payments required to fund life insurance policies, and the characterization of policies as investments rather than insurance policies. The task force found that our efforts to prevent these types of misrepresentations were not sufficiently effective.

Based on these findings, the task force recommended, and we agreed to, various changes in our sales and other business practices controls and a series of fines allocated to all 50 states and the District of Columbia. In addition, the task force and we agreed upon a remediation program pursuant to which we would offer relief to policyholders who were misled when they purchased individual permanent life insurance policies in the United States from 1982 through 1995. By March 1997, we had entered into consent orders with insurance regulatory authorities in all 50 states and the District of Columbia in which such authorities adopted the task force report and agreed to accept this remediation program as enhanced by the class action settlement we discuss below and the payment of approximately $65 million in fines, penalties and related payments to resolve with these authorities the sales practices issues

identified by the task force's examination.

Commencing in February 1995, a number of individual and alleged class civil actions were filed against us alleging improprieties in connection with our sale, servicing and operation of permanent individual life insurance policies. Many of these actions were consolidated and transferred to the United States District Court for the District of New Jersey. The principal allegations in the consolidated class action were that we improperly sold individual permanent life insurance, citing misrepresentations like those identified in the state insurance task force report.

In October 1996, we entered into a Stipulation of Settlement in the consolidated class action covering all persons who own or owned at termination of the policy an individual permanent life insurance policy issued in the United States during the period January 1, 1982 through December 31, 1995, other than:

- policyholders opting out of the class action settlement;
- policyholders who had previously settled with us who were represented by counsel;
- the owners of certain corporate-owned life insurance or trust-owned life insurance policies; and
- a limited number of other specified policyholders.

The Stipulation of Settlement settled the class action by adopting the remediation program that was described in the task force report, as modified by specified enhancements and changes, including some additional remedies. The Stipulation of Settlement releases us from all claims that have been asserted by class members and bars class members from asserting any other claims with respect to the sale, servicing or administration of the policies that the settlement covers.

In October 1996, we provided notice of the class action and proposed class action settlement to the owners of the approximately 10.7 million covered policies, giving each owner the opportunity to opt out of the class action in order to pursue alternative remedies. In March 1997, the district court issued an order certifying the class for settlement purposes only and approving the amended class action settlement as fair to class members. After subsequent appellate court review, the approval of the class action settlement became final and unappealable, although the district court has retained jurisdiction over the administration, execution, enforcement and interpretation of the settlement. As of December 31, 2000, virtually all aspects of the settlement have been satisfied.

The remediation program offered policyholders the right to participate in the alternative dispute resolution process. The alternative dispute resolution process provided for an individual review of each claim with remedies tailored to the type of claim and the available evidence concerning the claim.

Pursuant to the alternative dispute resolution process, eligible policyholders completed and returned approximately 646,000 claim forms and, approximately 565,000 of them were determined to warrant claim relief. Virtually all aspects of the alternative dispute resolution process are now complete.

Approximately 325,000 alternative dispute resolution claimants who elected to cancel their policies or chose not to reinstate them and to receive a refund of the premiums they paid are being offered the opportunity to reinstate these policies so they may participate in the demutualization as owners of eligible policies. Claimants that elect to reinstate will have to pay us to reinstate their policies. The amount each claimant must pay includes the premiums that he or she would have had to pay to maintain continuous coverage under the canceled policy for the period from cancellation through reinstatement. Claimants must also repay us any money that we refunded in connection with the cancellation through the remedy process plus interest from the date of refund.

In a related matter, the NASD examined our sales practices with respect to SEC-registered variable life insurance products sold in the United States from 1983 through 1995, as well as the adequacy of sales supervision within the broker-dealer through which we distributed these products to the public. In July 1999, our individual life insurance broker-dealer, Pruco Securities Corporation, entered into a settlement agreement with the NASD that included findings by the NASD of inadequate supervision and improper sales practices in connection with the sale of some of our variable life insurance products similar to those cited by the state insurance task force. This settlement agreement censured us, required us to retain an independent consultant to review Pruco Securities' policies and procedures relevant to the NASD's findings, and levied a $20 million fine. This settlement did not change the

remediation program or add to our obligations to claimants in the remediation program or to other policyholders.

On September 2, 1999, the Insurance Department of the State of New York formally adopted a report of examination based on the department's review, for the years 1996 and 1997, of our individual life insurance sales practices controls and various company recordkeeping, reporting and filing requirements. Significantly, the examination report did not identify problems with our sales practices controls or the steps we have taken to implement the recommendations contained in the task force report. However, the examiners did cite violations relating to some of our advertisements and advertising files, the use of unfiled policy forms in what is now a discontinued line of business, various problems related to the back-office maintenance of new business and complaint files, and our inability to produce all requested documents and data in a timely manner. The department

also concluded that we failed to adequately facilitate its examination. We resolved these matters by entering into a stipulation in which we agreed to pay a fine of $1.5 million and agreed that the audit committee of our board of directors would provide semi-annual reports for a three year period to the New York department describing the status of steps we have taken to remedy the issues cited in the examination report and the status of our regulatory compliance procedures generally.

We remain subject to oversight and review by insurance regulators and other regulatory authorities with respect to our sales practices and the conduct of the remediation program. The releases granted by the state insurance regulatory authorities pursuant to our settlements with them do not become final until the remediation program has been completed without any material changes to which those regulators have not agreed. As noted above, as of December 31, 2000, virtually all aspects of the remediation program had been satisfied.

The class action settlement does not cover:

- policies other than individual permanent life insurance policies issued in the United States;
- any type of policy issued prior to 1982 or after 1995;
- the policyholders who opted out of participation in the settlement, some of whom are proceeding with their own individual actions; and
- other individual actions that are not barred by the class action settlement.

As of December 31, 2000, we remained a party to approximately 61 individual sales practices actions filed by policyholders who "opted out" of the class action settlement related to permanent life insurance policies we 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. We believe that those actions are governed by the class settlement release and expect them to be enjoined and/or dismissed. Some of these cases seek substantial damages while others seek unspecified compensatory, punitive or treble damages. It is possible that substantial punitive damages might be awarded in one or more of these cases. Ten such cases pending in Palm Beach County, Florida Circuit Court have been consolidated for trial. While the number of new lawsuits filed has been diminishing over time, we anticipate that additional suits may be filed by other policyholders who "opted out" of the class action settlement or who failed to "opt out" but nevertheless seek to proceed against us. We intend to defend these cases vigorously.

While we believe we have adequately reserved in all material respects based on information currently available, as with any litigation, the litigation by policyholders who "opted out" of the class action settlements is subject to many uncertainties, and, given the complexity and scope of these suits, we cannot predict their outcome with precision. For discussion of charges and reserves relating to these matters, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Consolidated Results of Operations--Sales Practices Remedies and Costs".

Sales practices litigation has been filed in Canada against a number of insurance companies, including Prudential and London Life Insurance Company, to whom we sold most of our Canadian life insurance policies in 1996. As we discuss above under "--Corporate and Other Operations--Divested Businesses--Divested Canadian Businesses", we agreed to indemnify London Life against damages relating to our pre-sale market conduct activities. To date, we have not been made a party to any London Life class action litigation, although we indemnify London Life on an ongoing basis with respect to individual actions. We also are party to one purported Canadian sales practice class action involving policies sold by National Life Insurance Company of Canada which were jointly issued under the reinsurance agreement with Prudential. There has

been no significant activity in this case since the filing of the complaint in 1997. While there can be no assurance, we currently believe our potential Canadian exposure, if any, is covered by the foregoing sales practice reserves.

On August 13, 2000, plaintiffs filed a purported national class action against us in the District Court of Valencia County, New Mexico, Azar, et al. v. Prudential, based upon the alleged failure to adequately disclose the increased costs associated with payment of life insurance premiums on a "modal" basis, i.e., more frequently than once a year. Similar actions have been filed in New Mexico against over a dozen other insurance companies. The complaint includes allegations that we should have disclosed to each policyholder who paid for coverage on a modal basis the dollar cost difference between the modal premium and the annual premium required for the policy, as well as the effective annual percentage rate of interest of such difference. Based on these allegations, plaintiffs assert statutory claims including breach of the New Mexico Unfair Practices Act, and common law claims for breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, unjust

enrichment and fraudulent concealment. The complaint seeks injunctive relief, compensatory and punitive damages, both in unspecified amounts, restitution, treble damages, pre-judgment interest, costs and attorneys' fees. We filed an answer denying the claims. Thereafter, both we and the plaintiffs filed separate motions for summary judgment. On March 9, 2001, the court entered an order granting summary judgment to plaintiffs as to liability, permitting us to appeal the order and staying the case pending completion of the appeal proceeding, including the decision by the appeals court whether to hear the appeal.

Securities

In November 1998, plaintiffs filed a purported class action in the United States District Court for the Southern District of New York, Gillet v. Goldman Sachs & Co., et al., against over two dozen underwriters of initial public offering securities, including Prudential Securities. A number of similar actions brought on behalf of purported classes of both IPO purchasers, and IPO issuers were consolidated under the name In re Public Offering Fee Antitrust Litigation. The amended complaint alleges that the defendants have conspired to fix at 7% the spread that underwriting syndicates receive from issuers of securities in certain offerings in violation of the federal antitrust laws, and seeks treble damages and injunctive relief. On February 9, 2001, the court dismissed the purchaser cases for lack of antitrust standing, without leave to replead. The issuer cases remain pending before the court. Prudential Securities has also been named in other purported class actions alleging similar claims.

Since June 1999, news organizations have widely reported that Martin R. Frankel, a Connecticut businessman, is under indictment for allegedly misappropriating several hundred million dollars of assets of several insurance companies. Mr. Frankel controlled or was otherwise affiliated with accounts held at numerous broker-dealers, including Prudential Securities. Prudential Securities has received requests for information and documents regarding accounts and transactions related to Mr. Frankel from various governmental authorities and private parties. Prudential Securities has complied with these requests and is cooperating with the government investigations.

Beginning in 1991, Prudential Securities became the subject of numerous regulatory investigations and civil lawsuits which principally involved alleged misrepresentations and unsuitable recommendations in sales of oil and gas, real estate and aircraft leasing limited partnerships in the 1980s. These lawsuits and regulatory investigations are now resolved.

Corporate and Other Operations

In November 1996, plaintiffs filed a purported class action against Prudential, The Prudential Home Mortgage Company, Inc. and several other subsidiaries in the Superior Court of New Jersey, Essex County, Capitol Life Insurance Company v. Prudential, et al., in connection with the sale of certain subordinated mortgage securities sold by a subsidiary of Prudential Home Mortgage. In February 1999, the court entered an order dismissing all counts without prejudice with leave to refile after limited discovery. On May 10, 2000, plaintiffs filed a second amended complaint that alleges violations of the New Jersey securities and RICO statutes, fraud, conspiracy and negligent misrepresentation, and seeks compensatory as well as treble and punitive damages. On June 9, 2000, defendants filed a motion to dismiss the amended complaint that is still pending. See "--Corporate and Other Operations--Divested Businesses--Residential First Mortgage Banking" for a discussion of other litigation relating to our divested residential mortgage banking operations.

In August 1999, a Prudential employee and several Prudential retirees filed

an action in the United States District Court for the Southern District of Florida, Dupree, et al., v. Prudential, et al., against Prudential and its Board of Directors in connection with a group annuity contract entered into in 1989 between the Prudential Retirement Plan and Prudential. The suit alleges that this annuitization of certain retirement benefits violates ERISA and that, in the event of demutualization, Prudential will retain shares distributed under the annuity contract in violation of ERISA's fiduciary duty requirements. On August 1, 2000, defendants' motion to stay or dismiss the complaint was granted in part and the case was stayed pending exhaustion of plaintiffs' administrative remedies.

Discontinued Operations

As discussed under "--Discontinued Operations--Healthcare", we have agreed to indemnify Aetna for certain litigation involving the disposed healthcare operations, and we have been sued directly for certain alleged actions occurring before the disposition of those operations. This litigation includes class actions and individual suits involving various issues, including payment of claims, denial of benefits, vicarious liability for malpractice

claims, contract disputes with provider groups and former policyholders, purported class actions challenging practices of our former managed care operations, including the class actions described below, and coordination of benefits with other carriers.

Three purported nationwide class action lawsuits have been filed against us in United States District Courts on behalf of participants in our managed health care plans. On October 23, 2000, by Order of the Judicial Panel on Multi-District Litigation, these actions were consolidated for pre-trial purposes, along with lawsuits pending against other managed healthcare companies, in the United States District Court for the Southern District of Florida in a consolidated proceeding captioned In re Managed Care Litigation.

Williamson v. Prudential alleges violations of RICO and ERISA through alleged misrepresentations of the level of healthcare services provided, failure to disclose financial incentive agreements with physicians, interference with the physician-patient relationship, breach of fiduciary duty, and deprivation of plaintiffs' rights to the receipt of honest medical services. It also alleges that Prudential and other major healthcare organizations engaged in an industry-wide conspiracy to defraud subscribers as to the level of services and quality of care. The complaint seeks compensatory damages, restitution and treble damages, all in unspecified amounts, the imposition of an equitable trust for any wrongful revenues and attorneys' fees. Our motion to dismiss the complaint for failure to state a claim is pending. Plaintiffs' motion for class certification is also pending. McCarron v. Prudential, et al. alleges violations of ERISA in making coverage determinations and seeks injunctive relief, money damages in an unspecified amount, restitution and disgorgement of profits, and attorneys' fees. Our motion to dismiss this complaint is also pending. Romero v. Prudential, et al. alleges ERISA violations based on cost containment policies and seeks injunctive relief, compensatory damages in an unspecified amount and attorneys' fees.

In Batas & Vogel v. Prudential, a case filed in a New York state court in 1997 based on some allegations similar to those in Williamson, an intermediate appeals court held that claims alleging breach of contract, fraud, tortious interference with contractual relations and violations of the New York deceptive acts and practices statute may be brought against managed care organizations. The court affirmed the dismissal of claims for breach of fiduciary duty, breach of the covenant of good faith and for injunctive and declaratory relief.

We have also been sued in Shane v. Humana, et al., a purported nationwide class action brought on behalf of provider physicians and physician groups against Prudential and other health care companies in the consolidated proceeding in the United States District Court for the Southern District of Florida. That case alleges that the defendants engaged in an industry-wide conspiracy to defraud physicians by failing to pay under provider agreements and by unlawfully coercing providers to enter into agreements with unfair and unreasonable terms. The original complaint asserted various claims for relief based on these allegations, several of which the court, in response to our motion, held were subject to mandatory arbitration. The court subsequently granted our motion to dismiss the remaining claims, including RICO conspiracy and aiding and abetting claims, but allowed plaintiffs the opportunity to amend the complaint. The amended complaint, naming additional plaintiffs, including three state medical associations, and an additional defendant, was filed on March 26, 2001. Like the original complaint, it alleges claims of breach of contract, quantum meruit, unjust enrichment, violations of RICO, conspiracy to violate RICO, aiding and abetting RICO violations, and violations of state prompt pay statutes and the California unfair business practices statute. The amended complaint seeks compensatory and punitive damages in unspecified amounts, treble damages pursuant to RICO, and attorneys' fees.

Summary

Our litigation is subject to many uncertainties, and given their complexity and scope, we cannot predict the outcomes. It is possible that our results of operations or cash flow, in particular quarterly or annual periods, could be materially affected by an ultimate unfavorable resolution of pending litigation and regulatory matters depending, in part, upon the results of operations or cash flow for such period. We believe, however, that the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves, should not have a material adverse effect on our financial position.

Properties

We own our headquarters building located at 751 Broad Street, Newark, New Jersey. Our headquarters are approximately one half million square feet. In addition, we own other properties that we use for home office

functions. Excluding properties used for the International division and Prudential Securities' operations, we own 16 and lease 21 properties. Our insurance operations use approximately 700 other locations throughout the United States, most of which are leased.

For our International Insurance operations, we lease nine home offices located in Argentina, Brazil, China, Italy, Japan, Korea, The Philippines, Poland and Taiwan. We also own one field office and lease approximately 135 other field offices throughout Argentina, Brazil, Italy, Japan, Korea, The Philippines, Poland and Taiwan. For our International Securities and Investments operations, we own one branch office and lease 15 other branch offices throughout Japan, Mexico and Taiwan.

For our securities operations we lease two home offices in New York City, which total approximately 1.8 million square feet. These leases are linked to benefit agreements with the New York City Industrial Development Agency. In addition, we lease approximately 350 other locations throughout the United States and approximately 35 locations outside of the United States for our securities operations.

We believe our properties are adequate and suitable for our business as currently conducted and are adequately maintained. The above properties do not include properties we own for investment only.

Employees

As of December 31, 2000, we employed approximately 56,925 employees. Approximately 4,050 Prudential Agents are covered by the terms of collective bargaining agreements between us and the United Food and Commercial Workers International Union. We last negotiated these contracts, which have been in effect since the 1950s, in November 1999. These contracts will be due for renegotiation in September 2001. We believe our relations with our unionized and non-unionized employees are satisfactory.

MANAGEMENT

Directors and Executive Officers

Each of the following individuals is currently a director or officer of The Prudential Insurance Company of America and of Prudential Financial, Inc.

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Name	Age	Title	Other Directorships
Arthur F. Ryan.....	58	Chairman, Chief Executive Officer and President	None
Franklin E. Agnew.....	66	Director	. Bausch & Lomb, Inc.
Frederic K. Becker.....	65	Director	None
Gilbert F. Casellas.....	48	Director	. The Swarthmore Group, Inc. . Net Base Corporation
James G. Cullen.....	58	Director	. Quantum Bridge Communications . Johnson & Johnson . Agilent Technologies, Inc.
Carolyne K. Davis.....	69	Director	. Beckman Coulter Instruments,

			Inc. . Beverly Enterprises . Minimed Incorporated . Science Applications International Corporation
Allan D. Gilmour.....	66	Director	. DTE Energy Company . The Dow Chemical Company . Whirlpool Corporation
William H. Gray III.....	59	Director	. Viacom, Inc. . Electronic Data Systems . Ezgov.com Inc. . Municipal Bond Investors Assurance Corporation . Rockwell International Corporation . JP Morgan Chase & Co. . Dell Computer Corporation . Pfizer, Inc. . Visteon Corporation
Jon F. Hanson.....	64	Director	. CDL, Inc.
Glen H. Hiner.....	66	Director	. Owens Corning . Dana Corporation . Kohler, Co.
Constance J. Horner.....	59	Director	. Foster Wheeler Corporation . Ingersoll-Rand Company . Pfizer, Inc.
Gaynor N. Kelley.....	69	Director	. Alliant Techsystems . Hercules Incorporated
Burton G. Malkiel.....	68	Director	. Baker Fentress & Company . The Jeffrey Company . Vanguard Group, Inc. . NeuVis, Inc.
Ida F. S. Schmertz.....	66	Director	None

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Name	Age	Title	Other Directorships
Charles R. Sitter.....	70	Director	None
Donald L. Staheli.....	69	Director	None
Richard M. Thomson.....	67	Director	. The Toronto-Dominion Bank . Canada Pension Plan Investment Board . Nexen, Inc. . INCO, Limited . Ontario Power Generation, Inc. . S.C. Johnson & Son, Inc. . The Thomson Corporation . TrizecHahn Corporation . Stuart Energy Systems, Inc.
James A. Unruh.....	59	Director	. Moss Software, Inc. . Apex Microtechnology Corporation
P. Roy Vagelos.....	71	Director	. Regeneron Pharmaceuticals, Inc.
Stanley C. Van Ness.....	67	Director	. Jersey Central Power & Light
Paul A. Volcker.....	73	Director	. Genosys Technology Management, Inc.
Vivian L. Banta.....	49	Executive Vice President	None
Michele S. Darling.....	47	Executive Vice President	None
Robert Charles Golden.....	54	Executive Vice President	None

Mark B. Grier.....	48	Executive Vice President	. RGS Energy Group Incorporated . Annuity and Life Re (Holding), Ltd.
Jean D. Hamilton.....	54	Executive Vice President	. RewardsPlus of America Corporation
Rodger A. Lawson.....	54	Executive Vice President	None
Kiyofumi Sakaguchi.....	57	Executive Vice President	None
John R. Strangfeld, Jr. ..	47	Executive Vice President	. Schroder Ventures Investment Trust (U.K.)
Richard J. Carbone.....	53	Senior Vice President and Chief Financial Officer	None
John M. Liftin.....	57	Senior Vice President and General Counsel	None

</TABLE>

Biographical information about Prudential Financial, Inc.'s directors and executive officers is as follows:

Arthur F. Ryan was elected Chairman, Chief Executive Officer and President of Prudential Financial, Inc. in December 2000 and served as President and Chief Executive Officer of Prudential Financial, Inc. from January 2000 to December 2000. He joined The Prudential Insurance Company of America as the Chairman of the Board, Chief Executive Officer and President in December 1994. Mr. Ryan was with Chase Manhattan Bank from 1972 to 1994, serving in various executive positions including President and Chief Operating Officer from 1990 to 1994 and Vice Chairman from 1985 to 1990. Mr. Ryan was elected a director of Prudential Financial, Inc. in December 1999 and has been a director of The Prudential Insurance Company of America since December 1994.

Franklin E. Agnew was elected as a director of Prudential Financial, Inc. in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a director of The Prudential Insurance Company of America in June 1994. He has been an independent business consultant since January 1987. Mr. Agnew was the Chief Financial Officer of H.J. Heinz Co. from July 1971 to June 1973 and a Senior Vice President and Group Executive from July 1973 through 1986.

Frederic K. Becker was elected as a director of Prudential Financial, Inc. in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a director of The Prudential Insurance Company of America in June 1994. He has served as President of the law firm of Wilentz Goldman & Spitzer since 1989 and has been with the firm since 1960.

Gilbert F. Casellas was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1998. Since January 2001, he has served as President and Chief Executive Officer of Q-linx, Inc. (software development). He has served as the President and Chief Operating Officer of The Swarthmore Group, Inc. (investment company) from January 1999 to December 2000. Mr. Casellas was a partner in the law firm of McConnell Valdes LLP from 1998 to 1999; Chairman, U.S. Equal Employment Opportunity Commission from 1994 to 1998; and General Counsel, U.S. Department of Air Force from 1993 to 1994.

James G. Cullen was elected as a director of Prudential Financial, Inc. in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a director of The Prudential Insurance Company of America in April 1994. He served as the President and Chief Operating Officer of Bell Atlantic Corporation (global telecommunications) from December 1998 until his retirement in June 2000. Mr. Cullen was the President and Chief Executive Officer, Telecom Group, Bell Atlantic Corporation from 1997 to 1998; Vice Chairman of Bell Atlantic Corporation from 1995 to 1997; and President of Bell Atlantic Corporation from 1993 to 1995. He joined the Bell Atlantic division of AT&T in 1964 and served in various positions with both companies.

Carolyne K. Davis was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1989. She was an Independent Health Care Advisor and a Scholar in Residence at Cornell University from 1997 to 1999. Dr. Davis was a Health Care Advisor with Ernst & Young, LLP from 1985 to 1997. She was Administrator, Health Care Financing Administration, U.S. Department of Health and Human Services from 1981 to 1985.

Allan D. Gilmour was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1995. He retired as the Vice Chairman of Ford Motor Company in 1995. During his 34-year career with Ford Motor Company (automotive industry), Mr. Gilmour held a number of executive positions, including that of

Chief Financial Officer and President of Ford Automotive Group.

William H. Gray III was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since September 1991. He has served as President and Chief Executive Officer of The College Fund/UNCF (philanthropic foundation) since 1991. Mr. Gray was a U.S. Congressman from 1979 to 1991.

Jon F. Hanson was elected as a director of Prudential Financial, Inc. in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a director of The Prudential Insurance Company of America in April 1991. He has served as the Chairman of Hampshire Management Company (real estate investment and property management) since 1976. Mr. Hanson served as the Chairman and Commissioner of the New Jersey Sports and Exposition Authority from 1982 to 1994.

Glen H. Hiner was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1997. He has been the Chairman and Chief Executive Officer of Owens Corning (advanced glass and building material systems) having served in that capacity since joining the Company in 1992. Owens Corning filed for protection under the federal bankruptcy code on October 5, 2000. Prior to joining Owens, Mr. Hiner worked at General Electric Company starting in 1957. He served as Senior Vice President and Group Executive, Plastics Group from 1983 to 1991.

Constance J. Horner was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1994. She has been a Guest Scholar at The Brookings Institution (non-partisan research institute) since 1993, after serving as Assistant to the President of the United States and Director, Presidential Personnel from 1991 to 1993; Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991; and Director, U.S. Office of Personnel Management from 1985 to 1989. Ms. Horner was a Commissioner, U.S. Commission on Civil Rights from 1993 to 1998 and taught at Princeton University in 1994 and John Hopkins University in 1995.

Gaynor N. Kelley was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1997. He retired as the Chairman of The Perkin-Elmer Corporation (development, manufacture and marketing of analytical instruments and life science systems) in 1996 after having served in that position from 1990. Prior to that, Mr. Kelley held other executive management positions with Perkin-Elmer, having joined the company in 1950.

Burton G. Malkiel was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1978. He is the Chemical Bank Chairman's Professor of Economics at Princeton University, where he has served on the faculty from 1988 to the present and at other times since 1964. He was the Dean of the School of Organization and Management at Yale University from 1981 to 1988, and he was a member of the President's Council of Economic Advisors from 1975 to 1977.

Ida F. S. Schmertz was elected as a director of Prudential Financial, Inc. in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a director of The Prudential Insurance Company of America in April 1997. She has been a Principal of Investment Strategies International (investment consultant) since 1994 and Chairman of the Volkhov International Business Incubator since 1995. Ms. Schmertz was with American Express Company from 1979 to 1994, holding several management positions including Senior Vice President, Corporate Affairs.

Charles R. Sitter was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1995. He retired as the President of Exxon Corporation (oil and gas industry) in 1996. Mr. Sitter joined Exxon in 1957 and held various financial and management positions with Exxon in the United States, Europe, Asia and Australia.

Donald L. Staheli was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1995. He served as Chairman and Chief Executive Officer of Continental Grain Company (international agribusiness and financial services) from June 1994 until his retirement in July 1997, and as President and Chief Executive Officer from April 1988 to June 1994. Mr. Staheli began his career at Continental in 1969.

Richard M. Thomson was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1976. He retired as Chairman of The Toronto-Dominion Bank (banking and financial services) in 1998, having retired as the Chief Executive Officer in 1997. He had served as Chairman and Chief Executive

Officer since 1978. Prior to that time he held other management positions at The Toronto-Dominion Bank, which he joined in 1957.

James A. Unruh was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1996. He became a founding member of Alerion Capital Group, LLC (private equity group) in 1998. Mr. Unruh was with Unisys Corporation (information technology services, hardware and software) from 1987 to 1997, serving as Chairman and Chief Executive Officer from 1990 to 1997.

P. Roy Vagelos, M.D. was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since April 1989. Dr. Vagelos has been the Chairman of Regeneron Pharmaceuticals, Inc. since 1995 and the Chairman of Advanced Medicines, Inc. since 1997. He

retired as the Chairman, Chief Executive Officer and President of Merck & Co., Inc. (pharmaceuticals) in 1994 after serving in that position since 1985. Prior to that, Dr. Vagelos was the Senior Vice President, Research Division of Merck Sharp and Dome Research Laboratories, which he joined in 1975.

Stanley C. Van Ness was elected as a director of Prudential Financial, Inc. in January 2001 and was appointed by the Chief Justice of the New Jersey Supreme Court as a director of The Prudential Insurance Company of America in April 1990. He has been a partner in the law firm of Herbert, Van Ness, Cayci & Goodell since 1998. From 1990 to 1998, Mr. Van Ness was a partner in the law firm of Picco Herbert Kennedy and from 1984 to 1990 was a partner with Jamieson, Moore, Peskin and Spicer. He was a professor at Seton Hall University Law School from 1982 to 1984. Prior to that time he worked for the State of New Jersey, where he served as the first Public Advocate.

Paul A. Volcker was elected as a director of Prudential Financial, Inc. in January 2001 and has been a director of The Prudential Insurance Company of America since July 1988. He has been a business consultant to various companies since 1997. Mr. Volcker was the Chairman and Chief Executive Officer of Wolfensohn & Co., Inc. (investment firm) from 1995 to 1996 and Chairman of James D. Wolfensohn, Inc. from 1988 to 1995. From 1979 to 1988, Mr. Volcker was the Chairman of the Board of Governors of the Federal Reserve System, President of the Federal Reserve Bank of New York from 1975 to 1979 and Undersecretary of the U.S. Department of Treasury.

Vivian L. Banta was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President, U.S. Consumer Group of The Prudential Insurance Company of America in March 2000. She served as Senior Vice President, Individual Financial Services from January 2000 to March 2000. Prior to joining Prudential she was an independent consultant from 1998 to 1999 and served as Executive Vice President, Global Investor Services, Group Executive for Chase Manhattan Bank from 1991 to 1997.

Michele S. Darling was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President, Human Resources and Corporate Governance of The Prudential Insurance Company of America in March 2000, having served as Executive Vice President, Human Resources since February 1997. Prior to joining Prudential she was the Executive Vice President, Human Resources of Canadian Imperial Bank of Commerce from 1991 to 1997.

Robert Charles Golden was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President, Operations and Systems of The Prudential Insurance Company of America in June 1997. Previously, he served as Executive Vice President and Chief Administrative Officer for Prudential Securities.

Mark B. Grier was elected Executive Vice President of Prudential Financial, Inc. in December 2000. He served as a director of Prudential Financial, Inc. from December 1999 to January 2001 and as Vice President of Prudential Financial, Inc. from January 2000 to December 2000. He was elected Executive Vice President of The Prudential Insurance Company of America in May 1995. Since May 1995 he has variously served as Chief Financial Officer, Executive Vice President, Corporate Governance and Executive Vice President, Financial Management, the position he holds at this time. Prior to joining Prudential, Mr. Grier was an executive with Chase Manhattan Corporation.

Jean D. Hamilton was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President, Prudential Institutional of The Prudential Insurance Company of America in October 1998. She was the President of the Prudential Diversified Group from February 1995 to October 1998 and has held several other senior management positions since joining Prudential in 1988. Previously, Ms. Hamilton was an executive with First National Bank of Chicago.

Rodger A. Lawson was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President,

International Investments and Global Marketing Communications of The Prudential Insurance Company of America in October 1998. He was Executive Vice President, Marketing and Planning of Prudential from June 1996 to October 1998. Prior to joining Prudential, Mr. Lawson was the President and Chief Executive Officer of VanEck Global (investment management) from April 1994 to June 1996; Managing Director and Partner, President and Chief Executive Officer of Global Private Banking and Mutual Funds, Bankers Trust from January 1992 to April 1994; Managing Director and Chief Executive Officer

of Fidelity Investments--Retail from May 1985 to May 1991 and President and Chief Executive Officer of Dreyfus Service Corporation from March 1982 to May 1985.

Kiyofumi Sakaguchi was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President, International Insurance of The Prudential Insurance Company of America in September 1998. Mr. Sakaguchi has served as the executive in charge of Prudential's international insurance operations since 1995 and has held various senior management positions in that area since joining Prudential in March 1980. Mr. Sakaguchi had previously worked in the insurance industry in Japan and the United States with Sakaguchi & Associates from 1977 to 1980 and Occidental International Enterprises, Inc. from 1974 to 1977.

John R. Strangfeld, Jr. was elected Executive Vice President of Prudential Financial, Inc. in February 2001 and was elected Executive Vice President, Asset Management of The Prudential Insurance Company of America in October 1998 and Chairman and CEO of Prudential Securities in December 2000. He has been with Prudential since July 1977, serving in various management positions, including the executive in charge of Prudential Global Asset Management since 1996; Senior Managing Director, The Private Asset Management Group from 1995 to 1996; and Chairman, PRICOA Europe from 1989 to 1995.

Richard J. Carbone was elected Chief Financial Officer of Prudential Financial, Inc. in December 2000 and was elected Senior Vice President and Chief Financial Officer of The Prudential Insurance Company of America in July 1997. Prior to that, Mr. Carbone was the Global Controller and a Managing Director of Salomon, Inc. from July 1995 to June 1997, and Controller of Bankers Trust New York Corporation and a Managing Director and Controller of Bankers Trust Company from April 1988 to March 1993. From March 1993 to July 1995, Mr. Carbone was a Managing Director and Chief Administrative Officer of the Private Client Group at Bankers Trust Company.

John M. Liftin was elected Senior Vice President and General Counsel of Prudential Financial, Inc. in December 2000. He served as a director of Prudential Financial, Inc. from December 1999 to January 2001 and as Vice President of Prudential Financial, Inc. from January 2000 to December 2000. He was elected Senior Vice President and General Counsel of The Prudential Insurance Company of America in April 1998. Prior to that, Mr. Liftin was an independent consultant from 1997 to 1998 and the Senior Vice President and General Counsel of Kidder, Peabody Group, Inc. from 1987 to 1996.

Composition of the Board of Directors and Committees

Prudential Financial, Inc.'s Board of Directors consists of 21 directors, divided into three classes. Following the demutualization, the term of the first class will expire at the annual meeting of shareholders to be held in 2002, the term of the second class will expire at the annual meeting of shareholders in 2003 and the term of the third class will expire at the annual meeting of shareholders in 2004.

Messrs. Cullen, Hiner, Thomson, Unruh, Van Ness, and Volcker and Ms. Davis are members of the first class, Messrs. Becker, Gray, Hanson, Kelley, Malkiel, and Staheli and Ms. Horner are members of the second class, and Messrs. Agnew, Casellas, Gilmour, Ryan, and Sitter, Ms. Schmertz and Dr. Vagelos will be members of the third class. Directors are elected for a three year term.

Under New Jersey insurance law, the Chief Justice of the Supreme Court of New Jersey appoints six of the directors of a mutual insurer with more than ten million policies in force. The Chief Justice appointed Messrs. Agnew, Becker, Cullen, Hanson, and Van Ness and Ms. Schmertz directors of The Prudential Insurance Company of America prior to its demutualization pursuant to this provision. This provision will no longer apply to The Prudential Insurance Company of America after its demutualization and will not apply to Prudential Financial, Inc.

Executive officers are elected annually.

The following table sets forth the chair and membership of each of the committees of Prudential Financial, Inc.'s Board of Directors.

<TABLE>
<CAPTION>

Name	Audit	Business Ethics	Compensation	Corporate Governance	Executive	Finance	Investment
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
A. Ryan		X			X	X	X
F. Agnew				X		X	
F. Becker	X			X			
G. Casellas		X					X
J. Cullen		X	X				
C. Davis		X	X				
A. Gilmour						X	X
W. Gray III		X		X*	X		
J. Hanson						X	X
G. Hiner			X				
C. Horner			X	X			
G. Kelley	X						
B. Malkiel					X	X	X*
I. Schmertz	X						
C. Sitter						X	X
D. Staheli	X		X				
R. Thomson			X*		X*		
J. Unruh	X			X			
P. R. Vagelos	X*			X	X		
S. Van Ness	X	X*			X		
P. Volcker				X	X	X*	

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* Chair

The primary responsibilities of each of the committees of Prudential Financial, Inc's. Board of Directors are set forth below. Each such committee is currently a committee of The Prudential Insurance Company of America's Board of Directors.

Audit Committee:

The primary purpose of the Audit Committee is to assist the Board of Directors in its oversight of internal controls, the financial statements and the audit process. To that end, the Audit Committee:

- recommends to the Board of Directors the selection of independent certified public accountants;
- reviews reports prepared by management and the independent certified public accountants on systems of internal control and the audit and compliance process; and
- reviews the financial statements, which are prepared by management and audited by the independent certified public accountants.

No member of the Audit Committee is a Prudential officer or employee.

Business Ethics Committee:

- reviews policies relating to business ethics; and
- monitors compliance with our published statement on business ethics through reports prepared by management.

Compensation Committee:

- approves, changes or terminates employee benefit and compensation plans and programs;

- oversees compensation and benefit plan administration; and

- reviews and approves compensation of certain senior officers and makes recommendations to the board about the compensation of certain other officers, including the chief executive officer.

No member of the Compensation Committee is a Prudential officer or employee.

Corporate Governance Committee:

- makes recommendations to the board regarding corporate governance issues and practices, nominations for election as directors, the composition of standing committees and the appointment of chairpersons for any committee of the board.

No member of the Corporate Governance Committee is a Prudential officer or employee.

Executive Committee:

- between meetings of the board, has authority to exercise the corporate powers of the corporation except for those powers reserved to the Board of Directors by the by-laws or otherwise.

Finance Committee:

- receives reports from management and oversees capital structure, including borrowing levels, subsidiary structure, major capital expenditures and funding of the pension plan.

Investment Committee:

- periodically receives reports from management and oversees the management and disposition of invested assets and the investments of the funded employee welfare and pension benefit plans; and

- periodically receives reports from management on investment risks and exposures, as well the investment performance of products and accounts managed on behalf of third parties.

Compensation of Directors

Each director who is not an officer or employee of Prudential receives an annual retainer fee of $85,000. The chairperson of each committee receives an additional annual retainer fee of $10,000. We currently intend to adopt a stock plan for non-employee directors that will cause at least one-half of each director's compensation to be paid in the form of stock options and stock grants payable upon retirement. Such changes are anticipated to take effect one year after the effective date of the demutualization.

Deferred Compensation and Pension Plans

The Deferred Compensation Plan for Non-Employee Directors provides a method of deferring payment to non-employee directors of their fees until termination of their services on the Board of Directors or a certain date selected by the director. Fees deferred under this plan are deemed to accrue interest at the same rate as in effect from time to time offered under the Fixed Rate Fund under the Prudential Employee Savings Plan.

The Pension Plan for Non-Employee Directors provides retirement income for non-employee members of the Board of Directors after completion of their services on the board. It provides an annual benefit equal to the lower of the basic annual retainer fee as of the date a director retires and $30,000 for the life of the retired director. We currently intend to terminate this plan with respect to active directors one year after the effective date of the demutualization and replace it with a one-time grant of stock (valued at the then current market price) payable upon cessation of service to such active directors in consideration of the termination of the plan.

We intend the Deferred Compensation and Pension Plans to be unfunded plans maintained for the purpose of providing deferred compensation and retirement benefits for the non-employee directors and we administer them as such. They are not "employee benefit plans" within the meaning of ERISA.

Management Compensation

Currently, Mr. Ryan and the four other most highly paid (in 2000) executive officers of Prudential Financial, Inc. participate in certain pension and

profit sharing retirement plans sponsored by The Prudential Insurance Company of America that are either intended to qualify for tax-favored treatment under Section 401(a) of the Internal Revenue Code or are nonqualified arrangements which, by their design, do not result in current taxation to such executives of any accrued but unpaid benefits. These include: (a) The Prudential Retirement Plan Document (a component of The Prudential Merged Retirement Plan), a defined benefit pension plan intended to qualify under Section 401(a) of the Internal Revenue Code (the "Merged Retirement Plan"); (b) The Prudential Supplemental Retirement Plan, a nonqualified retirement plan designed to provide benefits to eligible employees in excess of the amounts permitted to be paid by the Merged Retirement Plan under Internal Revenue Code Section 401(a) (the "Supplemental Retirement Plan"); (c) the Prudential Employee Savings Plan, a defined contribution profit sharing plan intended to qualify under Section 401(a) of the Internal Revenue Code and to be subject to the requirements of Section 401(k) of the Internal Revenue Code ("PESP"); and (d) the Prudential Supplemental Employee Savings Plan, a nonqualified profit sharing plan designed to provide benefits to eligible employees in excess of certain amounts permitted to be contributed under PESP ("SESP"). The named executives also participate in other nonqualified deferred compensation arrangements sponsored by The Prudential Insurance Company of America. In connection with the demutualization, we currently intend to continue to sponsor these qualified and nonqualified retirement plans, and to amend and adopt certain executive incentive compensation and stock option arrangements, described in more detail below. You should note, however, that the plan sponsor of each such plan has reserved the right to amend or terminate any such plan at any time, to the extent permissible under applicable law.

The following Summary Compensation Table includes individual compensation information on Mr. Ryan and the four other most highly paid executive officers in 2000.

Summary Compensation Table

<TABLE>
<CAPTION>

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Other Annual Compensation ($)	LTIP Payouts ($)(2)	All Other Compensation ($)(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Arthur F. Ryan..... Chairman of the Board, President and Chief Executive Officer	2000	$1,000,000	$4,000,000	--	$3,395,000	$ 28,477
John R. Strangfeld, Jr..... Executive Vice President, Global Asset Management and CEO, Prudential Securities, Inc.	2000	$ 484,038	$2,000,000	--	$1,493,800	$ 14,521
Vivian L. Banta..... Executive Vice President, U.S. Consumer Group	2000	$ 459,026	$1,600,000	--	$1,455,776	$1,011,821
Mark B. Grier..... Executive Vice President, Financial Management	2000	$ 489,038	$1,500,000	--	$1,629,600	$ 5,100
Kiyofumi Sakaguchi..... Executive Vice President, International Insurance	2000	$ 425,000	$1,300,000	--	$1,222,200	$ 12,750

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(1) The Annual Incentive Plan is applicable to all senior officers, including all named executive officers. Payments under the Annual Incentive Plan are allocated from a bonus pool. The initial size of the pool is based on the aggregate incentive target funding amount established for each participant. The bonus pool is then adjusted by a performance factor that ranges from 0 to 4.0. This factor represents the assessed performance of Prudential and its businesses versus defined performance targets. The resultant pool is then allocated to participants in accordance with the Plan's terms based on individual performance and contribution to the results achieved during the performance year.

(2) The LTIP amounts shown represent actual payments made pursuant to the 1998 Prudential Long-Term Performance Unit Plan. The 1998 Plan measured performance over a three year period from 1998 to 2000. The number of performance units a participant was granted depended on the individual's performance, the value of the position within Prudential and market considerations. The value of the performance units under the 1998 Plan was

based principally on operating earnings versus plan targets for the cumulative three year performance period.

(3) Includes payments to Mr. Ryan, Mr. Strangfeld, Ms. Banta, Mr. Grier and Mr. Sakaguchi, respectively, of (i) employer contributions under PESP in the amounts of $3,577, $5,100, $3,150, $5,100, and $5,100, and (ii) employer contributions to Prudential's SESP in the amounts of $24,900, $9,421, $8,671, $0, and $7,650, respectively. The amount for Ms. Banta also includes a $1,000,000 payment made pursuant to her agreement to join Prudential.

Long-Term Incentive Plan

The following table shows the performance units granted in 2000 to Mr. Ryan and the four other most highly paid executive officers under the Prudential Long-Term Performance Unit Plan (the "PUP"):

<TABLE>
<CAPTION>

Name	Number of Shares, Units or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price Based Plans(1) Threshold ($)	Target ($)
<S>	<C>	<C>	<C>	<C>
Arthur F. Ryan.....	5,129	2000-2002	$2,000,310	$ 4,000,620
John R. Strangfeld, Jr.....	2,471	2000-2002	963,690	1,927,380
Vivian L. Banta.....	1,800	2000-2002	702,000	1,404,000
Mark B. Grier.....	2,350	2000-2002	916,500	1,833,000
Kiyofumi Sakaguchi.....	2,016	2000-2002	786,240	1,572,480

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(1) The PUP recognizes and rewards the contributions that participants make towards the long term growth of The Prudential Insurance Company of America. Grants under the PUP are made every year for three year periods. The 2000 PUP measures performance over a three year period from 2000 to 2002. Under the 2000 PUP, participants are granted performance units from 100,000 total performance units. The number of performance units a participant is granted depends on the individual's performance, the value of the position within Prudential and market considerations. The value of the performance units is based principally on operating earnings. The final value of the units is not subject to any limitations. Awards under the 2000 PUP are payable in accordance with the PUP's terms in the first quarter of 2003. As described in greater detail below, under "--Long-Term Incentive Plans--Prudential Long-Term Performance Unit Plan", it is expected that a future grants under the PUP will be replaced in whole or in part with stock options.

Each of the foregoing persons also has awards outstanding under the 1999 PUP, reflecting performance from 1999-2001, which will be payable in the first quarter of 2002 and reflected in the Summary Compensation Table for 2001. Mr. Ryan has 5,129 units, with a threshold of $2,000,310 and a target of $4,000,620; Mr. Strangfeld, 2,425 units, with a threshold of $945,750, and a target of $1,891,500; Ms. Banta, 1,795 units, with a threshold of $769,860 and a target of $1,539,720; Mr. Grier, 1,974 units, with a threshold of $769,860 and a target of $1,539,720; and Mr. Sakaguchi, 2,016 units, with a threshold of $786,240 and a target of $1,572,480.

Retirement Plan

The following table shows the estimated annual retirement benefits payable, assuming retirement at age 65, to participants under the Prudential Merged Retirement Plan and the Prudential Supplemental Retirement Plan (collectively, the "Retirement Plans") at the levels of Final Average Earnings and years of credited service contained in the respective plans.

Estimated Annual Retirement Plans Benefits

<TABLE>
<CAPTION>

Final Average Earnings	Years of Credited Service 5	10	15	20	25(1)	30
<S>	<C>	<C>	<C>	<C>	<C>	<C>
$ 800,000	$ 78,791	$ 157,581	$ 236,372	$ 315,162	$ 393,953	$ 433,488
1,200,000	118,791	237,581	356,372	475,162	593,953	653,488
1,600,000	158,791	317,581	476,372	635,162	793,953	873,488
2,000,000	198,791	397,581	596,372	795,162	993,953	1,093,488
2,400,000	238,791	477,581	716,372	955,162	1,193,953	1,313,488
2,800,000	278,791	557,581	836,372	1,115,162	1,393,953	1,533,488

3,200,000	318,791	637,581	956,372	1,275,162	1,593,953	1,753,488
3,600,000	358,791	717,581	1,076,372	1,435,162	1,793,953	1,973,488
4,000,000	398,791	797,581	1,196,372	1,595,162	1,993,953	2,193,488
4,400,000	438,791	877,581	1,316,372	1,755,162	2,193,953	2.413,488
4,800,000	478,791	957,581	1,436,372	1,915,162	2,393,953	2,633,488

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(1) The highest attainable benefit under the Retirement Plans for a named executive does not exceed 25 years.

The benefits shown above are stated in the form of a straight life annuity for the participant. Other optional forms of payment are available. Benefits payable under the Merged Retirement Plan are subject to offset for Social Security benefits; benefits payable under the Supplemental Retirement Plan are not subject to such offset. Final Average Earnings is generally defined as the average of annual earnings during the Earnings Base Period, not including the two years of lowest annual earnings. The Earnings Base Period for 2000 begins on January 1, 1993. Compensation considered in determining annual earnings includes base salary and payments earned under the Annual Incentive Plan.

As of January 1, 2001, the estimated Final Average Earnings and years of credited service of each of the Named Executives under the Retirement Plans was: Mr. Ryan, $3,919,692 and six years; Mr. Strangfeld, $1,059,543 and 23 years; Ms. Banta, $2,117,040 and one year; Mr. Grier, $1,437,173 and five years; and Mr. Sakaguchi, $914,930 and 20 years.

Long-Term Incentive Plans

Prudential Long-Term Performance Unit Plan

As indicated above, we have a long-term incentive program called the Prudential Long-Term Performance Unit Plan. Under the PUP, select employees at the vice president level and all or substantially all employees above that level will receive additional compensation if stated performance objectives are achieved or exceeded over a three-year performance period. The performance objectives are based on Cumulative Operating Earnings and Cumulative Operating Margin. "Cumulative Operating Earnings" is combined income before tax and capital gains, subject to appropriate accounting adjustments over the three year performance period, as defined under the PUP. "Cumulative Operating Margin" is "operating earnings" divided by revenue over the three-year performance period as defined under the PUP. A targeted level of Cumulative Operating Earnings and a targeted percentage of Cumulative Operating Margin are established for each performance period. If 75% of the targeted level of Cumulative Operating Earnings is achieved, a specified dollar amount will be allocated to a notional incentive pool under the PUP. For performance above this threshold, a percentage of the incremental amount is credited to the notional pool, with different percentages used below and above the target level of performance. If the Cumulative Operating Margin percentage is achieved or exceeded, the amount allocated to the notional pool for exceeding the threshold level of Cumulative Operating Earnings will be increased by a specified percentage based on the improvement in Cumulative Operating Margin.

The notional pool is allocated to eligible participants based on the number of performance units awarded to each employee and to all employees. The number of units each eligible employee receives is determined by our Compensation Committee. Generally, an employee loses the units awarded if he or she is not employed by us at the end of the performance period. Employees whose terminations of employment occur because of retirement, death or disability are permitted to keep a portion of their units based on the portion of the performance period during which they were employed. The Compensation Committee may also authorize a payment to any employee whose employment is involuntarily terminated without cause, but such amount will not reduce the notional pool credited for the PUP.

Amounts payable under the PUP will be paid at the end of the performance period, in a single payment, after our Compensation Committee approves the amount allocable to the notional pool. Up to one-half of the amount that is payable may be paid in shares of our Common Stock following the demutualization.

It is generally expected that following the demutualization, stock options granted under the Stock Option Plan, as described below, will be the principal basis on which long-term incentive compensation opportunities are made available to our officers and other key employees. Therefore, the use of the PUP and other long-term incentive cash plans available at certain business units will be reduced over time.

Annual Incentive Plan

As indicated above, we also have an annual incentive program called the Prudential Annual Incentive Plan (the "AIP"). Under the AIP, management employees are eligible to receive additional compensation if stated annual

performance objectives are achieved or exceeded. We have established several different notional bonus pools under the AIP. One notional pool has been created for the Chief Executive Officer and other senior executives (the "Senior Executive Pool"). Others have been established for each of our business groups and another is established for employees in our corporate functions. Each notional pool is credited at the end of each year with an aggregate amount equal to the target bonus opportunities for each participant in that pool. This amount is then adjusted to either reflect a performance factor established by our Compensation Committee for the entire company, for the relevant business unit or for a corporate function. Prudential's overall performance objectives, which are applied to adjust the Senior Executive Pool, will be focused primarily on financial results achieved as compared with pre-established targets. For a business group pool, it will generally be the case that approximately one-quarter of the adjustment will be made based on company-wide objectives, with the remainder based on the performance objectives specific to that business unit.

The amounts credited to the applicable notional pool following the adjustment for the performance factor are allocated among the eligible participants. These allocations will be made at the discretion of the persons responsible for making the allocations, based on their assessment of several factors, including the individual's performance. Our Compensation Committee decides the allocations for the participants in the Senior Executive Pool. Amounts payable are generally paid to active employees in the first quarter of the year following the year for which they are payable. If an eligible employee terminates employment prior to receiving a payment in

respect of the AIP, that employee will generally lose his or her right to receive any payment. In the case of employees whose employment terminates due to death, disability, retirement or involuntary termination of employment unrelated to job performance, an award may be paid at the discretion of the Compensation Committee.

Stock-Based Plans

Upon demutualization, we will use Prudential Financial, Inc. Common Stock and stock options as components of our total compensation package for employees.

New Jersey law prohibits any current member of the Board of Directors of The Prudential Insurance Company of America, including our chairman and chief executive officer, to be included in any grant of Prudential Financial, Inc. stock options that takes effect at the time of demutualization. However, the plan of reorganization provides that current members of the Board of Directors may participate in our stock option plan beginning one year after the effective date of the demutualization. In addition, our plan of reorganization further limits our ability to grant stock options to officers in the following manner. Senior officers of Prudential or their equivalent are precluded from receiving any grant of stock options under the Stock Option Plan for the same one-year period. Officers of Prudential below the level of senior officers or their equivalent are precluded from receiving any grant of stock options for at least 183 days from the effective date of Prudential's demutualization.

The stock-based compensation programs will be structured as follows:

We have adopted a stock option plan (the "Stock Option Plan") that will take effect as part of the plan of reorganization. The Stock Option Plan will have two components through which no more than 7% of the total number of shares of Common Stock notionally allocable to eligible policyholders in the demutualization may be issued upon exercise of the options. The "total number of shares of Common Stock", for purposes of this 7% calculation, includes both the actual shares of Common Stock issued to eligible policyholders and the notional shares of Common Stock that could have been issued to eligible policyholders that are actually receiving demutualization compensation in the form of either cash or policy credits under the terms of the plan of reorganization. Assuming 161.9 million notional shares are allocated to eligible policyholders receiving cash or policy credits and 89.0 million shares are issued in the offering, the shares reserved for grants under the Stock Option Plan would constitute approximately 8% of the outstanding shares of Common Stock upon the completion of the demutualization and the offering, without giving any effect to shares of Class B Stock. The issuance of options will not reduce the amount of stock allocated among, or issued to, eligible policyholders in our demutualization.

The first component is the associates options grant, known under the Stock Option Plan as the "Associates Grant". Under this component, a one-time grant of Prudential Financial, Inc. stock options, in an amount to be determined by the Board of Directors, or a committee of the Board, in its discretion, will be made as of the effective date of the demutualization to a substantial and broad classification of employees of Prudential Financial, Inc. and its affiliates, but not to individuals who are officers or who, by their positions, are eligible for consideration for regular option grants under the officer stock option component described below. Subject to the employee's

continued employment with Prudential Financial, Inc. or one of its affiliates, this associates option grant will become exercisable ratably over no longer than a three-year period (although the Board of Directors or a committee of the Board may, at the time of the grant, specify a future performance goal that, if attained, could shorten the vesting period) and have ten-year maximum terms. The Board of Directors currently intends to make the associates option grant as of the date of demutualization of up to 2% of the total number of shares of Common Stock notionally allocable to eligible policyholders in the demutualization. If the associates option grant is made on the effective date of the plan of reorganization, the exercise price of the stock option will be the initial public offering price. Otherwise, the exercise price of the stock option will be at least equal to the fair market value of the Common Stock (generally the market price for our Common Stock on the date of the grant).

The second component is the officer stock option program. Under this program, grants of stock options (which may include incentive stock options as defined under the Internal Revenue Code) or stock appreciation rights ("SARs"), in amounts to be determined by the Board of Directors, or a committee of the Board or an officer to whom authority is delegated, will be made to officers of Prudential Financial, Inc. and its affiliates and to other selected individuals as determined by the Board of Directors, such committee or officer. This program has two aspects. First, it is ultimately intended to provide for the grant of stock options in lieu of all cash-based incentive compensation awards now made annually under the PUP. However, as noted above, we will defer the

adoption of this practice for at least 183 days from the effective date of our demutualization for otherwise-eligible officers of Prudential and its affiliates, and for at least one year from the effective date of our demutualization for senior officers of Prudential. Second, the Board of Directors, or a committee of the Board or officer, in its discretion, may make periodic grants of stock options to select employees to reward significant individual performance. The stock options awarded under the officer stock option program after the effective date of demutualization will have an exercise price at least equal to the fair market value of the Common Stock at the date of the grant (generally the market price for our Common Stock on the day of the grant). Subject to the grantees' continued employment with Prudential Financial, Inc. or one of its affiliates, these stock options will become exercisable over no longer than a three-year period (although the Board of Directors or a committee of the Board may, at the time of the grant, specify a future performance goal that, if attained, could shorten the vesting period) and have ten-year maximum terms. Finally, in the event of a "change of control" of Prudential Financial, Inc., generally any outstanding stock option or SAR will become immediately exercisable by the holder. However, the Board of Directors or a committee of the Board administering the Stock Option Plan may provide for the cash-out of such outstanding options in an amount equal to the excess of the "change of control" price for the Common Stock over the exercise price for the option or base price for the SAR. In the absence of a cash-out and provided the successor company satisfies certain requirements, the Stock Option Plan provides for the issuance of an alternative award in lieu of the stock options and SARs by the participant's employer immediately following the change of control. Under the Stock Option Plan, officer stock options will be limited to up to 5% of the total number of shares of Common Stock notionally allocable to eligible policyholders in the demutualization. We anticipate that officers and other selected employees normally eligible for option grants under the Stock Option Plan will receive such grants after 183 days, and the senior officers will receive stock option grants after one year from the effective date of our demutualization. The exercise price of such option grants will be at least equal to the fair market value of the Common Stock at the date of grant.

The Stock Option Plan is intended to satisfy the general requirements of Section 162(m) of the Internal Revenue Code when, and to the degree, the exercise of stock options by the chairman and chief executive officer and the four most highly compensated executive officers may trigger compensation subject to the limits of such section.

In addition, on or after the effective date of the demutualization, we may substitute Common Stock on a current or deferred basis, as appropriate in our discretion, for:

- a portion of our employer match contributions in our PESP, and
- payment of all or part of outstanding awards, otherwise payable in cash, that mature after demutualization under the PUP.

Beginning one year after demutualization, we also may substitute Common Stock on a current or deferred basis, as appropriate in our discretion, to:

- convert the present value of existing, non-employee directors' retirement benefits to a stock-based award;
- make a lump sum stock-based award to new non-employee directors; and

- replace all or a portion of the annual cash retainer for our non-employee directors.

Participants in the PESP will also have the opportunity to invest their individual contributions and account balances in Common Stock.

Prudential Severance and Senior Executive Severance Plan; Change of Control Program

Currently, each of the five most highly compensated executive officers, other than the chairman and chief executive officer, is eligible for benefits under the Prudential Severance Plan (the "Severance Plan") and the Prudential Severance Plan for Senior Executives (the "Senior Executive Severance Plan") if such executive incurs an "Eligible Termination." An "Eligible Termination" is defined as an involuntary termination of employment with Prudential or any "participating company" that is a result of: (a) the closing of an office or business location; (b) a reduction in force or downsizing; (c) the restructuring, reorganization or reengineering of a business group, unit or department; (d) a job elimination; or (e) such other factors and circumstances as we determine in our sole discretion. The amount of severance payments under the plan is generally based on two variables-- the executive's years of service with Prudential and his or her "Weeks of Eligible Compensation". This is calculated by determining the individual's annual base salary, a three-year average of the individual's

bonus payments under the AIP, plus any amount due under the terms of the PUP otherwise payable immediately after termination of employment, divided by 52. The Senior Executive Severance Plan provides a minimum guarantee of 52 Weeks of Eligible Compensation for any participant; an additional 26 weeks may be added to the minimum guarantee, in the sole discretion of Prudential. Payments under the Senior Executive Severance Plan are reduced, however, by the amount of any severance or similar benefits from The Prudential Insurance Company of America or any affiliate, including the change of control program described below and by any amounts owed to Prudential, by the affected employee.

We have also adopted an Executive Change of Control Severance Program (the "Program") that permits a committee of the Board to select and designate employees of Prudential as participants in the Program. Presently, eleven individuals, including the chairman and chief executive officer and the four most highly compensated named executive officers, have been so designated. A potential of 400 additional persons may be designated as participants under the Program in the future. There are two requirements under the Program that must be satisfied before any termination payments are made to eligible officers:

- there must be a "Change of Control", as defined under the Program and as described below; and

- within two years following the Change of Control, either the eligible officer's employment with Prudential Financial, Inc. or any of its affiliates must be terminated without cause or the eligible officer must terminate his or her employment for "good reason".

A Change of Control includes any one of several events or occurrences:

- any person becoming the beneficial owner, directly or indirectly, of securities representing 25% or more of the combined voting stock of our securities;

- a change in a majority of the persons who serve as members of the Board of Directors, excluding newly elected directors who are elected to the Board of Directors, or nominated for election to the Board of Directors, by a majority of those directors who were in office at the beginning of the period or who were previously elected or nominated for election by such directors, within any 24-month period commencing after the demutualization; or

- consummation of a merger, consolidation, sale or other disposition of all or substantially all of our assets or similar corporate transaction, if, immediately following the consummation of that transaction, our policyholders or stockholders, as the case may be, do not, directly or indirectly, control the voting power of the surviving, resulting or acquiring corporation.

Additionally, the Board of Directors reserves the right to designate any other event as a Change of Control. However, the consummation of the demutualization and the offering will not be deemed a Change of Control.

An officer has "good reason" to terminate his or her employment if one of several specified, adverse changes in the terms and conditions of the officer's employment occurs without his or her consent, e.g., a reduction in the officer's base salary, annual bonus opportunity and other material

benefits or title, position, duties or responsibilities. Terminations by reason of death, disability, retirement, involuntary terminations for cause or voluntary terminations other than for good reason are excluded under the Program.

The severance payment will be equal to a specified multiple of the sum of the officer's annual base salary and a bonus amount pursuant to the AIP, depending upon the individual's selection to a particular "tier" under the program by the committee of the Board of Directors administering the arrangement. The bonus amount is equal to the greater of (x) the officer's actual annual bonus for the calendar year prior to the year in which his or her employment terminates, or (y) the average of the annual bonuses payable to such officer for the last three calendar years. The multiple used to determine the severance payment for employees appointed as "Tier 1 Participants" (anticipated to be Prudential's most senior officers), is generally two, but increases to three if the officer agrees to be bound by a noncompetition and nonsolicitation agreement, which restricts his or her ability to work for a competitor for up to one year following the date of termination. Lower multiples are used for other covered employees depending on their appointment to a particular tier by the committee of the Board of Directors, their position and whether he or she has entered into a similar agreement.

The program also provides for other benefits and payments related to an officer's prior service. In addition to base salary through the date of termination, eligible officers are entitled to receive the target annual bonus for the year of termination, pro-rated to reflect his or her period of employment, and a pro-rated long-term incentive amount in respect of any performance periods then in effect. Any stock options will become immediately exercisable and will remain exercisable for one year thereafter. In addition, upon termination, a covered employee

will be entitled to amounts accrued under the Prudential Deferred Compensation Plan and/or its predecessor, the Prudential Consolidated Deferred Compensation Plan, payable in a lump sum regardless of the employee's previous distribution election under such plans. The terminated officer will also receive an additional payment equal to the present value of the additional retirement benefits under the Retirement Plans that he or she would have accrued assuming that (a) he or she continued to work for the period of time in respect of which the severance benefits are payable, e.g., the third anniversary of the officer's termination, if the multiple used for severance is three, the second anniversary if the multiple used is two, and (b) that the severance benefits were paid ratably over that period. Payments under the program are, however, offset against any payment such eligible officers may otherwise be entitled to under Prudential Financial, Inc.'s, or any of its affiliates' severance plans.

Notwithstanding the foregoing, the amount of the benefits payable to the officer under the Program will be reduced if (a) the aggregate value of all compensation, payments or benefits payable to an officer under the change of control program results in the officer becoming subject to federal excise taxes on "parachute payments" under Section 280G of the Internal Revenue Code and (b) limiting such benefits would result in the officer receiving a greater net after-tax benefit. The reduced amount will be equal to the maximum amount that could be paid without the officer being subject to excise taxes. To the extent any benefits paid are subject to federal excise taxes, Prudential will not be permitted to deduct such amounts against its federal income tax liability.

OWNERSHIP OF COMMON STOCK

The following table sets forth information regarding the beneficial ownership of our Common Stock as of the effective date of the demutualization by:

- each director and each named executive officer; and
- all directors and executive officers of Prudential Financial, Inc. as a group.

We base the number of shares of Common Stock beneficially owned by each director and each named executive officer upon an estimate of the number of shares they will receive as eligible policyholders under the plan of reorganization. We believe that no person will beneficially own more than 5% of the outstanding shares of Common Stock as a result of share distributions made under the plan of reorganization and shares sold in this offering. For purposes of this table, beneficial ownership is determined in accordance with SEC rules. Each holder listed below will have sole investment and voting power with respect to the shares listed as beneficially owned by that holder.

<TABLE>
<CAPTION>

	Number of shares to

Name	be beneficially owned
<S>	<C>
Arthur F. Ryan	*
Franklin E. Agnew	*
Frederic K. Becker	*
Gilbert F. Casellas	*
James G. Cullen	*
Carolyne K. Davis	*
Allan D. Gilmour	*
William H. Gray III	*
Jon F. Hanson	*
Glen H. Hiner	*
Constance J. Horner	*
Gaynor N. Kelley	*
Burton G. Malkiel	*
Ida F. S. Schmertz	*
Charles R. Sitter	*
Donald L. Staheli	*
Richard M. Thomson	*
James A. Unruh	*
P. Roy Vagelos	*
Stanley C. Van Ness	*
Paul A. Volcker	*
John R. Strangfeld, Jr.	*
Vivian L. Banta	*
Mark B. Grier	*
Kiyofomi Sakaguchi	*
All directors and executive officers as a group (31 persons)	*

</TABLE>

*Less than 1% of the shares of Common Stock expected to be outstanding at the time of the offering.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the ordinary course of business, we from time to time may engage in transactions with other corporations or financial institutions whose officers or directors are also directors of Prudential Financial, Inc. Transactions with such corporations and financial institutions are conducted on an arm's length basis and may not come to the attention of the directors of Prudential Financial, Inc. or of the other corporations or financial institutions involved. In addition, from time to time executive officers and directors of Prudential Financial, Inc. may engage in transactions in the ordinary course of business involving services we offer, such as insurance and investment services, on terms similar to those extended to employees of Prudential Financial, Inc. generally.

As of December 31, 2000, Prudential holds $32,081,707 aggregate principal amount of notes issued or supported by affiliates of Owens Corning. Mr. Glen H. Hiner, a director of Prudential Financial, Inc., and a director of The Prudential Insurance Company of America since 1997, has been the Chairman and Chief Executive Officer of Owens Corning since 1992. Prior to Mr. Hiner joining the Board of Directors of The Prudential Insurance Company of America, Prudential entered into several transactions with Owens Corning affiliates. On November 29, 1994, Prudential purchased $47,987,817 aggregate principal amount of 9.00% notes of Owens-Corning Finance (U.K.) PLC due November 28, 2001. The notes were guaranteed by Owens-Corning Fiberglas Corporation. The financing was also supported by letters of credit issued by Credit Suisse and its affiliates. The largest amount outstanding during fiscal year 2000 was $16,840,504. On October 5, 2000, Owens Corning and certain of its domestic affiliates filed for relief under the federal bankruptcy code. As a result of the filing, on November 24, 2000 we drew under our letters of credit and received payment in full of all principal, accrued interest and the yield maintenance amount totaling $13,619,147.

On December 29, 1993, Prudential purchased $26,551,000 aggregate principal amount of 6.58% notes of The Industrial Development Board of the City of Jackson due March 31, 2004. On December 23, 1996, Prudential purchased $32,200,000 aggregate principal amount of 7.31% notes of The Industrial Development Board of the City of Jackson, also due March 31, 2004. The Industrial Development Board of the City of Jackson entered into a Head Lease Agreement with Owens-Corning Fiberglas Corporation, dated as of December 15, 1993, as amended on December 23, 1996, pursuant to which Owens-Corning Fiberglas Corporation became a lessee to the issuer under both the 1993 financing and 1996 financing. The largest amounts outstanding during fiscal year 2000 were $14,416,525 and $23,769,260 for the 1993 financing and 1996 financing, respectively. The principal amounts outstanding as of December 31, 2000 were $12,131,908 and $19,949,799 for the 1993 financing and 1996 financing, respectively.

SHARES ELIGIBLE FOR FUTURE SALE

In addition to the shares of Common Stock offered by this offering in the United States and internationally, Prudential Financial, Inc. expects to issue approximately 454.6 million shares of Common Stock in the demutualization. Substantially all the shares of Common Stock outstanding after the offering, including the shares issued in the demutualization, will be eligible for resale in the public market without restriction. Prior to the offering and the demutualization there has been no market for the Common Stock.

The plan of reorganization requires us to establish a commission-free program, which we describe above under "Demutualization and Related Transactions--The Demutualization--Commission-Free Program and Sales Facility". We estimate that upon consummation of the demutualization we will have approximately 4 million policyholders who will receive in excess of 165.5 million shares that we believe would be eligible to sell their shares through this program.

DESCRIPTION OF CAPITAL STOCK

Prudential Financial, Inc.'s authorized capital stock consists of 1.5 billion shares of Common Stock and 10 million shares of preferred stock. We also intend to authorize 10 million shares of another class of common stock of Prudential Financial, Inc., the Class B Stock, which we are seeking to offer to institutional investors in a private placement completed concurrently with or within 30 days following this offering of our Common Stock. The completion of the sale of the shares of Class B Stock is not a condition to the completion of our demutualization and this offering of Common Stock. As described in more detail above under "Demutualization and Related Transactions--Related Transactions--Class B Stock and IHC Debt Issuances", if we issue the Class B Stock, the Common Stock issued by this offering and distributed to our policyholders in our demutualization is then expected to reflect the performance of our Financial Services Businesses and the Class B Stock is then expected to reflect the performance of the Closed Block Business.

Common Stock

All shares of Common Stock offered hereby and to be issued in the demutualization will be validly issued, fully paid and non-assessable. We refer to both the Common Stock and any Class B Stock as "common stock". We are currently negotiating the terms of the Class B Stock with potential investors.

Dividend Rights

Holders of Common Stock are entitled to dividends if and when declared by Prudential Financial, Inc.'s Board of Directors out of funds legally available to pay dividends. See "Dividend Policy" above.

If shares of Class B Stock are issued, the holders of Common Stock and Class B Stock will be entitled to dividends if and when declared by Prudential Financial, Inc.'s Board of Directors out of funds legally available to pay those dividends, resulting in a reduction of the amount legally available for dividends on the Common Stock to the extent dividends are paid on the Class B Stock, shares of Class B Stock are repurchased or the Closed Block Business has net losses. In addition, payment of dividends would be subject to the following additional conditions:

- Common Stock will be entitled to receive dividends, if and when declared by Prudential Financial, Inc.'s Board of Directors, only out of assets of the Financial Services Businesses legally available for the payment of dividends under the New Jersey Business Corporation Act as if the Financial Services Businesses were a separate New Jersey corporation; and

- Class B Stock will be entitled to receive dividends, if and when declared by Prudential Financial, Inc.'s Board of Directors, only out of assets of the Closed Block Business legally available for the payment of dividends under the New Jersey Business Corporation Act as if the Closed Block Business were a separate New Jersey corporation.

We have proposed that dividends on the Class B Stock be paid at a specified dollar rate per annum per share, not to exceed the net cash flows of the Surplus and Related Assets.

In addition, any dividends on any class of common stock are subject to any preferential dividend rights granted to the holders of any preferred stock.

Subject to the foregoing limitations and if shares of Class B Stock are issued, we have the right to pay dividends on

- both Common Stock and Class B Stock,

- either Common Stock or Class B Stock, or

  . neither Common Stock nor Class B Stock,

and to pay dividends in equal or unequal amounts, notwithstanding

  . the performance of the Financial Services Businesses or the Closed Block Business,

  . the amount of assets available for dividends on either class of common stock,

  . the amount of prior dividends on either class of common stock, or

  . any other factor.

Voting Rights

  Each share of Common Stock gives the owner of record one vote on all matters submitted to a shareholder vote. If shares of Class B Stock are issued, each share of Common Stock and Class B Stock would give the respective owner of record one vote on all matters submitted to a shareholder vote and the two classes of common stock would vote together as a single class on all matters submitted to a shareholder vote, except as otherwise required by law. Accordingly, the holders of a majority of the outstanding shares of common stock voting for the election of directors can elect all of the directors if they choose to do so, subject to any voting rights granted to holders of preferred stock. Actions requiring approval of shareholders will generally require approval by a majority vote at a meeting at which a quorum is present. Prudential Financial, Inc.'s by-laws provide that, except as otherwise set forth in its certificate of incorporation, the holders of 25% of the shares entitled to cast votes at a meeting constitute a quorum. Prudential Financial, Inc.'s certificate of incorporation initially specifies a quorum of 25% of the shares entitled to cast votes at a meeting of shareholders. The certificate of incorporation further provides that, in the event that the holders of at least the percentage of shares entitled to cast votes at a meeting of shareholders set forth in Column A below are present or represented at a meeting of shareholders, the quorum shall be increased to the percentage listed in Column B below, effective commencing the next succeeding annual or special meeting of shareholders:

<TABLE>
<CAPTION>

Column A	Column B
<S>	<C>
25%	25%
35%	30%
45%	40%
55%	50%

</TABLE>

Liquidation Rights

  In the event of a liquidation, dissolution or winding-up of Prudential Financial, Inc., holders of Common Stock and any Class B Stock, respectively, would be entitled to receive their proportionate share in the net assets of Prudential Financial, Inc. that remain after paying all liabilities and the liquidation preferences of any preferred stock, such proportion being based on the market value of the Common Stock and an appraised value of the fair market value of the Class B Stock, each determined as specified in the following paragraph. If no Class B Stock is outstanding at the time of a liquidation, dissolution or winding-up of Prudential Financial, Inc., each share of Common Stock would be entitled to an equal share of any net assets of Prudential Financial, Inc. after paying all of Prudential Financial, Inc.'s liabilities and the liquidation preference of any preferred stock.

  If shares of Class B Stock are outstanding at the time of a liquidation, dissolution or winding-up of Prudential Financial, Inc., each share of Common Stock and Class B Stock will be entitled to a share of net liquidation proceeds in proportion to the respective liquidation units of such class. Each share of Common Stock shall have one liquidation unit and each share of Class B Stock shall have a number of liquidation units (including a fraction of one liquidation unit) equal to the quotient (rounded to the nearest five decimal places) of (i) the quotient of (x) the appraised fair market value of the outstanding shares of Class B Stock divided by (y) the number of shares of Class B Stock outstanding, each determined on the 60th day after this offering divided by (ii) the average market value of one share of Common Stock during the 20 consecutive trading day period ending on (and including) the trading day immediately preceding the 60th day after this offering. "Fair market value" of the Class B Stock shall be calculated as the present value of expected future cash flows for the Closed Block Business, after debt service with respect to the IHC debt, using a defined discount rate. Such calculation shall consider the policy, as described in the plan of reorganization, for The Prudential Insurance Company of America's Board of Directors to declare

policyholder dividends based on actual experience in the Closed Block. "Fair market value" of the Class B Stock shall include a reduction for the book value of any payables outstanding to (a) any bond insurer for the IHC debt and (b) the Financial Services Businesses. Further, for avoidance of doubt, this calculation shall exclude any assets allocated to the Financial Services Businesses at Prudential Holdings, LLC even though pledged as security for the IHC debt.

The liquidation formula above will only be used if shares of Class B Stock are outstanding at the time of a liquidation, dissolution or winding-up of Prudential Financial, Inc. and is then intended to provide liquidation rights for each of the Common Stock and the Class B Stock proportionate to the respective relative market values indicated above at the time of liquidation.

Neither a merger nor a consolidation of Prudential Financial, Inc. with any other entity, nor a sale, transfer or lease of all or any part of the assets of Prudential Financial, Inc. would alone be deemed a liquidation, dissolution or winding-up for these purposes.

Preemptive Rights

Holders of Common Stock and, if any, holders of Class B Stock have no preemptive rights, or rights to buy stock before non-shareholders have a chance to buy stock, with respect to any shares of capital stock that Prudential Financial, Inc. may issue in the future.

Exchange Provisions

The Common Stock is not convertible.

Prudential Financial, Inc. may, at its option, at any time, exchange each share of Class B Stock, if any, into such number of shares of Common Stock as have an average market value equal to 110% of the appraised fair market value of such share of Class B Stock.

In addition, Prudential Financial, Inc. may, at its option, exchange each share of Class B Stock into such number of shares of Common Stock as have an average market value of 100% of the appraised fair market value of the Class B Stock in the event (1) the Class B Stock may no longer be treated as equity of Prudential Financial, Inc. for federal income tax purposes, (2) the New Jersey Department of Banking and Insurance amends, alters, changes or modifies the regulation of the Closed Block, the Class B Stock or the IHC debt in a manner that may have a material adverse effect on Prudential Financial, Inc., Prudential Holdings, LLC or The Prudential Insurance Company of America or that may have a material adverse effect on the financial results of the Financial Services Businesses or the Closed Block Business, or (3) Prudential Financial, Inc. is no longer permitted to present financial information which will separately report the financial positions and results of operations of the Financial Services Businesses and the Closed Block Business in its filings with the SEC due to a change in generally accepted accounting principles or SEC accounting practices.

If Prudential Financial, Inc. sells or otherwise disposes of all or substantially all of the Closed Block Business, Prudential Financial, Inc. must exchange all outstanding shares of Class B Stock into such number of shares of Common Stock as have an average market value set at a premium to (i.e. in excess of 100% of) the appraised fair market value of such shares of Class B Stock.

Holders of Class B Stock may be permitted to exchange their shares of Class B Stock into such number of shares of Common Stock as have an average market value equal to 100% of the appraised fair market value of the outstanding shares of Class B Stock in the event a "change of control" of Prudential Financial, Inc. has occurred. For purposes of this exchange provision, a "change of control" generally shall be deemed to have occurred when (a) any individual, firm, corporation, or other entity or any group of such persons (other than subsidiaries or employee benefit or stock plans of Prudential Financial, Inc.) acquires beneficial ownership, directly or indirectly, of, in the aggregate, 50% or more of the shares of Prudential Financial, Inc.'s capital stock having general voting power and (b) persons constituting a majority of the Board of Directors of Prudential Financial, Inc. prior to such acquisition no longer constitute a majority of the Board of Directors of Prudential Financial, Inc. or of any successor to Prudential Financial, Inc. by merger or otherwise.

For purposes of all exchanges, the average market value of the Common Stock shall be determined during a specified 20 trading day period preceding the exchange and the fair market value of the Class B Stock will be determined by appraisal at the time of the exchange in the manner described above under "--Liquidation Rights".

Provisions of Prudential Financial, Inc.'s Certificate of Incorporation and By-laws

A number of provisions of Prudential Financial, Inc.'s certificate of incorporation and by-laws concern corporate governance and the rights of shareholders. Some provisions, including those granting the Board of Directors the ability to issue shares of preferred stock and to set the voting rights, preferences and other terms of preferred stock without shareholder approval, may be viewed as having an anti-takeover effect and may discourage takeover attempts not first approved by the Board of Directors, including takeovers that some shareholders may consider to be in their best interests. To the extent takeover attempts are discouraged, fluctuations in the market price of the Common Stock, which may result from actual or rumored takeover attempts, may be inhibited. The certificate of incorporation and by-laws have provisions that also could delay or frustrate the removal of directors from office or the taking of control by shareholders, even if that action would be beneficial to shareholders. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if they were favorable to the interests of shareholders, and could potentially depress the market price of the Common Stock.

The following is a summary of the material terms of these provisions of Prudential Financial, Inc.'s certificate of incorporation and by-laws. The statements below are only a summary, and we refer you to the certificate of incorporation and by-laws, copies of which are filed as exhibits to the registration statement of which this prospectus forms a part. Each statement is qualified in its entirety by such reference. See "Available Information" below for information about where you can obtain a copy of these documents.

Classified Board of Directors; Number of Directors; Removal; Vacancies

Prudential Financial, Inc.'s certificate of incorporation provides that the directors will be divided into three classes, as nearly equal in number as possible, with the term of office of each class to be three years. The classes serve staggered terms, so that the term of one class of directors expires each year. As a result of this provision, at least two annual meetings of shareholders may be required for shareholders to change a majority of the Board of Directors. Prudential Financial, Inc.'s by-laws provide that the Board of Directors shall consist of not less than 10 nor more than 24 members, with the exact number to be determined by the Board of Directors from time to time. Our shareholders can remove a director or the entire Board of Directors from office, but only for cause and with the affirmative vote of 80% of the votes cast by shareholders who are entitled to vote for the election of directors; provided, however, that the number of affirmative votes cast at such meeting of shareholders is at least 50% of the total number of issued and outstanding shares entitled to vote thereon. Unless otherwise required by law, vacancies on the Board of Directors, including vacancies resulting from an increase in the number of directors or the removal of directors, may only be filled by an affirmative vote of a majority of the directors then in office or by a sole remaining director. The classification of directors, the ability of the Board of Directors to increase the number of directors and the inability of the shareholders to remove directors without cause or fill vacancies on the Board of Directors will make it more difficult to change the Board of Directors, and will promote the continuity of existing management.

Limitations on Call of Special Meetings of Shareholders

The by-laws provide that special meetings of shareholders may only be called by the chairman of the Board of Directors, the chief executive officer, the president, or the Board of Directors or shareholders representing at least 25% of the shares outstanding.

Limitation on Written Consent of Shareholders

The certificate of incorporation provides that shareholder action cannot be taken by written consent of shareholders without a meeting unless such written consents are signed by all shareholders entitled to vote on the action to be taken.

Advance Notice Requirements for Nomination of Directors and Presentation of New Business at Meetings

Prudential Financial, Inc.'s by-laws establish advance notice procedures for shareholder proposals concerning nominations for election to the Board of Directors and new business to be brought before meetings of shareholders. These procedures require that notice of such shareholder proposals must be timely given in writing to the secretary of Prudential Financial, Inc. prior to the meeting at which the action is to be taken. Generally, to be timely, we must receive the notice at Prudential Financial, Inc.'s principal executive offices not less than 120 nor more than 150 days prior to the anniversary date of the annual meeting of shareholders before the one in which the shareholder proposal is to be considered. The notice must contain information required by the by-laws. These provisions make it procedurally more difficult for a shareholder to place a proposed nomination or new business proposal on the meeting agenda and therefore may reduce the likelihood that a shareholder will

seek to take independent action to replace directors or with respect to other matters that are not supported by management.

Supermajority Voting Requirement for Certain Amendments to the By-laws and Charter

The certificate of incorporation and by-laws require the approval of at least 80% of the votes cast at a meeting of shareholders to amend certain provisions of the certificate of incorporation and by-laws, including those described in this section "Provisions of Prudential Financial, Inc.'s Certificate of Incorporation and By-laws", provided, that the number of votes cast at such meeting of shareholders is at least 50% of the total number of issued and outstanding shares entitled to vote thereon. This requirement exceeds the majority vote that would otherwise be required under the New Jersey Business Corporation Act. This supermajority requirement will make it more difficult for shareholders to reduce the anti-takeover effects of the certificate of incorporation and by-laws.

Limitation on Directors' Liability and Indemnification

The certificate of incorporation states that a director will not be held personally liable to Prudential Financial, Inc. or any of its shareholders for damages for a breach of duty as a director except for liability based upon an act or omission:

- in breach of the director's duty of loyalty to Prudential Financial, Inc. or its shareholders,
- not in good faith or involving a knowing violation of law, or
- resulting in receipt by such director of an improper personal benefit.

This provision prevents a shareholder from pursuing an action for damages for breach of duty against a director of Prudential Financial, Inc. unless the shareholder can demonstrate one of these specified bases for liability. The inclusion of this provision in the certificate of incorporation may discourage or deter shareholders or management from bringing a lawsuit against a director for a breach of his or her duties, even though an action, if successful, might otherwise benefit Prudential Financial, Inc. and its shareholders. This provision does not affect the availability of non-monetary remedies like an injunction or rescission based upon a director's breach of his or her duty of care.

The by-laws provide that we shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding because such person is or was a director or officer of Prudential Financial, Inc., or is or was serving at the request of Prudential Financial, Inc. as director or officer, employee or agent of another entity. This indemnification covers expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by the indemnified person in connection with such action, suit or proceeding. To receive indemnification, a person must have acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of Prudential Financial, Inc. In the case of any criminal action or proceeding, the indemnified person also must have had no reasonable cause to believe his or her conduct was unlawful. The by-laws limit indemnification in cases when a person has been held liable to Prudential Financial, Inc.

Anti-Takeover Effects of New Jersey Business Corporation Act

New Jersey Shareholders Protection Act

Upon completion of the demutualization, Prudential Financial, Inc. will be subject to the provisions of Section 14A-10A of the New Jersey Business Corporation Act, which is known as the "Shareholders Protection Act".

Generally, the Shareholders Protection Act prohibits a publicly held New Jersey corporation with its principal executive offices or significant business operations in New Jersey, like Prudential Financial, Inc., from engaging in any "business combination" with any "interested stockholder" of that corporation for a period of five years following the time at which that stockholder became an "interested stockholder" unless the business combination is approved by the Board of Directors before the stockholder becomes an "interested stockholder". Covered business combinations include certain mergers, dispositions of assets or shares and recapitalizations. An "interested stockholder" is (1) any person that directly or indirectly beneficially owns 10% or more of the voting power of the outstanding voting stock of Prudential Financial, Inc.; or (2) any "affiliate" or "associate" of Prudential Financial, Inc. that directly or indirectly beneficially owned 10% or more of the voting power of the then-outstanding stock of Prudential Financial, Inc. at any time within a five-year period immediately prior to the date in question.

In addition, under the Shareholders Protection Act, Prudential Inc. may not engage in a business combination with an interested stockholder at any time unless:

- the Board of Directors approved the business combination prior to the time the stockholder became an interested stockholder;

- the holders of two-thirds of Prudential Financial, Inc.'s voting stock not beneficially owned by the interested stockholder affirmatively vote to approve the business combination at a meeting called for that purpose; or

- the consideration received by the non-interested stockholders in the business combination meets the standards of the statute, which is designed to ensure that all other shareholders receive at least the highest price per share paid by the interested stockholder.

A New Jersey corporation that has publicly traded voting stock may not opt out of these restrictions.

Board Consideration of Certain Factors

Under the New Jersey Business Corporation Act, in discharging his or her duties, a director of Prudential Financial, Inc. may consider the effects that an action taken by Prudential Financial, Inc. may have on interests and people in addition to Prudential Financial, Inc.'s shareholders, such as employees, customers and the community. The directors may also consider the long-term as well as the short-term interests of Prudential Financial, Inc. and its shareholders, including the possibility that these interests may best be served by the continued independence of Prudential Financial, Inc.

Shareholders Rights Plan

Prudential Financial, Inc.'s Board of Directors has authorized Prudential Financial, Inc. to enter into a shareholder rights agreement that will become effective on the effective date of the demutualization. The following is a summary of the material terms of this agreement. The statements below are only a summary, and we refer you to the shareholder rights agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus forms a part. Each statement is qualified in its entirety by such reference. See "Available Information" below for information about where you can obtain a copy of this document.

Under the shareholder rights agreement, one shareholder protection right will be attached to each share of Common Stock. The shareholder rights agreement will not be applicable to any issued Class B Stock. The shareholder protection rights will be transferable only with the Common Stock until they become exercisable, are redeemed or expired.

Each right will initially entitle the holder to purchase one one-thousandth of a share of a series of Prudential Financial, Inc. preferred stock upon payment of the exercise price. The initial exercise price will be determined by Prudential Financial, Inc.'s Board of Directors prior to the effective date of the demutualization.

The shareholder protection rights are not exercisable until the distribution date, when they will separate from the Common Stock and become transferable. The distribution date will occur upon the earlier of:

- the tenth business day after the first public announcement that a person or group has become the beneficial owner of an amount of Common Stock, Class B Stock and/or other Prudential Financial, Inc. stock that represents 10% or more of the total voting power of all outstanding Prudential Financial, Inc. stock. The rights plan refers to the day of public announcement as the "stock acquisition date" and the person or group as an "acquiring person"; or

- the tenth business day after the commencement of a tender or exchange offer for an amount of Common Stock, Class B Stock and/or other Prudential Financial, Inc. stock that represents 10% or more of the total voting power of all outstanding Prudential Financial, Inc. stock.

If any person or group becomes an acquiring person, instead of thousandths of shares of preferred stock, each shareholder protection right will then represent the right to receive upon exercise an amount of Common Stock having a market value equal to twice the exercise price, subject to certain exceptions. In the event that Prudential Financial, Inc. does not have a sufficient number of authorized and unissued and unreserved shares of Common Stock, Prudential Financial, Inc. will substitute cash or other securities or assets and/or reduce the exercise price for all or a portion of the Common Stock that would be issuable upon exercise.

If after a stock acquisition date Prudential Financial, Inc. is acquired in a merger or other business combination or 50% or more of our consolidated assets or earnings power are sold or transferred, each shareholder protection right will then represent the right to receive upon exercise an amount of Common Stock of the acquiring person having a value equal to twice the exercise price.

In addition, at any time after any person or group becomes an acquiring person but before that person or group becomes the beneficial owner of 50% or more of the outstanding Common Stock, the Board of Directors of Prudential Financial, Inc. may at its option exchange the shareholder protection rights, in whole or in part, for Common Stock at an exchange ratio of one share of Common Stock per right.

The exercise price payable, the number of thousandths of shares of preferred stock and the amount of Common Stock, cash or securities or assets issuable upon exercise of, or exchange for, shareholder protection rights and the number of outstanding rights are subject to adjustment to prevent dilution if certain events occur.

Prudential Financial, Inc.'s Board of Directors may redeem the shareholder protection rights in whole, but not in part, for one cent ($.01) per right at any time until the tenth business day after the stock acquisition date. Unless earlier redeemed by Prudential Financial, Inc., the shareholder protection rights will expire on the tenth anniversary of the effective date of the demutualization.

Prudential Financial, Inc.'s transfer agent, EquiServe Trust Company, N.A., will be the rights agent under the shareholder rights agreement.

The shareholder protection rights will not prevent a takeover of Prudential Financial, Inc. However, the rights may render an unsolicited takeover of Prudential Financial, Inc. more difficult or less likely to occur or might prevent such a takeover, even though such takeover may offer shareholders the opportunity to sell their shares at a price above the prevailing market rate and/or may be favored by a majority of the shareholders.

Transfer Agent and Registrar

EquiServe Trust Company, N.A. is the transfer agent and registrar for the Common Stock.

UNDERWRITING

Prudential Financial, Inc. and the underwriters for the U.S. offering named below (the "U.S. Underwriters") have entered into an underwriting agreement with respect to the shares being offered in the United States. Subject to certain conditions, each U.S. Underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Prudential Securities Incorporated and are the representatives of the U.S. Underwriters.

<TABLE>
<CAPTION>

Underwriters	Number of Shares
<S>	<C>
Goldman, Sachs & Co.	
Prudential Securities Incorporated	
Total	

</TABLE>

If the U.S. Underwriters sell more shares than the total number set forth in the table above, the U.S. Underwriters have an option to buy up to an additional shares from Prudential Financial, Inc. to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the U.S. Underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the U.S. Underwriters by Prudential Financial, Inc. Such amounts are shown assuming both no exercise and full exercise of the U.S. Underwriters' option to purchase additional shares.

Paid by Prudential Financial, Inc.

<TABLE>
<CAPTION>

	No Exercise	Full Exercise

<S> <C> <C>
Per Share..... $ $
Total..... $ $
</TABLE>

Shares sold by the Underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the Underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the Underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

Prudential Financial, Inc. also has entered into an underwriting agreement with Underwriters for the sale of shares outside of the United States. The terms and conditions of both offerings are the same and the sale of shares in both offerings are conditioned on each other. Goldman Sachs International and are representatives

of the Underwriters for the international offering outside the United States (the "International Underwriters"). Prudential Financial, Inc. has granted the International Underwriters a similar option to purchase up to an aggregate of an additional shares.

The Underwriters for both of the offerings have entered into an agreement in which they agree to restrictions on where and to whom they and any dealer purchasing from them may offer shares as a part of the distribution of the shares. The Underwriters also have agreed that they may sell shares among each of the underwriting groups.

Prudential Financial, Inc. has agreed with the Underwriters not to dispose of or hedge any of its Common Stock or securities convertible into or exchangeable for shares of Common Stock during the period from the date of this prospectus continuing through the date days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans.

Prior to the offerings, there has been no public market for the shares. The initial public offering price will be negotiated among Prudential Financial, Inc. and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application will be made to list the Common Stock on the NYSE under the symbol "PRU". In order to meet one of the requirements for listing the Common Stock on the NYSE, the Underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

In connection with the offerings, the Underwriters may purchase and sell shares of Common Stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater number of shares than they are required to purchase in the offerings. "Covered" short sales are sales made in an amount not greater than the Underwriters' options to purchase additional shares from Prudential Financial, Inc. in the offerings. The Underwriters may close out any covered short position by either exercising their options to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the Underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment options. "Naked" short sales are any sales in excess of the purchase options. The Underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Stock in the open market after pricing that could adversely affect investors who purchase in the offerings. Stabilizing transactions consist of various bids for or purchases of Common Stock made by the Underwriters in the open market prior to the completion of the offerings.

The Underwriters also may impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such Underwriter in stabilizing or short covering transactions.

Purchases to cover short positions and stabilizing transactions may have the

effect of preventing or retarding a decline in the market price of the Common Stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Common Stock. As a result, the price of the Common Stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

Because of the relationship between Prudential Securities and Prudential Financial, Inc., the offering is being conducted in accordance with Rule 2720 of the NASD. That rule requires that the initial public offering price can be no higher than that recommended by a "qualified independent underwriter", as defined by the

NASD. Goldman, Sachs & Co. has served in that capacity and performed due diligence investigations and reviewed and participated in the preparation of the registration statement of which this prospectus forms a part. Goldman, Sachs & Co. has received $10,000 from Prudential Financial, Inc. as compensation for such role.

The Underwriters may not confirm sales to discretionary accounts without the prior written approval of the customer.

Prudential Financial, Inc. estimates that its share of the total expenses of the offerings, excluding underwriting discounts and commissions, will be approximately $.

Prudential Financial, Inc. has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

This prospectus may be used by the Underwriters and other dealers in connection with offers and sales of the shares, including sales of shares initially sold by the Underwriters in the offering being made outside of the United States, to persons located in the United States.

VALIDITY OF COMMON STOCK

The validity of the Common Stock offered hereby will be passed upon for Prudential Financial, Inc. by Sullivan & Cromwell, New York, New York, and McCarter & English, LLP, Newark, New Jersey. Certain legal matters will be passed upon for the underwriters by Cleary, Gottlieb, Steen & Hamilton, New York, New York. Sullivan & Cromwell and Cleary, Gottlieb, Steen & Hamilton will rely as to all matters of New Jersey law upon the opinion of McCarter & English, LLP.

EXPERTS

The consolidated financial statements of Prudential as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 and the supplemental combining financial information as of and for the year ended December 31, 2000 included in this prospectus and the related financial statement schedules included in the registration statement have been included in reliance upon the reports, included in this prospectus or the registration statement relating thereto, of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in auditing and accounting.

The Prudential Insurance Company of America has retained Milliman & Robertson, Inc., an actuarial consulting firm, to advise it in connection with actuarial matters involved in the development of the plan of reorganization and the establishment and operation of the closed blocks. The opinion of Daniel J. McCarthy, M.A.A.A., of Milliman & Robertson, Inc. is included as Annex A of this prospectus in reliance upon his authority as an expert in actuarial matters generally and in the application of actuarial concepts to insurance matters.

AVAILABLE INFORMATION

Upon completion of the offering, Prudential Financial, Inc. will file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by Prudential Financial, Inc. at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings will also be available over the internet at the SEC's website at http://www.sec.gov. Prudential Financial, Inc. intends to list the Common Stock on the New York Stock Exchange. Upon listing, periodic reports, proxy statements and other information concerning Prudential Financial, Inc. will be available for review at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. After the offering, we expect to provide annual reports to our shareholders that include financial information reported on by our independent

public accountants.

Prudential Financial, Inc. has filed a registration statement on Form S-1 with the SEC. This prospectus is a part of the registration statement and does not contain all of the information in the registration statement. Whenever a reference is made in this prospectus to one of our contracts or other documents, please be aware that the reference is not necessarily complete and that you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C. as well as through the SEC's internet site.

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Policyholders of
The Prudential Insurance Company of America

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of operations, of changes in equity and of cash flows present fairly, in all material respects, the financial position of The Prudential Insurance Company of America and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental combining financial information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual components. Such supplemental information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

New York, New York
March 13, 2001, except for Note 18, as to which the date is April 2, 2001.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

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

<TABLE>
<CAPTION>

	Pro Forma 2000 (Unaudited) (see Note 19)	2000	1999
<S>	<C>	<C>	<C>
ASSETS			
Fixed maturities:			
Available for sale, at fair value (amortized cost, 2000: $83,115; 1999: $81,248)	$ 83,827	$ 83,827	$ 79,130
Held to maturity, at amortized cost (fair value, 2000: $12,615; 1999: $14,112)	12,448	12,448	14,237
Trading account assets, at fair value	7,217	7,217	9,741
Equity securities, available for sale, at fair value (cost, 2000: $2,266; 1999: $2,531)	2,317	2,317	3,264
Mortgage loans on real estate	15,919	15,919	16,268
Policy loans	8,046	8,046	7,590
Securities purchased under agreements to resell	5,395	5,395	13,944
Cash collateral for borrowed securities	3,858	3,858	7,124
Other long-term investments	4,459	4,459	4,857
Short-term investments	5,029	5,029	2,773
Total investments	148,515	148,515	158,928
Cash and cash equivalents	4,574	7,676	6,427
Accrued investment income	1,916	1,916	1,836
Broker-dealer related receivables	11,860	11,860	11,346
Deferred policy acquisition costs	7,063	7,063	7,324
Other assets	13,506	13,506	17,102
Separate account assets	82,217	82,217	82,131
TOTAL ASSETS	$269,651	$272,753	$285,094
LIABILITIES AND EQUITY			
LIABILITIES			
Future policy benefits	$ 70,395	$ 69,288	$ 67,278
Policyholders' account balances	32,722	32,722	32,780
Unpaid claims and claim adjustment expenses	2,120	2,120	2,829
Policyholders' dividends	1,463	1,463	1,484
Securities sold under agreements to repurchase	15,010	15,010	24,598
Cash collateral for loaned securities	11,053	11,053	10,775
Income taxes payable	1,584	1,610	804
Broker-dealer related payables	5,965	5,965	5,839
Securities sold but not yet purchased	4,959	4,959	6,968
Short-term debt	11,131	11,131	10,858
Long-term debt	2,502	2,502	5,513
Other liabilities	12,976	12,105	13,946
Separate account liabilities	82,217	82,217	82,131
Total liabilities	254,097	252,145	265,803
COMMITMENTS AND CONTINGENCIES (See Notes 15 and 17)			
EQUITY			
Accumulated other comprehensive income (loss)	234	234	(685)
Common stock	4	--	--
Additional paid-in capital	15,316	--	--
Retained earnings	--	20,374	19,976
Total equity	15,554	20,608	19,291
TOTAL LIABILITIES AND EQUITY	$269,651	$272,753	$285,094

</TABLE>

See Notes to Consolidated Financial Statements

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Consolidated Statements of Operations
Years Ended December 31, 2000, 1999 and 1998 (In Millions)

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
REVENUES			
Premiums	$10,221	$ 9,528	$ 9,048
Policy charges and fee income	1,639	1,516	1,465
Net investment income	9,497	9,367	9,454
Realized investment gains (losses), net	(288)	924	2,641
Commissions and other income	5,475	5,233	4,416
Total revenues	26,544	26,568	27,024
BENEFITS AND EXPENSES			
Policyholders' benefits	10,640	10,226	9,786
Interest credited to policyholders' account balances	1,751	1,811	1,953
Dividends to policyholders	2,724	2,571	2,477
General and administrative expenses	10,083	9,530	9,037
Capital markets restructuring	476	--	--
Sales practices remedies and costs	--	100	1,150
Demutualization expenses	143	75	24
Total benefits and expenses	25,817	24,313	24,427
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	727	2,255	2,597
Income taxes			
Current	434	690	1,085
Deferred	(28)	352	(115)
Total income taxes	406	1,042	970
INCOME FROM CONTINUING OPERATIONS	321	1,213	1,627
DISCONTINUED OPERATIONS			
Loss from healthcare operations, net of taxes	--	--	(298)
Gain (loss) on disposal of healthcare operations, net of taxes	77	(400)	(223)
Net gain (loss) from discontinued operations	77	(400)	(521)
NET INCOME	$ 398	$ 813	$ 1,106

</TABLE>

See Notes to Consolidated Financial Statements

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Consolidated Statements of Changes in Equity
Years Ended December 31, 2000, 1999 and 1998 (In Millions)

<TABLE>
<CAPTION>

	Accumulated Other Comprehensive Income (Loss)					
	Foreign Currency Translation Adjustments	Net Unrealized Investment Gains (Losses)	Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1997	$ (85)	$ 1,752	$ (6)	$ 1,661	$ 18,057	$ 19,718
Comprehensive income:						
Net income					1,106	1,106
Other comprehensive loss, net of tax:						
Change in foreign currency translation adjustments	54			54		54
Change in net unrealized investment gains		(480)		(480)		(480)
Additional pension liability adjustment			(3)	(3)		(3)

Other comprehensive loss						(429)
Total comprehensive income						677
Balance, December 31, 1998	(31)	1,272	(9)	1,232	19,163	20,395
Comprehensive income:						
Net income					813	813
Other comprehensive loss, net of tax:						
Change in foreign currency translation adjustments	13			13		13
Change in net unrealized investment gains		(1,932)		(1,932)		(1,932)
Additional pension liability adjustment			2	2		2
Other comprehensive loss						(1,917)
Total comprehensive loss						(1,104)
Balance, December 31, 1999	(18)	(660)	(7)	(685)	19,976	19,291
Comprehensive income:						
Net income					398	398
Other comprehensive income, net of tax:						
Change in foreign currency translation adjustments	(89)			(89)		(89)
Change in net unrealized investment gains		1,019		1,019		1,019
Additional pension liability adjustment			(11)	(11)		(11)
Other comprehensive income						919
Total comprehensive income						1,317
Balance, December 31, 2000	$ (107)	$ 359	$ (18)	$ 234	$ 20,374	$ 20,608

See Notes to Consolidated Financial Statements

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

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

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 398	$ 813	$ 1,106
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment (gains) losses, net	288	(915)	(2,671)
Policy charges and fee income	(57)	(237)	(232)
Interest credited to policyholders' account balances	1,751	1,811	1,953
Depreciation and amortization	507	489	337
Loss (gain) on disposal of healthcare operations, net of taxes	(77)	400	223
Change in:			
Deferred policy acquisition costs	(228)	(178)	(174)
Future policy benefits and other insurance liabilities	1,514	788	648
Trading account assets	2,524	(853)	(2,540)
Income taxes payable	199	933	895
Broker-dealer related receivables/payables	(388)	(1,898)	1,495

Securities purchased under agreements to resell	8,549	(3,692)	(1,591)
Cash collateral for borrowed securities	3,266	(1,502)	(575)
Cash collateral for loaned securities	278	3,643	(6,985)
Securities sold but not yet purchased	(2,009)	1,197	2,122
Securities sold under agreements to repurchase	(9,588)	3,112	9,139
Other, net	1,223	(3,286)	(5,736)
Cash flows from (used in) operating activities	8,150	625	(2,586)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale/maturity of:			
Fixed maturities, available for sale	99,971	122,790	125,694
Fixed maturities, held to maturity	3,266	4,957	4,466
Equity securities, available for sale	3,025	3,190	2,792
Mortgage loans on real estate	1,632	2,640	4,090
Other long-term investments	2,044	2,169	3,337
Payments for the purchase of:			
Fixed maturities, available for sale	(103,086)	(124,759)	(128,938)
Fixed maturities, held to maturity	(1,544)	(2,414)	(2,244)
Equity securities, available for sale	(2,316)	(2,779)	(2,547)
Mortgage loans on real estate	(1,334)	(2,595)	(3,719)
Other long-term investments	(1,374)	(2,280)	(1,873)
Short-term investments	(2,257)	(1,138)	4,745
Cash flows from (used in) investing activities	(1,973)	(219)	5,803
CASH FLOWS FROM FINANCING ACTIVITIES:			
Policyholders' account deposits	6,507	7,667	7,949
Policyholders' account withdrawals	(8,165)	(10,594)	(12,079)
Net increase (decrease) in short-term debt	(2,678)	444	2,422
Proceeds from the issuance of long-term debt	638	1,844	1,940
Repayments of long-term debt	(1,230)	(919)	(418)
Cash flows (used in) financing activities	(4,928)	(1,558)	(186)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,249	(1,152)	3,031
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,427	7,579	4,548
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,676	$ 6,427	$ 7,579
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid (received)	$ 248	$ (344)	$ 163
Interest paid	$ 1,040	$ 824	$ 864

</TABLE>

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. BUSINESS

The Prudential Insurance Company of America and its subsidiaries (collectively, "Prudential" or the "Company") provide financial services throughout the United States and in many foreign countries. The Company's businesses provide a full range of insurance, investment, securities and other financial products and services to both retail and institutional customers. Principal products and services provided include life insurance, property and casualty insurance, annuities, mutual funds, pension and retirement related investments and administration, asset management, and securities brokerage.

Demutualization

On February 10, 1998, the Board of Directors of Prudential authorized its 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 the demutualization to occur and that specified the process for demutualization. On December 15, 2000, the Board of Directors of Prudential unanimously adopted a 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.

Prudential's management currently anticipates that Prudential's proposed plan of reorganization will include the establishment of a new holding company, Prudential Financial, Inc. ("PFI"), whose stock will be publicly traded. Prudential will become a direct or indirect wholly-owned subsidiary of PFI. Prudential's management also currently intends to propose that a corporate reorganization occur concurrently or within 30 days of the demutualization whereby the stock of various of Prudential's subsidiaries (including its property and casualty insurance companies, its principal securities brokerage companies, its international insurance companies, its principal asset management operations, and its international securities and investments, domestic banking, real estate franchise and relocation management operations), together with certain related assets and liabilities, would be dividended to PFI. If effected, the corporate reorganization can be expected to materially reduce invested assets, net income and total equity of Prudential, which would be an insurance subsidiary of PFI after the corporate reorganization, although it would have no effect on the consolidated assets, net income or total equity of PFI.

The terms of the foregoing transactions have not been finalized by Prudential or approved by the applicable regulatory authorities and may be subject to change as the transactions develop. Prudential's demutualization could proceed without any one or all of these transactions, and there is no assurance that such transactions will be pursued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of The Prudential Insurance Company of America, a mutual life insurance company, its majority-owned subsidiaries, and those partnerships and joint ventures in which the Company has a controlling financial interest, except in those instances where the Company cannot exercise control because the minority owners have substantive participating rights in the operating and capital decisions of the entity. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany balances and transactions have been eliminated.

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 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 positive 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 when a decline in value is considered to be other than temporary. See "Realized investment gains (losses), net" below for a discussion of impairment adjustments. Unrealized gains and losses on fixed maturities "available for sale," net of income tax and the effect on deferred policy acquisition costs and future policy benefits that would result from the realization of unrealized gains and losses, are included in a separate component of equity, "Accumulated other comprehensive income (loss)."

Trading account assets and securities sold but not yet purchased are carried at estimated fair value. Realized and unrealized gains and losses on trading account assets and securities sold but not yet purchased are included in "Commissions and other income."

Equity securities, available for sale, are comprised of common and non-redeemable preferred stock and are carried at estimated fair value. The associated unrealized gains and losses, net of income tax and the effect on

deferred policy acquisition costs and future policy benefits that would result from the realization of unrealized
gains and losses, are included in a separate component of equity, "Accumulated other comprehensive income (loss)." See "Realized investment gains (losses), net" below for a discussion of impairment adjustments.

Mortgage loans on real estate are stated primarily at unpaid principal balances, net of unamortized discounts and an allowance for losses. The allowance for losses includes a loan specific reserve for impaired loans and a portfolio reserve for incurred but not specifically identified losses. Impaired loans include those loans for which it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impaired loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate, or at the fair value of the collateral if the loan is collateral dependent. Interest received on impaired loans, including loans that were previously modified in a troubled debt restructuring, is either applied against the principal or reported as revenue, according to management's judgment as to the collectibility of principal. Management discontinues accruing interest on impaired loans after the loans are 90 days delinquent as to principal or interest, or earlier when management has serious doubts about collectibility. When a loan is recognized as impaired, any accrued but uncollectible interest is reversed against interest income of the current period. Generally, a loan is restored to accrual status only after all delinquent interest and principal are brought current and, in the case of loans where the payment of interest has been interrupted for a substantial period, a regular payment performance has been established. The portfolio reserve for incurred but not specifically identified losses considers the Company's past loan loss experience, the current credit composition of the portfolio, historical credit migration, property type diversification, default and loss severity statistics and other relevant factors.

Policy loans are carried at unpaid principal balances.

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as financing arrangements and are carried at the amounts at which the securities will be subsequently resold or reacquired, including accrued interest, as specified in the respective agreements. The Company's policy is to take possession or control of securities purchased under agreements to resell. 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 or resold is monitored, and additional collateral is obtained, where appropriate, to protect against credit exposure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities borrowed and securities loaned are treated as financing arrangements and are recorded at the amount of cash advanced or received. With respect to securities loaned, 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 borrowed and 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 borrowed contracts are with other brokers and dealers, commercial banks and institutional clients. Substantially all of the Company's securities loaned are with large brokerage firms.

Securities repurchase and resale agreements and securities borrowed and loaned transactions are used to generate net investment income and facilitate trading activity. These instruments are short-term in nature (usually 30 days or less) and are collateralized principally by U.S. Government and mortgage-backed securities. 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.

Other long-term investments primarily represent the Company's investments in joint ventures and partnerships in which the Company does not exercise control. Other long-term investments also include investments in the Company's own separate accounts, which are carried at estimated fair value, investment real estate and derivatives held for purposes other than trading. Joint venture and partnership interests are generally accounted for using the equity method of accounting, reduced for other than temporary declines in value, except in instances in which the Company's interest is so minor that it exercises virtually no influence over operating and financial policies. In

such instances, the Company applies the cost method of accounting. The Company's net income from investments in joint ventures and partnerships is generally included in "Net investment income." However, for certain real estate joint ventures, Prudential's interest is liquidated by means of one or more transactions that result in the sale of the underlying invested assets to third parties and the ultimate distribution of the proceeds to Prudential and other joint venture partners in exchange for and settlement of the respective joint venture interests. These transactions are accounted for as disposals of Prudential's joint venture interests and the resulting gains and losses are included in "Realized investment gains (losses), net."

Real estate held for disposal is carried at the lower of depreciated cost or fair value less estimated selling costs and is not further depreciated once classified as such. Real estate which the Company has the intent to hold for the production of income is carried at depreciated cost less any write-downs to fair value for impairment losses and is reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the review indicates that the carrying value of the investment real estate exceeds the estimated undiscounted future cash flows (excluding interest charges) from the investment. At that time, the carrying value of the investment real estate is written down to fair value. Depreciation on real estate held for the production of income is computed using the straight-line method over the estimated lives of the properties, and is included in "Net investment income."

Short-term investments, including 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 gains (losses), net are computed using the specific identification method. Costs of fixed maturities and equity securities are adjusted for impairments considered to be other than temporary. Impairment adjustments are included in "Realized investment gains (losses), net." Factors considered in evaluating whether a decline in value is other than temporary are: 1) whether the decline is substantial; 2) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; 3) the duration and extent to which the market value has been less than cost; and 4) the financial condition and near-term prospects of the issuer. Allowances for losses on mortgage loans on real estate are netted against asset categories to which they apply and provisions for losses on investments are included in "Realized investment gains (losses), net." Decreases in the carrying value of investment real estate held for disposal or for the production of income are recorded in "Realized investment gains (losses), net."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include 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 such costs are deemed recoverable from future profits. Such costs include 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 deficiency 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 income (loss)."

For participating life insurance, deferred policy acquisition costs are amortized over the expected life of the contracts (up to 45 years) in proportion to estimated gross margins based on historical and anticipated future experience, which is updated periodically. The average rate of assumed future investment yield used in estimating expected gross margins was 7.83% at December 31, 2000. The effect of changes in estimated gross margins on unamortized deferred acquisition costs is reflected in "General and administrative expenses" in the period such estimated gross margins are revised. 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 7 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. Deferred policy acquisition costs related to non-participating term insurance are amortized over the expected life of the contracts in proportion to premium income.

The Company has offered programs under which policyholders, for a selected product or group of products, can exchange an existing policy or contract issued by the Company for another form of policy or contract. These transactions are known as internal replacements. If policyholders surrender traditional life insurance policies in exchange for life insurance policies that do not have fixed and guaranteed terms, the Company immediately charges to expense the remaining unamortized DAC on the surrendered policies. For other internal replacement transactions, the unamortized DAC on the surrendered policies is immediately charged to expense if the terms of the new policies are not substantially similar to those of the former policies. 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.

For property and casualty insurance contracts, deferred policy acquisition costs are amortized over the period in which related premiums are earned. Future investment income is considered in determining the recoverability of deferred policy acquisition costs.

For group life and disability insurance, group annuities and guaranteed investment contracts, acquisition costs are expensed as incurred.

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, pension funds and other customers. The assets consist of common stocks, fixed maturities, real estate related securities, real estate mortgage loans and short-term investments. The assets of each account are legally segregated and are generally 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

included in the Consolidated Statements of Operations. Mortality, policy administration and surrender charges on the accounts are included in "Policy charges and fee income." Asset management fees charged to the accounts are included in "Commissions and other income."

Other Assets and Other Liabilities

Other assets consist primarily of prepaid benefit costs, reinsurance recoverables, certain restricted assets, trade receivables, mortgage securitization inventory and mortgage servicing rights, and property and equipment. During the year, the Company sold $15 billion of commercial mortgage loans and other securities in securitization transactions. In some of the commercial loan securitizations, the Company retained servicing responsibilities. The Company did not retain any material ownership interest in the financial assets that were transferred. The Company recognized pretax losses of $6 million (including related hedge activity) in connection with securitization activity which are recorded in "Commissions and other income." At December 31, 2000, the mortgage servicing portfolio totaled $14 billion and related mortgage servicing assets were $111 million. Property and equipment are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets which generally range from 3 to 40 years. Other liabilities consist primarily of trade payables, employee benefit liabilities, and reserves for sales practices remedies and costs.

Contingencies

Amounts related to contingencies are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. Management evaluates whether there are incremental legal or other costs directly associated with the ultimate resolution of the matter that are reasonably

estimable and, if so, they are included in the accrual.

Policyholders' Dividends

The amount of the dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is based on the Company's statutory results and past experience, including investment income, net realized investment gains or losses over a number of years, mortality experience and other factors.

Insurance Revenue and Expense Recognition

Premiums from participating insurance policies are recognized when due. Benefits are recorded as an expense when they are incurred. A liability for future policy benefits is recorded when premiums are recognized using the net level premium method.

Premiums from non-participating group annuities with life contingencies are recognized when due. For single premium immediate annuities and structured settlements with life contingencies, premiums are recognized when due with any excess profit deferred and recognized in a constant relationship to the amount of expected future benefit payments.

Amounts received as payment for interest-sensitive life contracts, deferred annuities, structured settlements, contracts without life contingencies and participating group annuities are reported as deposits to "Policyholders' account balances." Revenues from these contracts are reflected in "Policy charges and fee income" and 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.

For group life and disability insurance, and property and casualty insurance, premiums are recognized over the period to which the premiums relate in proportion to the amount of insurance protection provided. Claim and claim adjustment expenses are recognized when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums, benefits and expenses are stated net of reinsurance ceded to other companies. Estimated reinsurance receivables and the cost of reinsurance are recognized over the life of the reinsured policies using assumptions consistent with those used to account for the underlying policies.

Foreign Currency Translation Adjustments

Assets and liabilities of foreign operations and subsidiaries reported in other than U.S. dollars are translated at the exchange rate in effect at the end of the period. Revenues, benefits and other expenses are translated at the average rate prevailing during the period. The effects of translating the statements of financial position of non-U.S. entities with functional currencies other than the U.S. dollar are included, net of related hedge gains and losses and income taxes, in "Accumulated other comprehensive income (loss)," a separate component of equity.

Commissions and Other Income

Commissions and other income principally includes securities and commodities commission revenues and asset management fees which are recognized in the period in which the services are performed. Realized and unrealized gains from trading activities of the Company's securities business are also included in "Commissions and other income."

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. Additionally, derivatives are used in the Company's broker-dealer operations and in a limited-purpose subsidiary for trading purposes.

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.

Derivatives held for trading purposes are used in the Company's securities operations and in a limited-purpose subsidiary primarily to meet the needs of customers by structuring transactions that allow customers to manage their exposure to interest rates, foreign exchange rates, indices or prices of securities and commodities. Trading derivative positions are valued daily, generally by obtaining quoted market prices or through the use of pricing models. Values are affected by changes in interest rates, currency exchange rates, credit spreads, market volatility and liquidity. The Company monitors these exposures through the use of various analytical techniques.

Derivatives held for trading purposes are included at fair value in "Trading account assets," "Other liabilities" or "Broker-dealer related receivables/payables" in the Consolidated Statements of Financial Position, and realized and unrealized changes in fair value are included in "Commissions and other income" of the Consolidated Statements of Operations in the periods in which the changes occur. Cash flows from trading derivatives are reported in the operating activities section of the Consolidated Statements of Cash Flows.

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 15 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the Consolidated Statements of Financial Position, and changes in their fair value are included in "Realized investment gains (losses), 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.

Income Taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. The Internal Revenue Code (the "Code") limits the amount of non-life insurance losses that may offset life insurance company taxable income. The Code also imposes an "equity tax" on mutual life insurance companies which, in effect, imputes an additional tax to the Company based on a formula that calculates the difference between stock and mutual life insurance companies' earnings. The provision for income taxes includes an estimate for changes in the total equity tax to be paid for current and prior years. Subsidiaries operating outside the United States are taxed under applicable foreign statutes.

Deferred income taxes are 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 amount that is expected to be realized.

Demutualization Expenses

Demutualization expenses include the cost of engaging external accounting, actuarial, investment banking, legal and other consultants to advise the Company, the New Jersey Department of Banking and Insurance and the New York Department of Insurance in the demutualization process and related matters as well as other administrative costs. Future demutualization expenses will also include the cost of printing and postage for communications with policyholders and the payment of demutualization consideration to former Canadian branch policyholders.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("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 of a net investment in a foreign subsidiary, 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 a recognized asset or liability, an unrecognized firm commitment or an available-for-sale security. Similarly, the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounting for a cash flow hedge described above applies to a derivative designated as a hedge of the foreign currency exposure to variability in the foreign-currency-equivalent cash flows associated with a forecasted transaction, a recognized asset or liability, an unrecognized firm commitment, or a forecasted intercompany 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 certain held-to-maturity securities, amounting to approximately $12.1 billion at January 1, 2001, to the available-for-sale category. This reclassification resulted in the recognition of a net unrealized gain of $94 million, net of tax, which was recorded as a component of "Accumulated other comprehensive income (loss)" on the implementation date. As permitted under SFAS No. 133, the Company has elected to select January 1, 1999 as the transition date for embedded derivatives. Accordingly, only those derivatives embedded in hybrid contracts issued, acquired, or substantively modified by the Company on or after this date will be separated from their host contracts and separately recognized as assets and liabilities.

In September 2000, the FASB issued 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 December 2000, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position 00-3, "Accounting by Insurance Enterprises for Demutualizations and Formations of Mutual Insurance Holding Companies and For Certain Long-Duration Participating Contracts" ("SOP 00-3"). SOP 00-3 addresses financial statement presentation and accounting for certain participating policies after demutualization, accounting for demutualization expenses, and accounting for retained earnings and other comprehensive income at the date of the demutualization. The Company has adopted the provisions of

the statement related to demutualization expenses in these financial statements (See "Demutualization Expenses" above). The Company will adopt the remaining provisions of SOP 00-3 upon demutualization and is currently assessing the effect that the statement will have on its results of operations.

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 prior years have been reclassified to conform to the current year presentation.

3. DISCONTINUED OPERATIONS

In December 1998, the Company entered into a definitive agreement to sell its healthcare business to Aetna, Inc. ("Aetna"). The sale was completed on August 6, 1999. The healthcare business is reported as discontinued operations in the accompanying consolidated financial statements, with a measurement date of December 31, 1998.

Proceeds from the sale were $500 million of cash, $500 million of Aetna three-year senior notes and stock appreciation rights covering one million shares of Aetna common stock, valued at approximately $30 million at the date of closing. The aggregate loss on disposal of $546 million, net of taxes, includes operating losses of the healthcare business subsequent to December 31, 1998 (the measurement date) through the date of the sale, as well as other costs in connection with the disposition of the business. These include facilities closure and systems

3. DISCONTINUED OPERATIONS (continued)

termination costs, severance and termination benefits, payments to Aetna related to the Administrative Services Only business and payments in connection with a medical loss ratio agreement ("the MLR Agreement"). The MLR Agreement provided for payments to Aetna in the event that the medical loss ratios (i.e., incurred medical expense divided by earned premiums) of the sold businesses were less favorable than levels specified in the MLR Agreement for the years 1999 and 2000. The Company retained all liabilities associated with litigation which existed at August 6, 1999 or commences within two years of that date with respect to claims that were incurred prior to August 6, 1999. The loss on disposal includes management's best estimate of the cost of the ultimate resolution of such litigation as well as the cost of resolving certain matters pertaining to contractual and regulatory requirements (see Note 17 for a discussion of such matters). It is possible that additional adjustments to this estimate may be necessary which might be material to future results of operations of a particular quarterly or annual period. The loss also includes the positive impact of the net curtailment gains from expected modifications of certain pension and other postretirement benefit plans in which employees of the healthcare business participated (see Note 10).

The following table presents the results of the Company's healthcare business up to the December 31, 1998 measurement date and the loss on disposal determined as of the measurement date and subsequently adjusted, which are included in "Discontinued Operations" in the Consolidated Statements of Operations.

<TABLE>
<CAPTION>

	2000	1999	1998
		(In Millions)	
<S>	<C>	<C>	<C>
Revenues	$--	$ --	$ 7,461
Policyholder benefits	--	--	(6,064)
General and administrative expenses	--	--	(1,822)
Loss before income taxes	--	--	(425)
Income tax benefit	--	--	127

Loss from operations	--	--	(298)
Gain (loss) on disposal, net of tax expense of $44 in 2000 and tax benefits of $240 in 1999 and $131 in 1998	77	(400)	(223)
Gain (loss) from discontinued operations, net of taxes	$ 77	$(400)	$ (521)

</TABLE>

The loss on disposal recorded in 1998 ($223 million, net of taxes) was increased in 1999 (by $400 million, net of taxes) primarily as a result of higher than anticipated healthcare operating losses prior to the August 6, 1999 closing date and an increase in the Company's estimated obligation under the MLR Agreement. Actual pretax losses of $370 million during that period exceeded the original estimate of $160 million. In 2000, upon the completion of the period covered by the MLR Agreement and taking into consideration other costs incurred compared with those estimated in 1998 and 1999, the Company reduced the loss on disposal by $77 million, net of taxes.

Upon the closing of the sale of the healthcare business, the Company entered into a coinsurance agreement with Aetna. The agreement is 100% indemnity reinsurance on a coinsurance basis for all of the Company's insured medical and dental business in-force upon completion of the sale of the business on August 6, 1999. The agreement required the Company to issue additional policies for new customers in response to proposals made to brokers or customers within six months after the closing date and to renew insurance policies until two years after the closing date. All such additional new and renewal policies are 100% coinsured by Aetna, when issued. The purpose of the agreement is to provide for the uninterrupted operation and growth, including renewals of existing policies and issuance of new policies, of the healthcare business that Aetna acquired from Prudential. The operation of the business and the attendant risks, except for the existence of the MLR Agreement, were assumed entirely by Aetna. Consequently, the following amounts pertaining to the agreement had no effect on the Company's results of operations. The Company ceded premiums and benefits of $1,872 million and $1,418 million, respectively, for the twelve months ended December 31, 2000. Premiums and benefits ceded for the period from August 6, 1999 through December 31, 1999 were $896 million and $757 million, respectively. Reinsurance recoverable under this agreement, included in other assets, was $355 million at December 31, 2000 and $500 million at December 31, 1999.

4. CAPITAL MARKETS RESTRUCTURING

In the fourth quarter of 2000, Prudential Securities Group exited the lead-managed underwriting and institutional fixed income businesses. Exiting these businesses will result in staff reductions of approximately 700 positions, including investment bankers, traders, analysts and other professional and support staff.

Results for 2000 include a pretax charge of $476 million in connection with the restructuring, which is presented as "Capital markets restructuring" in the Consolidated Statements of Operations. The charge includes $213 million for employee related costs, consisting largely of severance and termination benefits. The charge also includes the write-off of $140 million of goodwill previously recorded in connection with investment banking acquisitions. Remaining charges of $123 million consist of lease termination payments and other facility exit costs, including office equipment and leasehold improvements write-downs, and other related costs.

As of December 31, 2000, approximately 350 employees had been terminated in connection with the restructuring and remaining reserves for capital markets restructuring costs were $286 million, including $176 million for employee related costs.

See Note 16, Segment Information, for information pertaining to the operating results of these exited businesses.

5. INVESTMENTS

Fixed Maturities and Equity Securities

The following tables provide additional information relating to fixed maturities and equity securities (excluding trading account assets) as of December 31,

<TABLE>
<CAPTION>

	2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Millions)			
<S>	<C>	<C>	<C>	<C>
Fixed maturities available for sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 7,068	$ 358	$ 2	$ 7,424
Obligations of U.S. states and their political subdivisions	3,012	164	3	3,173
Foreign government bonds	4,457	228	38	4,647
Corporate securities	62,066	1,205	1,374	61,897
Mortgage-backed securities	6,512	188	14	6,686
Total fixed maturities available for sale	$83,115	$2,143	$1,431	$83,827
Equity securities available for sale	$ 2,266	$ 239	$ 188	$ 2,317

<CAPTION>

	2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Millions)			
<S>	<C>	<C>	<C>	<C>
Fixed maturities held to maturity				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 7	$ --	$ --	$ 7
Obligations of U.S. states and their political subdivisions	40	1	1	40
Foreign government bonds	193	13	--	206
Corporate securities	12,208	343	189	12,362
Total fixed maturities held to maturity	$12,448	$ 357	$ 190	$12,615

</TABLE>

5. INVESTMENTS (continued)

<TABLE>
<CAPTION>

	1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Millions)			
<S>	<C>	<C>	<C>	<C>
Fixed maturities available for sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 5,594	$ 36	$ 236	$ 5,394
Obligations of U.S. states and their political subdivisions	2,437	41	118	2,360
Foreign government bonds	4,590	140	90	4,640
Corporate securities	62,061	580	2,432	60,209
Mortgage-backed securities	6,566	96	135	6,527
Total fixed maturities available for sale	$81,248	$ 893	$ 3,011	$79,130
Equity securities available for sale	$ 2,531	$ 829	$ 96	$ 3,264

<CAPTION>

	1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In Millions)		
<S>	<C>	<C>	<C>	<C>
Fixed maturities held to maturity				
U.S. Treasury securities and obligations of U.S. government corporations and agencies.....	$ 5	$ --	$ --	$ 5
Obligations of U.S. states and their political subdivisions.....	81	1	3	79
Foreign government bonds.....	214	11	1	224
Corporate securities.....	13,937	280	413	13,804
Total fixed maturities held to maturity.....	$14,237	$ 292	$ 417	$14,112

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

<CAPTION>

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In Millions)		(In Millions)	
<S>	<C>	<C>	<C>	<C>
Due in one year or less.....	$ 9,169	$ 9,191	$ 713	$ 717
Due after one year through five years.....	18,412	18,492	3,477	3,490
Due after five years through ten years.....	19,396	19,441	4,804	4,846
Due after ten years.....	29,626	30,017	3,454	3,562
Mortgage-backed securities.....	6,512	6,686	--	--
Total.....	$83,115	$83,827	$12,448	$12,615

</TABLE>

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

Proceeds from the repayment of held to maturity fixed maturities during 2000, 1999 and 1998 were $3,266 million, $4,957 million, and $4,466 million, respectively. Gross gains of $8 million, $73 million, and $135 million, and gross losses of $0 million, $0 million, and $2 million were realized on prepayment of held to maturity fixed maturities during 2000, 1999 and 1998, respectively.

Proceeds from the sale of available for sale fixed maturities during 2000, 1999 and 1998 were $93,653 million, $117,685 million and $119,524 million, respectively. Proceeds from the maturity of available for sale

5. INVESTMENTS (continued)

fixed maturities during 2000, 1999 and 1998 were $6,318 million, $5,105 million and $6,170 million, respectively. Gross gains of $909 million, $884 million and $1,765 million, and gross losses of $1,408 million, $1,231 million and $443 million were realized on sales and prepayments of available for sale fixed maturities during 2000, 1999 and 1998, respectively.

Write-downs for impairments which were deemed to be other than temporary for fixed maturities were $540 million, $266 million and $96 million, and for equity securities were $34 million, $205 million and $95 million for the years 2000, 1999 and 1998, respectively.

During the years ended December 31, 2000, 1999 and 1998, certain securities classified as held to maturity were either sold or transferred to the available for sale portfolio. These actions were taken as a result of a significant deterioration in creditworthiness. The aggregate amortized cost of the securities sold or transferred was $133 million in 2000, $230 million in

1999 and $73 million in 1998. Gross unrealized investment losses of $4 million in 2000, $5 million in 1999 and $.4 million in 1998 were recorded in "Accumulated other comprehensive income (loss)" at the time of the transfer. Realized gains on securities sold were $0 million, $3 million and $0 million in 2000, 1999 and 1998, respectively.

Mortgage Loans on Real Estate

The Company's mortgage loans were collateralized by the following property types at December 31,

<TABLE>
<CAPTION>

	2000		1999	
	Amount (In Millions)	% of Total	Amount (In Millions)	% of Total
<S>	<C>	<C>	<C>	<C>
Office buildings	$ 3,727	23.1%	$ 3,960	24.1%
Retail stores	2,465	15.3%	2,627	15.9%
Residential properties	713	4.4%	662	4.0%
Apartment complexes	4,455	27.6%	4,508	27.3%
Industrial buildings	2,331	14.4%	2,161	13.1%
Agricultural properties	1,856	11.5%	1,959	11.9%
Other	597	3.7%	612	3.7%
Subtotal	16,144	100.0%	16,489	100.0%
Allowance for losses	(225)		(221)	
Net carrying value	$15,919		$16,268	

</TABLE>

The mortgage loans are geographically dispersed throughout the United States and Canada with the largest concentrations in California (24.0%) and New York (10.7%) at December 31, 2000.

Activity in the allowance for losses for all mortgage loans, for the years ended December 31, is summarized as follows:

<TABLE>
<CAPTION>

	2000	1999	1998
	(In Millions)		
<S>	<C>	<C>	<C>
Allowance for losses, beginning of year	$221	$ 427	$450
Increase (decrease) in allowance for losses	17	(201)	--
Charge-offs, net of recoveries	(13)	(5)	(23)
Allowance for losses, end of year	$225	$ 221	$427

</TABLE>

5. INVESTMENTS (continued)

Impaired mortgage loans identified in management's specific review of probable loan losses and the related allowance for losses at December 31, are as follows:

<TABLE>
<CAPTION>

	2000	1999
	(In Millions)	
<S>	<C>	<C>
Impaired mortgage loans with allowance for losses	$192	$411
Impaired mortgage loans with no allowance for losses	247	283
Allowance for losses, end of year	(35)	(24)
Net carrying value of impaired mortgage loans	$404	$670

</TABLE>

Impaired mortgage loans with no allowance for losses are loans in which the

fair value of the collateral or the net present value of the loans' expected future cash flows equals or exceeds the recorded investment. The average recorded investment in impaired loans before allowance for losses was $565 million, $884 million and $1,329 million during 2000, 1999 and 1998, respectively. Net investment income recognized on these loans totaled $37 million, $55 million and $94 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Restricted Assets and Special Deposits

Assets of $2,538 million and $4,463 million at December 31, 2000 and 1999, respectively, were on deposit with governmental authorities or trustees as required by certain insurance laws. Additionally, assets valued at $1,227 million and $2,342 million at December 31, 2000 and 1999, respectively, were held in voluntary trusts. Of these amounts, $470 million and $1,553 million at December 31, 2000 and 1999, respectively, related to the multi-state policyholder settlement described in Note 17. The remainder relates to trusts established to fund guaranteed dividends to certain policyholders and to fund certain employee benefits. Assets valued at $48 million and $128 million at December 31, 2000 and 1999, respectively, were pledged as collateral for bank loans and other financing agreements. Letter stock or other securities restricted as to sale amounted to $779 million in 2000 and $673 million in 1999. Restricted cash and securities of $2,196 million and $4,082 million at December 31, 2000 and 1999, respectively, were included in the Consolidated Statements of Financial Position in "Other assets." The restricted cash represents funds deposited by clients and funds accruing to clients as a result of trades or contracts.

Other Long-Term Investments

The Company's "Other long-term investments" include investments in joint ventures and limited partnerships of $2,391 million and $1,947 million as of December 31, 2000 and 1999, respectively. These investments include $1,363 million and $1,002 million in real estate related interests and $1,028 million and $945 million in non-real estate related interests. The Company's share of net income from such entities was $187 million, $217 million and $223 million for 2000, 1999 and 1998, respectively, and is reported in "Net investment income."

5. INVESTMENTS (continued)

Summarized combined financial information for joint ventures and limited partnership interests accounted for under the equity method, in which the Company has an investment of $10 million or greater and an equity interest of 10% or greater, is as follows:

<TABLE>
<CAPTION>

	As of December 31,	
	2000	1999
	(In Millions)	
<S>	<C>	<C>
STATEMENTS OF FINANCIAL POSITION		
Investments in real estate	$ 638	$1,253
Investments in securities	1,427	1,398
Cash and cash equivalents	99	98
Other assets	43	75
Total assets	$2,207	$2,824
Borrowed funds-third party	$ 90	$ 81
Other liabilities	142	87
Total liabilities	232	168
Partners' capital	1,975	2,656
Total liabilities and partners' capital	$2,207	$2,824
Equity in partners' capital included above	$ 467	$ 657
Equity in limited partnership interests not included above	1,924	1,290
Carrying value	$2,391	$1,947

</TABLE>

<TABLE>
<CAPTION>

	For the years ended December 31,		
	2000	1999	1998
	(In Millions)		
<S>	<C>	<C>	<C>
STATEMENTS OF OPERATIONS			
Income of real estate joint ventures	$112	$ 108	$ 110
Income of other limited partnership interests	149	514	366
Interest expense-third party	(4)	(4)	(1)
Other expenses	(29)	(105)	(209)
Net earnings	$228	$ 513	$ 266
Equity in net earnings included above	$ 70	$ 125	$ 59
Equity in net earnings of limited partnership interests not included above	117	92	164
Total equity in net earnings	$187	$ 217	$ 223

</TABLE>

"Other long-term investments" also includes investments in the Company's separate accounts of $1,077 million and $1,040 million, investment real estate of $239 million and $322 million which is held through direct ownership and other miscellaneous investments of $752 million and $1,548 million at December 31, 2000 and 1999, respectively. Of the Company's real estate, $181 million and $293 million consists of commercial and agricultural assets held for disposal at December 31, 2000 and 1999, respectively. Impairment losses were $0 million, $3 million and $8 million for the years ended December 31, 2000, 1999 and 1998, respectively, and are included in "Realized investment gains (losses), net."

5. INVESTMENTS (continued)

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 Millions)		
<S>	<C>	<C>	<C>
Fixed maturities--available for sale	$ 5,938	$ 5,602	$ 5,464
Fixed maturities--held to maturity	1,028	1,217	1,406
Trading account assets	734	622	677
Equity securities--available for sale	67	63	54
Mortgage loans on real estate	1,370	1,401	1,525
Policy loans	478	448	410
Securities purchased under agreements to resell	28	25	18
Broker-dealer related receivables	1,222	976	836
Short-term investments	683	490	627
Other investment income	479	455	660
Gross investment income	12,027	11,299	11,677
Less investment expenses	(2,530)	(1,881)	(2,116)
Subtotal	9,497	9,418	9,561
Less amount relating to discontinued operations	--	(51)	(107)
Net investment income	$ 9,497	$ 9,367	$ 9,454

Realized investment gains (losses), net, for the years ended December 31, were from the following sources:

<CAPTION>

	2000	1999	1998
	(In Millions)		

Fixed maturities	$(1,066)	$ (557)	$ 1,381
Equity securities--available for sale	450	223	427
Mortgage loans on real estate	(5)	209	22
Investment real estate	49	106	642
Joint ventures and limited partnerships	124	656	454
Derivatives	165	305	(263)
Other	(5)	(27)	8
Subtotal	(288)	915	2,671
Less amount related to discontinued operations	--	9	(30)
Realized investment gains (losses), net	$ (288)	$ 924	$ 2,641

</TABLE>

The "joint ventures and limited partnerships" category includes net realized investment gains relating to real estate joint ventures' and partnerships' sales of their underlying invested assets, as described more fully in Note 2, "Other long-term investments," amounting to $91 million, $114 million and $177 million in 2000, 1999 and 1998, respectively.

Based on the carrying value, assets categorized as "non-income producing" for the year ended December 31, 2000 included in fixed maturities, equity securities, mortgage loans on real estate and other long-term investments totaled $25 million, $8 million, $21 million and $16 million, respectively.

5. INVESTMENTS (continued)

Net Unrealized Investment Gains (Losses)

Net unrealized investment gains and losses on securities available for sale and certain other long-term investments are included in the Consolidated Statements of Financial Position as a component of "Accumulated other comprehensive income (loss)." Changes in these amounts include reclassification adjustments to exclude from "Other comprehensive income (loss)" those items that are included as part of "Net income" for a period that had been part of "Other comprehensive income (loss)" in earlier periods. The amounts for the years ended December 31, are as follows:

<TABLE>
<CAPTION>

	Impact of unrealized investment gains (losses) on:				
	Unrealized gains (losses) on investments	Deferred policy acquisition costs	Future policy benefits	Deferred income tax (liability) benefit	Accumulated other comprehensive income (loss) related to net unrealized investment gains (losses
	(In Millions)				
Balance, December 31, 1997	$ 4,208	$ (349)	$ (1,144)	$ (963)	$ 1,752
Net investment gains (losses) on investments arising during the period	804	--	--	(282)	522
Reclassification adjustment for (gains) losses included in net income	(1,675)	--	--	588	(1,087)
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs	--	89	--	(34)	55
Impact of net unrealized investment (gains) losses on future policy benefits	--	--	49	(19)	30
Balance, December 31, 1998	3,337	(260)	(1,095)	(710)	1,272
Net investment gains					

(losses) on investments arising during the period	(5,089)	--	--	1,845	(3,244)
Reclassification adjustment for (gains) losses included in net income	404	--	--	(146)	258
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs	--	566	--	(213)	353
Impact of net unrealized investment (gains) losses on future policy benefits	--	--	1,092	(391)	701
Balance, December 31, 1999	(1,348)	306	(3)	385	(660)
Net investment gains (losses) on investments arising during the period	1,458	--	--	(540)	918
Reclassification adjustment for (gains) losses included in net income	621	--	--	(230)	391
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs	--	(356)	--	132	(224)
Impact of net unrealized investment (gains) losses on future policy benefits	--	--	(101)	35	(66)
Balance, December 31, 2000	$ 731	$ (50)	$ (104)	$ (218)	$ 359

5. INVESTMENTS (continued)

The table below presents unrealized gains (losses) on investments by asset class:

	As of December 31,		
	2000	1999	1998
	(In Millions)		
Fixed maturities	$712	$ (2,118)	$3,161
Equity securities	51	733	176
Other long-term investments	(32)	37	--
Unrealized gains (losses) on investments	$731	$(1,348)	$3,337

Securities Pledged to Creditors

The Company pledges investment securities it owns to unaffiliated parties through certain transactions including securities lending, securities sold under agreement to repurchase, and futures contracts. At December 31, 2000, the carrying value of investments pledged to third parties as reported in the Consolidated Statements of Financial Position included the following:

	(In Millions)
Fixed maturities available for sale	$20,080
Trading account assets	5,796
Separate account assets	2,558

Total securities pledged	$28,434

In the normal course of its business activities, the Company accepts collateral that can be sold or repledged. The primary sources of this collateral are securities in customer accounts, securities purchased under agreements to resell and securities borrowed transactions. At December 31, 2000, the fair value of this collateral was approximately $19 billion of which $13 billion had either been sold or repledged.

6. DEFERRED POLICY ACQUISITION COSTS

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

	2000	1999	1998
	(In Millions)		
Balance, beginning of year	$ 7,324	$ 6,462	$ 6,083
Capitalization of commissions, sales and issue expenses	1,324	1,333	1,313
Amortization	(1,096)	(1,155)	(1,139)
Change in unrealized investment gains and losses	(356)	566	89
Foreign currency translation	(154)	118	116
Acquisition of subsidiary	21	--	--
Balance, end of year	$ 7,063	$ 7,324	$ 6,462

7. POLICYHOLDERS' LIABILITIES

Future policy benefits at December 31, are as follows:

	2000	1999
	(In Millions)	
Life insurance	$53,453	$51,512
Annuities	13,398	13,502
Other contract liabilities	2,437	2,264
Total future policy benefits	$69,288	$67,278

7. POLICYHOLDERS' LIABILITIES (continued)

The Company's participating insurance is included within the Traditional Participating Products segment. Participating insurance represented 40% and 43% of domestic individual life insurance in force at December 31, 2000 and 1999, respectively, and 95%, 94% and 93% of domestic individual life insurance premiums for 2000, 1999 and 1998, respectively.

Life insurance liabilities include reserves for death and endowment policy benefits, terminal dividends and certain health benefits. Annuity liabilities include reserves for life contingent immediate annuities and life contingent group annuities. Other contract liabilities primarily consist of unearned premium and benefit reserves for group health products.

The following table highlights the key assumptions generally utilized in calculating these reserves:

Product	Mortality	Interest Rate	Estimation Method
Life insurance	Generally, rates guaranteed in calculating	2.5% to 12.0%	Net level premium based on non- forfeiture

	cash surrender values		interest rate
Individual annuities....	Generally, 1971 and 1983 Individual Annuity Mortality Tables with certain modifications	3.5% to 13.4%	Present value of expected future payments based on historical experience
Group annuities.....	1950 and 1971 Group Annuity Mortality Tables with certain modifications	4.0% to 17.3%	Present value of expected future payments based on historical experience
Other contract liabilities.....		2.5% to 11.5%	Present value of expected future payments based on historical experience

</TABLE>

Premium deficiency reserves are established, if necessary, when the liability for future policy benefits plus the present value of expected future gross premiums are determined to be insufficient to provide for expected future policy benefits and expenses and to recover any unamortized policy acquisition costs. Premium deficiency reserves have been recorded for the group single premium annuity business, which consists of limited-payment, long duration traditional and non-participating annuities; structured settlements and single premium immediate annuities with life contingencies; and for certain individual health policies. Liabilities of $2,002 million and $1,930 million are included in "Future policy benefits" with respect to these deficiencies at December 31, 2000 and 1999, respectively.

Policyholders' account balances at December 31, are as follows:

<TABLE>
<CAPTION>

	2000	1999
	(In Millions)	
<S>	<C>	<C>
Individual annuities.....	$ 5,097	$ 5,248
Group annuities.....	2,022	2,176
Guaranteed investment contracts and guaranteed interest accounts.....	12,852	13,429
Interest-sensitive life contracts.....	3,809	3,609
Dividend accumulations and other.....	8,942	8,318
Policyholders' account balances.....	$32,722	$32,780

</TABLE>

Policyholders' account balances for interest-sensitive life and investment-type contracts represent an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges.

7. POLICYHOLDERS' LIABILITIES (continued)

Certain contract provisions that determine the policyholder account balances are as follows:

<TABLE>
<CAPTION>

Product	Interest Rate	Withdrawal/Surrender Charges
<S>	<C>	<C>
Individual annuities.....	3.0% to 16.0%	0% to 7% for up to 9 years
Group annuities.....	2.0% to 14.0%	Contractually limited or subject to market value adjustment
Guaranteed investment contracts and guaranteed interest accounts.....	2.0% to 15.4%	Generally, subject to market value withdrawal provisions for any funds withdrawn other than for benefit responsive and contractual payments
Interest-sensitive life contracts.....	2.0% to 10.8%	Various up to 10 years
Dividend accumulations and other.....	2.5% to 11.5%	Withdrawal or surrender contractually limited or subject to market value adjustment

</TABLE>

Unpaid claims and claim adjustment expenses. The following table provides a reconciliation of the activity in the liability for unpaid claims and claim adjustment expenses for property and casualty insurance, which includes the Company's Property and Casualty Insurance segment, as well as the Company's wind-down commercial lines business, primarily environmental and asbestos-related claims, and accident and health insurance at December 31:

<TABLE>
<CAPTION>

	2000		1999		1998	
	Accident and Health	Property and Casualty	Accident and Health	Property and Casualty	Accident and Health	Property and Casualty
	(In Millions)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1....	$420	$2,409	$1,090	$2,716	$1,857	$2,956
Less reinsurance recoverables, net.....	378	451	52	533	810	535
Net balance at January 1.....	42	1,958	1,038	2,183	1,047	2,421
Incurred related to:						
Current year.....	410	1,271	4,110	1,249	6,132	1,314
Prior years.....	(21)	(150)	(72)	(54)	(15)	(154)
Total incurred.....	389	1,121	4,038	1,195	6,117	1,160
Paid related to:						
Current year.....	380	842	3,397	700	5,287	717
Prior years.....	25	634	672	720	839	681
Total paid.....	405	1,476	4,069	1,420	6,126	1,398
Acquisitions (dispositions) (a).....	--	(363)	(965)	--	--	--
Net balance at December 31.....	26	1,240	42	1,958	1,038	2,183
Plus reinsurance recoverables, net.....	246	608	378	451	52	533
Balance at December 31..	$272	$1,848	$420	$2,409	$1,090	$2,716

</TABLE>

- --------

(a) The reduction in the 2000 Property and Casualty balance is primarily attributable to the sale of Gibraltar Casualty Company; the 1999 Accident and Health reduction relates to the sale of Prudential's healthcare business.

The Accident and Health reinsurance recoverable balance at December 31, 2000 and 1999 includes $239 million and $371 million, respectively, attributable to the Company's discontinued healthcare business. The Accident and Health balance at December 31 and January 1, 1998 includes amounts attributable to the Company's discontinued healthcare business of $1,026 million and $1,693 million, respectively.

The unpaid claims and claim adjustment expenses presented above include estimates for liabilities associated with reported claims and for incurred but not reported claims based, in part, on the Company's experience. Changes in the estimated cost to settle unpaid claims are charged or credited to the Consolidated Statement of Operations periodically as the estimates are revised. Accident and Health unpaid claims liabilities are discounted using interest rates ranging from 3.5% to 7.5%.

7. POLICYHOLDERS' LIABILITIES (continued)

In 2000, 1999 and 1998, the amounts incurred for claims and claim adjustment expenses for property and casualty related to prior years were primarily driven by lower than anticipated losses for the auto line of business.

The amounts incurred for claims and claim adjustment expense for Accident and Health related to prior years are primarily due to favorable changes in claim cost trends.

8. REINSURANCE

The Company participates in reinsurance in order to provide additional capacity for future growth and limit the maximum net loss potential arising from large risks. Life reinsurance is accomplished through various plans of reinsurance, primarily yearly renewable term and coinsurance. Property and casualty reinsurance is placed on a pro-rata basis and excess of loss, including stop loss, basis. Reinsurance ceded arrangements do not discharge the Company 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. Reinsurance premiums, commissions, expense reimbursements, benefits and reserves related to reinsured long-duration contracts are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. The cost of reinsurance related to short-duration contracts is accounted for over the reinsurance contract period. Amounts recoverable from reinsurers, for both short and long-duration reinsurance arrangements, are estimated in a manner consistent with the claim liabilities and policy benefits associated with the reinsured policies.

The tables presented below exclude amounts pertaining to the Company's discontinued healthcare operations. See Note 3 for a discussion of the Company's coinsurance agreement with Aetna.

Reinsurance amounts included in the Consolidated Statements of Operations for the years ended December 31, were as follows:

<TABLE>
<CAPTION>

	2000	1999	1998
	(In Millions)		
<S>	<C>	<C>	<C>
Direct premiums	$10,726	$10,121	$9,661
Reinsurance assumed	86	66	65
Reinsurance ceded	(591)	(659)	(678)
Premiums	$10,221	$ 9,528	$9,048
Policyholders' benefits ceded	$ 642	$ 483	$ 510

</TABLE>

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

<TABLE>
<CAPTION>

	2000	1999
	(In Millions)	
<S>	<C>	<C>
Life insurance	$ 674	$ 576
Property and casualty	628	473
Other reinsurance	76	90
	$1,378	$1,139

</TABLE>

Three major reinsurance companies account for approximately 57% of the reinsurance recoverable at December 31, 2000. The Company periodically reviews the financial condition of its reinsurers and amounts recoverable therefrom in order to minimize its exposure to loss from reinsurer insolvencies, recording an allowance when necessary for uncollectible reinsurance.

9. SHORT-TERM AND LONG-TERM DEBT

Debt consists of the following at December 31:

Short-term debt

<TABLE>
<CAPTION>

	2000	1999

	(In Millions)	
<S>	<C>	<C>
Commercial paper (a)	$ 7,686	$ 7,506
Notes payable	2,728	2,598
Current portion of long-term debt	717	754
Total short-term debt	$11,131	$10,858

</TABLE>

The weighted average interest rate on outstanding short-term debt was approximately 6.4% and 5.2% at December 31, 2000 and 1999, respectively.

Long-term debt

<TABLE>
<CAPTION>

Description	Maturity Dates	Rate	2000	1999
			(In Millions)	
<S>	<C>	<C>	<C>	<C>
Fixed rate notes	2001-2023	5.89%-12.28%	$ 758	$1,161
Floating rate notes ("FRN")	2001-2003	(b)	756	865
Surplus notes	2003-2025	6.875%-8.30%	988	987
Commercial paper backed by long-term credit agreements (a)			--	2,500
Total long-term debt			$2,502	$5,513

</TABLE>

- --------

(a) At December 31, 1999, the Company classified $2.5 billion of its commercial paper as long-term debt. This classification was supported by long-term syndicated credit line agreements. The Company had the ability and intent to use those agreements, as necessary, to refinance debt on a long-term basis. As of December 31, 2000, the Company continues to have that ability, but no longer has the intention to use those agreements in the ordinary course of business.

(b) Floating interest rates are generally based on rates such as LIBOR, Constant Maturity Treasury and the Federal Funds Rate. Interest on the FRNs ranged from 0.10% to 7.08% for 2000 and from 6.17% to 14.00% for 1999. Included in the FRNs is an S&P 500 index linked note of $29 million with an interest rate based on the appreciation of the S&P 500 index, with a contractual cap of 14%. At December 31, 2000 and 1999, the rate was 0.10% and 14%, respectively. Excluding this note, floating interest rates ranged from 5.99% to 7.08% for 2000 and 6.17% to 7.56% for 1999.

Several long-term debt agreements have restrictive covenants related to the total amount of debt, net tangible assets and other matters. At December 31, 2000 and 1999, the Company was in compliance with all debt covenants.

Payment of interest and principal on the surplus notes issued after 1993, of which $689 million and $688 million were outstanding at December 31, 2000 and 1999 respectively, may be made only with the prior approval of the Commissioner of Insurance of the State of New Jersey ("the Commissioner"). The Commissioner could prohibit the payment of the interest and principal on the surplus notes if certain statutory capital requirements are not met. As of December 31, 2000 the Company has met these statutory capital requirements.

In order to modify exposure to interest rate and currency exchange rate movements, the Company utilizes derivative instruments, primarily interest rate swaps, in conjunction with some of its debt issues. The effect of these derivative instruments is included in the calculation of the interest expense on the associated debt, and as a result, the effective interest rates on the debt may differ from the rates reflected in the tables above. Floating rates are determined by formulas and may be subject to certain minimum or maximum rates.

<TABLE>
<CAPTION>

	(In Millions)
<S>	<C>
Scheduled principal repayment of long-term debt	
2002	$ 756
2003	650
2004	55
2005	58
2006 and thereafter	983
Total	$2,502

</TABLE>

9. SHORT-TERM AND LONG-TERM DEBT (continued)

At December 31, 2000, the Company had $4,332 million in lines of credit from numerous financial institutions, all of which were unused. These lines of credit generally have terms ranging from one to five years.

The Company issues commercial paper primarily to manage operating cash flows and existing commitments, meet working capital needs and take advantage of current investment opportunities. A portion of commercial paper borrowings are supported by $3,500 million of the Company's existing lines of credit. At December 31, 2000 and 1999, the weighted average maturity of commercial paper outstanding was 25 and 23 days, respectively.

Interest expense for short-term and long-term debt was $1,056 million, $863 million and $917 million, for the years ended December 31, 2000, 1999 and 1998, respectively. Securities business related interest expense of $456 million, $312 million and $369 million in 2000, 1999 and 1998, respectively, is included in "Net investment income."

10. EMPLOYEE BENEFIT PLANS

Pension and Other Postretirement Plans

The Company has funded non-contributory defined benefit pension plans which cover substantially all of its employees. The Company also has several non-funded non-contributory defined benefit plans covering certain executives. Benefits are generally based on career average earnings and credited length of service. The Company's funding policy is to contribute annually an amount necessary to satisfy the Internal Revenue Code contribution guidelines.

The Company provides certain life insurance and healthcare benefits ("Other postretirement benefits") for its retired employees, their beneficiaries and covered dependents. The healthcare plan is contributory; the life insurance plan is non-contributory.

Substantially all of the Company's employees may become eligible to receive benefits if they retire after age 55 with at least 10 years of service or under certain circumstances after age 50 with at least 20 years of continuous service. These benefits are funded as considered necessary by Company management.

The Company has elected to amortize its transition obligation for other postretirement benefits over 20 years.

10. EMPLOYEE BENEFIT PLANS (continued)

Prepaid and accrued benefits costs are included in "Other assets" and "Other liabilities," respectively, in the Company's Consolidated Statements of Financial Position. The status of these plans as of September 30, adjusted for fourth-quarter activity, is summarized below:

<TABLE>
<CAPTION>

	Pension Benefits		Other Postretirement Benefits	
	2000	1999	2000	1999
	(In Millions)			
<S>	<C>	<C>	<C>	<C>
Change in benefit obligation:				
Benefit obligation at the beginning of period	$(5,430)	$(6,309)	$ (1,941)	$ (2,213)
Service cost	(140)	(193)	(29)	(39)
Interest cost	(427)	(410)	(151)	(141)
Plan participants' contributions	--	--	(7)	(6)
Amendments	112	(2)	221	(2)
Actuarial gains (losses)	34	974	(262)	312
Contractual termination benefits	(17)	(53)	--	--
Special termination benefits	--	(51)	--	(2)

Curtailment	--	206	--	43
Benefits paid	407	408	172	108
Foreign currency changes	--	--	1	(1)
Benefit obligation at end of period	$(5,461)	$(5,430)	$ (1,996)	$ (1,941)
Change in plan assets:				
Fair value of plan assets at beginning of period	$ 9,468	$ 8,427	$ 1,548	$ 1,422
Actual return on plan assets	1,270	1,442	170	213
Transfer to third party	--	(14)	--	--
Employer contributions	25	21	7	15
Plan participants' contributions	--	--	7	6
Benefits paid	(407)	(408)	(172)	(108)
Fair value of plan assets at end of period	$10,356	$ 9,468	$ 1,560	$ 1,548
Funded status:				
Funded status at end of period	$ 4,895	$ 4,038	$ (436)	$ (393)
Unrecognized transition (asset) liability	(342)	(448)	207	462
Unrecognized prior service costs	65	225	1	2
Unrecognized actuarial net (gain)	(2,956)	(2,514)	(498)	(746)
Effects of fourth quarter activity	9	(3)	2	--
Net amount recognized	$ 1,671	$ 1,298	$ (724)	$ (675)
Amounts recognized in the Statements of Financial Position consist of:				
Prepaid benefit cost	$ 2,022	$ 1,601	$ --	$ --
Accrued benefit liability	(382)	(316)	(724)	(675)
Intangible asset	7	6	--	--
Accumulated other comprehensive income	24	7	--	--
Net amount recognized	$ 1,671	$ 1,298	$ (724)	$ (675)

</TABLE>

The projected benefit obligations, accumulated benefit obligations and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $464 million, $384 million and $1 million, respectively, as of September 30, 2000 and $401 million, $309 million and $0 million, respectively, as of September 30, 1999.

Pension plan assets consist primarily of equity securities, bonds, real estate and short-term investments, of which $7,381 million and $6,534 million are included in Separate Account assets and liabilities at September 30, 2000 and 1999, respectively.

10. EMPLOYEE BENEFIT PLANS (continued)

The benefit obligation for pensions decreased by a net $112 million in the year 2000 for the effect of a Cost of Living Adjustment ("COLA") and the introduction of the cash balance formula of ($134) million and $246 million, respectively. The COLA was effective as of July 1, 2000 and increased benefits, subject to a maximum, to retirees based upon their year of retirement. The introduction of the cash balance formula was a feature of the substantive plan as of the measurement date and is effective January 1, 2001 for new employees and January 1, 2002 for existing employees.

Other postretirement plan assets consist of group and individual life insurance policies, group life and health contracts, common stocks, corporate debt securities, U.S. government securities and short-term investments. During 1999, the assets of group life and health contracts were transferred into common stocks, debt securities and short-term investments. Plan assets include $463 million and $434 million of Company insurance policies and contracts at September 30, 2000 and 1999, respectively.

The benefit obligation for other postretirement benefits decreased by $221

million in the year 2000 for changes in the substantive plan made to medical, dental and life benefits for individuals retiring on or after January 1, 2001. The significant cost reduction features relate to the medical and life benefits. The Company adopted a cap that limits its long-term cost commitment to retiree medical coverage. The cap is defined as two times the estimated Company contribution toward the cost of coverage per retiree in 2000. The new life insurance plan provides a reduced benefit of $10,000 of life insurance to retirees.

The pension benefits were amended during the time period presented to provide contractual termination benefits to certain plan participants whose employment had been terminated. Costs related to these amendments are reflected in contractual termination benefits in the table below.

Net periodic benefit cost included in "General and administrative expenses" in the Company's Consolidated Statements of Operations for the years ended December 31, includes the following components:

<TABLE>
<CAPTION>

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
			(In Millions)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Components of net periodic benefits costs:						
Service cost	$ 140	$ 193	$ 159	$ 29	$ 39	$ 35
Interest cost	427	410	397	150	141	142
Expected return on plan assets	(799)	(724)	(674)	(133)	(121)	(119)
Amortization of transition amount	(106)	(106)	(106)	36	47	47
Amortization of prior service cost	47	45	45	--	--	--
Amortization of actuarial net (gain) loss	(77)	4	1	(24)	(10)	(13)
Special termination benefits	--	51	--	--	2	--
Curtailment (gain) loss	--	(122)	5	--	108	--
Contractual termination benefits	6	48	14	--	--	--
Subtotal	(362)	(201)	(159)	58	206	92
Less amounts related to discontinued operations	--	84	25	--	(130)	(34)
Net periodic (benefit) cost	$(362)	$(117)	$(134)	$ 58	$ 76	$ 58

</TABLE>

Discontinued operations amounts for 1998 were included in loss from healthcare operations. The 1999 amounts were included in loss on disposal of healthcare operations. See Note 3 for a discussion of the disposal of the Company's healthcare business. Discontinued operations for pension benefits in 1999 includes $122 million of curtailment gains and $51 million of special termination benefit costs. Discontinued operations for postretirement benefits in 1999 includes $108 million of curtailment losses and $2 million of special termination benefit costs.

10. EMPLOYEE BENEFIT PLANS (continued)

The assumptions at September 30, used by the Company to calculate the benefit obligations as of that date and to determine the benefit cost in the subsequent year are as follows:

<TABLE>
<CAPTION>

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Weighted-average						

assumptions:						
Discount rate (beginning of period).....	7.75%	6.50%	7.25%	7.75%	6.50%	7.25%
Discount rate (end of period).....	7.75%	7.75%	6.50%	7.75%	7.75%	6.50%
Rate of increase in compensation levels (beginning of period)..	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Rate of increase in compensation levels (end of period).....	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Expected return on plan assets.....	9.50%	9.50%	9.50%	9.00%	9.00%	9.00%
Health care cost trend rates.....	--	--	--	7.10-9.50%	7.50-10.30%	7.80-11.00%
Ultimate health care cost trend rate after gradual decrease until 2006.....	--	--	--	5.00%	5.00%	5.00%

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point increase and decrease in assumed health care cost trend rates would have the following effects:

	Other Postretirement Benefits
	2000
	(In Millions)
One percentage point increase	
Increase in total service and interest costs.....	$ 11
Increase in postretirement benefit obligation.....	140
One percentage point decrease	
Decrease in total service and interest costs.....	$ 10
Decrease in postretirement benefit obligation.....	123

Postemployment Benefits

The Company accrues postemployment benefits primarily for life and health benefits provided to former or inactive employees who are not retirees. The net accumulated liability for these benefits at December 31, 2000 and 1999 was $152 million and $157 million, respectively, and is included in "Other liabilities."

Other Employee Benefits

The Company sponsors voluntary savings plans for employees (401(k) plans). The plans provide for salary reduction contributions by employees and matching contributions by the Company of up to 3% of annual salary. The matching contributions by the Company included in "General and administrative expenses" are as follows:

	401(k) Company Match		
	2000	1999	1998
	(In Millions)		
Company match.....	$62	$60	$ 54
Less amounts related to discontinued operations..	--	(8)	(14)
401(k) Company match included in general and administrative expenses.....	$62	$52	$ 40

Discontinued operations amounts for 1998 were included in loss from healthcare operations. The 1999 amount was included in loss on disposal of healthcare operations.

11. INCOME TAXES

The components of income tax expense for the years ended December 31, were as follows:

	2000	1999	1998
	(In Millions)		
Current tax expense (benefit):			
U.S.	$362	$ 614	$ 883
State and local	31	84	54
Foreign	41	(8)	148
Total	434	690	1,085
Deferred tax expense (benefit):			
U.S.	(86)	206	(93)
State and local	(37)	44	(6)
Foreign	95	102	(16)
Total	(28)	352	(115)
Total income tax expense	$406	$1,042	$ 970

The Company's actual income tax expense for the years ended December 31, differs from the expected amount computed by applying the statutory federal income tax rate of 35% to income from continuing operations before income taxes for the following reasons:

	2000	1999	1998
	(In Millions)		
Expected federal income tax expense	$254	$ 789	$909
Equity tax	100	190	75
Non-deductible expenses	61	33	15
Non-taxable investment income	(42)	(78)	(62)
State and local income taxes	(4)	83	31
Other	37	25	2
Total income tax expense	$406	$1,042	$970

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

	2000	1999
	(In Millions)	
Deferred tax assets		
Insurance reserves	$1,371	$1,582
Net operating loss carryforwards	353	280
Policyholder dividends	297	277
Litigation related reserves	32	61
Other	121	32
Deferred tax assets before valuation allowance	2,174	2,232
Valuation allowance	(38)	(24)
Deferred tax assets after valuation allowance	2,136	2,208
Deferred tax liabilities		
Deferred policy acquisition cost	1,858	1,942
Net unrealized investment gains (losses)	273	(497)
Investments	129	307
Depreciation	71	59
Deferred tax liabilities	2,331	1,811
Net deferred tax asset (liability)	$ (195)	$ 397

11. INCOME TAXES (continued)

Management believes that based on its historical pattern of taxable income, the Company will produce sufficient income in the future to realize its deferred tax asset after valuation allowance. A valuation allowance has been recorded primarily related to tax benefits associated with foreign operations and state and local deferred tax assets. 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 had federal life net operating loss carryforwards of $848 million and $660 million, which expire in 2012. At December 31, 2000 and 1999, respectively, the Company had state operating loss carryforwards for tax purposes approximating $509 million and $570 million, which expire between 2001 and 2020.

Deferred taxes are not provided on the undistributed earnings of foreign subsidiaries (considered to be permanent investments), which at December 31, 2000 were $743 million. Determining the tax liability that would arise if these earnings were remitted is not practicable.

The Internal Revenue Service (the "Service") has completed all examinations of the consolidated federal income tax returns through 1992. The Service has examined the years 1993 through 1995. Discussions are being held with the Service with respect to proposed adjustments. Management, however, believes there are adequate defenses against, or sufficient reserves to provide for such adjustments. The Service has begun its examination of 1996.

12. STATUTORY NET INCOME AND SURPLUS

Accounting practices used to prepare statutory financial statements for regulatory purposes differ in certain instances from GAAP. The following tables reconcile 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 Millions)		
<S>	<C>	<C>	<C>
Statutory net income	$ 149	$ 333	$ 1,247
Adjustments to reconcile to net income on a GAAP basis:			
Insurance revenues and expenses	525	136	(117)
Income taxes	(47)	436	128
Valuation of investments	(135)	(27)	(143)
Realized investment gains (losses)	(494)	73	1,162
Litigation and other reserves	--	(102)	(1,150)
Discontinued operations and other, net	400	(36)	(21)
GAAP net income	$ 398	$ 813	$ 1,106

</TABLE>

<TABLE>
<CAPTION>

	2000	1999
	(In Millions)	
<S>	<C>	<C>
Statutory surplus	$ 8,640	$ 9,249
Adjustments to reconcile to equity on a GAAP basis:		
Deferred policy acquisition costs	6,989	7,295
Valuation of investments	4,968	2,909
Future policy benefits and policyholder account balances	(952)	(1,544)
Non-admitted assets	2,693	2,069
Income taxes	(136)	522
Surplus notes	(988)	(987)
Discontinued operations and other, net	(606)	(222)
GAAP equity	$ 20,608	$ 19,291

</TABLE>

The New York State Insurance 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 New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations.

12. STATUTORY NET INCOME AND SURPLUS (continued)

In March 1998, the National Association of Insurance Commissioners ("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, except the guidance related to pension and post-employment benefits which was adopted January 1, 2000. The Company has estimated the potential effect of the Codification guidance to have a favorable impact of at least $1 billion on the Company's surplus position, primarily as the result of the recognition of deferred tax assets.

13. OPERATING LEASES

The Company occupies leased office space in many locations under various long-term leases and has entered into numerous leases covering the long-term use of computers and other equipment. At December 31, 2000, future minimum lease payments under non-cancelable operating leases are as follows:

<TABLE>
<CAPTION>

<S>	(In Millions) <C>
2001	$ 319
2002	269
2003	227
2004	190
2005	178
Remaining years after 2005	897
Total	$ 2,080

</TABLE>

Rental expense incurred for the years ended December 31, 2000, 1999 and 1998 was $498 million, $456 million and $424 million, respectively, excluding expenses relating to the Company's healthcare business.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values presented below have been determined by using available market information and by applying valuation methodologies. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Estimated 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 values approximate estimated fair values).

Fixed maturities and Equity securities

Estimated fair values for fixed maturities and equity securities, other than private placement securities, are based on quoted market prices or estimates from independent pricing services. Generally, fair values for private placement fixed maturities 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 fair value of certain non-performing private placement fixed maturities is based on amounts estimated by management.

Mortgage loans on real estate

The estimated fair value of mortgage loans on real estate is primarily based upon the present value of the expected future cash flows discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for similar quality mortgages.

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.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Investment contracts

For guaranteed investment contracts, income annuities, and other similar contracts without life contingencies, estimated fair values are derived using discounted projected cash flows, based on interest rates being offered for similar contracts with maturities consistent with those of the contracts being valued. For individual deferred annuities and other deposit liabilities, fair value approximates carrying value.

Debt

The estimated fair value of short-term and long-term debt is derived by using discount rates based on the borrowing rates currently available to the Company for debt with similar terms and remaining maturities.

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 Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In Millions)			
<S>	<C>	<C>	<C>	<C>
FINANCIAL ASSETS:				
Other than trading:				
Fixed maturities:				
Available for sale	$83,827	$83,827	$79,130	$79,130
Held to maturity	12,448	12,615	14,237	14,112
Equity securities	2,317	2,317	3,264	3,264
Mortgage loans on real estate	15,919	15,308	16,268	15,826
Policy loans	8,046	8,659	7,590	7,462
Short-term investments	5,029	5,029	2,773	2,773
Mortgage securitization inventory	1,448	1,448	803	803
Cash and cash equivalents	7,676	7,676	6,427	6,427
Restricted cash and securities	2,196	2,196	4,082	4,082
Separate account assets	82,217	82,217	82,131	82,131
Trading:				
Trading account assets	$ 7,217	$ 7,217	$ 9,741	$ 9,741
Broker-dealer related receivables	11,860	11,860	11,346	11,346
Securities purchased under agreements to resell	5,395	5,395	13,944	13,944
Cash collateral for borrowed securities	3,858	3,858	7,124	7,124
FINANCIAL LIABILITIES:				
Other than trading:				
Investment contracts	$25,033	$25,359	$25,206	$25,394
Securities sold under agreements to repurchase	7,162	7,162	4,260	4,260
Cash collateral for loaned securities	4,762	4,762	2,582	2,582
Short-term and long-term debt	13,633	13,800	16,371	16,563
Securities sold but not yet purchased	157	157	--	--
Separate account liabilities	82,217	82,217	82,131	82,131
Trading:				
Broker-dealer related payables	$ 5,965	$ 5,965	$ 5,839	$ 5,839
Securities sold under agreements to repurchase	7,848	7,848	20,338	20,338
Cash collateral for loaned securities	6,291	6,291	8,193	8,193
Securities sold but not yet purchased	4,802	4,802	6,968	6,968

</TABLE>

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

A derivative is a financial instrument whose price, performance or cash flow is based upon the actual or expected price, level, performance, value or cash flow of some external benchmark, such as interest rates, foreign exchange rates, securities, commodities, or various financial indices. Derivative financial instruments can be exchange-traded or contracted in the over-the-counter market and include swaps, futures, forwards and options contracts.

15. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS (continued)

Interest Rate Swaps

The Company uses interest rate swaps to reduce market risk from changes in interest rates, to manage interest rate exposures arising from mismatches between assets and liabilities (including duration mismatches) and to hedge against changes in the value of assets it anticipates acquiring and other anticipated transactions and commitments. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party. Cash is paid or received based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by one counterparty at each due date. The fair value of swap agreements is estimated based on proprietary pricing models or market quotes.

If swap agreements meet the criteria for hedge accounting, net interest receipts or payments are accrued and recognized over the life of the swap agreements as an adjustment to interest income or expense of the hedged item. Any unrealized gains or losses are not recognized until the hedged item is sold or matures. Gains or losses on early termination of interest rate swaps are deferred and amortized over the remaining period originally covered by the swaps. If the criteria for hedge accounting are not met, the swap agreements are accounted for at fair value with changes in fair value reported in current period earnings.

Futures and Options

The Company uses exchange-traded Treasury futures and options to reduce market risks from changes in interest rates, to alter mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, and to hedge against changes in the value of securities it owns or anticipates acquiring or selling. 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 those futures and options is based on market quotes.

Treasury futures typically are used to hedge duration mismatches between assets and liabilities by replicating Treasury performance. 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.

When the Company anticipates a significant decline in the stock market that will correspondingly affect its diversified portfolio, it may purchase put index options where the basket of securities in the index is appropriate to provide a hedge against a decrease in the value of the Company's equity portfolio or a portion thereof. This strategy effects an orderly sale of hedged securities. When the Company has large cash flows which it has allocated for investment in equity securities, it may purchase call index options as a temporary hedge against an increase in the price of the securities it intends to purchase. This hedge is intended to permit such investment transactions to be executed with less adverse market impact.

If exchange-traded financial futures and options 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. Financial futures that do not qualify as hedges are carried at fair value with changes in value reported in current earnings. The gains and losses associated with anticipatory transactions are not material.

15. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS (continued)

Currency Derivatives

The Company uses currency derivatives, including exchange-traded currency futures and options, currency forwards and currency swaps, to reduce market risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Under exchange-traded currency futures and options, the Company agrees to purchase or sell a specified number of contracts 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 currency futures and options with regulated futures commissions merchants who are members of a trading exchange.

Under currency forwards, the Company agrees with other parties upon delivery of a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date.

Under currency swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by one counterparty for payments made in the same currency at each due date.

If currency derivatives are effective as hedges of foreign currency translation and transaction exposures, gains or losses are recorded in a manner similar to the hedged item. If currency derivatives do not meet hedge accounting criteria, gains or losses from those derivatives are recognized in "Realized investment gains (losses), net."

Forwards

The Company uses forwards to manage market risks relating to interest rates and commodities and trades in mortgage-backed securities forward contracts. The latter activity has been exited in connection with the restructuring of Prudential Securities Group's capital markets activities as discussed in Note 4. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date.

If the forwards qualify for hedge accounting treatment, gains or losses are recorded in a manner similar to the hedged items. If forwards do not meet hedge accounting criteria, gains or losses from those forwards are recognized in current period earnings.

15. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS (continued)

The tables below summarize the Company's outstanding positions by derivative instrument types as of December 31, 2000 and 1999. The amounts presented are classified as either trading or other than trading, based on management's intent at the time of contract inception and throughout the life of the contract. The table includes the estimated fair values of outstanding derivative positions only and does not include the changes in fair values of associated financial and non-financial assets and liabilities, which generally offset derivative notional amounts. The fair value amounts presented also do not reflect the netting of amounts pursuant to right of setoff, qualifying master netting agreements with counterparties or collateral arrangements.

Derivative Financial Instruments

December 31, 2000

<TABLE>
<CAPTION>

	Trading		Other than Trading				Total	
			Hedge Accounting		Non-Hedge Accounting			
	Notional	Estimated Fair Value	Notional	Estimated Fair Value	Notional	Estimated Fair Value	Notional	Estimated Fair Value
				(In Millions)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Swap Instruments								
Interest rate								
Asset	$ 9,693	$352	$--	$--	$1,908	$ 57	$11,601	$ 409
Liability	10,521	370	--	--	2,126	81	12,647	451
Currency								
Asset	7	--	--	--	383	31	390	31
Liability	30	34	--	--	302	20	332	54
Equity and commodity								
Asset	55	14	--	--	46	17	101	31
Liability	55	12	--	--	--	--	55	12
Forward contracts								
Interest rate								
Asset	3,469	33	--	--	--	--	3,469	33
Liability	3,319	33	--	--	--	--	3,319	33
Currency								
Asset	6,044	185	472	9	2,319	29	8,835	223
Liability	5,897	195	429	9	27	79	6,353	283
Equity and commodity								
Asset	2,091	75	--	--	--	--	2,091	75
Liability	1,923	75	--	--	--	--	1,923	75
Futures contracts								
Interest rate								
Asset	11,582	14	--	--	2,410	55	13,992	69
Liability	6,513	29	--	--	1,468	21	7,981	50
Equity and commodity								
Asset	782	27	--	--	--	--	782	27
Liability	1,324	36	--	--	--	--	1,324	36
Option contracts								
Interest rate								
Asset	4,141	48	--	--	--	--	4,141	48
Liability	4,273	29	--	--	--	--	4,273	29
Currency								
Asset	1,108	27	--	--	--	--	1,108	27
Liability	1,174	26	--	--	--	--	1,174	26
Equity and commodity								
Asset	175	3	--	--	--	--	175	3
Liability	126	1	--	--	--	--	126	1
Total Derivatives:								
Assets	$39,147	$778	$472	$ 9	$7,066	$189	$46,685	$ 976
Liabilities	$35,155	$840	$429	$ 9	$3,923	$201	$39,507	$1,050

</TABLE>

15. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS (continued)

Derivative Financial Instruments
December 31, 1999

<TABLE>
<CAPTION>

	Trading		Other than Trading				Total	
			Hedge Accounting		Non-Hedge Accounting			
	Notional	Estimated Fair Value	Notional	Estimated Fair Value	Notional	Estimated Fair Value	Notional	Estimated Fair Value
				(In Millions)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Swap Instruments								

Interest rate								
Asset	$ 7,116	$151	$ --	$--	$2,185	$146	$ 9,301	$297
Liability	6,490	137	--	--	1,261	32	7,751	169
Currency								
Asset	24	45	343	30	--	--	367	75
Liability	77	51	369	33	--	--	446	84
Equity and commodity								
Asset	8	9	--	--	47	13	55	22
Liability	8	5	--	--	--	--	8	5
Forward contracts								
Interest rate								
Asset	14,837	105	--	--	--	--	14,837	105
Liability	12,459	84	--	--	--	--	12,459	84
Currency								
Asset	11,181	275	54	2	1,182	16	12,417	293
Liability	10,377	247	841	16	1,347	21	12,565	284
Equity and commodity								
Asset	1,664	68	--	--	--	--	1,664	68
Liability	1,592	60	--	--	--	--	1,592	60
Futures contracts								
Interest rate								
Asset	2,374	2	--	--	800	14	3,174	16
Liability	3,017	3	--	--	3,696	44	6,713	47
Equity and commodity								
Asset	2,283	44	--	--	71	4	2,354	48
Liability	837	57	--	--	12	11	849	68
Option contracts								
Interest rate								
Asset	3,725	22	--	--	--	--	3,725	22
Liability	2,185	11	--	--	13	--	2,198	11
Currency								
Asset	613	5	--	--	10	--	623	5
Liability	4,439	5	--	--	10	--	4,449	5
Equity and commodity								
Asset	340	6	--	--	--	--	340	6
Liability	366	3	--	--	--	--	366	3
Total Derivatives:								
Assets	$44,165	$732	$ 397	$32	$4,295	$193	$48,857	$957
Liabilities	$41,847	$663	$1,210	$49	$6,339	$108	$49,396	$820

</TABLE>

15. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS (continued)

The following table discloses net trading revenues by derivative instrument types for the years ended December 31,

<TABLE>
<CAPTION>

	2000	1999	1998
	(In Millions)		
<S>	<C>	<C>	<C>
Swaps	$ (17)	$ 16	$ (13)
Forwards	51	53	67
Futures	(85)	80	(5)
Options	(1)	(14)	--
Net trading revenues	$ (52)	$ 135	$ 49

</TABLE>

Average fair values for trading derivatives in an asset position during the years ended December 31, 2000 and 1999 were $579 million and $789 million, respectively, and for derivatives in a liability position were $630 million and $766 million, respectively. The average fair values do not reflect the netting of amounts pursuant to the right of offset or qualifying master netting agreements. Of those derivatives held for trading purposes at December 31, 2000, 72% of the notional amount consisted of interest rate derivatives, 20% consisted of foreign currency derivatives and 8% consisted of equity and commodity derivatives. Of those derivatives held for purposes other than trading at December 31, 2000, 66% of notional consisted of interest rate derivatives, 33% consisted of foreign currency derivatives, and 1% consisted of equity and commodity derivatives.

Credit Risk

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. Generally, the current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date. The credit exposure of the Company's swaps transactions is represented by the fair value (market value) of contracts with a positive fair value (market value) at the reporting date. Because exchange-traded futures and options are effected through regulated exchanges, and positions are marked to market on a daily basis, the Company has little exposure to credit-related losses in the event of nonperformance by counterparties to such financial instruments. The credit exposure of exchange-traded instruments is represented by the negative change, if any, in the fair value (market value) of contracts from the fair value (market value) at the reporting date. The credit exposure of currency forwards is represented by the difference, if any, between the exchange rate specified in the contract and the exchange rate for the same currency at the reporting date.

The Company manages credit risk 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. At December 31, 2000 and 1999, approximately 96% and 81%, respectively, of the net credit exposure for the Company from derivative contracts was with investment-grade counterparties. In addition, the Company enters into over-the-counter swaps pursuant to master agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. Likewise, the Company effects exchange-traded futures and options through regulated exchanges and positions are marked to market on a daily basis. These additional controls further reduce the Company's credit risk to derivatives counterparties. Internal controls are in place to ensure that derivative transactions are conducted in accordance with Company policy and guidelines. Those controls include limits, segregation of function and periodic management review, including quarterly review of General Account exposures by the Investment Committee of the Board of Directors, as well as daily monitoring for compliance with authorization and operating guidelines.

Off-Balance-Sheet Credit-Related Instruments

During the normal course of its business, the Company utilizes financial instruments with off-balance-sheet credit risk such as commitments, financial guarantees, loans sold with recourse and letters of credit. Commitments include commitments to purchase and sell mortgage loans, the underfunded portion of commitments to fund investments in private placement securities and unused credit card and home equity lines.

15. DERIVATIVE AND OFF-BALANCE SHEET CREDIT-RELATED INSTRUMENTS (continued)

In connection with the Company's consumer banking business, loan commitment for credit cards and home equity lines of credit and other lines of credit include agreements to lend up to specified limits to customers. It is anticipated that commitment amounts will only be partially drawn down based on overall customer usage patterns, and, therefore, do not necessarily represent future cash requirements. The Company evaluates each credit decision on such commitments at least annually and has the ability to cancel or suspend such lines at its option. The total available lines of credit card, home equity and other commitments were $1.6 billion, of which $0.8 billion remains available at December 31, 2000.

Also, the Company enters into agreements with mortgage originators and others to provide financing on both a secured and an unsecured basis. Aggregate financing commitments on a secured basis, for periods of less than one year, approximate $3.3 billion, of which $1.8 billion remains available at December 31, 2000. Unsecured commitments approximate $0.1 billion, substantially all of which remains available at December 3l, 2000. This activity is being exited in conjunction with the restructuring of Prudential Securities capital markets activities, as discussed in Note 4.

Other commitments primarily include commitments to purchase and sell mortgage loans and the unfunded portion of commitments to fund investments in private placement securities. These mortgage loans and private commitments were $2.0 billion, of which $0.9 billion remain available at December 31, 2000. Additionally, mortgage loans sold with recourse were $0.1 billion at December 31, 2000.

The Company also provides financial guarantees incidental to other transactions and letters of credit that guarantee the performance of customers to third parties. These credit-related financial instruments have off-balance

sheet credit risk because only their origination fees, if any, and accruals for probable losses, if any, are recognized until the obligation under the instrument is fulfilled or expires. These instruments can extend for several years and expirations are not concentrated in any period. The Company seeks to control credit risk associated with these instruments by limiting credit, maintaining collateral where customary and appropriate and performing other monitoring procedures. At December 31, 2000 financial guarantees and letters of credit issued by the Company were $0.8 billion.

16. SEGMENT INFORMATION

The Company has organized its principal operations into Financial Services Businesses and a Traditional Participating Products segment. Within the Financial Services Businesses, the Company operates through four divisions which, together, encompass ten reportable segments. The four operating divisions within the Financial Services Businesses are: U.S. Consumer, Employee Benefits, International and Asset Management. The segments within the Financial Services Businesses as well as the Traditional Participating Products segment correspond to businesses for which discrete financial information is available and reviewed by management. Businesses that are not sufficiently material to warrant separate disclosure are included in Corporate and Other results. Collectively, the businesses that comprise the four operating divisions and Corporate and Other are referred to as the Financial Services Businesses.

The U.S. Consumer division consists of the Individual Life Insurance, Private Client Group, Retail Investments and Property and Casualty Insurance segments. The Individual Life Insurance segment manufactures and distributes variable life, term life and other non-participating life insurance protection products to the United States retail market and distributes investment and protection products for other segments. The Private Client Group segment provides full service securities brokerage and financial advisory services, as well as consumer banking services, to retail customers in the United States. The Retail Investments segment provides mutual funds, variable and fixed annuities and wrap-fee products to retail customers in the United States. The Property and Casualty Insurance segment manufactures and distributes personal lines property and casualty insurance products, principally automobile and homeowners insurance, to the United States retail market.

The Employee Benefits division consists of the Group Insurance and Other Employee Benefits segments. The Group Insurance segment manufactures and distributes group life, disability and related insurance products

16. SEGMENT INFORMATION (continued)

in connection with employee and member benefit plans. The Other Employee Benefits segment provides products and services for defined contribution and other retirement plans as well as guaranteed investment contracts, group annuities and relocation services to employers. The Other Employee Benefits segment also markets real estate brokerage franchises to regional and local real estate brokers.

The International division consists of the International Insurance and International Securities and Investments segments. The International Insurance segment manufactures and distributes individual life insurance products to the affluent retail market in Japan, Korea and six other Asian, Latin American and European countries. The International Securities and Investments segment provides full service securities brokerage, asset management and financial advisory services to retail and institutional clients outside of the United States.

The Asset Management division consists of the Investment Management and Advisory Services and Other Asset Management segments. The Investment Management and Advisory Services segment provides institutional asset management products and services to unaffiliated institutional clients as well as management services for assets supporting products offered by other segments. The Other Asset Management segment includes equity trading and commercial mortgage securitization activities, as well as hedge portfolio results.

Corporate and Other includes financial services businesses that are not included in other reportable segments as well as corporate-level activities. These businesses include international ventures, divested businesses and businesses that have not been divested but have been placed in wind-down status. The latter includes individual health insurance, group credit insurance and Canadian life insurance. The divested businesses include the results of the lead-managed underwriting and institutional fixed income businesses of the Prudential Securities Group (see Note 4), Gibraltar Casualty (see Note 17), residential first mortgage banking and certain Canadian

businesses. Corporate-level activities include corporate expenses not allocated to any business segments, including the cost of company-wide initiatives, investment returns on unallocated equity, returns from a debt-financed investment portfolio, transactions with other segments and consolidating adjustments.

As a mutual insurance company, most of the Company's individual life insurance and certain annuity products have been written on a "participating" basis, whereby policyholders are eligible to receive policyholder dividends reflecting policy experience. The Company will cease offering domestic participating insurance and annuity products in connection with the demutualization, if consummated. The liabilities of the individual in force participating products, together with the assets supporting them, will then be segregated for accounting purposes from the Company's other assets and liabilities. The liabilities and assets to be segregated, as well as other assets and equity that support these policies, and their financial results are reflected in the Traditional Participating Products segment, which is managed separately from the Financial Services Businesses.

The following summary presents certain financial data of our operations based on their location:

<TABLE>
<CAPTION>

	2000	1999	1998
		(In Millions)	
<S>	<C>	<C>	<C>
Revenues:			
Domestic	$23,704	$24,382	$25,368
International	2,840	2,186	1,656
Total revenues	$26,544	$26,568	$27,024
Income from continuing operations before income taxes:			
Domestic	$ 368	$ 1,939	$ 2,372
International	359	316	225
Total income from continuing operations before income taxes	$ 727	$ 2,255	$ 2,597

</TABLE>

16. SEGMENT INFORMATION (continued)

The accounting policies of the segments are the same as those described in Note 2--"Summary of Significant Accounting Policies."

In managing its business, the Company analyzes the operating performance of each segment using "adjusted operating income", which is a non-GAAP measure. "Adjusted operating income" is calculated by adjusting income from continuing operations before income taxes to exclude certain items. The items excluded are realized investment gains, net of losses and related charges; sales practices remedies and costs; demutualization expenses; and the gains, losses and contribution to income/loss of divested businesses which have been sold but do not qualify for "discontinued operations" treatment under GAAP. Businesses that the Company has placed in wind-down status but are not divested remain in "adjusted operating income." The Company's discontinued healthcare operations are excluded from "income from continuing operations before income taxes."

The excluded items are important to an understanding of overall results of operations. "Adjusted operating income" is not a substitute for net income determined in accordance with GAAP and the Company's definition of "adjusted operating income" may differ from that used by other companies. However, the Company believes that the presentation of "adjusted operating income" as measured for management purposes enhances the understanding of results of operations by highlighting the results from ongoing operations and the underlying profitability factors of the Company's businesses.

The Company excludes realized investment gains, net of losses and related charges, from "adjusted operating income" because the timing of transactions resulting in recognition of gains or losses is largely at the Company's discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of the businesses. The Company excludes sales

practices remedies and costs because they relate to a substantial and identifiable non-recurring event. The Company excludes demutualization expenses as they are directly related to demutualization and could distort the trends associated with our business operations. The Company excludes the gains and losses and contribution to income/loss of divested businesses and related runoff operations because, as a result of the decision to dispose of these businesses, these results are not relevant to the profitability of the Company's ongoing operations and could distort the trends associated with ongoing businesses.

The related charges offset against net realized investment gains and losses relates to policyholder dividends, amortization of deferred policy acquisition costs, and reserves for future policy benefits. Net realized investment gains is one of the elements that the Company considers in establishing the dividend scale, and the related policyholder dividend charge represents the estimated portion of the Company's expense charge for policyholder dividends that is attributed to net realized investment gains that the Company considers in determining the dividend scale. Deferred policy acquisition costs for certain investment-type products are amortized based on estimated gross profits, which include net realized investment gains and losses on the underlying invested assets, and the related charge for amortization of deferred policy acquisition costs represents the portion of this amortization associated with net realized investment gains and losses. The reserves for certain policies are adjusted when cash flows related to these policies are affected by net realized investment gains and losses, and the related charge for reserves for future policy benefits represents that adjustment.

"Adjusted operating income" for each segment includes earnings on attributed equity established at a level which management considers necessary to support the segment's risks.

Operating expenses specifically identifiable to a particular segment are allocated to that segment as incurred. Operating expenses not identifiable to a specific segment but which are incurred in connection with the generation of segment revenues are generally allocated based upon the segment's historical percentage of general and administrative expenses.

The financial results of the International Insurance segment reflect the impact of currency hedging strategies, including internal hedges, whereby currency fluctuation exposure within annual reporting periods is assumed by Corporate and Other Operations.

16. SEGMENT INFORMATION (continued)

The Investment Management and Advisory Services segment revenues include intersegment revenues of $404 million, $381 million and $414 million in 2000, 1999 and 1998, respectively, which primarily consist of asset-based management fees from the businesses of the U.S. Consumer and Employee Benefits divisions and the Traditional Participating Products segment. Management has determined the intersegment fees for the various asset classes with reference to market rates. These fees are eliminated in consolidation.

As discussed in Note 4, Capital Markets Restructuring, the Company has exited the lead-managed underwriting and institutional fixed income businesses. Results for these businesses are included in Divested Businesses in the tables that follow. Income from Continuing Operations before Income Taxes for these businesses was a loss of $73 million in 1998, income of $23 million in 1999 and a loss of $620 million in 2000. The loss in 2000 includes a restructuring charge of $476 million.

The summary below reconciles adjusted operating income to income from continuing operations before income taxes:

<TABLE>
<CAPTION>

	Year ended December 31, 2000						
	Reconciling Items						
	Adjusted Operating Income	Realized Investment Gains (Losses), Net	Charges Related to Realized Gains (Losses), Net	Sales Practices Remedies and Costs	Divested Business and Related Runoff Operations	Demutualization Expenses	Income from Continuing Operations Before Income Taxes
				(In Millions)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Individual Life Insurance	$ 114	$ (6)	$ --	$--	$ --	$ --	$ 108
Private Client Group	237	--	--	--	--	--	237
Retail Investments	239	(8)	2	--	--	--	233
Property and Casualty Insurance	150	16	--	--	--	--	166
Total U.S. Consumer Division	740	2	2	--	--	--	744
Group Insurance	158	(2)	--	--	--	--	156
Other Employee Benefits	229	(85)	(31)	--	--	--	113
Total Employee Benefits Division	387	(87)	(31)	--	--	--	269
International Insurance	296	(15)	--	--	--	--	281
International Securities and Investments	26	--	--	--	--	--	26
Total International Division	322	(15)	--	--	--	--	307
Investment Management and Advisory Services	154	1	--	--	--	--	155
Other Asset Management	122	--	--	--	--	--	122
Total Asset Management Division	276	1	--	--	--	--	277
Corporate and Other	(4)	(280)	--	--	(636)	(143)	(1,063)
Total -- Financial Services Businesses	1,721	(379)	(29)	--	(636)	(143)	534
Traditional Participating Products segment	547	91	(445)	--	--	--	193
Total	$2,268	$(288)	$(474)	$--	$(636)	$(143)	$ 727

</TABLE>

16. SEGMENT INFORMATION (continued)

<TABLE>
<CAPTION>

	Year ended December 31, 1999						
	Reconciling Items						
	Adjusted Operating Income	Realized Investment Gains (Losses), Net	Charges Related to Realized Gains (Losses), Net	Sales Practices Remedies and Costs	Divested Business and Related Runoff Operations	Demutualization Expenses	Income from Continuing Operations Before Income Taxes
<S>	<C>	<C>	<C>	(In Millions) <C>	<C>	<C>	<C>
Individual Life Insurance	$ 117	$(23)	$ --	$ --	$--	$--	$ 94
Private Client Group	224	--	--	--	--	--	224
Retail Investments	174	5	1	--	--	--	180
Property and Casualty Insurance	152	9	--	--	--	--	161
Total U.S. Consumer Division	667	(9)	1	--	--	--	659
Group Insurance	128	25	(10)	--	--	--	143
Other Employee Benefits	272	203	(133)	--	--	--	342
Total Employee Benefits Division	400	228	(143)	--	--	--	485

International Insurance	218	9	--	--	--	--	227
International Securities and Investments	15	--	--	--	--	--	15
Total International Division	233	9	--	--	--	--	242
Investment Management and Advisory Services	155	1	--	--	--	--	156
Other Asset Management	97	--	--	--	--	--	97
Total Asset Management Division	252	1	--	--	--	--	253
Corporate and Other	137	357	--	(100)	(47)	(75)	272
Total -- Financial Services Businesses	1,689	586	(142)	(100)	(47)	(75)	1,911
Traditional Participating Products segment	316	338	(310)	--	--	--	344
Total	$2,005	$924	$(452)	$(100)	$(47)	$(75)	$2,255

</TABLE>

16. SEGMENT INFORMATION (continued)

<TABLE>
<CAPTION>

	Year ended December 31, 1998						
	Reconciling Items						
	Adjusted Operating Income	Realized Investment Gains (Losses), Net	Charges Related to Realized Gains (Losses), Net	Sales Practices Remedies and Costs	Divested Business and Related Runoff Operations	Demutualization Expenses	Income from Continuing Operations Before Income Taxes
				(In Millions)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Individual Life Insurance	$ 178	$ 18	$ --	$ --	$ --	$--	$ 196
Private Client Group	114	--	--	--	--	--	114
Retail Investments	249	97	(3)	--	--	--	343
Property and Casualty Insurance	311	16	--	--	--	--	327
Total U.S. Consumer Division	852	131	(3)	--	--	--	980
Group Insurance	98	123	--	--	--	--	221
Other Employee Benefits	342	595	(222)	--	--	--	715
Total Employee Benefits Division	440	718	(222)	--	--	--	936
International Insurance	144	9	--	--	--	--	153
International Securities and Investments	13	--	--	--	--	--	13
Total International Division	157	9	--	--	--	--	166
Investment Management and Advisory Services	144	1	--	--	--	--	145
Other Asset Management	22	--	--	--	--	--	22
Total Asset Management Division	166	1	--	--	--	--	167
Corporate and Other	(34)	85	--	(1,150)	(196)	(24)	(1,319)

Total -- Financial Services Businesses...	1,581	944	(225)	(1,150)	(196)	(24)	930
Traditional Participating Products segment.....	206	1,697	(236)	--	--	--	1,667
Total.....	$1,787	$2,641	$(461)	$(1,150)	$(196)	$(24)	$ 2,597

</TABLE>

16. SEGMENT INFORMATION (continued)

The summary below presents certain financial information for the Company's reportable segments:

<TABLE>
<CAPTION>

	Year ended December 31, 2000						
	Revenues	Net Investment Income	Policyholders' Benefits	Interest Credited to Policyholders' Account Balances	Dividends to Policyholders	Interest Expense	Amortization of Deferred Policy Acquisition Costs
				(In Millions)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Financial Services Businesses:							
Individual Life Insurance.....	$ 1,855	$ 374	$ 650	$ 131	$ 12	$ 10	$ 172
Private Client Group...	2,689	299	--	--	--	--	--
Retail Investments.....	1,631	478	152	264	1	1	212
Property and Casualty Insurance.....	1,840	193	1,045	--	--	--	365
Total U.S. Consumer Division.....	8,015	1,344	1,847	395	13	11	749
Group Insurance.....	2,801	485	2,042	200	--	(1)	1
Other Employee Benefits.....	2,885	2,332	930	1,024	--	44	22
Total Employee Benefits Division.....	5,686	2,817	2,972	1,224	--	43	23
International Insurance.....	1,920	129	1,265	2	1	4	145
International Securities and Investments.....	704	66	--	--	--	--	1
Total International Division.....	2,624	195	1,265	2	1	4	146
Investment Management and Advisory Services.....	874	21	--	--	--	5	--
Other Asset Management.....	470	31	--	--	--	--	--
Total Asset Management Division.....	1,344	52	--	--	--	5	--
Corporate and Other....	283	816	23	(3)	4	385	(84)
Total.....	17,952	5,224	6,107	1,618	18	448	834
Items Excluded From Adjusted Operating Income:							
Realized investment gains, net of losses and related charges:							
Realized investment gains (losses), net...	(379)	--	--	--	--	--	--

Related Charges:							
Reserves.....	--	--	36	--	--	--	--
Amortization of deferred policy acquisition costs.....	--	--	--	--	--	--	(7)
Total realized investment gains, net of losses and related charges.....	(379)	--	36	--	--	--	(7)
Divested businesses and related runoff operations.....	269	101	14	--	--	--	--
Total -- Financial Services Businesses..	17,842	5,325	6,157	1,618	18	448	827
Traditional Participating Products segment.....	8,611	4,172	4,483	133	2,261	152	269
Items Excluded From Adjusted Operating Income:							
Realized investment gains, net of losses and related charges:							
Realized investment gains (losses), net...	91	--	--	--	--	--	--
Related Charges:							
Dividends to policyholders.....	--	--	--	--	445	--	--
Total realized investment gains, net of losses and related charges.....	91	--	--	--	445	--	--
Total -- Traditional Participating Products segment.....	8,702	4,172	4,483	133	2,706	152	269
Total per Consolidated Financial Statements.....	$26,544	$9,497	$10,640	$1,751	$2,724	$600	$1,096

16. SEGMENT INFORMATION (continued)

<TABLE>
<CAPTION>

	Year ended December 31, 1999						
	Revenues	Net Investment Income	Policyholders' Benefits	Interest Credited to Policyholders' Account Balances	Dividends to Policyholders	Interest Expense	Amortization of Deferred Policy Acquisition Costs
				(In Millions)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Financial Services Businesses:							
Individual Life Insurance.....	$ 1,723	$ 316	$ 519	$ 126	$ 8	$ 4	$ 185
Private Client Group...	2,509	269	--	--	--	--	--
Retail Investments.....	1,551	491	118	271	--	5	230
Property and Casualty Insurance.....	1,747	197	1,100	--	--	--	350
Total U.S. Consumer Division.....	7,530	1,273	1,737	397	8	9	765
Group Insurance.....	2,428	470	1,759	187	--	--	--
Other Employee Benefits.....	3,014	2,460	997	1,086	--	51	10

Total Employee Benefits Division.....	5,442	2,930	2,756	1,273	--	51	10
International Insurance.....	1,522	99	1,031	1	2	--	102
International Securities and Investments.....	580	54	--	--	--	--	1
Total International Division.....	2,102	153	1,031	1	2	--	103
Investment Management and Advisory Services.....	768	3	--	--	--	--	--
Other Asset Management.....	369	29	--	--	--	--	--
Total Asset Management Division.....	1,137	32	--	--	--	--	--
Corporate and Other....	566	926	80	--	5	420	(32)
Total.....	16,777	5,314	5,604	1,671	15	480	846
Items Excluded From Adjusted Operating Income:							
Realized investment gains, net of losses and related charges:							
Realized investment gains (losses), net...	586	--	--	--	--	--	--
Related Charges:							
Reserves.....	--	--	147	--	--	--	--
Amortization of deferred policy acquisition costs.....	--	--	--	--	--	--	(5)
Total realized investment gains, net of losses and related charges.....	586	--	147	--	--	--	(5)
Divested businesses and related runoff operations.....	511	142	65	--	--	--	--
Total -- Financial Services Businesses..	17,874	5,456	5,816	1,671	15	480	841
Traditional Participating Products segment.....	8,356	3,911	4,420	130	2,246	71	314
Items Excluded From Adjusted Operating Income:							
Realized investment gains, net of losses and related charges:							
Realized investment gains (losses), net...	338	--	--	--	--	--	--
Related Charges:							
Dividends to policyholders.....	--	--	--	--	310	--	--
Total realized investment gains, net of losses and related charges.....	338	--	--	--	310	--	--
Total -- Traditional Participating Products segment.....	8,694	3,911	4,420	130	2,556	71	314
Total per Consolidated Financial Statements.....	$26,568	$9,367	$10,236	$1,801	$2,571	$551	$1,155

</TABLE>

16. SEGMENT INFORMATION (continued)

<TABLE>
<CAPTION>

	Year ended December 31, 1998						
	Revenues	Net Investment Income	Policyholders' Benefits	Interest Credited to Policyholders' Account Balances	Dividends to Policyholders	Interest Expense	Amortization of Deferred Policy Acquisition Costs
				(In Millions)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Financial Services Businesses:							
Individual Life Insurance	$ 1,674	$ 300	$ 525	$ 117	$ 5	$ 4	$ 185
Private Client Group	2,317	255	--	--	--	--	--
Retail Investments	1,532	567	125	294	--	3	180
Property and Casualty Insurance	1,812	223	1,070	--	--	--	340
Total U.S. Consumer Division	7,335	1,345	1,720	411	5	7	705
Group Insurance	2,205	441	1,650	158	--	1	--
Other Employee Benefits	3,258	2,730	991	1,278	--	28	10
Total Employee Benefits Division	5,463	3,171	2,641	1,436	--	29	10
International Insurance	1,090	65	742	3	2	--	103
International Securities and Investments	532	55	--	--	--	--	1
Total International Division	1,622	120	742	3	2	--	104
Investment Management and Advisory Services	740	2	--	--	--	--	5
Other Asset Management	253	9	--	--	--	--	--
Total Asset Management Division	993	11	--	--	--	--	5
Corporate and Other	313	894	20	--	5	446	(50)
Total	15,726	5,541	5,123	1,850	12	482	774
Items Excluded From Adjusted Operating Income:							
Realized investment gains, net of losses and related charges:							
Realized investment gains (losses), net	944	--	--	--	--	--	--
Related Charges:							
Reserves	--	--	218	--	--	--	--
Amortization of deferred policy acquisition costs	--	--	--	--	--	--	7
Total realized investment gains, net of losses and related charges	944	--	218	--	--	--	7
Divested businesses and related runoff operations	325	119	55	--	--	--	--
Total -- Financial Services Businesses	16,995	5,660	5,396	1,850	12	482	781
Traditional							

Participating Products segment.....	8,332	3,794	4,390	103	2,229	66	358
Items Excluded From Adjusted Operating Income:							
Realized investment gains, net of losses and related charges:							
Realized investment gains (losses), net...	1,697	--	--	--	--	--	--
Related Charges:							
Dividends to policyholders.....	--	--	--	--	236	--	--
Total realized investment gains, net of losses and related charges.....	1,697	--	--	--	236	--	--
Total -- Traditional Participating Products segment.....	10,029	3,794	4,390	103	2,465	66	358
Total per Consolidated Financial Statements.....	$27,024	$9,454	$9,786	$1,953	$2,477	$548	$1,139

16. SEGMENT INFORMATION (continued)

The summary below presents total assets for the Company's reportable segments as of December 31, 2000, 1999 and 1998.

	Assets		
	2000	1999	1998
	(In Millions)		
Individual Life Insurance.....	$ 22,992	$ 22,040	$ 20,406
Private Client Group.....	18,426	23,157	17,681
Retail Investments.....	27,042	28,658	25,594
Property and Casualty Insurance.....	4,763	4,380	4,865
Total U.S. Consumer Division.....	73,223	78,235	68,546
Group Insurance.....	15,891	13,850	12,014
Other Employee Benefits.....	59,926	60,105	67,702
Total Employee Benefits Division.....	75,817	73,955	79,716
International Insurance.....	6,726	5,804	4,329
International Securities and Investments.....	3,644	3,471	3,460
Total International Division.....	10,370	9,275	7,789
Investment Management and Advisory Services...	20,251	18,174	18,421
Other Asset Management.....	10,351	7,384	5,716
Total Asset Management Division.....	30,602	25,558	24,137
Corporate and Other.....	12,814	29,498	36,136
Total--Financial Services Businesses.....	202,826	216,521	216,324
Traditional Participating Products segment....	69,927	68,573	63,098
Total Assets.....	$ 272,753	$ 285,094	$ 279,422

17. CONTINGENCIES AND LITIGATION

Contingencies

On September 19, 2000, the Company sold Gibraltar Casualty Company ("Gibraltar"), a subsidiary engaged in the commercial property and casualty insurance business, to Everest Re Group, Ltd. ("Everest"). Upon closing of the sale, the Company entered into a stop-loss reinsurance agreement with Everest whereby the Company will reinsure Everest for up to 80% of the first $200 million of any adverse loss development in excess of Gibraltar's carried reserves as of the closing of the sale.

The Company's property and casualty operations are subject to rate and other laws and regulations covering a range of trade and claim settlement practices. State insurance regulatory authorities have broad discretion in approving an insurer's proposed rates. A significant portion of the Company's automobile insurance is written in the state of New Jersey. Under certain circumstances, New Jersey insurance laws require an insurer to provide a refund or credit to policyholders based upon the profits earned on automobile insurance.

The Company has reviewed its obligations retained in the sale of the healthcare operations under certain managed care arrangements for possible failure to comply with contractual and regulatory requirements.

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 affected as a result of payments in connection with the matters discussed above depending, in part, upon the results of operations or cash flow for such period. Management believes, however, that ultimate payments in connection with these matters should not have a material adverse effect on the Company's financial position.

17. CONTINGENCIES AND LITIGATION (continued)

Litigation

The Company is subject to legal and regulatory actions in the ordinary course of its businesses. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to the Company and proceedings that are typical of the businesses in which the Company operates, including in both cases businesses that have either been divested or placed in wind-down status. 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.

In particular, the Company has been subject to substantial regulatory actions and civil litigation involving individual life insurance sales practices. In 1996, 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 Company agreed to various changes to its 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, the Company remains 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, 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 the Company 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. The Company believes that those actions are governed by the class settlement release and expects them to be enjoined and/or dismissed. Additional suits may be filed by class members who "opted out" of the class settlement or who failed to "opt out" but nevertheless seek to proceed against 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.

The Company believes that its reserves related to sales practices, as of December 31, 2000, are adequate. No incremental provisions were recorded in

2000. In 1999, 1998, 1997 and 1996, the Company recorded provisions in its Consolidated Statements of Operations of $100 million, $1,150 million, $2,030 million and $1,125 million, respectively, to provide for estimated remediation costs, and additional sales practices costs including related administrative costs, regulatory fines, penalties and related payments, litigation costs and settlements, including settlements associated with the resolution of claims of deceptive sales practices asserted by policyholders who elected to "opt-out" of the class action settlement and litigate their claims against the Company separately and other fees and expenses associated with the resolution of sales practices issues.

17. CONTINGENCIES AND LITIGATION (continued)

The following table summarizes the Company's charges for the estimated total costs of sales practices remedies and additional sales practices costs and related liability balances as of the dates indicated:

<TABLE>
<CAPTION>

	Year Ended December 31,				
	2000	1999	1998	1997	1996
	(In Millions)				
<S>	<C>	<C>	<C>	<C>	<C>
Liability balance at beginning of period	$ 891	$ 3,058	$ 2,553	$ 963	$ 0
Charges to expense:					
Remedy costs	(54)	(99)	510	1,640	410
Additional sales practices costs	54	199	640	390	715
Total charges to expense	0	100	1,150	2,030	1,125
Amounts paid or credited:					
Remedy costs	448	1,708	147	--	0
Additional sales practices costs	190	559	498	440	162
Total amounts paid or credited	638	2,267	645	440	162
Liability balance at end of period	$ 253	$ 891	$ 3,058	$ 2,553	$ 963

</TABLE>

In 1996, the Company recorded in its Consolidated Statement of Operations the cost of $410 million before taxes as a guaranteed minimum remediation expense pursuant to the settlement agreement. Management had no better information available at that time upon which to make a reasonable estimate of the losses associated with the settlement. Charges were also recorded in 1996 for estimated additional sales practices costs totaling $715 million before taxes.

In 1997, management increased the estimated liability for the cost of remedying policyholder claims by $1,640 million before taxes. This increase was based on additional information derived from claim sampling techniques, the terms of the settlement and the number of claim forms received. The Company also recorded additional charges of $390 million before taxes to recognize the increase in estimated total additional sales practices costs.

In 1998, the Company recorded an additional charge of $510 million before taxes to recognize the increase of the estimated total cost of remedying policyholder claims to a total of $2,560 million before taxes. This increase was based on (i) estimates derived from an analysis of claims actually remedied (including interest); (ii) a sample of claims still to be remedied; (iii) an estimate of additional liabilities associated with a claimant's right to "appeal" the Company's decision; and (iv) an estimate of an additional liability associated with the results of an investigation by a court-appointed independent expert regarding the impact of the Company's failure to properly implement procedures to preserve all documents relevant to the class action and remediation program. The Company also recorded additional charges of $640 million before taxes to recognize the increase in estimated total additional sales practices costs.

In 1999, the Company recorded an increase of $199 million of the estimate of total additional sales practices costs. This was offset by a $99 million release of the previously recorded liability relative to remedy costs reflecting a decrease in the estimate of the total costs of remedying policyholder claims.

In 2000, the Company recorded an increase of $54 million of the estimate of total additional sales practices costs. This was partially offset by a $54

million release of the previously recorded liability relative to remedy costs reflecting a decrease in the estimate of the total costs of remedying policyholder claims.

In addition, the Company retained all liabilities for the litigation associated with its discontinued healthcare business that existed at the date of closing with Aetna (August 6, 1999), or is commenced within two years of that date, with respect to claims relating to events that occurred prior to the closing date. This litigation includes purported class actions and individual suits involving various issues, including payment of claims, denial of benefits, vicarious liability for malpractice claims, and contract disputes with provider groups and former policyholders. Some of the purported class actions challenge practices of the Company's former managed care operations and assert nationwide classes. On October 23, 2000, by Order of the Judicial Panel on Multi-district Litigation, a number of these class actions were consolidated for pre-trial purposes, along with lawsuits pending against other managed health care companies, in the United States District Court for the Southern District of Florida in a consolidated proceeding captioned In Re Managed Care Litigation. Some of these class actions

17. CONTINGENCIES AND LITIGATION (continued)

allege, among other things, misrepresentation of the level of services and quality of care, failure to disclose financial incentive agreements with physicians, interference with the physician-patient relationship, breach of contract and fiduciary duty, violations of and conspiracy to violate RICO, deprivation of plaintiffs' rights to the delivery of honest medical services and industry-wide conspiracy to defraud physicians by failing to pay under provider agreements and by unlawfully coercing providers to enter into agreements with unfair and unreasonable terms. The remedies sought include unspecified damages, restitution, disgorgement of profits, treble damages, punitive damages and injunctive relief. This litigation is in the preliminary stages.

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 affected by an ultimate unfavorable resolution of pending litigation and regulatory matters depending, in part, upon the results of operations or cash flow for such period. Management believes, however, that the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves, should not have a material adverse effect on the Company's financial position.

18. OTHER EVENTS

The Company is currently seeking to acquire Kyoei Life Insurance Co., Ltd. ("Kyoei"), a financially troubled Japanese life insurer, subject to final completion of reorganization proceedings involving Kyoei under the Corporate Reorganization Law of Japan ("Reorganization Law"). Pursuant to these proceedings, on April 2, 2001, the Tokyo District Court approved a reorganization plan ("Reorganization Plan") providing for the restructuring of Kyoei's assets and liabilities. The Reorganization Plan is expected to become effective in April 2001. The Reorganization Plan includes the extinguishment of all existing stock of Kyoei for no consideration and the issuance of one million new shares of common stock. Under the Reorganization Plan, the Company will contribute approximately $437 million in cash to Kyoei's capital and acquire 100% of Kyoei's newly issued common stock and provide approximately $857 million to Kyoei in the form of a subordinated loan. There is no assurance that the Company will complete the proposed acquisition.

19. PRO FORMA INFORMATION (unaudited)

The pro forma Statement of Financial Position as of December 31, 2000 gives effect to the demutualization as if it had occurred as of December 31, 2000. As a result of the demutualization, there will be a significant change to the capitalization of the Company. Accordingly, an unaudited pro forma column is shown to reflect that change in capitalization. The pro forma Statement of Financial Position is based on available information, including the plan of reorganization and other assumptions believed to be reasonable. However, the pro forma information does not reflect the proceeds of the initial public offering of the Common Stock or any other securities that may be issued at the time of demutualization. The pro forma Statement of Financial Position is not necessarily indicative of the consolidated financial position had the demutualization actually occurred on the date assumed and does not project or forecast the consolidated financial position for any future date.

The pro forma Statement of Financial Position assumes the following:

- payment of $3,102 million to eligible policyholders who will receive cash, based upon an assumed initial public offering price of $30.00 per share;

- establishment of a liability of $1,107 million to fund policy credits to be distributed to certain policyholders in lieu of cash or Common Stock;

- establishment of a liability of $648 million for cash payments to be made to or on behalf of policyholders whom we cannot locate;

- establishment of a liability for non-recurring expenses of $197 million, net of tax benefit of $26 million, related to demutualization costs and expenses assumed to be incurred at the date of the demutualization; and

- adjustment of retained earnings to reflect the above assumptions and reclassification of the remaining retained earnings to "Common stock" and "Additional paid-in capital" to reflect the demutualization.

This pro forma information reflects the distribution to eligible policyholders and the reclassification of equity that is expected to occur at the time of demutualization.

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THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Supplemental Combining Statement of Financial Position
December 31, 2000 (In Millions)

<TABLE>
<CAPTION>

	Financial Services Businesses	Traditional Participating Products	Consolidated
<S>	<C>	<C>	<C>
ASSETS			
Fixed maturities:			
Available for sale, at fair value.....	$ 46,172	$ 37,655	$ 83,827
Held to maturity, at amortized cost.....	7,172	5,276	12,448
Trading account assets, at fair value....	7,217	--	7,217
Equity securities, available for sale, at fair value.....	855	1,462	2,317
Mortgage loans on real estate.....	8,177	7,742	15,919
Policy loans.....	2,336	5,710	8,046
Securities purchased under agreements to resell.....	5,395	--	5,395
Cash collateral for borrowed securities..	3,858	--	3,858
Other long-term investments.....	2,562	1,897	4,459
Short-term investments.....	2,498	2,531	5,029
Total investments.....	86,242	62,273	148,515
Cash and cash equivalents.....	5,165	2,511	7,676
Accrued investment income.....	1,002	914	1,916
Broker-dealer related receivables.....	11,860	--	11,860
Deferred policy acquisition costs.....	5,389	1,674	7,063
Other assets.....	10,951	2,555	13,506
Separate account assets.....	82,217	--	82,217
TOTAL ASSETS.....	$202,826	$ 69,927	$272,753
LIABILITIES AND ATTRIBUTED EQUITY			
LIABILITIES			
Future policy benefits.....	$ 23,274	$ 46,014	$ 69,288
Policyholders' account balances.....	27,320	5,402	32,722
Unpaid claims and claim adjustment expenses.....	2,120	--	2,120
Policyholders' dividends.....	222	1,241	1,463
Securities sold under agreements to repurchase.....	11,162	3,848	15,010
Cash collateral for loaned securities....	9,283	1,770	11,053
Income taxes payable.....	1,041	569	1,610
Broker-dealer related payables.....	5,965	--	5,965
Securities sold but not yet purchased....	4,959	--	4,959
Short-term debt.....	10,893	238	11,131
Long-term debt.....	1,476	1,026	2,502
Other liabilities.....	9,153	2,952	12,105
Separate account liabilities.....	82,217	--	82,217
Total liabilities.....	189,085	63,060	252,145
COMMITMENTS AND CONTINGENCIES			
ATTRIBUTED EQUITY			

Accumulated other comprehensive income (loss)	497	(263)	234
Attributed Equity	13,244	7,130	20,374
Total attributed equity	13,741	6,867	20,608
TOTAL LIABILITIES AND ATTRIBUTED EQUITY	$202,826	$69,927	$272,753

See Notes to Supplemental Combining Financial Information

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Supplemental Combining Statement of Operations
Year Ended December 31, 2000 (In Millions)

	Financial Services Businesses	Traditional Participating Products	Consolidated
REVENUES			
Premiums	$ 5,901	$4,320	$10,221
Policy charges and fee income	1,639	--	1,639
Net investment income	5,224	4,172	9,396
Commissions and other income	5,188	119	5,307
Total revenues	17,952	8,611	26,563
BENEFITS AND EXPENSES			
Policyholders' benefits	6,107	4,483	10,590
Interest credited to policyholders' account balances	1,618	133	1,751
Dividends to policyholders	18	2,261	2,279
General and administrative expenses	8,488	1,187	9,675
Total benefits and expenses	16,231	8,064	24,295
ADJUSTED OPERATING INCOME	1,721	547	2,268
Items excluded from adjusted operating income			
Realized investment gains, net of losses and related charges:			
Realized investment gains (losses) net	(379)	91	(288)
Related charges	(29)	(445)	(474)
Total realized investment gains, net of losses and related charges	(408)	(354)	(762)
Divested businesses	(636)	--	(636)
Demutualization	(143)	--	(143)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	534	193	727
Income tax expense	300	106	406
INCOME FROM CONTINUING OPERATIONS	$ 234	$ 87	$ 321

See Notes to Supplemental Combining Financial Information

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Notes to Supplemental Combining Financial Information

1. BASIS OF PRESENTATION

The supplemental financial information presents, on a combining basis, the consolidated GAAP results of The Prudential Insurance Company of America, separately reporting the results of the Financial Services Businesses and the Traditional Participating Products segment. The Financial Services Businesses and Traditional Participating Products segment are both fully integrated

operations of The Prudential Insurance Company of America (the "Company") and are not separate legal entities.

The Traditional Participating Products segment has historically sold participating insurance and annuity products, which, upon demutualization, will no longer be offered. The liabilities for these products will then be segregated, together with assets which will be used exclusively for the payment of guaranteed benefits and policyholder dividends, expenses and taxes with respect to these products, in a regulatory mechanism referred to as the "Closed Block." A minor portion of our Traditional Participating Products segment historically has consisted of other traditional insurance products that will not be included in the Closed Block. The Financial Services Businesses consist of the Company's individual life insurance operations (other than participating insurance products), mutual funds, fixed and variable annuities (other than participating annuity products), defined contribution and other retirement products, brokerage and financial advisory services and asset management services. The schedule presents the results of the Financial Services Businesses and Traditional Participating Products segment, as if they were separate reporting entities. This schedule is provided as supplemental information to the consolidated financial statements of the Company and should be read in conjunction with the audited consolidated financial statements of the Company.

This combining supplemental schedule reflects the assets, liabilities, revenues and expenses directly attributable to the Financial Services Businesses and Traditional Participating Products segment, as well as allocations deemed reasonable by management in order to fairly present the financial position and results of operations of each business on a stand alone basis. While management considers the allocations utilized to be reasonable, management has the discretion to make operational and financial decisions which may affect the allocation methods and resulting assets, liabilities, revenues and expenses of each business. In addition, management has discretion over accounting policies and the appropriate allocation of earnings between the two businesses.

The capital structure of the Financial Services Businesses and Traditional Participating Products segment is determined based upon attributed equity, which is established at a level that management deems necessary to support the business risks of each.

General corporate overhead not directly attributable to a specific business but which has been incurred in connection with the generation of the businesses revenues has generally been allocated based on each businesses' historical general and administrative expenses as a percentage of the total for the Company.

Income taxes are allocated between the Financial Services Businesses and the Traditional Participating Products segment as if they were separate companies based on the taxable income, losses and other tax characterizations of each business. If a business generates benefits (such as net operating losses), it will be entitled to record such tax benefits to the extent they are expected to be utilized on a consolidated basis.

In managing its business, the Company analyzes the operating performance of each segment using "adjusted operating income", which is a non-GAAP measure. "Adjusted operating income" is calculated by adjusting income from continuing operations before income taxes to exclude certain items. The items excluded are realized investment gains, net of losses and related charges; demutualization expenses; and the gains, losses and contribution to income/loss of divested businesses and related runoff operations which have been sold but do not qualify for "discontinued operations" treatment under GAAP. Businesses that the Company has placed in wind-down status but are not divested remain in "adjusted operating income." The Company's discontinued healthcare operations are excluded from "income from continuing operations before income taxes."

The excluded items are important to an understanding of overall results of operations. "Adjusted operating income" is not a substitute for net income determined in accordance with GAAP and the Company's definition of "adjusted operating income" may differ from that used by other companies. However, the Company believes that the presentation of "adjusted operating income" as measured for management purposes enhances the understanding of results of operations by highlighting the results from ongoing operations and the underlying profitability factors of the Company's businesses.

1. BASIS OF PRESENTATION (continued)

The Company excludes realized investment gains, net of losses and related

charges, from "adjusted operating income" because the timing of transactions resulting in recognition of gains or losses is largely at the Company's discretion and the amount of these gains or losses is heavily influenced by and fluctuates in part according to the availability of market opportunities. Including the fluctuating effects of these transactions could distort trends in the underlying profitability of the businesses. The Company excludes demutualization expenses as they are directly related to demutualization and could distort the trend associated with business operations. The Company excludes the gains and losses and contribution to income/loss of divested business and related runoff operations because, as a result of the decision to dispose of these businesses, these results are not relevant to the profitability of the Company's ongoing operations and could distort the trends associated with ongoing businesses.

The related charges offset against the net realized investment gains relate to policyholders' dividends, amortization of deferred policy acquisition costs, and reserves for future policy benefits. Net realized investment gains is one of the elements that the Company considers in establishing the dividend scale, and the related policyholder dividend charge represents the estimated portion of the Company's expense charge for policyholder dividends that is attributed to net realized investment gains that the Company considers in determining the dividend scale. Deferred policy acquisition costs for certain investment-type products are amortized based on estimated gross profits, which include net realized investment gains on the underlying invested assets, and the related charge for amortization of deferred policy acquisition costs represents the portion of this amortization associated with net realized investment gains. The reserves for certain policies are adjusted when cash flows related to these policies are affected by net realized investment gains, and the related charge for reserves for future policy benefits represents that adjustment.

2. DEMUTUALIZATION AND RECAPITALIZATION

Upon demutualization, the Traditional Participating Products segment will be referred to as the "Closed Block Business" and will reflect the assets and liabilities of the Closed Block, the Surplus and Related Assets held outside of the Closed Block necessary to meet insurance regulatory capital requirements related to the products included within the Closed Block, and the initial excess of the book value of the Closed Block Liabilities over the Closed Block Assets. The Financial Services Businesses will then include the capital included in the Traditional Participating Products segment in excess of the amount necessary to support the Closed Block Business, and the other traditional insurance products previously included in the Traditional Participating Products segment but which will not be included in the Closed Block.

In addition to Common Stock, the Company is seeking to issue Class B Stock, a separate class of common stock, in connection with its planned demutualization. If the Class B Stock is issued, the Common Stock will be designed to reflect the performance of the Financial Services Businesses without reflecting the returns of the Closed Block Business while the Class B Stock will be designed to reflect the performance of the Closed Block Business.

The Company is also seeking to issue, upon demutualization, debt securities (the "IHC debt") through a newly-formed intermediate holding company of The Prudential Insurance Company of America. The proceeds of the IHC debt would be included in the Financial Services Businesses, while the liability reflecting the IHC debt would be included in the Closed Block Business.

The issuance of the Class B Stock is not assured and is not a condition to completion of the offering of the Common Stock. If the Company proceeds with the offering of the Common Stock but does not issue any Class B Stock, the Common Stock will reflect the performance of all the Company's businesses, including the Traditional Participating Products segment.

Dividends declared and paid on the Common Stock will depend upon the financial performance of the Financial Services Businesses, and the interest of holders of Common Stock in any liquidation of Prudential Financial, Inc. will then exclude any interest attributable to the Closed Block Business. Dividends declared and paid on the Class B Stock will depend principally upon the financial performance of the Closed Block Business,

2. DEMUTUALIZATION AND RECAPITALIZATION (continued)

and the interest of holders of Class B Stock in any liquidation of Prudential Financial, Inc. will be limited to that attributable to the Closed Block Business. Dividends declared and paid on the Common Stock will not depend upon

or be affected by the financial performance of the Closed Block Business, unless the Closed Block Business is in financial distress.

Since there is no legal separation of the two businesses, holders of Common Stock and holders, if any, of Class B Stock are common stockholders of Prudential Financial, Inc. and have a residual interest therein. Holders of Common Stock will have no interest in a legal entity representing the Financial Services Businesses and holders, if any, of Class B Stock have no interest in a legal entity representing the Closed Block Business and holders of each class of common stock will be subject to all of the risks associated with an investment in Prudential Financial, Inc.

Net income for the Closed Block Business will be determined in accordance with GAAP, including expenses for the normal levels of amortization of deferred policy acquisition costs, investment management fees and interest expense associated with debt obligations. Cash flow between the Closed Block Business and the Financial Services Businesses will be determined based upon cash flows from the Closed Block using a policy servicing fee arrangement, a charge based upon insurance in-force and a charge determined based upon statutory cash premiums. To the extent actual expenses vary from these cash flow amounts, the difference will be recorded, on an after tax basis, as direct equity adjustments of the respective GAAP equity balances of each business.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Prudential Financial, Inc.

In our opinion, the accompanying statement of financial position presents fairly, in all material respects, the financial position of Prudential Financial, Inc. at December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit of the statement of financial position provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

New York, New York
April 6, 2001

PRUDENTIAL FINANCIAL, INC.

Statement of Financial Position
December 31, 2000
(In dollars)

<TABLE>

<S>	<C>
ASSETS	
Cash	$500
TOTAL ASSETS	$500
STOCKHOLDER'S EQUITY	
Common Stock, par value $1.00 per share, 500 shares authorized, issued and outstanding	$500
Additional paid-in capital	--
TOTAL STOCKHOLDER'S EQUITY	$500

</TABLE>

See Notes to Statement of Financial Position

PRUDENTIAL FINANCIAL, INC.

Notes to Statement of Financial Position

1. ORGANIZATION

Prudential Financial, Inc. (the "Holding Company") was incorporated on December 28, 1999 as a wholly- owned subsidiary of The Prudential Insurance Company of America ("Prudential"), a New Jersey mutual life insurance company. The Holding Company was organized for the purpose of becoming the ultimate parent company of Prudential and its subsidiaries upon the completion of Prudential's reorganization from a mutual life insurance company to a stock life insurance company.

Assuming Prudential's reorganization to a stock life insurance company becomes effective, Prudential will become an indirect wholly-owned subsidiary of the Holding Company. In addition, pursuant to the destacking of subsidiaries included within the Plan of Reorganization, the companies constituting Prudential's property and casualty insurance companies, principal securities brokerage companies, international insurance companies, principal asset management operations, and international securities and investments, domestic banking, and real estate franchise and relocation management operations also will become indirect wholly owned subsidiaries of the Holding Company.

Other than its initial funding, the Holding Company has been inactive and will remain inactive until the effective date of Prudential's reorganization. Since its inception and while it remains inactive, all of the Holding Company's obligations are borne by Prudential.

2. BASIS OF PRESENTATION

These financial statements have been prepared consistent with, and should be read in conjunction with The Prudential Insurance Company of America's Consolidated Financial Statements and Notes thereto presented elsewhere in this registration statement.

3. DIVIDEND RESTRICTIONS

The Holding Company's principal sources of revenues to meet its obligations, including the payment of shareholder dividends and operating expenses, will be dividends and interest from its subsidiaries. The regulated insurance, broker-dealer and various other subsidiaries, which will become subsidiaries of the Holding Company, will be subject to regulatory limitations on their payment of dividends and other transfers of funds to the Holding Company.

New Jersey insurance law provides that dividends or distributions may be declared or paid by Prudential without prior regulatory approval only from unassigned surplus, as determined pursuant to statutory accounting principles ("SAP"), less unrealized capital gains and certain other adjustments. Upon demutualization, unassigned surplus will be reduced to zero, thereby limiting Prudential's ability to pay a dividend immediately following demutualization. Prudential must obtain prior approval of the New Jersey insurance regulator prior to paying a dividend and if the dividend, together with other dividends or distributions made within the preceding twelve months, would exceed the above limit, obtain a non-disapproval from the New Jersey insurance regulator. Upon reorganization, any dividends or distributions paid by Prudential to the Holding Company will be subject to the above restrictions.

The laws regulating dividends of the Holding Company's other insurance subsidiaries domiciled in other states are similar, but not identical, to New Jersey's. In addition, upon reorganization, the net capital rules to which the broker-dealer subsidiaries are subject may limit their ability to pay dividends to the Holding Company. The laws of foreign countries may also limit the ability of our insurance and other subsidiaries organized in those countries to pay dividends to Prudential Financial, Inc.

ACTUARIAL OPINIONS

[LOGO]
Milliman & Robertson, Inc.
Actuarial & Consultants
Internationally WOODROW MILLIMAN

December 12, 2000

The Board of Directors
The Prudential Insurance Company of America
Prudential Plaza
Newark, NJ 07102

Re: Plan of Reorganization of The Prudential Insurance Company of America

STATEMENT OF ACTUARIAL OPINION

Subject of this Opinion

This opinion letter relates to the actuarial aspects of the proposed Reorganization of The Prudential Insurance Company of America ("Prudential") pursuant to its Plan of Reorganization (the "Plan") as presented to Prudential's Board of Directors on December 12, 2000 for its consideration and adoption. The specific opinions set forth herein relate to the proposed allocation of consideration among Eligible Policyholders and the creation and funding of a Closed Block, each of which is described in the Plan.

Capitalized items have the same meaning in this opinion as they have in the Plan.

Qualifications and Usage

I, Daniel J. McCarthy, am associated with the firm of Milliman & Robertson, Inc., ("M&R") and am a Member of the American Academy of Actuaries, qualified under the Academy's Qualification Standards to render the opinions set forth herein. The Plan is based on authority in Chapter 17C of Title 17 of the New Jersey Revised Statutes ("Chapter 17C"). The opinions set forth herein are not legal opinions concerning the Plan but rather reflect the application of actuarial concepts and standards of practice to the provisions thereof.

I am aware that this opinion letter will be furnished to the New Jersey Department of Banking and Insurance for its use in determining the fairness of the Plan, and to Prudential's Eligible Policyholders as part of the Policyholder Information Booklet that will be delivered to them, and I consent to the use of this letter for those purposes.

Reliance

In forming the opinions set forth in this memorandum, I have received from Prudential extensive information concerning Prudential's past and present practices and financial results. I, and other M&R staff acting under my direction, met with Prudential personnel and defined the information we require; in all cases, we were provided with the information we requested to the extent that it was available or could be developed from Prudential's records. We have made no independent verification of this information, although we have reviewed it where practicable for general reasonableness and internal consistency. I have relied on this information, which was provided under the general direction of Helen Galt, Prudential's Company Actuary. My opinions depend on the substantial accuracy of this information.

Process

In all cases, I and other M&R staff acting under my direction either derived the results on which my opinions rest or reviewed derivations carried out by Prudential employees.

Opinion #1

Under the Plan, consideration is to be distributed to each Eligible Policyholder in exchange for his or her Membership Interest. In my opinion, the methodology and underlying assumptions for allocation of consideration among Prudential's Eligible Policyholders that are set forth in Article VII of the Plan (including the Allocation Principles and Methodology, an Exhibit thereto) are reasonable and appropriate, and the resulting allocation of consideration is fair and equitable.

Discussion

General description of the method of allocation. Section 3(c)(2) of Chapter 17C requires that "the method for allocating consideration among eligible policyholders shall be fair and equitable", and requires that "the method shall provide for each eligible policyholder to receive (a) a fixed component of consideration or a variable component of consideration, or both; or (b) any other component of consideration acceptable to the commissioner". Under the Plan, each Eligible Policyholder will be allocated a Basic Fixed Component of consideration; i.e., a value, expressed in terms of shares of stock, that is independent of the Eligible Policyholder's Actuarial Contribution. In addition, each Eligible Policyholder will be allocated a Basic Variable Component of consideration if the Actuarial Contribution of any of the Eligible Policies owned by the Eligible Policyholder is positive. As defined in the Plan, Actuarial Contribution means, with respect to a particular Eligible Policy, the contribution that such Eligible Policy is estimated to have made to the Company's surplus, plus the estimated contribution that such Eligible Policy is expected to make to surplus in the future, in each case as determined in accordance with the principles and methodology set forth in Article VII and the "Allocation Principles and Methodology" Exhibit of the

Plan. For each Eligible Policyholder who received a Basic Variable Component of consideration, that Eligible Policyholder's share of the sum of all consideration distributed via the Basic Variable Component is the ratio of:

(a) the sum of the positive Actuarial Contributions of all Eligible Policies owned by the Eligible Policyholder, to

(b) the sum of all positive Actuarial Contributions of all Eligible Policies owned by all Eligible Policyholders.

Appropriateness of the "contribution to surplus" method. Most of the consideration allocated to Eligible Policyholders is allocated via the Basic Variable Component, using the "contribution to surplus" method. The contribution to surplus method is recognized in the actuarial literature as an appropriate allocation method. In particular, Actuarial Standard of Practice 37 ("ASOP 37"), which is the most authoritative guidance available to actuaries on this subject, states in part, "The variable component of consideration should be allocated on the basis of the actuarial contribution." ASOP 37 (which was adopted by the Actuarial Standards Board in June, 2000 with an effective date of December 15, 2000) defines "actuarial contribution," in the relevant part, to be "The contributions that a particular policy . . . has made to the company's statutory surplus . . . plus the present value of contributions that the same policy . . . is expected to make in the future." This is consistent with the definition in the Plan. I therefore find that the use of "contribution to surplus" as the principal basis underlying the allocation of consideration is reasonable and appropriate. I further find that, in the Plan, the contribution to surplus method has been implemented in a reasonable manner, consistent with Prudential's past and present business practices and consistent with relevant actuarial literature.

Appropriateness of the Basic Fixed Component. Consideration is also allocated to Eligible Policyholders via the Basic Fixed Component, in which each Eligible Policyholder is allocated a fixed number of shares of common stock without regard to the Actuarial Contribution of that Eligible Policyholder or of the class or classes in which policies held by the Eligible Policyholder happen to reside. This element of the allocation assures that each Eligible Policyholder will receive some distribution, and is consistent with overall concepts of equity. Under the Plan, the percentage of the total consideration that is allocated in this manner is small relative to that allocated in proportion to positive actuarial contributions, which is appropriate. I find that including a minimum allocation to each Eligible Policyholder using the Basic Fixed Component is reasonable and appropriate.

Appropriateness of certain adjustments provided for in the Plan. The Plan provides for certain adjustments to the amount otherwise calculated (i.e., the sum of the Basic Fixed Component and any Basic Variable Component) with respect to certain Eligible Policyholders. These adjustments, and the Eligible Policyholders to which each applies, are discussed below.

a. Additional Components. Section 7.1 of the Plan defines the basis under which an Additional Fixed Component and an Additional Variable Component will be allocated to Eligible Policyholders who do not

receive shares of stock as a form of consideration with respect to any of his or her Eligible Policies. (For purposes of this opinion, I will refer to the Additional Fixed Component and the Additional Variable Component together as "Additional Components".) This adjustment has the effect of increasing the amount of consideration by approximately 10% of the amount otherwise calculated, subject to a minimum of two additional shares. The aggregate amount of the Additional Components reasonably reflects the value of the savings that Prudential expects to achieve by virtue of providing shareholder services to smaller number of shareholders than there would have been if all Eligible Policyholders had received shares of stock and how that value might be reflected in Prudential's IPO price.

b. Top-up Period. Section 7.5 of the Plan defines the basis under which this adjustment is made with respect to Eligible Policyholders who receive cash or policy credits as a form of consideration with respect to any of his or her Eligible Policies if the average trading price of the stock in the 20 days following the IPO exceeds the Initial Stock Price by more than 10%. In such event, such Eligible Policyholders receive additional consideration equal to the product of (x) and (y), where (x) equals the excess of (i) the ratio of the average trading price to the Initial Stock Price over (ii) 1.1, and (y) equals the amount of their calculated consideration (i.e., the sum of the Basic Fixed Component, any Basic Variable Component, and any Additional Components) on such Eligible Policies. This adjustment cannot exceed 10% of the calculated consideration (i.e., if the rate of appreciation exceeds 20%, the adjustment is 10%).

I have considered the effect of these two adjustments. I note that:

a. The Additional Components adjustment has the effect of reflecting, in the allocation of consideration provided to each Eligible Policyholder who

does not receive shares of stock in exchange for his or her membership interest, the value associated with anticipated savings in shareholder servicing costs that they make possible by not receiving shares of stock.

b. The Top-up Period adjustment has the effect of providing assurance to Eligible Policyholders who receive cash or policy credits that if the use of the Initial Stock Price of the stock in determining the value distributed to such Eligible Policyholders in exchange for their membership interests does not fully reflect the value of those interests--as would be demonstrated if the price of the stock rises significantly during a short period after the IPO--the amount distributed to them will be adjusted to reflect appropriately the value of their membership interests.

c. The Top-up Period adjustment is integrated with the Additional Components adjustment. It takes into account that by virtue of the Additional Components adjustment, Eligible Policyholders who do not receive shares of stock, who constitute the vast majority of those to whom the Top-up Period adjustment applies, will already have been allocated value that is approximately equal to the additional value they would have derived from receiving shares of stock if any short-term increase in the price of the stock is 10% or less. It thus provides additional consideration only if any short-term increase in the price of the stock exceeds 10%.

I find that the application of these adjustments in determining the amount of consideration allocable to Eligible Policyholders who receive cash or policy credits is fair and equitable because:

i. it reflects, in valuing their Membership Interests, the element of that value that is associated with savings in shareholder servicing costs, and

ii. it enables an adjustment in valuing their Membership Interests, essentially analogous to the adjustment that takes place on the part of Eligible Policyholders who receive only shares of stock, in the event that there is a significant increase in the price of the stock in the short term.

In making this finding, I have taken into account the history of short-term Post-IPO price movements of the shares of stock of demutualized life insurers.

The effect of different forms of consideration. As noted above, in considering the fairness of the allocation I have taken into account that different classes of Eligible Policyholders will receive one or more different forms of consideration. I find that the above-described allocation of demutualization consideration among Eligible Policyholders results in a distribution to each class of Eligible Policyholders in exchange for their Membership Interests, whether in stock, policy credits or cash, that appropriately reflects their share of the aggregate value that is being distributed in the exchange.

Appropriateness of the definition of "Eligible Policyholder." In considering the fairness of the allocation, I have taken into account the definition of "Eligible Policyholder" set forth in the Plan. This definition differs in certain respects from definitions used in some prior demutualizations, but I consider it to be consistent with Prudential's business practices, consistent with approaches prescribed or permitted by the Chapter 17C, and reasonable when taken in conjunction with the overall method for allocation of consideration. I have also considered that, under the Plan, Eligible Policies affect the allocation of the Aggregate Basic Variable Component, if their Actuarial Contributions are positive, whether they are "participating" or "non-participating" policies. In light of Prudential's business practices, I find this approach to be fair and equitable.

Opinion #2

In my opinion:

A. The purpose of the Closed Block, as set forth in Article IX of the Plan, is appropriate.

B. The arrangements for the establishment, operation and funding of the Closed Block as set forth in Article IX of the Plan (including the Closed Block Memorandum, and Exhibit thereto), are reasonable.

C. The selection of the assets used to fund Prudential's Closed Block as of July 1, 2000 is consistent with the Plan of Reorganization and with the actuarial assumptions (as described in the Closed Block Memorandum) that were used for funding the Closed Block.

D. The $48.7 billion of assets used to fund the Closed Block is an amount that is expected to be reasonably sufficient to meet the objective of supporting the Closed Block Policies (including but not limited to the payment of claims, certain expenses, and taxes) and providing for continuation of the dividend scales in effect on the Adoption Date if

the experience underlying such dividend scales continues. Attachment 1 to this letter provides the Closed Block statutory balance sheet as of July 1, 2000, consistent with the funding of the Closed Block.

E. Article IX of the Plan also provides for the appropriate adjustment of the dividend scales if the underlying experience changes from that underlying the dividend scales in effect for 2000 and is in conformity with the provisions of Chapter 17C dealing with closed blocks.

F. The Funding Adjustment Charges specified for the Closed Block (set forth in Attachment 2 to this letter) are consistent with the Plan of Reorganization and with the actuarial assumptions that were used for the establishment of these charges.

Discussion

Appropriateness of the purpose of the Closed Block. As to (A) above, Section 3(d) of Chapter 17C requires that the Plan provide for the reasonable dividend expectations of policyholders through establishment of a closed block or other method acceptable to the commissioner. Chapter 17C also provides that any such method may be limited to participating individual life insurance policies and participating individual annuity contracts with experience-based dividend scales. Further, Chapter 17C provides that assets are to be allocated to the Closed Block in an amount expected to be reasonably sufficient to meet the objective of supporting the Closed Block Policies and providing for continuation of the dividend scales in effect on the Adoption Dated if the experience underlying such dividend scales continues. Article IX of the Plan makes provision for establishing a Closed Block having a purpose consistent with that specified by Chapter 17C. My opinion that the purpose is appropriate is based on this consistency as well as its consistency with Actuarial Standard of Practice 33 ("ASOP 33"), with the report of the Society of Actuaries Task Force on Mutual Life Insurance Company Conversion, and with the purposes of other closed blocks that have been established in recent years.

Appropriateness of the arrangements for the establishment, operation and funding of the Closed Block. As to (B), (C), (D), and (E) above, the Closed Block Memorandum describes the process by which assets will be allocated to the Closed Block as of the Closed Block Funding Date, July 1, 2000. The process has three essential steps:

1. Defining the elements that constitute the experience underlying the dividend scales in effect for 2000.

2. Defining the projection process used, in conjunction with (1), to determine the cash flow requirements of the Closed Block for each year of its projected future existence.

3. Selecting assets whose cash flows, when taken in conjunction with anticipated future revenues from Closed Block Policies and future reinvestment of available Closed Block assets, will provide funds to meet the cash requirements of the Closed Block.

I find that the elements of experience underlying the dividend scales in effect for 2000 have been determined correctly and that the process is consistent with normal actuarial techniques for determining cash flow requirements. In particular, I find that--because the dividend scales adopted by Prudential have been essentially unchanged for the four-year period 1997-2000--it is appropriate to determine the elements of experience by averaging, for each element, the experience underlying the scales adopted in the four years ending with year 2000.

I find that the funding of the Closed Block is appropriate, because the initial Closed Block assets are reasonably sufficient to enable the Closed Block to provide for the guaranteed benefits, certain expenses and taxes associated with Closed Block policies, and to provide for the continuation of the dividend scales in effect for the year 2000 if the experience underlying those scales (including the portfolio interest rates) continues. In connection with these findings, I have noted that the funding of the Closed Block provides for a fixed cost of servicing the policies included in it and the Closed Block Memorandum provides specifically that such fixed administrative expenses shall be charged to the Closed Block. I have considered these arrangements in light of the fact that Prudential, rather than the Closed Block policyholders, bears the financial risk for future changes in administrative expense levels.

I have also taken into account the fact that the investment policies and guidelines that the Investment Committee of the Board adopted for the Closed Block represent a general continuation of the investment policies and guidelines that have been applicable in the past for the portfolio of assets associated with Prudential's obligations for policies that have been placed in the Closed Block.

I also find that the criteria set forth in Article IX of the Plan for modifying the dividend scales if the experience changes are such that, if followed, the Closed Block Policies will be treated in a manner consistent with Prudential's current dividend practices. In connection with this finding, I have noted that the Plan requires Prudential to submit by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Closed Block. The presence of this requirement helps to assure that Closed Block operations in general, and dividend scale changes in particular, are consistent with the purpose of the Closed Block.

Finally, I find that the funding and operation of the Closed Block as set forth in Article IX of the Plan are consistent with current actuarial practice as set forth in ASOP 33. In particular, I find that--under the circumstances described above--the use of the four-year averaging technique in determining the elements of experience is consistent with the guidance of ASOP 33 that experience elements should reflect ". . .recent experience underlying the current dividend scales."

Appropriateness of Funding Adjustment Charges. As to (F) above, the Funding Adjustment Charges are appropriate because, with respect to Closed Block Policies issued on or after the Closed Block Funding Date (July 1, 2000) and prior to the Effective Date, they will place the Closed Block in a neutral financial position--i.e., the Closed Block's assets will be neither more nor less sufficient in relation to its obligations by virtue of the inclusion of these policies in the Closed Block than would have been the case had the policies not been included in the Closed Block. The Funding Adjustment Charges have been calculated so that they remove from the Closed Block, with respect to policies to which they apply, the sum of (a) expenses and commissions provided for in the pricing of the policies for which the Closed Block is not financially responsible, and (b) the present value of any expected future profits that would enure to Prudential after provision for policyholder dividends.

Opinion #3

In my opinion, the definition of the Closed Block Policies included in the Closed Block as set forth in Article I of the Plan is fair and reasonable, and is consistent with the provisions of Chapter 17C. Section 9.5 of the Plan provides other methods for protecting the reasonable dividend expectations for certain dividend-paying policies not in the Closed Block. In my opinion, these other methods are reasonable and appropriate.

Discussion

Article I of the Plan defines the Closed Block Policies referred to in Article IX of the Plan. This definition provides that certain classes of policies in force on the Closed Block Funding Date, or on any date between that date and the Effective Date, will be included in the Closed Block provided that they are in force on the Effective Date. The policies so provided for are, in general, individual life insurance policies and certain retirement annuity contracts in classes for which Prudential's 2000 dividend scale provides for experience-based dividends. This is consistent with the purpose of the Closed Block, which is to provide assurance of the future dividend treatment of such policies and contracts.

For certain small classes of individual life policies, individual health policies, individual annuity contracts, and supplementary contracts with current dividend scales but which are excluded from the Closed Block, the Plan provides reasonable assurances as to the continuation of the current dividend practices in the future. Such assurances are an appropriate way in which to deal with special classes of policies.

Scope of Opinions #2 and #3

Section 9.4 of the Plan provides for the establishment of a Canadian Closed Block. The Canadian Closed Block was funded with assets in the amount of C$170 million as of July 1, 2000. Attachment 3 to this letter provides the statutory balance sheet for the Canadian Closed Block as of July 1, 2000 consistent with the funding of the Canadian Closed Block. Such funding was based on experience appropriate for the Canadian Closed Block. Opinions #2 and #3 above apply both to the Canadian Closed Block and to the Closed Block covering all other Closed Block Policies.

Yours sincerely

/s/ Daniel J. McCarthy
Daniel J. McCarthy
Consulting Actuary

Attachment 1

US Closed Block
Balance Sheet--July 1, 2000
(amounts in $ millions)

<TABLE>
<S> <C>

Assets	
Bonds	34,250
Preferred Stock	17
Common Stock--Unaffiliated	1,581
Mortgage Loans	5,120
Investment Real Estate	38
Policy Loans--Non-securitized	5,670
Policy Loans--Securitized	169
Cash and Other Short-term Investments	4
Other Long-term Investments	1,072
Accrued Investment Income	683
Other Miscellaneous Assets	12
Premiums Receivable	93
Total Assets	48,709
Liabilities	
Future Policy Benefits/Aggregate Reserve	43,131
Policyholder Account Balance (Dividend Accumulations)	5,205
Unpaid Claims	68
Policyholder Dividends	2,415
Other Policyholder Related Liabilities	23
General Expenses Due & Accrued	1
Unearned Investment Income	5
Total Liabilities	50,848
Surplus	(2,139)

</TABLE>

Attachment 2

Funding Adjustment Charges

Funding Adjustment charges for Closed Block Policies that are issued on or after the Closed Block Funding Date, but on or before the Effective Date of the Plan are as follows:

<TABLE>
<CAPTION>

Series	Percent of First Year Recurring Premium (Annualized, including riders, modal loadings and policy fees)
<S>	<C>
Gibraltar	125%
Estate	151%
Legacy	182%

</TABLE>

Attachment 3

Canadian Closed Block
Balance Sheet--July 1, 2000
(amounts in C$millions)

<TABLE>
<S> <C>

Assets	
Bonds	143
Preferred Stock	0
Common Stock--Unaffiliated	21
Mortgage Loans	0
Investment Real Estate	0
Policy Loans--Non-securitized	4
Policy Loans--Securitized	0
Cash and Other Short-term Investments	0
Other Long-term Investments	0
Accrued Investment Income	2

Other Miscellaneous Invested Assets	0
Premiums Receivable	0
Total Assets	170
Liabilities	
Future Policy Benefits/Aggregate Reserve	157
Policyholder Account Balance (Dividend Accumulations)	0
Unpaid Claims	0
Policyholder Dividends	4
Other Policyholder Related Liabilities	1
General Expenses Due & Accrued	0
Unearned Investment Income	0
Remittances & Items Not Allocated	0
Total Liabilities	162
Surplus	8

</TABLE>

GLOSSARY

The following Glossary includes definitions of certain insurance and other terms.

A.M. Best	A.M. Best Company, a rating agency. See "claims-paying ratings" for an explanation of A.M. Best's ratings. A.M. Best does not provide credit ratings.
account values	the amounts of investment products held for the benefit of policyholders or contractholders. For mutual funds, account value is equal to fair market value.
annuity	a contract that provides for periodic payments to an annuitant for a specified period of time, often until the annuitant's death.
asset valuation reserve (or AVR)	a reserve required under statutory accounting principles designed to protect against losses in the value of the assets that make up our reserves. It can be divided into two main components: a "default component", which is a reserve for decreases in the value of assets, such as debt securities, resulting from credit defaults, and an "equity component" that more generally provides for losses in the value of equity investments, including real estate; the reserve is not included in financial statements prepared in accordance with generally accepted accounting principles.
assets under management (or AUM)	assets we manage directly in our proprietary products, such as our mutual funds and variable annuities, in our separate accounts and in our general account, and assets invested in investment options included in our products that are managed by third-party sub-managers (i.e., the non-proprietary investment options in our products).
cede	reinsuring with another insurance company all or a portion of the risk we insure.
claims-paying ratings	the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under its insurance policies. A.M. Best's claims-paying ratings for insurance companies currently range from "A++ (superior)" to "F (in liquidation)". A.M. Best's ratings reflect its opinion of an insurance company's financial strength, operating performance and ability to meet its obligations to policyholders. A.M. Best considers "A" and "A-" rated companies to have a strong ability to meet their ongoing obligations to policyholders and "B++" companies to have a good ability to meet their ongoing obligations to policyholders. Fitch's claims-paying ratings (sometimes referred to as "financial strength" ratings) currently range from "AAA (negligible risk factors)" to "DD (company is under an order of liquidation)". Fitch's ratings

reflect its assessment of the likelihood of timely payment of policyholder and contractholder obligations. According to Fitch, "AA-" companies have very high claims-paying ability, strong protection factors and modest risk which may vary slightly over time due to economic and/or underwriting conditions.

Moody's insurance claims-paying ratings (sometimes referred to as "financial strength" ratings) currently range from "Aaa (exceptional)" to "C (lowest rated)". Moody's insurance ratings reflect the ability of insurance companies to repay punctually senior policy-holder claims and obligations. Moody's indicates that "A1" rated insurance companies offer good financial security, but elements may be present which suggest a susceptibility to impairment sometime in the future.

S&P claims-paying ratings currently range from "AAA (superior)" to "CCC (extremely vulnerable)". These ratings reflect S&P's opinion of an operating insurance company's financial capacity to meet the obligations of its insurance policies in accordance with their terms. According to S&P's publications,

"A+" rated insurance companies have strong financial security characteristics, but are somewhat more likely to be affected by adverse business conditions than insurers with higher ratings. The symbol (+) following "A" shows a company's relative standing within the "A" rating category.

corporate-owned life insurance..... life insurance policies on a company's employees that are owned by a company and often used to fund employee benefits.

crediting rate..... the interest rate credited on a life insurance policy or annuity contract, which may be a guaranteed fixed rate, a variable rate or some combination of both.

credit ratings..... the opinions of rating agencies regarding an entity's ability to repay its indebtedness.

Moody's credit ratings currently range from "Aaa (best quality)" to "C (lowest rated)". Moody's credit ratings grade debt according to its investment quality. Moody's considers "A2" and "A3" rated debt to be upper medium grade obligations, and that while factors giving security to principal and interest are considered adequate, elements may be present that suggest a susceptibility to impairment sometime in the future.

An S&P credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program. S&P's long-term issue credit ratings range from "AAA (highest rating)" to "D (payment default)". S&P publications indicate that an "A+" rated issue is somewhat more susceptible to the adverse effects of changes in circumstances and economic condition than obligations in higher rated categories; however, the obligor's capacity to meet its financial commitment to the obligation is still strong. S&P short-term ratings range from "A-1 (highest category)" to "D (payment default)". Within the A-1 category some obligations are designated with a plus sign (+) indicating that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

deferred policy acquisition costs (or DAC)..... commissions and other selling expenses that vary with and are directly related to the production of business and that are deferred and amortized to achieve a matching of revenues and expenses when reported in financial statements prepared in conformity with generally accepted accounting principles.

defined benefit

retirement plan.....	a pension plan that promises to pay a specified amount to each eligible plan member who retires.
defined contribution plan.....	a plan established under Section 401(a), 401(k), 403(b) or 457(b) of the Internal Revenue Code, under which the benefits to a participant depend on the investment return on the participant's account.
earned premiums.....	the portion of a premium, net of any amount ceded, that represents coverage already provided or that belongs to the insurer based on the part of the policy period that has passed.
first year direct written premium.....	total annual premiums on new sales of our own property and casualty insurance products before consideration of reinsurance assumed or ceded.
Fitch.....	Fitch, Inc. (formerly Duff & Phelps, Inc.), a rating agency. See "claims-paying ratings" for an explanation of Fitch's ratings.
fixed annuities.....	an annuity under which the interest rate credited on the annuity during the accumulation phase is a fixed rate, which may change periodically, until it matures.

general account.....	all of the assets of our insurance companies recognized for statutory accounting purposes other than those specifically allocated to a separate account. We bear the risk of our investments held in our general account.
general account GIC.....	a guaranteed investment rate contract under which the guaranteed return is supported by general account investments.
guaranteed investment contract (or GIC).....	a group contract that guarantees a minimum rate of return, which may be fixed or floating, on the amount invested.
guaranteed products.....	group annuity contracts, guaranteed investment contracts, structured settlements and funding agreements.
immediate annuities.....	annuity contracts under which the benefits payable to the annuitant begin to be paid within one year of contract issuance.
incurred losses.....	the total losses and loss adjustment expenses paid, plus the change in loss and loss adjustment expense reserves, including incurred but not reported losses, sustained by an insurance or reinsurance company under its policies or other insurance or reinsurance contracts.
in force.....	policies and contracts reflected on our applicable records that have not expired or been terminated as of a given date.
interest maintenance reserve.....	the interest maintenance reserve, recorded under statutory accounting principles, captures realized capital gains and losses resulting from changes in the general level of interest rates. These gains and losses are to be amortized into investment income over the expected remaining life of the investments sold.
interest-sensitive life insurance.....	a cash value life insurance policy with a separately identified policyholder fund to which interest is credited and charges are deducted and with benefits that are tied to the fluctuation in investment result.

LIMRA	Life Insurance Marketing and Research Association.
long-term care insurance	insurance that protects the insured from certain costs of care at home or in an outside facility, but not medical insurance.
loss adjustment expense	the expense involved in settling a property and casualty loss, excluding the actual value of the loss.
market-making	maintaining bids and offer prices in a given security.
Moody's	Moody's Investors Service, Inc., a rating agency. See "claims-paying ratings" and "credit ratings" for an explanation of Moody's ratings.
morbidity	the incidence of disease or disability in a specific population over a specific period of time.
mortality	the number of deaths in a specific population over a specific period of time.
new annualized premium	premium payments related only to new sales and calculated as if they were consistently paid for the year of the sale even if they were actually paid for only a portion of the year of the sale.
non-participating policy or annuity	policies and annuities under which the policyholder/contractholder does not have a right to participate in the divisible surplus of the issuer to the extent dividends are apportioned thereon.

non-proprietary (or non-proprietary product or non-proprietary investment option)	those of our investment products, or investment options within our investment products, that are managed by a third party.
participating policy or annuity	policies and annuities under which the policyholder/contractholder has a right to participate in the divisible surplus of the issuer to the extent dividends are apportioned thereon.
permanent life insurance	a general term for life policies, including traditional whole, variable and universal life, that remain in force so long as their premiums are paid or achieve paid-up status.
persistency	measurement by premiums of the percentage of insurance policies or annuity contracts remaining in force between specified measurement dates.
personal lines property and casualty insurance	property and casualty insurance sold to individuals rather than businesses, including homeowners and automobile insurance.
plan of reorganization	dated as of December 15, 2000 (together with all exhibits and schedules), as originally adopted, and amended, supplemented or modified from time to time.
policy charges	fees from an insurance policy or annuity contract other than for insurance risks, for example, penalties for early surrender or late premium payment.
policy loans	loan from an insurer secured by the cash surrender value of a life insurance policy.
premiums	payments and considerations received on insurance policies issued or reinsured by an insurance company. Under generally accepted accounting principles,

	premiums on variable life and other investment-type contracts are not accounted for as revenues.
proprietary (or proprietary product or proprietary option).....	those of our investment products, or investment options within our investment products, that we manage directly on behalf of our clients (rather than depositing them to be managed by a third-party).
reinsurance.....	the ceding by one insurance company (the "reinsured") to another (the "reinsurer") of all or a portion of a risk for a premium. The ceding of risk to a reinsurer, other than in the case of assumption reinsurance, does not relieve the original insurer (i.e., the reinsured) of its liability to the insured.
repurchase agreement.....	an agreement between a seller and a buyer, whereby the seller agrees to sell securities and to repurchase them at an agreed upon price and generally at a stated time.
reserves.....	amounts recorded as a liability in order to provide for anticipated pay-outs such as benefits, dividends or contingencies.
reverse repurchase agreement.....	an agreement between a seller and a buyer, whereby the buyer agrees to purchase securities and to resell them at an agreed upon price and generally at a stated time.
risk-based capital (or RBC) ratio.....	a tool used by insurance regulators to analyze an insurance company's total adjusted capital, taking into consideration the risks associated with the company's particular assets, the risk that losses will be worse than expected, the company's exposure to interest rate risks, and other business risks. The risk based capital ratio is a well accepted measure of the strength of a company's capitalization.

S&P.....	Standard & Poor's Ratings Group, a rating agency. See "claims-paying ratings" and "credit ratings" for an explanation of S&P's ratings.
separate accounts.....	assets of our insurance companies allocated under certain policies and contracts that are segregated from the general account and other separate accounts. The policyholder or contractholder bears the risk of investments held in a separate account.
statutory accounting principles.....	accounting practices prescribed or permitted by an insurer's domiciliary state insurance regulator for purposes of financial reporting to regulators.
structured settlements.....	customized annuities used to provide to a claimant ongoing periodic payments instead of a lump sum payment.
surrender charge.....	an amount specified in our insurance policies and annuity contracts that we charge a policyholder or contractholder for early cancellation of or withdrawal under that policy or contract.
surrenders and withdrawals.....	amounts taken from life insurance policies and annuity contracts representing the full or partial values of these policies or contracts.
term life insurance...	life insurance written for a specified period and under which no cash value is generally available on surrender.
traditional whole life insurance.....	a life insurance policy that offers the beneficiary benefits in the event of the insured's death for the

	whole of life, provided premiums have been paid when due; it also allows for the buildup of cash value but has no investment feature.
trust-owned life insurance.....	life insurance policies on a company's employees owned by a trust created by the company and generally used to fund employee benefits.
underwriting.....	the process of examining, accepting or rejecting insurance risks and classifying those risks that are accepted, in order to charge policyholders an appropriate premium.
unit investment trust.....	unit investment trusts purchase a fixed portfolio of income-producing securities, such as corporate, municipal, or government bonds, mortgage-backed securities, common stock or preferred stock. Unit holders receive an undivided interest in both the principal and the income portion of the portfolio in proportion to the amount of capital they invest.
universal life insurance.....	interest-sensitive life insurance under which separately identified interest and mortality and expense charges are made to the policy fund, typically with flexible premiums.
variable annuity.....	an annuity contract under which values during the accumulation phase fluctuate according to the investment performance of a separate account or accounts supporting such contract that is/are designated by the contractholder.
variable life insurance.....	life insurance policy under which the benefits payable to the beneficiary upon the death of the insured or the surrender of the policy will vary to reflect the investment performance of a separate account or accounts supporting such policy that is/are designated by the contractholder.
variable universal life insurance.....	a form of variable life insurance where the timing or amount of one or more premium payments may be varied.
wrap-fee products.....	investment products generating asset-based fees in which the funds of the customer are generally invested in other investment products such as mutual funds.
written premiums.....	the aggregate amount of premiums written by an insurer during a specific period of time, including both earned and unearned premiums.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including , 2001 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

89,000,000 Shares

Prudential Financial, Inc.

Common Stock

[LOGO]

Goldman, Sachs & Co.

Representatives of the Underwriters

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following is a statement of the estimated expenses, other than underwriting discounts and commissions, to be incurred in connection with the distribution of the securities registered under this Registration Statement.

<TABLE>
<CAPTION>

	Amount to be paid
<S>	<C>
Securities and Exchange Commission registration fee	$ *
NASD fees and expenses	*
Legal fees and expenses	*
Fees and expenses of qualification under state securities laws (including legal fees)	*
NYSE listing fees and expenses	*
Accounting fees and expenses	*
Printing and engraving fees	*
Registrar and transfer agent's fees	*
Miscellaneous	*
Total	$ *

</TABLE>

---

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers

The New Jersey Business Corporation Act provides that a New Jersey corporation is required to indemnify a director or officer against his or her expenses to the extent that such director or officer has been successful on the merits or otherwise in any proceeding against such director or officer as by reason of his or being or having been such director or officer. A New Jersey corporation also has the power to indemnify a director or officer against his or her expenses and liabilities in connection with any proceeding involving the director or officer by reason of his or her being or having been such a director or officer if such a director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation (or in the case of a proceeding by or in the right of the corporation, upon an appropriate determination by a court); and with respect to any criminal proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful. No indemnification shall be made to or on behalf of a director or officer if a judgment or other final adjudication adverse to the director or officer establishes that his or her omissions (a) were in breach of his or her duty of loyalty to the corporation or its shareholders, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the director or officer of an improper personal benefit.

Prudential Financial, Inc.'s certificate of incorporation provides that no director shall be personally liable to Prudential Financial, Inc. or any of its shareholders for damages for breach of duty as a director, except for liability based upon an act or omission (i) in breach of the director's duty of loyalty to Prudential Financial, Inc. or its stockholders, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt by such director of an improper personal benefit.

The by-laws of Prudential Financial, Inc. provide that Prudential Financial, Inc. shall indemnify the following persons:

(a) any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (including any appeal thereon) (other than an action by or in the right of Prudential Financial, Inc.) by reason of the fact that such person is or was a director, officer, or employee of Prudential Financial, Inc., or is or was serving at the request of Prudential Financial, Inc. as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including reasonable costs, disbursements and attorneys' fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of Prudential Financial, Inc., and, with respect to any criminal action or proceeding, such person has no reasonable cause to believe his or her conduct was unlawful; or

(b) any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit (whether civil, criminal, administrative, arbitrative or investigative) by or in the right of Prudential Financial, Inc. to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, or employee of Prudential Financial, Inc., or is or was serving at the request of Prudential Financial, Inc. as director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including reasonable costs, disbursements and attorneys' fees) judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of Prudential Financial, Inc.; provided, however, that no indemnification shall be made in respect of any claim, issue or matter if a judgment or final adjudication adverse to such person establishes that his or her acts or omissions (i) were in breach of his or her duty of loyalty to Prudential Financial, Inc. or its shareholders, (ii) were not in good faith or involved a knowing violation of law or (iii) resulted in receipt by such person of an improper personal benefit.

For directors and officers of the level of Senior Vice President or above, the determination of entitlement to indemnification must be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the shareholders.

Policies of insurance are maintained by the Registrant with unrelated insurers under which its directors and officers are insured, within the limits and subject to the limitations of the policies, against certain expenses in

connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been such directors or officers.

Reference is also made to Section of the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement for information concerning the Underwriters' obligation to indemnify the Registrant and its officers and directors in certain circumstances.

Item 15. Recent Sales of Unregistered Securities

The Registrant will distribute to certain eligible policyholders approximately 455 million shares of Common Stock in the demutualization. Exemption from registration under the Securities Act for such distribution will be available under Section 3(a)(10) of the Securities Act based on the New Jersey Insurance Commissioner's approval of the Plan of Reorganization.

The Registrant expects to sell approximately 2.0 million shares of Class B Stock to institutional accredited investors concurrently with or within 30 days following the offering of the Common Stock at an aggregate offering price of approximately $175 million. The shares of Class B Stock will be offered and sold pursuant to the exemption from registration available under Section 4(2) of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

<TABLE>
<C> <S>
1.1 Form of Underwriting Agreement (U.S. Version).*
2.1 Plan of Reorganization.
3.1 Form of proposed Certificate of Incorporation of Prudential Financial, Inc. (included in Exhibit 2.1).
3.2 Form of By-laws of Prudential Financial, Inc. (included in Exhibit 2.1).
4.1 Form of certificate for the Common Stock of Prudential Financial, Inc., par value $.01 per share.*
4.2 Shareholders' Rights Plan.*
4.3 Upon the request of the Securities and Exchange Commission, the Registrant will furnish copies of all instruments defining the rights of holders of long-term debt of the Registrant.
5.1 Opinion of Sullivan & Cromwell.*
5.2 Opinion of McCarter & English, LLP.*
10.1 Support Agreement between The Prudential Insurance Company of America and Prudential Funding Corporation dated as of March 18, 1982.
</TABLE>

<TABLE>
<C> <S>
10.2 Stipulation of Settlement--United States District Court for the District of New Jersey, in re: The Prudential Insurance Company of America Sales Practices Litigation, MDL No. 1061, Master Docket No. 95-4704 (AMW) (Document dated October 28, 1996).
10.3 Amendment to Stipulation of Settlement--United States District Court for the District of New Jersey, in re: The Prudential Insurance Company of America Sales Practices Litigation MDL No. 1061, Master Docket No. 95-4704 (AMW) (Original filed February 24, 1997) (Document dated February 22, 1997).
21.1 Subsidiaries of Prudential Financial, Inc.*
23.1 Consent of PricewaterhouseCoopers LLP.
23.2 Consent of Sullivan & Cromwell (included in Exhibit 5.1).*
23.3 Consent of McCarter & English, LLP (included in Exhibit 5.2).*
23.4 Consent of Milliman & Robertson, Inc.
24.1 Powers of Attorney.
</TABLE>

(b) Financial Statement Schedules

<TABLE>
<S> <C>
Schedule I Summary of Investments Other Than Investments in Related Parties
Schedule III Supplementary Insurance Information
Schedule IV Reinsurance
Schedule V Valuation and Qualifying Accounts
</TABLE>

- --------
*To be filed by amendment.

Item 17. Undertakings

The undersigned Registrant hereby undertakes:

(a) To provide to the underwriters at the closing specified in the

underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions described under "Item 14, Indemnification of Directors and Officers" above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment to the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c)(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Newark, New Jersey on the 9th day of April, 2001.

Prudential Financial, Inc.

/s/ Mark B. Grier
By: _____
Name: Mark B. Grier
Title: Executive Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on April 9, 2001:

<TABLE>
<CAPTION>

Name	Title
<S>	<C> <C>
Arthur F. Ryan*	Chairman, Chief Executive Officer, President and Director
Arthur F. Ryan	
Richard J. Carbone*	Chief Financial Officer (Principal Financial Officer)
Richard J. Carbone	
Anthony S. Piszel*	Controller (Principal Accounting Officer)
Anthony S. Piszel	
Franklin E. Agnew*	Director
Franklin E. Agnew	
Frederic K. Becker*	Director
Frederic K. Becker	
Gilbert F. Casellas*	Director
Gilbert F. Casellas	
James G. Cullen*	Director

_____ James G. Cullen		
Carolyne K. Davis*	Director	
_____ Carolyne K. Davis		
Allan D. Gilmour*	Director	
_____ Allan D. Gilmour		
William H. Gray, III*	Director	
_____ William H. Gray, III		
Jon F. Hanson*	Director	
_____ Jon F. Hanson		
Glen H. Hiner*	Director	
_____ Glen H. Hiner		

Name	Title	
Constance J. Horner*	Director	
_____ Constance J. Horner		
Gaynor N. Kelley*	Director	
_____ Gaynor N. Kelley		
Burton G. Malkiel*	Director	
_____ Burton G. Malkiel		
Ida F. S. Schmertz*	Director	
_____ Ida F. S. Schmertz		
Charles R. Sitter*	Director	
_____ Charles R. Sitter		
Donald L. Staheli*	Director	
_____ Donald L. Staheli		
Richard M. Thomson*	Director	
_____ Richard M. Thomson		
James A. Unruh*	Director	
_____ James A. Unruh		
Pindaros R. Vagelos*	Director	
_____ Pindaros R. Vagelos		
Stanley C. Van Ness*	Director	
_____ Stanley C. Van Ness		

Paul A. Volcker* _Paul A. Volcker Director

/s/ Mark B. Grier		
By: *_____		
Mark B. Grier, Attorney-in-fact		

Report of Independent Accountants on Financial Statement Schedules

To the Board of Directors and Policyholders of
The Prudential Insurance Company of America

Our audits of the consolidated financial statements referred to in our report dated March 13, 2001, except for Note 18, as to which the date is April 2, 2001, appearing in the prospectus also included an audit of the Financial Statement Schedules listed in Item 16(b) of this Registration Statement. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

New York, New York
March 13, 2001

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Schedule I
Summary of Investments Other Than Investments in Related Parties
As of December 31, 2000 (In Millions)

<TABLE>
<CAPTION>

Type of Investment	Cost(1)	Value	Amount at which shown in the balance sheet
<S>	<C>	<C>	<C>
Fixed maturities, available for sale:			
Bonds:			
United States Government and government agencies and authorities	$ 7,068	$ 7,424	$ 7,424
States, municipalities and political subdivisions	3,012	3,173	3,173
Foreign governments	4,393	4,570	4,570
Mortgage-backed securities	6,512	6,686	6,686
Public utilities	13,185	13,110	13,110
Convertibles and bonds with warrants attached	95	110	110
All other corporate bonds	48,499	48,364	48,364
Certificates of deposit	--	--	--
Redeemable preferred stock	351	390	390
Total fixed maturities, available for sale	$ 83,115	$83,827	$ 83,827
Fixed maturities, held to maturity:			
Bonds:			
United States Government and government agencies and authorities	$ 7	$ 7	$ 7
States, municipalities and political subdivisions	40	40	40
Foreign governments	193	206	193
Mortgage-backed securities	--	--	--
Public utilities	2,421	2,579	2,421
Convertibles and bonds with warrants attached	--	--	--
All other corporate bonds	9,787	9,783	9,787
Certificates of deposit	--	--	--
Redeemable preferred stock	--	--	--
Total fixed maturities, held to maturity	$ 12,448	$12,615	$ 12,448
Equity securities:			
Common Stocks:			
Public utilities	$ 43	$ 44	$ 44
Banks, trust and insurance companies	134	209	209
Industrial, miscellaneous and other	1,976	1,944	1,944
Nonredeemable preferred stocks	113	120	120
Total equity securities	$ 2,266	$ 2,317	$ 2,317
Mortgage loans on real estate	$ 15,919		$ 15,919
Policy loans	8,046		8,046
Cash collateral for borrowed securities	3,858		3,858
Securities purchased under agreements to resell	5,395		5,395
Trading account assets (2)	7,217		7,217
Short-term investments	5,029		5,029
Other long-term investments	4,459		4,459

Total investments	$147,752	$148,515

</TABLE>

(1) Original cost of equities and, as to fixed maturities, original cost reduced by repayments and adjusted for amortization of premiums and accretion of discounts.
(2) At fair value.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Schedule III
Supplementary Insurance Information
As of and for the year ended December 31, 2000 (In Millions)

<TABLE>
<CAPTION>

Segment	Deferred Policy Acquisition Costs	Future Policy Benefits, Losses, Claims, Expenses	Unearned Premium	Other Policy Claims and Benefits Payable	Premiums, Policy Charges and Fee Income	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Amortization of DAC
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Individual Life Insurance	$3,090	$ 1,541	--	$ 3,532	$1,328	$ 374	$ 793	$ 172
Private Client Group	--	--	--	--	--	299	--	-
Retail Investments	682	795	--	4,907	355	478	421	206
Property and Casualty Insurance	137	1,837	$577	--	1,639	193	1,045	365
U.S. Consumer Division	3,909	4,173	577	8,439	3,322	1,344	2,259	743
Group Insurance	12	2,822	113	3,546	2,292	485	2,242	1
Other Employee Benefits	76	12,581	--	15,338	149	2,332	1,986	21
Employee Benefits Division	88	15,403	113	18,884	2,441	2,817	4,228	22
International Insurance	1,425	4,536	--	131	1,773	129	1,268	145
International Securities and Investments	--	--	--	--	--	66	--	1
International Division	1,425	4,536	--	131	1,773	195	1,268	146
Investment Management and Advisory Services	--	--	--	--	--	21	--	-
Other Asset Management	--	--	--	--	--	31	--	-

Asset Management Division.....	--	--	--	--	52	--	--	-
Corporate and Other.....	(33)	574	18	88	4	917	38	(84)
Total Financial Services Businesses.....	5,389	24,686	708	27,542	7,540	5,325	7,793	827
Traditional Participating Products.....	1,674	46,014	--	6,643	4,320	4,172	7,322	269
Total.....	7,063	70,700	708	34,185	11,860	9,497	15,115	1,096

<CAPTION>

Segment	Other Operating Expenses	Premiums Written
<S>	<C>	<C>
Individual Life Insurance.....	$ 776	--
Private Client Group.....	2,452	--
Retail Investments.....	764	--
Property and Casualty Insurance.....	280	$1,637
U.S. Consumer Division.....	4,272	1,637
Group Insurance..	400	--
Other Employee Benefits.....	681	--
Employee Benefits Division.....	1,081	--
International Insurance.....	211	--
International Securities and Investments.....	677	--
International Division.....	888	--
Investment Management and Advisory Services.....	719	--
Other Asset Management.....	348	--
Asset Management Division.....	1,067	--
Corporate and Other.....	1,380	--
Total Financial Services Businesses.....	8,688	1,637
Traditional Participating Products.....	918	--
Total.....	9,606	$1,637

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Schedule III
Supplementary Insurance Information
As of and for the year ended December 31, 1999 (In Millions)

<TABLE>
<CAPTION>

Segment	Deferred Policy Acquisition Costs	Future Policy Benefits, Losses, Claims, Expenses	Unearned Premium	Other Policy Claims and Benefits Payable	Premiums, Policy Charges and Fee Income	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Amortization of DAC
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Individual Life Insurance	$2,807	$ 1,360	--	$ 3,303	$ 1,299	$ 316	$ 653	$ 185
Private Client Group	--	--	--	--	--	269	--	--
Retail Investments	693	782	--	5,065	316	491	389	229
Property and Casualty Insurance	110	1,758	$494	--	1,548	197	1,100	350
U.S. Consumer Division	3,610	3,900	494	8,368	3,163	1,273	2,142	764
Group Insurance	2	2,581	117	3,150	1,927	470	1,956	--
Other Employee Benefits	103	12,717	--	16,090	163	2,460	2,220	6
Employee Benefits Division	105	15,298	117	19,240	2,090	2,930	4,176	6
International Insurance	1,325	3,971	1	55	1,422	99	1,034	102
International Securities and Investments	--	--	--	--	--	54	--	1
International Division	1,325	3,971	1	55	1,422	153	1,034	103
Investment Management and Advisory Services	--	--	--	--	--	3	--	--
Other Asset Management	--	--	--	--	--	29	--	--
Asset Management Division	--	--	--	--	--	32	--	--
Corporate and								

Other.....	(9)	1,671	40	116	93	1,068	150	(32)
Total Financial Services Businesses.....	5,031	24,840	652	27,779	6,768	5,456	7,502	841
Traditional Participating Products.....	2,293	44,615	--	6,485	4,276	3,911	7,106	314
Total.....	$7,324	$69,455	$652	$34,264	$11,044	$9,367	$14,608	$1,155

<CAPTION>

Segment	Other Operating Expenses	Premiums Written
<S>	<C>	<C>
Individual Life Insurance.....	$ 768	--
Private Client Group.....	2,285	--
Retail Investments.....	756	--
Property and Casualty Insurance.....	145	$1,500
U.S. Consumer Division.....	3,954	1,500
Group Insurance..	354	--
Other Employee Benefits.....	649	--
Employee Benefits Division.....	1,003	--
International Insurance.....	168	--
International Securities and Investments.....	564	--
International Division.....	732	--
Investment Management and Advisory Services.....	613	--
Other Asset Management.....	271	--
Asset Management Division.....	884	--
Corporate and Other.....	1,102	--
Total Financial Services Businesses.....	7,675	1,500
Traditional Participating Products.....	930	--
Total.....	$8,605	$1,500

</TABLE>

Schedule III
Supplementary Insurance Information
As of and for the year ended December 31, 1998 (In Millions)

<TABLE>
<CAPTION>

Amortization Segment	Deferred Policy Acquisition Costs	Future Policy Benefits, Losses, Claims, Expenses	Unearned Premium	Other Policy Claims and Benefits Payable	Premiums, Policy Charges and Fee Income	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Amortization of DAC
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Individual Life Insurance	$2,748	$ 1,144	--	$ 3,146	$ 1,284	$ 300	$ 647	$ 185
Private Client Group	--	--	--	--	--	255	--	--
Retail Investments	621	860	--	5,475	284	567	419	183
Property and Casualty Insurance	108	2,025	$547	--	1,581	223	1,070	340
U.S. Consumer Division	3,477	4,029	547	8,621	3,149	1,345	2,136	708
Group Insurance	--	2,496	18	3,253	1,755	441	1,808	--
Other Employee Benefits	60	13,868	--	17,246	156	2,730	2,487	14
Employee Benefits Division	60	16,364	18	20,499	1,911	3,171	4,295	14
International Insurance	972	2,672	--	97	1,010	65	747	103
International Securities and Investments	--	--	--	--	--	55	--	1
International Division	972	2,672	--	97	1,010	120	747	104
Investment Management and Advisory Services	--	--	--	--	(3)	2	--	5
Other Asset Management	--	--	--	--	--	9	--	--
Asset Management Division	--	--	--	--	(3)	11	--	5
Corporate and Other	(21)	2,761	95	67	86	1,013	80	(50)
Total Financial Services								

Businesses.....	4,488	25,826	660	29,284	6,153	5,660	7,258	781
Traditional Participating Products.....	1,974	43,579	--	6,397	4,360	3,794	6,958	358
Total.....	$6,462	$69,405	$660	$35,681	$10,513	$9,454	$14,216	$1,139

<CAPTION>

Segment	Other Operating Expenses	Premiums Written
<S>	<C>	<C>
Individual Life Insurance.....	$ 664	--
Private Client Group.....	2,203	--
Retail Investments.....	684	--
Property and Casualty Insurance.....	91	$1,548
U.S. Consumer Division	3,642	1,548
Group Insurance..	299	--
Other Employee Benefits.....	637	--
Employee Benefits Division.....	936	--
International Insurance.....	96	--
International Securities and Investments.....	519	--
International Division.....	615	--
Investment Management and Advisory Services.....	591	--
Other Asset Management.....	231	--
Asset Management Division.....	822	--
Corporate and Other.....	1,997	--
Total Financial Services Businesses.....	8,012	1,548
Traditional Participating Products.....	1,045	--
Total.....	$9,057	$1,548

</TABLE>

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Schedule IV
Reinsurance
For the Years Ended December 31, 2000, 1999 and 1998 (In Millions)

<TABLE>
<CAPTION>

Percentage of

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Amount Assumed to Net
2000					
Life Insurance Face Amount In Force.....	$1,324,453	$72,044	$6,866	$1,259,275	0.5%
Premiums:					
Life Insurance.....	$ 8,529	$ 483	$ 42	$ 8,088	0.5%
Accident and Health Insurance.....	506	15	3	494	0.6%
Property & Liability Insurance.....	1,691	93	41	1,639	2.5%
Total Premiums.....	$ 10,726	$ 591	$ 86	$ 10,221	0.8%
1999					
Life Insurance Face Amount In Force.....	$1,215,752	$75,151	$7,901	$1,148,502	0.7%
Premiums:					
Life Insurance.....	$ 8,006	$ 489	$ 29	$ 7,546	0.4%
Accident and Health Insurance.....	542	109	--	433	--
Property & Liability Insurance.....	1,573	61	37	1,549	2.4%
Total Premiums.....	$ 10,121	$ 659	$ 66	$ 9,528	0.7%
1998					
Life Insurance Face Amount In Force.....	$1,128,919	$65,317	$7,168	$1,070,771	0.7%
Premiums:					
Life Insurance.....	$ 7,537	$ 506	$ 24	$ 7,055	0.3%
Accident and Health Insurance.....	409	4	--	405	--
Property & Liability Insurance.....	1,715	168	41	1,588	2.6%
Total Premiums.....	$ 9,661	$ 678	$ 65	$ 9,048	0.7%

</TABLE>

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Schedule V
Valuation and Qualifying Accounts
For the years ended December 31, 2000, 1999 and 1998 (In Millions)

<TABLE>
<CAPTION>

		Additions			
Description	Balance at Beg. of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
2000					
Allowance for losses on mortgage loans on real estate.....	$221	$ 17	$--	$ 13(a)	$225
Valuation allowance on deferred tax asset.....	24	18	--	4(c)	38
	$245	$ 35	$--	$ 17	$263
1999					
Allowance for losses on mortgage loans on real estate.....	$427	$--	$--	$206(b)	$221
Valuation allowance on deferred tax asset.....	13	17	--	6(c)	24
	$440	$ 17	$--	$212	$245
1998					
Allowance for losses on mortgage loans on real estate.....	$450	$--	$--	$ 23(d)	$427
Valuation allowance on deferred tax asset.....	18	1	--	6(c)	13

$468	$ 1	$--	$ 29	$440

</TABLE>

- --------

(a) Represents $13 million of charge-offs, net of recoveries.
(b) Represents $201 million of release of allowance for losses and $5 million of charge-offs, net of recoveries.
(c) Represents utilization of foreign tax credit ($4 million, $6 million and $6 million in 2000, 1999 and 1998, respectively.
(d) Represents $23 million of charge-offs, net of recoveries.

Index to Exhibits

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Exhibit No.	Description	Sequentially Numbered Page
<C>	<S>	<C>
1.1	Form of Underwriting Agreement (U.S. Version).*	
2.1	Plan of Reorganization.	
3.1	Form of proposed Certificate of Incorporation of Prudential Financial, Inc. (included in Exhibit 2.1).	
3.2	Form of By-laws of Prudential Financial, Inc. (included in Exhibit 2.1).	
4.1	Form of certificate for the Common Stock of Prudential Financial, Inc., par value $.01 per share.*	
4.2	Shareholders' Rights Plan.*	
4.3	Upon the request of the Securities and Exchange Commission, the Registrant will furnish copies of all instruments defining the rights of holders of long-term debt of the Registrant.	
5.1	Opinion of Sullivan & Cromwell.*	
5.2	Opinion of McCarter & English, LLP.*	
10.1	Support Agreement between The Prudential Insurance Company of America and Prudential Funding Corporation dated as of March 18, 1982.	
10.2	Stipulation of Settlement--United States District Court for the District of New Jersey, in re: The Prudential Insurance Company of America Sales Practices Litigation, MDL No. 1061, Master Docket No. 95-4704 (AMW) (Document dated October 28, 1996).	
10.3	Amendment to Stipulation of Settlement--United States District Court for the District of New Jersey, in re: The Prudential Insurance Company of America Sales Practices Litigation MDL No. 1061, Master Docket No. 95-4704 (AMW) (Original filed February 24, 1997) (Document dated February 22, 1997).	
21.1	Subsidiaries of Prudential Financial, Inc.*	
23.1	Consent of PricewaterhouseCoopers LLP.	
23.2	Consent of Sullivan & Cromwell (included in Exhibit 5.1).*	
23.3	Consent of McCarter & English, LLP (included in Exhibit 5.2).*	
23.4	Consent of Milliman & Robertson, Inc.	
24.1	Powers of Attorney.	

</TABLE>

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*To be filed by amendment.

EXHIBIT 2.1

==========

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

PLAN OF REORGANIZATION

Under Chapter 17C of Title 17
of the
New Jersey Revised Statutes

As Adopted as of December 15, 2000
(and subsequently amended and restated)

==========

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EXHIBIT D -- Form of Amended and Restated By-laws of the Company
EXHIBIT E -- ADR Memorandum
EXHIBIT F -- Allocation Principles and Methodology
EXHIBIT G -- Closed Block Memorandum
EXHIBIT H -- Canadian Closed Block Memorandum
EXHIBIT I -- Flexible Factor Requirements
EXHIBIT J -- Annuity Crediting Rate Requirements
EXHIBIT K -- Actuarial Certification of the Reasonableness and Appropriateness of the Methodology and Underlying Assumptions used to Allocate Consideration among Eligible Policyholders and Actuarial Certification of the Reasonableness and Sufficiency of the Assets Allocated to the Closed Block and the Canadian Closed Block
EXHIBIT L -- Commission-Free Sales and Purchases Program Memorandum

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

PLAN OF REORGANIZATION

This Plan of Reorganization dated as of December 15, 2000 (the "Adoption Date") (together with all Exhibits and Schedules, as originally adopted and as it may from time to time hereafter be amended, supplemented or modified as provided herein, this "Plan") was adopted on the Adoption Date by unanimous written consent of the Board of Directors (the "Board") of The Prudential Insurance Company of America, a New Jersey mutual life insurance company that will become, upon the consummation of this Plan, a New Jersey stock life insurance company (the "Company"). The Board subsequently adopted this amended and restated Plan. This Plan provides for the conversion of the Company from a mutual life insurance company into a stock life insurance company in accordance with the requirements of Chapter 17C of Title 17 of the New Jersey Revised Statutes ("Chapter 17C").

ARTICLE I
DEFINITIONS

The following terms have the following meanings for purposes of this Plan:

"Actuarial Contribution" means, with respect to a particular Eligible Policy, the contribution that such Eligible Policy is estimated to have made to the Company's surplus, plus the estimated contribution that such Eligible Policy is expected to make to the Company's surplus in the future, in each case as determined in accordance with the principles and methodology set forth in Article VII and the Allocation Principles and Methodology attached hereto as Exhibit F.

"Actuarial Contribution Date" means March 31, 2000.

"Additional Extraordinary Dividend" means one or more extraordinary dividends (within the meaning of Section 17:27A-4 of the New Jersey Revised Statutes) that the Company may, on or within 30 days after the Effective Date, pay, subject to the prior written approval of the Commissioner, in the form of cash, other assets or both, in accordance with Section 3.3(b), to the Intermediate Holding Company or the Holding Company, or to the Intermediate Holding Company and thereafter in whole or in part to the Holding Company, having a fair market value not to exceed in the aggregate $2,500,000,000.

"Additional Fixed Component" means that element of the Fixed Component of consideration, calculated pursuant to Section 7.1(b)(i)(B), allocable to certain Eligible Policyholders as specified in Section 7.1(b)(i)(B).

"Additional Variable Component" means that element of the Variable Component of consideration, calculated pursuant to Section 7.1(b)(ii)(B), allocable to certain Eligible Policyholders as specified in Section 7.1(b)(ii)(B).

"Adoption Date" means December 15, 2000, the date as of which this Plan was adopted by unanimous action of the Board. All amendments, supplements and modifications to this Plan shall relate back to and be considered to take effect as of the Adoption Date for purposes of this Plan.

"ADR" means the alternative dispute resolution process provided for in the Stipulation of Settlement.

"ADR Claimant" means a Person who filed a claim in ADR.

"ADR Memorandum" means the memorandum attached hereto as Exhibit E.

"Aetna Company" means Aetna, Inc., a Connecticut corporation, or any of its subsidiaries, as the context requires.

"Aggregate Basic Variable Component" means the portion of the Initial Allocable Shares that remains after Allocable Shares are first allocated from the Initial Allocable Shares to provide for the aggregate of all Basic Fixed Components allocable in respect of all Eligible Policyholders as provided in Section 7.1(b)(i)(A).

"Allocable Shares" means notional shares of Common Stock allocable among Eligible Policyholders in the Reorganization.

"Allocation Factor" means the ratio of the Aggregate Basic Variable Component to the sum of all positive Actuarial Contributions of all Eligible Policies.

"Allocation Principles and Methodology" means the principles and methodology set forth in the memorandum attached hereto as Exhibit F that govern the allocation of the Aggregate Basic Variable Component among Eligible Policyholders.

"Annuity Crediting Rate Requirements" means the rules set forth in Exhibit J applicable to the interest rates credited on certain account values of Covered Fixed Annuities and Covered Variable Annuities.

"Application" means the application for approval of, and for permission to reorganize pursuant to, this Plan, that will be filed by the Company with the Commissioner.

"Basic Fixed Component" means that component of consideration allocable to each Eligible Policyholder as provided in Section 7.1(b)(i)(A). Such Basic Fixed Component shall be equal to eight Allocable Shares. Each Eligible Policyholder shall be allocated a single Basic Fixed Component (regardless of the number of Eligible Policies owned by such Eligible Policyholder as of the Adoption Date, including any Policies issued, reinstated or repurchased pursuant to the ADR Memorandum).

"Basic Variable Component" means that component of consideration equal to the portion, if any, of the Aggregate Basic Variable Component allocated in respect of all Eligible Policies of an Eligible Policyholder.

"Board" means the Board of Directors of the Company.

"Canadian Closed Block" means the mechanism established pursuant to Article IX for the purpose of providing, over time, for the reasonable dividend expectations of the holders of certain participating intermediate monthly premium life insurance policies, weekly premium life insurance policies and related riders and supplementary benefits issued by the Company's Canadian branch, as set forth in the Canadian Closed Block Memorandum, attached hereto as Exhibit H.

"Chapter 17C" means Chapter 17C of Title 17 of the New Jersey Revised Statutes.

"Class B Stock" means the Class B Stock, par value $0.01 per share, of the Holding Company.

"Closed Block" means the mechanism established pursuant to Article IX for the purpose of providing, over time, for the reasonable dividend expectations of the holders of Closed Block Policies. The Closed Block shall consist of the Closed Block Policies, the Closed Block Assets and the operating rules which define certain specified cash flows credited to and charged against the Closed Block, each as set forth in Article IX and the Closed Block Memorandum, attached hereto as Exhibit G. References herein to the Closed Block shall not include the Canadian Closed Block.

"Closed Block Assets" shall consist of (i) the Initial Closed Block Assets, (ii) cash flows from such assets, (iii) assets resulting from the reinvestment of such cash flows, (iv) cash flows from the Closed Block Policies and (v) assets resulting from the investment of such cash flows. Closed Block Assets shall include policy loans, accrued interest on any of the foregoing assets and due premiums on the Closed Block Policies. Closed Block Assets shall be adjusted to reflect Closed Block Policies

issued or reinstated on or after the Closed Block Funding Date, as set forth in the Closed Block Memorandum. Closed Block Assets shall not include assets included in the Canadian Closed Block.

"Closed Block Funding Date" means July 1, 2000.

"Closed Block Memorandum" means the memorandum attached hereto as Exhibit G that sets forth the rules governing the establishment and operation of the Closed Block.

"Closed Block Policies" means:

(i) participating individual life insurance policies, along with all supplementary benefits and riders attached to all such policies, for which the Company has an experienced-based dividend scale and for which (a) dividends are due, paid or accrued during 2000 by action of the Board, (b) no dividends are due during 2000 because recent issuance of such policies results in no dividends for an initial period, (c) no dividends are due during 2000 because such policies are in extended term insurance status, but the policies otherwise would satisfy the criteria of this subsection (i); or (d) no dividends are due during 2000 because the policies were issued in 2001, but the policies otherwise would satisfy the criteria of this subsection (i) if they had been in force during all or any part of 2000,

(ii) paid-up individual life insurance policies or riders which arose from the death of the primary insured under a policy that would have been a Closed Block Policy if it had been In Force on the Closed Block Funding Date, and

(iii) Participating Individual Retirement Annuity Contracts for which the Company has an experience-based dividend scale and for which contracts dividends are due, paid or accrued during 2000 by action of the Board.

Each policy, contract, supplementary benefit and rider described in (i) through (iii) above shall be a Closed Block Policy only to the extent that such policy, contract, supplementary benefit or rider (x) is In Force as of the Closed Block Funding Date; (y) becomes In Force after the Closed Block Funding Date pursuant to an application or other required form received by the Company on or prior to the Effective Date, including any policy issued or repurchased by an ADR Claimant pursuant to the ADR Memorandum; or (z) was In Force before the Effective Date and reinstated on or after the Closed Block Funding Date pursuant to the Company's normal administrative practices. "Closed Block Policies" does not include, among other things, (a) Interest Sensitive Life Insurance Policies or variable life insurance policies, (b) annuity contracts not described in (iii) above, (c)

Supplementary Contracts, (d) group insurance policies or annuity contracts or (e) insurance policies or annuity contracts issued by the Company's Canadian branch.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission-Free Sales and Purchases Program Memorandum" means the memorandum attached hereto as Exhibit L that sets forth the rules governing the commission-free sales and purchases program or programs provided for in Section 14.1.

"Commissioner" means the Commissioner of Banking and Insurance of the State of New Jersey, or such governmental officer, body or authority as may succeed such Commissioner.

"Common Stock" means the common stock, par value $0.01 per share, of the Holding Company.

"Company" means The Prudential Insurance Company of America, a New Jersey mutual life insurance company that will become, upon the consummation of this Plan, a New Jersey stock life insurance company.

"Covered Fixed Annuity" means an individual fixed annuity In Force on the Effective Date that is within the classes of annuities listed on Schedule J-1 to the Annuity Crediting Rate Requirements attached hereto as Exhibit J, where the issuing insurer has reserved the right to adjust the crediting rate periodically.

"Covered Variable Annuity" means an individual variable annuity In Force on the Effective Date that is within the classes of annuities listed on Schedule J-2 to the Annuity Crediting Rate Requirements attached hereto as Exhibit J, where the contract owner has the right to direct funds to be invested in the general account of the issuing insurer and the issuing insurer has reserved the right to adjust the crediting rate for such funds periodically.

"Designated Subsidiary" means the United States operations of any of the following: (i) Pruco Life Insurance Company; (ii) Pruco Life Insurance Company of New Jersey; or (iii) Prudential Select Life Insurance Company of America.

"Destacking" means the realignment of the ownership of certain subsidiaries, assets and non-insurance liabilities of the Company described in Section 3.3(a) and Schedule 3.3(a).

"Destacking Extraordinary Dividend" means one or more extraordinary dividends (within the meaning of Section 17:27A-4 of the New Jersey Revised Statutes) that may, on or within 30 days

after the Effective Date, be effected by the Company as a part of the Destacking as described in Section 3.3(a) and Schedule 3.3(a).

"Effective Date" means the date on which the closing of the IPO occurs, which shall be a date occurring after (i) the respective approvals of this Plan by the Commissioner in accordance with Article X and the Qualified Voters in accordance with Article XI and (ii) the satisfaction of the other conditions set forth in Article XIII; provided, however, that in no event shall the Effective Date be more than twelve months after the date on which the Commissioner has approved this Plan, unless such period is extended by the Commissioner.

"Effective Time" means 12:01 a.m., Eastern Standard Time or Eastern Daylight Time, as the case may be, in Newark, New Jersey, on the Effective Date.

"Eligible Policy" means a Policy that is In Force or deemed, as provided in Article VI, to be In Force as of the Adoption Date; provided, however, that "Eligible Policy" shall not include: (i) a Structured Settlement that has a Prudential Affiliate as its Owner; (ii) a Policy with respect to which the Company or a Prudential Affiliate is the owner of record and also the beneficial owner; or (iii) except as provided in the ADR Memorandum, a Policy purchased or reinstated by a Project Participant on or after February 10, 1998. Notwithstanding the foregoing sentence, each of the following shall be considered an Eligible Policy, provided that it is In Force or deemed, as provided in Article VI, to be In Force as of the Adoption Date: (i) a Policy held by or on behalf of any employee benefit plan sponsored by the Company or any Prudential Affiliate; (ii) a Policy that is an IRA (as defined herein) with respect to which the Company or a Prudential Affiliate serves as custodian; and (iii) a certificate or other evidence of interest in a group insurance policy or annuity contract deemed for purposes of this Plan to be a separate Policy pursuant to Section 5.4.

"Eligible Policyholder" means a Policyholder who is, or is deemed for purposes of this Plan to be, the Owner on or as of the Adoption Date of one or more Eligible Policies.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Exemption" means the exemption from Section 406(a) of ERISA and Section 4975 of the Code with respect to the receipt of consideration pursuant to this Plan by Eligible Policyholders that are employee benefit plans or IRAs (as defined herein) subject to the provisions of such sections, for which the Company shall have applied to the United States Department of Labor.

"ERISA Opinion" means the opinion of nationally recognized independent ERISA counsel engaged by the Company, dated as of the Effective Date and substantially to the effect that there is no reason to anticipate that the ERISA Exemption will not be granted in substantially the form

requested, which opinion the Company will obtain and rely upon if the ERISA Exemption is not received on or before the Effective Date.

"Exchange" means the issuance by the Company to the Holding Company of 100 shares of common stock of the Company in exchange for the shares of Common Stock to be distributed to Eligible Policyholders in accordance with this Plan.

"Fair and Equitable" has the meaning ascribed to it in Chapter 17C, which is that any action undertaken with respect to this Plan provides for full and proper consideration of the aggregate Membership Interests and corresponding values of Eligible Policyholders, in no manner discriminates improperly among Eligible Policyholders and appropriately protects the interests of Eligible Policyholders before and subsequent to the Reorganization.

"Fixed Component" means that component of consideration allocable to each Eligible Policyholder (regardless of the number of Eligible Policies owned by such Eligible Policyholder on the Adoption Date) as provided in Section 7.1(b)(i). Such Fixed Component shall be equal to the sum of (x) the Basic Fixed Component and (y) the Additional Fixed Component, if any.

"Flexible Factor Policy" means any individual life insurance policy In Force on the Effective Date that is within the classes of policies listed on Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I, whether participating or nonparticipating, and associated riders, where the issuing insurer has reserved the right to modify (upward or downward) premiums, charges (expenses or cost of insurance) or credits (interest on contract funds or dividends) on the basis of future anticipated or emerging experience.

"Flexible Factor Requirements" means the rules set forth in Exhibit I applicable to modifications of Flexible Factors under Flexible Factor Policies.

"Flexible Factors" means, with respect to Flexible Factor Policies, current cost of insurance rates, current interest rates, current expense charges and, for indeterminate premium policies, current premiums, that in each case may be redetermined from time to time by the issuing insurer on the basis of projected future experience. Flexible Factors also means, solely for purposes of the Plan, (1) annual dividends paid with respect to life insurance policies marketed under the name "Life Builder," which are listed by policy form number on Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I and (2) termination dividends paid with respect to life insurance policies issued by Prudential and marketed under the names "Life Builder," "Appreciable Life" and "Variable Appreciable Life," which are listed by policy form number on Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I.

"Formation Shares" means those shares of Common Stock that the Holding Company shall have issued to the Company in connection with the formation of the Holding Company, in exchange for a nominal capital contribution by the Company to the Holding Company, by which exchange the Holding Company shall have become a wholly owned subsidiary of the Company.

"401(k) Plan" means the Prudential Employee Savings Plan, the profit sharing plan sponsored by the Company that is qualified under Section 401(a) of the Code and which also provides for elective deferrals of contributions by plan participants as described under Section 401(k) of the Code.

"FSP" means an annuity contract marketed by the Company under the name "Financial Security Program."

"Funding Agreement" means an insurance agreement providing for deposits with and payments by the insurer, pursuant to which the deposit, interest and payment structures may vary.

"Great-West" means The Great-West Life Assurance Company, an insurance company organized under the laws of Canada, which acquired London Life effective November 13, 1997, and any successor thereto.

"Guaranteed Investment Contract" means any unallocated group annuity contract, guaranteed interest contract or other similar instrument by whatever name in which the Company or a Designated Subsidiary agrees to guarantee a fixed or variable rate of interest for a specified period of time or a future payment that is payable at a predetermined date (subject in some contracts to earlier withdrawals upon the occurrence of contractually-specified events) on monies that are deposited with the insurer and under which payment is not contingent on the continuance of human life.

"Hearing" means the public hearing on this Plan that is required to be held pursuant to Chapter 17C.

"Holding Company" means a New Jersey stock business corporation to be named Prudential Financial, Inc.

"IHC Debt Securities" has the meaning set forth in Section 3.3(c)(i).

"iMoneyNet Taxable Retail Average" means The Money Fund Report Average(TM) Taxable Retail 30-day (compound) Yield, which is a composite index of average returns of certain categories of mutual funds that invest in high quality short-term (maturities of less than 13 months) money market securities that is published by iMoneyNet, Inc., and shall include any substantially similar

index published by iMoneyNet, Inc., or published by any corporate successor of iMoneyNet, Inc., or published by any assignee of the right to publish such index, in the event that iMoneyNet, Inc. (or such corporate successor or assignee) changes the name of such index.

"In Force" means, with respect to a Policy, that such Policy is in force or deemed to be in force for purposes of this Plan, in each case as determined by the rules set forth in Article VI.

"Initial Allocable Shares" means the 600 million shares of Common Stock representing the aggregate number of shares allocable for the sum of all Basic Fixed Components and the Aggregate Basic Variable Component.

"Initial Closed Block Assets" means the portion of the assets of the Individual Insurance and Annuity segment of the Company's general account assets, together with policy loans, accrued interest and premiums due on the Closed Block Policies, that has been allocated to the Closed Block as of the Closed Block Funding Date in accordance with the Closed Block Memorandum, attached hereto as Exhibit G.

"Initial Stock Price" means the initial public offering price per share at which Common Stock is sold to the public in the IPO.

"Interest Sensitive Life Insurance Policy" means an individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds or other supplementary accounts) and mortality charges are made to the policy.

"Intermediate Holding Company" means a corporation or limited liability

company to be formed under New Jersey law that will be a wholly owned direct subsidiary of the Holding Company and the direct parent of the Company as a result of the transactions contemplated by this Plan.

"Internal Revenue Service" means the United States Internal Revenue Service.

"IPO" means the initial public offering by the Holding Company of shares of Common Stock.

"IRA" means, for purposes of this Plan, an individual retirement annuity (including certain pre-November 8,1978 endowment contracts) described in Section 408(b) of the Code, which for purposes of this definition shall include an annuity contract held under an individual retirement account (as described in Code Section 408(a)), a SEP (as described in Code Section 408(k)), a SIMPLE IRA (as described in Code Section 408(p)) or a Roth IRA (as described in Code Section 408A). IRA does not, for purposes of this Plan, include any individual retirement account described

in Sections 408 and 408A of the Code under which no insurance policy or annuity contract has been issued.

"Living Needs Benefit" means a settlement option to provide acceleration of death benefits under a life insurance policy or certificate.

"London Life" means London Life Insurance Company, an insurance company organized under the laws of Canada, to which the Company transferred a portion of its Canadian business pursuant to the Transfer and Assumption Agreement, entered into pursuant to the Master Agreement dated May 22, 1996 between the Company and London Life, and any successor thereto.

"Membership Interest" means all the rights and interests of a Policyholder (including without limitation any Eligible Policyholder) as a member of the Company arising (i) under the Company's charter and by-laws, or (ii) by law or otherwise, including under this Plan, which rights and interests include, but are not limited to, the right, if any, to vote and any right with regard to the surplus of the Company not apportioned or declared by the Board for policyholder dividends.

"National Life" means The National Life Assurance Company of Canada, an insurance company organized under the laws of Canada, with which the Company jointly issued certain policies pursuant to a reinsurance agreement effective as of September 1, 1986 between the Company and National Life.

"New Jersey Insurance Holding Company Systems Act" means Sections 17:27A-1 through 17:27A-14, inclusive, of the New Jersey Revised Statutes.

"Notice of Hearing" means the notice of the Hearing that the Company shall mail to each Person who was a Policyholder as of the Adoption Date.

"Notice of Special Meeting" means the notice of the Special Meeting that the Company shall mail to Persons who are Qualified Voters as of the Adoption Date setting forth the reasons for the Special Meeting and the time and place of the Special Meeting, and enclosing a ballot for each such Qualified Voter.

"Other Qualified Plans" means any of the following: (i) an individual life insurance policy that has been issued and held by an individual in connection with a plan qualified under section 401(a) or 403(a) of the Code to provide incidental life insurance protection; (ii) an individual annuity contract issued and held by an individual in connection with an ongoing plan qualified under section 401(a) or 403(a) of the Code; or (iii) an individual annuity contract that has been distributed from a plan qualified under section 401(a) or 403(a) of the Code directly to the plan participant prior to the Effective Date.

"Owner" means, with respect to any Policy, the Person or Persons specified as owner or deemed to be the owner of the Policy for purposes of this Plan, in each case as determined by the rules set forth in Article V.

"Participating Individual Retirement Annuity Contract" means a participating deferred annuity with both a fixed premium and a guaranteed cash value.

"Person" means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, limited liability partnership, trust, government or governmental agency, State or political subdivision of a State, board, estate, trustee, fiduciary or any other legal entity.

"Plan" means this Plan of Reorganization, together with all Exhibits and Schedules, as originally adopted and as it may from time to time hereafter be amended, supplemented or modified as provided herein.

"Policy" has the meaning set forth in Article IV.

"Policy Credit" has the meaning set forth in Section 8.2.

"Policyholder" means the Person who is, or Persons who collectively are, the Owner, or who is or are deemed for purposes of this Plan to be the Owner, of a Policy. A Person who is, or is deemed for purposes of the Plan to be, or Persons who collectively are, or are deemed for purposes of this Plan to be, the Owner of more than one Policy in more than one legal capacity (e.g., as trustee under each of two or more separate trusts) shall be deemed for purposes of this Plan to be a separate Policyholder in each such capacity.

"Project Participant" means any of the officers or directors of the Company, any of certain employees of the Company or a Prudential Affiliate, or certain related Persons, all as identified pursuant to the Company's internal policies or administrative practices on or after February 10, 1998, for the purpose of excluding such persons, except as provided in the ADR Memorandum, from eligibility to receive consideration under this Plan with respect to Policies acquired or reinstated by such persons after the later of February 10, 1998 or the date they became an officer, director or designated employee or related person.

"Prudential Affiliate" means a Person that as of a given date directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Company. Where used herein, the term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by

contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the Person. Control shall be presumed to exist if any Person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of any other Person.

"Qualified Voter" has the meaning set forth in Chapter 17C.

"Records" means books, files and other written or electronic records of the Company (including the Company's Canadian branch), a Designated Subsidiary, London Life, National Life, an Aetna Company or Great-West, as applicable in the context, including but not limited to the administrative systems of such entity.

"Reorganization" means the conversion of the Company, pursuant to this Plan, from a mutual life insurance company to a stock life insurance company that is an indirect wholly owned subsidiary of the Holding Company.

"Resolution Procedures" means the procedures established by the Company for resolving inquiries and disputes as to (x) the identity of the Owner of a Policy or the right of a Person to receive consideration under this Plan, (y) whether a Policy is In Force and (z) the right of a Person to vote on this Plan. Such procedures shall be included in the publicly available record of the Reorganization maintained by the Commissioner, shall be available for inspection by the public at reasonable times at facilities maintained by the Company and shall be transmitted to any policyholder who requests a copy.

"Rewritten Health Policy" means any policy of health insurance (as defined in Title 17B of the New Jersey Revised Statutes) originally issued by the Company included in the business transferred to an Aetna Company pursuant to the Asset Transfer and Acquisition Agreement dated as of December 9, 1998 by and among the Company; Pruco Inc., a New Jersey corporation; Aetna, Inc., a Connecticut corporation; and Aetna Life Insurance Company, a Connecticut insurance corporation, as amended by Amendment No. 1 dated as of August 6, 1999, which, following notice by an Aetna Company or the Company of non-renewal or cancellation by the Company, has been succeeded by a policy of health insurance (as defined in Title 17B of the New Jersey Revised Statutes) issued by an Aetna Company.

"Securities Act" means the Securities Act of 1933, as amended.

"Share Election Maximum" shall mean a whole number of shares of Common Stock, to be determined by the Board at any time prior to the Effective Date, not less than the number of shares of Common Stock constituting the Basic Fixed Component of consideration as set forth in Section 7.1(b)(i)(A) and not greater than 50 except in both cases as adjusted pursuant to Section 14.7.

"Special Meeting" means the special meeting at which all Persons who are Qualified Voters as of the Adoption Date, as shown on the Records of the Company, shall be entitled to vote on a proposal to approve this Plan (including without limitation the transactions described in Section 3.3, Schedule 3.3(a) and Schedule 3.3(c)(i)).

"State" means the District of Columbia, Puerto Rico and any state, territory or insular possession of the United States of America.

"Stipulation of Settlement" means the Stipulation of Settlement dated October 28, 1996 and amended on February 22, 1997 filed in the United States District Court for the District of New Jersey in settlement of the actions collectively entitled In re: The Prudential Insurance Company of America Sales Practice Litigation, MDL Docket No. 1061, Master Docket No. 95-4704 (AMW), containing the provisions of the remediation plan that contains ADR.

"Stock Option Plan" has the meaning set forth in Section 14.3(a).

"Structured Settlement" means a Policy that is an individual annuity contract that is intended at the time of issuance to qualify as a qualified funding asset as defined in Section 130(d) of the Code.

"Supplementary Contract" means any contract to effect a settlement or payment option under a life insurance policy or annuity contract, including any retained asset account operated under the name "Alliance Account" established in connection with benefits paid under an individual or group life insurance policy and any Living Needs Benefit in which the policyholder, or, in certain cases, the group certificate holder, has elected to receive periodic payments in full or partial settlement of its rights under the policy. Supplementary Contract shall not include (i) any retained asset account operated under the name "Heritage Account" established in connection with the payment of benefits under an individual or group life insurance policy; (ii) any Living Needs Benefit to the extent that the policyholder or the group certificate holder has elected to receive a lump-sum distribution in full or partial settlement of their rights under the policy; or (iii) any payment of a matured annuity under an annuity contract.

"Tax Counsel" means nationally recognized independent tax counsel retained by the Company.

"TDA" means a Policy that is a tax deferred annuity contract described in Section 403(b) of the Code, or a Policy that is an individual life insurance policy issued and held as part of such tax deferred annuity to provide incidental life insurance protection.

"The Class B Stock/IHC Debt Securities Schedule" means the schedule attached hereto as Schedule 3.3(c)(i) describing the private offerings of shares of Class B Stock and IHC Debt Securities.

"The Destacking Schedule" means the schedule attached hereto as Schedule 3.3(a) describing the Destacking.

"Title 17" means Title 17 of the New Jersey Revised Statutes.

"Top-up Period" means the first twenty trading days during which the Common Stock is traded on the primary exchange where it is listed.

"Total Allocable Shares" means the number of Allocable Shares representing the total value of the Company allocable among Eligible Policyholders in the Reorganization. Such number shall consist of the sum of (i) the Initial Allocable Shares plus (ii) the number of shares allocable in respect of the aggregate of all Additional Fixed Components and all Additional Variable Components.

"Transferred Canadian Policy" means an insurance policy or annuity contract, including without limitation a Supplementary Contract, issued by the Company's Canadian branch and transferred to London Life by means of the Transfer and Assumption Agreement, pursuant to the Master Agreement dated May 22, 1996 between the Company and London Life.

"United States" means the United States of America and shall include all States, including the District of Columbia, Puerto Rico and any state, territory or insular possession of the United States of America.

"Variable Component" means that component of consideration allocable to each Eligible Policy as provided in Section 7.1(b)(ii). Such Variable Component shall be equal to the sum of (i) the Basic Variable Component and (ii) the Additional Variable Component, if any.

ARTICLE II
PURPOSE OF PLAN

The principal purpose of this Plan is to set forth the terms and conditions of the conversion of the Company from a mutual life insurance company into a stock life insurance company that is an indirect wholly owned subsidiary of the Holding Company (the "Reorganization"). The Reorganization of the Company pursuant to this Plan will distribute the total value of the Company to all Eligible Policyholders in the form of shares of Common Stock, cash or Policy Credits upon the extinguishment of all Membership Interests in existence on the Effective Date, thereby affording

Eligible Policyholders the opportunity to realize economic value from their Membership Interests that is otherwise unavailable to them except in the unlikely event of a liquidation of the Company. The Reorganization will not adversely change existing contractual provisions as to premiums, policy benefits, dividend eligibility, values, guarantees or other current policy obligations of the Company to its Policyholders. The Reorganization will also allow the Company to respond to changes in the financial services industry and to compete more effectively on a global basis, and will offer the Company greater flexibility for future growth. In addition, the Reorganization will afford increased financial flexibility to raise and allocate capital among various Prudential Affiliates and to provide greater access to the equity capital markets.

ARTICLE III
THE REORGANIZATION

Section 3.1 Membership Interests. Pursuant to and in accordance with this Plan and Chapter 17C, all Eligible Policyholders have Membership Interests that entitle such Eligible Policyholders to receive shares of Common Stock, cash or Policy Credits upon extinguishment of all Membership Interests in existence on the Effective Date.

Section 3.2 Effect of Reorganization on the Company, the Intermediate Holding Company and the Holding Company. (a) The Company is currently organized as a mutual life insurance company. The Holding Company and the Intermediate Holding Company shall have been formed prior to, or shall be formed on, the Effective Date. The amended and restated certificate of incorporation of the Holding Company in effect on the Effective Date shall be substantially in the form of Exhibit A, except as provided below. The amended and restated by-laws of the Holding Company in effect on the Effective Date shall be substantially in the form of Exhibit B. The Holding Company shall have been formed as a wholly owned subsidiary of the Company through the issuance by the Holding Company of the Formation Shares to the Company in exchange for a nominal capital contribution by the Company to the Holding Company. Notwithstanding any number of authorized shares of Common Stock provided for in Exhibit A, the amended and restated certificate of incorporation of the Holding Company in effect on the Effective Date may, without any amendment to this Plan, authorize the issuance of a greater number of shares of Common Stock than is necessary to meet the requirements of this Plan and any number of shares of preferred stock. If the Company determines to effect one or more of the transactions described in Section 3.3(c), the amended and restated certificate of incorporation and the amended and restated by-laws of the Holding Company in effect on the Effective Date may contain such provisions, including without limitation provisions authorizing the issuance of Class B Stock, as the Board determines to be desirable to meet the requirements of such transactions.

(b) On the Effective Date and after giving effect to the transactions contemplated hereby, the following shall be deemed to have occurred, and this Plan shall be deemed to have become effective, as of the Effective Time:

(i) the Company shall become a stock life insurance company by operation of Chapter 17C;

(ii) the Company and the Holding Company shall effect the Exchange, and the Company shall surrender to the Holding Company, for no consideration, and the Holding Company shall cancel, all of the Formation Shares;

(iii) as a result of the Exchange, the Company shall become a wholly

owned subsidiary of the Holding Company;

(iv) all Membership Interests in existence on the Effective Date shall be extinguished, and shares of Common Stock, cash or Policy Credits shall be provided to or for the accounts of all Eligible Policyholders in accordance with Article VIII upon extinguishment of such Membership Interests;

(v) the Holding Company shall sell shares of Common Stock in the IPO for cash; and

(vi) the Holding Company shall contribute all of the issued and outstanding shares of capital stock of the Company to the Intermediate Holding Company in exchange for the issuance by the Intermediate Holding Company of all of its outstanding equity interests to the Holding Company.

(c) On or prior to the Effective Date, the Company shall file with the Secretary of State of the State of New Jersey and the New Jersey Department of Banking and Insurance the Company's amended and restated charter, substantially in the form of Exhibit C. The Company's amended and restated charter, and its amended and restated by-laws substantially in the form of Exhibit D, shall take effect as of the Effective Time.

(d) On the Effective Date, following the consummation of the transactions contemplated hereby, (i) the issued and outstanding capital stock of the Holding Company shall consist exclusively of (A) shares of Common Stock distributed to Eligible Policyholders upon the extinguishment of all Membership Interests in accordance with this Plan, (B) shares of Common Stock issued and sold in the IPO, (C) shares of Class B Stock, if any, issued and sold in the private placement referred to in Section 3.3(c)(i), and (D) shares of capital stock, if any, issued in private placements or public offerings pursuant to Section 3.3(c)(ii); (ii) the issued and outstanding capital stock of the Company

shall consist exclusively of the 100 shares of its common stock issued to the Holding Company in the Exchange and contributed to the Intermediate Holding Company; and (iii) the issued and outstanding equity interests of the Intermediate Holding Company shall consist exclusively of the equity interests issued to the Holding Company in consideration of the contribution by the Holding Company to the Intermediate Holding Company of the 100 shares of common stock of the Company.

(e) The Company shall act in good faith to convey, or cause to be conveyed, (i) shares of Common Stock to Eligible Policyholders that are to receive Common Stock pursuant to this Plan, within 45 days after the Effective Date, and (ii) cash and Policy Credits to Eligible Policyholders that are to receive cash and Policy Credits pursuant to this Plan, within 45 days after the expiration of the Top-up Period, in each case in accordance with Section 8.5 and subject to the ADR Memorandum attached hereto as Exhibit E.

(f) The Company and the Holding Company shall arrange for the registration and public trading of the Common Stock on a national securities exchange, facilitate coverage by research analysts, conduct management presentations to potential investors and analysts and secure the commitment of a specialist firm to make a market in the Common Stock.

(g) The Company and the Holding Company shall require the managing underwriters for the IPO to conduct the offering process in a manner that is consistent with customary practices for similar offerings. On or prior to the Effective Date, (x) the Company shall have received an opinion from a qualified, nationally recognized investment banker engaged by the Company that, as of the date of such opinion, the requirements of the previous sentence have been complied with in all material respects and (y) the Company shall deliver a copy of such opinion to the Commissioner. The Commissioner and the Commissioner's financial advisors shall be given access to the process and information that leads to the pricing of the Common Stock in the IPO, it being understood that at the conclusion of the process the Board or a committee thereof shall make the final pricing determination in executive session. The Commissioner shall find that the terms of the IPO promote the best interests of Eligible Policyholders.

Section 3.3 Destacking and Other Financial Transactions. In connection with the Reorganization, the Company may, but shall not be required to, effect any or all of the Destacking and the other financial transactions described in this Section 3.3. The completion of any or all of such transactions shall not be a condition to the effectiveness of this Plan. In addition to the approval by the Commissioner of this Plan under Chapter 17C and Article X, the Destacking and other financial transactions described in this Section 3.3 shall be subject to any separate respective approvals by the Commissioner under all other applicable requirements of New Jersey insurance law, including without limitation the New Jersey Holding Company Systems Act.

(a) The Destacking. As part of the Reorganization, the ownership of certain subsidiaries, assets and non-insurance liabilities of the Company will be realigned pursuant to the Destacking on or within 30 days after the Effective Date, as described more fully in Schedule 3.3(a), and such subsidiaries, assets and non-insurance liabilities will no longer be owned by the Company; provided, however, that if regulatory approvals are not obtained for all actions set forth in said Schedule 3.3(a) or if the Board otherwise determines that it would be in the best interest of the Company and no less favorable to the policyholders of the Company not to pursue all of such actions on or within 30 days following the Effective Date, the Company may take any one or more of such actions as would result in a partial realignment of the subsidiaries, assets and non-insurance liabilities of the Company as determined by the Board to be permitted under applicable law, or no such actions. The Destacking shall be effected by means of the Destacking Extraordinary Dividend by the Company to the Holding Company or to the Intermediate Holding Company and thereafter to the Holding Company, such Destacking Extraordinary Dividend to consist of (i) shares of capital stock or other equity interests of certain of the subsidiaries of the Company, and (ii) other assets and non-insurance liabilities of the Company as specified in Schedule 3.3(a). The limitation on the size of the Additional Extraordinary Dividend provided for in the definition of such term in Article I shall not apply to the size of the Destacking Extraordinary Dividend. The Destacking, including without limitation the Destacking Extraordinary Dividend, shall be considered at the Hearing provided for in Article X and shall be subject to the prior written approval of the Commissioner. If the Company determines to proceed with the Destacking or a partial Destacking in accordance with this Section 3.3(a), the Destacking or such partial Destacking shall be subject to all applicable requirements under the New Jersey Insurance Holding Company Systems Act, including any requirement that the Destacking Extraordinary Dividend included in the Destacking or such a partial Destacking shall be subject to the Commissioner's prior written approval.

(b) Additional Extraordinary Dividend. The Company may, but shall not be required to, on or within 30 days after the Effective Date, effect an Additional Extraordinary Dividend, subject to the requirements of the New Jersey Insurance Holding Company Systems Act, including without limitation any requirement that such Additional Extraordinary Dividend shall be subject to the Commissioner's prior written approval. Any such Additional Extraordinary Dividend shall be considered at the Hearing provided for in Article X.

(c) Other Financial and Reinsurance Transactions. The Holding Company, the Intermediate Holding Company and the Company may, but shall not be required to, effect the following other transactions pursuant to this Plan:

(i) Prior to, on or within 30 days after the Effective Date, the Holding Company and the Intermediate Holding Company, as applicable, may sell, in one or more private offerings: (A) shares of Class B Stock in accordance with The Class B Stock/IHC Debt Securities Schedule attached hereto as Schedule 3.3(c)(i) and/or (B) debt securities issued by the Intermediate Holding Company

("IHC Debt Securities") in accordance with The Class B Stock/IHC Debt Securities Schedule attached hereto as Schedule 3.3(c)(i). Such IHC Debt Securities may be secured by a pledge of shares of common stock of the Company held by the Intermediate Holding Company, and the maximum aggregate principal amount of any such offering of IHC Debt Securities shall not exceed such amount as would result in the shares of common stock of the Company pledged to secure such IHC Debt Securities exceeding 49% of the number of issued and outstanding shares of common stock of the Company. Any foreclosure on shares of common stock of the Company upon a default on IHC Debt Securities that would constitute an acquisition within the meaning of Section 17:27A-1(j) of the New Jersey Revised Statutes shall be subject to the prior written approval of the Commissioner under the New Jersey Holding Company Systems Act.

(ii) In addition to the IPO and, if any, the private offerings of Class B Stock and IHC Debt Securities described in Section 3.3(c)(i), the Holding Company and the Intermediate Holding Company may also raise funds for use in connection with the Plan prior to, on or within 30 days after the Effective Date through one or more of the following: (A) a private or public offering of debt, additional Common Stock, preferred stock or other equity securities of the Holding Company or the Intermediate Holding Company; options, warrants, purchase rights, subscription rights or other securities exchangeable for or convertible or exercisable into any of the foregoing; or any combination of any of the foregoing; or (B) bank borrowings. Funds raised pursuant to this Section 3.3(c)(ii) shall be in such amount or amounts as the Board or the board of directors of the Holding Company or duly authorized committee thereof shall determine. If the Company determines to effect any offering or borrowing pursuant to this Section 3.3(c)(ii), the Company shall give prior notice of such

transaction to the Commissioner, and any sale of preferred stock or other equity securities, or securities exchangeable for or convertible or exercisable into Common Stock, by the Holding Company or the Intermediate Holding Company pursuant to this Section 3.3(c)(ii), shall be subject to the specific approval of the Commissioner under Section 3.c.(1) or Section 6 of Chapter 17C, or both, as applicable.

(iii) On or after the Effective Date, subject to the receipt of the required approvals, the Company may enter into one or more agreements to reinsure or otherwise transfer all or part of its risks under the Closed Block Policies, pursuant to and subject to the provisions of Section 9.2(h).

Section 3.4 Exemption from Registration. In issuing Common Stock for distribution to Eligible Policyholders, the Company and the Holding Company will rely on the exemption from registration under the Securities Act provided by Section 3(a)(10) of the Securities Act based on the Commissioner's determination in accordance with Chapter 17C following the Hearing contemplated by Article X.

ARTICLE IV
POLICIES

Section 4.1 Policies. For purposes of this Plan, the following shall be policies issued, or deemed for purposes of this Plan to be issued, by the Company (each, a "Policy"):

(a) each of the following that has been issued by the Company, issued in the United States by a Designated Subsidiary or assumed by the Company through an assumption reinsurance agreement: (i) an individual or group life insurance policy (including, without limitation, a pure endowment contract), annuity contract or health insurance policy as defined in Title 17B of the New Jersey Revised Statutes, including without limitation a Transferred Canadian Policy and a Rewritten Health Policy; (ii) a Funding Agreement; (iii) a Guaranteed Investment Contract; and (iv) a Supplementary Contract, provided, however, that any Supplementary Contract issued to effect the annuitization of an individual deferred annuity shall be treated with such deferred annuity as one Policy;

(b) a certificate or other evidence of an interest in a group insurance policy or annuity contract issued by the Company, issued in the United States by a Designated Subsidiary or assumed by the Company through an assumption reinsurance agreement, the holder of which certificate or other evidence is a Person deemed for purposes of this Plan to be an Owner of a separate Policy under Section 5.4; and

(c) each life insurance policy jointly issued by the Company and National Life pursuant to a reinsurance agreement,

in any case regardless of whether it has been ceded by the Company or the Designated Subsidiary in an indemnity reinsurance transaction.

Section 4.2 Duration of Membership Interests. The Membership Interest of a Policyholder, including without limitation an Eligible Policyholder, with respect to a Policy shall be considered for purposes of this Plan to have existed from the time that the Policy to which it relates first became In Force as determined in accordance with Article VI.

Section 4.3 Exclusions. The following policies, contracts and other instruments shall not be Policies for purposes of this Plan:

(a) any policy, contract or other instrument issued outside the United States by a Designated Subsidiary;

(b) any policy or contract ceded to the Company or a Designated Subsidiary on an indemnity reinsurance basis, except a policy or contract that would otherwise be a Policy under Section 4.1;

(c) any policy or contract issued by the Company or a Designated Subsidiary that was ceded to another insurer in an assumption

reinsurance transaction, other than a Transferred Canadian Policy;

(d) any certificate of insurance or other evidence of interest in a group insurance policy or annuity contract, except as provided under Section 4.1(b) above;

(e) a limited insurance agreement; and

(f) an "administrative services only" contract.

ARTICLE V
DETERMINATION OF OWNERSHIP

Unless otherwise provided in this Article V and subject to the ADR Memorandum, the owner or deemed owner for purposes of this Plan of any Policy as of any date (each, an "Owner") shall be determined on the basis of the applicable Records as of such date in accordance with the following provisions. Multiple Persons determined pursuant to this Article V to be collectively the owner of a single Policy shall be treated as a single Owner.

Section 5.1 Individual Policies. Except as specified in Section 5.2, the Owner of a Policy shall be the insured under a Policy that is an individual insurance policy or the Person to whom a Policy is payable by its terms in the case of a Policy that is an individual annuity contract unless, in either case, a different Person is designated as the owner in the applicable Records, in which case such different Person shall be the Owner.

Section 5.2 Structured Settlements. With respect to a Structured Settlement, the Owner shall be the entity named as the owner in such Policy, as modified by any subsequent document that may be reflected in the applicable Records.

Section 5.3 Group Policies. Except as otherwise specified in Section 5.4 with respect to certain group policies and contracts issued to groups and trusts established by the Company, the Owner of a Policy that is a group insurance policy, a group annuity contract, a Guaranteed

Investment Contract or a Funding Agreement shall be the Person or Persons specified as the policyholder or contract holder in the master policy or contract, as reflected in the applicable Records.

Section 5.4 Certain Group Policies and Contracts Issued to Groups and Trusts Established by the Company. (a) In the case of a Policy issued to a trust established by the Company, as described in Section 5.4(b) (other than a trust established pursuant to any employee benefit plan (as such term is defined under ERISA) sponsored by the Company or a Prudential Affiliate), the trustee of such trust shall not be the Owner with respect to such Policy, but rather each participating employer under such trust as specified in Section 5.4(c)(i) and each certificate holder or holder of a confirmation of enrollment or other evidence of interest as specified in Section 5.4(c)(ii) (in all cases as shown in the applicable Records) shall be deemed for purposes of this Plan to be the Owner of a separate Policy, as permitted by the definition of "policy" set forth in Chapter 17C. Each such separate Policy shall be deemed for purposes of this Plan to be In Force as of any given date if (as shown in the applicable Records) the participation agreement, certificate, confirmation of enrollment or other evidence of interest held by such Person, as specified in Sections 5.4(c)(i) and (ii), is in effect as of such date; provided, however, that nothing herein shall preclude the trustee of such trust from being a Qualified Voter under this Plan if the trustee of such trust satisfies the definition of Qualified Voter set forth in this Plan.

(b) A trust shall be considered for purposes of this Section 5.4 to have been established by the Company if the settlor of such trust is the Company.

(c) For purposes of this Section 5.4, the Person or Persons that shall be deemed to be the Owners of separate Policies with respect to a Policy issued to a trust established by the Company to which this Section 5.4 applies shall be the Person or Persons with which the Company has the economic relationship with respect to the Policy. Such economic relationship shall be presumed to exist:

(i) in the case of a Policy issued to a multiple employer trust or other trust established by the Company for the benefit of one or more employers (other than Policies held by or on behalf of employee benefit plans sponsored by the Company or a Prudential Affiliate), with each participating employer in the trust (but not with the certificate holders who are employees of a participating employer); and

(ii) in the case of a Policy issued to a trust established by the Company other than as described in Section 5.4(c)(i) (and other than Policies held by or on behalf of employee benefit plans sponsored by the Company or a Prudential

Affiliate), with each certificate holder or holder of a confirmation of enrollment or other evidence of an interest in the Policy.

Because groups established by the Company are organized as trusts, the only groups established by the Company are the trust arrangements described in Section 5.4(c).

Section 5.5 Assignment. Notwithstanding Sections 5.1, 5.2, 5.3 and 5.4, the Person to whom a Policy has been assigned by an assignment of ownership thereof absolute on its face and filed in accordance with the provisions of such Policy and the rules with respect to the assignment of such Policy in effect at the time of such assignment, in each case as shown in the applicable Records, shall be the Owner of such Policy; provided, however, that if the holder of a Policy absolutely assigns the Policy to an insurer other than the Company or a Prudential Affiliate pursuant to an exchange qualifying as a non-taxable transaction pursuant to Section 1035 of the Code or otherwise, ownership shall not be deemed to have been transferred as of any date until the Company has paid the surrender value of the Policy to such new insurer. Unless an assignment satisfies the requirements specified for such an assignment in this Section 5.5, the determination of the Owner of a Policy shall be made without giving effect to such assignment. In the case of an assignment of a security interest in a Policy in which the assignor retains ownership of the Policy, the Owner of the Policy shall be such assignor.

Section 5.6 No Other Interest Considered. Except as otherwise set forth in this Article V, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy.

Section 5.7 Determination by the Company. In any situation not covered expressly by the foregoing provisions of this Article V, the owner as reflected in the applicable Records and as determined in good faith by the Company, including as determined pursuant to Section 5.9, shall be presumed to be the Owner of such Policy for purposes of this Article V.

Section 5.8 Mailing Address. The mailing address of an Owner as of any date for purposes of this Plan shall be presumed to be the Owner's last known address as shown in the applicable Records as of such date or such other address as is determined in good faith by the Company to be appropriate.

Section 5.9 Inquiries and Disputes. Any inquiry or dispute as to the identity of the Owner of a Policy or the right of a Person to receive consideration shall be determined by the Company in good faith in accordance with the Resolution Procedures. The outcome of any such inquiry of or dispute with the Company shall be reflected in the Records of the Company for the purpose of determining the Owner of the Policy in accordance with this Article V.

ARTICLE VI
IN FORCE

Section 6.1 In Force Rules.

(a) General Rule. For purposes of this Plan, and except as provided in Section 5.4(a) and the specific rules set forth in Section 6.1(b) and 6.1(c), a Policy shall be In Force as of any given date if the Policy has become, or is deemed for purposes of this Plan to have become, In Force and has not ceased to be In Force, in each case as determined on the basis of the applicable Records as of such date and in accordance with the provisions of this Article VI.

(b) In Force; Ceasing to be In Force; Reinstatement. Based upon the applicable Records, and except as otherwise set forth in Section 6.1(c),

(i) a Policy shall be deemed for purposes of this Plan to have become In Force as of any given date if, as of such date, all requirements and payment obligations, if any, necessary to issue the Policy have been received; provided, however, that a Policy not otherwise In Force pursuant to this Article shall

not be deemed for purposes of this Plan to have become In Force solely because insurance coverage is or has been provided by means of a limited insurance agreement prior to the date the Policy was issued;

(ii) a Policy shall be considered to have ceased to be In Force (x) upon the expiration of any applicable grace period when it has lapsed for non- payment of premium and has not been continued as reduced paid-up insurance or extended term insurance, (y) when it has been surrendered or terminated, or (z) when it has matured by death.

(A) a Policy shall be considered for purposes of this Plan to have lapsed for non-payment of premiums or to have been surrendered or terminated as of any given date only if so reflected in the applicable Records as of such date.

(B) a Policy shall be considered for purposes of this Plan to be matured by death once notice of death is reflected in the applicable Records as having been received; and

(iii) a Policy that has lapsed for non-payment of premiums shall be considered for purposes of this Plan to be reinstated and In Force as of any given date

if, as of such date, (x) all other requirements of reinstatement have been met, and (y) the reinstatement has been reflected in the applicable Records.

(c) Rules for Specific Types of Policies. Based upon the applicable Records:

(i) Individual Life Insurance Policies. In the case of a Policy that is an individual life insurance policy or pure endowment contract, such a Policy shall be deemed to have become In Force for purposes of this Plan as of any given date if, as of such date, all the following conditions have been met:

(A) all underwriting requirements have been met, and the Company or Designated Subsidiary has completed all underwriting,

(B) the contract has been issued and all other required forms, including the application, have been prepared, and any such forms requiring signature have been signed and received by the Company or Designated Subsidiary, and

(C) the full initial premium for the Policy has been received by the Company or Designated Subsidiary.

Such Policy shall be considered for purposes of this Plan to have ceased to be In Force as determined in accordance with Section 6.1(b).

(ii) Structured Settlements. A Policy that is a Structured Settlement shall be deemed for purposes of this Plan to have become In Force as of any given date if, as of such date, the Company has determined that underwriting requirements have been sufficiently satisfied to accept payment of the premium, the premium for such Structured Settlement has been received, and the Company has determined that it has become obligated to commence payments under the Policy, and it shall be considered for purposes of this Plan to have ceased to be In Force as determined in accordance with Section 6.1(b).

(iii) Transferred Canadian Policies. A Policy that is a Transferred Canadian Policy shall be deemed for purposes of this Plan to be In Force with the Company as of any given date if (A) such Policy is in force with London Life as of such date as reflected in the applicable Records of London Life, (B) a policy issued by London Life, other than a Supplementary Contract issued by London Life, in satisfaction of a contractual provision of such

Policy is in force with London Life as of such date as reflected in the applicable Records of London Life or (C) a group life and health insurance policy issued by Great-West is in force with Great-West as of such date as reflected in the applicable Records of Great-West, following notification to the Owner of such Transferred Canadian Policy that any future coverage associated with such Transferred Canadian Policy would be provided by means of a policy issued by Great-West. This Section 6.1(c)(iii) alone shall determine whether a Policy that is a Transferred Canadian Policy is In Force with the Company, notwithstanding any other provision of this Section 6.1.

(iv) Certain Policies Issued to ADR Claimants. Each Policy issued to or reinstated or repurchased by an ADR Claimant after the Adoption Date in accordance with the ADR Memorandum shall be deemed for purposes of this Plan to be In Force as of the Adoption Date; provided, however, that such a Policy issued to or reinstated or repurchased by an ADR Claimant after the Adoption Date shall not be deemed to be In Force for the purpose of determining whether such ADR Claimant is a Qualified Voter as of the Adoption Date.

(v) Rewritten Health Policies. A Policy that is a Rewritten Health Policy shall be deemed for purposes of this Plan to be In Force with the Company as of any given date if the policy of health insurance issued by an Aetna Company which succeeded such Rewritten Health Policy is in force with an Aetna Company as of such date as reflected in the applicable Records of an Aetna Company. This Section 6.1(c)(v) shall determine whether a Policy that is a Rewritten Health Policy is In Force with the Company, notwithstanding any other provision of this Section 6.1.

(vi) Group Annuity Contracts, Guaranteed Investment Contracts and Funding Agreements.

(A) Except as set forth in Section 6.1(c)(vi)(B) below, a Policy that is a group annuity contract, Guaranteed Investment Contract or Funding Agreement shall be deemed for purposes of this Plan to be or to have become In Force as of the effective date of the contract, as reflected in the applicable Records.

(B) In the case of a separate group annuity contract issued upon exercise of a contractual right in the event of a contract holder's spin-off or

divestiture of a company or division, such contract shall not be deemed for purposes of this Plan to be or to have become In Force as of any given date if the request for issuance of such contract is received by the Company or the Designated Subsidiary after such date notwithstanding that the contract has a retroactive effective date that is on or prior to such date.

(C) A Policy that is a group annuity contract, Guaranteed Investment Contract or Funding Agreement shall be deemed for purposes of this Plan to have ceased to be In Force when all of the following apply: (A) no further payments are due and payable by the Company or the Designated Subsidiary thereunder, (B) no further contributions are due and payable thereunder or are permitted without the Company's or the Designated Subsidiary's consent, and (C) no amount remains in any account thereunder, in each case as reflected in the applicable Records.

(vii) Group Life and Health Policies. A Policy that is a group life or health policy shall be deemed for purposes of this Plan to be or to have become In Force as of any given date if, as reflected in the applicable Records, all of the following requirements have been satisfied: (A) the Company or the Designated Subsidiary has assumed the underwriting risk on or before such date, (B) the Policy is in premium paying status on such date, and (C) the Policy effective date is on or before such date. Such a Policy shall be considered for purposes of this Plan to have ceased to be In Force if it is terminated, in each case as reflected in the applicable Records.

(viii) Group Credit Insurance Policies. A Policy that is a group

credit insurance policy shall be deemed for purposes of this Plan to be or to have become In Force when such Policy has been issued by the Company and delivered to the Person that signed the application for insurance, and the first certificate is issued under the Policy. Such a Policy shall be considered for purposes of this Plan to have ceased to be In Force as of any given date as determined on the basis of the applicable Records.

Section 6.2 Inquiries and Disputes. Any inquiry or dispute as to whether a Policy is In Force shall be determined by the Company in good faith in accordance with the Resolution Procedures. The outcome of any such inquiry of or dispute with the Company shall be reflected in the Records of the Company for the purpose of determining whether the Policy is or was In Force as of any given date in accordance with this Article VI.

ARTICLE VII
ALLOCATION OF POLICYHOLDER CONSIDERATION

Section 7.1 Allocation of Total Allocable Shares. (a) The allocation of consideration among Eligible Policyholders pursuant to Chapter 17C and this Plan shall be determined in accordance with this Article VII and the Allocation Principles and Methodology attached hereto as Exhibit F. Solely for purposes of calculating the amount of such consideration, each Eligible Policyholder shall be allocated notional Allocable Shares from the Total Allocable Shares in accordance with this Section 7.1 and Section 7.2. The actual form of the consideration to be received by Eligible Policyholders shall be determined in accordance with Article VIII.

(b) Each Eligible Policyholder shall be allocated consideration based on a number of Allocable Shares equal to the sum of the Fixed Component and the Variable Component of consideration, in each case to the extent specified below:

(i) The Fixed Component. The Fixed Component of consideration shall consist of a Basic Fixed Component and, if applicable, an Additional Fixed Component.

(A) Each Eligible Policyholder shall be allocated a single Basic Fixed Component of consideration (regardless of the number of Eligible Policies owned by such Eligible Policyholder as of the Adoption Date, including any Policies issued, reinstated or repurchased pursuant to the ADR Memorandum).

(B) Each Eligible Policyholder that will receive no consideration in the form of shares of Common Stock pursuant to this Plan but that will receive consideration consisting (1) entirely of cash in respect of one or more Eligible Policies under Section 8.1(d), (e), (f), (g) or (h), (2) entirely of Policy Credits in respect of one or more Eligible Policies under Section 8.1(a), (b) or (c), or (3) both cash and Policy Credits, shall receive an Additional Fixed Component equal to two Allocable Shares.

(ii) The Variable Component. The Variable Component of consideration shall consist of a Basic Variable Component and, if applicable, an Additional Variable Component.

(A) The Basic Variable Component of consideration shall be equal to the portion, if any, of the Aggregate Basic Variable Component allocated in respect of all Eligible Policies of an Eligible Policyholder.

(B) Each Eligible Policyholder that will receive no consideration in the form of shares of Common Stock pursuant to this Plan but that will receive consideration consisting (1) entirely of cash in respect of one or more Eligible Policies under Section 8.1(d), (e), (f), (g) or (h), (2) entirely of Policy Credits in respect of one or more Eligible Policies under Section 8.1(a), (b) or (c), or (3) both cash and Policy Credits, shall receive a single Additional Variable Component equal to the amount set forth opposite the applicable sum of the Basic Fixed Component and Basic Variable

Component specified in the following table, which also illustrates the allocation of the Additional Fixed Component to each such Eligible Policyholder:

Number of Allocable Shares allocated to such Eligible Policyholder as the sum of the Basic Fixed Component and the Basic Variable Component	Number of Allocable Shares such Eligible Policyholder shall receive as the Additional Fixed Component	Number of Allocable Shares such Eligible Policyholder shall receive as the Additional Variable Component
25 or fewer	2	0
at least 26 but fewer than or equal to 35	2	1
at least 36 but fewer than or equal to 45	2	2
46 or more	2	(x) 10% of the number of Allocable Shares allocated to such Eligible Policyholder as the sum of the Basic Fixed Component and the Basic Variable Component minus (y) the two shares that constitute the Additional Fixed Component. Such number, if containing a fractional remainder, shall be rounded to the next highest whole number if such fractional remainder is 0.5 or greater and shall be rounded to the next lowest whole number if such fractional remainder is less than 0.5.

Notwithstanding anything herein to the contrary, no Eligible Policyholder shall be entitled to more than one Additional Fixed Component or more than one Additional Variable Component.

(c) Notwithstanding any other provision of this Section 7.1, and except as provided in the ADR Memorandum, no consideration shall be allocated or distributed in respect of any Policy acquired or reinstated by any Project Participant on or after February 10, 1998.

Section 7.2 Allocation of Aggregate Basic Variable Component. The Aggregate Basic Variable Component shall be allocated among Eligible Policyholders in respect of their Eligible Policies as follows:

(a) Such allocation shall be made to each Eligible Policyholder by multiplying the sum of the positive Actuarial Contributions of all Eligible Policies of an Eligible Policyholder by the Allocation Factor and rounding such amount to a whole number of Allocable Shares. Such rounding shall be conducted in such a manner as to minimize the difference between the sum of Eligible Policyholders' Basic Variable Components and the Aggregate Basic Variable Component. As a result of such rounding, the sum of Eligible Policyholders' Basic Variable Components will not necessarily be equal precisely to the Aggregate Basic Variable Component.

(b) The Company shall make reasonable determinations of the dollar amount of the Actuarial Contribution, which shall be zero or a positive number, for each Eligible Policy, in accordance with the Allocation Principles and Methodology attached hereto as Exhibit F.

(c) Each such Actuarial Contribution shall be determined as of the Actuarial Contribution Date on the basis of the applicable Records.

Section 7.3 Reinstated Policies. In the case of any reinstated Policy that is an Eligible Policy pursuant to this Plan, or any Policy reinstated or repurchased pursuant to the ADR Memorandum, the determination of such Policy's

Actuarial Contribution pursuant to this Article VII shall be made based on the original issue date of such Policy and without regard to any lapse and reinstatement or any repurchase pursuant to the ADR Memorandum. If such Policy is reinstated pursuant to a form of ADR relief or a repurchase option described in the ADR Memorandum, additional calculations may be needed which could result in a larger Actuarial Contribution for such reinstated or repurchased Policy. Those calculations, and the circumstances in which they may be required, are described in the ADR Memorandum.

Section 7.4 Policies Issued to ADR Claimants. The method for determining the Actuarial Contribution of a Policy issued to an ADR Claimant in accordance with the ADR Memorandum is set forth in the ADR Memorandum.

Section 7.5 Determination of Amount of Non-Stock Consideration. If any consideration is to be paid or credited to an Eligible Policyholder in cash or Policy Credits pursuant to Article VIII, the amount of such consideration shall be equal to the number of Allocable Shares allocated to such Eligible Policyholder pursuant to this Article VII with respect to Eligible Policies as to which such non-stock consideration is payable as provided in Article VIII multiplied (a) by the Initial Stock Price or (b), if the average of the closing prices of the Common Stock on the primary exchange where such Common Stock is listed on each trading day during the Top-up Period exceeds 110% of the Initial Stock Price, by the sum of the Initial Stock Price plus the lesser of (i) the difference between such average closing price and 110% of the Initial Stock Price or (ii) 10% of the Initial Stock Price. If payment is made in cash, or by establishing on the books of the Holding Company a liability owed to an Eligible Policyholder, such payment or liability shall be net of any applicable withholding tax, such withheld tax to be remitted by the Company to the Internal Revenue Service in accordance with applicable law.

ARTICLE VIII
FORMS OF CONSIDERATION; DISTRIBUTION

Section 8.1 Forms of Consideration. The allocation of consideration payable to each Eligible Policyholder shall be based on a number of shares of Common Stock equal to the number of notional Allocable Shares that are allocated to such Eligible Policyholder in accordance with Article VII; provided, however, that the form of such consideration shall not in the case of every Eligible Policyholder be shares of Common Stock and shall instead be in the form of cash or Policy Credits (as defined in Section 8.2), based on the number of notional Allocable Shares allocated to such Eligible Policyholder as provided in Article VII, as follows:

(a) Policy Credits to the extent Allocable Shares are allocated with respect to an Eligible Policy that is as of the Effective Date a TDA (as defined herein);

(b) Policy Credits to the extent Allocable Shares are allocated with respect to an Eligible Policy that is as of the Effective Date an IRA (as defined herein);

(c) Policy Credits to the extent Allocable Shares are allocated with respect to an Eligible Policy that as of the Effective Date is or is held by one of the Other Qualified Plans (as defined herein);

(d) except as provided in Section 8.1(a) through (c), cash to the extent Allocable Shares are allocated to an Eligible Policyholder whose address for mailing purposes as shown in the applicable Records is located outside the United States as of the Effective Date;

(e) cash payable by the Company's Canadian branch in Canadian dollars to the extent Allocable Shares are allocated to an Eligible Policy denominated in Canadian dollars;

(f) except as provided in Section 8.1(a) through (c), an Eligible Policyholder for whom the Company does not have a valid address as of the Effective Date shall, at such time as the Company obtains a valid address for such Eligible Policyholder, be paid cash in an amount determined in accordance with Section 8.3; provided, however, that the Company shall, subject to Section 8.3, escheat such funds if required under applicable law to do so before such time;

(g) except as provided in Section 8.1(a) through (c), cash to the extent

Allocable Shares are allocated with respect to an Eligible Policy and such Eligible Policy is known to the Company to be subject as of the Effective Date to a judgment lien, creditor lien (other than a policy loan made by the Company) or bankruptcy proceeding; provided that such cash shall be paid to the Eligible Policyholder only when the Company has received written evidence reasonably satisfactory to it that such Eligible Policy is no longer subject to a judgment lien or creditor lien;

(h) except as otherwise provided in this Section 8.1, cash if (i) the number of shares of Common Stock allocated to such Eligible Policyholder in accordance with Section 7.1(b) in respect of the sum of such Eligible Policyholder's Basic Fixed Component and Basic Variable Component is equal to or less than the Share Election Maximum, which shall be determined by the Board at any time prior to the Effective Date, and (ii) the Eligible Policyholder has not affirmatively indicated a preference to receive shares of Common Stock in lieu of cash. Such preference shall be indicated on a form approved by the Commissioner and provided to such Eligible Policyholder that has been properly completed by such Eligible Policyholder and received by the Company prior to a date set by the Company and approved by the Commissioner. The determination of whether the sum of an Eligible Policyholder's Basic Fixed Component and Basic Variable Component is equal to or less than the Share Election Maximum shall be made without giving effect to any shares allocated to such Eligible Policyholder as the Additional Fixed Component or Additional Variable Component;

(i) in the case of an Eligible Policyholder holding multiple Eligible Policies all of which entitle such Eligible Policyholder to receive the same form of consideration, the Eligible Policyholder shall receive all of the consideration to which such Eligible Policyholder is entitled in such form. In the case where such form of consideration is Policy Credits, consideration shall be allocated among the Eligible Policies in respect of which such Eligible Policyholder is eligible to receive consideration in the same proportion as the relative Actuarial Contributions of such Eligible Policies, and the types of Policy Credits distributed in respect of such Eligible Policies shall reflect the same proportion. If all, but not less than all, such Eligible Policies have an Actuarial Contribution of zero, then the Fixed Component shall be allocated among such Eligible Policies on a pro rata basis based on the number of such Eligible Policies;

(j) in the case of an Eligible Policyholder holding multiple Eligible Policies which entitle such Eligible Policyholder to receive more than one form of consideration, consideration shall be allocated among the forms of consideration that such Eligible Policyholder is eligible to receive in the same proportion as the relative Actuarial Contributions of such Eligible Policyholder's Eligible Policies. If all, but not less than all, of such Eligible Policies have an Actuarial Contribution of zero, then the Fixed Component shall be allocated among such forms of consideration on a pro rata basis based on the number of such Eligible Policies. The allocation of any such consideration to shares of Common Stock as the form of consideration shall be rounded to a whole number of shares on the same basis as described in Section 7.2(a); provided, however, that the allocation of consideration to the other form or forms of consideration that the Eligible Policyholder is eligible to receive shall be rounded as necessary so that the total amount of consideration allocated to such Eligible Policyholder shall not be changed from that determined in accordance with Article VII.

Section 8.2 "Policy Credits" Defined. For purposes of this Plan, "Policy Credit" includes:

(a) dividend accumulations for an Eligible Policy that is (i) a life insurance policy other than an Interest Sensitive Life Insurance Policy or a variable life insurance policy, the status of which is (A) premium paying, (B) fully paid-up or (C) in reduced paid-up status for $1,000 or more of face amount pursuant to a non-forfeiture provision of a life insurance policy, or (ii) a Participating Individual Retirement Annuity Contract in premium paying status;

(b) dividend additions for an Eligible Policy that is (i) a life insurance policy other than an Interest Sensitive Life Insurance Policy or a variable life insurance policy, that is in reduced paid- up status for less than $1,000 of face amount pursuant to a non-forfeiture provision of a life insurance policy, (ii) an Interest Sensitive Life Insurance Policy or a variable life insurance policy that is in fixed reduced paid-up status

pursuant to a non-forfeiture provision of a life insurance policy, or (iii) a

Participating Individual Retirement Annuity Contract in reduced paid-up status pursuant to its non-forfeiture provision. Such dividend additions shall be based upon the non-forfeiture interest rate and mortality assumptions specified in the Eligible Policy;

(c) an increase in account value (to which no sales or surrender or similar charges will be applied) for an Eligible Policy that is (i) an Interest Sensitive Life Insurance Policy or a variable life insurance policy whose status is premium paying, fully paid-up or variable reduced paid-up pursuant to a non-forfeiture provision of a life insurance policy, (ii) an individual deferred annuity contract not in pay-out status, or (iii) a group annuity contract;

(d) (i) an extension of the expiration date for an Eligible Policy which is extended term life insurance pursuant to a non-forfeiture provision of a life insurance policy if the extension does not extend to the original maturity date, or (ii) an extension of the expiration date to the maturity date and an endowment on the maturity date for an Eligible Policy which is extended term life insurance pursuant to a non-forfeiture provision of a life insurance policy if the extension in term period due to a policy credit extends to the original maturity date. The extension of the expiration date referred to in each of clauses (i) and (ii) shall be based upon the non-forfeiture interest rate and mortality assumptions specified in the Eligible Policy;

(e) a one-time additional payment distributed under an Eligible Policy that is an individual annuity contract in payout status; and

(f) any other feature which, subject to the requirements of applicable law, is necessary or appropriate to provide under an Eligible Policy in order to avoid a material adverse tax consequence for such Eligible Policy or Eligible Policyholder.

Section 8.3 Distribution of Non-Stock Consideration. If any consideration is to be paid or credited to an Eligible Policyholder in cash or Policy Credits pursuant to this Article VIII, the amount of such consideration shall be determined in accordance with Section 7.5, and such consideration shall be distributed in accordance with Sections 8.4, 8.5 and 8.6.

Section 8.4 Currency; Exchange Rate. Except as provided in Section 8.1(e) above, all payments in cash under this Plan shall be in United States dollars. If a payment in cash under this Plan is payable in Canadian dollars pursuant to Section 8.1(e), the amount shall be computed using the exchange rate between United States dollars and Canadian dollars published in the table entitled "Currency Trading," under the sub-heading "Exchange Rates" (or any successor table or sub- heading), in the final Eastern edition of The Wall Street Journal on the business day next preceding the Effective Date.

Section 8.5 Delivery of Consideration. The Company shall, subject to the ADR Memorandum, act in good faith to mail, or to cause the Holding Company's transfer agent to mail, within 45 days after the Effective Date, to each Eligible Policyholder that is to receive shares of Common Stock pursuant to this Plan, notice that such shares of Common Stock have been issued to such Eligible Policyholder in book-entry form as uncertificated shares. In the case of an Eligible Policyholder who following receipt of such notice directs the Company to provide a stock certificate, the Company shall act in good faith to promptly mail to such Eligible Policyholder a stock certificate representing such Eligible Policyholder's shares of Common Stock, registered in the name of such Eligible Policyholder. The Company shall, subject to the ADR Memorandum, Sections 8.1(f) and (g) and applicable law, act in good faith to provide to each Eligible Policyholder, within 45 days after the expiration of the Top-up Period, (a) a check in the amount of any cash to be received by such Eligible Policyholder and (b) to the extent an Eligible Policyholder is to receive Policy Credits, written notice that such Policy Credits have been awarded, which notice shall include a brief description of such Policy Credits.

Section 8.6 Distribution to Eligible Policyholders Comprising Multiple Persons. In the case of an Eligible Policyholder that comprises multiple Persons, consideration allocated in respect of that Eligible Policyholder in accordance with Article VII shall be distributed jointly to or on behalf of such Persons, within the applicable time period specified in Section 8.5.

ARTICLE IX
CLOSED BLOCK; PROVISIONS FOR CERTAIN POLICIES WITH NON-GUARANTEED ELEMENTS

Section 9.1 Establishment and Purpose of the Closed Block. (a) The Company shall establish the Closed Block in accordance with the requirements of this Article IX and the Closed Block Memorandum. Initial Closed Block Assets shall be determined in accordance with the Closed Block Memorandum. The Initial Closed Block Assets shall be allocated to the Closed Block in order to produce cash

flows which, together with anticipated revenue from the Closed Block Policies, are expected to be reasonably sufficient to support the Closed Block Policies (including but not limited to the payment of claims, certain expenses and taxes) and to provide for the continuation of dividend scales payable in 2000 on the Closed Block Policies if the experience underlying such scales continues and for appropriate adjustments in such scales, as may be made by the Board consistent with the requirements of Section 9.2(c)(i), if such experience changes. In no event shall the Company be required to pay dividends on Closed Block Policies from assets that are not Closed Block Assets. Notwithstanding any other provision of this Article IX or of this Plan, the Company's decision to establish a Closed Block in connection with the Plan shall in no way constitute a guarantee with respect to any policy or contract that it will be apportioned a certain amount of dividends.

Section 9.2 Operation of the Closed Block. The Closed Block shall be operated for the exclusive benefit of the Closed Block Policies in accordance with the requirements of this Article IX and the Closed Block Memorandum.

(a) Credits to and Charges Against the Closed Block. After the Closed Block Funding Date, insurance cash flows and investment cash flows arising from the operation of the Closed Block shall be credited to or charged against the Closed Block as follows, in each case subject to the specific rules and consistent with the assumptions and methodologies set forth in the Closed Block Memorandum:

(i) With respect to insurance cash flows:

(A) The Closed Block shall be credited or charged, as the case may be, for: (i) premiums and annuity considerations paid with respect to Closed Block Policies, including but not limited to any premiums and annuity considerations paid by the Company with respect to a policy that is the subject of an ADR claim and that otherwise satisfies the criteria for a Closed Block Policy; (ii) cash repayments of policy loans made with respect to Closed Block Policies; (iii) policy loan interest paid in cash on Closed Block Policies; (iv) death or maturity benefits, surrender values and new policy loans taken in cash with respect to Closed Block Policies; (v) dividends paid in cash on policies and riders that are Closed Block Policies; and (vi) Policy Credits in respect of Closed Block Policies pursuant to this Plan.

(B) The Closed Block shall be credited or charged, as the case may be, in respect of premium taxes and retaliatory taxes (including franchise taxes levied solely on the basis of premiums) incurred on premiums received in respect of Closed Block Policies, and payments made or received in connection with membership in a state guaranty association or imposed by any mandatory pool, fund or association. The amounts to be credited or charged shall be determined in accordance with the procedure described in the Closed Block Memorandum.

(C) The Closed Block shall be credited or charged, as the case may be, in respect of income taxes and franchise taxes calculated in the manner of income taxes in accordance with the procedure described in the Closed Block Memorandum.

(D) The Closed Block shall be charged in respect of payroll taxes in accordance with the procedure described in the Closed Block Memorandum.

(E) Fees in respect of administrative and overhead expenses and certain commissions and commission-related expenses incurred by the Company in connection with the performance of its obligations under the Closed Block Policies shall be charged against the Closed Block. The fees shall be in the amounts determined in accordance with the schedule specified in the Closed Block Memorandum and shall be charged in lieu of the actual expenses incurred by the Company or any Prudential

Affiliate providing such services.

(F) Amounts in respect of certain expenses to adjust funding in connection with Closed Block Policies issued on or after the Closed Block Funding Date shall be charged against the Closed Block. The amounts of such charges shall be determined in accordance with the schedule specified in the Closed Block Memorandum and shall be charged against the Closed Block to adjust funding in connection with Closed Block Policies.

(ii) With respect to investment cash flows:

(A) Investment-related cash flows from the Closed Block Assets, including, but not limited to, interest, coupon payments, dividends, proceeds of asset sales, maturities and redemptions, shall be credited to the Closed Block.

(B) Fees in respect of investment-related expenses related to managing the Closed Block Assets (covering investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) shall be charged against the Closed Block. The fees shall be in the amounts determined in accordance with the schedule of investment fees specified in the Closed Block Memorandum and shall be charged in lieu of the actual internal investment-related expenses incurred by the Company or any Prudential Affiliate providing such services.

(C) In addition to the fees specified in Section 9.2(a)(ii)(B), the Closed Block shall be charged for direct investment expenses including the brokerage cost of acquiring investments and the brokerage cost and transaction expense of disposing of investments. Payments for real estate expenses and real estate taxes shall also be charged against the Closed Block in proportion to the Closed Block's holding of any interest in real estate giving rise to such expenses and taxes. Real estate taxes shall be charged to the Closed Block when payable to the taxing entity.

(b) Investment Policy of the Closed Block. As of the Closed Block Funding Date, new investments of Closed Block cash flows shall be acquired in conformity with an investment policy statement for the Closed Block that is consistent with investment guidelines approved from time to time by the Investment Committee of the Board or its successor. Such investment policy statement shall address, to the extent applicable, investment objectives, permissible asset class categories, permissible investments, valuation methodology, internal reporting, risk limits and performance factors and measurements. The Closed Block Assets shall be managed in the aggregate to seek a high level of return consistent with the preservation of principal and equity through asset-liability management, strategic and tactical asset allocation and manager selection/performance and shall reflect the Closed Block's duration and its ability to take risk consistent with the nature of the Closed Block and the investment objectives outlined in this Section 9.2(b).

(c) Dividend Policy of the Closed Block. (i) Dividends on Closed Block Policies shall be apportioned annually by the Board in accordance with applicable law and applicable standards of actuarial practice as promulgated by the Actuarial Standards Board or its successor so as to reflect the underlying experience of the Closed Block and with the objective of managing aggregate dividends so as to exhaust the Closed Block Assets when the last Closed Block Policy terminates while avoiding an outcome in which relatively few last surviving holders of Closed Block Policies receive dividends that are substantially disproportionate (either higher or lower) to those previously received by other holders of Closed Block Policies.

(ii) Subject to Section 9.2(c)(i), dividends on Closed Block Policies shall be apportioned, and shall be allocated among Closed Block Policies, so as to reflect the underlying experience of the Closed Block, and the degree to which the various classes of Closed Block Policies have contributed to such experience.

(d) Reports on the Closed Block. (i) The Company shall provide the Commissioner as supplemental schedules to its statutory Annual Statements for each year commencing with the year in which the Effective Date occurs (A) financial schedules, consisting of the information required

by Annual Statement pages 2, 3, 4 and 5 and (B) investment schedules, consisting of the information required by Annual Statement Schedules A, B, BA, D and E (or comparable information under financial reporting requirements as they may be established from time to time for the Company as a whole by the Commissioner after the Adoption Date), in each case for the Closed Block. By June 1 of the year subsequent to the year being reported, the Company shall submit to the Commissioner an attestation report or the equivalent of a firm of independent public accountants as to the financial schedules of the Closed Block referred to in clause (A) of this Section 9.2(d)(i). Additionally, the Company shall submit to the Commissioner by June 1 of each such year a report, prepared at the Company's request by a firm of independent public accountants, on the results of certain procedures, to test the Company's compliance with the Closed Block cash flow provisions of this Article IX and the Closed Block Memorandum. The reporting obligations provided for in this Section 9.2(d) shall continue for so long as the Commissioner may require. The annual report required by this Section 9.2(d) shall be submitted in a form acceptable to the Commissioner and in accordance with procedures acceptable to the Commissioner.

(ii) The Company shall submit to the Commissioner by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Closed Block.

(e) Inter-account Transfers. No assets shall be reallocated, exchanged or transferred between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate except (i) in accordance with this Section 9.2(e), (ii) as provided in the Closed Block Memorandum or (iii) as approved by the Commissioner. To facilitate the management of Closed Block cash flows, the Closed Block may participate in pooled short term accounts maintained by the Company on a basis no less favorable than any other portion of the Company's general account. Any other transfers, exchanges, investments, purchases or sales of assets between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate may be effected if such transactions (i) benefit the Closed Block, (ii) are consistent with the investment policy statement and objectives described in Section 9.2(b) and the Closed Block Memorandum, (iii) are executed at demonstrable fair market values and (iv) do not exceed, in any calendar year, more than 10% of the statutory statement value of the invested assets of the Closed Block as of the beginning of that year.

(f) Amendment or Cessation of Closed Block. The Company may amend the terms of or cease to maintain the Closed Block with the prior approval of the Commissioner, subject to such terms and conditions as the Commissioner may approve, if the Commissioner determines that: (i) assurances provided by the Company or other conditions provide adequate safeguards to provide for

the reasonable dividend expectations of the holders of Closed Block Policies and (ii) either (A) the Closed Block is no longer necessary to effectuate the purposes of this Article or (B) the Closed Block has been so reduced in size as to make continued operation of the Closed Block impracticable. Terms and conditions imposed by the Commissioner may include, without limitation, requiring actuarial opinions from independent actuaries hired by the Company, and by the Commissioner at the Company's expense, that appropriate provision has been made for the dividend expectations of holders of Closed Block Policies. If the Closed Block is discontinued, the Closed Block Policies then remaining shall continue to be obligations of the Company and dividends on such Policies shall be apportioned by the Board in accordance with applicable law.

(g) Non-reversion to Shareholders. Except as provided in Section 9.2(f), none of the assets, including the revenue therefrom, allocated to the Closed Block or acquired by the Closed Block shall revert to the benefit of the shareholders of the Company.

(h) Reinsurance or other Transfer of Risks. The Company may, with the Commissioner's prior consent, and subject to Article 7 of Chapter 18 of Title 17B of the New Jersey Revised Statutes, enter into one or more agreements to reinsure or otherwise transfer all or any part of its risks under the Closed Block Policies. Notwithstanding any other provision of this Article IX, (i) the agreement may provide for the transfer of all or part of the risks associated with Closed Block Policies and/or the transfer of ownership of, or other interest in, Closed Block Assets or funds not allocated to the Closed Block supporting such risks; (ii) amounts paid and received by the Company in connection with any such agreement may be allocated to the Closed Block in accordance with any methodology approved by the Commissioner; (iii) cash flows from any transferred Closed Block Assets may be considered to be investment cash

flows of the Closed Block for purposes of establishing dividends and meeting policy obligations on Closed Block Policies; and (iv) the Company may use Closed Block Assets or funds not allocated to the Closed Block as reinsurance premiums or other consideration for such agreement provided, in each case, and without limiting the grounds on which the Commissioner may withhold approval, the Commissioner shall not approve such action if the Commissioner finds that such action shall have the effect of lessening the extent to which the reasonable dividend expectations of the holders of Closed Block Policies are provided for by this Article.

Section 9.3 Guaranteed Benefits. The Company shall pay all guaranteed benefits for Closed Block Policies in accordance with the terms of such policies. The Closed Block Assets are the Company's assets and the establishment of the Closed Block shall not in the event of the rehabilitation or liquidation of the Company affect the priority of the claims of the holders of Closed Block Policies to such assets in relation to the claims of all other policyholders and creditors of the Company.

Section 9.4 Canadian Closed Block. The Company shall, in addition to the Closed Block, establish a Canadian Closed Block. The Canadian Closed Block shall Memorandum, attached hereto as Exhibit H.

Section 9.5 Dividends on Certain Policies Not Included in Closed Block. (a) The Company shall maintain and continue the dividend scale in effect in 2000 for those individual disability income and daily income hospital policies In Force on the Effective Date for which the Company has a dividend scale and for which contract dividends are due, paid or accrued by action of the Board during 2000, unless or until the Company shall have obtained the prior approval of the Commissioner to change or discontinue such dividend scale.

(b) Beginning with the first adjustment to the rate of interest paid with respect to a Supplementary Contract to which this Section 9.5(b) applies, the Company shall set interest rates with respect to such Supplementary Contracts at a rate that is not less than 100% of the iMoneyNet Taxable Retail Average, less 75 basis points. In the event that such index ceases to be published, the Company shall use another similar index, subject to the approval of the Commissioner of such index and of the spread between such index and the proposed crediting rate. This Section 9.5(b) applies to any Supplementary Contract that is In Force with the Company or any Designated Subsidiary as of the Effective Date (i) for which dividends in the form of excess interest are due, paid or accrued during 2000, (ii) for which such interest would have been due, paid or accrued if the Supplementary Contract had been in force during all or any part of 2000 or (iii) for which such interest would have been due, paid or accrued if the Supplementary Contract had had a contractually guaranteed rate lower than the effective rate of interest set by the Company for 2000 for all other Supplementary Contracts eligible for excess interest payments.

(c) Interest paid after the Effective Date with respect to retained asset accounts operated under the name "Alliance Account" that are In Force as of the Effective Date shall be at a rate not less than the rate paid with respect to Supplementary Contracts referred to in Section 9.5(b).

(d) The Company shall maintain and continue the dividend scale in effect in 2000 for those payout annuities resulting from the "Annuity Types and Rates Provisions" of the annuity contract marketed under the name "Financial Security Program" ("FSP"). This Section 9.5(d) shall apply to any FSP annuity contract that is In Force as of the Effective Date and shall continue to apply to any such contract until the Company shall have obtained the prior approval of the Commissioner to change or discontinue the 2000 dividend scale with respect to such contract.

(e) Changes in future dividends paid on riders attached to policies that are not Closed Block Policies shall be identical to changes in future dividends on such riders issued on the same form that are attached to Closed Block Policies. This Section 9.5(e) applies to any such riders issued

prior to the Effective Date that are attached to insurance policies issued by the Company that are In Force on the Effective Date.

Section 9.6 Modifications to Non-Guaranteed Elements in Certain Life Insurance Policies, Annuities and Riders. The Company and each Designated Subsidiary shall (a) comply with the Flexible Factor Requirements set forth in Exhibit I with respect to the Flexible Factor Policies issued by each of them and (b) comply with the Annuity Crediting Rate Requirements set forth in Exhibit J with respect to the Covered Fixed Annuities and Covered Variable Annuities

issued by each of them.

ARTICLE X
APPROVAL BY COMMISSIONER

Section 10.1 Application; Hearing.

(a) This Plan is subject to the approval of the Commissioner, as provided in Chapter 17C, after the Hearing.

(b) The Company shall file the Application with the Commissioner in accordance with Section 4.a. of Chapter 17C. The Application and the documents supporting the Application shall be public documents in accordance with Section 4.c. of Chapter 17C except as otherwise provided therein or by other applicable law.

Section 10.2 Notice of Hearing. (a) At least 45 days prior to the Hearing, the Company shall mail, by first-class or priority mail, a Notice of Hearing to each Person who was a Policyholder as of the Adoption Date and each ADR Claimant eligible to repurchase a life insurance policy or annuity contract pursuant to the ADR Memorandum at the address for such Person that appears in the applicable Records. The Notice of Hearing shall be in a form satisfactory to the Commissioner. If the Hearing is adjourned to another time or place, the Company shall not be required to give individual notice of the adjourned hearing if the time and place to which the Hearing is adjourned are announced at the Hearing at which the adjournment is taken.

(b) The Company shall also give notice of such Hearing by publication at least two times at intervals of not less than one week, the first publication to be not more than 45 days and the last publication not less than 15 days prior to the Hearing, in two newspapers of general circulation throughout the United States. Such notice shall be in a form satisfactory to the Commissioner.

ARTICLE XI
APPROVAL BY POLICYHOLDERS

Section 11.1 Special Meeting. After the Hearing, the Company shall hold the Special Meeting, at which all Persons who are Qualified Voters as of the Adoption Date, as shown on the Records of the Company, shall be entitled to vote on a proposal to approve the Plan. The proposal to approve the Plan shall include all of the constituent elements thereof, including without limitation (x) the Destacking, including the Destacking Extraordinary Dividend, (y) the Additional Extraordinary Dividend and (z) the other financial and reinsurance transactions described in Section 3.3(c), and none of the transactions listed in (x), (y) and (z) above or any other constituent element of the Plan shall be subject to separate approval by the policyholders of the Company. Notwithstanding that the following Persons might be eligible to receive consideration under this Plan, no such Person shall be entitled to vote on the proposal to approve this Plan unless such Person otherwise satisfies the requirements for being a Qualified Voter:

(a) a holder of a policy, contract or Supplementary Contract issued by any subsidiary of the Company, including a Designated Subsidiary;

(b) a holder of a Transferred Canadian Policy;

(c) a holder of a Rewritten Health Policy;

(d) a Person deemed for purposes of this Plan to be an Owner of a Policy pursuant to Section 5.4;

(e) an ADR Claimant not otherwise satisfying the definition of Qualified Voter;

(f) a holder of a policy or contract issued by another insurance company that is reinsured by the Company on an indemnity reinsurance basis; or

(g) the Company or a Prudential Affiliate, except where the Company or Prudential Affiliate (i) is the Owner of a Policy held on behalf of an employee benefit plan that is sponsored by the Company or any Prudential Affiliate or (ii) is the Owner of a Policy held on behalf of an employee benefit plan that is sponsored by another employer where the Company or any Prudential Affiliate serves as trustee, except as provided in Section 5.4. Where the Company or a Prudential Affiliate would otherwise be eligible to vote because it serves as custodian of an individual annuity contract, the Company or the Prudential Affiliate, as the case may be, shall refrain from voting on the proposal to approve this Plan.

Based on the Company's Records, each Person who is a Qualified Voter as of the Adoption Date shall be entitled to cast one vote, irrespective of the number of Policies owned by such Qualified Voter; provided, however, that a person who is a Qualified Voter in more than one capacity (e.g., individual and trustee) shall be entitled to cast one vote in each such capacity and shall be deemed for purposes of this Plan to be such number of Qualified Voters as the number of capacities in which such person is qualified to vote. In order for the Plan to be approved at the Special Meeting: (x) the number of Qualified Voters who vote on the Plan by ballot cast in person, by mail, by telephone or via the Internet shall be at least one million (or such lesser number as may be approved by the Commissioner as permitted by Chapter 17C) and (y) not less than two-thirds of the votes actually cast shall be in favor of approval of this Plan. The Special Meeting and the process of voting on the proposal to approve this Plan shall be conducted in accordance with rules prescribed by the Commissioner to govern the procedures for the conduct of voting on the Plan. If the Special Meeting is adjourned to another time or place, the Company shall not be required to give individual notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken.

Section 11.2 Notice of Special Meeting. (a) The Company shall mail the Notice of Special Meeting to all Persons who are Qualified Voters as of the Adoption Date. The Notice of Special Meeting shall set forth the reasons for the Special Meeting and the time and place of the Special Meeting, and shall enclose a ballot for each such Qualified Voter. The Notice of Special Meeting and ballot shall be mailed at least 45 days prior to the Special Meeting by first class or priority mail to the address of each such Qualified Voter as it appears on the Records of the Company. The Notice of Special Meeting may be combined with the Notice of Hearing provided for in Section 10.2.

(b) The Notice of Special Meeting shall be in a form approved by the Commissioner and accompanied by a copy of this Plan and policyholder information materials regarding the Plan and the Reorganization, which shall be in a form approved by the Commissioner together with any other explanatory information that the Commissioner approves or requires. With the approval of the Commissioner, the Company may also mail supplemental information to Qualified Voters before or after the Special Meeting.

Section 11.3 Efforts to Encourage Voting. The Company shall use good faith efforts to encourage Qualified Voters to vote on this Plan, including without limitation establishing a toll-free call center, creating an Internet site, including messages in routine policy statements and advertising in national publications.

Section 11.4 Certification of Vote. If the Plan is approved by the requisite number of Qualified Voters, the secretary of the Company shall so certify to the Commissioner. Such

certification shall specify the numbers of votes cast in favor of and against the proposal to approve the Plan.

Section 11.5 Inquiries and Disputes. Any inquiry or dispute as to the right of a Person to vote on this Plan pursuant to this Article XI shall be determined by the Company in good faith in accordance with the Resolution Procedures. The outcome of any such inquiry of or dispute with the Company shall be reflected in the Records of the Company for the purpose of determining the right of the Person to vote in accordance with this Article XI.

ARTICLE XII
TAX AND ERISA CONSIDERATIONS

Section 12.1 Tax Rulings or Opinions. (a) On or before the date that the Notice of Special Meeting and accompanying policyholder information materials are mailed, the Company shall have obtained one or more opinions of Tax Counsel substantially to the effect that the principal Federal income tax consequences to Eligible Policyholders of their receipt of consideration pursuant to Article VIII described in the Notice of Special Meeting and accompanying policyholder information materials are accurately described in all material respects under the applicable Federal income tax law in effect on the date of such Notice of Special Meeting and accompanying policyholder information materials.

(b) On or before the Effective Date, the Company shall have obtained:

(i) either rulings satisfactory to the Company from the Internal Revenue Service or one or more opinions satisfactory to the Company from one or more Tax Counsel substantially to the effect that:

(A) the crediting of consideration in the form of Policy Credits to Eligible Policyholders pursuant to Article VIII in respect of TDAs (as defined herein), IRAs (as defined herein) and Other Qualified Plans will not adversely affect the tax-favored status accorded to such contracts under the Code, and will not be treated as a distribution under, or a contribution to, such contracts under the Code; and

(B) the Policies issued or purchased before the Effective Date will not be deemed newly issued, issued in exchange for existing policies or newly purchased for any material Federal income tax purpose as a result of the reorganization of the Company pursuant to this Plan or, in the case of the Policies described in

Section 12.1(b)(i)(A) above, the crediting of consideration in the form of Policy Credits pursuant to Section 8.1; and

(ii) one or more opinions of Tax Counsel substantially to the effect that the principal Federal income tax consequences to Eligible Policyholders of their receipt of consideration pursuant to Article VIII described in the Notice of Special Meeting and accompanying policyholder information materials, with the exception of developments between such mailing date and the Effective Date that are set forth in the opinion as determined by the Company to be not materially adverse to the interests of the Eligible Policyholders, remain accurate in all material respects under the applicable Federal income tax law in effect as of the Effective Date.

Section 12.2 ERISA Considerations. The Company shall apply to the United States Department of Labor for an ERISA Exemption with respect to the receipt of consideration pursuant to this Plan by Eligible Policyholders that are employee benefit plans or IRAs (as defined herein) subject to the provisions of Section 406(a) of ERISA and Section 4975 of the Code. Notwithstanding any other provision of this Plan, if the ERISA Exemption is not received before the Effective Date, the Company will obtain and rely on an ERISA Opinion, but the Company will not thereafter withdraw the request for the ERISA Exemption from the United States Department of Labor without the Commissioner's prior approval.

ARTICLE XIII
CONDITIONS TO EFFECTIVENESS OF PLAN

Section 13.1 Conditions to Effectiveness of Plan. The effectiveness of this Plan is subject to the satisfaction on or prior to the Effective Date (or, in the case of Section 13.1(c)(i) below, on or prior to the date of the Notice of Special Meeting and accompanying policyholder information materials) of all of the following conditions:

(a) all authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any court or governmental or regulatory authority or agency necessary for the consummation of the conversion of the Company to a stock life insurance company as contemplated by this Plan, including the approval of the Commissioner pursuant to Article X, shall have occurred or been obtained;

(b) this Plan shall have been approved and adopted by the affirmative vote of Qualified Voters pursuant to Article XI;

(c) the Company shall have obtained (i) the opinion or opinions of Tax Counsel pursuant to Section 12.1(a) in form and substance satisfactory to the Company; (ii) either rulings from the Internal Revenue Service or one or more opinions of Tax Counsel as provided in Section 12.1(b)(i), in either case, in form and substance satisfactory to the Company; and (iii) the opinion or opinions of Tax Counsel pursuant to Section 12.1(b)(ii) in form and substance satisfactory to the Company;

(d) the Company shall have obtained the ERISA Exemption or the ERISA Opinion described in Section 12.2 in form and substance satisfactory to the Company;

(e) the Company shall have obtained one or more no-action letters from the Securities and Exchange Commission or, in the sole discretion of the Company, an opinion or opinions of independent legal counsel, in form and substance satisfactory to the Company, relating to matters under the Federal securities

laws;

(f) the fairness opinion addressed to the Board pursuant to Section 4.a.(2) of Chapter 17C from a qualified, nationally recognized investment banker shall have been confirmed by such investment banker as of the Effective Date;

(g) the investment banker referred to in Section 3.2(g) shall have delivered to the Company the opinion concerning the conduct of the IPO provided for in Section 3.2(g) and the Company shall have delivered to the Commissioner a copy of such opinion as required by Section 3.2(g);

(h) the actuarial certification of the reasonableness and appropriateness of the methodology and underlying assumptions used to allocate consideration among Eligible Policyholders, and the actuarial certification of the reasonableness and sufficiency of the assets allocated to the Closed Block and the Canadian Closed Block, addressed to the Board by a qualified and independent actuary, all pursuant to Section 4.a.(1)(b) and (c) of Chapter 17C and attached hereto as Exhibit K, each shall have been confirmed by such actuary in writing dated as of the Effective Date. If the methodology and underlying assumptions used to allocate consideration among Eligible Policyholders have changed since the original date of such certification, the confirming certification shall have described the nature of the changes and the justification therefor. Such confirmation shall consist of a statement by such actuary that to the best of his or her knowledge and belief as of the Effective Date, the prior certification of the adequacy and sufficiency of assets allocated to the Closed Block and the Canadian Closed Block as of the Closed Block Funding Date is still accurate as of the Effective Date or, if it is not, such confirmation shall contain a description of the circumstances that have given rise to the inaccuracy and the steps that have been taken to correct it;

(i) the Company and the Holding Company shall have arranged for the registration and the public trading of the Common Stock as provided in Section 3.2(f);

(j) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Plan shall be in effect; and

(k) the Company shall have filed with the Commissioner a certificate pursuant to Section 9 of Chapter 17C stating that: (i) all of the conditions set forth above in this Section 13.1 have been satisfied and any conditions precedent to effectiveness imposed by the Commissioner shall have been complied with and (ii) the Board has not abandoned or amended this Plan pursuant to Section 11 of Chapter 17C.

ARTICLE XIV
ADDITIONAL PROVISIONS

Section 14.1 Commission-Free Sales and Purchases Programs. The Holding Company shall establish, in accordance with the Commission-Free Sales and Purchases Program Memorandum attached hereto as Exhibit L, a commission-free sales and purchases program that shall begin no sooner than 90 days after the Effective Date and no later than the second anniversary of the Effective Date and shall continue for not less than three months. Subject to the prior approval of the Commissioner, the Holding Company may extend the period of such program if the Holding Company determines such extension to be appropriate and in the best interests of the Holding Company and its shareholders. The Holding Company may reinstitute a second and subsequent commission-free sales and purchases programs on a periodic basis on the terms described in this Section 14.1 and the Commission-Free Sales and Purchases Program Memorandum. Pursuant to each such program, each Eligible Policyholder that receives 99 or fewer shares of Common Stock under this Plan shall be entitled (a) to sell at prevailing market prices all, but not less than all, of such shares without paying brokerage commissions, mailing charges, registration fees or other administrative or similar expenses, or (b) to purchase, at the prevailing market price, additional shares of Common Stock to increase such Eligible Policyholder's holdings to a 100-share round lot without paying brokerage commissions, mailing charges, registration fees or other administrative or similar expenses. All Eligible Policyholders entitled to participate in such program shall receive notice of the procedures to be followed to effect sales or purchases pursuant to such program, which procedures shall include the mailing of a form by the Holding Company to each such Eligible Policyholder at a specified address and may include the ability to respond by the use of a dedicated Internet site. Such program shall provide for the purchase or sale of shares of Common Stock in the market or, at the sole discretion of the Holding Company, the purchase of shares of Common Stock

by the Holding Company at market prices. Such program shall be operated in accordance with the Commission-Free Sales and Purchases Program Memorandum.

Section 14.2 Continuation of Corporate Existence; Board of Directors. (a) Upon the Reorganization of the Company under the terms of this Plan, the Company shall continue its corporate existence in the form of a stock life insurance company, and the Reorganization in no way shall annul, modify or change any of the Company's existing suits, rights, contracts or liabilities, except as provided in this Plan. After the Reorganization, the Company shall exercise all the rights and powers and perform all the duties conferred or imposed by law upon insurers writing the classes of insurance written by it, and shall be vested in all the rights, franchises and interests of the Company prior to the Reorganization in and to every species of property without any deed or transfer and the Company shall succeed to all the obligations and liabilities of the Company prior to the Reorganization, and retain all rights and contracts existing prior to the Reorganization, except as provided in this Plan.

(b) The members of the board of directors of the Holding Company on and after the Effective Date shall be those individuals who were the members of the Board immediately prior to the Effective Date, and each such member shall continue to serve as a director of the Holding Company until the end of his or her term or until resignation or removal prior to the end of such term in accordance with the certificate of incorporation and by-laws of the Holding Company then in effect.

Section 14.3 Acquisition of Securities by Certain Officers, Directors and Employees. (a) On the Effective Date, and consistent with the requirements of Section 7 of Chapter 17C, a stock option plan (the "Stock Option Plan") consisting of two components, the Associates Grant and the Executive Stock Option Program, each as described below, will take effect. Under the Associates Grant, a one-time grant of stock options in an amount to be determined by the Board or a duly authorized committee thereof in its discretion will be made on the Effective Date to employees of the Company and Prudential Affiliates not eligible for regular annual option grants under the Executive Stock Option Program. Under the Executive Stock Option Program, annual grants of stock options in amounts to be determined from time to time by the board of directors of the Holding Company or a duly authorized committee thereof will be made to executives and certain other selected employees of the Company and Prudential Affiliates to be determined by such board or such committee, as the case may be; provided, however, that no such grant under the Stock Option Plan may be made to any senior officer of the Company earlier than the first anniversary of the Effective Date; and provided, further, that grants under the Stock Option Plan may not be made to other officers of the Company earlier than the 183rd day after the Effective Date. Subject to continued employment with the Holding Company or an affiliate of the Holding Company, the stock options under both programs shall become exercisable ratably over three years and shall have a maximum

term of 10 years. The Stock Option Plan will provide that, without the approval of the shareholders of the Holding Company, the aggregate number of shares of Common Stock available to be issued at any time pursuant to the Stock Option Plan shall not exceed (i) with respect to the Associates Grant, 2% of Total Allocable Shares and (ii) with respect to the Executive Stock Option Program, 5% of Total Allocable Shares.

(b) On or after the Effective Date, the board of directors of the Holding Company or a duly authorized committee thereof may substitute Common Stock on a current or a deferred basis, as appropriate in its discretion, (i) for all or a portion of the Company's non-elective contributions to the Prudential Employee Savings Plan, the profit sharing plan sponsored by the Company that is qualified under Section 401(a) of the Code and which also provides for elective deferrals of contributions by plan participants as described under Code Section 401(k) (the "401(k) Plan") and (ii) for payment of all or a portion of outstanding awards, otherwise payable in cash, that mature on or after the Effective Date under the Long-Term Performance Unit Plan of the Company, including the Company's business units, and Prudential Affiliates, and other long-term incentive plans maintained for the Company, including the Company's business units, and Prudential Affiliates. Participants in the 401(k) Plan will also have the opportunity to invest their individual contributions and existing account balances in Common Stock.

(c) Beginning one year after the Effective Date, the board of directors of the Holding Company or a duly authorized committee thereof may substitute Common Stock, on a current or a deferred basis, as appropriate in its discretion, (i) to convert existing and future non-employee Holding Company directors' retirement benefits from fixed cash payments to stock-based awards and (ii) to

replace all or a portion of the annual cash retainers for non-employee Holding Company directors.

(d) The shares of Common Stock used for the programs described in Section 14.3(a) may be shares purchased in market transactions, other treasury shares to fund such programs as appropriate and in the Holding Company's discretion or authorized but previously unissued shares. The shares of Common Stock used for the programs described in Section 14.3(b) and (c) may be shares purchased in market transactions or other treasury shares to fund such programs as appropriate and in the Holding Company's discretion but in no event from authorized but previously unissued shares.

(e) Officers, directors and employees of the Company and Prudential Affiliates who are themselves Eligible Policyholders or who are participants in any of the Company's employee benefit plans that are Eligible Policyholders may receive shares of Common Stock distributed to such officers, directors, employees or plans in their capacities as Eligible Policyholders pursuant to this Plan. No person who was a member of the Board prior to the Effective Time shall be eligible to

receive any grants of stock options on the Effective Date or for one year thereafter under the Stock Option Plan.

Section 14.4 Compensation of Officers, Directors and Employees. No director, officer, agent or employee of the Company shall receive any fee, commission or other valuable consideration whatsoever, other than his or her usual salary and compensation, that is contingent upon this Plan becoming approved or effective or is based upon a director, officer, agent or employee aiding, promoting or assisting in the approval or effectuation of this Plan.

Section 14.5 Restriction on Acquisition of Securities. Prior to and for a period of three years following the Effective Date, no Person or Persons acting in concert other than the Company, the Holding Company, the Intermediate Holding Company or any other intermediate holding company interposed between the Company and the Holding Company or between the Company and the Intermediate Holding Company (or any employee benefit plans or trusts sponsored by the Company or the Holding Company) shall, without the prior approval by the Commissioner of an application for acquisition filed by such Person or Persons with the Commissioner, directly or indirectly offer to acquire or acquire in any manner the beneficial ownership of (a) five percent or more of any class of a voting security (other than Class B Stock) of the Company or the Holding Company or any other Person that owns or controls a majority or all of the voting securities of the Company or the Holding Company or (b) five percent or more of the voting power of the Company or the Holding Company or any other Person that owns or controls a majority or all of the voting securities of the Company or the Holding Company. Such application must contain the information required by Section 17:27A-2(b) of the New Jersey Revised Statutes and any other information required by the Commissioner. In accordance with Chapter 17C, the Commissioner shall not approve such an application for acquisition unless he or she finds that the requirements of Section 17:27A-2(d) of the New Jersey Revised Statutes will be satisfied and, additionally, that (i) the acquisition would not frustrate this Plan as approved by the Qualified Voters and the Commissioner; (ii) the Board or the board of directors of the Holding Company has approved such acquisition or extraordinary circumstances not contemplated in this Plan have arisen that would warrant their approval of such acquisition; and (iii) such acquisition would be in the interest of policyholders. No security that is the subject of any agreement or arrangement regarding acquisition or that is acquired or to be acquired in contravention of this Section 14.5, Chapter 17C or an order of the Commissioner may be voted at any shareholders' meeting, and any action of shareholders requiring the affirmative vote of a percentage of shares may be taken as though such securities were not issued and outstanding; provided, however, that no action taken at any such meeting shall be invalidated by the voting of such securities unless the action would materially affect control of the Company or a person that owns or controls a majority or all of the voting securities of the Company or unless the courts of the State of New Jersey have so ordered.

Section 14.6 Notice to Former Policyholders. Pursuant to Section 14 of Chapter 17C, the Company has provided notice in a form, and distributed such notice in a manner, approved by the Commissioner, of the Company's intent to demutualize to former policyholders who at the time of such notice were eligible to reinstate their policies.

Section 14.7 Adjustment of Share Numbers. Notwithstanding anything herein

to the contrary, in order to achieve a desired filing range (in the registration statement under the Securities Act relating to the IPO) for the Initial Stock Price that the Company and the managing underwriters of the IPO deem appropriate, or in order to comply with the ADR Memorandum, the Company may adjust, by vote of the Board or a duly authorized committee thereof at any time before the Effective Date and with the prior approval of the Commissioner, the number of Total Allocable Shares. Upon such an adjustment, the following numbers of shares of Common Stock in this Plan shall be automatically adjusted proportionately, except where the failure of such adjustments to be proportionate is the result of rounding as provided below: (a) the number of Allocable Shares set forth in the definition of "Basic Fixed Component", (b) the number of Allocable Shares comprising the sum of all Basic Fixed Components, (c) the number of Allocable Shares comprising the Additional Fixed Component pursuant to Section 7.1(b)(i)(B), (d) the number of Allocable Shares comprising the Aggregate Basic Variable Component, (e) the number of Allocable Shares set forth in the definition of Initial Allocable Shares in Article I, (f) the number of Allocable Shares allocated in respect of all Additional Variable Components, (g) all numbers set forth in the provisions of Section 7.1(b)(ii)(B) governing the Additional Variable Component, including the ranges of Allocable Shares allocated prior to the application of such provisions, and (h) the number of Allocable Shares set forth in the definition of Share Election Maximum as the greatest number that the Board can determine the Share Election Maximum to be; provided, however, that any such adjustment shall result in the number of Allocable Shares to be allocated to each Eligible Policyholder as the Basic Fixed Component of consideration pursuant to Section 7.1(b)(i)(A) and all numbers of Allocable Shares set forth in the provisions of Section 7.1(b)(ii)(B) governing the Additional Variable Component being in whole numbers, and provided, further, that nothing in this Section 14.7 shall limit the ability of the Board to determine the Share Election Maximum in accordance with Section 8.1(h).

Section 14.8 No Preemptive Rights. No policyholder or other Person shall have any preemptive right to acquire shares of Common Stock or Class B Stock or shares of the common stock of the Company in connection with this Plan.

Section 14.9 Notices. In accordance with Section 8 of Chapter 17C, if the Company complies substantially and in good faith with the requirements of Chapter 17C or the terms of this Plan with respect to the giving of any required notice, its failure in any case to give such notice to

any Person entitled thereto shall not impair the validity of the actions and proceedings taken under Chapter 17C or this Plan or entitle such Person to any injunctive or other relief with respect thereto.

Section 14.10 Corrections to Plan; Amendment or Withdrawal of Plan; Amendment to Certificates of Incorporation and By-laws.

(a) Corrections to Plan. At any time prior to, on or after the Effective Date, the Company shall make such modifications to this Plan as are appropriate to correct errors, clarify existing items or make additions to correct manifest omissions in this Plan; provided, however, that only such modifications made after the filing of the Application shall be subject to the prior approval of the Commissioner. No such modification shall be subject to the approval of the policyholders of the Company, the shareholders of Holding Company, the Board or the board of directors of Holding Company, except as otherwise required under applicable law. Subject to the terms of this Plan, the Holding Company may issue additional shares of Common Stock and take any other action it deems appropriate to remedy errors or miscalculations or to take account of other changes made in connection with this Plan.

(b) Amendment or Withdrawal of Plan.

(i) The Company may, by action of not less than three-fourths of the members of the Board, and upon prior written notice to the Commissioner, abandon or amend this Plan (including without limitation the Exhibits and Schedules); provided, however, that if the Commissioner determines that a proposed amendment to this Plan made after the end of the Hearing is materially disadvantageous to any of the policyholders of the Company, the amendment shall not become effective unless a further public hearing is held on this Plan as amended.

(ii) Notwithstanding Section 14.10(b)(i), the Commission-Free Sales and Purchases Program Memorandum attached hereto as Exhibit L may be amended by the Holding Company at any time. Until the first anniversary of the Effective Date, any such amendment to the Commission-Free Sales and Purchases Program Memorandum shall be subject to the prior approval of the Commissioner. If the Commissioner approves such amendment, the Holding Company's transfer agent shall notify the Eligible

Policyholders entitled to participate in the commission-free sales and purchases program as promptly as practicable following such proposal. Following the first anniversary of the Effective Date, the Holding Company may amend the Commission-Free

Sales and Purchases Program Memorandum at any time; provided, however, that no such amendment shall become effective until the Holding Company's transfer agent shall have first provided written notice of such amendment to the Eligible Policyholders entitled to participate in the commission-free sales and purchases program.

(iii) Notwithstanding Section 14.10(b)(i), the amended and restated certificate of incorporation of the Holding Company may be modified pursuant to Section 3.2(a) to authorize a greater number of shares than is necessary to meet the requirements of the Plan or any number of shares of preferred stock.

(c) Amendment to Certificates of Incorporation and By-Laws. The amended and restated certificate of incorporation and amended and restated by-laws of the Holding Company and the amended and restated charter and amended and restated by-laws of the Company may be amended from time to time after the Effective Date pursuant to applicable law.

(d) No Effect on Adoption Date. Notwithstanding any modification of or amendment to this Plan, including without limitation any Schedule or Exhibit, the Adoption Date shall be and remain December 15, 2000. All such modifications and amendments shall relate back to and be considered to take effect as of such Adoption Date for purposes of this Plan.

Section 14.11 Costs and Expenses. All reasonable costs related to the development and examination of, and deliberations concerning, this Plan and other related matters, including those reasonable costs attributable to the use by the Commissioner of advisors and consultants, shall be paid by the Company or the Holding Company.

Section 14.12 Governing Law. The terms of this Plan shall be governed by and construed in accordance with the laws of the State of New Jersey, other than the choice of law or conflicts of law provisions or principles thereof. Any construction of the terms of a policy or contract for purposes of this Plan shall not affect the underlying contractual rights of the holder for any other purpose as would be determined in accordance with applicable law.

Section 14.13 Interpretation. When a reference is made in this Plan to Articles, Sections, subsections, clauses, Schedules or Exhibits, such reference shall be to an Article, Section, subsection or clause of, or a Schedule or an Exhibit to, this Plan unless otherwise indicated. The table of contents and headings contained in this Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of this Plan. Each Schedule and Exhibit hereto constitutes a part of this Plan. Whenever the words "include," "includes" or "including" are used in this Plan,

they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Plan, unless otherwise specifically indicated, shall refer to this Plan as a whole and not to any particular provision of this Plan. The definitions contained in this Plan are applicable to the singular as well as the plural forms of such terms. Any statute defined or referred to herein means such statute as from time to time amended, modified or supplemented including by succession of comparable successor statutes.

IN WITNESS WHEREOF, The Prudential Insurance Company of America, by authority of its Board of Directors, has caused this Plan of Reorganization, as originally adopted on the 15th day of December, 2000, and as subsequently amended and restated, to be executed as of the 15th day of December, 2000.

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By_____
Arthur F. Ryan
Chairman of the Board,
Chief Executive Officer
and President

[SEAL]

ATTEST

_____
Susan L. Blount
Secretary

SCHEDULE 3.3(A)

The Destacking Schedule

As part of the Reorganization, the Company will create a holding company, Prudential Financial, Inc. (the "Public Company"), that will serve as the publicly traded stock holding company for the Prudential group of companies (the "Prudential Group"). Upon completion of the Reorganization and the transactions described herein, the Public Company will directly hold (i) all of the issued and outstanding equity securities of the Intermediate Holding Company, a New Jersey corporation or limited liability company ("Holdco"), that will serve as the holding company for the Company (including its other U.S. life insurance subsidiaries) and certain other assets and liabilities of the Prudential Group and (ii) all of the issued and outstanding equity securities of other new or existing companies that will serve primarily as operating companies for the following businesses of the Prudential Group or will themselves be holding companies for such operating companies: (a) international insurance, (b) asset management, (c) automobile and homeowners insurance, (d) banking, (e) real estate franchise, (f) relocation, (g) international brokerage and investment and (h) retail securities.

The Destacking will remove from ownership by the Company, by way of an extraordinary dividend subject to regulatory approval, certain groups of companies which are presently direct and indirect subsidiaries of the Company or which may become direct or indirect subsidiaries between the Adoption Date and the Effective Date. The primary actions comprising the Destacking are set forth in Appendix A, attached hereto and made a part hereof.

Appendix A: Details of Destacking

1. International insurance reorganization:

   a. The Company will have formed a direct international insurance holding company subsidiary ("PIIH").

   b. The Company will contribute to PIIH all of its interest in the capital stock of the following subsidiaries:(1)

      (1) PrumericaLife, S.p.A.;

      (2) PruServicos Participacoes, S.A.;

      (3) Prudential Seguros S.A.;

      (4) Prumerica Towarzystwo Ubezpieczen na Zycie Spolka Akcyjna;

      (5) Prudential International Investments Corp.

      (6) The Prudential Life Insurance Company, Ltd.; and

      (7) The Prumerica Life Insurance Company, Inc.

   c. Except as set forth in paragraph 4., the Company will also contribute to PIIH other assets and liabilities associated with the international insurance business.

   d. Immediately after the Reorganization, the Company will distribute, directly or indirectly, the stock of PIIH to the Public Company.(2)

   e. The Company will also distribute to the Public Company all of the outstanding equity interests in a company formed to hold its Taiwan insurance operations, which will contribute such interests to PIIH.

2. Asset Management operations reorganization:

   a. The Company will have formed a new asset management holding company subsidiary ("PAMHCO").

   b. Except as set forth in paragraph 4., after certain preliminary steps

the Company will have contributed to PAMHCO certain assets and related liabilities associated with the asset management activities conducted directly by the Company (the "Prudential IM Assets"), as

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(1) Certain of these subsidiaries own other subsidiary entities that are necessarily a part of the Destacking, except as otherwise stated in this Appendix.

(2) For tax or other reasons, the Company may interpose one or more intermediate holding companies prior to effecting this distribution.

well as all of its interest in the capital stock of the following companies:(3)

(1) PlC Holdings, Limited;

(2) Jennison Associates, LLC;
(3) Prudential Private Placement Investors, Inc.;
(4) PGR Advisors I, Inc.;
(5) U.S. High Yield Management Company;
(6) Prudential Trust Company;
(7) Prudential Mortgage Capital Corp. LLC ("PMCC");
(8) Prudential Investment Management Services, LLC ("PIMS");
(9) a holding company ("PIFM Holdco"), which owns Prudential Investments Fund Management LLC and Prudential Mutual Fund Services LLC;
(10) Prudential Latin American Investments, Ltd., and
(11) Prudential Investment Corporation ("PIC")
(12) PGAM Finance Corp.

c. Except as set forth in paragraph 4., PAMHCO will have contributed the Prudential IM Assets and all of its interests in the foregoing companies to either PIC, PIFM Holdco or new downstream holding companies.

d. The Company will, immediately after the Reorganization, distribute, directly or indirectly, the capital stock of PAMHCO to the Public Company.(4)

3. Property and Casualty Insurance and Retail Securities Group companies:

a. After certain other subsidiary distributions to the Company, PRUCO, Inc., a wholly owned subsidiary of the Company, will be left with the following direct subsidiaries: Prudential P&C Holdings, Inc. and Prudential Capital and Investment Services, Inc. ("PC&IS"). Prudential P&C Holdings, Inc. and PC&IS will own the groups of companies engaged in the property and casualty business and the retail securities brokerage businesses, respectively.

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(3) Certain of these companies own other subsidiary entities that are necessarily a part of the Destacking, except as otherwise stated in this Appendix.

(4) For tax or other reasons, the Company may interpose one or more intermediate holding companies prior to effecting this distribution.

b. Immediately after the Reorganization, the Company will distribute, directly or indirectly, the capital stock of PRUCO, Inc. to the Public Company.(5)

4. Other Companies to be included in the Destacking:

a. After the Reorganization, the Company shall also distribute to the Public Company (subject to paragraph 4.b. below) by way of dividend, directly or indirectly, all of its ownership interests in the following entities:(6)

(1) Prudential Mexico, LLC
(2) Prudential Investments Japan Co.
(3) Prudential Financial Advisors Securities Company, Ltd.
(4) Prumerica Financial
(5) Prudential International Investments Corp.
(6) The Prudential Bank & Trust Company
(7) The Prudential Savings Bank, F.S.B.
(8) PBT Home Equity Holdings, Inc.
(9) The Prudential Real Estate Affiliates, Inc., and
(10) Prudential Residential Services, LP
(11) Other entities that become subsidiaries of the Company between the Adoption Date and the Effective Date.

b. For tax planning and other valid business reasons, the Company may choose not to distribute all of these entities directly to the Public Company. Instead, the Company may choose first to reorganize certain entities (and/or any of their subsidiaries) with other entities that are part of the Destacking and/or contribute certain entities to other new or existing entities that are part of the Destacking. In addition, the Company may make contributions, distributions or exchanges not specified herein that are consistent with the alignment of the businesses of the Prudential Group as set forth in the first paragraph of Schedule 3.3(a).

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(5) For tax or other reasons, the Company may interpose one or more intermediate holding companies prior to effecting this distribution.

(6) Certain of these entities own other subsidiary entities that are necessarily a part of the Destacking, except as otherwise stated in this Appendix.

Schedule 3.3(c)(i)
The Class B Stock/IHC Debt Securities Schedule

As part of the Reorganization, the Holding Company may issue shares of Class B Stock and the Intermediate Holding Company may issue IHC Debt Securities, in each case in accordance with the terms summarized in this schedule.

A. CLASS B STOCK

Prior to, on or within 30 days after the Effective Date, the Holding Company may (but is not required to) issue to institutional investors in a private placement shares of a separate class or series of common stock (the "Class B Stock") that will be designed to reflect the performance of the Closed Block Business (as defined below). If the Class B Stock is issued, then the Common Stock issued in the Reorganization and the IPO is expected to reflect the performance of the Financial Services Businesses (as defined below).

If the Company determines that the issuance of the Class B Stock is in the best interest of Eligible Policyholders, the Holding Company shall offer for sale such number of shares of Class B Stock at such price and on such terms as the Holding Company shall determine are reasonably necessary to effectuate their sale.

The net proceeds from the offering of Class B Stock will be used by the Holding Company for general corporate purposes and are not intended to be used in the Closed Block Business.

There will be no legal separation of the Closed Block Business and Financial Services Businesses. Holders of Common Stock and holders of Class B Stock will both be common stockholders of the Holding Company. They will vote together on all matters unless otherwise required by law or as specified in the Holding Company's certificate of incorporation and will have specified dividend and liquidation rights. Holders of Common Stock will have no interest in a legal entity representing the Financial Services Businesses, holders of Class B Stock will have no interest in a legal entity representing the Closed Block Business and holders of each will be subject to all of the risks associated with an investment in the Holding Company and all of its businesses, assets and liabilities. The Class B Stock may be redeemable by the Holding Company or exchangeable or convertible into shares of Common Stock on such terms as the Holding Company shall establish.

B. IHC DEBT SECURITIES

If the Company determines that issuance of the IHC Debt Securities is in the best interest of Eligible Policyholders, then prior to, on or within 30 days after the Effective Date, the Intermediate Holding Company may offer senior, secured debt securities (the "IHC Debt Securities") in such amount, on such terms and with such covenants and conditions as the Intermediate Holding Company shall determine are reasonably necessary to effectuate their sale, subject to the following sentence. The IHC Debt Securities may be secured by a pledge of the shares of the common stock of the Company, provided that the maximum aggregate principal amount sold in the offering of IHC Debt Securities does not exceed such amount as would result in the number of pledged shares exceeding 49% of the number of issued and outstanding shares of the common stock of the Company.

C. THE CLOSED BLOCK BUSINESS AND THE FINANCIAL SERVICES BUSINESSES

The Closed Block Business consists of:

o within the Company, (i) the Closed Block Assets and the associated liabilities of the Closed Block ("Closed Block Liabilities"), (ii) additional assets outside the Closed Block that the Company holds to

meet capital requirements related to Closed Block Policies, (iii) invested assets held outside the Closed Block that represent the difference between the Closed Block Assets and Closed Block Liabilities, (iv) corresponding GAAP adjustments such as deferred acquisition costs and deferred taxes, and (v) such other assets and liabilities that the Company reasonably determines should be allocated to the Closed Block Business;

- o within the Intermediate Holding Company, the IHC Debt Securities and other assets and liabilities of the Intermediate Holding Company attributable to the Closed Block Business;

- o within the Holding Company, dividends received from the Intermediate Holding Company, and reinvestment thereof, and liabilities of the Holding Company, in each case as attributable to the Closed Block Business; and

- o within each of the Company, the Intermediate Holding Company and Holding Company, such other assets and liabilities as they may reasonably determine should be allocated to the Closed Block Business consistent with the objective of the economic separation of the Closed Block Business and the Financial Services Businesses.

The Financial Services Businesses will consist of all assets and liabilities of the Holding Company and its subsidiaries not included in the Closed Block Business.

The Holding Company will provide for the separate reporting of the financial performance of the Financial Services Businesses and the Closed Block Business and will

allocate assets and liabilities and earnings between the Financial Services Businesses and the Closed Block Business.

EXHIBIT A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

OF

PRUDENTIAL FINANCIAL, INC.

FIRST: The name of the Corporation is Prudential Financial, Inc. (hereinafter the "Corporation").

SECOND: The address of the current registered office of the Corporation in the State of New Jersey is 751 Broad Street, in the City of Newark, County of Essex, 07102. The name of its current registered agent at that address is Susan L. Blount.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity within the purposes for which corporations may be organized under the New Jersey Business Corporation Act (the "BCA").

FOURTH: The total number of shares of all classes which the Corporation has authority to issue is ____, of which _____shall be Common Stock, each having a par value of [one cent ($.01)], _____ shall be Class B Common Stock, each having a par value of [one cent ($.01)], and _____shall be Preferred Stock, each having a par value of [one cent ($.01)]. The designations and the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the shares of each class of stock are as follows:

(a) Preferred Stock. The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors

providing for the issuance of such class or series and as may be permitted by the BCA, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption or purchase at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such

conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the liquidation of, or upon any distribution of the assets of, the Corporation; (iv) entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of shares of the class or series and, if so entitled, the amount of such fund and the manner of its application, including the price or prices at which the shares may be redeemed or purchased through the application of such fund; (v)subject to terms dependent upon facts ascertainable outside the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors, provided that the manner in which such facts shall operate upon the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of such class or series is clearly and expressly set forth in the resolution(s) providing for the issuance of such class or series by the Board of Directors; or (vi) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions. The Board of Directors shall have the authority to change the designation or number of shares, or the relative rights, preferences and limitations of the shares, of any theretofore established class or series no shares of which have been issued.

(b) Common Stock. Subject to all of the rights of the Preferred Stock as expressly provided herein, by law or by the Board of Directors pursuant to this Article FOURTH, and subject to the terms of any Class B Common Stock as expressly provided hereon, by law or by the Board of Directors pursuant to this Article FOURTH, the Common Stock of the Corporation shall possess all such rights and privileges as are afforded to capital stock by law, including, but not limited to, the following rights and privileges:

(i) Holders of Common Stock are entitled to dividends declared by the Corporation's Board of Directors out of funds legally available to pay dividends, subject to any preferential dividend rights granted to the holders of any Preferred Stock.

(ii) Each share of Common Stock gives the owner of record one vote on all matters submitted to a shareholder vote.

(iii) In the event of a liquidation, dissolution or winding-up of the Corporation, holders of Common Stock would be entitled to an equal share of any assets of the Corporation that remain after paying all of the Corporation's liabilities and the liquidation preference, if any, of any outstanding Preferred Stock.

(c) Class B Common Stock. The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Class B Common Stock in one class, and to fix for such class such voting powers, designations, preferences and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class and as may be permitted by the BCA, including, without limitation, the authority to provide that such class may be (i) subject to redemption or purchase at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on the Common Stock; (iii) entitled to such rights upon the liquidation of, or upon any distribution of the assets of, the Corporation; (iv) subject to terms dependent upon facts ascertainable outside the resolution or resolutions providing for the issuance of such class adopted by the Board of Directors, provided that the manner in which such facts shall operate upon the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of such class is clearly and expressly set forth in the resolution(s) providing for the issuance of such class by the Board of Directors; or (vi) convertible into, or exchangeable for, shares of Common Stock at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of

its directors and shareholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as otherwise provided in the BCA or this Certificate of Incorporation.

(b) The number of directors constituting the current Board of Directors of the Corporation, which directors shall serve until their successors are elected and qualified, is __ and the names and addresses of persons serving as such directors are as set forth below:

Name	Address

The number of directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the By-Laws of the Corporation.

(c) The election of directors need not be by written ballot unless the By-Laws so provide. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors, one class to hold office initially for a term expiring at the annual meeting of shareholders to be held in [2001], another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in [2002], and another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in [2003], with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of the shareholders of the Corporation, the successors to the class of directors whose term expires at that meeting shall be elected to the office for a term expiring at the annual meeting of shareholders held in the third year of their election and until their successors shall have been elected and qualified.

(d) Newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors, however resulting, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, unless otherwise required by law. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any director elected in accordance with the preceding sentence shall hold office until the next succeeding annual meeting of shareholders and until his or her successor shall have been elected and qualified, provided that such successor shall be placed in the class in which the new directorship was created or from which the vacancy occurred. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(e) In the event that the holders of any class or series of Preferred Stock of the Corporation shall be entitled, voting separately as a class or series, to elect any directors of the Corporation, then the number of directors that may be elected by such holders shall be in addition to the number fixed pursuant to the By-Laws and, except as otherwise expressly provided in the terms of such class or series, the terms of the directors elected by such holders shall expire at the annual meeting of shareholders next succeeding their election without regard to the classification of the remaining directors.

(f) No director shall be personally liable to the Corporation or any of its shareholders for damages for breach of duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve a knowing violation of law, or (iii) for any transaction from which the director derived or received an improper personal benefit. Any repeal or modification of this Article FIFTH by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

(g) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, except as otherwise provided in the BCA or this Certificate of Incorporation.

SIXTH: (a) Meetings of shareholders may be held within or without the

State of New Jersey, as the By-Laws may provide or as may be fixed by the Board of Directors pursuant to the authority granted in the By-Laws. The books of the Corporation may be kept (subject to any provision contained in the BCA) within or outside the State of New Jersey.

(b) Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of shareholders entitled to vote thereon and may not be effected by any consent in writing by the shareholders, other than a consent in writing adopted by all shareholders entitled to vote thereon pursuant to Section 14A:5-6(1) of the BCA.

SEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon shareholders herein are granted subject to this reservation. Notwithstanding anything in the preceding sentence to the contrary, Sections (b), (c), (d) and (f) of Article FIFTH, Section (b) of Article SIXTH, this Article SEVENTH, Article EIGHTH and Article NINTH of this Certificate of Incorporation shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of at least 80% of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon; provided, however, that the number of votes cast at such meeting of shareholders is at least 50% of the total number of issued and outstanding shares entitled to vote thereon.

EIGHTH: (a) With respect to shares of Common Stock and any shares of Class B Common Stock or Preferred Stock voting together with the Common Stock as a class, the holders of 25% of the shares entitled to cast votes at a meeting of shareholders shall constitute a quorum (the "Quorum") at all meetings of the shareholders for the transaction of business; provided, however that in the event that the holders of at least the percentage of shares entitled to cast votes at a meeting of shareholders set forth in Column A below are present or represented at a meeting of shareholders, the Quorum shall be increased to the percentage listed in Column B below, effective for the next succeeding annual or special meeting of shareholders:

Column A Votes Cast	Column B Quorum at subsequent meetings of shareholders
25%	25%
35%	30%
45%	40%
55%	50%

In no event will the quorum diminish as a result of the percentage of shareholders present or represented at a meeting of shareholders.

(b) With respect to shares of any class or series of Preferred Stock not voting together as a class with the Common Stock and Class B Common Stock, the holders of the number of shares specified by the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series of Preferred Stock shall constitute a quorum.

NINTH: The Board of Directors of the Corporation shall have the power to make, alter, amend and repeal the By-Laws (except so far as the By-Laws adopted by the shareholders shall otherwise provide). To the extent not inconsistent with this Certificate of Incorporation, any By-Laws made by the directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the shareholders. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, Sections 3, 4 and 7 of Article II, Sections 1, 2, 3 and 6 of Article III, Article VIII and Article IX of the By-Laws shall not be altered, amended or repealed by the shareholders and no provision inconsistent therewith shall be adopted without either a) the approval of the Board of Directors, or b) the affirmative vote of at least 80% of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon; provided, however, that the number of votes cast at such meeting of shareholders is at least 50% of the total number of issued and outstanding shares entitled to vote thereon.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Incorporation this __ day of _____, 2000.

[Name], [Title]

Exhibit B

AMENDED AND RESTATED

BY-LAWS

of

PRUDENTIAL FINANCIAL, INC.

A New Jersey Corporation

Effective _____ ___, 2001

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AMENDED AND RESTATED

BY-LAWS

OF

PRUDENTIAL FINANCIAL, INC.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Newark, County of Essex, State of New Jersey.

Section 2. Other Offices. The Corporation may also have offices at other places, both within and without the State of New Jersey.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meetings. Meetings of the shareholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of New Jersey, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The annual meetings of shareholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the shareholders shall elect directors and transact such other business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting and the purpose or purposes for which such meeting is called, shall be given to each shareholder of record entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the certificate of incorporation of the Corporation, as amended or restated from time to time (the "Certificate of Incorporation"), special meetings of shareholders, for any purpose or purposes, may be called by either (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the President, (iv) the Board of Directors, or (v) holders of not less than 25% of the shares entitled to vote at a

meeting. Written notice of a special meeting shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called and shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder of record entitled to vote at such meeting. At a special meeting of the shareholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Quorum. The Certificate of Incorporation shall establish the percentage of shares entitled to vote, that shall constitute a quorum at meetings of the shareholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. When a meeting is adjourned to another time and place, notice of such time and place shall not be required if such time and place are announced at the meeting at which the adjournment is taken and at the adjourned meeting at which a quorum is present or represented such business is transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote

at the meeting not less than ten nor more than sixty days before the date of the meeting.

For purposes of the foregoing, where a separate vote by class or classes is required for any matter, the holders of the number of shares specified by the Certificate of Incorporation as constituting a quorum shall constitute a quorum to take action with respect to that vote on that matter. Two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting.

Section 5. Proxies. Any shareholder entitled to vote may do so in person or by his or her proxy appointed by an instrument in writing subscribed by such shareholder or by his or her attorney thereunto authorized, delivered to the Secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after eleven months from its date, unless said proxy expressly provides for a longer period. Without limiting the manner in which a shareholder may authorize another person or persons to act for him or her as proxy, either of the following shall constitute a valid means by which a shareholder may grant such authority:

(i) A shareholder may execute a writing authorizing another person or persons to act for him or her as proxy. Execution may be accomplished by the shareholder or his or her authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A shareholder may authorize another person or persons to act for him or her as proxy by transmitting or authorizing the transmission of a telegram, cable, telephonic transmission or, to the extent permitted by law, other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission.

Section 6. Voting. At all meetings of the shareholders at which a quorum is present, except as otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before the meeting shall be decided by the affirmative vote of a majority of the votes cast at the meeting by the holders of shares entitled to vote thereon. The Board of Directors, in its discretion, or the Chairman of the meeting, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 7. Nature of Business at Annual Meeting of Shareholders. No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice

provided for in this Section 7 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 7.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred and fifty (150) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class

or series and number of

shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 7, provided, however, that, once business has been
properly brought before the annual meeting in accordance with such procedures, nothing in this Section 7 shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

The order of business at each annual or special meeting of shareholders shall be as determined by the Chairman of the meeting. The Chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of

procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls.

Section 8. List of Shareholders Entitled to Vote. The officer or agent of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make a complete list of the shareholders entitled to vote at the shareholders' meeting or any adjournment thereof, arranged in alphabetical order by class, series or group of shareholders maintained by the Corporation, and showing the address of each shareholder entitled to vote at the shareholders' meeting and the number of shares registered in the name of each such shareholder. The list shall be produced (or available by means of visual display) and kept at the time and place of the meeting for inspection of any shareholder of the Corporation present at the meeting for a reasonable period during the meeting.

Section 9. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by Section 8 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of shareholders.

Section 10. Record Date. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any

rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of shareholders entitled to vote at any meeting of shareholders or adjournment thereof, shall not be more than sixty nor less than ten days before the date of such meeting; and (2) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (1) the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (2) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided,
however, that the Board of Directors may fix a new record date for the

adjourned meeting.

Section 11. Inspectors of Election. In advance of any meeting of shareholders, the Board by resolution or the Chairman of the Board of Directors or Chief Executive Officer shall appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no

inspector or alternate is present, ready and willing to act at a meeting of shareholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation, although no person standing for election as a director at a meeting may serve as an inspector for such meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law.

ARTICLE III

DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than ten nor more than twenty-four members, the exact number of which shall be determined from time to time by resolution adopted by the Board of Directors. The directors elected by the shareholders shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors, one class to hold office initially for a term expiring at the annual meeting of shareholders to be held in [2002] , another class to hold office initially for a term expiring at the annual meeting of shareholders to be held in [2003], and another class to hold office initially for a term

expiring at the annual meeting of shareholders to be held in [2004], with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of shareholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors shall have been elected and qualified. Except as provided in Section 3 of this Article III, directors shall be elected by a plurality of votes cast by the shareholders entitled to vote at the annual meetings of shareholders, and each director so elected shall hold office for the term set forth above and until such director's successor is duly elected and qualified, or until such director's death, or until such director's earlier resignation or removal. The directors may appoint a Chairman of the Board, who may, in the Board's discretion, also be the Chief Executive Officer of the Corporation.

Section 2. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders, or at any special meeting of shareholders called for the purpose of electing directors. Nominations may be made either (a) by or at the direction of the Board of Directors (or any duly authorized committee

thereof) or (b) by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 2 and on the record date for the determination of shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than one hundred and twenty (120)

days nor more than one hundred and fifty (150) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

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To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (together with any successor laws, rules and regulations, the "Exchange Act"); and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act. Such notice must be accompanied by a written consent of each

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proposed nominee agreeing to be named as a nominee and to serve as a director, if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3. Vacancies. Subject to the terms of any one or more classes or series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors or any other vacancy occurring on the Board of Directors, however resulting, may be filled solely by the affirmative vote of a majority of the remaining Board of Directors, even though less than a quorum of the Board of Directors, or by a sole remaining director, unless otherwise required by law. Notwithstanding the foregoing, whenever the holders of any one or more class or classes or series of Preferred Stock of the Corporation shall have the right, voting separately as a class, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the Certificate of Incorporation.

Section 4. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things, except as otherwise provided in the BCA or by the Certificate of Incorporation.

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Section 5. Organization. At each meeting of the Board of Directors, the Chairman of the Board of Directors, or, in his or her absence, a director chosen by a majority of the directors present, shall act as Chairman. The Secretary of the Corporation shall act as Secretary at each meeting of the Board of Directors. In case the Secretary shall be absent from any meeting of the Board of Directors, an Assistant Secretary shall perform the duties of Secretary at such meeting; and in the absence from any such meeting of the Secretary and all the Assistant Secretaries, the Chairman of the meeting may appoint any person to

act as Secretary of the meeting.

Section 6. Resignations and Removals of Directors. Any director of the Corporation may resign at any time, by giving written notice to the Chairman of the Board of Directors, the Chief Executive Officer or the Secretary of the Corporation. Such resignation shall take effect at the time therein specified or, if no time is specified, immediately; and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. Except as otherwise required by law and subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, but only for cause, and only by the vote of 80% of the votes cast at a meeting of shareholders by the holders of shares entitled to vote for the election of directors; provided, however, that the number of affirmative votes cast at such meeting of shareholders is at least 50% of the total number of issued and outstanding shares entitled to vote thereon.

Section 7. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of New Jersey. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors and, unless required by resolution of the Board of Directors, without notice. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer, the Vice Chairman, if there be one, or a majority of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 8. Quorum. Except as may be otherwise required by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, the lesser of eleven directors or a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting (provided the period of adjournment does not exceed ten days in any one adjournment), until a quorum shall be present.

Section 9. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if, prior to or subsequent to the action, all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee.

Section 10. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 10 shall constitute presence in person at such meeting.

Section 11. Committees. The Board of Directors may, by resolution adopted by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation; provided, however that in any event the Board shall designate Audit, Compensation and Corporate Governance Committees that shall be composed entirely of directors who are not officers or employees of the Corporation or any of its affiliates, and such Committees shall be constituted to comply in all respects with

the organizational requirements of applicable laws, rules, regulations and stock exchange listing requirements. The Board of Directors, by resolution adopted by a majority of the entire Board of Directors, may designate one or more directors as alternate members of any committee, who may replace any absent or

disqualified member at any meeting of any such committee with all powers of such absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 12. Compensation. The Board of Directors, by affirmative vote of the majority of directors in office, shall have the authority to cause the payment of the directors' expenses, if any, of attendance at each meeting of the Board of Directors and its committees and to cause the payment of such other reasonable fees and amounts as shall be determined by the Board of Directors in the manner set forth in this Section 12. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor; provided, however, that no director of the Corporation who receives a salary as an officer or employee of the Corporation shall receive any per diem compensation for attending meetings of the Board of Directors or any of its committees.

Section 13. Interested Directors. No contract or other transaction between the Corporation and one or more of its directors or officers, or between the

Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or otherwise have a financial interest, shall be void or voidable solely for such reasons, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or other transaction, or solely because such person's vote is counted for such purpose if any of the following is true: (i) the contract or other transaction is fair and reasonable as to the Corporation at the time it is authorized, approved or ratified; (ii) the fact of the common directorship or interest is disclosed or known to the Board of Directors or committee and the Board of Directors or committee authorizes, approves or ratifies the contract or other transaction by unanimous written consent, provided at least one director so consenting is disinterested, or by affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (iii) the fact of the common directorship or interest is disclosed or known to the shareholders, and they authorize, approve or ratify the contract or transaction. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or other transaction.

Section 14. Insurance Holding Company Systems. The Board of Directors shall comprise itself and its committees to comply in all respects with the organizational requirements of N.J.S.A. 17:27A-4(d), unless some or all elements of

compliance are in fact properly undertaken by an insurance affiliate of the corporation and the Board of Directors determines to rely on such compliance.

ARTICLE IV

OFFICERS

Section 1. General. The officers of the Corporation shall be a Chief Executive Officer, President, one or more Vice Presidents, a Secretary, a Treasurer, and a Controller. Officers at the level of Senior Vice President and above shall be elected by the Board of Directors, and may in the discretion of the Board of Directors be given the designation of "Executive" or "Senior" Vice President, Vice Chairman, General Counsel, Chief Investment Officer, Chief Financial Officer, Chief Information Officer or such other title as the Board of Directors deems appropriate. All officers at the level below Senior Vice President, including those who are named for signatory purposes only, shall be appointed by a proper officer of the Corporation and, in the case of an appointed Vice President, may be designated by such officer as "Corporate," "Departmental," "Second" or such other designation as may be deemed appropriate. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws.

Section 2. Election. Subject to the provisions of Section 1 of this Article IV, the Board of Directors at its first meeting held after each annual meeting of shareholders shall elect the officers of the Corporation at the Senior Vice President

level and above, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors, and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed with or without cause at any time by the affirmative vote of a majority of the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer or his or her designee and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the shareholders and of the Board of Directors. In case of the absence or disability of the Chairman of the Board, the Board of Directors shall select a director to preside. In case of a vacancy

in the office of the Chairman of the Board, the Board of Directors may designate a replacement presiding officer.

Section 5. Chief Executive Officer. The Chief Executive Officer shall be selected by the Board of Directors and shall have the power to supervise and direct the business of the Corporation, subject only to the power and authority of the Board of Directors. The Chief Executive Officer shall have power, subject to the power of the Board of Directors, to appoint or remove all persons employed or to be employed by the Corporation in any capacity whatsoever, except the officers elected by the Board of Directors, and shall have power to fix the compensation of all persons employed or to be employed by the Corporation, other than the compensation of officers whose compensation shall be fixed by the Board of Directors pursuant to applicable law, these By-Laws, or a resolution of the Board of Directors. The Chief Executive Officer shall, with the approval of the Board of Directors, designate an officer at or above the level of Senior Vice President who, in the absence or disability of the Chief Executive Officer, shall be vested with the powers and required to perform the duties of the Chief Executive Officer.

Section 6. President and Vice President. The President and Vice Presidents shall each exercise such powers and perform such duties as may be prescribed by the Chief Executive Officer, the officer to whom such officer reports or the Board of Directors.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of shareholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board, or the Chief Executive Officer. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the shareholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then the Board of Directors, the Chairman of the Board or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary.

Section 8. Treasurer. The Treasurer shall have custody of such funds of the Corporation as shall be placed in his or her keeping, shall open and maintain accounts in banking institutions in the name of the corporation for the deposit of such funds and may open and maintain accounts in the names or titles of representatives of the Corporation under such conditions as he or she may

deem appropriate, subject to supervision by the Board of Directors or a committee thereof. All funds shall be disbursed only by instruments signed by two or more officials to be designated by the

Board of Directors or a committee thereof or pursuant to procedures approved by the Treasurer and the Controller. The Treasurer shall have custody of such of the securities of the Corporation as shall be placed in his or her keeping and shall open and maintain accounts in banking institutions in the name of the Corporation for the custody of such securities, including accounts maintained for the purpose of participating in one or more securities systems designed to permit the transfer of a security without physical delivery of the certificate or other evidence of such security, subject to supervision by the Board of Directors or a committee thereof.

The Treasurer shall have the power to sell, assign or transfer securities of the Corporation on the authorization or direction of the Board of Directors or a committee thereof or to take such other action in connection therewith as may be authorized or directed by the Board of Directors or a committee thereof, and shall have power to execute, on behalf of the Corporation, all instruments necessary or appropriate in the premises. The Treasurer shall have the power to borrow funds on behalf of the Corporation on the authorization of the Board of Directors or a committee thereof and perform such other duties as may be assigned to him or her by the Board of Directors or the Chief Executive Officer or the officer to whom the Treasurer reports. Each Assistant Treasurer shall have power to perform, on behalf of the Corporation, such duties as are or may be required to be performed by the Treasurer, and shall perform such other duties as may be assigned to him or her from time to time by the Chief Executive Officer or the Treasurer.

If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under control of the Treasurer belonging to the Corporation.

Section 9. Controller. The Controller shall supervise the accounts of the Corporation, shall have supervision over and responsibility for the books, records, accounting and systems of accounting and auditing in each business unit of the Corporation, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, or the officer to whom the Controller reports.

ARTICLE V

STOCK

Section 1. Certificates: Uncertificated Shares. Each share of the Corporation's stock shall be represented either by book entries on the Corporation's books, or by certificates signed by, or in the name of the Corporation by, the Chairman of the Board of Directors, the President or a Vice President and, at the Corporation's option, countersigned by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary.

In the case of uncertificated shares, within a reasonable time after the issuance or transfer thereof, the Chief Executive Officer or his or her designee shall send to the registered owner of such shares a written notice containing (i) (A) a full statement of the designations, relative rights, preferences and limitations of the shares of the class and series issued or transferred, so far as the same have been determined, and the authority of the Board of Directors to divide the shares into classes or series and to determine and change the relative rights, preferences and limitations of any class or series; or (B) a declaration that the Corporation will furnish to the shareholder, upon request and without charge, a statement containing the information described in the preceding clause (A); (ii) a statement that the corporation is organized under the laws of the State of New Jersey; (iii) the name of the person to whom the uncertificated shares have been issued or transferred; (iv) the number and class of shares, and the designation of the series, if any, to which such notice applies; and (v) any restrictions on transfer of the shares in accordance with Section 14A:7-12(2) of the BCA. The notice referred to in the preceding sentence shall also contain the following statement: "This notice is merely a record of the rights of the addressee as of the time of its issuance. Delivery of this statement, of itself, confers no rights on the recipient. This notice is neither a negotiable instrument nor a security."

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be

such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost, Stolen, Mutilated or Destroyed Certificates. The Corporation, acting through the Chief Executive Officer or his designee, may issue or direct the issuance of a new certificate of stock or uncertificated share or shares in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen, mutilated or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, mutilated or destroyed. When authorizing such issue of a new certificate or uncertificated shares, the responsible officer may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, mutilated or destroyed certificate, or such person's legal representative, to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen, mutilated or destroyed. The Board of Directors may adopt such other provisions and restrictions with reference to lost, stolen, mutilated or destroyed certificates, not inconsistent with applicable law, as it shall in its discretion deem appropriate.

Section 4. Transfers of Certificates. Stock of the Corporation for which certificates have been issued shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of certificated stock shall be made on the books of the Corporation only by the person named in the certificate or by such person's

representative as determined in accordance with generally accepted securities industry practices, and upon the surrender of the certificate therefor, properly endorsed for transfer, and payment of all necessary transfer taxes; provided, however, that such surrender and endorsement or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Transfers of Uncertificated Shares. Except as otherwise required by law or the requirements of the New York Stock Exchange or Depository Trust Company, uncertificated shares of the Corporation's stock shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of uncertificated shares shall be made on the books of the Corporation only by the person then registered in the stock records of the Corporation as the owner of such shares or by such person's representative as determined in accordance with generally accepted securities industry practices, and only upon payment of all necessary transfer taxes and receipt of a written notice to the Corporation containing the following information: (i) the class of shares, and the designation of the series, if any, to which

such notice applies; (ii) the number of shares transferred; and (iii) the name and address of the party to whom the shares have been transferred, and who, as a result of such transfer, is to become the new registered owner of the shares transferred. Notwithstanding the foregoing, such notice or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. No transfer of uncertificated shares shall be valid as against the Corporation for any purpose until it shall have been entered in the stock ledger of the Corporation by an entry showing from and to whom transferred.

Section 6. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies as may be determined from time to time by the Board of Directors.

Section 7. Beneficial Owners. The Corporation shall be entitled to

recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law or the New York Stock Exchange.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or shareholder, such notice may be given by mail, addressed to such director, member of a committee or shareholder, at such person's last address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, courier service, express mail service or facsimile.

Section 2. Waivers of Notice.

(a) Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or shareholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting, present by person or represented by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him or her.

(b) Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the shareholders, directors or members of a

committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Subject to the requirements of the BCA and the provisions of the Certificate of Incorporation, dividends upon the capital stock of the Corporation may be declared by resolution of the Board of Directors, and may be paid in cash, in property (including the shares or bonds of other corporations), in the Corporation's bonds or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any other proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks, drafts or demands for money and notes of the Corporation shall be signed on behalf of the Corporation by the Treasurer and Controller or two or more officials to be designated by procedures approved by the Treasurer and Controller or by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed

thereon the name of the Corporation, and the words "Corporate Seal, New Jersey". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings Other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (including any appeal thereon) (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation or

Another Enterprise (hereinafter defined), against expenses (including reasonable costs, disbursements and attorneys' fees), judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, such person had no reasonable cause to believe his or her conduct was unlawful; provided, however, that no indemnification shall be made in respect of any claim, issue or matter if a judgment or final adjudication adverse to such person establishes that his or her acts or omissions i) were in breach of his or her duty of loyalty to the Corporation or its shareholders as defined in Subsection (3) of Section 14A: 2-7 of the BCA, ii) were not in good faith or involved a knowing violation of law or iii) resulted in receipt by such person of an improper personal benefit. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party

to any threatened, pending or completed action or suit (whether civil, criminal, administrative, arbitrative or investigative) by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation or Another Enterprise, against expenses (including reasonable costs, disbursements and attorneys' fees) judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; provided, however, that no indemnification shall be made in respect of any claim, issue or matter if a judgment or final adjudication adverse to such person establishes that his or her acts or omissions i) were in breach of his or her duty of loyalty to the Corporation or its shareholders, as defined in subsection (3) of Section 14A: 2-7 of the BCA, ii) were not in good faith or involved a knowing violation of law or iii) resulted in receipt by such person of an improper personal benefit. Notwithstanding the preceding sentence, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Superior Court of the State of New Jersey or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Superior Court or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under Section 1 of this Article VIII and, unless ordered by a court, under Section 2 of this Article VIII, shall be made by the Corporation only as authorized in the

specific case upon a determination that indemnification of the director or officer is proper in the circumstances, because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. With respect to directors or officers of the level of Senior Vice President or above, such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the shareholders. With respect to officers below the level of Senior Vice President, such determination may be made by the General Counsel of the Corporation, or his or her designees. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Sections 1 and 2 of this Article VIII, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including reasonable costs, disbursements and attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best

interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if and to the extent such person's action is based upon

- financial statements, books of account or reports of the Corporation or Another Enterprise represented to such person to be correct by the President, the officer of the Corporation or Another Enterprise having charge of its books of account, or, in the case of a director, the person presiding at a meeting of the Board of Directors, or

- on information supplied to such person by the officers of the Corporation or Another Enterprise in the course of their duties, or

- on the advice of legal counsel for the Corporation or Another Enterprise or

- on information or records given or reports made to the Corporation or Another Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or Another Enterprise,

provided such person had a reasonable good faith belief in the accuracy of the above described statements, books, records, information, advice, or reports. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or 2 of this Article VIII, as the case may be.

Section 5. Expenses Payable in Advance. The reasonable expenses incurred by a director or officer in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking (reasonably satisfactory to the Corporation) by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII; provided, however, that with respect to officers of the Corporation, the Board of Directors or General Counsel may in any instance require as a condition to such advancements that the proposed indemnitee cooperate with an investigation to be conducted at the Corporation's expense, by an independent nationally recognized law firm selected by the Corporation, and that such law firm render an opinion that, based on its investigation, the firm has concluded that it is more likely than not that the proposed indemnitee will meet the standard for indemnification in connection with the matter for which advancements are sought as set forth in Section 1 or 2 of this Article VIII, as the case may be.

Section 6. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation or any By-Law, agreement, contract, vote of shareholders

or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or 2 of this Article VIII but whom the Corporation has the obligation to indemnify under the provisions of the BCA or otherwise.

Section 7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of Another Enterprise against any expenses incurred in any proceeding and liabilities asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 8. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent

corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or Another Enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, the term "Another Enterprise" shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 9. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue

as to a person who has ceased to be a director, officer, or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 10. Limitation on Indemnification. Notwithstanding any thing contained in this Article VIII to the contrary, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 11. Indemnification of Agents and Employees. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors or officers of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. Amendments. The Board of Directors of the Corporation shall have the power to make, alter, amend and repeal these By-Laws (except in so far as the By-Laws adopted by the shareholders shall otherwise provide). Any By-Laws

made by the directors under the powers conferred hereby may be altered, amended or repealed by the directors or the shareholders. Notwithstanding the foregoing and anything in the Certificate of Incorporation to the contrary, Sections 3, 4 and 7 of Article II, Sections 1, 2, 3 and 6 of Article III, Article VIII and Article IX of these By-Laws shall not be altered, amended or repealed by the shareholders and no provision inconsistent therewith shall be adopted without either i) the approval of the Board of Directors, or ii) the affirmative vote of at least 80% of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon; provided, however, that the number of votes cast at such meeting of shareholders is at least 50% of the total number of issued and outstanding shares entitled to vote thereon.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

Exhibit C

AMENDED AND RESTATED

CHARTER

OF

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

The Prudential Insurance Company of America was created as a stock life insurance corporation by Chapter 521 of the Private Laws of the year 1873 of the State of New Jersey, the charter of which thereby granted was amended by Chapter 40 of the Private Laws of the year 1875 and from time to time further amended by action of directors and stockholders as authorized by the general laws of the State of New Jersey, which corporation became a mutual life insurance corporation by virtue of the provisions of Article Eight of Chapter Thirty-four of Title 17 of the Revised Statutes and did adopt, pursuant to the provisions of Chapter 14 of the Laws of New Jersey of the year 1943, an amended charter, and does hereby adopt, pursuant to the provisions of Subtitle 3 of Title 17B and Chapter 9 of Title 14A of the New Jersey Statutes, in connection with the reorganization of the corporation from a mutual life insurance corporation to a stock life insurance corporation pursuant to Chapter 17C of Title 17 of the New Jersey Statutes, this Amended and Restated Charter setting forth fully and completely all of the terms and conditions of the Charter under which the corporation shall hereafter transact business.

FIRST: The name of the corporation shall continue to be The Prudential Insurance Company of America (hereinafter the "corporation").

SECOND: The address of the principal and registered office of the corporation in the State of New Jersey is 751 Broad Street, in the City of Newark, County of Essex, 07102. The registered agent of the corporation at that address is Susan L. Blount and such agent may be changed by the Board of Directors.

THIRD: The business of the corporation shall be that of a stock life insurance corporation, with all of the rights, privileges and powers conferred upon such corporation by the general laws of New Jersey, and such as may from time to time be conferred by law upon such corporations. The kinds of insurance, reinsurance and annuities to be written by the corporation shall include "Life insurance" as defined in Section 17B:17-3 of Subtitle 3 of Title 17B of the New Jersey Statutes, "Health insurance" as defined in Section 17B:17-4 of said Subtitle 3, "Annuity" as defined in Section 17B:17-5 of said Subtitle 3, "Legal services insurance" as defined in and

authorized by Section 17:46C-1, et. seq. of Title 17 of the New Jersey Statutes, "Reinsurance" as defined in and authorized by Sections 17B:18-62 and 17B:18-63 of said Subtitle 3, "Extended reinsurance" as defined in and authorized by Section 17B:18-65 of said Subtitle 3, and such other insurance and reinsurance as may be permitted under the laws of the State of New Jersey to be written by an insurer authorized to do the kinds of business described in Sections 17B:17-3, 17B:17-4 and 17B:17-5 of said Subtitle 3. Independently of any insurance or annuity contract, the corporation may provide services of the kinds authorized for a domestic life insurance corporation by Section 17B:18-43 of said Subtitle 3, subject to provisions of said Section, and such as may from time to time be authorized for a domestic life insurance corporation by the laws of New Jersey.

FOURTH: The corporation shall be a stock insurer.

FIFTH: The corporation is authorized to issue _____ shares of Common Stock, each having a par value of five dollars ($5.00).

SIXTH: The duration of the corporation's life shall be unlimited.

SEVENTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the corporation, and for further definition, limitation and regulation of the powers of the corporation and of its directors and shareholders:

(a) The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

(b) The number of directors of the corporation shall be as from time to time fixed by, or in the manner provided in, the By-Laws of the corporation.

(c) The election of directors need not be by written ballot unless the By-Laws so provide. At each annual meeting of the shareholders of the corporation, directors shall be elected to hold office for a term expiring at the next annual meeting of shareholders and until their successors shall have been elected and qualified.

(d) Newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors,

however resulting, may be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director.

(e) One or more or all of the directors may be removed for cause or without cause by the affirmative vote of the majority of the votes cast by the holders of shares entitled to vote for the election of directors.

(f) No director shall be personally liable to the corporation or any of its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve a knowing violation of law, or (iii) for any transaction from which the director derived or received an improper personal benefit. Any repeal or modification of this Article SEVENTH by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

(g) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the corporation, subject, nevertheless, to the provisions of the New Jersey Business Corporation Act (BCA), the New Jersey Life and Health Insurance Code, this Charter, and any By-Laws adopted by the shareholders; provided, however, that no By-Laws hereafter adopted by the shareholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

EIGHTH: (a) Meetings of shareholders may be held within or without the State of New Jersey, as the By-Laws may provide. The books of the corporation may be kept (subject to any provision contained in the BCA) within or outside the State of New Jersey.

(b) Subject to the provisions of the BCA, any action required or permitted to be taken at a meeting of shareholders may be effected by a consent in writing adopted by all such holders.

NINTH: The holders of at least a majority of the shares entitled to cast votes at a meeting shall constitute a quorum at all meetings of the shareholders for the transaction of business.

TENTH: The Board of Directors of the corporation shall have the power to make, alter, amend and repeal the By-Laws (except so far as the By-Laws adopted by the shareholders shall otherwise provide). Any By-Laws made by the directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the shareholders.

Exhibit D

AMENDED AND RESTATED
BY-LAWS OF
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
AS OF _____, 2001

ARTICLE I
MEETINGS OF SHAREHOLDERS

Section 1. Annual Meetings.

The annual meeting of shareholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held annually on the third Tuesday in June or on such other date as the Board of Directors shall fix and shall be at such place and at such time as the Board of Directors shall each year determine.

Section 2. Special Meetings.

Special meetings of shareholders for any purpose or purposes may be called by the holders of not less than 10% of all shares entitled to vote at a meeting of shareholders or by the Chairman of the Board, the Chief Executive Officer, the President, or the Board and shall be held at such time and place as may be determined by the Board.

Section 3. Notice of Meetings; Waiver.

3.1 The Secretary or any Assistant Secretary shall give written notice of the place, date and hour of each meeting of shareholders, the purpose or purposes for which such meeting is called and by or at whose direction such notice is being issued, either personally or by mail not fewer than ten or more than sixty days before the meeting, to each shareholder of record entitled to vote at the meeting. Written notice may also be given by telegram, courier service or express mail service.

3.2 No notice of any meeting of shareholders need be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting or who attends the meeting, in person or by proxy, without protesting prior to its conclusion the lack of notice of such meeting.

Section 4. Quorum.

Except as otherwise required by law or by the Charter, the holders of at least a majority of the shares entitled to cast votes at a meeting shall constitute a quorum at all meetings of the shareholders for the transaction of business. In case a quorum shall not be present at a meeting, a majority of the shareholders, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than

announcement at the meeting, until the requisite number of shares entitled to vote shall be present. At any such adjourned meeting at which the requisite number of shares entitled to vote shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 5. Voting.

Each shareholder shall be entitled to one vote, in person or by proxy, for each share entitled to vote held by such shareholder. Except as otherwise required by law, the Charter or these By-laws, any question brought before any meeting of shareholders shall be decided by an affirmative vote of a majority of the votes cast at the meeting of shareholders.

Section 6. Action without meeting.

Subject to the provisions of the New Jersey Business Corporation Act ("BCA"), any action required or permitted to be taken at a meeting of shareholders by law or the Charter or the By-laws, may be taken without a meeting if all the shareholders entitled to vote thereon consent thereto in writing. Any action required or permitted to be taken at a meeting of shareholders other than the annual election of directors may be taken without a meeting, without prior notice and without a vote, upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would have been necessary to authorize such action at a meeting at which all shareholders entitled to vote thereon were present and voting.

ARTICLE II
BOARD OF DIRECTORS

Section 1. Number, Eligibility and Term of Office.

1.1 The number of directors who shall serve on the Board shall be no less than 10 nor more than 24, as determined by the holders of the majority of the issued and outstanding capital stock, or the Board. Unless N.J.S.A. 17:27A-4(d) is otherwise satisfied by the board of directors of a controlling affiliate of the corporation, not less than one-third of the directors shall be directors ("Outside Directors") who are not officers or employees of the corporation or of any entity controlling, controlled by or under common control with the corporation and who are not beneficial owners of a controlling interest in the voting securities of the corporation or any such entity.

1.2 Each director currently holding office shall continue in office until such director's successor has been elected and shall qualify (subject to prior death, resignation or retirement, or removal from office, with or without cause, in accordance with the Charter). The directors shall be elected at each annual meeting of shareholders to hold office until the next annual meeting of shareholders. Each qualified director shall hold office until the

expiration of the term for which he or she is elected and until such director's successor has been elected and qualified, or until his or her earlier death, resignation, retirement or removal from office.

1.3 Any vacancy in the Board may be filled by the shareholders or a majority (whether or not a quorum) of the directors remaining in office and any person elected to fill a vacancy shall hold office for the remainder of the unexpired term of the director so replaced.

1.4 Any director, or any member of any committee of the Board, may resign at any time by giving written notice to the Board, the Chairman of the Board or the Chief Executive Officer, President or Secretary of the corporation. Any such resignation shall take effect at the time specified therein, or if the time is not specified therein, then upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective.

Section 2. Meetings.

2.1 Regular meetings of the Board shall be held at such place or places, on such date or dates and at such time or times as shall have been established by the Board and publicized among all directors. A notice of each regular meeting shall not be required. Such meetings shall occur no less frequently than four times each year.

2.2 Special meetings may be called by the direction of the Chairman of the Board, Chief Executive Officer or the President, and shall be called whenever three directors shall request of any of them in writing that it be done, but no business shall be considered at a special meeting except that referred to in the notice of meeting, without the consent of a majority of the members of the Board.

2.3 Notice of all special meetings of the Board shall be given to each director either in writing by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile or telegram on twenty-four (24) hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

2.4 Any director may participate in a meeting of the Board or any committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another at the same time, and such participation shall constitute presence in person at such meeting

2.5 Any action required or permitted to be taken by the Board or any committee thereof may be taken without a meeting if all members of the Board or such committee, as the case may be, consent in writing to the adoption of a resolution authorizing the action and such written consents and resolution are filed with the minutes of the Board or such committee, as the case may be.

Section 3. Quorum.

A majority of the members of the entire Board shall constitute a quorum for the transaction of business, but a lesser number may adjourn from time to time until a quorum is present. Unless N.J.S.A. 17:27A-4(d) is otherwise satisfied by the board of directors of a controlling affiliate of the corporation, at least one Outside Director shall be included in the quorum for the transaction of business at meetings of the Board. The acts of a majority of directors present at a meeting at which a quorum is present shall be the acts of

the Board unless otherwise provided in the BCA.

Section 4. Chairman of the Board.

The Board may elect a Chairman. The Chairman of the Board shall preside at all regular and special meetings of the Board, or in his or her absence or inability to act, meetings shall be presided over by such other director as the Board may designate.

ARTICLE III
COMMITTEES

Section 1. Establishment of Committees.

1.1 At any regular or special meeting called for the purpose, the Board, by resolution adopted by a majority of the entire Board, may designate from among its members committees, each of which, to the extent provided in the resolution establishing such committee, shall have all the authority of the Board relating to the portions of the business and affairs of the corporation which are under its control and supervision, except that no such committee shall have authority as to the following matters:

a) The election or appointment of any director.

b) The removal of any officer or director of the corporation.

c) The fixing of compensation of the directors for serving on the Board or any committee.

d) The amendment or repeal of the By-laws, or the adoption of any By-laws.

e) The amendment or repeal of any resolution of the Board which by its terms is amendable or repealable only by the Board, or

f) The submission to shareholders of any action that requires shareholders' approval.

1.2 Unless N.J.S.A. 17:27A-4(d) is otherwise satisfied by a committee or committees of the board of directors of a controlling affiliate of the corporation, the Board shall establish one or more committees comprised solely of Outside Directors to perform the following functions:

a) Recommending the selection of independent certified public accountants,
b) Reviewing the corporation's financial condition, and the scope and results of the independent audit and any internal audit;
c) Nominating candidates for director for election by shareholders,
d) Evaluating the performance of officers deemed to be principal officers of the corporation, and
e) Recommending to the Board the selection and compensation, including bonuses or other special payment, of the principal officers.

Section 2. Conduct of Committee Meetings.

2.1 All committees shall consist of three or more directors. The Board may designate one or more directors as alternate members of any such committee, who may replace any absent member or members at any meeting of such committee.

2.2 A majority of the members of a committee shall constitute a quorum for the transaction of business. No committee shall sit in the absence of a quorum.

2.3 All meetings of committees shall be held on notice given personally or in writing to each member thereof. Written notice may be given by mail, telegram, courier service or express mail service. Waiver of notice of any meeting shall be in writing and may be given before or after a meeting. A director's attendance at a meeting without protesting prior thereto or at its commencement the lack of notice to him or her shall constitute waiver of such notice.

2.4 The vote of a majority of the members present at any meeting of any committee at the time of vote, if a quorum is present at such time, shall be the act of such committee. All actions of each committee shall be reported to the Board and shall, except in cases in which the rights or acts of third parties would be affected, be subject to the direction of the Board.

2.5 Unless N.J.S.A. 17:27A-4(d) is otherwise satisfied by the committees of the board of directors of a controlling affiliate of the corporation, at least one-third of the members of every committee shall be Outside Directors, and an Outside Director shall be included in the quorum for the transaction of

business at any meeting of any committee.

ARTICLE IV
OFFICERS

The officers of the corporation shall be a President, Secretary, Company Actuary and Treasurer, all of whom shall be elected by the Board and who shall hold office, subject to the By-laws, until their successors are elected and qualified. In addition, the Board may elect a Chief Executive Officer and such other officers as the Board may deem advisable. All other officers, including those who are named for signatory purposes only, shall be appointed by an officer of the corporation designated by the Board for that purpose. None of the officers of the corporation need be directors. The officers shall be elected at the first meeting of the Board after the annual meeting of shareholders, or may be elected at other times. One person may hold two or more offices, except that the offices of President and Secretary or Assistant Secretary may not be held by the same person. Vacancies occurring among the officers may be filled by the directors. Any officer may be removed by the Board, with or without cause, at any time.

The Chief Executive Officer or the President shall be the chief executive officer of the corporation, as the Board from time to time shall determine. Subject to the control of the Board, and to the extent not otherwise prescribed by these by-laws, the chief executive officer shall have plenary power over all departments, officers, employees, and agents of the corporation, and shall be responsible for the general management and direction of all the business and affairs of the corporation.

The other officers shall exercise such powers and perform such duties as may be delegated or assigned to or required of them by the Board of Directors or the chief executive officer.

ARTICLE V
COMPENSATION OF OFFICERS AND DIRECTORS

Salaries, compensation or emoluments paid to any senior officer or director of the corporation shall be approved by the Board in accordance with N.J.S.A. 17B:18-51 and N.J.S.A.17B:18-52 of the New Jersey Statutes. Such compensation decisions shall be reviewed further by one of the committees referred to in Article III, Section 1.2 above or a comparable committee of the board of directors of the direct or ultimate parent of the corporation, to the extent required by N.J.S.A. 17:27A-4 of the New Jersey Statutes.

ARTICLE VI
CONTRACTS

Except as provided in the following sentence, the Chief Executive Officer, the President, and any one of the Vice Presidents (however denominated) shall have power to execute on behalf of the corporation all investments, deeds, contracts, and other corporate acts and papers.

Either the Chief Executive Officer and the Secretary or the President and the Secretary shall, except as otherwise provided in the following sentence, execute all contracts of insurance and annuity either by signing such contracts manually or by facsimile signatures duly adopted by each of them for that purpose with the approval of the Board of Directors. The Board of Directors, in its discretion, may authorize the execution in the same manner of any such contracts issued out of any office outside the United States of America by the proper officers of such office. If any officer whose manual or facsimile signature has been placed upon any instrument shall have ceased to be such officer before such instrument is issued and delivered by the corporation, it may be issued and delivered with the same effect as if he or she had been such officer at the time of its issue.

ARTICLE VII
INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings Other than Those by or in the Right of the Corporation.

Subject to Section 3 of this Article VII, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of of Another Enterprise (hereinafter defined), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in

connection with such action, suit or proceeding if such person acted in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation.

Subject to Section 3 of this Article VII, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the corporation as a director or officer of Another Enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation; provided, however that no indemnification shall be made in respect of any claim, issue or matter if a judgment or final adjudication adverse to such person establishes that his or her acts or omissions a) were in breach of his or her duty of loyalty to the corporation or its shareholders, as defined in subsection (3) of Section 14A: 2-7 of the BCA, b) were not in good faith or involved a knowing violation of law or c) resulted in receipt by such person of an improper personal benefit. Notwithstanding the preceding sentence, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Superior Court of the State of New Jersey or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Superior Court or such other court shall deem proper.

Section 3. Authorization of Indemnification.

Any indemnification under this Article VII (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances, because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VII, as the case may be. With respect to directors or officers of the level of Senior Vice President or above, such determination shall be made by the sole shareholder of the corporation. With respect to officers below the level of Senior Vice President, such determination may be made by the General Counsel of the corporation, or his or her designees. To the extent, however, that a director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined.

For purposes of any determination under Section 3 of this Article VII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if such person's action is based upon

- the financial statements, books of account or reports of the corporation or Another Enterprise represented to such person to be correct by the President, the officer of the corporation or Another Enterprise having charge of its book of account, or, in the case a director, the person presiding at a meeting of the Board of Directors, or

- on information supplied to such person by the officers of the corporation or Another Enterprise in the course of their duties, or

- on the advice of legal counsel for the corporation or Another Enterprise, or

- on information or records given or reports made to the corporation or Another Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the corporation or Another Enterprise,

provided such person had a reasonable good faith belief in the accuracy of the above described books, records, information, advice, or reports. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or 2 of this Article VII, as the case may be.

Section 5. Expenses Payable in Advance.

The reasonable expenses incurred by a director or employee in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking (reasonably satisfactory to the corporation) by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this Article VII, provided, however, that (i) with respect to officers of the Corporation, the Board of Directors or (ii) the shareholders may in any instance require as a condition to such advancements that the proposed indemnitee cooperate with an investigation to be conducted at the corporation's expense, by an independent nationally recognized law firm selected by the corporation, and that such law firm render an opinion that, based on its investigation, the firm has concluded that it is more likely than not that the proposed indemnitee will meet the standard for indemnification in connection with the matter for which advancements are sought set forth in Section 1 or 2 of this Article VII, as the case may be.

Section 6. Nonexclusivity of Indemnification and Advancement of Expenses

The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Charter or any By-Law, agreement, contract, vote of shareholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The provisions of this Article VII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or 2 of this Article VII but whom the corporation has the power or obligation to indemnify under the provisions of Section 14A:3-5 of the BCA, or otherwise.

Section 7. Insurance.

The corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of Another Enterprise against any expenses incurred in any proceeding and liabilities asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VII.

Section 8. Certain Definitions.

For purposes of this Article VII, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers so that any person who is or was a director or officer of such constituent corporation, or is or was a director, officer, or employee of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or Another Enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For the purposes of this Article VII, the term "Another Enterprise" shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the corporation as a director, officer, employee or agent. For purposes of this Article VII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in

good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Article VII.

Section 9. Survival of Indemnification and Advancement of Expenses.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 10. Limitation on Indemnification.

Notwithstanding anything contained in this Article VII to the contrary, the corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the corporation.

Section 11. Indemnification of Agents and Employees.

The corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the corporation similar to those conferred in this Article VII to directors and officers of the corporation.

ARTICLE VIII
AMENDMENTS

The By-laws may be altered or repealed and new By-laws may be made by vote of the sole shareholder of the corporation. The Board of Directors may also alter or repeal the By-laws and make new By-laws at any meeting of the Board of Directors; provided, however, that the sole shareholder is given prior written notice of the proposed alteration, repeal or addition to the By-laws. Any By-laws made by the Board of Directors may be altered or repealed, and new By-laws made, by the sole shareholder of the corporation.

ARTICLE IX
CONFLICTING INTERESTS

No director, officer or employee of the corporation shall have any position with or substantial interest in any other business enterprise operated for a profit (other than Prudential, Inc. or any affiliate, subsidiary, direct or indirect, of either the corporation or Prudential, Inc.) the existence of which would conflict or might reasonably be supposed to conflict with the proper performance of his or her responsibilities to the corporation, or which might tend to affect his or her independence of judgment with respect to transitions between the corporation and such other business enterprise.

ARTICLE X
MISCELLANEOUS

Section 1. Certificates.

The shares of the corporation shall be represented by certificates signed by, or in the name of the corporation by one of the Chairman of the Board, the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary.

Section 2. Fiscal Year.

The fiscal year of the corporation shall end on December 31.

EXHIBIT E: ADR MEMORANDUM

OVERVIEW

In 1995, some policyholders and former policyholders asserted claims against Prudential and its U.S. life insurance subsidiaries in a class action lawsuit. As part of the settlement of that class action, an ADR claims resolution process was instituted whereby claims were evaluated individually and relief was determined accordingly. Some ADR Claimants were awarded choices of relief that

depended on the nature of their particular claims and the scores such claims received. Some ADR Claimants chose relief that included rescinding their policies, or surrendering their rights to policies that would have been issued or reinstated in other forms of relief that were available to these ADR Claimants. Other ADR Claimants chose a form of relief that did not include rescinding their policies or surrendering their rights to other policies that were made available to them as a relief choice. They chose other forms of relief such as restoring value to a policy or receiving that value in cash.

A Policy that is In Force on the Adoption Date is eligible for compensation under the terms of the Plan, whether or not that Policy is subject to an ADR claim or arose from an ADR claim. Pursuant to commitments the Company made to ADR Claimants in April 1998, the Plan makes additional provisions for ADR Claimants. These provisions are found in Article V and Sections 3.2(e), 6.1(c)(iv), 7.1(b)(i)(A), 7.1(c), 7.3, 7.4, 8.5, 9.2(a)(i)(A), 10.2, 11.1(e) and 14.7 of the Plan, and are further explained in this ADR Memorandum. Compensation will be provided with respect to Policies issued or reinstated after the Adoption Date and before the Effective Date in satisfaction of ADR relief selected by the ADR Claimant, or as of the Effective Date as a result of a repurchase option described in Section 1(A) below. ADR Claimants may be eligible to receive compensation with respect to such Policies in ADR under this Plan, even though these Policies were not In Force on the Adoption Date. Other ADR Claimants may have their compensation calculated on the basis of a life insurance policy or an annuity contract other than a Policy actually In Force or deemed In Force on the Adoption Date. These calculations are explained in Section 2 below. The principles and methodologies regarding such commitments are set forth in this ADR Memorandum.

1. ELIGIBLE POLICIES

A. The ADR relief choices for some ADR Claimants included rescission of their policies; and choices for some ADR Claimants included forms of ADR relief in which the Company would have issued or reinstated policies. By choosing to rescind their policies or choosing not to take a form of ADR relief in which the Company would have issued or reinstated policies, these ADR Claimants gave up the opportunity to have a Policy that would have been In Force on the Adoption Date. If they had taken that opportunity, they could have been eligible to receive compensation with respect to that Policy.

However, in accordance with the commitment the Company made to ADR Claimants in April 1998, such ADR Claimants will be given the option of changing their form of ADR relief and repurchasing offered or rescinded policies. If an ADR Claimant does repurchase a policy pursuant to such an offer and pursuant to this Memorandum, that Policy will be deemed to be In Force as of the Adoption Date in accordance with Section 6.1(c)(iv) of the Plan. The ADR Claimant will be eligible to receive compensation for such Policy. Calculations of compensation with respect to such a Policy that is repurchased are described in Section 2(A) below. However, an ADR Claimant who repurchases such a Policy will not be eligible to vote with respect to that Policy, as described in Section 11.1(e) of the Plan and in Section 3 below. If an ADR Claimant does not repurchase a policy, the form of ADR relief will not be changed, the policy will not be put into effect or deemed to be In Force on the Adoption Date, and the ADR Claimant will not receive compensation for that policy under the Plan.

B. Some ADR Claimants chose forms of relief which did not include the rescission of their policies, or the surrender of their rights to policies which would have been issued or reinstated in other forms of ADR relief that were available to these ADR Claimants. These ADR Claimants may have Eligible Policies related to their ADR claims, and the Company's commitment is that they will receive the same overall financial result regardless of which form of ADR relief they chose. Calculations of compensation with respect to such Policies are described in Section 2(B) below.

C. Any policy issued or reinstated as a result of an initial ADR relief choice implemented after the Adoption Date but prior to the Effective Date will be deemed to be In Force as of the Adoption Date and the ADR Claimant will be eligible to receive compensation for such a Policy.

D. In certain cases, the Company is not able to reinstate a life insurance policy that terminated without significant adverse tax ramifications to the ADR Claimant. For these situations, the Stipulation of Settlement allows the Company to issue Designated New Policies (DNPs), rather than reinstating the policy, in order to provide the required ADR relief.

2. ALLOCATION OF POLICYHOLDER CONSIDERATION

A. Some ADR Claimants initially chose forms of ADR relief which included the rescission of their policies, or could have initially

chosen forms of ADR relief in which the Company would have issued or reinstated a policy. These ADR Claimants will be given the option of changing their form of ADR relief and repurchasing their policies, as described in Section 1 above and according to the timing described in Section 4 below. For ADR Claimants who do implement options to change their form of ADR relief and repurchase their coverage, their compensation with respect to such Policies that are repurchased will be determined as described in this Section 2(A).

i) If implementation of this option results in reinstatement of a life insurance policy that had previously been in effect, the compensation for that Policy will be calculated as if that Policy were In Force continuously since it was originally issued, using the methods of Article VII of the Plan.

ii) As indicated in Section 1(D) above, in certain cases, the Company is not able to reinstate a life insurance policy that terminated without significant adverse tax ramifications to the ADR Claimant. For these situations, the Stipulation of Settlement allows the Company to issue DNPs, rather than reinstating the policy, in order to provide the required ADR relief. If implementation of the form of relief selected by the ADR Claimant results in the issuance of a DNP, the Company will determine the compensation for both the DNP and for the policy that could not be reinstated without the aforementioned tax consequences. Even though that policy could not actually be reinstated without such adverse tax consequences, the compensation for that policy will be calculated as if it had been reinstated and had been In Force continuously since it was originally issued. The compensation for the DNP will be deemed to be the greater of the compensation calculated on the basis of the DNP, and the compensation calculated on the basis of the policy that could not be reinstated without adverse tax consequences.

B. Some ADR Claimants chose forms of ADR relief which did not include the rescission of their policies, or the surrender of their rights to policies which would have been issued or reinstated in other forms of ADR relief that were available to these ADR Claimants. These ADR Claimants may have Eligible Policies related to their ADR claims, and the Company's commitment is that they will receive the same overall financial result regardless of which form of ADR relief they chose. These ADR Claimants will not be given the option of changing their form of ADR relief. The compensation for these Policies will be determined in a manner that will produce the same overall financial results for these ADR Claimants, regardless of which forms of ADR relief they chose. These ADR Claimants will be eligible for compensation with respect to the policy subject to an ADR claim, or with respect to the policy the ADR Claimant received in connection with ADR, only if that policy is In Force on the Adoption Date as provided in Article VI of the Plan, or if that policy is issued after the Adoption Date and before the Effective Date as a result of the form of ADR relief the ADR Claimant initially chose. The methods by which adjustments would be required in the determination of compensation, and the calculations that will be done in order to make these adjustments, are described in this Section 2(B). If none of the adjustments listed below is applicable, the compensation will be determined using the same rules as for any other Eligible Policy, without reference to any different treatment for ADR Claimants.

i) The Stipulation of Settlement provides for the continuation or reinstatement of insurance coverage in order to implement certain forms of ADR relief. With the settlement of certain claims, the Company was not able to reinstate a life

insurance policy that terminated without significant adverse tax ramifications to the ADR Claimant. As described in Section 1(D) above, the Stipulation of Settlement allows the Company to issue DNPs in order to provide the required ADR relief in these cases. If a DNP was issued in order to provide the required ADR relief, the Company will calculate the compensation for both the DNP and for the policy that could not be reinstated without the aforementioned tax consequences. Even though that policy could not actually be reinstated without such tax consequences, the compensation for that policy will be calculated as if it had been reinstated and had been In Force continuously since it was originally issued. The compensation for the DNP will be deemed to be the greater of

the compensation calculated on the basis of the DNP, and the compensation calculated on the basis of the policy that could not be reinstated without adverse tax consequences.

ii) For some ADR claims, ADR Claimants were able to choose a form of ADR relief in which the Company would have issued an annuity contract to them; but the ADR Claimant chose instead a form of ADR relief in which the life insurance policy that was the subject of the ADR claim was continued in force or reinstated, or a DNP was issued. In these cases, the Company will determine the compensation for the life insurance policy in a manner that will produce the same overall financial result, regardless of which form of ADR relief the ADR Claimant chose. In order to meet this commitment, the Company will calculate the compensation both on the basis of the life insurance policy that was continued, reinstated, or issued; and on the basis of the annuity contract the Company would have issued if the ADR Claimant had selected that form of ADR relief. The compensation for the life insurance policy will be deemed to be the greater of the two compensation amounts that are so determined. If both this Section 2(B)ii) and the preceding Section 2(B)i) apply to the same ADR claim (ie. a DNP was issued to provide the form of ADR relief the ADR Claimant chose, and the ADR Claimant could have chosen instead a form of ADR relief in which the Company would have issued an annuity contract), the compensation for the DNP that was issued will be calculated both on the basis described in Section 2(B)i) and this Section 2(B)ii), and the compensation for the DNP will be deemed to be the greater of the two amounts that are so determined.

iii) For some ADR claims, ADR Claimants were able to choose between forms of ADR relief which would result in restoring values to a policy from which such values had been withdrawn, or in receiving that value in cash. If the ADR Claimant in such a situation chose one of these forms of ADR relief, the Company will determine the compensation for the life insurance policy in a manner that will produce the same overall financial result, regardless of which form of ADR relief the ADR Claimant chose. The Company will calculate the compensation both on the basis of the policy that would have resulted from the form of ADR relief to restore value to the policy, and on the basis of the policy

that would have resulted if the ADR Claimant had chosen to receive that value in cash. The compensation for such a Policy will be deemed to be the greater of the two compensation amounts that are so determined.

3. VOTING

Requirements for a Qualified Voter are set forth in Chapter 17C. Any ADR Claimant who repurchases his or her coverage after the Adoption Date, or who has a policy reinstated after the Adoption Date as part of a form of ADR relief, or who otherwise does not meet the requirements for a Qualified Voter as set forth in Chapter 17C, will not be entitled to vote on the proposal to adopt this Plan, despite later receiving a Policy which will be deemed In Force as of the Adoption Date, unless the ADR Claimant is the owner of another Eligible Policy that was In Force on the Adoption Date, and that otherwise fulfills the requirements for a Qualified Voter as of the Adoption Date.

4. TIMING OF CHANGES IN ADR RELIEF

No later than 45 days prior to the Hearing, the Company will notify ADR Claimants of options, if any, to repurchase their coverage. In that notice, ADR Claimants will be informed of the amount, if any, that they would have to pay to repurchase coverage, and they will be asked to respond within 45 days if they are interested in repurchasing their coverage by selecting (one of) the option(s) presented. ADR Claimants who receive this notice are told that they are not obligated to change their form of ADR relief and repurchase coverage if they do express interest in making such a change.

As soon as practicable after the approval and adoption of the Plan by the affirmative vote of Qualified Voters pursuant to Section 11.1 of the Plan, the Company will send a notice to ADR Claimants who expressed an interest in repurchasing their coverage, informing them of the requirements to implement that decision. These requirements include the payment of required amounts, if any, and completion of certain administrative requirements, not later than 45 days following the date of the letter in which the ADR Claimants are notified of such requirements. The administrative requirements include documentation required for the form of ADR relief to which the ADR Claimant is changing, and information needed for processing of demutualization compensation, such as

confirmation of the repurchase option selected or providing tax information. ADR Claimants for whom the sum of the Basic Fixed Component and the Basic Variable Component is equal to or less than the Share Election Maximum following repurchase of their coverage, and who did not previously have an opportunity to affirmatively indicate a preference to receive shares of Common Stock in lieu of cash as described in Section 8.1(h) of the Plan, will be able to do so in their responses to this notice.

If the Company demutualizes and the insured under the insurance policy to be repurchased dies after the Company receives the necessary requirements to repurchase the policy, including any required payment, but before the Effective Date, the Company will pay the death benefit associated with that policy, and retain any repurchase payment. The Company will also pay

demutualization compensation with respect to such a policy, with ownership determined according to Article V of the Plan.

If the Company does not demutualize, but the insured under the life insurance policy to be repurchased dies after the Company receives any required repurchase payment amount, but before the Company returns that amount to the ADR Claimant, the Company will pay the death benefit associated with the policy, and will retain the repurchase payment.

5. FORM AND CONVEYANCE OF COMPENSATION

If the Company demutualizes, ADR Claimants who complete all requirements to repurchase their coverage within the timeframe indicated in Section 4 above shall be entitled to receive compensation in the form of Common Stock, cash or Policy Credits in accordance with the requirements of Article VIII of the Plan. The Company may adjust the Total Allocable Shares in order to allocate shares to these ADR Claimants as provided in Section 14.7 of the Plan. The Company will act in good faith to convey compensation to ADR Claimants eligible to receive such compensation under the Plan at the time of distribution of compensation to all other Eligible Policyholders, as described in Section 8.5 of the Plan. However, in the event the Company is not able to convey compensation within this timeframe to all ADR Claimants who complete the requirements to repurchase their coverage, the Total Allocable Shares shall include a reasonable estimate of the compensation to be distributed to ADR Claimants who have chosen to repurchase their coverage as described above.

If the Company shall fail to complete the processing of the repurchases by ADR Claimants by the time of the distribution of compensation to all other Eligible Policyholders, the Company shall set aside Common Stock and cash in the amount of its reasonable estimate of the Common Stock and cash to be distributed to such ADR Claimants. The Company shall cause such Common Stock and cash to be distributed to such ADR Claimants as soon as practicable following the processing of their repurchases of coverage. If the number of shares of the Common Stock set aside by the Company is insufficient to distribute to all such ADR Claimants who are entitled to receive Common Stock, the Company shall distribute the necessary amount of authorized but unissued shares of stock to the remaining ADR Claimants. In the event that any Common Stock or cash set aside by the Company remains undistributed after all repurchases of coverage have been processed, such Common Stock and cash shall be returned to the Company. The Company may utilize an escrow account or trust for the purposes of setting aside Common Stock and cash as described above.

6. PROJECT PARTICIPANTS

Section 7.1(c) of the Plan provides that no consideration shall be allocated or distributed in respect of any Policy acquired or reinstated by any Project Participant on or after February 10, 1998, except as provided in this ADR Memorandum. However, notwithstanding any provision of Section 7.1 of the Plan, compensation shall be allocated and distributed in respect of Policies acquired or reinstated in resolution of ADR claims, or options to repurchase coverage as

described earlier in this ADR Memorandum, to any Project Participant who is also an ADR Claimant, as if the ADR Claimant were not a Project Participant.

7. CLOSED BLOCK

The operation of the Closed Block is described in Article IX of the Plan, and in the Closed Block Memorandum, attached as Exhibit G to the Plan. Any policies reinstated after the Effective Date, pursuant to this Plan and this ADR Memorandum, which otherwise satisfy the conditions set forth in the definition of "Closed Block Policies", shall be considered such Policies. All DNPs, issued pursuant to initial choices of ADR relief, or pursuant to repurchases of coverage as described earlier in this ADR Memorandum, which otherwise satisfy the conditions set forth in the definition of "Closed Block Policies", shall be considered Closed Block Policies, even if such DNPs are issued after the

Effective Date.

Exhibit F

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I. OVERVIEW

This memorandum describes the methodology for calculating Actuarial Contributions ("ACs") pursuant to Article VII of the Plan of Reorganization ("Plan"). There is a separate section describing the methodology and assumptions for each of the following product lines:

1) Individual Life Insurance - Policies in the Closed Block
2) Individual Life Insurance -Policies Not in the Closed Block
3) Individual Annuities
4) Individual Health Policies
5) Group Annuity Contracts
6) Group and Creditor Life and Health Insurance Policies

The general methodology is described in more detail below. Aspects specific to a particular product line are included with section for that product line.

Capitalized terms used in this Exhibit have the meanings ascribed to them in the Plan or in this Exhibit. For purposes of this Exhibit only, references to Pruco include the United States operations of both Pruco Life Insurance Company and Pruco Life Insurance Company of New Jersey.

II. BASIC PRINCIPLES AND METHODOLOGY

A. INTRODUCTION

Actuarial Contributions (ACs) are used in the calculation of the Basic Variable

Component of consideration as described in Section 7.2 of the Plan.

The AC of a particular policy is the accumulated contribution that policy is estimated to have made in the past to the Company's surplus ("historical contribution") plus the present value of the contribution that the same policy is expected to make in the future ("prospective contribution"), with values as of March 31, 2000, which is the Actuarial Contribution Date, or "AC Date." The historical contribution period is assumed to end at the AC Date, and the prospective contribution period is assumed to begin at the AC Date, except as noted for divested business.

Conceptually, each year's contribution to surplus equals the excess of premiums, investment income, and capital gains over benefits, dividends, commissions, expenses, and taxes.

B. BASIC METHODS

The Company used either a "modeling" approach or a case-by-case approach, as appropriate, for purposes of determining the ACs.

Under the modeling approach, representative plans, issue years, and, in some situations, issue ages, gender and / or underwriting classes were selected to develop historical and prospective contributions to surplus. Each of the plan / issue year / issue age / gender / underwriting combinations is called a model "cell." For each model cell, year-by-year estimated historical contributions to surplus were accumulated with interest to the AC Date. Similarly, future expected annual contributions to surplus were discounted with interest to that same date. The sum of the historical and prospective contributions to surplus at the AC Date gives the total contribution to surplus for that model cell. The ACs for the model cells were then smoothed using statistical techniques, where appropriate, and were then used to develop ACs for all inforce policies.

Under the case-by-case approach, the year-by-year history of each policy in a product line was taken into account, so that a specific contribution-to-surplus calculation was done for each case. As under the modeling approach, historical contributions to surplus were accumulated with interest, and prospective contributions to surplus were discounted with interest to the AC Date.

For purposes of the AC calculations, product lines were established by following the annual statement lines of business, and then creating subdivisions as needed to deal with product groups that differ from each other significantly in terms of product characteristics. In defining product groups for purposes of AC calculations, the Company's past practices in managing the business were followed to the greatest extent practicable.

The information required for all of these calculations comes from a variety of proprietary files and reports including policy records maintained in electronic media, internal analyses and memoranda and also from public documents such as annual statements. These data sources are referenced where appropriate

Policy level data and aggregate data were used where available and credible. To the extent that data were not available or were not credible for certain periods of time, reasonable approximations were made to fill in the missing data.

C. TOTAL ACTUARIAL CONTRIBUTION AT THE POLICY LEVEL

1. Financial Management Unit

A "financial management unit" is the group of all coverages issued to a single policyholder that have been managed together from a financial point of view (i.e., for rate-setting, experience-rating, dividend-setting, etc.). Usually, each policy constitutes one financial management unit, but sometimes a single policy may contain more than one financial management unit and sometimes two or more policies may constitute one or more financial management units. Each determination of an AC for a financial management unit included two elements - historical contribution and prospective contribution. These two elements were always added algebraically (i.e., a negative amount served to offset a positive amount) to determine the AC of the financial management unit.

2. ACs at the Policy Level

a. When a policy constitutes one financial management unit, the AC for the policy is the AC for the financial management unit, but not less than zero.

b. When a policy contains more than one financial management unit, the AC for the policy is the sum of the ACs for each of its financial management units, after first setting any negative AC for any of the financial management units to zero.

c. When two or more policies constitute one or more financial management units, the total AC for all of the policies is the sum of the ACs for all

of the financial management units, after first setting any negative AC for any of the financial management units to zero. The sum so determined is allocated among the policies in such a way that no policy has a negative AC. The amount so allocated to each policy is the AC for the policy.

D. ASSUMPTIONS AND PRACTICES THAT APPLY ACROSS LINES OF BUSINESS

The following assumptions and practices apply to all lines of business unless noted otherwise here or in the section for that line of business.

In general, the historical experience factors for taxes, investment returns (investment income and capital gains or losses), and expenses were developed based on the results as allocated in the annual statement. The data sources included annual statement data and certain other sources developed for internal reporting. The data from such other sources were adjusted as needed to tie to the annual statement amounts. However, there were specific "corporate events" that were not allocated to any specific class of policies and were not reflected in the financial management of the business. To the extent that these "corporate events" (such as preparation for Y2K and sales practices remediation and expenses) could be identified and their financial impact quantified, the taxes, investment returns or expenses were adjusted to remove the impact of these "corporate events."

The prospective expense and investment income assumptions reflected recent experience. The prospective tax assumptions were based on the current corporate tax rate and reflected the fact that after demutualization, Prudential, as a stock company, will no longer be subject to the equity tax that is charged to mutual companies.

1. Historical Rates of Investment Return and Accumulation Rates

The interest rates used in the historical AC calculations were derived from the assets and investment income and capital gains allocated to each line of business. The rates were developed consistent with the Company's management practices with regard to investment income allocation during the historical period, and are net of defaults and investment expense.

Prior to 1962, the Company used a single portfolio rate for allocating investment income to annual statement lines of business. Overall Company rates for investment income and capital gains were developed from annual statement totals for use by all lines in those years.

In 1962-1984, the Company used an investment year method for allocating investment income and capital gains to annual statement lines of business. Rates were developed from annual statement totals by line for use by the respective lines in those years.

In 1985 and later, the Company used asset segmentation for allocation of investment income and capital gains to the annual statement lines of business. Rates were developed from totals by segment in those years.

Realized capital gains (and losses) were adjusted to reflect capital gains taxes. These amounts were added to unrealized capital gains (and losses) on invested assets held at market value in the annual statement. Consistent with the Company's financial management practices, the recognition of capital gains and losses was spread, generally over five years.

The financial impact of investments in operating subsidiaries was also removed, to the extent that data was available to allow for such removal, since the returns on such investments historically have not been reflected in the financial management of the lines of business that are eligible for consideration. The financial impact of policy loans was removed since policy loan assets were handled separately in the individual life insurance models.

The rates used to accumulate the historical ACs to the AC Date were set equal to the after-tax historical investment income rates, including the effect of capital gains as explained above, for each product group.

2. Prospective Rates of Investment Return and Discount Rates

For business in the Closed Block, assumed investment income rates for prospective ACs were based on assumptions consistent with the assumptions used in determining the funding of the Closed Block.

For business not in the Closed Block, assumed investment income rates for prospective ACs were graded from the 1999 historical investment income assumption to an ultimate rate. Seperate ultimate rates were defined for groupings of business; such groupings were defined consistent with the asset segmentation used by the Company. For each grouping, the ultimate rate was

developed by starting with the Treasury yield curve as of March 31, 2000, and adding a spread over the Treasury rates based on the mix of assets, the quality of assets, and the maturity term of assets purchased for each grouping. The mix, quality, and maturity term for each grouping was determined based on the 1999 Asset Adequacy Testing performed by the Company. The period of years used to grade from the 1999 rate to the ultimate rate was based on the maturity term of assets assumed purchased for each product group. No future capital gains were assumed in developing these prospective investment income assumptions, although the five-year spreading of historical capital gains did carry over to the initial part of the prospective period.

The rates used to discount the prospective ACs to the AC Date were set equal to the after-tax investment income rates used in the prospective AC calculations.

3. Historical Expense Factors

Unit historical expense assumptions were developed by starting with statutory line of business information (general insurance expenses, miscellaneous taxes, licenses, and fees expenses, and additional payments for benefit plan expenses) as reported in the Company's annual statements. These expenses were then adjusted to remove expenses that were reported in the statutory financials for the lines of business, but which had not been reflected in the financial management practices of the lines. Such adjustments included the removal of unallocated corporate overhead expenses (e.g., demutualization-related and Y2K-related expenses) and certain administrative and legal expenses associated with various, one-time events. These adjustments were made where information was available (generally back to the early 1990s for most of the adjustments, but back to 1980 for other adjustments).

Once the adjusted annual statement expenses were developed, they were allocated to various products within each line of business based on historical practices and available information. Unit expense assumptions were developed from these allocated expenses for use in developing historical ACs.

4. Prospective Expense Factors

Expense assumptions used in calculating prospective ACs were based on recent experience. Specifically, the ultimate prospective unit expense assumptions used in the 2002 and later years were set equal to an average of the unit expense assumptions over the period 1995 - 1999. The unit expense assumptions grade linearly from the 1999 assumption to the 2002 assumption.

5. Historical Federal Income Tax Factors

The applicable US tax law is complex and has changed over time. The derivation of tax factors followed both the dynamics of the law in each time period and also the Company's approach for allocating taxes. Results were tied to actual taxes incurred as reported in the annual statement.

The Company's historical practice has been to treat the Group Annuity business separately from all other lines of business in the allocation of taxes. This separate treatment was meant to reflect the actual operation of the Group Annuity line of business and the fact that the line consisted primarily of tax-qualified business, which received different tax treatment from most of the other lines in some tax eras.

Broadly, there were three major tax eras used in the historical period for lines other than Group Annuity. Rates were developed consistent with applicable laws in those periods, to be applied to corresponding bases for the historical AC calculation.

For 1957 and prior years, Company-wide tax rates were developed as a function of investment income, which were identical for all lines of business, including Group Annuities.

For 1958-1981, marginal tax rates were developed as functions of assets, investment income, interest paid credits, and reserves, and applied to corresponding bases. The marginal tax rates on reserves varied by valuation interest rate and tax qualification status and were adjusted year-by-year to reproduce total company tax (excluding group annuity and Canadian business) for each year. This reconciliation was done before reflecting Modco savings in 1980-1981. ("Modco savings" refers to the financial effects of certain reinsurance arrangements and tax recognition thereof that the Company had elected under the former Section 820 of the Internal Revenue Code.) Such savings associated with the individual life lines of business were allocated in proportion to dividends, since the existence of the Modco reinsurance served to reduce the limitation on the deductibility of dividends.

After 1981, the tax was calculated by adjusting each year's statutory gain to a tax basis (primarily by substituting reserves and dividend liability defined by the prevailing tax law for statutory reserves and dividend liability), and then applying the appropriate tax rate. In 1984 the "fresh start" reserve adjustment

was reflected and the new equity tax began to be reflected. The DAC proxy tax (which began in 1990) was reflected in the calculations as described below. Finally, the resulting total tax for the years 1982-1999 was adjusted to tie to the total tax, for Prudential and Pruco combined, in the annual statements for those years.

Even though the same tax laws as described above applied to all lines of business, their effects on Group Annuity (which consisted mainly of tax-qualified business), in combination with the information available on Group Annuity cases, led to somewhat different approaches to reflecting taxes for these cases. Based on the financial management of the Group Annuity business, historical taxes through 1979 had already been allocated to each case.

However, tax formulas related to investment return were needed in order to apply them to the rates used to accumulate historical ACs. For years 1958-1961, Company-specific tax rates were developed as functions of assets, and applied to corresponding Group Annuity assets. For 1962-1979, tax rates specific to the Group Annuity line were developed as a function of assets, and applied to corresponding Group Annuity assets.
For 1980 and later years, the historical tax calculation for Group Annuity ACs was based on US corporate tax rates applicable to taxable income. The equity tax for mutual companies (which began in 1984) was reflected. The resulting total tax for the years 1980-1999 was adjusted to reproduce the total tax in the annual statement in the Group Annuity line for those years (including Modco savings in 1980-1981).

6. Prospective Federal Income Tax Factors

For the prospective AC calculations, the current corporate tax rate was applied to taxable income for the line of business, after reflecting the difference between statutory and tax basis liabilities. No equity tax was applied since the equity tax does not apply to stock companies.

7. DAC Proxy Tax

For the individual annuity business, the individual health business, and the group life and health business, the present value cost of the DAC proxy tax (which began in 1990) associated with each premium payment was charged at the time each premium payment was assumed to be received. For the individual life business, an equivalent calculation was performed: the actual capitalization and amortization of the DAC proxy tax associated with each premium was reflected in the AC calculations, except that the present value of any unamortized amount remaining at the end of the historical period was credited to the historical AC. The DAC proxy tax does not apply to Group Annuity business.

E. CALCULATION RULES THAT APPLY ACROSS LINES OF BUSINESS

1. Number of Prospective Years Recognized in the AC Calculation

For the individual lines of business, the prospective AC calculation ran through the end of the mortality or morbidity table or maturity or expiry of the modeled policy. For group business, the prospective AC calculation generally ran for 20 years from the AC Date. However, in certain cases, different periods were used, based on the nature of a particular group product line.

2. Policies Whose Contribution to Surplus Is Taken Into Account

As a general rule, contribution to surplus was determined only for policies and contracts that were in force as of the Eligibility Date. However, in some cases, the contribution to surplus for such policies included part of the financial experience of prior policies which they replaced. In such cases, the experience of the prior policy was considered to be part of the experience of the current policy. The financial management practices within each line of business were examined to determine when a current policy should be deemed to be a continuation of a prior policy for purposes of determining actuarial contributions. Based on this examination, the AC calculations reflected the following:

a. Individual life insurance, annuities, and health insurance. The Company followed the general rule stated above, that contribution to surplus was determined only for policies and contracts that are in force as of the Eligibility Date, with respect to individual life, health and annuity business. There was one exception to this general rule:

   Beginning in August, 1997, the Company began an exchange program which was designed to retain customers who had annuity contracts that had reached the end of their surrender charge periods by offering a new, more modern contract. This new exchanged contract was available only to those customers eligible to participate in the exchange program. Because the

exchanged contract was directly tied to the existence of the prior annuity contract, the contributions to surplus of the original contract were reflected in the AC of the contract received in the exchange.

Note that payout annuities resulting from the annuitization of a retirement annuity contract or a deferred annuity contract are, by the terms of the contract, a continuation of the original annuity. Accordingly, the AC calculations for such annuitized annuity contracts reflected contributions to surplus during both the deferred period and the payout period.

b. Group Annuities. The Company identified several types of situations in which a contract currently in force should be viewed as having been issued in continuation of a previous contract. These involved situations in which the Company, in agreement with its customers, issued replacement contracts while carrying forward the appropriate elements of financial experience from the prior contract.

c. Group Life And Health Insurance. The Company has identified a number of circumstances that may be viewed as "contract modernizations," in which the Company and a customer agreed to issue a new contract (or, sometimes, to assign a new contract number to an amended existing contract) and the financial experience of one or more financial management units of the prior contract was carried forward to one or more financial management units of the successor contract.

d. Group Annuities and Group Life and Health Insurance. In addition to the situations cited above for these lines of business, it was necessary to take into account changes in coverage arising from business transactions of the customer (e.g., mergers and spin-offs). The

principles discussed above were applied in such situations; that is, a continuation of the prior contract was assumed if the prior experience was carried forward in the financial management of that contract. The Company also assessed the specific case structure for each group policyholder to ensure that consistent treatment of contract continuity applied across all groups, consistent with the financial management practices of the Company.

3. Reinsurance

For blocks of business with "company-directed" reinsurance (other than in connection with divestitures, which are discussed below) any gain or loss from reinsurance was generally not credited or charged to the specific policies on which reinsurance coverage exists. However, as mentioned above, the tax savings in 1980-81 for certain Modco reinsurance transactions were reflected in the ACs for the policies affected by the reinsurance. In situations where a client directed the Company to cede some of the risk on the client's business ("client directed"), the gain or loss from such reinsurance was reflected in the AC calculations, either directly, or indirectly, if already reflected in dividends.

4. Divestitures

In cases where the Company has divested itself of certain businesses, (i.e., the transferred Canadian business sold in 1996, the US healthcare business sold in 1999, and the individual disability income business sold in 1999), the "gain on sale" from each such divestiture was used as the total "prospective contribution to surplus" for each such block of business. The gain on sale was allocated among policies in force at the date of the sale of the divested block based on a proportional allocation of theoretical prospective ACs that were calculated for each policy in force as of the date of sale. The date of the sale of each divested block was used as the end of the historical period and the beginning of the prospective period. The allocated ACs were accumulated with interest from the date of sale to the AC Date.

5. Assumptions for Canadian Branch Business

The discussion of assumptions in II.D was for US business. For Canadian branch policies, Canadian branch assumptions were used where credible data were available. One main source for Canadian data was the separate statutory branch financial statements. These reports were available beginning in 1970. Separate financial records of the Canadian branch were not available for years prior to 1970. In addition, many of the Company's Canadian branch records were provided to London Life at the time the business was sold or were otherwise no longer available. If credible data were not available, US data or combined US and Canadian data were used in developing assumptions for the Canadian branch business.

a. Investment Return and Accumulation Rates were calculated in the same manner as the US rates for all Canadian branch business through 1995 and for the retained Canadian business in all years. For the transferred Canadian branch business, the 1995 rates were held constant in 1996 and later.

b. Total line of business expenses for each line of the Canadian branch were used for the development of unit cost factors for the period 1970 to 1995 under the same process as was used for the development of US factors. Prior to 1970, combined US and Canadian experience was used. After 1995, combined US and Canadian experience was used for the retained business because of the sale of most of the branch business and the consolidation of management of the US business and the retained Canadian business. For 1996 and later, 1995 unit factors were used for the transferred business.

c. The Canadian branch was taxed the same as the US operation through 1975. In 1976 the Company elected, under the Internal Revenue Code, to treat the Canadian branch as a separate Canadian company for tax purposes. Model Canadian tax rates were developed from actual taxes paid each year and were allocated half to surplus and half to investment income. This approach was used for the retained business through 1999; thereafter, US tax rates were used, since the US rates were thought to represent a best estimate. The same approach was used for the transferred business, up through 1995. To the extent that data were available to develop actuarial contributions on a Canadian basis, the 1995 Canadian tax rates were applied to all years after 1995. Where such data were not available, the gain factors and assumptions were US based, so US tax rates were used for consistency.

6. Canadian Currency Conversion

Actuarial contribution calculations for Canadian-denominated business were done in Canadian currency; the values were convened to US currency using the exchange rate on the AC Date between United States dollars and Canadian dollars published in the final Eastern edition of The Wall Street Journal on the business day next following the AC Date.

7. New Issues and Reinstatements After the AC Date

ACs for policies issued or reinstated after the AC Date and prior to the Adoption Date were developed in a manner consistent with that used for business in force on the AC Date.

8. Treatment of ADR Claimants in Actuarial Contribution Calculations

In its "Important Notice to ADR Claimants" dated April 14, 1998, the Company described certain commitments to these claimants that would be applicable if the Company ultimately demutualized. Accordingly, there was no charge against the contribution to surplus in the AC calculations for Eligible Policies of these claimants for any claim payments that have been made or will be made with respect to a settlement on an individual life insurance policy or for the associated costs (administrative expenses, legal expenses, etc.). This is consistent with the way the Company has managed dividends and interest crediting rates throughout the sales practices remediation program. A description of the AC calculations for ADR Claimants is included in Exhibit E, the ADR Memorandum.

III. INDIVIDUAL LIFE INSURANCE - POLICIES IN THE CLOSED BLOCK

A. OVERVIEW AND METHODOLOGY

The Closed Block includes regular ordinary business which pays experience-based dividends, industrial (weekly premium) life policies, and intermediate life policies. The methodology described for this business also applies to the weekly premium and intermediate business remaining in the Company's Canadian branch, for which the Company has established a closed block separate from the U.S. Closed Block.

Industrial business was issued from 1875 - 1967. Intermediate business was issued from 1928 - 1962. The Closed Block regular ordinary business, which includes a variety of whole life plans, modified premium plans, endowment plans, paid-up coverages, and dividend-paying term insurance plans, has been issued since 1886. The Canadian weekly premium business was issued from 1909 - 1967 and the Canadian intermediate business was issued from 1928 - 1962.

The individual life lines of business comprise over 14 million policies. As a result, ACs for this business were developed by calculating historical and prospective ACs for model cells (as described in Section II.B.). Some model cells represent base policies, others represent dividend credits that would have been purchased over time by dividends (paid-up additions and dividend accumulations). The sum of the historical and prospective contributions to surplus at the AC Date gives the total contribution to surplus for the model cell. The ACs for the model cells were then smoothed using statistical techniques and were then used to develop ACs for all inforce policies.

Base policies, those term riders which could have been issued as stand-alone policies (and have the same ACs as the corresponding stand-alone policies), and dividend credits are considered by the Company to be distinct "financial management units." ACs from gains on supplementary benefits such as waiver of premium and accidental death benefit are not determined separately for policies with such supplementary benefits. Instead, these gains, referred to as "miscellaneous gains," are used to reduce expenses used in developing unit expense assumptions for all policies. This approach is consistent with the Company's financial management practices.

For each model cell, historical ACs were calculated year by year from the assumed date of issue of the policy and accumulated with after tax interest to the AC Date. Each year's historical AC took into account policy factors such as premiums, dividends, tax reserves, and experience factors such as investment income, capital gains , mortality, commissions, expenses, miscellaneous gains, and taxes, including Federal income taxes. (Since these historical calculations were done for a policy that was assumed to be currently in force, there was no need to recognize surrender benefits.) For each year, historical experience factors reflected the pooled experience of similar policies.

A process similar to that used for historical ACs was used to calculate expected prospective ACs--i.e., the calculations use assumptions for future premiums, investment income, expenses, dividends, benefits. etc. In addition future surrender benefits were taken into account. Each future year's expected AC was discounted with after-tax interest to the AC Date. Then, the historical and prospective ACs for each model cell were added to obtain a total Actuarial Contribution.

The next step was to calculate ACs for all policies based on the ACs calculated for the model cells. This process involved three components:

1. Subdividing all individual life policies into logical groupings based on issue year eras, issue age groupings and product series. These groupings were consistent with the financial management of the business. Policies were also segmented between premium-paying and paid-up business for permanent ordinary business, and by product type for term business;

2. Reviewing the AC results for the model cells in each logical grouping and, by using statistical techniques, developing a set of relatively simple factors to be applied to one or more policy parameters (such as cash value or face amount or per policy). The factors selected closely reproduced the relative profitability of the cells in the group.

3. Applying an appropriate factor to each corresponding policy parameter in force.

Factors were derived so that the aggregate ACs for the model cells in each logical grouping (and, hence, for the entire individual life business) did not change as a result of the development of the simplified set of factors. The use of the statistical techniques discussed above resulted in the smoothing of AC results within each logical grouping consistent with the financial management practices of the Company over time.

B. HISTORICAL CALCULATIONS

The following paragraphs describe the policy factors and experience assumptions used in the historical AC calculations in more detail.

1. Gross Premiums

Annual premiums and policy constants were each adjusted by multiplying by average modal loading factors. (Policy constants are premium elements that are charged on a per-policy basis. Modal loading factors are used to convert annual premiums into monthly, quarterly or semi-annual premiums.) The adjusted policy constant was then divided by the average size policy in the model cell, added to the adjusted annual premium and the result modeled as the premium payable annually in the middle of a calendar year. The loss of interest on premiums payable other than annually was modeled as an additional percentage of premium expense.

2. Death Claims

Based on Company mortality studies, the mortality experience over time was related to the prevailing industry select and ultimate morality table (or valuation mortality in the case of intermediate and weekly premium policies). The appropriate mortality rate from these tables was used to calculate a cost of insurance charge for the net amount at risk for each year. Consistent with the Company's financial management practice, the experience of Pruco was combined

with the experience of Prudential in this analysis.

3. Commissions

Historical average commission scales (reflecting the various commissions paid in each of the Company's sales distribution channels) were used for each model cell. These scales were adjusted to reflect agent termination rates, the vesting provisions in the agents' contracts and the Company's policy of transferring service and collection commissions on policies written by agents who were no longer active.

4. Expenses and Taxes (Other Than Federal Income Tax)

a. Regular Ordinary

For each year in the historical AC calculation, model expenses were developed based on the most recently preceding Company unit expense study and units in force. The amount of expenses covered by those assumptions was then compared to the actual historical expenses of the line reduced by estimated miscellaneous gains from supplementary benefits such as premium waiver and accidental death benefits, from dividend accumulations, from extended term insurance, and from expense adjustments as described in Section II.D.3. Any excess of net actual expenses over modeled expenses was then modeled in that year as an expense expressed as a percentage of reserve. For years with an excess of modeled expense over net actual expense, all expense factors were scaled down to match net actual expense levels. Consistent with the Company's financial management practice, the experience of Pruco was combined with the experience of Prudential in this analysis.

b. Weekly Premium

Expenses for weekly premium policies were developed in a similar manner to regular ordinary policies except that all expenses were expressed per policy rather than using the more complex structure of the expense studies for the regular ordinary line.

c. Intermediate

Where expenses for intermediate policies were available from Company records the same procedure was followed as for weekly premium policies. For years where data was not available, the level of expenses for intermediate policies was estimated from the data for weekly premium policies because of the similarities between these two blocks of business.

5. Dividends

The actual dividends per unit payable in a calendar year were used for each model cell. Some of the very early duration historical termination dividends were approximated if the actual scale was not available.

6. Net Investment Income Earnings Rates and Capital Gains Rates

Net investment income earnings rates and capital gains rates were developed consistently with the general approach described in Section II.D. Where separate data for intermediate and regular ordinary were not available the combined experience was used for both.

7. Federal Income Tax Rates

Federal income tax rates were developed consistently with the general approach described in Section II.D. The treatment of the DAC proxy tax was also handled consistently with the general approach described in Section II.D.

In the calculation of the DAC proxy tax for base policies, it was assumed that a certain percentage of base policy dividends was used to reduce premiums (consistent with actual company experience). The AC calculations for paid up additions cells used dividends from the base policy and existing PUA amounts as premiums. However, no DAC proxy tax is created by dividends used to purchase Paid Up Additions.

8. Other Liabilities

Claims were modeled as paid when incurred and then adjusted for interest gains resulting from delayed payment of claims.

C. PROSPECTIVE CALCULATIONS

The same types of experience factors as listed above were used for prospective AC calculations. All prospective assumptions were based on recent experience.

In addition, assumptions for future policy terminations were needed. Consistent with the Company's financial management practice, the combined recent experience

of Prudential and Pruco was used in setting the future policy termination assumption.

In general, the experience factors used to calculate prospective ACs were consistent with those used to determine Closed Block funding. For example, the prospective earned rate assumption was based on the projected earnings rates of the Closed Block assets. The discount rate used in calculating present values was based on the after-tax projected earnings rate. There are four exceptions to this general rule:

1. The Closed Block funding calculation reflects the fact that the Closed Block will not be charged for actual renewal commissions, administrative and overhead expenses, and investment expenses. Instead, a fixed schedule of charges will be used in lieu of these actual expenses. Unit expense assumptions for the prospective AC calculations were developed consistently with the general approach described in Section II.D. Commission assumptions were consistent with the scales used for the historical AC calculations.

2. The Closed Block will be charged for certain taxes (e.g., Federal income tax) using the specific rules described in the Closed Block Memorandum. Federal income tax rates for the prospective AC calculations were developed consistently with the general approach described in Section II.D.

3. No capital gains were projected in the Closed Block funding. However, the runoff of unamortized historical capital gains was recognized in the prospective AC calculations.

4. The AC calculations recognized the amortization of the build-up of DAC proxy tax at the end of the historical period while the calculations for Closed Block funding started with the beginning DAC proxy tax balance of the Closed Block policies and amortized it prospectively.

IV. INDIVIDUAL LIFE INSURANCE - POLICIES NOT IN THE CLOSED BLOCK

This category included four types of US. business: indeterminate premium term insurance (issued from 1988 to 1996), guaranteed premium term insurance (first issued in 1996), interest-sensitive life insurance (first issued in 1984) and variable life insurance policies (first issued in 1983). Over time, variable and interest-sensitive life insurance policies have been issued by both the Company and Designated Subsidiaries.

The term products have been issued on a nominally participating basis, but no dividends have been paid and none are expected in the future. Because of similarities between the indeterminate premium term business and other term business in the Closed Block, these indeterminate premium term policies were mapped to the comparable Closed Block model cells. The AC methodology and assumption development for the guaranteed premium term insurance paralleled that for the Closed Block policies in all material respects.

Because of similarities between the interest-sensitive life products and variable life products, and because the Company has historically managed these products together, the interest-sensitive life products were mapped to the comparable variable life model cells. The AC methodology and assumption development for the variable life products paralleled that for the Closed Block policies in all material respects, except as noted below.

1. The AC factors for variable life insurance were expressed as a function of policy fund value, face amount, and per policy.

2. The following additional assumptions were used in developing the historical ACs. These assumptions were based on pricing assumptions, adjusted to reflect actual experience, where available.

   a. Premium Pattern

   Many of these products are flexible premium products. Historical premium patterns were reviewed and historical premium ratios were determined for each modeled flexible premium product. The premium ratios were developed as a function of the original expected premium level for each product, and were also validated by making sure they reproduced fund values at the product level as of the AC Date.

   b. Spreads

   Based on the product pricing spreads associated with general account business, separate account business, and policy loans, weighted average

spreads were developed for modeled products based on the historical distribution of funds among the general account, separate account, and policy loans.

For calculation purposes, weighted average earned rates were developed by adding weighted average credited rates (based on the same distribution of funds used in developing the weighted average spreads) to the weighted average spreads.

For the fixed premium variable policies, the earned / credited rates were validated by reproducing the aggregate fund levels as of the AC Date.

3. Consistent with the Company's historical practices in setting general account credited rates, the rates used to accumulate the historical ACs to the AC Date were based only on Pruco experience.

4. Prospective assumptions were based on pricing assumptions and recent historical experience. Prospective earned rates were developed consistent with the approach described in Section II.D. above (except that the general account earned rates were based on the recent experience of Pruco only, to be consistent with Prudential's historical financial management practices).

For the Canadian branch policies, comparable methods to those described above were used, except that prospective ACs were adjusted consistent with the treatment described for divested business in Section II.E.4. Assumptions used in the AC calculations were developed based on Canadian data (where credible Canadian experience data were available). Where credible Canadian experience data did not exist, the Company's US or combined US and Canadian experience was used. As an example, US prospective ACs were used as the theoretical Canadian prospective ACs for the purpose of allocating the gain on sale on the business transferred to London Life.

V. INDIVIDUAL HEALTH POLICIES

A. OVERVIEW AND METHODOLOGY

The Individual Health business includes products issued by the Company beginning in 1952. This line of business was intended to complement individual life insurance sales. Initially, the products offered included individual disability income insurance, hospital/surgical policies, hospital indemnity policies, and accidental death and dismemberment (AD&D) policies. The Company introduced Medicare Supplement policies staffing in the late 1970s as conversions from group policies. In the early 1970s, the Company introduced CHIP, a leading edge comprehensive medical insurance program. This product was replaced by PruMed in 1983. The Company's individual health business also includes individual policies sold as conversions from group insurance policies. The Company ceased its sales of individual health business in 1993. However, it introduced an individual Long Term Care (ILTC) policy starting in 1999, which is the only Individual Health product currently being sold. All of this business is participating, though dividends are not currently paid on most of this business.

The Individual Health business was subdivided into eleven different categories of business, each representing a similar group of policy forms whose historical financial management practices were comparable to each other. These categories parallel the types of products sold, as defined above. AC factors were computed by issue year within each category, and the resulting factors were applied to annualized premiums for each policy within the category.

The Actuarial Contribution methodology for Individual Health business was similar to that for Traditional Life. The following material modifications were used for Individual Health business:

1. The AC factors were expressed per dollar of current annualized premium on each policy.

2. AC factors varied by calendar year of issue and category of business (and by plan for individual disability insurance).

3. For the individual DI business sold in 1999, the prospective ACs were adjusted consistent with the treatment described for divested business in Section II.E.4.

Annual AC factors were produced for every calendar year for every issue year within every category of business. The historical AC factors were accumulated with interest to the AC Date, and the prospective AC factors were discounted to the AC Date. After applying AC factors to the current annualized premium on each policy, the historical AC and prospective AC were added to produce the total AC for each policy, which, in no event, was allowed to be less than zero.

AC factors were computed based on "unitized premiums." That is, all the assumptions were developed as percentages of premium. Calculations were based on a unit ($100) of premium in calendar year 2000. Historic premium levels were adjusted to reflect past rate increases, and

future premiums were adjusted to reflect anticipated future rate increases, policy lapses and expirations.

B. HISTORICAL CALCULATIONS

The following assumptions were used in the historical AC calculations.

1. Loss ratios

Historical statutory loss ratios (paid claims plus change in claim reserves as a percentage of earned premium) were developed by calendar year for each category of business. Estimates were used for earlier years where such detail did not exist, using annual statement loss ratios by renewability feature as the guide.

2. Expenses, commissions, premium taxes

These values were expressed as a percentage of each year's premium, based on allocations to the Individual Health line of business. Relationships between first year and renewal year commissions and expenses were based on actuarial memoranda for representative policy forms, in recent years, the expense allocations to the Individual Health line of business were negative; these negative values were determined to be not credible and were not used. Instead, the most recent credible data were used.

3. Rate increases

Historical rate increases were recognized to reflect the changes in rates that have been charged over a policy's lifetime. An inventory of such historical rate increases was developed from the Company's records.

4. Active life reserves

Some policy forms utilize level premiums based on issue age. In these categories, active life reserves (also known as policy reserves or contract reserves) were developed from the actual reserve factors from the Company's valuation systems.

5. Dividends

Although there have been only limited amounts of dividends paid on Individual Health policies, the actual dividend history was reflected using relationships from the Company's annual dividend resolutions, from annual statement (Schedule H) dividend amounts and from the annual policy experience exhibits. Some policy forms (such as hospital indemnity) have used benefit dividends instead of cash dividends. These benefit dividends were included in each year's claims and are reflected in the loss ratios used for those policies.

6. Net Investment Income and Capital Gains

Total company investment income and capital gains rates were used for the Individual Health business because it was considered an appropriate proxy for the rates used in the management of the business.

7. Federal Income Taxes

Federal Income Tax rates were developed consistent with the general approach described in Section II.D.

C. PROSPECTIVE CALCULATIONS

The same kinds of assumptions used in the historical AC calculations were used in the prospective AC calculations, except that the prospective AC calculations also incorporated the anticipated average rate of lapse of the inforce business over its remaining future lifetime. Prospective assumptions were based on recent historical experience.

Future rate increases were anticipated for those categories of business for which the Company has been seeking rate increases as part of its financial management practices.

VI. INDIVIDUAL ANNUITY CONTRACTS

There are three main product categories in the Individual Annuity product line: Deferred Annuities, Retirement Annuities, and Payout Individual Annuities. Deferred Annuities include single-premium and flexible-premium annuities in deferred status. Retirement Annuities, which are no longer issued, are a fixed premium deferred annuity product. Payout Individual Annuities include single premium immediate annuities, structured settlements, settlement options in payout status, and Alliance contracts.

A. DEFERRED ANNUITIES

1. Overview and Methodology

This business includes both fixed and variable annuities issued both by Prudential and Pruco. The Prudential business has been issued since the early 1970s and the Pruco business has been issued since the early 1980s.

The general steps used to compute the AC for each deferred annuity policy were as follows:

a. Capture historical financial information, as available and appropriate, for each deferred annuity policy.

b. Determine the appropriate gain factors for each product, issue year and calendar year, based on historical financial experience.

c. Multiply the historical gain factors by the applicable historical financial information and accumulate the results to the AC Date. This result is the historical AC for each policy.

d. Multiply the account value on the AC Date by a factor that represents the present value of future contributions to surplus. This result is the prospective AC for each policy.

e. Add the historical AC and prospective AC to produce the total AC for the policy, which, in no event, was allowed to be less than zero.

2. Historical Calculations

Gain factors were developed for each product for each calendar year since issue by analyzing the sources of gain and loss and relating them to appropriate bases such as account values and premiums paid. These factors reflected the pooling of experience in the year incurred. The gain factors were then applied to the policy-specific data (from the historical year-by-year transaction data files) for each year and accumulated with after-tax interest to the AC Date.

For periods where policy-specific data were not available, models were used to develop gain factors for these periods. These factors were applied to the earliest available policy-specific account values.

Gain factors used in the historical AC calculations were developed as described below.

a. Investment gain

Investment gains in a calendar year were developed by applying investment spreads (as described below) to policy-specific account values.

Historical investment spreads for account values in the general account (and for Market-Value Adjusted annuities ("MVAs") in the separate account) were the excess of the actual historical investment returns over the average interest rate credited to contracts of the same plan type and calendar year of experience.

The general account investment returns were derived from the assets and investment income allocated to the individual annuity line of business separately for Prudential and Pruco, in line with historical financial management practices. Prudential general account investment returns were adjusted to reflect the amounts backing deferred annuity contracts.

For separate account business other than MVAs, the investment spread was the sum of contractual Mortality and Expense charges ("M&E charges"), administration fees, and net investment management fees.

b. Expense gain

The expense gain was the excess of product loads over the corresponding expenses.

To determine the product loads component, certain product loads were pooled by plan and calendar year, and others were captured on a policy-by-policy basis.

To determine the expense component, expenses and taxes other than Federal income taxes were allocated on a per policy, percent of account value, or percent of premium basis to reproduce actual amounts allocated to the individual annuity line of business for Prudential and Pruco combined. Expense allocations were consistent across all products. For commissions, writing and general agent commission scales were related to premiums, adjusting for vesting schedules where appropriate.

c. Miscellaneous gains

Gains on miscellaneous benefits (e.g., return of premium or minimum guaranteed fund values for certain products) at the product level were expressed as a function of account values and applied to policy-specific account values.

d. Federal income taxes

Federal income taxes were reflected based on the general approach described in Section II.D. Since the historical transaction records did not contain the policy's tax reserves for each year, these were approximated based on an analysis of the Company's practices with respect to tax reserves.

e. DAC Proxy Taxes

The gain factors from DAC proxy taxes were calculated consistent with the general approach described in Section II.D. The gain factors varied by calendar year and reflected the amounts of tax-qualified business separately in Prudential and Pruco.

3. Prospective Calculations

For prospective ACs, a model was used to develop prospective AC factors based on present values of after-tax statutory gains expected for each product, by issue year. These factors were applied to the policy-specific account value on the AC Date.

In general, prospective gain factors were developed using approaches consistent with historical gain factors, and were based on recent experience.

a. Earned Rates and Credited Rates

Prospective earned rates for account values in the general account and for MVAs in the separate account were developed based on the general approach discussed in Section II.D. Prospective earned rates for other separate account business were developed based on an assumed asset portfolio and assumed returns for each asset group in the portfolio, for Prudential and Pruco combined.

Prospective investment spreads were developed from the recent spreads used in the historical calculation, and projected on the assumption that they will grade, over several years, into the long-term anticipated spread for the particular product.

The net interest rate credited to the policy was determined by subtracting the investment spreads from the prospective earned interest rates.

b. Premiums

These were projected as a percentage of fund values at the AC Date based on recent renewal premiums for each product as a percentage of projected fund values and reduced for future expected terminations as discussed below.

c. Gains from Terminations

Termination assumptions for surrenders, partial withdrawals, annuitizations, deaths and internal exchanges were projected based on recent experience. Factors for the gains varied by type of termination. An amount of gain on surrender was calculated based on the surrender charges that varied by plan. An amount of gain, expressed as a percentage of the assumed amount annuitizing, was calculated based on the assumptions and methods used for payout annuities. An amount of gain on exchanges was calculated based on anticipated gains on the Company's recent exchange program. The gains on deaths and partial withdrawals were assumed to equal zero.

d. Commissions

Assumptions for commissions were consistent with the scales used for the historical AC calculations.

e. Years to Maturity

These were projected based on assumed average ages at maturity and the average issue age of the in force for each plan.

For the Canadian branch business, based on experience data of the Canadian branch (and assuming that the 1995 experience continued into the future after the business was sold to London Life), it was determined that the AC for each policy was negative. These values were not adjusted for the gain on sale, nor did these values impact on the gain on sale adjustment for other lines of business.

B. RETIREMENT ANNUITIES

Retirement annuities are fixed premium participating deferred annuities with guaranteed cash values that were issued from the 1930s until the early 1980s. While retirement annuities are individual annuity products, these contracts have many characteristics of traditional life insurance products. The historical ACs for retirement annuities were developed using the same methodology described for individual life Closed Block business. The assumptions used in the development of the historical ACs for retirement annuities were consistent with the assumptions described above for deferred annuities except that the investment experience of the individual life line of business (where retirement annuity premiums were invested) was used. For prospective ACs, the methodology and assumptions described for deferred annuities were used except that the prospective investment income assumption was developed consistent with the projected investment experience of the Closed Block.

For the Canadian branch business, assumptions as described in Section II.E.5 were used. The prospective ACs were adjusted consistent with the methodology described in Section II.E.4.

C. Supplementary Contracts, Annuities in Payout Status, and Alliance Contracts

The products included in this category include annuities in payout phase and the Alliance contract, which is a retained asset fund into which benefit proceeds have been deposite. The annuities in a payout phase include all deferred annuities that have annuitized, immediate annuities, structured settlements, and supplementary contracts issued under settlement options. Certain group life and group annuity supplementary contracts are also included.

The historical AC was calculated by applying gain factors to estimated statutory reserves and accumulating these values at an after-tax interest rate to the AC Date. For matured annuities (deferred annuities that have annuitized), credit was also given for contributions to surplus during the deferral period on a basis consistent with that developed for deferred annuities that have not yet annuitized.

The prospective AC was calculated by applying gain factors to projected future statutory reserves and discounting these values at an after-tax interest rate to the AC Date.

Gain factors were developed based on pricing assumptions, adjusted to reflect actual experience, where available.

For the Canadian branch business, comparable methods to those described above were used.

VII. GROUP ANNUITY CONTRACTS

A. OVERVIEW AND METHODOLOGY

Prudential first began issuing group annuity business in 1928. Over time, the group annuity product offerings expanded to meet the needs of the marketplace. The main product groups in the Group Annuity product line used in the calculation of the ACs include: Group Annuity Segment business ("GAS"), Defined Contribution business ("DC"), Group Pension Segment A business ("GPSA"), Prupar business, Separate Account Investment Only business, Separate Account GIC business, and Synthetic GIC business.

While the experience assumptions underlying the different product groups are different, these product groups all used a similar methodology for calculating ACs. Product-specific differences are discussed in the sections below.

A case-by-case approach was used to determine the AC for each Group Annuity contract. The general steps were as follows:

1. Capture historical financial information, as available and appropriate, for each product component of a customer's contract.

2. Determine the appropriate gain factors for each calendar year, based on historical financial experience.

3. Multiply the historical gain factors by the applicable historical financial information, adjust the resulting gain for taxes, and accumulate to the AC Date as described in Section II.D. This result is the historical AC for each product component.

4. Multiply the prospective gain factors by projected annual fund balances (typically statutory reserves) for each product component, adjust the resulting gain for taxes and discount to the AC Date as described in Section II.D. This result is the prospective AC for each product component.

5. Add the historical AC and prospective AC to produce the total AC for each product component covered by the contract.

6. Combine the results across all product components for a contract, employing the combination rules that pertain to the financial practices for that contract, to arrive at the total AC for that contract. In no event will this total AC be allowed to be less than zero.

In the above general description, it is assumed that the group annuity contract is the financial management unit. However, in cases where there is more than one financial management unit within a group annuity contract or where two or more group annuity contracts constitute one

financial management unit, the above calculations are performed separately for each financial management unit.

For all products but DC, customer specific financial data was available for all contracts back to contract inception. For DC, certain customer specific financial data was not available prior to 1979. For these customers, customer account balances were extrapolated back to zero at the contract inception date using aggregate financial data.

B. HISTORICAL CALCULATIONS

The historical financial information to which gain factors were applied were a product component's fund balance (typically statutory reserves). The gain factors used for each product group are described below.

For GAS and DC contracts, the following gain factors were defined: risk charge factor (or interest charge), capital gains factor, expense gain factor, and surplus adjustment factor.

1. The risk charge is an annual charge that is made against contract values, typically assessed by reducing the interest rate to be credited to customer account. The annual risk charge amounts or factors for GAS and DC were available in the Company's records for years after 1967. For years prior to 1968, an annual factor which was level across policy years was used. This annual factor was calculated as the level annual factor, that, when applied to contract values for all contracts over the period from inception of the Group Annuity line of business through 1967, approximately reproduced the total risk charge revenue for the line of business according to the Company's records.

2. The capital gains factor represents capital gains on assets backing GAS and DC contracts when such gains were not distributed to the customer through credited rates, dividend formula, or experience rating process. These factors were derived separately for GAS and DC using a model of all business ever inforce and historical Company records of capital gains.

3. Expense gain factors were derived separately for GAS and DC in a model that compared allocated historical annual statement expenses to fees that were charged to cover expenses for each product for each calendar year. The allocation of annual statement expenses to product group was either directly available in Company records or derived from information in Company records. The expense gain (loss) factor was calculated as the excess (shortfall) of the charged fees over allocated expenses divided by mean aggregate fund balance for each product group.

4. The surplus adjustment factor reflects the surplus (or deficit) in the experience accumulation amounts that are not expected to be reflected in future dividends. These factors were derived by comparing detailed customer reserves to experience accumulation records as of the AC

Date. Experience accumulation records were available by contract for GAS contracts and by groups of similar contracts for DC contracts.

For GPSA contracts, one gain factor for each contract was defined - the adjusted pricing profit margin. The original pricing profit margin is the margin expected at the time of sale, and was available in the Company's records for each contract. These expected margins were adjusted using a model which trued-up initial historical AC's based on the expected margins to actual total adjusted surplus for all GPSA contracts as of the AC Date.

For contracts invested in the separate account(s), the following gain factors were defined: risk charge factor, expense gain factor, and investment management gain factor. For Prupar, Separate Account GIC, and Synthetic GIC business, all three factors were applicable. For Separate Account Investment Only business, only the investment management gain factor was applicable.

1. Risk charges or factors are contractually defined and were available in the Company's historical records. The risk charge factor or amount for each contract was adjusted for any increase in reserves for contract losses.

2. Expense gain/loss factors were developed by comparing expense revenues to expenses allocated to product groups. These factors were separately developed for each Prupar contract and for the combined experience of Separate Account GIC business and Synthetic GIC business.

3. Investment management gain factors were developed by asset class for separate account business, by comparing total investment management fee revenue to allocated investment and insurance expenses as available in the Company's records. These revenues and expenses were pooled over all separate account products. In certain years (1995-1999), the Company's experience data were aggregated for some of the asset classes, and an aggregated gain factor was calculated for the applicable asset classes for each such year. For years where data were not available (1982-1986 and 1988-1994), interpolation was used to develop gain factors. For 1987 and years prior to 1982, actual revenue and expense data by asset class were available for all six asset classes and were used to develop gain factors.

Historical gains were adjusted for taxes as described in Section II.D.

Historical gains were accumulated with interest to the AC Date as described in Section II.D.

C. PROSPECTIVE CALCULATIONS

Gain factors were applied to the appropriate projected fund balances in determining the AC for each product component. If the product is one for which recurring premiums/deposits were being made, expected premium/deposits were included in the development of projected fund balances, based on recent historical contract-specific deposit amounts. Projections of fund balances reflect product-specific lapse assumptions, where appropriate, that are based on recent experience.

The gain factors used for each product group are described below.

For GAS, the following gain factors were defined for the future: risk charge factor, capital gains factor, and expense gain factor. Risk charges were assumed to continue into the future at the current level. Capital gains factors were developed to reflect the excess of any unamortized balance of past capital gains over that portion which is expected to be distributed to the customers through credited rates, dividends or experience rating. Expense gain factors were developed by grading from current factors to an ultimate factor over a three-year period. The ultimate factor was developed as the average of the historical factors for the years 1995 - 1999.

For DC, the following gain factors were defined for the future: risk charge factor, expense gain factor, and surplus adjustment factor. Risk charge factors were assumed to continue into the future at the current level. Expense gain factors were developed by grading from current factors to an ultimate factor over a three-year period. The ultimate factor was developed as the average of the historical factors for the years 1995 - 1999. Surplus adjustment factors were developed by grading from current factors to zero over a five-year period.

For GPSA contracts, a two-step approach was used. First, for each contract, the original pricing profit margin (the same value as used in the calculation of the historical AC) was applied to projected future statutory reserves and discounted to the AC Date. Second, the difference between present value of future surplus as calculated in the level interest scenario of the Company's 1999 Asset Adequacy Testing (adjusted appropriately for use in these calculations) and the sum of the results from the first step was allocated to each contact using present value of reserves as the basis.

For contracts invested in the separate account(s), the following gain factors were used: risk charge factor, expense gain factor, and investment management

gain factor. For Prupar, Separate Account GIC, and Synthetic GIC business, all three factors were applicable. For Separate Account Investment Only business, only the investment management gain factor was applicable.

1. Risk charges were calculated by applying contractual formulas to projected account values.

2. Expense gain factors were developed by grading from current expense revenue vs. allocated product group expense levels to an ultimate level over a three-year period. The ultimate level was developed as the average of the historical factors for the years 1995 - 1999.

3. Investment management gain factors were developed by grading from current factors to the historic five-year average factors over a three year period.

Prospective gains were adjusted for taxes as described in Section II.D.

Prospective gains were discounted with interest as described in Section II.D.

For the Canadian branch business, based on experience data of the Canadian branch (and assuming that the 1995 experience continued into the future after the business was sold to

London Life), it was determined that the AC for each policy was negative. These values were not adjusted for the gain on sale, nor did these values impact on the gain on sale adjustment for other lines of business.

VIII. GROUP AND CREDITOR LIFE AND HEALTH INSURANCE POLICIES

A. OVERVIEW AND METHODOLOGY

The Company entered the group insurance marketplace in 1916 when it issued its first group life insurance policy. Creditor operations began in the 1920s and health insurance products (hospital, surgical, disability and major medical business) were first introduced in the 1940s. The group product portfolio has expanded to include managed care arrangements, dental insurance, group universal life, group variable universal life, long term care, and trust owned life insurance. The Company markets its products and services to employers of all sizes, with special programs for small employer groups, fully pooled prospectively rated business, retrospectively rated dividend-paying business, and administrative services only business.

In 1996, Prudential sold its Canadian administered group life and health business and, in 1999, the Company sold its US group healthcare operations.

A case-by-case approach was used to determine the AC for each Group Life and Health financial management unit. For purposes of this section, "group" includes "creditor." The general steps were as follows:

1. Capture historical financial information, as available and appropriate, for each coverage of a customer's policy.

2. Determine the appropriate gain factors for each calendar year, based on historical financial experience.

3. Multiply the historical gain factors by the applicable historical financial information and accumulate the results to the AC Date. This result is the historical AC for each coverage.

4. Multiply the current annualized premium for each coverage by a factor that represents the present value of future contributions to surplus. This result is the prospective AC for each coverage.

5. Add the historical AC and prospective AC to produce the total AC for the coverage.

6. Combine the results across all coverages for a financial management unit, employing the combination rules that pertain to the financial practices for those coverages, to arrive at the total AC for the financial management unit. In no event was this total AC allowed to be less than zero.

From 1985 to 1999, most historical financial information for each policy was available in electronic format. Prior to 1985, paper files from the Company's Group Life and Health Department were reviewed. For periods where policy-specific data were not available, estimated

values were developed, based on the available policy-specific data for other periods and rates of change in those data fields over time as derived from financial statements and other available experience information.

There were two distinct methodologies employed in developing the ACs for the Group Life and Health business, based on the financial arrangements that the policyholder had in place with Prudential. One method was used for "Standard Claimed" business (i.e., coverages where the rate is set in advance and there is no dividend determination or other retrospective recognition of the actual claims experience) and another method was used for "Actual Claimed" business (i.e., coverages or combinations thereof for which a dividend determination is made based on actual claims experience).

B. STANDARD CLAIMED BUSINESS

Consistent with the financial management practices for Standard Claimed business, each coverage under a policy was treated as a separate financial management unit. Therefore, ACs were developed independently for each coverage owned by a policyholder. The total AC for each coverage was set equal to sum of the historical AC and the prospective AC, but in no event was the total AC allowed to be less than zero.

Certain Standard Claimed policyholders also have advance premium policy funds on deposit with Prudential. These funds produced an additional AC based on the after-tax value of the interest spread earned by Prudential on these funds. Consistent with the historical financial management practice, the advance premium accounts are treated as a separate financial management unit.

The total AC for each policy owned by the policyholder equaled the sum of the total AC across all financial management units for that policy, including the AC associated with advance premium policy hands on deposit.

1. Historical Calculations

The historical AC for each coverage was computed by multiplying the coverage's premiums for each year since policy inception by gain factors and accumulating the result to the AC Date. The gain factors, or "Return on Premium" (ROP) factors represent the annual statutory gain or loss expressed as a percentage of premium for each product since its inception. The ROP factors were developed, for each product and calendar year, as the ratio of earned premiums plus investment income plus capital gains less incurred benefits less incurred expenses less incurred premium taxes, licenses, and fees, less federal income taxes, over earned premiums. These factors were derived to represent the experience of the Standard Claimed business only. Historical factors utilized annual statement results, internal Company workpapers and reporting systems that supported the annual statement, along with periodic experience studies that had been produced in the past.

2. Prospective Calculations

The prospective AC for each coverage was computed by multiplying the coverage's current annualized premium by an ROP factor that represents the present value as of the AC Date of the expected future contributions to surplus. An initial ROP factor was computed based on the average ROP factor for the past three years; the future ROP factors were based on a blend of the initial factor and an ultimate ROP factor, with the factors grading to the ultimate ROP factor over the next three years. The ultimate future ROP factors were based on a combination of recent actual experience and Group Life and Health Management's forecasts of expected future profitability.

C. ACTUAL CLAIMED BUSINESS

The total AC for each coverage within each financial management unit was set equal to the sum of the historical AC and prospective AC for that coverage. (The dividend case, which represents coverages or combinations of coverages for which a single dividend determination is made, most often represents the unit of financial management for Actual Claimed business.)

The total AC for each financial management unit was set equal to the sum of the total ACs of each coverage within the financial management unit, but in no event was the total AC for a financial management unit allowed to be less than zero.

The accumulation of AC amounts across years, coverages and dividend cases was dictated by a set of rules that define the uninterrupted period of time over which a single financial management unit existed. All coverages that were part of that financial management unit had their experience combined such that one coverage that produced a deficit during that period could have the deficit offset by a surplus on another coverage. Certain Actual Claimed policyholders also have policy funds on deposit with Prudential, such as advance premium

accounts, dividend accumulation accounts, and claim stabilization reserves. These funds produced an additional AC based on the after-tax value of the interest spread earned by Prudential on these funds. Depending on the historical dividend calculation treatment of such funds, each such policy fund may either be treated as a separate financial management unit or as part of the same financial management unit as the coverages with which it is associated.

1. Historical Calculations

The historical AC was computed since policy inception for each coverage within each dividend case a policyholder has in force. Components of the policyholder's financial experience (such as risk charges, expense charges, interest credited on policyholder reserves and funds, etc.) were multiplied by an AC factor for that component and the result was accumulated to the AC Date.

The results were then adjusted for a portion of any outstanding deficit on the coverage as of the AC Date and a portion of any reserve gain that arose on that date.

The components of the Actual Claimed historical AC factors are described below.

a. Risk Charge Gain or Loss

This element consisted of the contribution to surplus charge (CTS) plus the basic underwriting charge (BUC) less any persistency credit.

b. Interest Spread Gain or Loss

This was defined as the excess of the interest earned on policyholder reserves and funds over the interest credited to the policyholder. The spread, expressed as a percentage of credited interest, was computed by comparing the annual earned investment income rate for the Group lines to the annual crediting rate for that particular liability or fund from the Company's group dividend formula. The annual earned investment income rates were developed as described in the general approach in Section II.D. These rates were modified, where appropriate, to remove the effects of corporate-wide reinsurance initiatives. Spread rates varied by year and by type of reserve or fund and were applied separately across each such item for each policyholder. Gains associated with funds invested in separate accounts (e.g., Trust Owned Life Insurance, Retiree Funding Accounts, and Survivor Income Benefits) were a function of the separate account asset base or investment management fees. These gains were computed separately for each affected group using the same methodology used for all separate account business and then added to the ACs for the affected group life and health policyholders.

c. Expense Gain or Loss

The excess of the expenses charged to a policyholder over the actual expenses incurred, expressed as a percentage of the expenses charged, represented an expense gain percentage. The Company conducted experience studies by coverage and by year comparing the total company expenses allocated to each coverage to the total amount of expenses charged in the dividend formula for expenses. Adjustments were made to reflect Standard Claimed business, and to remove the effect of non-eligible coverages (such as ASO business) and other unallocated expenses.

d. Pooling Gain or Loss

The excess of the total pooling charges over all pooled claims for a coverage in a year, expressed as a percentage of the pooling charges, represented the pooling gain percentage. The pooling gain percentages were developed by comparing the total pooled claims for each coverage across all groups to the comparable pooling charges.

e. Conversion Gain or Loss

Whenever a terminating employee converts his or her life or health coverage to an individual policy, the Company makes a charge to the policyholder for the costs associated with that conversion. The Company's group department pays additional charges to the individual

department which administers these conversions to cover the costs of this business in excess of the premiums charged to the individuals. The excess of the amounts charged to all group policyholders for conversion charges over the total amount the Company's group department pays for the conversions to the individual departments, expressed as a percentage of the total conversion charges, represented the conversion gain percentage. The appropriate gain percentages were developed by comparing these values over several years.

f. Reserve Gain or Loss

Actual Claimed policyholders would have had their experience charged with reserves for their group based on assumptions from the Company's group dividend formula. In some cases, these reserves differ from the comparable reserves that the Company holds in its statutory statement. This difference as of the AC Date was reflected in the AC formula by determining the relationship between the total reserves for each type of reserve (e.g. unrevealed reserve, pending claim reserve, etc.) and for each coverage.

g. Charge for Outstanding Deficit

If a coverage was in a deficit position on the AC Date, a portion of that deficit was charged against the historical AC. This charge was made to reflect the possibility that the group may terminate its financial relationship with the Company while in a deficit position, thereby leaving the Company with a loss equal to that deficit. The portion of the deficit that was charged against the historical AC was based on a formula that reflected the length of time the group policyholder had been a Prudential group policyholder and the size of the deficit relative to the current annual premium. A formula was used to allocate some percentage of that deficit against the AC. The formula reduced the amount of deficit charged if a group had maintained a long-standing relationship with Prudential. It also charged a larger amount of the deficit if the deficit was large as a percentage of premium. This was based on the premise that a group with a very large deficit was more likely to terminate its relationship than a group with a small deficit that can be repaid out of premiums over the following few years.

Historical gains were adjusted for taxes as described in Section II.D.

Historical gains were accumulated with interest to the AC Date as described in Section II.D.

2. Prospective Calculations

The prospective AC was computed by multiplying the current year's premium for each coverage by a gain factor that represents the present value as of the AC Date of the projected future after-tax contributions to surplus. Except as noted below, prospective assumptions were generally based on recent experience and the general approach described in Section II.D.

a. Premiums

Future premiums were projected using trend rates to reflect changes in rate levels and changes in amounts of coverage.

b. Lapse Rates

Lapse rates were developed based on the Company's experience and expectations to reflect the possible termination of each product within each actual claimed group.

c. ROPs

Averages of recent ROPs were computed separately for each actual claimed coverage for each policyholder. An ultimate ROP was developed based on the average ROP adjusted for projected future expense charges. The future ROP percentages for each year grade linearly from the historical average to the ultimate level over three years. For policyholders with products containing discretionary policyholder funds (such as insurance continuance funds or claim stabilization reserves), an additional ROP was computed based on these fund values and their recent contributions to surplus.

Prospective gains were adjusted for taxes as described in Section II.D.

Prospective gains were discounted with interest as described in Section II.D.

For the Canadian group life and health business composite life and health experience was used to develop historical ROP experience factors. The methodology for computing AC is as described for US standard claimed business in Section VIII.B and applies to both actual and standard claimed cases, with an additional adjustment made to actual claimed cases in a deficit position as of the AC Date. In addition, the prospective ACs were adjusted consistent with the treatment described for divested business in Section II.E.4.

Exhibit G

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OVERVIEW

The Closed Block is the mechanism established for the purpose of providing over time for the reasonable dividend expectations of owners of Closed Block Policies. This memorandum sets forth how that purpose is to be addressed both in the initial funding of the Closed Block and in how the Closed Block will actually operate.

Closed Block Objective. The Initial Closed Block Assets shall be allocated to produce cash flows which, together with anticipated revenue from the Closed Block Policies, are expected to be reasonably sufficient to support the Closed Block Policies (including but not limited to the payment of claims, certain expenses and taxes) and to provide for the continuation of dividend scales payable on the Closed Block Policies in 2000 if the experience underlying such scales continues and for appropriate adjustments in such scales if such experience changes, consistent with the requirements of Part Two, Section III of this Exhibit G. (In the case of Closed Block Policies on which no dividends are due in 2000 because they were issued in recent years such as 1999 or 2000, or even in 2001, when this Exhibit refers to the continuation of the dividend scales payable in 2000, it should be understood that the eventual payment of the 2000 dividend scales is anticipated and will be handled either in the determination of the amount of Initial Closed Block Assets or through the Funding Adjustment Charges in Schedule G-3.)

In no event shall the Company be required to pay dividends from assets that are not Closed Block Assets. Notwithstanding any other provisions of the Plan, the Company's decision to establish a Closed Block in connection with the Plan shall in no way constitute a guarantee with respect to any policy or contract that it will be apportioned a certain amount of dividends.

As explained in the Plan (Section 9.4), certain policies of the Canadian branch are in their own Canadian Closed Block as described in Exhibit H, and the Closed Block described in this Exhibit G does not include these policies.

Initial Closed Block Assets shall be determined in accordance with Part One of this Exhibit G. Section I of Part One contains the methodology that is being followed to determine the amount of the Initial Closed Block Assets used to fund the Closed Block as of the midnight between June 30, 2000 and July 1, 2000 (the Plan defines the latter date to be the "Closed Block Funding Date"). Also within Part One, Section II describes the experience assumptions used to determine the amount described in Section I. That is, Sections I and II of Part One describe the initial funding of the Closed Block.

The Closed Block shall be operated for the exclusive benefit of the Closed Block Policies in accordance with Part Two of this Exhibit G. Sections I through X of Part Two describe the operation of the Closed Block. The Closed Block is credited with (or, as appropriate, charged for) all insurance cash flows and investment cash flows with respect to Closed Block Policies as specified in Part Two, Section I. Closed Block Policies include policies in the intermediate monthly premium life insurance product line ("Intermediate" policies), weekly premium life insurance product line ("Weekly Premium" policies), traditional ordinary life insurance policies

("Traditional Ordinary" policies) and Participating Individual Retirement Annuity contacts ("Retirement Annuity" contracts).

Section II of Part Two provides for the investment policy of the Closed Block. Section III provides for the dividend policy of the Closed Block. Section IV provides for the recognition, if any, of reinsurance as it affects the Closed Block.

Section V of Part Two contains the bases upon which to charge the Closed Block for various kinds of taxes other than income taxes and for fees in lieu of actual commissions and expenses after the Closed Block Funding Date.

Section VI of Part Two contains the basis upon which to charge the Closed Block for income taxes after the Closed Block Funding Date.

Section VII of Part Two contains the basis upon which to charge the Closed Block for any Closed Block Policies newly issued after the Closed Block Funding Date.

Section VIII of Part Two contains the basis upon which to credit cash to the Closed Block to fund benefits that the Closed Block must provide after the Closed Block Funding Date on Closed Block Policies that were allocated Policy Credits as demutualization consideration (in lieu of stock or cash). Section VIII also describes the basis for crediting cash to the Closed Block in respect of sales practices liabilities.

Section IX of Part Two provides reporting requirements of the Closed Block. Section X controls amendments to, and termination of, the Closed Block.

Capitalized terms used in this Exhibit have the meanings ascribed to them in the Plan or in this Exhibit.

PART ONE. INITIAL FUNDING OF THE CLOSED BLOCK

I. AMOUNT OF INITIAL CLOSED BLOCK ASSETS

The Initial Closed Block Assets are determined to achieve the Closed Block Objective (described on page 1 of this Exhibit G), that is, to produce cash flows which, together with anticipated revenue from the Closed Block Policies, are expected to be reasonably sufficient to support the Closed Block Policies (including but not limited to the payment of claims, certain expenses and taxes specified in Part Two) and to provide for the continuation of dividend scales payable on the Closed Block Policies in 2000 if the experience underlying such scales (as described in Section II of Part One) continues. The 2000 dividend scales were determined at the end of 1999 and are generally payable in 2000 (for Weekly Premium policies, Traditional Ordinary policies and Retirement Annuity contracts) but were payable at the end of 1999 for Intermediate policies.

The Closed Block began operations as of July 1, 2000 with an initial set of assets provisionally selected based on an estimate of the amount needed to achieve the Closed Block Objective. This provisional selection of assets is described in subsection B below. The determination of the actual Initial Closed Block Assets as of July 1, 2000 is described in subsection A below.

A. DETERMINATION OF ACTUAL INITIAL CLOSED BLOCK ASSETS

The amount of Initial Closed Block Assets is determined effective as of July 1, 2000 (the "Closed Block Funding Date"). The actual Initial Closed Block Assets as of the Closed Block Funding Date are determined by:

1. building, for the Closed Block Policies actually in force on the Closed Block Funding Date, a model to project Net Insurance Cash Flow (as specified below) from the Closed Block Policies;

2. building a model to project the Net Investment Cash Flow from the provisional(1) Initial Closed Block Assets, making incremental additions or reductions to the amount of these assets, and re-projecting the Net Investment Cash Flow; and

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(1) As described below in subsection B, the Company selected a reasonable provisional set of initial Closed Block Assets from among assets in the Individual Insurance and Annuity segment owned on the Closed Block Funding Date. (This is the segment of Prudential's general account that supported the Closed Block Policies heretofore.) This allowed tracking of Closed Block cash flows and accounting for the Closed Block to begin immediately on the Closed Block Funding Date. Following the Closed Block Funding Date the amount of incremental assets needed to fund the Closed Block to complete its establishment as of the Closed Block Funding Date must be calculated. Any change in assets determined by the final model to be needed as of the Closed Block Funding Date to achieve the Closed Block Objective will be added or subtracted, with interest, after such determination.

3. combining the Net Insurance Cash Flow and the Net Investment Cash Flow projected by the models in Steps 1 and 2, and adjusting them for income tax, to project Net Total Cash Flow Available for Reinvestment. The Net Total Cash Flow Available for Reinvestment is projected to be used to purchase new assets, which are assumed to earn investment return. The dollars of investment return projected to be generated by these new assets are subject to income tax in the model. The model continues to project these amounts until the last Closed Block Policy is assumed to terminate.

Assets are re-projected iteratively as described in Steps 2 and 3 (testing different amounts of additional assets to be added or to be removed) until the assets remaining at the end of the projection are approximately zero. When the assets remaining at the end of the projection are approximately zero, then the initial assets in the projection (i.e., the total of provisional assets and the incremental assets added or removed) are the actual Initial Closed Block Assets reasonably sufficient to satisfy the Closed Block Objective. Steps 1, 2 and 3 are done separately (a) for Intermediate and Weekly Premium policies (excluding Canadian branch policies, which are in the separate Canadian Closed Block), and (b) for Traditional Ordinary policies that comprise the Closed Block Policies, and then the assets as determined by these procedures are combined.

The initial assets as determined from the above-described modeling process are adjusted for other differences between the balance sheet for the Closed Block as represented by the model and the actual balance sheet for the Closed Block, both balance sheets taken as of the Closed Block Funding Date. The largest such balance sheet differences are the reserves on a number of miscellaneous benefits discussed below in paragraph 1.b. (specifically, dividend accumulations, disability premium waiver and accidental death benefit riders, extended term insurance, substandard rating reserves, Option to Purchase Additional Insurance riders and post-conversion excess mortality) and the reserves on Retirement Annuity contracts.(2) Such balance sheet differences also include due premiums, claims incurred but not yet reported, and differences in other reserves, as well as others. As discussed below in paragraph 1.b., the net gains on the miscellaneous benefits are part of the Net Insurance Cash Flows projected by the model. Since the model takes only the net gains from miscellaneous benefits into account, assets equal in amount to the reserves for such benefits must be added separately. With respect to Retirement Annuity contracts, due premiums, claims incurred but not yet reported, and differences in other reserves, the adjustment to initial assets determined to be needed because of these balance sheet differences reflects taxes and may be either dollar of asset for dollar of difference or in proportion to a funding ratio on reserves, depending on the nature of the balance sheet difference. If a balance sheet difference such as the Interest Maintenance Reserve never produces a cash flow effect, neither directly nor through affecting taxes, then no adjustment to initial assets is necessary.

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(2) Retirement Annuity contracts are a very small block of business operated in coordination with Traditional Ordinary life insurance business. Test calculations were run using an annuity model analogous to the life insurance models described in Part One of this Exhibit, appropriate Retirement Annuity experience assumptions, the Traditional Ordinary reinvestment interest rate, and the operating rules applicable to Retirement Annuity contracts described in Part Two of this Exhibit.

The initial assets are permissible assets of a New Jersey domiciled life insurer, including (but not limited to) bonds, mortgages, stock, real estate, policy loans on policies in the Closed Block, due and accrued investment income on such assets, cash, and premiums due on the Closed Block Policies.

No existing reinsurance treaties have been taken into account in the determination of the Initial Closed Block Assets, consistent with Part Two, Section IV of this Exhibit G.

The following describes the three steps of the calculations listed above to calculate the actual (as distinct from provisional) Initial Closed Block Assets.

1. Net Insurance Cash Flow.

Net Insurance Cash Flow for purposes of the modeling process described herein is the sum of the amounts described in paragraphs (a), (b) and (c) below.

a. Base policies, excluding the miscellaneous benefits covered in paragraph (b) below. Two models of the Company's Closed Block Policies in force have been developed from the Company's policy records as of midnight at the start of the Closed Block Funding Date. One model covers the Company's Intermediate and Weekly Premium business, and the other model covers the Company's Regular Ordinary business. These models are used to project Net Insurance Cash Flow for base policies excluding miscellaneous benefits, as described below. The model for Regular Ordinary business consists of approximately ten thousand model cells for premium paying and paid-up policies, including reduced paid up policies. The model provides for paid-up dividend additions (both existing amounts and amounts projected to be applied or purchased during the period of the Closed Block operations) and term riders on the primary insured or other insured such as the spouse. Cells in the model are defined by plan (also known as "kind code"), ratebook era (also known as "value basis" and "premium basis"), premium paying status, issue year, and issue age. A substantial majority of the Company's Closed Block business in force is assigned to the model cells based on similarity of characteristics. For example, all policies of a particular plan issued at ages 40 through 49 may be assigned to a model cell representing issue age 45. Male and female risks, nonsmoker and smoker risks, standard and preferred (or "select") risks are all recognized and modeled separately where appropriate. The model for Intermediate and Weekly Premium business is much smaller.

"Net Insurance Cash Flow" equals the following transactions on Closed Block Policies:

Premiums (whether paid in cash or by use of dividends or other benefits)
plus policy loan interest (with an offset in capitalized policy loan interest if not paid in cash)
plus policy loan repayments (whether paid in cash or by reduced cash benefits)
minus benefits (whether paid in cash, applied to effect Supplementary Contracts outside the Closed Block, or used to pay policy loans)
minus policyholder dividends (whether paid in cash or used to pay premiums)

minus new or additional policy loans (including the capitalization of policy loan interest due)
minus specified expense fees
minus specified fees in lieu of state premium taxes (including franchise taxes levied solely on the basis of premium) and guaranty fund assessments
minus specified fees in lieu of payroll taxes.

The following points clarify the handling of certain cash flows in the models:

i. "Benefits" include death, withdrawal and maturity benefits. Death benefits incurred in a month are assumed to be incurred on average at mid-month and to be paid when incurred. (As noted in (c) below, some delay in the payment of death claims is recognized at a separate point in the modeling.) Other benefits such as surrender benefits are assumed to arise at the end of policy years for Traditional Ordinary business (but at the end of policy months for Intermediate and Weekly Premium business).

ii. "Dividends" are projected assuming a continuation of the 2000 dividend scales. The experience assumptions described in Part One, Section II are selected to be consistent with this projection.

iii. "Premiums" are assumed in the model to be received annually on policy anniversaries (unless the premium is for Intermediate and Weekly Premium business, in which case it is waived). The assumption of annualized modal premiums means that for a policy whose actual premium mode is not annual, the premium is assumed to be paid earlier than it is actually paid. To offset the interest

payment inherent in modal premium loadings, a percentage reduction factor is applied to premiums, varying by value basis. Similarly, the policy constant represents a weighted average of annual mode policy constants and other mode policy constants adjusted for interest foregone. The assumption that modal premiums are received annually, rather than on modal premium due dates, means that no premium is assumed to be received for the policy from the Closed Block Funding Date (July 1, 2000) until the next following policy anniversary. In fact, cash premiums for non-annual mode premium policies for the policy year that includes July 1, 2000 will be received during that period, and certain fees incurred as a percentage of premium (both those in lieu of administrative expenses and commissions and those in lieu of taxes) as described in Part Two Section V will be incurred by the Closed Block. Therefore, an adjustment to the Initial Closed Block Assets determined by the model, rather than an adjustment to cash flows in the model itself, reduces the Initial Closed Block Assets (as determined by the model) by the amount of the due and off-anniversary remaining premiums expected to be collected (less both the 5% of cash premium fee in lieu of administrative expenses and commissions and the fees in lieu of taxes charged as described

in Part Two Section V) on Closed Block Policies from the Closed Block Funding Date to the next policy anniversary.

b. Miscellaneous benefits. The net cash flows represented by the net gains on miscellaneous benefits (specifically, extended term insurance, substandard reserves, Option to Purchase Additional Insurance reserves, post-conversion excess mortality reserves, dividend accumulations, disability premium waiver and accidental death benefit riders) are derived separately. For Traditional Ordinary business, such gains are reflected directly in the construction of the dividend scales for the underlying policies; hence, the gains on miscellaneous benefits associated with these policies are developed in a manner consistent with the way in which they are reflected in the dividend scales. For Intermediate and Weekly Premium business, such gains are not reflected directly in the construction of the dividend scales for the underlying policies; hence, the gains on miscellaneous benefits associated with these policies are developed using another projection technique as described below

c. Other adjustments. The model includes aggregate projections for child riders and the interest margin on claims in course of settlement over the life of the Closed Block.

2. Net Investment Cash Flow.

"Net Investment Cash Flow" is the cash flow from both Initial Closed Block Assets and assets assumed to be purchased subsequently. Such Net Investment Cash Flow includes the amounts of coupons (or other forms of interest), dividends paid on stock or other equity interests, rents, and any repayments or prepayments of principal, as well as proceeds from the projected sales of equities and real estate. Net Investment Cash Flow is net of projected default costs and Investment expenses. In the case of the Initial Closed Block Assets, the default costs are calculated as percentages of assets in applicable categories, and the investment expense fees are those specified in Part Two, Section V.A and Schedule G-1. In the case of assets purchased subsequently, the net reinvestment rates specified in Part One, Section II.L. are net of both default costs and investment expenses.

3. Reinvestment of Net Cash Flows and Income Taxes

Net Investment Cash Flow is added to Net Insurance Cash Flow, and income taxes for the period (calculated as set forth in Part One, subsections 11.1 and II.J.) are subtracted to determine the Net Total Cash Flow Available for Reinvestment. (If the income taxes are negative, their absolute value is added.) The Net Total Cash Flow Available for Reinvestment is then assumed to be reinvested at either of two interest rates, depending on whether the business is (a) Intermediate and Weekly Premium policies or (b) the Traditional Ordinary policies included in the Closed Block. (Such reinvestment rate assumptions are specified in Part One, subsection II.L.)

For (a) and (b) separately (where (a) is the Intermediate and Weekly Premium business and (b) is the Traditional Ordinary business included in

the Closed Block), the Closed Block

Assets are modeled on a year by year basis until the last Closed Block Policy is assumed to terminate. If the assets remaining at the end of the projection period are zero or approximately zero, then the actual Initial Closed Block Assets are the same as the provisional Initial Closed Block Assets. However, if as is more likely, the assets remaining at the end of the projection period are not zero, then either additional assets are added to the provisional assets, or a portion of the provisional assets are removed, depending on whether the assets remaining at the end of the projection period are less or more than zero. These additional assets (or assets to be removed) are to be in the form of cash, US Treasury securities or investment grade publicly traded corporate bonds in the NAIC 1 category. The entire calculation is repeated to test if the assets remaining at the end of the projection period are zero. This continues until an amount is determined which gives terminal assets of approximately zero.

B. SELECTION OF THE PROVISIONAL INITIAL CLOSED BLOCK ASSETS

The following describes the selection of the provisional Initial Closed Block Assets.

A model based on September 30, 1999 Closed Block Policies in force was used in June, 2000, to estimate provisionally that the needed funding as of the Closed Block Funding Date would be approximately $48.9 billion (including policy loans). This estimate reflected estimated trends in growth in reserves - and therefore the estimated trends in growth in needed funding - from September 30, 1999 to the Closed Block Funding Date. Assets in excess of this amount were provisionally selected at the Closed Block Funding Date. Such assets actually selected are referred to as the "provisional Initial Closed Block Assets." The provisional Initial Closed Block Assets and their associated cash flows were identified and credited to the Closed Block starting on the Closed Block Funding Date. These assets consist of policy loans, accrued interest, and premiums due on Closed Block Policies, as well as a large portion of the bonds, mortgages and other investments then in the Individual Insurance and Annuity (IIA) segment of the Company's general account. The bonds, mortgages, and other investments provisionally selected at the Closed Block Funding Date were a pro rata share of each of the existing assets of the IIA segment, with some exceptions. Certain assets were not selected for the Closed Block (e.g., insurance and investment subsidiaries, some partnership and joint venture interests, assets in default). Also, since it was impractical to select and manage a pro rata share of numerous mortgage pools for the Closed Block, specific mortgage pools were selected for the Closed Block. The specific mortgage pools selected for the Closed Block were expected to produce aggregate cash flow patterns over time that are approximately proportional to those of all the mortgage pools in the IIA segment.

Deletions from (or additions to) these provisional Initial Closed Block Assets as described above must be determined after the Closed Block Funding Date, to reflect the actual insurance business in force as of midnight at the start of the Closed Block Funding Date, the assets provisionally selected, and the actual assets available for a later true-up (which may be in the form of cash, US Treasury securities and investment grade publicly traded corporate bonds in the NAIC 1 category). Once this calculation is completed, any excess/shortfall of the provisional funding above/below the actual Initial Closed Block Assets needed will be subtracted from/added to the

Closed Block, going to (or coming from) the Company's IIA segment of the general account (with interest consistent with how the calculation is structured) to complete the funding. (The calculation of interest will recognize that such interest will be included in the calculation of taxable income when income tax is charged to the Closed Block for that period.)

That is, while the selection of these provisional assets allowed the Closed Block to start operation, the exact amount of assets provisionally selected does not ultimately determine the true funding level. The final calculation is used to determine the correct amount, and any difference between the correct amount and the provisional amount is removed from or added to the Closed Block, as appropriate, once the correct amount is determined.

II. DESCRIPTION OF EXPERIENCE ASSUMPTIONS USED TO DETERMINE INITIAL CLOSED BLOCK ASSETS

The 2000 dividend scales are essentially(3) the same as the 1997, 1998 and 1999 dividend scales, so the experience assumptions used to determine the cash flow

projections consistent with a continuation of these dividend scales are, in general, based on the average experience of the four periods (generally four years) that were analyzed in the establishment of these dividend scales. The primary experience assumptions and methods used in the projections of Net Insurance Cash Flow and Net Investment Cash Flow are as follows.

A. MORTALITY

Rates of assumed mortality for the base policies are based on the Company's actual experience as described in recent experience mortality studies. The rates vary by line of business, issue age basis (age last, age nearest, and age next birthday), policy size, issue age, duration since issue and underwriting class (sex, smoking status and standard rating class). The mortality assumptions were selected based on a mortality study using actual Company experience from calendar years 1992 through 1995. These were adjusted, as appropriate, to reflect more recent experience of 1996 through 1998. For Intermediate and Weekly Premium policies, the mortality assumptions are based on the mortality experience of Gibraltar Series Traditional Ordinary life insurance.

Death benefits include face amounts on the base policy and paid up additions, plus termination dividends (if any), plus, where appropriate, potentially both a refund of unearned premiums and a mortuary (pro-rata or full annual policy) dividend.

B. LAPSE AND SURRENDER

Lapse and surrender rates for the base policies are based on the 1995 through 1998 persistency studies. The persistency rates vary by line of business, issue age, duration since issue, and permanent versus term business. Permanent policy termination rates vary by policy size. Term policy termination rates vary by policy type. However, Intermediate and Weekly Premium policy termination rates do not vary.

Surrender benefits paid for Traditional Ordinary policies are calculated as policy year end cash values (consistent with company practice of recognizing paid-to-date as applied to a model with annual premium mode), plus annual dividend (if any) due at the end of the policy year, plus termination dividend. Surrender benefits paid for Intermediate and Weekly Premium policies are calculated monthly as interpolated cash values because premiums are waived.

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(3) The only change during this period was one made to simplify the dividend scales. In this simplification, the dividend interest rate was increased for the traditional ordinary block of business issued in 1992-1998 from its 1998 dividend scale to its 1999 dividend scale.

Paid up additions are assumed to terminate at the sum of the termination rate for the base policy plus an increment that varies by the value basis (to reproduce actual experience as it varies by ratebook era). (The increment is higher for the more recent value bases, but there is no increment for paid up additions on Intermediate and Weekly Premium policies.)

C. EXPENSES

Fees in lieu of expenses (such as commissions, general insurance expenses and internal investment expenses) are charged to the Closed Block at the rates and by the methods specified in Schedules G-1 and G-2 and Part Two, Section V. The fee deductions assumed in the cash flow projections reflect the provisions in Part Two, Section V for fees, including the set of investment charges specified by asset type in Schedule G-l and the set of administrative charges specified by policy counts, death benefit amounts, reserves and premiums in Schedule G-2.

D. TAXES OTHER THAN INCOME TAXES

State premium taxes and retaliatory taxes (as well as franchise taxes levied solely on the basis of premium) to be charged are assumed in the model to be 2.05% on the excess of model base and rider premiums over 70% of cash option dividends incurred, for all future years. (In the model, cash option dividends represent the combination of cash option, reduce premium option, and dividend accumulation option dividends. Actual dividends used for all three options, when treated as deductible in this formula with these rates, reproduce the premium related taxes that would have been charged for 1995-1998 pursuant to Section V of Part Two.)

Guaranty fund assessments in the model are assumed to be 0.04% of the excess of model base and rider premiums over 70% of the cash option dividends incurred, based on experience in 1989-1998. This longer time period is used to derive a more credible assumption than would come from a four-year period.

Fees in lieu of payroll taxes are set in Part Two, Section V to be 6.50% of the per policy administrative expense fees for all future years.

E. POLICY LOAN UTILIZATION

The model reflects the actual amount of policy loans as of the Closed Block Funding Date. Both the liabilities created when the Company securitized some of its policy loans and any associated service fees connected with such securitization are not reflected in the models for the Closed Block, pursuant to Part Two, Section I.B.2.

The projections assume that loan interest is earned at the appropriate policy loan rate for each model cell. Over time, adjustable policy loan interest rates are assumed to equal the net reinvestment rate specified in Part One, subsection II.L.

Policy loans are projected assuming policy loan utilization rates are a constant percentage of base policy plus paid up additions cash values, based on the actual policy loan amounts as of the

Closed Block Funding Date. (The policy loan utilization rates used are derived in relation to the cash values excluding dividend accumulations.)

F. DIVIDEND OPTIONS

Dividends on Traditional Ordinary base policies are applied to various dividend options according to current experience with regard to how policyholders are using their dividend options, which include paid-up additions and others which the model treats as paid in cash (cash, dividend accumulations and premium reduction).

Dividends earned on paid-up additions on all policies and on Intermediate and Weekly Premium base policies are applied to provide paid-up additions.

G. INSURANCE CASH FLOWS FOR MISCELLANEOUS BENEFITS

1. Traditional Ordinary business.

a. Gains arising from mortality/morbidity experience and from expense margins are reflected, as they have been in the dividend scales, in terms of offsets to expense charges on the base policies -- per policy, per $1,000 of insurance, and as a percentage of premiums. These gains (associated with disability premium waiver, accidental death benefits, extended term insurance, and Option to Purchase Additional Insurance reserves) were related to the above indices (policy counts, amounts of insurance, and premiums) for the four-year period 1995-1998, and the resulting factors were averaged. These factors were then applied, in each future year, to the projected amounts of policies, amounts of insurance, and premiums, and the resulting amounts were presumed to be the net cash flow available to support the dividend scales on the base policies.

b. Gains arising from investment margins and from the release of reserves upon termination are reflected, as they have been in the dividend scales, as an additional source of investment return on the assets, other than policy loans, supporting the base policies. These gains (associated with disability premium waiver, accidental death benefits, extended term insurance, post-conversion excess mortality reserves, Option to Purchase Additional Insurance reserves, substandard risk reserves, and dividend accumulations), reduced by an amount used to support other interest requirements, were related to the amount of policy reserves in excess of the amount of policy loans. These ratios were calculated for each of the four years, 1995-1998, and the resulting factors were averaged. The resulting factor was then applied, in each future year, to the projected amount of reserves in excess of policy loans, and the resulting amount was presumed to be the net cash flow available to support the dividend scales on the base policies.

c. As explained above in the description of the determination of the Initial Closed Block Assets, since the Net Insurance Cash Flows projected in the model take only the net gains from miscellaneous benefits into account, assets equal to the reserves for such benefits

are added separately. The amount of Closed Block Assets determined by the model projections is reduced on account of the net cash flows presumed to be available, as described in (a) and (b).

2. Intermediate and Weekly Premium business.

The gains arising from miscellaneous benefits (accidental death benefits,

active life disability benefits, and dividend accumulations) associated with these categories of business were not reflected in the underlying dividend scales. Therefore, the gains were projected by deriving experience results for 1995-1998, projecting those results forward in a pattern consistent with the way in which the underlying reserves associated with such benefits are presumed to decline, and calculating the resulting present value. The amount of Closed Block Assets required for these benefits equals the total reserves held with respect to such benefits as of the Closed Block Funding Date, minus the present value just described.

3. Other benefits and adjustments.

Gains on child riders, and gains arising from the lag in death claim settlement (interest earned minus the interest credited on such claim amounts during the period from incurral to settlement) were derived separately, using techniques consistent with those in (2) above. The amount of Closed Block Assets arising from these sources is equal to the reserve on child riders as of the Closed Block Funding date, minus the present value of the gains just described.

H. TAX RESERVES

Tax basis terminal reserves and tax basis net premium factors used to calculate income tax as described in subsection I below are calculated for each model cell based on tax valuation basis and method, except for Intermediate and Weekly Premium policies. For Intermediate and Weekly Premium policies the statutory valuation reserves for each model cell are used as the tax basis reserves. The model recognizes that the actual tax calculation for the period starting July 1, 2000 (the Closed Block Funding Date) will assume that there are $322.111 million of unamortized reserve basis changes as of July 1, 2000.

I. DAC PROXY TAXES

The following assumptions are made in calculating net premiums for the purposes of the Internal Revenue Code Section 848 ("DAC proxy tax"), within the Federal income tax calculation discussed in subsection J:

1. Premiums paid by dividends used to purchase paid up additions are treated as excluded premiums for the DAC proxy tax.

2. Premiums paid by dividends used to reduce billed premiums are treated as excluded premiums for the DAC proxy tax.

The DAC proxy tax is based on capitalizing 7.7% of life insurance premiums net of the above adjustments. Consistent with the actual charging of Federal income tax provided in Part Two, Section VI, the model treats all premiums on ordinary life insurance as being on non-tax-qualified business. The DAC amortization period is ten years for the Closed Block Policies. No Authorized Risk Transfer Agreement is in existence on the Closed Block Funding Date, so there are no DAC proxy tax effects of reinsurance to be recognized in the model.

The amortization of the DAC proxy tax arising from premiums paid before the Closed Block Funding Date is included in this calculation. The model recognizes that the actual tax calculation for the period starting July 1, 2000 (the Closed Block Funding Date) will assume that there are $1,056.882 million of unamortized DAC as of July 1, 2000.

J. FEDERAL AND STATE INCOME TAXES

With a few identified exceptions which are also recognized in the model, the income tax charge to the Closed Block specified in Part Two, Section VI follows the Internal Revenue Code as it applies from time to time. Broadly, this means that, in addition to the DAC proxy tax described in subsection I above, the income tax calculated on the tax basis profit or loss associated with Closed Block activities is charged. The tax basis profit reflects the fees in lieu of commissions, administrative expenses, investment expenses and taxes (other than income taxes) that will be charged to the Closed Block without regard to any different "actual" commissions, expenses and taxes. The income tax calculation in the model reflects the provisions of Part Two, Section VI, such as unamortized reserve basis changes.

Federal and state income taxes (and foreign income taxes net of foreign tax credit against Federal income taxes, as well as franchise taxes calculated in the manner of income taxes) are calculated in the model assuming a combined tax rate of 35.97%. Capital gains (losses) are also taxed at 35.97% while recognizing no differences between the tax and statutory values on initial assets selected for the Closed Block. Of the combined 35.97%, 0.97% represents the average state income tax rate from 1995-1998 after recognizing that it is tax deductible from Federal taxable income. As provided in Part Two, Section VI for actual tax charges and credits, the model recognizes that both operating losses and capital losses produce a cash credit to the Closed Block.

K. ASSET DEFAULT RATES, YIELD ENHANCEMENTS, PREPAYMENTS

The default assumptions for public and private bonds are based on Moody's default studies as modified to reflect Company experience. For commercial mortgages, the default rates are based on Company studies.

The effect of yield enhancement from securities lending is based on Company experience.

For public equities and real estate in the Initial Closed Block Assets, the model assumes that some of these assets are sold each period so that they, in combination with the fixed income assets remaining from the Initial Closed Block Assets, will maintain the same target asset mix over time. (They have no fixed maturity date and because their total return exceeds the cash yield, such equities would tend to grow disproportionately.) Their total returns (including their cash yield, such as the dividend yield on shares of stock) are assumptions, based on Company analyses and expectations. Private equities are assumed to be sold over seven years, and their total returns are also assumptions based on Company analyses and expectations.

For modeling purposes, all Initial Closed Block fixed income Assets are generally assumed held to maturity, unless the asset modeling system (BondEdge from Capital Management Sciences) indicates an economic prepayment at an earlier date or there is a defined sinking fund selected for the asset. All bonds and mortgages with make whole provisions (which compensate the Company for calls when new money rates are lower than the coupon on the bond) are modeled as non-callable.

L. NET REINVESTMENT RATES

The Net Total Cash Flow Available for Reinvestment is assumed to be reinvested at either of two annual rates: 8.57% for Intermediate and Weekly Premium policies, and 8.06% for Traditional Ordinary policies (and for Retirement Annuity contracts, as noted in footnote 2), which are the average investment experience rates underlying the 2000 dividend scales (which, as described above, were essentially those paid in 1997-2000), after reduction to remove the effect of any retained earnings charge. These investment experience rates are expressed on a basis that is net of defaults and net of the investment fees provided in Schedule G-1. Such investment experience returns arose on the IIA segment assets, from which assets were selected to compose the Initial Closed Block Assets. These rates reflect a spreading of capital gains and losses consistent with the Interest Maintenance Reserve for fixed income assets and over four years for equities.

PART TWO. OPERATION OF THE CLOSED BLOCK

The Closed Block shall be operated for the exclusive benefit of the Closed Block Policies in accordance with Article IX of the Plan and Part Two of this Exhibit G. Sections I through X of Part Two describe the operation of the Closed Block.

As stated in Section 9.2(a) of the Plan of Reorganization, the Closed Block is credited with (or, if negative, charged for) all insurance cash flows and investment cash flows with respect to Closed Block Policies as specified in this Part Two. The Company shall pay all guaranteed benefits for Closed Block Policies in accordance with the terms of such policies. The Closed Block Assets are the Company's assets, and the establishment of the Closed Block shall not in the event of the rehabilitation or liquidation of the Company affect the priority of the claims of the holders of Closed Block Policies to such assets in relation to the claims of all other policyholders and creditors of the Company.

I. CREDITS TO AND CHARGES AGAINST THE CLOSED BLOCK FOR CASH FLOWS ON CLOSED BLOCK POLICIES

A. CREDITS TO AND CHARGES AGAINST THE CLOSED BLOCK.

After the Closed Block Funding Date, insurance cash flows and investment cash flows arising from the operation of the Closed Block shall be credited to or charged against the Closed Block as follows, in each case subject to the specific rules and consistent with the assumptions and methodologies set forth in this Exhibit G

1. With respect to insurance cash flows:

a. The Closed Block shall be credited or charged, as the case may be, for (i) premiums and annuity considerations paid with respect to Closed Block Policies, including but not limited to any premiums and annuity considerations paid by the Company with respect to a policy that is the subject of an ADR claim and that otherwise

satisfies the criteria for a Closed Block Policy, as specified in Part Two, Section VIII; (ii) cash repayments of policy loans made with respect to Closed Block Policies; (iii) policy loan interest paid in cash on Closed Block Policies; (iv) death or maturity benefits, surrender values and new policy loans taken in cash with respect to Closed Block Policies; (v) dividends on policies and riders that are Closed Block Policies; and (vi) policy credits in respect of Closed Block Policies as specified in Part Two, Section VIII.

b. Fees in respect of administrative and overhead expenses and certain commissions and commission-related expenses incurred by the Company in connection with the performance of its obligations under the Closed Block Policies shall be charged against the Closed Block. The fees shall be in the amounts determined in accordance with the

schedule specified in Section V.B. and shall be charged in lieu of the actual expenses incurred by the Company or any Prudential Affiliate providing such services.

c. The Closed Block shall be credited or charged, as the case may be, in respect of premium taxes and retaliatory taxes (including franchise taxes levied solely on the basis of premiums), incurred on premiums received in respect of Closed Block Policies, and payments made or received in connection with membership in a state guaranty association or imposed by any mandatory pool, fund or association. The amounts to be credited or charged shall be determined in accordance with the procedure described in Section V.C.1 and V.C.4. below.

d. The Closed Block shall be charged in respect of payroll taxes in accordance with the procedure described in Section V.C.2. below.

e. The Closed Block shall be credited or charged, as the case may be, in respect of income taxes and franchise taxes calculated in the manner of income taxes in accordance with the procedure described in Section VI below.

f. Amounts in respect of certain expenses to adjust funding in connection with Closed Block Policies issued on or after the Closed Block Funding Date shall be charged against the Closed Block. The amounts of such charges shall be determined in accordance with the schedule specified in Section VII below and shall be charged against the Closed Block to adjust funding in connection with Closed Block Policies.

2. With respect to investment cash flows:

a Investment-related cash flows from the Closed Block Assets, including, but not limited to, interest, coupon payments, dividends, proceeds of asset sales, maturities and redemptions, shall be credited to the Closed Block.

b. Fees in respect of investment-related expenses related to managing the Closed Block Assets (covering investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) shall be charged against the Closed Block. The fees shall be in the amounts determined in accordance with the schedule of investment fees specified in Section V.A. below and shall be charged in lieu of the actual internal investment-related expenses incurred by the Company or any Prudential Affiliate providing such services.

c. In addition to the fees specified in the preceding paragraph, amounts shall be charged against the Closed Block for direct investment expenses, including the brokerage cost of acquiring investments and the brokerage cost and transaction expense of disposing of investments. The Closed Block shall also be charged for real estate expenses and real estate taxes in proportion to the Closed Block's holding of any interest in real estate giving rise to such expenses and taxes, as specified in Sections V.A. and V.C.3. below. Real estate taxes shall be charged to the Closed Block when payable to the taxing entity.

B. SPECIAL CASES

1. Unreported Deaths

The Closed Block will be charged for death (or dismemberment) claims

incurred before, but not reported as of, the Closed Block Funding Date. The Closed Block will not be charged for death (or dismemberment) claims incurred and reported before, but not paid as of, the Closed Block Fund Date. Disablements before the Closed Block Funding Date generating a premium waiver claim on a Closed Block Policy are a liability of the Closed Block. The Initial Closed Block Assets include an adjustment to model results to fund for the Incurred But Not Reported Liability.

2. Policy Loan Securitization

The operation of the Closed Block will not be affected by, and will not reflect, the liabilities created when the Company securitized some of its policy loans (nor any associated service fees connected with such securitization).

3. Annuitization

The amount of cash value or death benefits applied to annuitize a Retirement Annuity contract or to effect a Supplementary Contract will be charged against the Closed Block at the time of such application. The annuitized Retirement Annuity contract or Supplementary Contract shall thereafter be a liability of the Company, but not of the Closed Block.

II. INVESTMENT POLICY OF THE CLOSED BLOCK

As of the Closed Block Funding Date, new investments of the Closed Block cash flows shall be acquired in conformity with an investment policy statement for the Closed Block that is consistent with investment guidelines approved from time to time by the Investment Committee of the Board or its successor. Such investment policy statement shall address, to the extent applicable, investment objectives, permissible asset class categories, permissible investments, valuation methodology, internal reporting, risk limits and performance factors and measurements. The Closed Block Assets shall be managed in the aggregate to seek a high level of return consistent with the preservation of principal and equity, through asset-liability management, strategic and tactical asset allocation and manager selection/performance and shall reflect the duration and ability to take risk consistent with the nature of the Closed Block.

No assets shall be reallocated, exchanged or transferred between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate, except (i) in accordance with this provision, (ii) as provided in the Closed Block Memorandum, or (iii) as approved by the Commissioner. To facilitate the management of Closed Block cash flows, the Closed Block may participate in pooled short term accounts maintained by the Company on a basis no less favorable than any other portion of the Company's general account. Any other transfers, exchanges, investments, purchases or sales of assets between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate may be effected if such transactions (i) benefit the Closed Block, (ii) are consistent with the investment policy statement and objectives described in the prior paragraph, (iii) are executed at demonstrable fair market values, and (iv) do not exceed, in any calendar year, more than 10% of the statutory statement value of the invested assets of the Closed Block as of the beginning of that year.

III. DIVIDEND POLICY OF THE CLOSED BLOCK

A. DIVIDENDS ON CLOSED BLOCK POLICIES shall be apportioned annually by the Board in accordance with applicable law and applicable standards of actuarial practice as promulgated by the Actuarial Standards Board or its successor so as to reflect the underlying experience of the Closed Block and with the objective of managing aggregate dividends so as to exhaust the Closed Block Assets when the last Closed Block Policy terminates while avoiding an outcome in which relatively few last surviving holders of Closed Block Policies receive dividends that are substantially disproportionate (either higher or lower) to those previously received by other holders of Closed Block Policies. The current practices with respect to the irrevocable apportionment of dividends shall continue unless the financial benefits of such practices are no longer available to the Company.

B. Subject to paragraph A. above, dividends on Closed Block Policies shall be apportioned, and shall be allocated among Closed Block Policies, so as to reflect the underlying experience of the Closed Block, and the degree to which the various classes of Closed Block Policies have contributed to such experience.

IV. REINSURANCE OR OTHER TRANSFER OF RISK

A. The Closed Block will not be charged (nor credited) for cash flows and tax effects of any reinsurance agreements in existence on the Closed Block Funding Date.

B. For any future reinsurance agreements the Company may, with the Commissioner's prior consent, and subject to Article 7 of Chapter 18 of Title 17B of the New Jersey Revised Statutes, enter into one or more agreements to reinsure or otherwise transfer all or any part of its risks under the Closed Block Policies. Notwithstanding any other provision of Article IX of the Plan or of this Exhibit G, (1) the agreement may provide for the transfer of all or part of the risks associated with Closed Block Policies and/or the transfer of ownership or, or other interest in, Closed Block Assets or funds not allocated to the Closed Block supporting such risks; (2) amounts paid and received by the Company in connection with any such agreement may be allocated to the Closed Block in accordance with any methodology approved by the Commissioner; (3) cash flows from any transferred Closed Block Assets may be considered to be investment cash flows of the Closed Block for purposes of establishing dividends and meeting policy obligations on Closed Block Policies; and (4) the Company may use Closed Block Assets or funds not allocated to the Closed Block as reinsurance premiums or other consideration for such agreement provided, in each case, and without limiting the grounds on which the Commissioner may withhold approval, the Commissioner shall not approve such action if the Commissioner finds that such action shall have the effect of lessening the extent to which the reasonable dividend expectations of the holders of Closed Block Policies are provided for by Article IX of the Plan and by this Exhibit G.

V. THE BASES UPON WHICH TO CHARGE THE CLOSED BLOCK FOR FEES AND TAXES OTHER THAN INCOME TAXES

Cash shall be regularly and promptly withdrawn from the Closed Block for fees in lieu of commissions, expenses, and taxes other than income taxes in accordance with the following formulas:

A. INVESTMENT EXPENSES

The charges for investment expenses for each class of investments in the Closed Block will be determined in two components, direct investment expenses (such as brokerage costs, which will be charged as they are incurred), and fees in lieu of internal investment expenses.

The Closed Block will be charged for direct investment expenses. The brokerage cost of acquiring investments is reflected in the cost of such investments. The brokerage cost and transaction expense of disposing of investments will be deducted from the gross proceeds of such sales. The Closed Block will be charged for the actual operating expenses (and real estate taxes, as noted below) incurred with respect to real estate owned by the Closed Block.

Fees in lieu of internal investment expenses (to cover investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation, and fees for investment policy, planning and analysis) will be charged as fixed basis point charges that vary by asset type. Specifically, the internal investment fees will be, at an annual rate on Closed Block Assets valued on a statutory basis, a charge varying by asset category as shown in Schedule G-1. These Schedule G-1 fees will be prorated and charged on a quarterly basis at the end of each quarter, based on the assets as of the beginning of each quarter. These Schedule G-1 fees will be in lieu of any allocation of actual investment management expenses of the type currently reported in Exhibit 2 of the NAIC blank.

B. ADMINISTRATIVE EXPENSES AND COMMISSIONS

Fees in lieu of administrative expenses will be charged at the end of the quarter based on the Closed Block policy counts, death benefits, and reserves as of the beginning of each quarter. Such fees will be calculated at the annual rates shown in Schedule G-2, prorated.

In addition, fees in lieu of administrative expenses and commissions will be charged at the end of the quarter at the rate of 5% on cash premiums received in the prior quarter on Traditional Ordinary life insurance Closed Block policies and will be charged at the rate of 7.5% on cash premiums received in the prior quarter on Closed Block Retirement Annuity contracts. No fees will be charged on the premiums waived and not collected on Intermediate and Weekly Premium policies. Cash premiums for this purpose exclude premiums waived for disability but include billed premiums on Traditional Ordinary life insurance policies paid by application of dividends to reduce such billed premiums. In the first calendar quarter (which starts with the Closed Block Funding Date) there will be no percentage of premium charge for premiums received before the Closed Block

Funding Date.

These charges are in lieu of any allocation of actual administrative expenses of the type currently reported in Exhibit 5 of the NAIC blank. The 5% and 7.5% of premium fees are also in lieu of any commissions of the type currently reported in Exhibit 1 of the NAIC blank. Furthermore, these charges are also in lieu of any overhead expenses and commission related expenses.

C. TAXES OTHER THAN INCOME TAXES

State premium taxes and retaliatory taxes (including franchise taxes levied solely on the basis of premiums) incurred on premiums received in respect of Closed Block Policies, guaranty fund assessments, payroll taxes, and real estate taxes will be calculated and promptly charged to the Closed Block as follows:

1. The charges for state premium taxes and retaliatory taxes (before taking any credit or offsets such as guaranty fund assessments or state or local income tax) of the Company in respect of Closed Block business will be charged to the Closed Block, on a state by state basis, in an amount equal to (1) the life insurance premium of the Closed Block subject to taxation in a particular state (or subject to taxation in New Jersey -- which is the Company's domicile -- if retaliatory tax is applicable) less any dividend deduction allowed by that state (or allowed as a deduction by New Jersey if retaliatory tax is applicable), multiplied by (2) the Aggregate Statutory Premium Tax Rate of the applicable state. For purposes of the previous sentence, the Aggregate Statutory Premium Tax Rate of a particular state shall be either (a) the applicable state statutory premium tax rate (plus the rate of any franchise tax levied solely on the basis of premium) or (b) the applicable statutory premium tax rate of New Jersey, depending on which premium as defined in term (1) in the previous sentence is used. (The New Jersey definition of premium and the New Jersey premium tax rate is used if such retaliatory tax calculation produces the higher tax.) Further, both the charging and the funding for premium tax charges will ignore the fact that some small amount of premium is on tax qualified contracts, but rather will treat all Closed Block premium as non-tax-qualified premium. Local premium taxes will not be charged because they are negligible. Premium taxes will be charged on an estimated basis in the middle of each calendar quarter, with an additional charge or credit after the end of each calendar year to true up to the correct premium tax for the year, as the Company identifies state by state "taxable income" and allocates premium tax normally. In the case of an audit adjustment on a premium tax return for a period after the Closed Block Funding Date, the Company shall make an equitable adjustment, to charge (or credit) retroactively the audit adjustment to tax.

2. The Closed Block shall be charged fees in lieu of payroll taxes as of the end of each quarter equal to the Payroll Tax Rate multiplied by the Administrative Expense Fees charged that quarter to the Closed Block at the annual rate of $54 per policy. The Payroll Tax Rate shall be 6.50% unless and until the Company shall have proposed and the Commissioner shall have approved a new method to calculate the Payroll Tax Rate for each year after such approval, which new method shall be related to the actual experience

of the Company. Payroll taxes include all taxes such as Federal social security, Medicare, and unemployment taxes and similar state and local taxes, as well as future taxes of the same or similar nature.

3. Real estate taxes incurred in a given year on Company assets will be charged to the Closed Block in proportion to the ownership of the specific assets giving rise to such real estate taxes. Such real estate taxes will be charged to the Closed Block when payable to the local government.

4. Fees in lieu of guaranty fund assessments (if not offset against premium taxes) will be charged to the Closed Block based on a formula that multiplies the current year Closed Block's premium "taxable income" times the ratio from the prior calendar year of the guaranty fund life insurance assessments to the total Company life premium "taxable income". Such fees will be charged to the Closed Block quarterly at the same time premium taxes are charged (four quarterly estimates and a true-up after the end of the calendar year).

In the event the nature or basis of any taxes or assessments described

above is materially modified by the taxing or assessing authority, the Company will appropriately revise the calculation of fees in lieu of taxes or assessments charged to the Closed Block. The Company will promptly report to the Commissioner the reason for the revision and explain the new calculation. Such revision will be subject to review by the Commissioner. If, as a result of the Commissioner's review, a modification is needed to the revision, such modification shall be made retroactive to the time the change was first instituted.

VI. THE BASIS UPON WHICH TO CHARGE INCOME TAXES TO THE CLOSED BLOCK

This Section provides for income tax charges in the operation of the Closed Block, but has no impact on the overall tax liabilities of the Company or of any affiliated group of which the Company is a member.

A. COMPUTATION OF FEDERAL INCOME TAX CHARGE TO THE CLOSED BLOCK

A Federal income tax charge will be determined for the Closed Block Policies as if the Closed Block were a separate stock life insurance corporation with the same character as the Company under the Internal Revenue Code (having only those items and amounts of income, gain, loss, and fees in lieu of expenses as are provided for in the Plan of Reorganization or in this Closed Block Memorandum) and filing separate Federal income tax returns for each tax period after the Closed Block Funding Date. Items such as actual expenses or reinsurance not charged to the Closed Block do not affect the calculation of tax to be charged to the Closed Block. Both charges for any foreign income taxes and any corresponding foreign income tax credits against the Federal income tax are recognized. This hypothetical Closed Block tax calculation will be based on the Internal Revenue Code as applicable from time to time, modified as follows:

1. The tax rate will be the applicable maximum corporate income tax rate or rates for net capital gains and other types of taxable income then in effect.

2. Ordinary taxable income (loss) for the Closed Block will be calculated according to the applicable tax law then in effect, as modified for simplifications specified below.

   Such ordinary taxable income (loss) is currently:

   - the statutory gain from operations after policyholder dividends (i.e., Annual Statement Summary of Operations Line 29) for those items included in the Closed Block as noted above,(4)
   - but substituting the tax basis reserves and tax basis dividends for statutory basis reserves and statutory basis dividends,
   - excluding any effect of the Interest Maintenance Reserve,
   - less (plus) the increase (decrease) in net due and deferred premiums to the extent used in the statutory gain,
   - plus the one-tenth adjustment for tax reserve basis changes (including those unamortized as of the Closed Block Funding Date, which shall be deemed to be $322.111 million),
   - plus capitalized policy acquisition expenses arising under Section 848 of the Code, less amortization of such amounts (including prior amounts as specified below),
   - adjusted for the differences between book and tax bases of new assets purchased after the Closed Block Funding Date, but not the differences

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(4) This amount would be before fees for state and local income taxes determined by Subsection E below.

   between book and tax bases of Initial Closed Block Assets (as specified below).

3. The Federal income tax charge to the Closed Block will ignore any dividend received deduction on the Initial Closed Block Assets, but the dividend received deduction on Closed Block Assets purchased after the Closed Block Funding Date will be allocated to the Closed Block.

4. The taxable realized capital gains and losses will recognize the tax basis for assets purchased after the Closed Block Funding Date,

including any differences between tax and statutory asset bases, but will use the statutory basis realized capital gains as the taxable realized capital gains for the Initial Closed Block Assets.

5. There will be no charge for tax under Section 809 of the Code. That is, the deduction for policyholder dividends paid shall not be limited by Section 809 of the Code in the separate tax calculation for the Closed Block.

6. If a new asset is allocated in part to the Closed Block and in part to the remainder of the Company (or to an affiliate of the Company), then the tax benefits or detriments attributable to that asset shall be allocated pro rata.

7. The Closed Block will use the same elections and methods of accounting as are used in the determination of the Company's Federal income tax liability.

8. Any intracompany or intercompany transactions and distributions between the Closed Block and the non-Closed Block (or any affiliate of the Company) will be recognized in determining the Closed Block separate return tax liability, without regard to consolidated tax return principles and whether or not such transactions are deferred or actually recognized for Federal tax purposes. However, the funding adjustment charges provided in Part Two, Section VII are not treated as tax-deductible because the factors in Schedule G-3 have been calculated on an after tax basis.

9. Section 848 of the Code (relating to the capitalization of policy acquisition expenses) will be taken into account by increasing the Closed Block's taxable income by an amount equal to the "specified policy acquisition expenses" under Section 848(c)(1) (treating all premiums as non-tax-qualified, and determined without regard to any limitation based on the amount of the Closed Block's "general deductions") and allowing an amortization deduction in a corresponding amount ratably over a 120-month period (or any other acceptable period as defined in Section 848(a)). The Closed Block's hypothetical separate return tax calculation will reflect any amortization relating not only to those policy acquisition expenses capitalized on or after the Closed Block Funding Date, but also those capitalized before and not yet amortized by the Closed Block Funding Date, which will be deemed to be $1,056.882 million.

In the event the nature or basis of any taxes described in A. above (or in E. below) is materially modified by the taxing authority, the Company will appropriately revise the calculation of taxes or assessments charged to the Closed Block. The Company will promptly report to the Commissioner the reason for the revision and explain the new calculation. Such revision will be subject to review by the Commissioner. If, as a result of the Commissioner's review, a modification is needed to the revision, such modification shall be made retroactive to the time the change was first instituted.

B. CHARGES TO THE CLOSED BLOCK IN CASH FOR ITS POSITIVE SEPARATE RETURN TAX LIABILITY

The Closed Block will be charged an amount equal to the Closed Block's positive separate return tax liability, including quarterly estimated tax payments.

C. CREDIT TO CLOSED BLOCK IN CASH FOR TAX BENEFITS ASSOCIATED WITH LOSSES

The Closed Block will be credited as soon as possible after each final income tax payment due date for any income tax benefit for operating losses, capital losses and credits it generates whether or not such losses or credits are used by the Company in computing the tax liability on the consolidated Federal income tax return for the affiliated group of which the Company is a member. After each estimated tax payment date, the Closed Block will be credited as soon as possible for any income tax benefit used in reducing the consolidated payment for the affiliated group of which the Company is a member. However, in no event shall the cumulative amount credited for the year to date be less than the appropriate percentage of the projected full year tax benefit at the time of such payment; i.e., 25% of the projected full year tax benefit as of the first quarter estimated payment due date, 50% as of the second quarter, 75% as of the third quarter, and 100% as of the fourth quarter.

D. AUDIT ADJUSTMENTS

The Company may be audited by the Internal Revenue Service (or state tax authorities), resulting in adjustments to its tax liability on Federal or state (or both) income taxes that may affect the Closed Block in different ways.

1. In the event of an adjustment to the Federal (or state) income tax return for the Company for a tax period commencing with or after the

Closed Block Funding Date (e.g., arising from an audit by the Internal Revenue Service, an amended return, or a claim for refund allowed by the Internal Revenue Service), the Company shall recompute the separate return tax liability for the Closed Block pursuant to the procedures set forth in subsection A. above (or E. below).

2. If the adjustments applied to the Company's tax return, when carried over to the calculation of tax for the Closed Block, result in an increase in the separate return tax liability for the Closed Block for the tax year in question, the Closed Block shall be charged an amount equal to the increase in the separate return tax liability on the date that such additional tax liability is paid by the Company to the Internal Revenue Service (or

state tax authority). If the adjustments result in an increase in the separate return tax liability for the Closed Block and include statutory interest, additions to tax, or penalties that are attributable, in whole or in part, to the increase in the separate return tax liability for the Closed Block, the Closed Block shall also be charged for the allocable share of those amounts on the same date that it is charged for the increase in the Federal income tax liability. In the event that a subsequent adjustment results in a reduction in the amount charged to the Closed Block under this section, such later adjustment shall be credited to the Closed Block similarly. In no event, however, shall the Closed Block be charged for any amounts attributable to taxable periods prior to the Closed Block Funding Date.

3. In the event that the adjustments to the Federal (or state) income tax return result in a decrease in the separate return tax liability for the Closed Block, the Closed Block shall be credited in an amount equal to the decrease (together with the allocable portion of any interest refunded with the decrease in tax) on the date that such amount is received from the Internal Revenue Service (or state tax authority). In the event that a subsequent adjustment results in a reduction in the amount credited to the Closed Block under this section, such later adjustment shall be charged to the Closed Block in accordance with the procedures set forth in the preceding paragraph. In no event shall the Closed Block be credited for any reduction in Federal (or state) income tax liability relating to taxable periods prior to the Closed Block Funding Date.

E. COMPUTATION OF STATE INCOME TAX LIABILITY OF CLOSED BLOCK

Fees in lieu of state and local income taxes (including franchise taxes calculated in the manner of income taxes), ignoring any reductions in premium taxes because of such state income taxes, are charged to the Closed Block on a formula that multiplies the Federal taxable income in the Closed Block (as determined in subsection A above but before deduction of state income taxes) by the prior year ratio of (1) to (2), where (1) is the Company's total state and local income tax (including franchise taxes calculated in the manner of income taxes, but net of any reductions in premium taxes because of such state income taxes) and (2) is the Company's total Federal taxable income (but before deduction of state income taxes). Such charges for state and local income taxes are deducted from the Closed Block at the same time that Federal income taxes (including estimated taxes and audit adjustments) are charged pursuant to paragraphs B, C and D above.

VII. THE BASIS UPON WHICH TO CHARGE THE CLOSED BLOCK FOR CLOSED BLOCK POLICIES NEWLY ISSUED AFTER THE CLOSED BLOCK FUNDING DATE

A. CLOSED BLOCK POLICIES ISSUED AFTER CLOSED BLOCK FUNDING DATE AND PRIOR TO EFFECTIVE DATE

For Closed Block Policies issued after the Closed Block Funding Date and prior to the Effective Date, a charge will be deducted from the Closed Block. This charge will not be considered a deduction from gain in the calculation of income tax because the factors specified are already net of income tax. This charge represents the approximate present value of all commissions and acquisition expenses in excess of fees to be charged to the Closed Block pursuant to Section V and Schedules G-1 and G-2, such as certain field costs and underwriting and issue expenses, plus the anticipated profit after policyholder dividends. (Equivalently, the amount withdrawn is approximately the present value of premiums less the present value of benefits and expense charges.)

The amount to be withdrawn for new Closed Block policy issues will vary according to series, as shown in Schedule G-3.

Amounts to be withdrawn are accrued at the time of policy issue, although the actual deduction will be made at the end of the following calendar quarter.

In addition to the charges specified above, the fees in lieu of expenses and the taxes specified in Part Two, Sections V and VI shall be charged on these policies and riders.

B. ORIGINAL ISSUE DATE CONVERSIONS

Some policies and riders provide the policyholder a right to convert a policy as of the original issue date. For example, a few "Divorce and Tax Law Change Riders" on inforce survivorship contracts allow an exchange to a Life at 85 policy with the same issue date as the survivorship contract. In those cases where the newly issued policies (such as the Life at 85 policies) go into the Closed Block, these new policies will not be subject to a Funding Adjustment Charge. In lieu of the charge at issue in the Schedule G-3, the Company will transfer cash into the Closed Block equal to the sum of the cash value of the existing policy plus any charge the Company made upon exchange, such as 105% of the difference in cash values between the old and new contracts. Such cash transfer (and related increase in tax basis reserves) would be recognized in the calculation of income tax for the Closed Block.

VIII. THE BASES UPON WHICH TO CREDIT CASH TO THE CLOSED BLOCK IN RESPECT OF POLICY CREDITS AND SALES PRACTICES LIABILITIES

If the Company is obligated to credit an enhancement to policy values (such as dividend accumulations) on a Closed Block Policy after the Closed Block Funding Date because a policy credit is provided under the Plan of Reorganization in lieu of a distribution of shares or cash, then the Company will credit cash to the Closed Block equal to the value of the credit.

If the Company is obligated to pay a premium or credit an enhancement on a Closed Block Policy after the Closed Block Funding Date in respect of sales practices liabilities, then the Company will credit cash to the Closed Block equal to the value of the premium or credit.

IX. REPORTING REQUIREMENTS

A. The Company shall provide the Commissioner as supplemental schedules to its statutory Annual Statements for each year commencing with the year in which the Effective Date occurs (1) financial schedules, consisting of the information required by Annual Statement pages 2, 3, 4, and 5 and (2) investment schedules, consisting of the information required by Annual Statement Schedules A, B, BA, D, and E (or comparable information under financial reporting requirements as they may be established from time to time for the Company as a whole by the Commissioner after the Adoption Date), in each case for the Closed Block. By June 1 of the year subsequent to the year being reported, the Company shall submit to the Commissioner an attestation report or the equivalent of a firm of independent public accountants as to the financial schedules of the Closed Block referred to in clause (1) above. Additionally, the Company shall submit to the Commissioner by June 1 of each such year a report, prepared at the Company's request by a firm of independent public accountants, on the results of certain procedures, to test the Company's compliance with the Closed Block cash flow provisions of this Part Two. These reporting obligations shall continue for so long as the Commissioner may require. The annual report required by this Section IX shall be submitted in a form acceptable to the Commissioner and in accordance with procedures acceptable to the Commissioner.

B. The Company shall submit to the Commissioner by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Closed Block.

X. AMENDMENT OR CESSATION OF CLOSED BLOCK

A. The Company may amend the terms of or cease to maintain the Closed Block with the prior approval of the Commissioner, subject to such terms and conditions as the Commissioner may approve, if the Commissioner determines that: (1) assurances provided by the Company or other conditions provide adequate safeguards to provide for the reasonable dividend expectations of the holders of Closed Block Policies and (2) either (x) the Closed Block is no longer necessary to effectuate the purposes of this Article or (y)

the Closed Block has been so reduced in size as to make continued operation of the Closed Block impracticable. Terms and conditions imposed by the Commissioner may include, without limitation, requiring actuarial opinions from independent actuaries hired by the Company, and by the Commissioner at the Company's expense, that appropriate provision has been made for the dividend expectations of holders of Closed Block Policies. If the Closed Block is discontinued, the Closed Block Policies then remaining shall continue to be obligations of the Company and dividends on such Policies shall be apportioned by the Board in accordance with applicable law.

B. Except when the Company ceases to maintain the Closed Block as provided in paragraph A above, none of the assets, including the revenue therefrom, allocated to the Closed Block or acquired by the Closed Block shall revert to the benefit of the shareholders of the Company.

SCHEDULE G-1. INVESTMENT FEES

Cash in banks and short term investments	13 bp
Investment Grade Public Bonds (NAIC 1 & 2)	13 bp
Investment Grade Private Placement Bonds (NAIC 1 & 2)	24 bp
Below Investment Grade Public Bonds (NAIC 3, 4, 5 & 6)	19 bp
Below Investment Grade Private Placement Bonds (NAIC 3, 4, 5 & 6)	44 bp
Mortgages	29 bp
Public Equities (including REITs)	39 bp
Private Equities (including REITs)	204 bp
Real Estate	204 bp
Mutual funds and co-investment partnerships (which pay fees from fund assets and deliver a net return to the Company)	4 bp
Policy Loans and premiums due, and interest due and accrued on assets above	0 bp
Other assets:	the rates most consistent with those above

SCHEDULE G-2. ADMINISTRATIVE FEES

$54 per Traditional Ordinary life (but not including Intermediate) policy, including any such policy on an nonforfeiture insurance option (reduced paid up and extended term insurance), and $54 per Retirement Annuity contract,

plus

$0.66 per $1000 of death benefit on Traditional Ordinary (but not Intermediate) policies and riders, including those policies on the nonforfeiture insurance options (reduced paid up and extended term insurance), where death benefit includes the insurance in force on paid up additions and excludes any adjustments to a death benefit for termination or mortuary dividends, dividend accumulations, accidental death benefits, delayed payment interest, or to repay policy loans,

plus

$7.25 per $1000 of death benefit (defined as above) on Weekly Premium policies,

plus

$4.50 per $1000 of death benefit (defined as above) on Intermediate policies,

plus

0.65% of unmatured statutory reserves (including dividend accumulations) on Retirement Annuity contracts.

In addition, certain percentage of premium fees for administrative expenses and commissions are provided in Part Two, Section V.B above.

SCHEDULE G-3 FUNDING ADJUSTMENT CHARGES

Series	Percent of First Year Recurring Premium (Annualized), including riders, modal loadings and policy fees
Gibraltar (if any)	125%
Estate	151%
Legacy	182%

Exhibit H

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OVERVIEW

The Canadian Closed Block is the mechanism established for the purpose of providing over time for the reasonable dividend expectations of owners of Canadian Closed Block Policies. This memorandum sets forth how that purpose is to be addressed both in the initial funding of the Canadian Closed Block and in how the Canadian Closed Block will actually operate.

Canadian Closed Block Objective. The Initial Canadian Closed Block Assets shall be allocated to produce cash flows which, together with anticipated revenue from the Canadian Closed Block Policies, are expected to be reasonably sufficient to support the Canadian Closed Block Policies (including but not limited to the payment of claims, certain expenses and payroll taxes) and to provide for the continuation of dividend scales payable on the Canadian Closed Block Policies in 2000 if the experience underlying such scales continues and for appropriate adjustments in such scales if such experience changes, consistent with the requirements of Part Two, Section III of this Exhibit H.

In no event shall the Company be required to pay dividends from assets that are not Canadian Closed Block Assets. Notwithstanding any other provisions of the Plan, the Company's decision to establish a Canadian Closed Block in connection with the Plan shall in no way constitute a guarantee with respect to any policy or contract that it will be apportioned a certain amount of dividends.

As explained in the Plan, certain policies of the United States branch are in their own Closed Block as described in Exhibit G, and the Canadian Closed Block described in this Exhibit H does not include these policies. The Canadian Closed

Block consists solely of Canadian branch Intermediate Monthly Premium and Weekly Premium policies.

Initial Canadian Closed Block Assets shall be determined in accordance with Part One of this Exhibit H. Section I of Part One contains the methodology that is being followed to determine the amount of the Initial Canadian Closed Block Assets used to fund the Canadian Closed Block as of the midnight between June 30, 2000 and July 1, 2000 (the Plan defines the latter date to be the "Closed Block Funding Date"). Also within Part One, Section II describes the experience assumptions used to determine the amount described in Section I. That is, Sections I and II of Part One describe the initial funding of the Canadian Closed Block.

The Canadian Closed Block shall be operated for the exclusive benefit of the Canadian Closed Block Policies in accordance with Part Two of this Exhibit H. Sections I through VII of Part Two describe the operation of the Canadian Closed Block. The Canadian Closed Block is credited with (or, as appropriate, charged for) all insurance cash flows and investment cash flows with respect to Canadian Closed Block Policies as specified in Part Two, Section I. Canadian Closed Block Policies include policies in the intermediate monthly premium life insurance product line ("Intermediate" policies) and the weekly premium life insurance product line ("Weekly Premium" policies).

Section II of Part Two provides for the investment policy of the Canadian Closed Block. Section III provides for the dividend policy of the Canadian Closed Block. Section IV provides for the recognition, if any, of reinsurance as it affects the Canadian Closed Block.

Section V of Part Two contains the bases upon which to charge the Canadian Closed Block for fees in lieu of actual expenses (and payroll taxes) after the Closed Block Funding Date.

Section VI of Part Two provides reporting requirements of the Canadian Closed Block. Section VII controls amendments to, and termination of, the Canadian Closed Block.

Capitalized terms used in this Exhibit have the meanings ascribed to them in the Plan or in this Exhibit.

PART ONE. INITIAL FUNDING OF THE CANADIAN CLOSED BLOCK

I. Amount of Initial Canadian Closed Block Assets

The Initial Canadian Closed Block Assets are determined to achieve the Canadian Closed Block Objective (described on page 1 of this Exhibit H), that is, to produce cash flows which, together with anticipated revenue from the Canadian Closed Block Policies, are expected to be reasonably sufficient to support the Canadian Closed Block Policies (including but not limited to provisions for the payment of claims and fees in lieu of expenses and payroll taxes, as specified in Part Two) and to provide for the continuation of the 2000 dividend scales payable on the Canadian Closed Block Policies if the experience underlying such scales (as described in Section II of Part One) continues. The 2000 dividend scales were determined at the end of 1999 and were paid at the end of 1999.

The Canadian Closed Block began operations as of July 1, 2000 with an initial set of assets provisionally selected based on an estimate of the amount needed to achieve the Canadian Closed Block Objective. This provisional selection of assets is described in subsection B below. The determination of the actual Initial Canadian Closed Block Assets as of July 1, 2000 is described in subsection A below.

A. DETERMINATION OF ACTUAL INITIAL CANADIAN CLOSED BLOCK ASSETS

The amount of Initial Canadian Closed Block Assets is determined effective as of July 1, 2000 (the "Closed Block Funding Date"). The actual Initial Canadian Closed Block Assets as of the Closed Block Funding Date are determined by:

1. building, for the Canadian Closed Block Policies actually in force on the Closed Block Funding Date, a model to project Net Insurance Cash Flow (as specified below) from the Canadian Closed Block Policies;

2. building a model to project the Net Investment Cash Flow from the provisional(1) Initial Canadian Closed Block Assets, making incremental additions or reductions to the amount of these assets, and re-projecting the Net Investment Cash Flow; and

3. combining the Net Insurance Cash Flow and the Net Investment Cash Flow projected by the models in Steps 1 and 2 to project Net Total

Cash Flow Available for Reinvestment. The Net Total Cash Flow Available for Reinvestment is projected to be used to purchase

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(1) As described below in section B, the Company selected a reasonable provisional set of Initial Canadian Closed Block Assets from among assets in the Insurance segment of the Canadian branch owned on the Closed Block Funding Date. This allowed tracking of Canadian Closed Block cash flows and accounting for the Canadian Closed Block to begin immediately on the Closed Block Funding Date. Following the Closed Block Funding Date the amount of incremental assets needed to fund the Canadian Closed Block to complete its establishment as of the Closed Block Funding Date must be calculated. Any change in assets determined by the final model to be needed as of the Closed Block Funding Date to achieve the Canadian Closed Block Objective will be added or subtracted, with interest, after such determination.

new assets, which are assumed to earn investment return. The model continues to project these amounts until the last Canadian Closed Block Policy is assumed to terminate.

Assets are re-projected iteratively as described in Steps 2 and 3 (testing different amounts of additional assets to be added or to be removed) until the assets remaining at the end of the projection are approximately zero. When the assets remaining at the end of the projection are approximately zero, then the initial assets in the projection (i.e., the total of provisional assets and the incremental assets added or removed) are the actual Initial Canadian Closed Block Assets reasonably sufficient to satisfy the Canadian Closed Block Objective.

The initial assets as determined from the above-described modeling process are adjusted for other differences between the balance sheet for the Canadian Closed Block as represented by the model and the actual balance sheet for the Canadian Closed Block, both balance sheets taken as of the Closed Block Funding Date. Such differences include claims incurred but not yet reported.

The Canadian Closed Block is funded provisionally with assets that are permissible assets of a New Jersey domiciled life insurer, specifically bonds and similar fixed income instruments, indexed equities, cash, policy loans on policies in the Canadian Closed Block, and due and accrued investment income on such assets. The assets also satisfy relevant Canadian requirements.

No existing reinsurance treaties have been taken into account in the determination of the Initial Canadian Closed Block Assets, consistent with Part Two, Section IV of this Exhibit H.

The following describes the three steps of the calculations listed above to calculate the actual (as distinct from provisional) Initial Canadian Closed Block Assets.

1. Net Insurance Cash Flow.

Net Insurance Cash Flow for purposes of the modeling process described herein is the sum of the amounts described in paragraphs (a) and (b) below.

a. The model of the Company's Canadian Closed Block Policies in force is developed from the Company's policy records as of midnight at the start of the Closed Block Funding Date. The model consists of approximately 30 model cells (plan/issue age/issue year cells). The model provides for paid-up dividend additions (both existing amounts and amounts projected to be applied or purchased during the period of the Canadian Closed Block operations). Cells in the model are defined by plan (also known as "kind code"), ratebook era (also known as "value basis"), issue year, and issue age. The model is used to project Net Insurance Cash Flow, defined just below, for base policies, excluding miscellaneous benefits covered in paragraph (b) below.

"Net Insurance Cash Flow" equals the following transactions on Canadian Closed Block Policies:

Dividends used as premiums to purchase paid up additions
plus policy loan repayments, including accrued interest
minus benefits (whether paid in cash or applied to effect Supplementary Contracts outside the Canadian Closed Block)
minus policyholder dividends (whether paid in cash or used to buy additional benefits)
minus specified fees in lieu of expenses and payroll taxes.

The following points clarify the handling of certain cash flows in the models:

i. Premiums are waived and are assumed to be not paid in cash in the model.

ii. All policy loans among the provisional Initial Canadian Closed Block Assets (which constitute a small portion of the Canadian assets) are assumed in the model to be repaid at the outset of the projection and no new ones taken out.

iii. "Benefits" include death, withdrawal and maturity benefits. Death benefits incurred in a month are assumed to be incurred on average at mid-month and to be paid when incurred. (As noted in (b) below, some delay in the payment of death claims is recognized at a separate point in the modeling.) Other benefits such as surrender benefits are assumed to arise at the end of policy months.

iv. "Dividends" are projected assuming a continuation of the 2000 dividend scales. The experience assumptions described in Part One, Section II are selected to be consistent with this projection.

b. Miscellaneous benefits and adjustments. The model also includes aggregate projections for interest margin on claims in course of settlement over the life of the Canadian Closed Block and for riders and incidental benefits on Canadian Closed Block Policies, such as accidental death benefit.

2. Net Investment Cash Flow

"Net Investment Cash Flow" is the cash flow from both Initial Canadian Closed Block Assets and assets assumed to be purchased subsequently. Such Net Investment Cash Flow includes the amounts of coupons (or other forms of interest), dividends paid on stock or other equity interests, and any repayments or prepayments of principal, as well as proceeds from the projected sales of equities. Net Investment Cash Flow is net of projected default costs and investment expenses. In the case of the Initial Canadian Closed Block Assets, the default costs are calculated as percentages of assets in applicable categories, and the investment expense fees are those specified in Part Two, Section V.A. In the case of assets purchased subsequently, the net reinvestment rate specified in Part One, Section II.G. is net of both default costs and investment expenses.

3. Reinvestment of Net Cash Flows

Net Investment Cash Flow is added to Net Insurance Cash Flow to determine the Net Total Cash Flow Available for Reinvestment. The Net Total Cash Flow Available for Reinvestment is then assumed to be reinvested at the reinvestment rate assumption specified in Part One, subsection II.G.

The Canadian Closed Block Assets are modeled on a year by year basis until the last Canadian Closed Block Policy is assumed to terminate. If the assets remaining at the end of the projection period are zero or approximately zero, then the actual Initial Canadian Closed Block Assets are the same as the provisional Initial Canadian Closed Block Assets. However, if as is more likely, the assets remaining at the end of the projection period are not zero, then either additional assets are added to the provisional assets, or a portion of the provisional assets are removed, depending on whether the assets remaining at the end of the projection period are less or more than zero. These additional assets (or assets to be removed) are to be in the form of cash or fixed income assets. The entire calculation is repeated to test if the assets remaining at the end of the projection period are zero. This continues until an amount is determined which gives terminal assets of approximately zero.

B. SELECTION OF THE PROVISIONAL INITIAL CANADIAN CLOSED BLOCK ASSETS

The following describes the selection of the provisional Initial Canadian Closed Block Assets.

A model based on September 30, 1999 Canadian Closed Block Policies in force was used in June, 2000, to estimate provisionally that the needed funding as of the Closed Block Funding Date would be approximately C$176.2 million (including policy loans). This estimate reflected estimated trends in growth in reserves - and therefore the estimated trends in growth in needed funding - from September 30, 1999 to the Closed Block Funding Date. Assets approximately in this amount were provisionally selected at the Closed Block Funding Date. Such assets actually selected are referred to as the "provisional Initial Canadian Closed

Block Assets." The provisional Initial Canadian Closed Block Assets and their associated cash flows were identified and credited to the Canadian Closed Block starting on the Closed Block Funding Date. These assets consist of policy loans and accrued interest on Canadian Closed Block Policies, as well as a portion of the bonds and other investments then in the Insurance segment of the Company's Canadian branch general account.

Deletions from (or additions to) these provisional Initial Canadian Closed Block Assets as described above must be determined after the Closed Block Funding Date, to reflect the actual insurance business in force as of midnight at the start of the Closed Block Funding Date, the assets provisionally selected, and the actual assets available for a later true-up (which may be in the form of cash or fixed income assets). Once this calculation is completed, any excess/shortfall of the provisional funding above/below the actual Initial Canadian Closed Block Assets needed will be subtracted from/added to the Canadian Closed Block, going to (or coming from) the

Company's Insurance segment of the Canadian branch general account (with interest consistent with how the calculation is structured) to complete the funding.

That is, while the selection of these provisional assets allowed the Canadian Closed Block to start operation, the exact amount of assets provisionally selected does not ultimately determine the true funding level. The final calculation is used to determine the correct amount, and any difference between the correct amount and the provisional amount is removed from or added to the Canadian Closed Block, as appropriate, once the correct amount is determined.

II. DESCRIPTION OF EXPERIENCE ASSUMPTIONS USED TO DETERMINE INITIAL CANADIAN CLOSED BLOCK ASSETS

The experience assumptions used in the cash flow projections are as follows.

A. MORTALITY

The mortality assumptions were selected based on the avenge results from mortality studies of the US Gibraltar Series for calendar years 1992 through 1995, adjusted to reflect more recent experience through 1998. The rates vary by issue age basis (age nearest birthday versus age next birthday) and attained age.

Death benefits include face amounts on base policy and paid up additions, plus termination dividends, plus, where appropriate, a mortuary (pro-rata or full annual policy) dividend.

B. SURRENDER

Surrender rates for the base policies are based on aggregate US Intermediate and Weekly Premium policy persistency experience and closely reproduce aggregate Canadian policy persistency experience rates. The persistency rates do not vary by line of business and issue age. Paid up additions are assumed to surrender at the same surrender rate as for the base policy.

Because premiums are waived, surrender benefits paid are calculated monthly as interpolated cash values.

C. EXPENSES AND TAXES

Fees in lieu of general insurance expenses (including payroll taxes) and investment expenses are charged to the Canadian Closed Block at the rates and by the methods specified in Part Two, Section V. The fee deductions assumed in the cash flow projections reflect the provisions in Part Two, Section V for fees.

D. POLICY LOANS

The amount of policy loans (including premium liens on Weekly Premium business) on Canadian Closed Block business is approximately C$4 million, and such loans earn a rate within 2% to 3% of the rates on other assets in the projection. The projections assume that any initial loans are repaid at the outset of the projection and no new loans are made. The conservatism in the reinvestment rate assumption below is believed to cover any small differences between actual and model treatment of policy loans.

E. DIVIDEND OPTIONS

Dividends on base policies and on paid-up additions are applied to provide paid-up additions.

F. INSURANCE CASH FLOWS FOR MISCELLANEOUS BENEFITS

The gains arising from miscellaneous benefits (disability and accidental death benefits) were projected by deriving experience results for recent years (Canadian accidental death experience and US disability experience because Canadian disability experience was not available), projecting those results forward in a pattern consistent with the way in which the underlying reserves associated with such benefits are presumed to decline, and calculating the resulting present value. The amount of Canadian Closed Block Assets required for these benefits equals the total reserves held with respect to such benefits as of the Closed Block Funding Date, minus the present value just described. Using a similar technique, gains arising from the lag in death claim settlement (interest earned minus the interest credited on such claim amounts during the period from incurral to settlement) were calculated. The amount of Canadian Closed Block Assets is reduced by the present value of the gains arising from this source.

G. ASSET DEFAULT RATES, PREPAYMENTS, AND NET REINVESTMENT RATE

The default assumptions for public and private bonds are based on default rate expectations published by the Canadian Institute of Actuaries.

The indexed equities have a total return assumption based on the Company's expectations, and they are assumed sold to maintain their overall proportion of total Canadian Closed Block Assets.

No mortgages and real estate are expected in the Initial Canadian Closed Block Assets

For modeling purposes, all fixed income assets among the Initial Canadian Closed Block Assets are generally assumed held to maturity, unless the asset modeling system (BondEdge from Capital Management Sciences) indicates an economic prepayment at an earlier date or there is a defined sinking fund selected for the asset. All bonds with make whole provisions (which compensate the Company for calls when new money rates are lower than the coupon on the bond) are modeled as non-callable.

The Net Total Cash Flow Available for Reinvestment is assumed to be reinvested at the annual rate of 7.56% for both Weekly Premium and Intermediate business. This rate is net of both assumed default costs and investment expenses. Such investment experience return arose on the Insurance segment assets in 1998, to support the year 2000 dividend scale.

PART TWO. OPERATION OF THE CANADIAN CLOSED BLOCK

The Canadian Closed Block shall be operated for the exclusive benefit of the Canadian Closed Block Policies in accordance with Part Two of this Exhibit H. Sections 1 through VII of Part Two describe the operation of the Canadian Closed Block.

The Canadian Closed Block is credited with (or, if negative, charged for) all insurance cash flows and investment cash flows with respect to Canadian Closed Block Policies as specified in this Part Two, Section I. The Company shall pay all guaranteed benefits for Canadian Closed Block Policies in accordance with the terms of such policies. The Canadian Closed Block Assets are the Company's assets, and the establishment of the Canadian Closed Block shall not in the event of the rehabilitation or liquidation of the Company affect the priority of the claims of the holders of Canadian Closed Block Policies to such assets in relation to the claims of all other policyholders and creditors of the Company.

I. CREDITS TO AND CHARGES AGAINST THE CANADIAN CLOSED BLOCK FOR CASH FLOWS ON CANADIAN CLOSED BLOCK POLICIES

A. CREDITS TO AND CHARGES AGAINST THE CANADIAN CLOSED BLOCK.

After the Closed Block Funding Date, insurance cash flows and investment cash flows arising from the operation of the Canadian Closed Block shall be credited to or charged against the Canadian Closed Block as follows, in each case subject to the specific rules and consistent with the assumptions and methodologies set forth in this Exhibit H.

1. With respect to insurance cash flows:

a. The Canadian Closed Block shall be credited or charged, as the case may be, for (i) premiums paid with respect to Canadian Closed Block Policies, primarily if not exclusively, paid up addition premiums paid by application of dividends; (ii) cash repayments of policy loans made with respect to Canadian Closed Block Policies; (iii) policy loan interest paid in cash on Canadian Closed Block Policies; (iv) death or maturity benefits, surrender values and new policy

loans taken in cash with respect to Canadian Closed Block Policies; and (v) dividends on policies and riders that are Canadian Closed Block Policies.

b. Fees in respect of administrative and overhead expenses and associated payroll taxes incurred by the Company in connection with the performance of its obligations under the Canadian Closed Block Policies shall be charged against the Canadian Closed Block. The fees shall be the amounts determined in accordance with the rate specified in Part Two, Section V.B. and shall be charged in lieu of the actual expenses and in lieu of any payroll taxes incurred by the Company or any Prudential Affiliate providing such services.

c. The Canadian Closed Block shall not be charged in respect of any other taxes (except as provided in paragraph (b) above for payroll taxes). For example, but not by way of limitation, the Canadian Closed Block shall be neither credited nor charged, as the case

would have been, in respect of premium taxes, retaliatory taxes, franchise taxes, income taxes, nor payments made or received in connection with membership in a governmental guaranty association or imposed by any mandatory pool, fund or association.

2. With respect to investment cash flows:

a. Investment-related cash flows from the Canadian Closed Block Assets, including, but not limited to, interest, coupon payments, dividends, proceeds of asset sales, maturities and redemptions, shall be credited to the Canadian Closed Block.

b. Fees in respect of investment-related expenses related to managing the Canadian Closed Block Assets (covering investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) shall be charged against the Canadian Closed Block. The fees shall be the amounts determined in accordance with the schedule of investment fees specified in Part Two, Section V.A. below and shall be charged in lieu of the actual internal investment-related expenses incurred by the Company or any Prudential Affiliate providing such services.

B. UNREPORTED DEATHS

The Canadian Closed Block will be charged for death (or dismemberment) claims incurred before, but not reported as of, the Closed Block Funding Date. The Canadian Closed Block will not be charged for death (or dismemberment) claims incurred and reported before, but not paid as of, the Closed Block Fund Date. Disablements before the Closed Block Funding Date generating a death benefit scheduled payout claim on a Canadian Closed Block Policy are a liability of the Canadian Closed Block. The Initial Canadian Closed Block Assets include an adjustment to model results to fund for the Incurred But Not Reported Liability.

II. INVESTMENT POLICY OF THE CANADIAN CLOSED BLOCK

As of the Closed Block Funding Date, new investments of the Canadian Closed Block cash flows shall be acquired in conformity with an investment policy statement for the Canadian Closed Block that is consistent with investment guidelines approved from time to time by the Investment Committee of the Board or its successor. Such investment policy statement shall address, to the extent applicable, investment objectives, permissible asset class categories, permissible investments, valuation methodology, internal reporting, risk limits and performance factors and measurements. The Canadian Closed Block Assets shall be managed in the aggregate to seek a high level of return consistent with the preservation of principal and equity, through asset-liability management, strategic and tactical asset allocation and manager selection/performance and shall reflect the duration and ability to take risk consistent with the nature of the Canadian Closed Block.

No assets shall be reallocated, exchanged or transferred between the Canadian Closed Block and any other portion of the Company's general account or any Prudential Affiliate, except (i) in accordance with this provision, (ii) as provided in the Closed Block Memorandum, or (iii) as approved by the Commissioner. To facilitate the management of Closed Block cash flows, the Closed Block may participate in pooled short term accounts maintained by the Company on a basis no less favorable than any other portion of the Company's general account. Any other transfers, exchanges, investments, purchases or sales of assets between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate may be effected if such transactions (i) benefit the Closed Block, (ii) are consistent with the investment policy

statement and objectives described in the prior paragraph, (iii) are executed at demonstrable fair market values and (iv) do not exceed, in any calendar year, more than 10% of the statutory statement value of the invested assets of the Closed Block as of the beginning of that year.

III. DIVIDEND POLICY OF THE CANADIAN CLOSED BLOCK

A. Dividends on Canadian Closed Block Policies shall be apportioned annually by the Board in accordance with applicable law and applicable standards of actuarial practice so as to reflect the experience of the Canadian Closed Block and with the objective of managing aggregate dividends so as to exhaust the Canadian Closed Block Assets when the last Canadian Closed Block Policy terminates while avoiding an outcome in which relatively few last surviving holders of Canadian Closed Block Policies receive dividends that are substantially disproportionate (either higher or lower) to those previously received by other holders of Canadian Closed Block Policies.

B. Subject to paragraph A. above, dividends on Canadian Closed Block Policies shall be apportioned, and shall be allocated among Canadian Closed Block Policies, so as to reflect the experience of the Canadian Closed Block.

IV. REINSURANCE OR OTHER TRANSFER OF RISKS

A. The Canadian Closed Block will not be charged (nor credited) for cash flows and tax effects of any reinsurance agreements in existence on the Closed Block Funding Date.

B. For any future reinsurance agreements the Company may, with the Commissioner's prior consent, and subject to Article 7 of Chapter 18 of Title 17B of the New Jersey Revised Statutes, enter into one or more agreements to reinsure or otherwise transfer all or any part of its risks under the Canadian Closed Block Policies. Notwithstanding any other provision of Article IX of the Plan or of this Exhibit H, (1) the agreement may provide for the transfer of all or part of the risks associated with Canadian Closed Block Policies and/or the transfer of ownership or, or other interest in, Canadian Closed Block Assets or funds not allocated to the Canadian Closed Block supporting such risks; (2) amounts paid and received by the Company in connection with any such agreement may be allocated to the Canadian Closed Block in accordance with any methodology approved by the Commissioner; (3) cash flows from any transferred Canadian Closed Block Assets may be considered to be investment cash flows of the Canadian Closed Block for purposes of establishing dividends and meeting policy obligations on Canadian Closed Block Policies; and (4) the Company may use Canadian Closed Block Assets or funds not allocated to the Canadian Closed Block as reinsurance premiums or other consideration for such agreement provided, in each case, and without limiting the grounds on which the Commissioner may withhold approval, the Commissioner shall not approve such action if the Commissioner finds that such action shall have the effect of lessening the extent to which the reasonable dividend expectations of the holders of Canadian Closed Block Policies are provided for by this Exhibit H.

V. THE BASES UPON WHICH TO CHARGE THE CANADIAN CLOSED BLOCK FOR FEES AND TAXES

Cash shall be regularly and promptly withdrawn from the Canadian Closed Block for fees in lieu of expenses (and payroll taxes) in accordance with the following formulas:

A. INVESTMENT EXPENSES

The charges for investment expenses for each class of investments in the Canadian Closed Block will be determined in two components, direct investment expenses (such as brokerage costs, which will be charged as they are incurred), and fees in lieu of internal investment expenses.

The Canadian Closed Block is not expected to own real estate or mortgages. If, however, the Canadian Closed Block acquires real estate through foreclosure or otherwise in the future, there will be no charges against the Canadian Closed Block for real estate operating expenses (nor for real estate taxes) incurred with respect to real estate, if any, owned by the Canadian Closed Block.

The brokerage cost of acquiring investments is reflected in the cost of such investments. The brokerage cost and transaction expense of disposing of investments will be deducted from the gross proceeds of such sales.

Fees in lieu of internal investment expenses (to cover investment management

fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) will be charged, at an annual rate of 13 basis points on Canadian Closed Block Assets (but excluding policy loans and due and accrued interest on all Canadian Closed Block Assets) valued on a US statutory basis and expressed as Canadian dollars.

These fees will be charged monthly at an annual rate of 13 basis points of invested assets. The fees will be calculated as of the beginning of each calendar quarter on invested assets then held but will be deducted at the end of each month in that quarter. This internal investment expense fee will be in lieu of any allocation of actual investment management expenses of the type currently reported in Exhibit 2 of the NAIC blank.

B. ADMINISTRATIVE EXPENSES AND PAYROLL TAXES; OTHER TAXES

Fees in lieu of administrative expenses and in lieu of overhead expenses will be charged monthly at an annual rate of C$10 per C$1000 of Canadian Closed Block death benefit (where Canadian Closed Block death benefit includes the insurance in force on both the basic policy, any concessions and paid up additions and excludes any adjustments to death benefit for termination or mortuary dividends, dividend accumulations, accidental death benefits, delayed payment interest, or to repay policy loans, if any) on Canadian Closed Block Weekly Premium policies and on Canadian Closed Block Intermediate Monthly Premium policies.

These fees will be calculated as of the beginning of each calendar quarter for the policies and face amounts then in force, but will be deducted at the end of each month in that quarter.

These charges are in lieu of any allocation of actual administrative expenses of the type currently reported in Exhibit 5 of the NAIC blank, and are in lieu of any allocation of payroll taxes of the type currently reported in Exhibit 6 of the NAIC blank. Payroll taxes (inherent in the C$10 charge per C$1000 face amount) are the only taxes to be charged to the Canadian Closed Block.

VI. REPORTING REQUIREMENTS

A. The Company shall provide the Commissioner as supplemental schedules to its statutory Annual Statements for each year commencing with the year in which the Effective Date occurs (1) financial schedules, consisting of the information required by Annual Statement pages 2, 3, 4, and 5 and (2) investment schedules, consisting of the information required by Annual Statement Schedules A, B, BA, D, and E (or comparable information under financial reporting requirements as they may be established from time to time for the Company as a whole by the Commissioner after the Adoption Date), in each case for the Canadian Closed Block.

   By June 1 of the year subsequent to the year being reported, the Company shall submit to the Commissioner an attestation report or the equivalent of a firm of independent public accountants as to the financial schedules of the Canadian Closed Block referred to in clause (1) above. Additionally, the Company shall submit to the Commissioner by June 1 of each such year a report, prepared at the Company's request by a firm of independent public accountants, on the results of certain procedures, to test the Company's compliance with the Canadian Closed Block cash flow provisions of this Part Two. These reporting obligations shall continue for so long as the Commissioner may require. The annual report required by this Section VI shall be submitted in a form acceptable to the Commissioner and in accordance with procedures acceptable to the Commissioner.

B. The Company shall submit to the Commissioner by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Canadian Closed Block.

VII. AMENDMENT OR CESSATION OF CANADIAN CLOSED BLOCK

A. The Company may amend the terms of or cease to maintain the Canadian Closed Block with the prior approval of the Commissioner, subject to such terms and conditions as the Commissioner may approve, if the Commissioner determines that: (1) assurances provided by the Company or other conditions provide adequate safeguards to provide for the reasonable dividend expectations of the holders of Canadian Closed Block Policies and (2) either (x) the Canadian Closed Block is no longer necessary to

effectuate the purposes of this Exhibit or (y) the Canadian Closed Block has been so reduced in size so as to make continued operation of the Canadian Closed Block impracticable. Terms and conditions imposed by the Commissioner may include, without limitation, requiring actuarial opinions from independent actuaries hired by the Company, and by the Commissioner at the Company's expense, that appropriate provision has been made for the dividend expectations of holders of Canadian Closed Block Policies. If the Canadian Closed Block is discontinued, the Canadian Closed Block Policies then remaining shall continue to be obligations of the Company and dividends on such Policies shall be apportioned by the Board in accordance with applicable law.

B. Except as provided in paragraph A above, none of the assets, including the revenue therefrom, allocated to the Canadian Closed Block or acquired by the Canadian Closed Block shall revert to the benefit of the shareholders of the Company.

EXHIBIT I: FLEXIBLE FACTOR REQUIREMENTS

1. Prior Notice Requirement

An Insurer will not, except as described in Section 4 of these Flexible Factor Requirements modify or adjust any Flexible Factor in effect as of the Effective Date under any Flexible Factor Policy unless it has filed with the Commissioner, at least 60 days prior to implementing such modification or adjustment, a statement of its intention that complies with the requirements of these Flexible Factor Requirements and the Commissioner has not disapproved the proposed modification or adjustment during the 60 day period following the filing of said statement. To be effective for purposes of these Flexible Factor Requirements, such disapproval must be based upon a written finding that (x) such modification or adjustment involves an increase in the Insurer's profit factor for the Flexible Factor Policies that are the subject of such statement and (y) such modification or adjustment (i) is based on actuarial assumptions that are unreasonable or (ii) is otherwise contrary to law.

2. Definitions

Unless otherwise defined in these Flexible Factor Requirements, capitalized terms have the meanings ascribed to them in the Plan.

"Flexible Factors" means, with respect to Flexible Factor Policies, current cost of insurance rates, current interest rates, current expense charges and, for indeterminate premium policies, current premiums, that in each case may be redetermined from time to time by the issuing insurer on the basis of projected future experience. "Flexible Factors" also means, solely for purposes of the Plan, (1) annual dividends paid with respect to life insurance policies marketed under the name "Life Builder," which are listed by policy form number in Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I and (2) termination dividends paid with respect to life insurance policies issued by Prudential and marketed under the names "Life Builder," "Appreciable Life" and "Variable Appreciable Life," which are listed by policy form number in Schedule I-1 to the Flexible Factor Requirements attached hereto as Exhibit I.

"Flexible Factor Policy" means any individual life insurance policy In Force on the Effective Date that is within the classes of policies listed in Schedule I-1 to Exhibit I, whether participating or nonparticipating, and associated riders, where the issuing insurer has reserved the right to modify (upward or downward) premiums, charges (i.e. for expenses or cost of insurance) or credits (interest on contract funds or dividends) on the basis of future anticipated or emerging experience.

"Insurer" means Prudential, Pruco Life Insurance Company, Pruco Life Insurance Company of New Jersey or Prudential Select Life Insurance Company of America.

"Prudential" means The Prudential Insurance Company of America.

"Qualified actuary" means an individual who is a member in good standing of the American Academy of Actuaries and who meets the general qualification standards for making Prescribed Statements of Actuarial Opinion in the life insurance practice area as set forth by the American Academy of Actuaries.

3. Proposed Adjustments

An Insurer shall file any proposed modifications to or adjustments in Flexible Factors for Flexible Factor Policies, including changes in non-guaranteed interest, with the Commissioner at least 60 days prior to

implementation. The Insurer may utilize the new premiums or factors provided the Commissioner has not disapproved such changes within 60 days of the date of filing upon any of the grounds for disapproval specified in Section 1 of these Flexible Factor Requirements.

Notification to the Commissioner of any Flexible Factor or premium change shall include the following information:

a. An identifying form number(s) and original filing date(s) of the form(s) to which the Flexible Factor change applies, together with a list of states in which the form was previously filed;

b. An indication of the Flexible Factor(s) which is being changed and the implementation date of such change;

c. A specification of the categories (for example, face amount, date of issue, etc.) of in force business to which the revised Flexible Factor(s) will apply;

d. A description, for representative plans, ages and durations, of (i) the Flexible Factor(s) in effect at the time of the filing of the notification of a new Flexible Factor, (ii) the new Flexible Factor(s) and (iii) any differences between (i) and (ii), together with a statement as to whether any such differences represent an increase, decrease or no change from those in effect as of the time of the filing, as well as a specification of the relative magnitude of any such change(s);

e. The rationale for the change, describing changes in experience or expected changes in experience leading to that change;

f. An actuarial memorandum which shall include: a certification by a qualified actuary that the change does not increase the profit factor or, if the change does increase the profit factor, includes an explanation of the manner by which and the reasons why the profit factor should be increased; and

g. A certificate from a duly authorized officer of the Insurer that the Insurer's board of directors, executive committee, or officer duly authorized by the board has approved the proposed Flexible Factor(s) change, or other evidence acceptable to the Commissioner of such action.

The actuarial memorandum required pursuant to f. above shall contain a certification from the qualified actuary who prepared it that adjustments are such as to (a) retain or reduce the profit factor that was inherent in the rate formulas at issue, or (b) if, in the actuary's judgment, the profit factor for covered policies should be increased, the actuarial memorandum shall provide all justifications for that increase. Adjustments in premiums or factors which increase profits (before consideration of dividends) shall be acceptable if the Commissioner determines that future dividends will also be adjusted so that profit to the Insurer, after dividends, is the same as was inherent in the rate formulas and anticipated dividends at issue.

4. Exceptions to Prior Notice Requirement

An Insurer shall not be required by these Flexible Factor Requirements to provide prior notice for any change in a Flexible Factor if the change is made pursuant to a methodology or formula that has been filed with the Commissioner and implemented by the Insurer in compliance with these Flexible Factor Requirements.

An Insurer may implement a modification or adjustment of a Flexible Factor without complying with the requirements of these Flexible Factor Requirements if the Insurer reasonably determines that such compliance would cause it to violate the law of any State or directive of any insurance regulatory authority having jurisdiction over the Insurer.

5. Amendments and Termination

The Company may amend or terminate these Flexible Factor Requirements with the prior approval of the Commissioner, upon such terms and conditions as the Commissioner may approve.

SCHEDULE I-1
FLEXIBLE FACTOR POLICIES
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Policy Form Number	Policy Form Marketing Name
BWL-84	Life Builder
BWL-84V	
ALA-88	Appreciable Life
ALB-88	
VALA-88	Variable Appreciable Life
VALB-88	
VALA-97NJ	
VALB-97NJ	
IPT-89	Indeterminate Premium One Year Term
IPT-95	
SVUL-95	Survivorship Preferred
VUL-97 NY	Variable Universal Life
GRP-89292	Direct Term
GRP-81838	Florida Term
PSL-PR1.94	PruSelect Life Individual UL
AC1.94	
PSL-SU1.94	PruSelect Life Second-to-Die Universal Life
PSL-FT1.94	PruSelect Life First-to-Die Universal Life

SCHEDULE I-1
FLEXIBLE FACTOR POLICIES
PRUCO LIFE INSURANCE COMPANY

Policy Form Number	Policy Form Marketing Name
ALA-84	Appreciable Life
ALA-86	
ALB-84	
ALB-86	
VALA-84	Variable Appreciable Life
VALA-86	
VALB-84	
VALB-86	
VUL-97	Variable Universal Life
FL-85	Discovery Life
VFL-85	Discovery Life Plus
CUL-B-106	Charity Plus
VAL-DR-105	PRUvider

SCHEDULE I-1
FLEXIBLE FACTOR POLICIES
PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

Policy Form Number	Policy Form Marketing Name
ALA-84	Appreciable Life
ALA-86	
ALB-84	
ALB-86	
VALA-84	Variable Appreciable Life
VALA-86	
VALB-84	
VALB-86	
VAL-DR-105	PRUvider
FL-85	Discovery Life
VFL-85	Discovery Life Plus

EXHIBIT J: ANNUITY CREDITING RATE REQUIREMENTS

1. Covered Annuity Crediting Rates to Be Set Annually

a. Each Insurer shall at least annually set the Covered Annuity Crediting Rates for each Covered Contract, except in the case of (i) interest credited to new deposits or transfers to "Flexible Discovery Plus" annuities issued by Prudential prior to November 6, 1995, and (ii) interest credited to new deposits to "Flexible Discovery" annuities issued by Prudential, Prudential shall not be required by these Annuity Crediting Rate Requirements to reset the interest rate for 3 years from the date that such rate first becomes effective. Prior to setting a Covered Annuity Crediting Rate, the Insurer shall compare the Covered Annuity Crediting Rate that it intends to set (a "Proposed Rate") to the applicable Base Crediting Rate. If the Proposed Rate is less than the Base

Crediting Rate, then the Insurer shall adjust the Proposed Rate to a rate not less than the Base Crediting Rate unless the Insurer has complied with the requirements of paragraph b. below.

b. An Insurer may implement a Proposed Rate that is below the applicable Base Crediting Rate if, at least 30 days prior to implementing such Proposed Rate, the Insurer has filed with the Commissioner a statement that complies with the requirements set forth in these Annuity Crediting Rate Requirements and the Commissioner has not disapproved the Proposed Rate during the 30 day period following the delivery of such statement. To be effective for purposes of these Annuity Crediting Rate Requirements, such disapproval must be based upon a written finding that (x) such modification or adjustment involves an increase in the Insurer's profit factor derived from interest rate spreads on Covered Account Values and (y) such modification or adjustment (i) is based on actuarial assumptions that are unreasonable or (ii) is otherwise contrary to law.

c. An Insurer may set a Covered Annuity Crediting Rate without complying with these Annuity Crediting Rate Requirements if the Insurer reasonably determines that such compliance would cause it to violate the law of any State or directive of any insurance regulatory authority having jurisdiction over the Insurer.

2. Definitions

Unless otherwise defined in these Annuity Crediting Rate Requirements, capitalized terms have the meanings ascribed to term in the Plan.

"Base Crediting Rate" means, with respect to each product type specified on Schedules J-1 and J-2 of this Exhibit J, the crediting rate produced by application of the base crediting rate formula and factors applicable to each such product type as specified on a schedule filed with the Department prior to the Effective Date. The contents of said schedule shall be considered proprietary information that could result in competitive injury to the Company if disclosed and shall be maintained by the Department as confidential.

"Covered Account Value" means that portion of the account value of a Covered Fixed Annuity, or that portion of the account value held pursuant to the general account option of a Covered Variable Annuity, that is (1) attributable to initial or subsequent deposits or transfers into such annuity that occurred prior to the Effective Date and (2) still within the surrender charge period(s) that applies to such deposits or transfers.

"Covered Annuity Crediting Rate" means the interest rate credited on Covered Account Values.

"Covered Contracts" means Covered Fixed Annuities and Covered Variable Annuities.

"Covered Fixed Annuity" means an individual annuity In Force on the Effective Date that is within the classes of annuities listed on Schedule J-1 to Exhibit J, where the issuing insurer has reserved the right to adjust the crediting rate periodically.

"Covered Variable Annuity" means an individual variable annuity In Force on the Effective Date that is within the classes of annuities listed on Schedule J-2 to Exhibit J, where the contract owner has the right to direct funds to be invested in the general account of the issuing insurer and the issuing insurer has reserved the right to adjust the crediting rate for such funds periodically.

"Department" means the New Jersey Department of Banking and Insurance.

"Insurer" means Prudential, Pruco Life Insurance Company or Pruco Life Insurance Company of New Jersey.

"Proposed Rate" has the meaning set forth in paragraph 1.a of these Annuity Crediting Rate Requirements.

"Prudential" means The Prudential Insurance Company of America.

3. Contents of Filing

An Insurer shall file any statement of its intent to implement a Proposed Rate that is less than the applicable Base Crediting Rate with the Commissioner at least 30 days prior to implementation. Such filing shall include the following information:

a. an identifying form number(s) to which the Proposed Rate applies;

b. the proposed implementation date of the Proposed Rate;

c. a specification of the categories (for example issue dates or dates of deposit) of the contracts to which the Proposed Rate will apply;

d. A description, for representative categories, of (i) the Covered Annuity Crediting Rate(s) in effect at the time of the filing of the statement, (ii) the Proposed Rate(s), (iii) the applicable Base Crediting Rate(s), (iv) any differences between (i) and (ii), together with a statement as to whether any such differences represent an increase, decrease or no change from the Covered Annuity Crediting Rate(s) in effect as of the time of the filing, as well as a specification of the relative magnitude of any such change, and setting forth the rationale for any Proposed Rate to be less than the Base Crediting Rate;

e. An actuarial memorandum which shall include a certification by a qualified actuary that the change does not increase the Insurer's profit factor derived from interest rate spreads used in determining the prospective Actuarial Contribution amounts in connection with the distribution of value calculation for the demutualization (the "Profit Factor"), or, if the change does increase such Profit Factor, an explanation of why the Profit Factor should be increased; and

f. A certificate from a duly authorized officer of the Insurer that the Insurer's board of directors, or officer duly authorized by the board, has approved the Proposed Rate, or other evidence acceptable to the Commissioner of such action.

The actuarial memorandum required pursuant to e. above shall contain a certification from the qualified actuary who prepared it that adjustments are such as to (a) retain or reduce the Profit Factor, or (b) if, in the actuary's judgment, the profit factor for covered contracts should be increased, the actuarial memorandum shall provide all justifications for that increase.

4. Amendments and Termination

The Company may amend or terminate these Annuity Crediting Rate Requirements with the prior approval of the Commissioner, upon such terms and conditions as the Commissioner may approve.

SCHEDULE J-1
COVERED FIXED ANNUITIES
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Policy Form Number	Policy Form Marketing Name
FIP-86	FIP
RAC-89 RAC-93 FDPA-97	Flexible Discovery Discovery Classic

SCHEDULE J-2
COVERED VARIABLE ANNUITIES
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Policy Form Number	Policy Form Marketing Name
QVIP-84 VIP-84 VIP-86 WVA-83 WVQ-83	VIP
VAC-89 VAC-93	Flexible Discovery Plus

[LOGO]
Milliman & Robertson, Inc.
Actuaries & Consultants

Internationally WOODROW MILLIMAN

December 12, 2000

The Board of Directors
The Prudential Insurance Company of America
Prudential Plaza
Newark, NJ 07102

Re: Plan of Reorganization of The Prudential Insurance Company of America

STATEMENT OF ACTUARIAL OPINION

Subject of this Opinion

This opinion letter relates to the actuarial aspects of the proposed Reorganization of The Prudential Insurance Company of America ("Prudential") pursuant to its Plan of Reorganization (the "Plan") as presented to Prudential's Board of Directors on December 12, 2000 for its consideration and adoption. The specific opinions set forth herein relate to the proposed allocation of consideration among Eligible Policyholders and the creation and funding of a Closed Block, each of which is described in the Plan.

Capitalized items have the same meaning in this opinion as they have in the Plan.

Qualifications and Usage

I, Daniel J. McCarthy, am associated with the firm of Milliman & Robertson, Inc., ("M&R") and am a Member of the American Academy of Actuaries, qualified under the Academy's Qualification Standards to render the opinions set forth herein. The Plan is based on authority in Chapter 17C of Title 17 of the New Jersey Revised Statutes ("Chapter 17C"). The opinions set forth herein are not legal opinions concerning the Plan but rather reflect the application of actuarial concepts and standards of practice to the provisions thereof.

I am aware that this opinion letter will be furnished to the New Jersey Department of Banking and Insurance for its use in determining the fairness of the Plan, and to Prudential's Eligible Policyholders as part of the Policyholder Information Booklet that will be delivered to them, and I consent to the use of this letter for those purposes.

Reliance

In forming the opinions set forth in this memorandum, I have received from Prudential extensive information concerning Prudential's past and present practices and financial results. I, and other M&R staff acting under my direction, met with Prudential personnel and defined the information we require; in all cases, we were provided with the information we requested to the extent that it was available or could be developed from Prudential's records. We have made no independent verification of this information, although we have reviewed it where practicable for general reasonableness and internal consistency. I have relied on this information, which was provided under the general direction of Helen Galt, Prudential's Company Actuary. My opinions depend on the substantial accuracy of this information.

Process

In all cases, I and other M&R staff acting under my direction either derived the results on which my opinions rest or reviewed derivations carried out by Prudential employees.

Opinion #1

Under the Plan, consideration is to be distributed to each Eligible Policyholder in exchange for his or her Membership Interest. In my opinion, the methodology and underlying assumptions for allocation of consideration among Prudential's Eligible Policyholders that are set forth in Article VII of the Plan (including the Allocation Principles and Methodology, an Exhibit thereto) are reasonable and appropriate, and the resulting allocation of consideration is fair and equitable.

Discussion

General description of the method of allocation. Section 3(c)(2) of Chapter 17C requires that "the method for allocating consideration among eligible policyholders shall be fair and equitable", and requires that "the method shall provide for each eligible policyholder to receive (a) a fixed component of consideration or a variable component of consideration, or both; or (b) any other component of consideration acceptable to the commissioner". Under the Plan, each Eligible Policyholder will be allocated a Basic Fixed Component of consideration; i.e., a value, expressed in terms of shares of stock, that is independent of the Eligible Policyholder's Actuarial Contribution. In addition, each Eligible Policyholder will be allocated a Basic Variable Component of consideration if the Actuarial Contribution of any of the Eligible Policies owned by the Eligible Policyholder is positive. As defined in the Plan, Actuarial Contribution means, with respect to a particular Eligible Policy, the contribution that such Eligible Policy is estimated to have made to the Company's surplus, plus the estimated contribution that such Eligible Policy is expected to make to surplus in the future, in each case as determined in accordance with the principles and methodology set forth in Article VII and the "Allocation Principles and Methodology" Exhibit of the Plan. For each Eligible Policyholder who received a Basic Variable Component of consideration, that Eligible Policyholder's share of the sum of all consideration distributed via the Basic Variable Component is the ratio of:

(a) the sum of the positive Actuarial Contributions of all Eligible Policies owned by the Eligible Policyholder, to

(b) the sum of all positive Actuarial Contributions of all Eligible Policies owned by all Eligible Policyholders.

Appropriateness of the "contribution to surplus" method. Most of the consideration allocated to Eligible Policyholders is allocated via the Basic Variable Component, using the "contribution to surplus" method. The contribution to surplus method is recognized in the actuarial literature as an appropriate allocation method. In particular, Actuarial Standard of Practice 37 ("ASOP 37"), which is the most authoritative guidance available to actuaries on this subject, states in part, "The variable component of consideration should be allocated on the basis of the actuarial contribution." ASOP 37 (which was adopted by the Actuarial Standards Board in June, 2000 with an effective date of December 15, 2000) defines "actuarial contribution," in the relevant part, to be "The contributions that a particular policy . . . has made to the company's statutory surplus . . . plus the present value of contributions that the same policy . . . is expected to make in the future." This is consistent with the definition in the Plan. I therefore find that the use of "contribution to surplus" as the principal basis underlying the allocation of consideration is reasonable and appropriate. I further find that, in the Plan, the contribution to surplus method has been implemented in a reasonable manner, consistent with Prudential's past and present business practices and consistent with relevant actuarial literature.

Appropriateness of the Basic Fixed Component. Consideration is also allocated to Eligible Policyholders via the Basic Fixed Component, in which each Eligible Policyholder is allocated a fixed number of shares of common stock without regard to the Actuarial Contribution of that Eligible Policyholder or of the class or classes in which policies held by the Eligible Policyholder happen to reside. This element of the allocation assures that each Eligible Policyholder will receive some distribution, and is consistent with overall concepts of equity. Under the Plan, the percentage of the total consideration that is allocated in this manner is small relative to that allocated in proportion to positive actuarial contributions, which is appropriate. I find that including a minimum allocation to each Eligible Policyholder using the Basic Fixed Component is reasonable and appropriate.

Appropriateness of certain adjustments provided for in the Plan. The Plan provides for certain adjustments to the amount otherwise calculated (i.e., the sum of the Basic Fixed Component and any Basic Variable Component) with respect to certain Eligible Policyholders. These adjustments, and the Eligible Policyholders to which each applies, are discussed below.

a. Additional Components. Section 7.1 of the Plan defines the basis under which an Additional Fixed Component and an Additional Variable Component will be allocated to Eligible Policyholders who do not

receive shares of stock as a form of consideration with respect to any of his or her Eligible Policies. (For purposes of this opinion, I will refer to the Additional Fixed Component and the Additional Variable Component together as "Additional Components".) This adjustment has the effect of increasing the amount of consideration by approximately 10% of the amount otherwise calculated, subject to a minimum of two additional shares. The aggregate amount of the Additional Components reasonably reflects the value of the savings that Prudential expects to achieve by virtue of providing shareholder services to smaller number of shareholders than there would have been if all Eligible Policyholders had received shares of stock and how that value might be reflected in Prudential's IPO price.

b. Top-up Period. Section 7.5 of the Plan defines the basis under which this adjustment is made with respect to Eligible Policyholders who receive cash or policy credits as a form of consideration with respect to any of his or her Eligible Policies if the average trading price of the stock in the 20 days following the IPO exceeds the Initial Stock Price by more than 10%. In such event, such Eligible Policyholders receive additional consideration equal to the product of (x) and (y), where (x) equals the excess of (i) the ratio of the average trading price to the Initial Stock Price over (ii) 1.1, and (y) equals the amount of their calculated consideration (i.e., the sum of the Basic Fixed Component, any Basic Variable Component, and any Additional Components) on such Eligible Policies. This adjustment cannot exceed 10% of the calculated consideration (i.e., if the rate of appreciation exceeds 20%, the adjustment is 10%).

I have considered the effect of these two adjustments. I note that:

a. The Additional Components adjustment has the effect of reflecting, in the allocation of consideration provided to each Eligible Policyholder who does not receive shares of stock in exchange for his or her membership interest, the value associated with anticipated savings in shareholder servicing costs that they make possible by not receiving shares of stock.

b. The Top-up Period adjustment has the effect of providing assurance to Eligible Policyholders who receive cash or policy credits that if the use of the Initial Stock Price of the stock in determining the value distributed to such Eligible Policyholders in exchange for their membership interests does not fully reflect the value of those interests--as would be demonstrated if the price of the stock rises significantly during a short period after the IPO--the amount distributed to them will be adjusted to reflect appropriately the value of their membership interests.

c. The Top-up Period adjustment is integrated with the Additional Components adjustment. It takes into account that by virtue of the Additional Components adjustment, Eligible Policyholders who do not receive shares of stock, who constitute the vast majority of those to whom the Top-up Period adjustment applies, will already have been allocated value that is approximately equal to the additional value they would have derived from receiving shares of stock if any short-term increase in the price of the stock is 10% or less. It thus provides additional consideration only if any short-term increase in the price of the stock exceeds 10%.

I find that the application of these adjustments in determining the amount of consideration allocable to Eligible Policyholders who receive cash or policy credits is fair and equitable because:

i. it reflects, in valuing their Membership Interests, the element of that value that is associated with savings in shareholder servicing costs, and

ii. it enables an adjustment in valuing their Membership Interests, essentially analogous to the adjustment that takes place on the part of Eligible Policyholders who receive only shares of stock, in the event that there is a significant increase in the price of the stock in the short term.

In making this finding, I have taken into account the history of short-term Post-IPO price movements of the shares of stock of demutualized life insurers.

The effect of different forms of consideration. As noted above, in considering the fairness of the allocation I have taken into account that different classes of Eligible Policyholders will receive one or more different forms of consideration. I find that the above-described allocation of demutualization consideration among Eligible Policyholders results in a distribution to each class of Eligible Policyholders in exchange for their Membership Interests, whether in stock, policy credits or cash, that appropriately reflects their share of the aggregate value that is being distributed in the exchange.

Appropriateness of the definition of "Eligible Policyholder." In considering the fairness of the allocation, I have taken into account the definition of "Eligible Policyholder" set forth in the Plan. This definition differs in certain respects from definitions used in some prior demutualizations, but I consider it to be consistent with Prudential's business practices, consistent with approaches prescribed or permitted by the Chapter 17C, and reasonable when taken in conjunction with the overall method for allocation of consideration. I have also considered that, under the Plan, Eligible Policies affect the allocation of the Aggregate Basic Variable Component, if their Actuarial Contributions are positive, whether they are "participating" or "non-participating" policies. In light of Prudential's business practices, I find this approach to be fair and equitable.

Opinion #2

In my opinion:

A. The purpose of the Closed Block, as set forth in Article IX of the Plan, is appropriate.

B. The arrangements for the establishment, operation and funding of the Closed Block as set forth in Article IX of the Plan (including the Closed Block Memorandum, and Exhibit thereto), are reasonable.

C. The selection of the assets used to fund Prudential's Closed Block as of July 1, 2000 is consistent with the Plan of Reorganization and with the actuarial assumptions (as described in the Closed Block Memorandum) that were used for funding the Closed Block.

D. The $48.7 billion of assets used to fund the Closed Block is an amount that is expected to be reasonably sufficient to meet the objective of supporting the Closed Block Policies (including but not limited to the payment of claims, certain expenses, and taxes) and providing for continuation of the dividend scales in effect on the Adoption Date if the experience underlying such dividend scales continues. Attachment 1 to this letter provides the Closed Block statutory balance sheet as of July 1, 2000, consistent with the funding of the Closed Block.

E. Article IX of the Plan also provides for the appropriate adjustment of the dividend scales if the underlying experience changes from that underlying the dividend scales in effect for 2000 and is in conformity with the provisions of Chapter 17C dealing with closed blocks.

F. The Funding Adjustment Charges specified for the Closed Block (set forth in Attachment 2 to this letter) are consistent with the Plan of Reorganization and with the actuarial assumptions that were used for the establishment of these charges.

Discussion

Appropriateness of the purpose of the Closed Block. As to (A) above, Section 3(d) of Chapter 17C requires that the Plan provide for the reasonable dividend expectations of policyholders through establishment of a closed block or other method acceptable to the commissioner. Chapter 17C also provides that any such method may be limited to participating individual life insurance policies and participating individual annuity contracts with experience-based dividend scales. Further, Chapter 17C provides that assets are to be allocated to the Closed Block in an amount expected to be reasonably sufficient to meet the objective of supporting the Closed Block Policies and providing for continuation of the dividend scales in effect on the Adoption Dated if the experience underlying such dividend scales continues. Article IX of the Plan makes provision for establishing a Closed Block having a purpose consistent with that specified by Chapter 17C. My opinion that the purpose is appropriate is based on this consistency as well as its consistency with Actuarial Standard of Practice 33 ("ASOP 33"), with the report of the Society of Actuaries Task Force on Mutual Life Insurance Company Conversion, and with the purposes of other closed blocks that have been established in recent years.

Appropriateness of the arrangements for the establishment, operation and funding of the Closed Block. As to (B), (C), (D), and (E) above, the Closed Block Memorandum describes the process by which assets will be allocated to the Closed Block as of the Closed Block Funding Date, July 1, 2000. The process has three essential steps:

1. Defining the elements that constitute the experience underlying the dividend scales in effect for 2000.

2. Defining the projection process used, in conjunction with (1), to determine the cash flow requirements of the Closed Block for each year of its projected future existence.

3. Selecting assets whose cash flows, when taken in conjunction with anticipated future revenues from Closed Block Policies and future reinvestment of available Closed Block assets, will provide funds to meet the cash requirements of the Closed Block.

I find that the elements of experience underlying the dividend scales in effect for 2000 have been determined correctly and that the process is consistent with normal actuarial techniques for determining cash flow requirements. In particular, I find that--because the dividend scales adopted by Prudential have been essentially unchanged for the four-year period 1997-2000--it is appropriate to determine the elements of experience by averaging, for each element, the experience underlying the scales adopted in the four years ending with year 2000.

I find that the funding of the Closed Block is appropriate, because the initial Closed Block assets are reasonably sufficient to enable the Closed Block to provide for the guaranteed benefits, certain expenses and taxes

associated with Closed Block policies, and to provide for the continuation of the dividend scales in effect for the year 2000 if the experience underlying those scales (including the portfolio interest rates) continues. In connection with these findings, I have noted that the funding of the Closed Block provides for a fixed cost of servicing the policies included in it and the Closed Block Memorandum provides specifically that such fixed administrative expenses shall be charged to the Closed Block. I have considered these arrangements in light of the fact that Prudential, rather than the Closed Block policyholders, bears the financial risk for future changes in administrative expense levels.

I have also taken into account the fact that the investment policies and guidelines that the Investment Committee of the Board adopted for the Closed Block represent a general continuation of the investment policies and guidelines that have been applicable in the past for the portfolio of assets associated with Prudential's obligations for policies that have been placed in the Closed Block.

I also find that the criteria set forth in Article IX of the Plan for modifying the dividend scales if the experience changes are such that, if followed, the Closed Block Policies will be treated in a manner consistent with Prudential's current dividend practices. In connection with this finding, I have noted that the Plan requires Prudential to submit by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Closed Block. The presence of this requirement helps to assure that Closed Block operations in general, and dividend scale changes in particular, are consistent with the purpose of the Closed Block.

Finally, I find that the funding and operation of the Closed Block as set forth in Article IX of the Plan are consistent with current actuarial practice as set forth in ASOP 33. In particular, I find that--under the circumstances described above--the use of the four-year averaging technique in determining the elements of experience is consistent with the guidance of ASOP 33 that experience elements should reflect ". . .recent experience underlying the current dividend scales."

Appropriateness of Funding Adjustment Charges. As to (F) above, the Funding Adjustment Charges are appropriate because, with respect to Closed Block Policies issued on or after the Closed Block Funding Date (July 1, 2000) and prior to the Effective Date, they will place the Closed Block in a neutral financial position--i.e., the Closed Block's assets will be neither more nor less sufficient in relation to its obligations by virtue of the inclusion of these policies in the Closed Block than would have been the case had the policies not been included in the Closed Block. The Funding Adjustment Charges have been calculated so that they remove from the Closed Block, with respect to policies to which they apply, the sum of (a) expenses and commissions provided for in the pricing of the policies for which the Closed Block is not financially responsible, and (b) the present value of any expected future profits that would enure to Prudential after provision for policyholder dividends.

Opinion #3

In my opinion, the definition of the Closed Block Policies included in the Closed Block as set forth in Article I of the Plan is fair and reasonable, and is consistent with the provisions of Chapter 17C. Section 9.5 of the Plan provides other methods for protecting the reasonable dividend expectations for certain dividend-paying policies not in the Closed Block. In my opinion, these other methods are reasonable and appropriate.

Discussion

Article I of the Plan defines the Closed Block Policies referred to in Article IX of the Plan. This definition provides that certain classes of policies in force on the Closed Block Funding Date, or on any date between that date and the Effective Date, will be included in the Closed Block provided that they are in force on the Effective Date. The policies so provided for are, in general, individual life insurance policies and certain retirement annuity contracts in classes for which Prudential's 2000 dividend scale provides for experience-based dividends. This is consistent with the purpose of the Closed Block, which is to provide assurance of the future dividend treatment of such policies and contracts.

For certain small classes of individual life policies, individual health policies, individual annuity contracts, and supplementary contracts with current dividend scales but which are excluded from the Closed Block, the Plan provides reasonable assurances as to the continuation of the current dividend practices in the future. Such assurances are an appropriate way in which to deal with special classes of policies.

Scope of Opinions #2 and #3

Section 9.4 of the Plan provides for the establishment of a Canadian Closed Block. The Canadian Closed Block was funded with assets in the amount of C$170 million as of July 1, 2000. Attachment 3 to this letter provides the statutory balance sheet for the Canadian Closed Block as of July 1, 2000 consistent with the funding of the Canadian Closed Block. Such funding was based on experience appropriate for the Canadian Closed Block. Opinions #2 and #3 above apply both to the Canadian Closed Block and to the Closed Block covering all other Closed Block Policies.

Yours sincerely

/s/ Daniel J. McCarthy
Daniel J. McCarthy
Consulting Actuary

Attachment 1

US Closed Block
Balance Sheet--July 1, 2000
(amounts in $ millions)

Assets	
Bonds	34,250
Preferred Stock	17
Common Stock--Unaffiliated	1,581
Mortgage Loans	5,120
Investment Real Estate	38
Policy Loans--Non-securitized	5,670
Policy Loans--Securitized	169
Cash and Other Short-term Investments	4
Other Long-term Investments	1,072
Accrued Investment Income	683
Other Miscellaneous Assets	12
Premiums Receivable	93
Total Assets	48,709
Liabilities	
Future Policy Benefits/Aggregate Reserve	43,131
Policyholder Account Balance (Dividend Accumulations)	5,205
Unpaid Claims	68
Policyholder Dividends	2,415
Other Policyholder Related Liabilities	23
General Expenses Due & Accrued	1
Unearned Investment Income	5
Total Liabilities	50,848
Surplus	(2,139)

Attachment 2

Funding Adjustment Charges

Funding Adjustment charges for Closed Block Policies that are issued on or after the Closed Block Funding Date, but on or before the Effective Date of the Plan are as follows:

Series	Percent of First Year Recurring Premium (Annualized, including riders, modal loadings and policy fees)
Gibraltar	125%
Estate	151%
Legacy	182%

Attachment 3

Canadian Closed Block
Balance Sheet--July 1, 2000
(amounts in C$millions)

Assets	
Bonds	143
Preferred Stock	0
Common Stock--Unaffiliated	21
Mortgage Loans	0
Investment Real Estate	0
Policy Loans--Non-securitized	4
Policy Loans--Securitized	0
Cash and Other Short-term Investments	0
Other Long-term Investments	0
Accrued Investment Income	2
Other Miscellaneous Invested Assets	0
Premiums Receivable	0
Total Assets	170
Liabilities	
Future Policy Benefits/Aggregate Reserve	157
Policyholder Account Balance (Dividend Accumulations)	0
Unpaid Claims	0
Policyholder Dividends	4
Other Policyholder Related Liabilities	1
General Expenses Due & Accrued	0
Unearned Investment Income	0
Remittances & Items Not Allocated	0
Total Liabilities	162
Surplus	8

Exhibit L
COMMISSION-FREE SALES AND PURCHASES PROGRAM MEMORANDUM

Section 14.1 of the Plan requires the Holding Company to establish a commission-free sales and purchases program (the "Program") in accordance with this Commission-Free Sales and Purchases Program Memorandum.

Participation in the Program will be available to Eligible Policyholders who own 99 or fewer shares of Common Stock and all other owners of 99 or fewer shares of Common Stock (collectively, "Eligible Shareholders"). Each Eligible Shareholder will have the opportunity to instruct the Holding Company's transfer agent (the "Transfer Agent"), which will also serve as the agent for the Program, to sell all, but not less than all, of the Common Stock owned by the Eligible Shareholder or, alternatively, to purchase enough shares of Common Stock to increase the Eligible Shareholder's holdings to a 100 share round lot ("Round Up"), in either case at prevailing market prices and without brokerage commissions, mailing charges, registration fees or other administration or similar expenses. Shareholders who Round Up are referred to hereinafter as "Round Up Shareholders." Purchases and sales orders of Eligible Shareholders that are not offset against each other will be executed on the NYSE in market transactions effected by one or more broker-dealers (the "Brokers"). Prudential Securities Incorporated ("Prudential Securities"), a registered broker-dealer that is currently a wholly-owned subsidiary of the Company and will become a wholly-owned subsidiary of the Holding Company upon consummation of the Reorganization, may be one of the Brokers or the sole Broker. Broker-dealers affiliated with the Transfer Agent also may serve as Brokers or the sole Broker.

The Holding Company will begin the Program no sooner than 90 days after the Effective Date and no later than the second anniversary of the Effective Date and continue it for not less than three months. With the approval of the Commissioner, the Holding Company may extend the period of such Program if the Holding Company determines such extension to be appropriate and in the best interests of the Holding Company and its shareholders. The Holding Company may reinstitute a second and subsequent commission-free sale and round up programs in the future on a periodic basis on the terms herein without approval of the Commissioner.

The Program will not be restricted to former Eligible Policyholders, but will be made available also to all persons who are Eligible Shareholders on the Record Date.

All shares of Common Stock issued to policyholders in the Reorganization will be issued in uncertificated, book-entry form, unless a shareholder requests issuance of a certificated share. As soon as practicable following the Effective Date in accordance with Article VIII of the Plan, the

Holding Company will provide all its shareholders who received shares in the Reorganization with a confirmation (the "Confirmation") showing the number of shares the shareholder received along with a notice announcing the completion of the Reorganization and recommending that persons who received 99 or fewer shares and who plan to take advantage of the Program leave their shares in book-entry form, rather than converting to certificated form.

At the commencement of the Program, the Transfer Agent will mail a description of the Program (the "Program Description"), together with a sale/purchase authorization card (an "Authorization" and together with the Program Description, the "Program Materials"), to each Eligible Shareholder. The Transfer Agent will also notify Depository Trust Company, who in turn will notify brokers, banks and other nominee holders of Common Stock. Such nominee holders will be requested in the notice to contact the Transfer Agent (directly or through Depository Trust Company) to obtain additional quantities of Program Materials to pass on to qualifying beneficial owners, should such nominee holders determine to use the Program Materials distributed by the Transfer Agent.

The Company expects that some time after the Program commences the Holding Company will instruct the Transfer Agent to make a follow-up mailing or mailings to Eligible Shareholders who, as of that time, have not responded to the initial mailing. None of these mailings will solicit participation in or make recommendations with respect to the Program, and all such mailings will indicate that no Eligible Shareholder will be obligated to participate in the Program.

The Transfer Agent will establish a special toll-free telephone number hotline, staffed with employees or associates of the Transfer Agent, to answer inquiries about the Program. The expenses of the Transfer Agent in connection with the Program will be treated as an expense of the Program and will not be borne by Eligible Shareholders. No commissions or any other sales incentives will be offered or paid to employees of the Holding Company, the Company or any of their affiliates in connection with the Program (other than Prudential Securities if it participates as Broker).

Eligible Shareholders will not be obligated to participate in the Program. Eligible Shareholders may elect to (i) sell or purchase shares under the Program, (ii) sell or buy Common Stock outside the Program and incur any resulting brokerage commissions or other expenses or (iii) retain their Common Stock.

An Eligible Shareholder may elect to participate in the Program by returning a validly executed Authorization to the Transfer Agent, together with stock certificates representing the shares of Common Stock to be sold (if such shares are not held by the Transfer Agent in book-entry form) or, in the case of a purchase Authorization, payment in an amount equal to the number of shares to be purchased multiplied by an estimated purchase price per share which will be indicated in the Program Description (the "Estimated Purchase Price"). Eligible Shareholders who have their shares recorded in "street name", and which are not recorded on the books and records of the Transfer Agent, who wish to participate in the Program can provide their instructions directly to their broker or nominee who in turn will forward accumulated share amounts

for their customers who wish to participate in the Program through Depository Trust Company's system that provides for forwarding such instructions to the Transfer Agent. Although a final determination has not been made, a toll-free telephone number may also be provided so that Eligible Shareholders electing to sell shares in the Program may also do so by calling the Transfer Agent. The Estimated Purchase Price will be set by the Holding Company shortly prior to the mailing of the Program Description and will be based on the market price of the Common Stock at such time plus a margin, which is intended to reduce the need to solicit additional funds from Round Up Shareholders in the event of an increase in the price of the Common Stock during the period between the mailing of the Program Materials and the consummation of an actual purchase for the Eligible Shareholder. Any advance payment received will be held in a non-interest bearing account established by the Transfer Agent solely for that purpose. The Transfer Agent will send a refund check to Round Up Shareholders in cases where the actual price paid for the Round Up shares is lower than the Estimated Purchase Price. Conversely, the Transfer Agent will send an invoice to Round Up Shareholders when the actual price paid exceeds the Estimated Purchase Price.

Authorizations may be returned to the Transfer Agent at any time after the Transfer Agent first mails them out and during the time that the Program is in effect, but, as will be stated in the Program Description, will be irrevocable upon mailing to the Transfer Agent. Any Authorization that is incomplete but received on or prior to a specified number of business days prior to expiration of the Program will be returned to the Eligible Shareholder who submitted the Authorization with appropriate instructions. Incomplete Authorizations that are received by the Transfer Agent thereafter but prior to expiration of the Program, and Authorizations that are received by the Transfer Agent after the expiration of the Program, will not be processed.

All Authorizations received on or prior to 12:00 noon on a particular business day (the "Receipt Day"), together with those received after 12:00 noon of the prior business day, will be combined and processed together (each a "Batch"). For each Batch, the Transfer Agent will first satisfy any Round Up Authorizations received from Eligible Shareholders out of shares covered by valid sales Authorizations received from Eligible Shareholders seeking to sell their shares under the Program. On any Receipt Day when the entire Batch is settled by matching valid sales Authorizations against Round Up purchase Authorizations, the price at which sales and purchases shall be deemed to be executed will be the average of the high and low market prices on the NYSE for the Common Stock on such day.

In the event that, on a particular Receipt Day, the number of shares to be sold pursuant to sale Authorizations in the Batch exceeds the number of shares to be purchased pursuant to Round Up Authorizations in the Batch, the Holding Company will

be offered the opportunity to repurchase all or any portion of the excess. On the business day following the Receipt Day of such unmatched sale Authorizations, the Transfer Agent will notify the Holding Company of the number of unmatched shares in the Batch available for purchase no later 12:00 noon after the open of the NYSE on that business day, and the Holding Company will notify the Transfer Agent no later than two hours after receipt of such notification from the Transfer Agent of the number of shares, if any, it wishes to purchase from that Batch. Any shares sold to the Holding Company will be sold at a price equal to the average of the high and low market prices on the NYSE for the Common Stock on that day.

In the event that the Holding Company does not purchase all of the excess shares offered to it on a business day from the previous day's Batch, the Transfer Agent will place an order on such business day with one of the Brokers to sell shares in the open market to satisfy the unsatisfied sales Authorizations from that Batch. In the event that the number of shares to be purchased pursuant to Round Up Authorizations in a Batch exceeds the number of shares to be sold pursuant to sale Authorizations in the Batch, the Transfer Agent will place an order on the business day following the Receipt Day with one of the Brokers to purchase shares on the open market to satisfy the unsatisfied Round Up Authorizations from that Batch.

The Brokers will be instructed to use their best efforts to sell or purchase shares covered by an order as soon as practicable but not later than the close of business on the third business day after receipt of the order from the Transfer Agent. The Brokers will also be instructed to conduct the sales pursuant to the Program in a manner to avoid any undue impact on the market for the Common Stock.

If with respect to a Batch the Transfer Agent offers shares from unsatisfied sale Authorizations to the Holding Company for purchase and/or places sell or buy orders with one of the Brokers pursuant to unsatisfied Authorizations in the Batch, all

Authorizations in such Batch (including any Round Up and sales Authorizations that have been matched against one another and sales Authorizations that have been satisfied by Holding Company repurchase) will be assigned the same price per share determined as follows: the purchase or sale price per share will be the weighted average price per share of the shares in that Batch purchased or sold based on the prices at which the purchases by the Holding Company and/or the purchases or sales effected by the Broker are executed.

Each Broker will effect all transactions in connection with the Program in the open market on the floor of the NYSE in the ordinary course of such Broker's business. In connection with the Program, the Brokers will effect broker's transactions solely as agent on an unsolicited basis for Eligible Shareholders. In addition, during the period the Program is in effect the Brokers may also cross, solely on an agency basis, unsolicited brokerage orders for purchases and sales of Common Stock submitted by their customers.

The Brokers will accept instructions regarding the Program solely from the Transfer Agent, and, in conducting the Program, will act independently of the Holding Company and its affiliates. Purchases and sales of Common Stock made by the Brokers under the Program will be subject solely to the instructions and control of the Transfer Agent. The Transfer Agent will mail to Eligible Shareholders proceeds from the Program and any necessary refunds of the Estimated Purchase Price or, where applicable, certificates reflecting shares received pursuant to the Program, or will make appropriate credits to the book-entry accounts of such Eligible Shareholders, within 10 business days of completion of the relevant trade, or as soon as practicable thereafter.

All expenses in connection with the Program, including the fees and expenses of the Transfer Agent and the Brokers, will be paid by the Holding Company. The Brokers' commissions from sales and purchases of Common Stock pursuant to the Program will not exceed customary brokerage commissions on

similar transactions. Employees of the Transfer Agent, the Holding Company and the Company and its affiliates (other than Prudential Securities or an affiliate of the Transfer Agent if they participate as Brokers) will not receive any compensation, directly or indirectly for brokerage activities.

Should the Holding Company determine to extend the Program, the Holding Company would mail a notice of such extension to Eligible Shareholders that had not yet participated before the end of the Program.

EXHIBIT 10.1

SUPPORT AGREEMENT

AGREEMENT, dated as of March 18, 1982, between THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation ("Prudential") and PRUDENTIAL FUNDING CORPORATION, a New Jersey corporation ("Funding").

W I T N E S S E T H:

WHEREAS, Prudential owns all of the issued and outstanding capital stock of PRUCO, INC. a New Jersey corporation, which in turn owns all of the issued and outstanding capital stock of Funding; and

WHEREAS, Funding plans to incur indebtedness for money borrowed from time to time from parties other than PRUCO or Prudential ("Debt") in order to enable Funding to carry on its business; and

WHEREAS, Prudential and Funding desire to provide certain assurances to holders of Debt with respect to the stock ownership and financial condition of Funding; and

WHEREAS, Prudential plans to finance the borrowing requirements of PruCapital, Inc., a Delaware corporation, PruLease, Inc., a Delaware corporation, and, if so requested, other companies within the Prudential group; and

WHEREAS, the corporate interests of Prudential will be furthered and the value of its investments in its subsidiaries preserved and potentially enhanced by its entering into this Support Agreement:

NOW THEREFORE, the parties agree as follows:

1. Stock Ownership of Funding. Prudential will directly (or indirectly through a wholly-owned subsidiary of Prudential own and hold the entire legal title to and beneficial interest in all outstanding shares of stock of Funding having the power under ordinary circumstances to vote for the election of members of the Board of Directors of Funding, and will not directly or indirectly pledge or in any way encumber or otherwise dispose of any such shares of stock.

2. Maintenance of Consolidated Tangible Net Worth. Prudential will cause Funding and its subsidiaries, if any, at all times to have a Consolidated Tangible Net Worth of at least $1.00. "Consolidated Tangible Net Worth" shall mean, as of the time of any determination thereof, the excess of (1) the sum of (i) the par value (or value stated on the books of Funding) of the capital stock of all classes of Funding, plus (or minus in the case of a surplus deficiency) (ii) the amount of the consolidated surplus, whether capital or earned of Funding and its subsidiaries, if any, plus (iii) the amount of outstanding Subordinated Debt, over (2) all intangible assets of Funding and its subsidiaries, if any; all determined in accordance with generally accepted accounting principles as in effect on the date hereof. "Subordinated Debt" shall mean indebtedness of Funding which is held by Prudential or one of its wholly-owned subsidiaries and which is expressly and validly subordinated to all Debt of Funding from time to time outstanding.

3. No Guaranty. This Agreement is not, and nothing herein contained and nothing done pursuant hereto by Prudential shall be deemed to constitute, a direct or indirect guaranty by Prudential of the payment of any debt or other obligation, indebtedness or liability, of any kind or character whatsoever, of Funding or its subsidiaries, if any.

4. Waiver. Prudential hereby waives any failure or delay on the part of Funding in asserting or enforcing any of its rights or in making any claims or demands hereunder.

5. Modification, Amendment and Termination. This Agreement may be modified or amended in any way not less favorable to Funding (as determined by Prudential in its sole and exclusive judgment exercised in good faith), and may be terminated at any time by notice from one party to the other on not less than 90 days written notice, except that if termination of this Agreement is necessary to meet any legal or regulatory requirements applicable to Prudential, this Agreement may be terminated immediately by Prudential upon written notice to Funding. Notwithstanding any such termination, the obligations of Prudential under paragraph 2 hereof shall remain in full force and effect until the retirement of all Debt and of all indebtedness guaranteed by Funding outstanding on the termination date unless the holders of all such Debt and indebtedness shall have consented thereto in writing.

6. Successors. The agreements herein set forth shall be mutually binding upon, and inure to the mutual benefit of, Prudential and Funding and their respective successor.

7. Governing Law. This Agreement shall be governed by and construed in

accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By /s/ Garnett L. Keith, Jr.

Vice President

PRUDENTIAL FUNDING CORPORATION

By /s/ L.S. Fried

President

EXHIBIT 10.2

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	:	MASTER DOCKET NO. 95-4704 (AMW) MDL NO. 1061
THIS DOCUMENT RELATES TO: ALL ACTIONS LISTED ON EXHIBIT A	:	

STIPULATION OF SETTLEMENT

1. WHEREAS. numerous actions that have been filed against defendant The Prudential Insurance Company of America, and certain employees, officers and directors of the foregoing, have been centralized by the Judicial Panel on Multidistrict Litigation in the United States District Court for the District of New Jersey as In re The Prudential Insurance Company of America Sales Practices Litigation, MDL Docket No. 1061 before the Honorable Alfred M. Wolin (the "Centralized Proceeding");

2. WHEREAS, the named plaintiffs in several of the constituent putative class actions to the Centralized Proceeding filed a Consolidated Amended Class Action Complaint on October 24, 1995, integrating the claims raised in several of the original complaints which were filed in the actions beginning in February, 1995;

3. WHEREAS, the Defendants moved to dismiss the Consolidated Amended Complaint, pursuant to Federal Rule of Civil Procedure 12(b)(6), and the Court, by Order dated May 10, 1996 (as amended June 10, 1996), dismissed portions of the aforesaid complaint without prejudice and allowed the Plaintiffs to proceed with certain of their claims;

4. WHEREAS, on April 25, 1995, in part in response to allegations made in the Actions, the New Jersey Commissioner of Insurance formed a Multi-State Life Insurance Task Force (the "Task Force") to examine the sales and marketing practices in the life insurance industry, in general, commencing with a market conduct examination of Prudential, the largest life insurer in the United States;

5. WHEREAS, thirty states and jurisdictions agreed to participate on the Task Force;

6. WHEREAS, in connection with its examination, the Task Force stated it reviewed and analyzed: (i) numerous documents; four (4) electronic data bases created by Prudential at the Task Force's request consisting of millions of complaint, policy transaction, agent discipline and commission recapture data records; and (ii) market conduct examinations of Prudential from other individual state Task Force members that had been conducted during the period under review; and further, they also stated they interviewed 283 Prudential agents and 27 Vice Presidents of Regional Marketing or Executive Directors;

7. WHEREAS, the Task Force issued a report on July 9, 1996, setting forth the findings of its market conduct examination (the "Report");

8. WHEREAS, as part of its Report and in accordance with one of its stated objectives, the Task Force also developed, with Prudential, a remediation plan which both the Task Force and Prudential determined would provide fair and appropriate relief to

Policyholders who may have been harmed by misrepresentations made in the sale of their Policies (the "Task Force Remediation Program"), and also recommended that Prudential be fined in the amount of $35 million;

9. WHEREAS, forty-three states and the District of Columbia have executed consent orders adopting the Report and directing Prudential to implement the Task Force Remediation Program (the "Consent Orders"), and have received payments of fines from Prudential in accordance with the Report;

10. WHEREAS, during the pendency of the Task Force examination, and continuing to date, counsel for the putative class action plaintiffs in the

Centralized Proceeding (i) have conducted an extensive investigation of Prudential's sales practices throughout the United States, including interviews of Policyowners as well as former and present Prudential employees; (ii) were provided all documentation, electronic data, and other information produced to the Task Force in connection with its examination and used in the development of its Report; (iii) were provided additionally with over 1 million pages of documents, approximately 160 computer diskettes and cartridges, and over 500 video and audiotapes, concerning a wide variety of matters and business functions at Prudential, pursuant to their requests which were made periodically throughout the pending litigation; and (iv) have conducted depositions and interviews of Prudential executives, senior management and other personnel;

11. WHEREAS, on September 20, 1996, plaintiffs in the constituent actions identified in Exhibit A (collectively, the "Actions") filed a Consolidated Second Amended Class Action Complaint in the Centralized Proceeding (the "Consolidated Complaint") against Prudential and the Individual Defendants reflecting both the Court's prior rulings on

substantive issues and the knowledge obtained by counsel for plaintiffs through the formal and informal discovery they have conducted;

12. WHEREAS, the Consolidated Complaint was brought on behalf of a purported class of persons who purchased permanent life insurance policies from Prudential during the period January 1, 1982 through December 31, 1995;

13. WHEREAS, the Consolidated Complaint asserts claims relating to the Defendants' sales practices during the Class Period and contains allegations, among other things, concerning: (i) the use of an existing policy's cash value or dividend stream to purchase or maintain a new Policy or other policy by means of a surrender, withdrawal/partial surrender or loan ; (ii) representations regarding the number of out-of-pocket cash premium payments required to be paid for a policy and/or the benefits to be realized or paid based on a particular number of cash premium payments; and (iii) representations that the product being sold was solely an investment or savings vehicle rather than a life insurance policy and/or the relative appropriateness of permanent life insurance versus other financial services products;

14. WHEREAS, the Defendants make no admissions respecting the merits of the allegations made in the Actions nor any facts or claims that have been or could have been alleged against them in the Actions, but consider it desirable for the Actions to be dismissed because this Stipulation will, among other things, (i) further Prudential's objective to fully and fairly remedy any legitimate claims of policyowners, (ii) provide substantial benefits to Prudential's present and former policyowners in addition to those provided in the Task Force Remediation Program, (iii) finally put Plaintiffs' claims (including claims that were or could have been asserted against other officers and directors other than the Individual Defendants)

and the underlying matters to rest, and (iv) avoid the substantial expense, burdens and uncertainties associated with continued litigation of those claims, including indemnification obligations and expenses;

15. WHEREAS, Plaintiffs and Prudential, by and through their duly authorized counsel, executed the Settlement Agreement on September 22, 1996:

16. WHEREAS, Lead Counsel and Defendants' Counsel executed a Statement of Intent of the Parties on September 27, 1996;

17. WHEREAS, Prudential shall commence, by mailing of appropriate notice no later than February, 1, 1997, a remediation program as described below. This notice will disclose that with respect to the program, the scoring, remedies and options in the remediation program will be the same as those provided for in the Proposed Settlement except that the Additional Remediation Amount contemplated in this Stipulation and all guaranteed and minimum amounts in excess of pre-tax costs would only be available to the extent the Proposed Settlement is approved, upon the Final Settlement Date, and that with respect to the Basic Claim Relief, any agreed upon additional alternative benefits will only be available to the extent the Proposed Settlement is approved, upon the Final Settlement Date;

18. WHEREAS, Lead Counsel has, in good faith, conducted extensive additional discovery since September 22, 1996, to determine whether the underlying facts were consistent with their understandings as of the time they entered into the Settlement Agreement;

19. WHEREAS, based upon Lead Counsel's extensive discovery and investigation through the date of this Stipulation, and its evaluation of the facts and law relating to the matters alleged in the pleadings, Lead Counsel and

the Defendants have agreed to settle the

Actions pursuant to the provisions of this Stipulation of Settlement (hereinafter referred to as this "Stipulation"), after considering such factors as (i) the substantial additional benefits to Plaintiffs and the Class provided under the terms of this Settlement, (ii) the risks of litigation, including the defenses of the Defendants to the Consolidated Complaint, (iii) the desirability of consummating settlement of these disputes promptly, and (iv) the benefits provided in the Settlement to Plaintiffs and the Class; and

20. WHEREAS, Plaintiffs and Lead Counsel have concluded that this Stipulation of Settlement is fair, reasonable and adequate because it provides substantial benefits to the Class and is in the best interests of the Class;

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by, between and among Plaintiffs (individually and in their respective capacities as representatives of the Class) and The Prudential Insurance Company of America, and the Individual Defendants, that the Actions and the matters raised by the Actions hereby are settled, compromised and dismissed on the merits and with prejudice on the following terms and conditions, subject only to the conditions specified herein and the approval of the Court.

A. DEFINITIONS

1. As used in this Stipulation and the annexed Exhibits (which are an integral part of this Stipulation and are incorporated in their entirety by reference), the following terms shall have the following meanings (unless a part or subpart of this Stipulation or its Exhibits otherwise provides):

a. "Action" or "Actions" shall mean the Consolidated Complaint and the Consolidated Policyholders Class Actions in In re The Prudential Insurance Company of America Sales Practices Litigation, Master Docket No. 95-4704(AMW), MDL No. 1061,

pending for pre-trial purposes in the United State District Court for the District of New Jersey, as further described in Exhibit A hereto.

b. "ADR Guidelines" shall mean the "Prudential Alternative Dispute Resolution Guidelines" attached hereto as Exhibit B.

c. "ADR Manual" or "Manual of Procedures" shall mean the "Manual of Procedures for Resolving Claims Under the Prudential Alternative Dispute Resolution Guidelines" attached hereto as Exhibit C.

d. "Agent" shall mean any agent or other representative of Prudential in respect of the sale, delivery and/or service of the Policy or Policies which is/are the subject of the Claim.

e. "Alternative Dispute Resolution Process" or "ADR Process" shall mean the procedures for presentation to and evaluation of Claims by the Claim Evaluation Staff, the Independent Claim Evaluation Team, the Claim Review Staff and the Appeals Committee, as described in the ADR Guidelines and the ADR Manual taken together.

f. "Appeals Committee" or "APCOM" shall have the meaning set forth in the ADR Guidelines.

g. "Attorneys' Fees" shall mean such funds paid by Prudential, on behalf of the Defendants, as may be awarded to Lead Counsel and all other plaintiffs' counsel in the Actions to compensate them for their fees and expenses in connection with the Actions.

h. "Basic Claim Relief" shall mean, as more particularly described in the

"Guidelines for Prudential Basic Claim Relief," attached as Exhibit D hereto, that relief comprising the following: Optional Premium Loans, Enhanced Value Policies, Enhanced Value Annuities and Mutual Fund Enhancements.

i. "Board" shall mean the Board of Directors of The Prudential Insurance Company of America.

j. "Claim" shall mean a claim by a Claimant submitted to the ADR Process and meeting the criteria for eligibility set forth in Exhibits B and C hereto.

k. "Claim Evaluation Staff" shall mean the qualified professional and administrative staffs established by Prudential, wholly independent from Prudential's marketing or sales functions, composed solely to perform the evaluation of Claims, and to score and determine the level of relief of all Claims, all as described in the ADR Manual.

l. "Claim Form" shall mean the form submitted by each Claimant to establish his, her or its Claim pursuant to the ADR Guidelines.

m. "Claim Resolution Factor" shall have the meaning set forth in Section I.B. of the ADR Guidelines.

n. "Claim Review Staff" shall mean the qualified professional and administrative staffs established by Prudential, wholly independent from Prudential's marketing or sales functions, composed to perform the oversight functions, all as described in the ADR Manual.

o. "Claimant" shall mean all such Policyholder(s) having, individually or together, a complete ownership interest in a Policy which is the subject of a Claim.

p. "Claimant Group Administrator" shall mean any third party, agent or administrator, including Boston Financial Data Services, Inc., which may be retained by

Prudential and must be approved by Lead Counsel and the Regulatory Oversight Staff, to help implement the ADR Process, Basic Claim Relief and the terms of the Settlement.

q. "Claimant Representative" shall mean that person, and his or her two assistants, selected by Lead Counsel to act on the behalf of a Claimant as described in the ADR Manual. Expenses directly incurred by, and the compensation of, the Claimant Representative shall be borne by Prudential, on behalf of the Defendants, as more fully provided for in the ADR Guidelines.

r. "Claimant Support Team" shall mean that wholly independent entity designated and retained by Prudential, and approved by the Regulatory Oversight Staff and Lead Counsel, to provide administrative assistance to Claimants in the preparation of their respective Claims, including providing aid in completing Claim Forms and responding to inquiries respecting the ADR Process during the time prior to the submission of the Claim Form. Lead Counsel and the Regulatory Oversight Staff shall monitor from time to time the Claimant Support Team's training and telephone calls.

s. "Class" and "Class Members" shall mean, individually or collectively, all persons or entities who (i) are Policyholders, as defined herein, and (ii) do not exclude themselves from participation under this Stipulation, pursuant to Section H herein and Section 9 of the Class Notice.

t. "Class Notice" shall mean the notice mailed to Policyholders informing them of the Proposed Settlement.

u. "Class Period" shall mean the period commencing January 1, 1982 and terminating on December 31, 1995, inclusive.

v. "Court" shall mean the United States District Court for the District of New Jersey, by the Honorable Alfred M. Wolin.

w. "Defendants" shall mean, individually or collectively, The Prudential Insurance Company of America and the Individual Defendants.

x. "Defendants' Counsel" shall mean the law firm of Sonnenschein Nath & Rosenthal.

y. "Department" shall mean those state insurance departments set forth on Exhibit 1 to the ADR Guidelines.

z. "Election Form" shall mean the form on which each Policyholder elects (i) Basic Claim Relief or (ii) participation in the ADR Process.

aa. "Enhanced Value Annuity" or "EVA" shall mean a currently issued, non-qualified single premium deferred fixed or variable annuity with the characteristics described in Section D of this Stipulation and the Guidelines for Prudential Basic Claim Relief.

ab. "Enhanced Value Policy" or "EVP" shall mean an Enhanced Value Whole Life Policy, made available pursuant to the terms and conditions set

forth in Section D of this Stipulation and the Guidelines for Prudential Basic Claim Relief.

ac. "Existing Policy" shall mean an insurance policy issued by Prudential which funds, in whole or in part, a New Policy issued by Prudential.

ad. "File" shall mean all documents submitted by or on behalf of the Claimant (including the Claim Form), the Agent and Prudential to the Claim Evaluation Staff in connection with the Claim.

ae. "Final Order and Judgment" shall mean the order issued by the United States District Court for the District of New Jersey in the Actions approving the Proposed Settlement and the judgment entered pursuant to that order.

af. "Final Settlement Date" shall mean the date on which the Settlement (as approved by the Final Order and Judgment) becomes Final. For purposes of the Settlement: (1) if no appeal has been taken from the Final Order and Judgment, "Final" means that the time to appeal therefrom has expired; or (2) if any appeal has been taken from the Final Order and Judgment, "Final" means that all appeals therefrom, including petition for rehearing or reargument, petition for rehearing en banc and petitions for certiorari or any other form of review have been finally disposed of in a manner that affirms the Final Order and Judgment.

ag. "Final Settlement Notice" shall mean the published notice that the Settlement (as approved by the Final Order and Judgment) is Final.

ah. "Hearing Order" shall mean the order entered by the Court concerning Notice, Settlement Hearing and Administration, unless otherwise agreed by the parties.

ai. "Individual Defendants" shall mean, in their official capacities as former officers and/or directors of The Prudential Insurance Company of America, Robert A. Beck, Ronald D. Barbaro and Robert C. Winters.

aj. "Individual Defendants' Counsel" shall mean the law firms of: (i) LeBoeuf, Lamb, Greene & MacRae L.L.P., as legal counsel to Robert A. Beck; and (ii) Crummy, Del Deo, Dolan, Griffinger & Vecchione, as legal counsel to Robert C. Winters.

ak. "Individualized Relief" shall mean that relief to be received by Claimants in the ADR Process, as described in Section C herein.

al. "Lead Counsel" shall mean the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C.

am. "Misstatement" shall mean in respect of any Claim Resolution Factor either:

(a) An untrue statement of material fact; or

(b) The failure to disclose a material fact necessary to make the statements made not materially misleading, under the circumstances.

an. "Mutual Fund Enhancement" or "MFE" shall mean a financial contribution by Prudential with respect to shares in mutual funds purchased by a Policyholder made available pursuant to the terms and conditions set forth in Section D of this Stipulation and the Guidelines for Prudential Basic Claim Relief.

ao. "New Policy" shall mean an insurance policy issued by Prudential which is funded, in whole or in part, by an Existing Policy.

ap. "Notice Date" shall mean the date when the Class Notice is first mailed or published to Policyholders.

aq. "Optional Premium Loan" shall mean a loan offered to Class Members subject to the terms and conditions set forth in Section D of this Stipulation and the Guidelines for Prudential Basic Claim Relief.

ar. "Plaintiffs" shall mean the named plaintiffs in the Actions.

as. "Policy" or "Policies" shall mean one or more individual

permanent life insurance policies issued in the United States by Prudential with an issue date during the Class Period.

at. "Policyholders" shall mean all Policyowners of one or more Policies issued during the Class Period, but do not include (unless such persons or entities are Policyholders by virtue of other Policies) (i) Policyowners represented by counsel who executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such Policies, (ii) Policyowners which are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate- or trust-owned life insurance and under which either (a) there are 50 or more separate insured individuals or (b) the aggregate premium paid over an eight (8) year period, ending with the close of 1996, exceeds one million dollars, or (iii) Policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

au. "Policyowners" shall mean all persons or entities who (i) own a life insurance policy or other contract issued by Prudential in the United States, or (ii) owned at its termination a life insurance policy or other contract issued by Prudential in the United States.

av. "Post-Settlement Notice" shall mean the notice to be sent within 30 days after the date of the entry of the Final Order and Judgment to each of the Policyholders at his, her or its last known address, informing Policyholders of the Consent Orders between Prudential and the Department where applicable, and that the Stipulation between the Plaintiffs and the Defendants has been approved by the Court.

aw. "Post-Settlement Notice Date" shall mean the date on which the Post-Settlement Notice first is mailed to each individual Policyholder at his, her or its last known address.

ax. "Post-Settlement Summary Notice" shall mean the published summary of the Post-Settlement Notice, unless otherwise agreed by the parties, as more fully described below.

ay. "Proposed Settlement" shall mean the terms of settlement as set forth in this Stipulation.

az. "Prudential" shall mean The Prudential Insurance Company of America, a mutual insurance company domiciled in the State of New Jersey and each of its U.S. life insurance subsidiaries with respect to Policies issued by them.

ba. "Regulatory Oversight Staff" shall mean those persons, appointed or designated by the Department, assembled to provide oversight of the programs described in the ADR Manual.

bb. "Releasees" shall mean the Defendants, individually and collectively, and any other current, former and future parents, subsidiaries, affiliates, partners, predecessors, successors and assigns of Prudential, and each of their respective past, present and future officers, directors, employees, agents, independent contractors, brokers, representatives, attorneys, heirs, administrators, executors, predecessors, successors and assigns, or any of them.

bc. "Released Transactions" shall mean the marketing, solicitation, application, underwriting, acceptance, sale, purchase, operation, retention, administration, servicing, or replacement by means of surrender, partial surrender, loans respecting,

withdrawal and/or termination of the Policies or any insurance policy or annuity sold in connection with, or relating in any way directly or indirectly to the sale or solicitation of, the Policies.

bd. "Settlement" shall mean the Proposed Settlement, with such modifications as made and approved by the Court, as set forth in the Final Order and Judgment.

be. "Settlement Agreement" shall mean the settlement agreement by and between the Plaintiffs and Defendants, executed September 22, 1996, and its attached Exhibits.

bf. "Settlement Hearing" shall mean the hearing at or after which the Court will make its decision whether to approve this Stipulation as fair, reasonable and adequate.

bg. "Settling Parties" shall mean Plaintiffs (in their individual and representative capacities) and the Defendants, collectively.

bh. "Summary Notice" shall mean the published summary of the Class Notice, including notice of the Proposed Settlement, the Settlement Hearing and Policyholders' exclusion rights, as described more fully below.

2. All other capitalized terms used in this document shall have the meanings ascribed to them by this Stipulation, the ADR Guidelines, the ADR Manual or the Guidelines for Prudential Basic Claim Relief, respectively.

B. SETTLEMENT RELIEF

1. Pursuant to this Stipulation, Prudential, on behalf of the Defendants, will make available to Class Members two alternative types of relief: Alternative Dispute Resolution Relief and Basic Claim Relief. Basic Claim Relief may take the form of an Optional

Premium Loan, an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement, as described below in Section D. A Class Member may seek either Individualized Relief or Basic Claim Relief, but not both, as to each Policy owned by that Class Member.

2. Notwithstanding any other provision in this Stipulation, where more than one person has an ownership interest or right in a Policy, all persons having such an interest or right in such Policy must act jointly in exercising any right (including any right to exclude him or herself from the Class) created under this Stipulation or the ADR Guidelines.

3. Any amounts required to be paid hereunder shall be paid by Prudential, on behalf of all of the Defendants.

C. ALTERNATIVE DISPUTE RESOLUTION PROCESS

1. Subject to and in accordance with the provisions of this Stipulation, Prudential, on behalf of the Defendants, will provide ADR Relief via the ADR Process to Policyholders who do not exclude themselves from the Class, upon the Court's approval of the Proposed Settlement and issuance of the Final Order and Judgment, except that the minimum payments, financial guarantees and Additional Remediation Amount described in all of the subsections of Section C.5 shall not become available unless and until the Settlement (as approved by the Final Order and Judgment) becomes Final. The ADR Process is based on an individual analysis and determination of these Policyholders' claims arising out of Misstatements or improper sales practices by Prudential in connection with individual sales of life insurance. Prudential's ADR Guidelines, attached as Exhibit B hereto, set forth the categories of Claims, scoring process and rules, and remedies that will be available to these

Policyholders based on the nature of their Claims and the evidence available to establish them. Taken as a whole, the ADR Guidelines provide for a particularized review of the Claims that are filed, with remedies tailored to the type of Claim and the weight of the evidence available from the Policyholder and from Prudential's files.

2. Claims will be evaluated under four general categories, as set forth in the ADR Guidelines and as summarized below:

(i) "Financed Insurance," where there have been alleged Misstatements as to the use of loans, dividends or other values on Existing Policies to pay premiums on New Policies (sometimes referred to as "twisting" or "churning");

(ii) "Abbreviated Payment" or "APP," where there have been alleged Misstatements as to the use of a Policy's dividends or contract values to pay premiums on the same Policy (sometimes referred to as "vanishing premium");

(iii) The sale of a Policy, where there have been alleged Misstatements as to such Policy's being primarily an investment, savings or retirement product, and not life insurance; and

(iv) Other alleged Misstatements and improper sales practices, not included in the previous categories.

3. Scoring is based on the weight of evidence concerning the sale contained in the Claim File. The Claim File itself will consist of information drawn from a number of sources within Prudential, as well as that supplied by the Policyholder, including statements made by the Policyholder on the Claim Form. Information in the Claim File must meet the criteria set forth in Exhibits B and C in order for the Policyholder to obtain relief. For each

factor analyzed within the general categories, the score determines the nature and the choices of relief.

4. Subject to and in accordance with the provisions of the ADR Manual, attached as Exhibit C hereto, the Settling Parties hereto will provide a comprehensive plan for the efficient and effective processing, administration and resolution of Claims. This will include (i) assistance of the Claimant Support Team to eligible Policyholders in the preparation and submission of their Claims; (ii) both internal and external review and an independent audit of Claims and the claims processing system; and (iii) a fully-independent appeals process in order to resolve Policyholders' objections to the determination of their Claims.

5. Remediation provided for in the ADR Process will be paid for by, or on behalf of, the Defendants. The following additional amounts, as specified in this Section C.5, will be provided by or on behalf of the Defendants.

(a) The aggregate pre-tax cost for remedies in the ADR Process for each 110,000 of Claims Remedied (as defined below) will be $260 million (up to a maximum number of 330,000 Claims Remedied). For purposes of this Section C.5, "Claims Remedied" shall mean all Claims receiving a remedy of any type through the conclusion of the ADR Process. In the event 330,000 or fewer Claims are remedied through conclusion of the ADR Process, and the total pre-tax cost for the Claims Remedied is less than the Allocated Cost (as defined below) for such Claims Remedied, the difference shall be added to the Additional Remediation Amount (as described below). In the event more than 330,000 Claims are remedied through the conclusion of the ADR Process, the total pre-tax cost for such Claims Remedied divided by the total number of Claims Remedied shall be multiplied by 330,000, and such amount, if less than the Allocated Cost, shall be added to the

Additional Remediation Amount. The "Allocated Cost" shall be the product obtained by multiplying $260 million by a fraction (i) the numerator of which shall be the actual number of Claims Remedied and (ii) the denominator of which shall be 110,000; provided, however, in no event shall the numerator in the immediately preceding clause (i) be greater than 330,000.

(b) An Additional Remediation Amount, which will be a fixed dollar amount for a specified number of Claims, as set forth below for Claims Remedied, will be provided by or on behalf of the Defendants. The Additional Remediation Amount will be paid with respect to the Claims Remedied on a proportional basis based on the actual number of Claims Remedied (e.g., the Additional Remediation Amount for 165,000 actual Claims Remedied shall be $200 million).

Claims Remedied	Non-Cumulative Additional Remediation Amount (in millions)
110,000	$150
220,000	$250
330,000	$300
440,000	$250
550,000	$150
660,000 and above	$ 50

(c) The distribution of the Additional Remediation Amount (including any further amount determined in accordance with Section C.5.a. above) to Claimants will be made upon the completion of the ADR Process as set forth in the ADR Guidelines. The Additional Remediation Amount, as finally determined upon the completion of the ADR Process, shall bear interest beginning from the date of the Notice of Hearing by the Court in

the Actions with respect to the allocation of the Additional Remediation Amount (the "Notice Date"), and shall accrue as part of the Additional Remediation Amount until distributed. Interest shall be based upon the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year as made available by the Federal Reserve Board, adjusted and compounded annually upon the anniversary of the Notice Date.

(d) In no event will Prudential, on behalf of the Defendants, expend

less than a total amount of $410 million, which shall include both the pre-tax cost for remedies to Claimants in the ADR Process and the Additional Remediation Amount regardless of the number of Claims Remedied.

(e) In determining whether the amounts specified in Section C.5.a-d. have been properly calculated, incurred and/or disbursed, as soon as practicable after the conclusion of the ADR Process, Prudential shall provide such data, information and reports regarding such matters to an actuary, actuaries, and such other consultants designated by Lead Counsel as are reasonably necessary to permit him, her or them to perform this function. If Lead Counsel and Prudential cannot agree as to whether the amounts specified in Section C-5.a-d. have been properly calculated, incurred and/or disbursed, the Court in the Actions will resolve any such dispute.

D. BASIC CLAIM RELIEF

1. Subject to and in accordance with the provisions of this Stipulation, Prudential, on behalf of the Defendants, will make Basic Claim Relief available to Policyholders who do not exclude themselves from the Class, upon the Court's approval of the Proposed Settlement and issuance of the Final Order and Judgment, except with respect to the additional provisions of Basic Claim Relief described in Section D.2. These Policyholders may, in

their discretion, elect to receive this Basic Claim Relief, on a "no-proof" basis without the submission of a claim requiring proof or other evidence. Basic Claim Relief, as more fully described in the Guidelines for Prudential Basic Claim Relief, attached as Exhibit D hereto, will be offered in the form of (i) a low-interest rate "optional premium loan" that can be used to pay for insurance policy premiums, (ii) a life insurance policy with an enhanced death benefit, (iii) an annuity with an enhanced fund amount, and/or (iv) a contribution by Prudential with respect to the purchase of shares in selected mutual funds.

2. The provisions respecting (i) all aspects of Mutual Fund Enhancement (as described in Section V of the Guidelines for Prudential Basic Claim Relief), (ii) Prudential's payment into a paid-up additional insurance rider to purchase additional insurance coverage in the seventh policy year of Enhanced Value Policies (as described in Section III of the Guidelines for Prudential Basic Claim Relief), and (iii) Prudential's paying an additional amount in the third contract year of Enhanced Value Annuities (as described in Section IV of the Guidelines for Prudential Basic Claim Relief), will only become effective if and when the Settlement (as approved by the Final Order and Judgment) becomes Final.

E. BINDING EFFECT OF THIS STIPULATION

1. The terms of the Proposed Settlement as set forth in this Stipulation (i) reflect the knowledge Lead Counsel has obtained through its extensive informal and formal discovery completed prior to the execution of this Stipulation and (ii) include modifications and additions to the Task Force Remediation Program to ensure implementation of the mutually shared goal of Lead Counsel and the Defendants that legitimately aggrieved Policyholders receive fair and appropriate remediation.

2. Lead Counsel and the Defendants have entered into this binding Stipulation based upon their belief that it is fair, reasonable and adequate. In this respect and subject to the conditions set forth in Section F hereof, this Stipulation shall be binding upon the Settling Parties.

F. CONDITIONS SUBSEQUENT

The binding effect of this Stipulation is subject to the satisfaction of the following conditions subsequent to the date of execution (written below) of this Stipulation:

1. The Settling Parties agree to stipulate to, and the Court shall enter in the Actions, an order (i) conditionally certifying the Class as a class, for settlement purposes only, (ii) staying all other pending motions in the Actions, and (iii) designating the Plaintiffs as class representatives, Lead Counsel as lead counsel for the Class and Arnzen, Parry & Wentz, P.S.C.; Hopkins Goldenberg, P.C.; and Perry & Windels (who are Executive Committee Members), and Goldstein, Till & Lite; Bonnett, Fairbourn, Friedman, Hienton, Miner & Fry, P.C.; Cantilo, Maisel & Hubbard, LLP.; DeFalice & Coleman, P.C.; Law Offices of Douglas B. Thayer; Drubner, Hartley, O'Connor and Mengacci; Law Office of Jay R. Tomerlin; Specter Law Offices; Ziegler, Ziegler & Altman; Heins, Mills & Olson, P.L.C.; Giebel, Gilbert & Mandel; Levin, Fishbein, Sedran & Berman; Allen, Lippes & Shonn; Zwerling, Schachter, Zwerling & Koppell, L.L.P.; Goodkind, Labaton, Rudoff & Sucharow, L.L.P.; Hagens and Berman and The Law Offices of Eric D. Freed, all as additional counsel for the Class. Such order shall be in the form of Exhibit E attached hereto.

2. Lead Counsel and Prudential (in consultation with the Regulatory Oversight Staff) have agreed to the form and substance of, and drafted and finalized the Class Notice

(including the cover letter (attached hereto as Exhibit F-l), the Notice of Class Action, Proposed Settlement, Settlement Hearing and Right to Appear (attached hereto as Exhibit F-2) and questions and answers brochure (attached hereto as Exhibit F-3) referenced in Section G.1), the Summary Notice (attached hereto as Exhibit G) and the Claim Form (attached hereto as Exhibit H)). Additionally, Lead Counsel and Defendants' Counsel (in consultation with the Regulatory Oversight Staff) shall agree, in good faith, to the form and substance of, and to draft and finalize, the Post-Settlement Notice, the Post-Settlement Summary Notice, the Final Settlement Notice, and any other documents to be sent to Class Members about the Settlement (collectively, all above documents shall be referred to as "Notices"). Lead Counsel and Defendants further agree that the Court in the Actions shall approve the Class Notice, Summary Notice, Post-Settlement Notice, Post-Settlement Summary Notice, Claim Form, the Notices and any other notices or letters about the Settlement to be sent or provided to Class Members.

3. Neither of the Settling Parties shall have exercised any of its rights under the termination provisions in Section N herein.

4. The Court shall have entered the Final Order and Judgment, dismissing, with prejudice, the Consolidated Complaint and each of the Actions described in Exhibit A hereto, from which the time to appeal has expired and which has remained unmodified after any appeal(s) in any material respect in the sole judgment and discretion of either of the Settling Parties.

G. NOTICE TO THE CLASS AND COMMUNICATIONS WITH POLICYHOLDER/CLASS MEMBERS

1. OVERVIEW. (a) Subject to the requirements of the Hearing Order, no later than 60 days before the Settlement Hearing, the Settling Parties will send individual notices to all Policyholders by first-class mail, postage prepaid, to their last known addresses. The Class Notice will also include Prudential's cover letter summarizing the Class Notice as well as a brochure in question-and-answer format responding to anticipated questions. The Class Notice will include, to the extent practicable, (i) each Policyholder's name and address, (ii) the policy number of each Policy in which the Policyholder has or had an ownership interest, (iii) a notation as to the form(s) of relief for which the Policyholder may be eligible; and (iv) the identity of any co-owners of the Policies as reflected in Prudential's records. In addition, notice will be published as further described below in subsection G.2.

(b) GENERAL TERMS OF CLASS NOTICE. The Class Notice will inform Policyholders that, depending on the status of their Policies, if they do not exclude themselves from the Class with respect to a particular Policy, they will be eligible to receive one or more forms of Basic Claim Relief or to participate in the ADR Process with respect to that Policy. The Class Notice will (i) contain a short, plain statement of the background of the Actions, the conditional Class certification and the Proposed Settlement; (ii) describe the proposed Basic Claim Relief outlined above in section D; (iii) describe the ADR Process outlined above in Section C; (iv) explain the procedures for receiving Basic Claim Relief or participating in the ADR Process; and (v) state that (A) the provision of any relief to Class Members is contingent on the Court's approval of the Proposed Settlement and issuance of the Final Order and Judgment, and (B) the provision of the Additional Remediation Amount, including the amounts described in all sub-sections of Section C.5. above, and the additional provisions of Basic Claim Relief described in Section D.2 above, are contingent on the

Settlement (as approved by the Final Order and Judgment) becoming Final. The Class Notice also will conform to all applicable requirements of Rule 23 of the Federal Rules of Civil Procedure and the Due Process Clause of the United States Constitution and will otherwise be in the manner and form agreed upon by the Settling Parties and approved by the Court.

(c) NOTICE OF EXCLUSION, OBJECTION AND APPEAL RIGHTS. The Class Notice will advise Policyholders that (i) they may exclude themselves from the Class by submitting written exclusion requests postmarked no later than December 19, 1996, (ii) any Policyholder who has not submitted a written request for exclusion may object to the Proposed Settlement by filing and serving a written statement of same, no later than December 19, 1996, (iii) any Policyholder who has filed and served a written objection to the Proposed Settlement may enter an

appearance at the Settlement Hearing either personally or through counsel; and (iv) any judgment entered in the Actions, whether favorable or unfavorable to the Class, will include and be binding on all Policyholders who have not been excluded from the Class, even if they have objected to the Proposed Settlement and even if they have any other claim, lawsuit or proceeding pending against Prudential.

(d) NOTICE OF FEES AND COSTS. The Class Notice will provide information about the Attorneys' Fees to be paid by, or on behalf of, the Defendants, which will be in addition to the relief provided by the ADR Process and Basic Claim Relief. It will also state that any costs arising from notifying the Class, administering the Settlement and the ADR Process, and the performance of the Claimant Representative, will be provided by or on behalf of Defendants, except that individual Class Members will be responsible for any fees

and costs of any counsel they may retain to represent them individually at the Settlement Hearing or thereafter, or in connection with the ADR Process.

2. PUBLICATION OF NOTICE. In addition to mailing the Class Notice to Policyholders, Prudential will publish the Summary Notice (attached hereto as Exhibit G) of the Proposed Settlement, the Settlement Hearing and Class Members' exclusion, objection and appeal rights in the national editions of The New York Times (business section) and The Wall Street Journal, in USA Today, The Star Ledger and in such other newspapers and/or periodicals and on such dates as are determined by Prudential in consultation with Lead Counsel and subject to approval by the Court as to the form and dates of such notice. Notice will be published at least once in each of the above-named publications no later than 50 days before the Settlement Hearing.

3. REMAILING AND ADDITIONAL NOTICE. Prudential, or the Claimant Group Administrator, shall (i) remail any notices returned by the United States Postal Service (the "Postal Service") with a forwarding address that are received by Prudential or the Claimant Group Administrator at least 30 days, if practicable, before the Settlement Hearing, (ii) retain an address research firm to research any returned notices that do not include a forwarding address and (iii) provide copies of any returned notices to the address research firm as soon as is practicable following receipt. The address research firm will return to Prudential or the Claimant Group Administrator, promptly after receipt of a returned notice, either an updated address or a statement that, following due research, it has not been possible to update the address. Prudential or the Claimant Group Administrator will remail notice to any Class Member for whom the address research firm provides an updated address, so long

as the updated address is provided to Prudential or the Claimant Group Administrator at least 30 days before the Settlement Hearing.

4. POST-SETTLEMENT NOTICE. Within 30 days after the date of the entry of the Final Order and Judgment, subject to the requirements of the Final Order and Judgment contemplated by Section M of this Stipulation, Prudential will send the Post-Settlement Notice to all Class Members (i.e. those Policyholders who have not timely requested exclusion from the Class).

(a) The Post-Settlement Notice will (i) inform Class Members that the Court has approved the Proposed Settlement and has issued the Final Order and Judgment, (ii) invite Class Members to choose the type of relief they prefer, and (iii) inform Class Members that the provision of the minimum payment obligations, financial guarantees and Additional Remediation Amount, described in all sub-sections of Section C.5. above and the additional provisions of Basic Claim Relief described in Section D.2 above, are contingent on the Settlement (as approved by the Final Order and Judgment) becoming Final.

(b) Each Post-Settlement Notice will include a separate Election Form for each Policy in which the Class Member has or had an ownership interest. Each Election Form will include, to the extent practicable, (i) the Class Member's name and address, (ii) the policy number of the Policy in which he or she has or had an ownership interest, (iii) the status of each Policy as of a date to be specified by Prudential, but not more than 90 days before the date on which the Post-Settlement Notice is first mailed to Class Members, (iv) a notation as to the form(s) of Basic Claim Relief that the Class Member is eligible to receive. Election Forms will also include a statement of the Class Member's eligibility for the ADR Process; and (v) the identity of any co-owners of the Policies as reflected in

Prudential's records. Class Members will be told to return the Election Form(s) no later than 75 days after the mailing of the Post-Settlement Notice.

(c) Class Members who wish to obtain an Optional Premium Loan, an Enhanced Value Policy, an Enhanced Value Annuity and/or a Mutual Fund Enhancement (if and when the Settlement becomes Final), will be instructed to (i) return their Election Forms no later than 75 days after the mailing of the Post-Settlement Notice, (ii) complete any necessary application or other forms for the loan, policy, annuity or mutual fund shares (after receipt of prospectus), (iii) provide the information and cooperate in the procedures required for underwriting, if any, and (iv) make the required payments for the product being obtained. The Post-Settlement Notice will further inform Class Members that a failure to comply with these requirements will result in making them ineligible for relief.

(d) Class Members who want to participate in the ADR Process will be instructed (i) to return their Election Forms no later than 75 days after the mailing of the Post-Settlement Notice and (ii) to file the Claim Form (attached hereto as Exhibit H) within 90 days after the mailing by Prudential of the Claim Form. The Post-Settlement Notice will inform Class Members that each claim should consist of (w) all documents related to the sale of the Policy, and which the Class Member believes are proof or other evidence of the alleged claim, (x) all other documents in the Claimant's possession relating to his or her Policy and claim, (y) a completed Claim Form, to be provided by Prudential, including a declaration, given under penalty of perjury, attesting to the nature, history and authenticity of any documents submitted and representing that the Claimant has submitted all documents in his or her possession relating to the Policy, and (z) any other affidavits or materials the Claimant wishes to file. The Post-Settlement Notice will further inform Class Members that

a failure to provide a completed Claim Form (or other material information) may result in the Policyholder being ineligible for relief or an adverse scoring determination under the ADR Process.

5. PUBLICATION OF POST-SETTLEMENT NOTICE AND PUBLICITY.

(a) In addition to mailing the Post-Settlement Notice to Class Members, Prudential will publish a Post-Settlement Summary Notice in the national editions of The New York Times (business section) and The Wall Street Journal, in USA Today, The Star Ledger, such regional newspapers so that publication would occur in each of the 50 states and the District of Columbia, and in such other newspapers and/or periodicals and on such dates as are determined by Prudential in consultation with Lead Counsel, subject to the approval of the Court as to the form and publication dates of the Post-Settlement Summary Notice. The Post-Settlement Summary Notice will be published twice in each of the above-described publications.

(b) In addition, Prudential, in consultation with Lead Counsel, in order to reach out to former and current Policyholders who may have legitimate grievances regarding improper sales practices, will conduct a comprehensive communication program aimed at publicizing the Post-Settlement Notice and advising aggrieved Policyholders to seek relief under the Settlement. This communication program shall be implemented through the following means: (i) selected television advertisements on stations having representative regional coverage (with video limited to text only); (ii) radio advertisements on stations having representative regional coverage; and (iii) print advertising in the publications described in Section G.5.(a) above. All the communications described in this Section G.5(b) will be in such form and content as agreed to by Prudential in consultation with Lead

Counsel. If Prudential and Lead Counsel cannot agree on the form, frequency or content of these communications, either party shall have the right to ask the Court to resolve the dispute.

6. RETENTION OF CLAIMANT GROUP ADMINISTRATOR. Prudential may retain, with agreement of Lead Counsel and the Regulatory Oversight Staff, one or more Claimant Group Administrators, including Boston Financial Data Services, Inc., to help implement the ADR Process, Basic Claim Relief and the terms of the Settlement.

7. RIGHT OF COMMUNICATION WITH CLAIMANTS. Prudential expressly reserves the right to communicate with and respond to inquiries from Class Members orally and/or in writing in connection with the Settlement, and it may do so through any appropriate means, including (without limitation) in the following respects:

(a) The Settling Parties will establish, at Prudential's expense, a telephone bank with a toll-free "800" telephone number for responding to inquiries from Class Members about the Settlement and any issues related to the Actions. Prudential, with monitoring of Lead Counsel as described below, will be responsible for (i) staffing the telephone bank with telephone representatives, (ii) educating the telephone representatives about the background of the

Actions, all product concepts relevant to the Settlement, and the notice, terms and chronology of the Settlement, (iii) training the telephone representatives to answer Claimants' and policyowners' inquiries, (iv) providing scripts and model questions and answers for the telephone representatives to use in answering Claimants' and policyowners' inquiries, and (v) taking any other steps to promote accurate and efficient communications with Claimants and policyowners. Lead Counsel may monitor the education and training process by reviewing drafts of telephone scripts before their use and by observing training sessions to

ensure proper communication and conformance to the Settlement. Additionally, Lead Counsel may monitor the calls to the toll-free "800" telephone number.

(b) Prior to the earlier of February 1, 1997, or the date of the entry of the Final Order and Judgment, Prudential, through its Policyholder Relations Center, will continue to process in the ordinary course and respond to complaints from Class Members that may concern claims that otherwise could be eligible for Basic Claim Relief or relief under the ADR Process.

8. FINAL SETTLEMENT NOTICE.

(a) Within 30 days after the Settlement (as approved by the Final Order and Judgment) becomes Final, subject to the requirements of the Final Order and Judgment contemplated by Section M of this Stipulation, Prudential will publish a Final Settlement Notice informing Class Members that (i) the Settlement (as approved by the Final Order and Judgment) is Final, (ii) the provision of the Additional Remediation Amount, as described in Section C.5., will now be undertaken by or on behalf of the Defendants, with the allocation and distribution to be in accordance with Section VI of the ADR Guidelines, and (iii) the additional provisions of Basic Claims Relief, as described in Section D.2 will now be available.

(b) The Final Settlement Notice will be published in the national editions of The New York Times (business section) and The Wall Street Journal, in USA Today, The Star Ledger, such regional newspapers so that publication would occur in each of the 50 states and the District of Columbia, and in such other newspapers and/or periodicals and on such dates as are determined by Prudential in consultation with Lead Counsel, subject to the approval of the Court as to the form and publication dates of the Final Settlement Notice.

The Final Settlement Notice will be published twice in each of the above-described publications.

H. REQUESTS FOR EXCLUSION

1. Any Policyholder who wishes to be excluded from the Class must mail a written request for exclusion to the Clerk of the Court, in care of the post-office box rented for that purpose, postmarked no later than December 19, 1996, or as the Court otherwise may direct. The original requests for exclusion shall be filed with the Court by Lead Counsel at or before the Settlement Hearing.

2. Any Policyholder who does not file a timely written request for exclusion with respect to a Policy as provided in the preceding subsection H.1 shall be bound with respect to that Policy by all subsequent proceedings, orders and judgments in the Actions, even if he or she has pending or subsequently initiates litigation against Defendants or any of them relating to that Policy and the claims released in the Actions.

I. OBJECTIONS TO SETTLEMENT

1. Any Policyholder who has not filed a written request for exclusion for all of his or her Policies and who wishes to object to the fairness, reasonableness or adequacy of this Stipulation or the Proposed Settlement must serve on Lead Counsel and Defendants' Counsel and file with the Court, no later than December 19, 1996, or as the Court otherwise may direct, a statement of the objection, as well as the specific reason(s), if any, for each objection, including any legal support the Policyholder wishes to bring to the Court's attention and any evidence the Policyholder wishes to introduce in support of the objection. Policyholders may do so either on their own or through an attorney hired at their own expense. Policyholders and their own attorneys at their expense may obtain access to the

deposition transcripts, attached exhibits and/or any other documents generated in the Actions by entering into a Stipulation of Confidentiality (attached hereto as Exhibit I). These documents will be made available at the offices of

Lead Counsel at: (i) One Pennsylvania Plaza, New York, New York; (ii) 600 W. Broadway, San Diego, California; and (iii) 200 N. LaSalle Street, Suite 2100, Chicago, Illinois. Lead Counsel will inform Defendants' Counsel promptly of any requests by Policyholders or their attorneys for access to such documents. If a Policyholder hires an attorney to represent him or her, the attorney must (i) file a notice of appearance with the Clerk of Court, no later than December 19, 1996, or as the Court otherwise may direct, and (ii) serve on Lead Counsel and Defendants' Counsel, to be received no later than December 19, 1996, a copy of the same.

2. Any Policyholder who files and serves a written objection, as described in the preceding subsection, may appear at the Settlement Hearing, either in person or through personal counsel hired at the Policyholder's expense, to object to the fairness, reasonableness or adequacy of this Stipulation or the Proposed Settlement. Policyholders, or their attorneys, intending to make an appearance at the Settlement Hearing must serve on Lead Counsel and Defendants' Counsel and file with the Court, to be received no later than December 19, 1996, or as the Court otherwise may direct, a notice of intention to appear.

3. Any Policyholder who fails to comply with the provisions of the preceding subsection shall waive and forfeit any and all rights he or she may have to appear separately and/or object, and shall be bound by all the terms of this Stipulation and by all proceedings, orders and judgments in the Actions.

J. RELEASE AND WAIVER, ORDER OF DISMISSAL

1. RELEASE AND WAIVER. Plaintiffs and all Class Members will agree to a release and waiver as follows:

a. Plaintiffs and all Class Members hereby expressly agree that they shall not now or hereafter institute, maintain or assert against the Releasees, either directly or indirectly, on their own behalf, on behalf of the Class or any other person, and release and discharge the Releasees from, any and all causes of action, claims, damages, equitable, legal and administrative relief, interest, demands or rights, of any kind or nature whatsoever, whether based on federal, state or local statute or ordinance, regulation, contract, common law, or any other source, that have been, could have been, may be or could be alleged or asserted now or in the future by Plaintiffs or any Class Member against the Releasees in the Actions or in any other court action or before any administrative body (including any state Department of Insurance or other regulatory commission), tribunal or arbitration panel on the basis of, connected with, arising out of, or related to, in whole or in part, the Released Transactions and servicing relating to the Released Transactions, which include without limitation:

(i) any or all of the acts, omissions, facts, matters, transactions or occurrences that were directly or indirectly alleged, asserted, described, set forth or referred to in the Action;

(ii) any or all of the acts, omissions, facts, matters, transactions, occurrences, or any oral or written statements or representations allegedly made in connection with or directly or indirectly relating to the Released Transactions, including without limitation any acts, omissions, facts, matters, transactions, occurrences, or oral or written statements or representations relating to:

(a) the number of out-of-pocket payments that would need to be paid for the Policies;

(b) the ability to keep or not to keep a Policy in force based on a fixed number and/or amount of premium payments (less than the number and/or amount of payments required by the terms of such Policy), and/or the amount that would be realized or paid under a Policy based on a fixed number and/or amount of cash payments (less than the number and/or amount of payments required by the terms of such Policy), whether in the form of (x) cash value and/or (y) death, retirement or periodic payment benefits and/or (z) investment plan-type benefits;

(c) the nature, characteristics, terms, appropriateness, suitability, descriptions and operation of Policies;

(d) whether such Policies were, would operate or could function as investment, savings or retirement funding vehicles, or investment plans;

(e) the relationship between a Policy's cash surrender value and the cumulative amount of premiums paid;

(f) the fact that a part of the premiums paid would not be credited toward an investment or savings account or a Policies' cash value, but would be used to offset the Prudential's commission, sales, administration and/or mortality expenses;

(g) the rate of return on premiums paid in terms or cash value or cash surrender value;

(h) the relative suitability or appropriateness of life insurance policies, versus other investment plans;

(i) the use of an existing policy's or Policy's cash value or cash--surrender value by means of a surrender, withdrawal/partial surrender or loan to purchase or maintain a Policy;

(j) the Prudential's dividend, interest crediting and cost of insurance and administrative charge policies; dividend scales; illustrations of dividend values, cash values or death benefits; or any other matters relating to dividends, interest crediting rates or illustrations, or cost of insurance and administrative charges;

(k) the adequacy of the description of those items in clause (j) above;

(l) the use of loans or contract values from existing policies or Policies to pay premiums on new policies, or any representations, promotions or advertising regarding such matters;

(m) the "Abbreviated Payment Plan" or "APP", or the use of a Policy's dividends or other contract values to pay premiums on the same policy, or any representations, promotions or advertising regarding such matters;

(n) the sale of Policies as investment, savings or retirement funding vehicles, or any representations, promotions or advertising regarding such matters;

(o) violations of the "twisting" or "churning" statutes or regulations under applicable state law;

(p) violations of the "replacement" statutes or regulations under applicable state law;

(q) the suitability of particular types of life insurance policies or products for particular types of Policy purchasers;

(r) any actual or alleged violation of any state statute or regulation relating to life insurance sales practices; and

(iii) any or all acts, omissions, facts, matters, transactions, occurrences or oral or written statements or representations in connection with or directly or indirectly relating to the Stipulation or the settlement of the Actions, except as provided in paragraph g below.

b. Plaintiffs and all Class Members expressly agree that this Release will be, and may be raised as, a complete defense to and will preclude any action or proceeding encompassed by the release of Defendants herein.

c. Nothing in this Release shall be deemed to alter a Class Member's contractual rights (except to the extent that such rights are altered or affected by the election and award of relief under the Stipulation) to make a claim for benefits that will become payable in the future pursuant to the express written terms of the policy form issued by Prudential; provided, however, that this provision shall not entitle a Class Member to assert claims which relate to the allegations contained in the Actions or to the matters described in Paragraph J.1.a. above.

d. Without in any way limiting the scope of the Release, this Release covers, without limitation, any and all claims for attorneys' fees, costs or disbursements incurred by Lead Counsel or any other counsel representing Plaintiffs or Class Members (including counsel to Claimants in the ADR Process), or by Plaintiffs or the Class Members, or any of them, in connection with or related in any manner to the Actions, the settlement of the Actions, the administration of such settlements and/or the Released Transactions except to the extent otherwise specified in the Stipulation.

e. Plaintiffs and Class Members expressly understand that Section

1542 of the Civil Code of the State of California provides that a general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor pertaining to the Defendants' insurance sales practices. To the extent that, notwithstanding the choice of law provisions in the Stipulation, California or other law may be applicable, Plaintiffs and the Class Members hereby agree that the provisions of Section 1542 and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction (including, without limitation, North Dakota and South Dakota) which may be applicable herein, are hereby knowingly and voluntarily waived and relinquished by Plaintiffs and the Class Members with respect to the Defendants' insurance sales practices, and

Plaintiffs and the Class Members hereby agree and acknowledge that this is an essential term of this Release.

f. It is the intention of Plaintiffs and the Class Members in executing this Release fully, finally and forever to settle and release all matters, and all claims relating thereto, which exist, hereafter may exist, or might have existed pertaining to the Defendants' insurance sales practices (whether or not previously or currently asserted in any Actions) with regard to the Policies.

g. Nothing in this Release shall preclude any action to enforce the terms of the Stipulation, including participation in any of the processes detailed therein.

2. ORDER OF DISMISSAL AND RELEASES. The Settling Parties will seek and obtain from the Court before which the Actions are pending, as a condition of settlement, a Final Order and Judgment (as to which the time for appeal had expired without any modifications in the Final Order and Judgment). The Final Order and Judgment shall, among other things, (i) approve the Stipulation as fair, adequate and reasonable, (ii) dismiss the Actions with prejudice and on the merits, and (iii) incorporate the terms of the Release.

3. RELEASE AND WAIVER UPON PARTICIPATION IN THE ADR PROCESS OR ELECTION OF BASIC CLAIM RELIEF. In addition to the release and waiver by Plaintiffs and all Class Members, as described in Section J.1. above and incorporated in the Final Order and Judgment, the Settling Parties agree that all Policyholders submitting Claims pursuant to the ADR Process or electing Basic Claim Relief shall also provide an individual release (in the form contained in Part IV of the Claim Form) in favor of the Defendants and the other Releasees. However, Class Members who participate in the ADR Process shall have the right, within 60 days of the receipt of notice by Prudential that the Settlement has not become Final, to rescind such individual release and return any benefits received as part of the Settlement and thereby return to the position they were in prior to the Settlement.

K. ATTORNEYS' FEES, COSTS AND EXPENSES

1. Lead Counsel agrees to make, and the Defendants agree not to oppose, an application for an award of Attorneys' Fees in the Centralized Proceeding not to exceed a total of $90 million (the "Total Fees"). Additionally, Class Members will not be required to pay any portion of the Attorneys' Fees.

2. The Total Fees will be paid by or on behalf of the Defendants, in two stages, subject to the conditions in this sub-section: (i) one-half (50 percent) of fees plus all reasonable and documented expenses incurred as of the date of the Settlement Hearing will be paid within 5 business days of the entry of the Final Order and Judgment; and (ii) the balance will be paid within 5 business days of the Final Settlement Date. If the award of Attorneys Fees and costs in the Final Order and Judgment is reversed, vacated, modified, or remanded for further proceedings, so as to reduce the total award below one-half of the Total Fees, then Lead Counsel shall be obligated within 30 days of the entry of the Final Order and Judgment to return to the Defendants the amount of said award below one-half of the Total Fees and expenses paid. If the Final Order and Judgment is reversed, vacated, modified, remanded for further proceedings or otherwise disposed of in any manner other than an affirmance of the Final Order and Judgment as to any matter other than a reduction of the award of Attorneys' Fees and costs below one-half of the Total Fees and expenses paid, and the Defendants or Lead Counsel properly and timely terminates this Stipulation, in accordance with Section N of this Stipulation, then Lead Counsel shall within 30 days of such termination return to the Defendants the first stage payment of Attorney's Fees. Lead Counsel's obligation to return all or a portion of the first stage Attorney's Fees, as described in the preceding two sentences, is express and is assumed, without reservation, by Milberg

Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C. on their own behalf, and not on behalf of the Plaintiffs or the Class. Lead Counsels' absolute obligation in this respect shall be evidenced by their signatures below. Lead Counsel will allocate and distribute this award of Attorneys' Fees and expenses among counsel for the Class and others providing services in support of the Actions.

3. After the Final Settlement Date, Lead Counsel may request, and Prudential will not oppose, an incentive award to be paid by or on behalf of the Defendants, mutually agreed upon by the Settling Parties not to be greater than $10,000, for each named Plaintiff in the Actions.

4. The following additional expenses reasonably incurred after the execution of this Stipulation will be paid by or on behalf of the Defendants: publication, printing and mailing costs of the Class Notice, the Summary Notice, the Post-Settlement Notice and the Post-Settlement Summary Notice, the Final Settlement Notice; post-office box rental costs; telephone costs for establishing and using the 800 telephone numbers set forth in this Stipulation; any processing costs for requests for exclusion; fees and disbursements to the Claimant Group Administrator and any other third-party contractors or administrators; any processing costs for Election Forms; administration costs of Optional Premium Loans and other forms of Basic Claim Relief; all other administration costs and expenses of the ADR Process not specified in this paragraph; and fees and disbursements to the Claimant Representative, the Representatives, the Independent Claim Evaluation Team and Appeals Committee members as provided for in the ADR Manual. In connection with the payment of the costs and expenses specified in the prior sentence, none of such payments shall directly

or indirectly reduce, limit or modify the remedies provided in the ADR Process or Basic Claim Relief.

5. Neither Prudential nor its current, former and future parents, subsidiaries, affiliates, partners, predecessors, successors and assigns, nor any of their respective past, present and future officers, directors, employees, agents, independent contractors, brokers, representatives, attorneys, heirs, administrators, executors, predecessors, successors and assigns shall be liable or obligated to pay any fees, expenses, costs or disbursements to, or incur any expense on behalf of, any person, either directly or indirectly, in connection with the Actions, this Stipulation, or the Proposed Settlement, other than the amount or amounts expressly provided for in this Stipulation; provided, however, that nothing in this paragraph is intended to preclude the payment of attorneys' fees, other expenses or liabilities in connection with this Stipulation, on behalf of the Individual Defendants.

L. ORDER OF NOTICE, SETTLEMENT HEARING AND ADMINISTRATION

1. Immediately upon the execution of this Stipulation of Settlement, the Settling Parties will submit this Stipulation of Settlement to the Court and apply for a Hearing Order, unless otherwise agreed to by the Settling Parties:

(a) providing for the conditional certification of the Class for settlement purposes only;

(b) finding that the Proposed Settlement is sufficient to warrant sending notice to the Class;

(c) scheduling the Settlement Hearing to be held on such date as the Court may direct, to consider the fairness, reasonableness and adequacy of the Proposed Settlement and whether it should be approved by the Court;

(d) approving the proposed Class Notice, publication of the notice and notice methodology described in the Stipulation;

(e) directing Prudential, on behalf of the Defendants (or their assignees), to cause the Class Notice to be mailed to all Policyholders by first class mail, postage prepaid, at their last known address as presently reflected in Prudential's records no later than 60 days before the Settlement Hearing;

(f) directing Prudential, on behalf of the Defendants, or their designee(s) to publish the Summary Notice as provided in the Stipulation no later than 50 days before the Settlement Hearing;

(g) determining that the Class Notice, together with the Summary Notice, is reasonable and the best practicable notice; is reasonably calculated, under the circumstances, to apprise Policyholders of the pendency of the Actions and of their right to object to or exclude themselves from the Proposed Settlement; constitutes due, adequate and sufficient notice to all persons

entitled to receive notice; and meets the requirement of due process, the Federal Rules of Civil Procedure, and the Rules of the Court;

(h) ruling that Prudential, or the Claimant Group Administrator, shall (i) remail any notices returned by the Postal Service with a forwarding address that are received by Prudential or the Claimant Group Administrator at least 30 days before the Settlement Hearing;

(i) requiring Prudential to file proof of the mailing of the Class Notice, and the Summary Notice, at or before the Settlement Hearing;

(j) as further described above in subsection G.7, authorizing Prudential, including its representatives and any other retained personnel, to communicate with

Policyholders, Class Members and other present or former Policyowners about the Actions and the terms of the Proposed Settlement, subject to monitoring by Lead Counsel, and to engage in any other communications within the normal course of Prudential's business;

(k) requiring each Policyholder who wishes to exclude himself or herself from the Class to submit an appropriate written request for exclusion, postmarked no later than December 19, 1996, to the Clerk of the Court, in care of the post-office box rented for that purpose;

(l) declaring that no Policyholder, or any person acting on behalf of or in concert or participation with that Policyholder, may exclude any other Policyholder from the Class and preliminarily enjoining all Policyholders unless and until they have timely excluded themselves from the Class from filing, commencing, prosecuting, continuing, litigating, intervening in or participating as class members in, or seeking to certify a class in, any lawsuit in any jurisdiction based on or relating to the Released Transactions or facts and circumstances underlying the claims and causes of action in the Actions;

(m) ruling that any Policyholder who does not submit a timely, written request for exclusion will be bound by all proceedings, orders and judgments in the Actions, which will be preclusive in all pending or future lawsuits or other proceedings;

(n) requiring each Policyholder who wishes to object to the fairness, reasonableness or adequacy of the Proposed Settlement to serve on Lead Counsel and Defendants' Counsel and to file with the Court, no later than December 19, 1996, or at such other time as the Court may direct, a statement of the objection, as well as the specific reasons, if any, for each objection, including any legal support the Policyholder wishes to

bring to the Court's attention and any evidence the Policyholder wishes to introduce in support of his or her objection, or be forever barred from separately objecting;

(o) requiring any attorneys hired by Policyholders at Policyholders' expense for the purpose of objecting to the Proposed Settlement to file and serve on Lead Counsel and Defendants' Counsel a notice of appearance with the Clerk of Court, no later than December 19, 1996, or as the Court otherwise may direct;

(p) requiring any Policyholder who files and serves a written objection and who intends to make an appearance at the Settlement Hearing, either in person or through personal counsel hired at the Policyholder's expense, in order to object to the fairness, reasonableness or adequacy of the Proposed Settlement, to serve on Lead Counsel and Defendants' Counsel and file with the Court, no later than December 19, 1996, or as the Court otherwise may direct, a notice of intention to appear;

(q) authorizing Prudential to establish the means necessary to administer the Proposed Settlement relief, process Election Forms and implement the ADR Process, subject to monitoring from time to time by Lead Counsel and the Regulatory Oversight Staff, and authorizing Prudential to retain the Claimant Group Administrator to help administer the Proposed Settlement, including the notice provisions;

(r) directing Prudential or its designated agents to rent a post-office box in the name of the Clerk of the Court, to be used for receiving requests for exclusion and any other communications, and providing that, other than the Court or the Clerk of Court, only Prudential, Lead Counsel and their designated agents shall have access to this post-office box;

(s) directing Defendants' Counsel, Lead Counsel, and any other counsel for Plaintiffs or the Class promptly to furnish each other and any counsel who has filed a notice of appearance with copies of any and all objections or written requests for exclusion that might come into their possession;

(t) providing a means for those filing objections to obtain access at Lead Counsel's office to depositions and deposition exhibits in the Actions at the expense of those filing objections, provided that such individuals enter into a Stipulation of Confidentiality;

(u) containing any additional provisions that might be necessary to implement and administer the terms of the Stipulation and the Proposed Settlement.

2. Plaintiffs will not request exclusion from the Class, will not object to the Proposed Settlement, and will not file an appeal from or seek review of any order approving the Proposed Settlement.

M. FINAL APPROVAL AND FINAL ORDER AND JUDGMENT

1. After the Settlement Hearing, and upon the Court's approval of the Stipulation, the Court shall enter a Final Order and Judgment. The Final Order and Judgment will (among other things):

(a) find that the Court has personal jurisdiction over all Class Members and that the Court has subject matter jurisdiction to approve the Stipulation and all exhibits thereto;

(b) approve the Proposed Settlement as fair, reasonable and adequate; direct the Settling Parties and their counsel to comply with and consummate the terms of the Stipulation; and declare the Stipulation to be binding on all Class Members and preclusive in all pending and future lawsuits or other proceedings;

(c) certify the Class for settlement purposes only;

(d) find that the Class Notice, the Summary Notice and the notice methodology implemented pursuant to the Stipulation (i) constitute reasonable and the best practicable notice; (ii) constitute notice that is reasonably calculated, under the circumstances, to apprise Policyholders of the pendency of the Actions, their right to object to or exclude themselves from the Proposed Settlement and to appear at the Settlement Hearing; (iii) constitute due, adequate and sufficient notice to all persons entitled to receive notice; and (iv) meet the requirements of due process, the Federal Rules of Civil Procedure, and the Rules of the Court;

(e) find that the Post-Settlement Notice, the Post-Settlement Summary Notice, the Final Settlement Notice, and the Post-Settlement Summary Notice and Final Settlement Notice methodology to be implemented pursuant to the Stipulation (i) constitute the most effective and practicable notice of the Final Order and Judgment, the relief available to Class Members pursuant to the Final Order and Judgment, and applicable time periods, and (ii) constitute due, adequate and sufficient post-settlement and final settlement notice for all other purposes to all Class Members;

(f) find that Lead Counsel and the Plaintiffs adequately represented the Class for purposes of entering into and implementing the Settlement;

(g) dismiss the Actions on the merits and with prejudice, without fees or costs to any party except as provided in the Stipulation;

(h) incorporate the Release set forth above in Section J, and forever discharge the Releasees from any claims or liabilities constituting the Released Transactions;

(i) bar and enjoin (i) all Class Members from filing, commencing, prosecuting, participating or intervening in any lawsuit in any jurisdiction based on or relating to the facts and circumstances underlying the claims and causes of action in the Actions and/or the Released Transactions, and (ii) all Class Members from organizing Policyholders into a separate class for purposes of pursuing as a purported class action any lawsuit (including by seeking to amend a pending complaint to include class allegations, or seeking class certification in a pending action) based on or relating to the claims and causes of action, or the facts and circumstances relating thereto, in the Actions and/or the Released Transactions;

(j) retain jurisdiction over the administration of the Settlement,

to supervise the Settlement relief, to protect and effectuate the Final Order and Judgment, and for any other necessary purpose.

N. MODIFICATION OR TERMINATION OF THE STIPULATION

1. The terms and provisions of this Stipulation may be amended, modified or expanded by agreement of the Settling Parties.

2. The Stipulation will terminate at the sole option and discretion of Defendants or Plaintiffs if:

(a) the Court, or any appellate court(s), rejects, modifies or denies approval of any portion of the Proposed Settlement that the terminating party in its (or their) sole judgment and discretion reasonably determines is material; or

(b) the Court, or any appellate court(s), does not enter or completely affirm, or alters or expands, any portion of the Final Order and

Judgment that the terminating party in its (or their) sole judgment and discretion believes is material.

The terminating party must exercise the option to withdraw from and terminate the Stipulation, as provided in this subsection N.2, no later than 10 days after receiving conclusive written notice of the event prompting the termination.

3. Notwithstanding the preceding subsection N.2, the Settling Parties may not terminate the Stipulation solely because of the amount of Attorneys' Fees awarded by the Court or any appellate court(s).

4. Prudential may unilaterally withdraw from and terminate the Stipulation if those persons, who elect to exclude themselves from the Class with respect to any Policy, together number more than such number which has been filed with the Court in camera. Such withdrawal and termination by Prudential must be made no later than 10 days after the expiration of the time period during which such exclusions must be filed and receipt of notice of this event.

5. If an option to withdraw from and terminate the Stipulation arises under subsections N.2, N.3 or N.4, neither Defendants nor Plaintiffs are required for any reason or under any circumstance, to exercise their option.

6. If the Stipulation is terminated pursuant to subsections N.2, N.3 or N.4, then:

(a) this Stipulation shall be null and void and shall have no force or effect, and no party to this Stipulation shall be bound by any of its terms, except for the terms of this subsection N.6.a;

(b) this Stipulation, all of its provisions, and all negotiations, statements and proceedings relating to it shall be without prejudice to the rights of Defendants, Plaintiffs

or any other Class Member, all of whom shall be restored to their respective positions (regarding the provisions of this Stipulation) existing immediately before the execution of this Stipulation, to the extent that they have not provided an individual release and waiver as described in J.3 herein, which has not been rescinded in accordance with the terms thereof;

(c) neither this Stipulation, nor the fact of its having been made, shall be admissible or entered into evidence for any purpose whatsoever;

(d) any order or judgment entered after the date of this Stipulation will be deemed vacated and will be without any force or effect; and

(e) any costs incurred pursuant to subsection K.2, prior to termination of this Stipulation, will nevertheless be paid by or on behalf of the Defendants.

O. REPRESENTATIONS AND WARRANTIES

1. Lead Counsel represents and warrants that (i) it has undertaken appropriate and adequate formal and informal discovery (including extensive document review, depositions and interviews) and has performed an examination and evaluation of the relevant law and facts in order to assess the merits of the claims and potential claims of the Class, and (ii) as a result of such activities described in (i) above, the proposed settlement terms described herein are fair, reasonable and adequate, and no issue of law or fact has come

to its attention which would cause it not to enter into this Stipulation with the Defendants.

2. Subject to approval by the Court in the Actions, Lead Counsel represents and warrants that it (i) is authorized to enter into this Stipulation on behalf of the Plaintiffs and all Class Members (upon the Court's certification of the Class), and any other attorneys who have represented or who now represent the Plaintiffs and all Class Members (upon the Court's certification of the Class), (ii) has the legally requisite ability to adequately represent

the Plaintiffs and all Class Members, and (iii) is seeking to protect the interests of the entire Class.

3. Each of the Plaintiffs represents and warrants that he or she (i) has agreed to serve as a representative of the Class proposed to be certified herein; (ii) is willing, able and ready to perform any of the duties and obligations of a representative of the Class including the need to be available for, and involved in, discovery and factfinding by Plaintiffs' counsel; (iii) has received the pleadings in this action, including the Consolidated Complaint filed herein; (iv) is familiar with the results of the factfinding undertaken by Plaintiffs' counsel; (v) has consulted with Lead Counsel or any other counsel they may have about the Actions, the Stipulation and the obligations of a Class representative; and (vi) will remain and serve as a representative of the Class, until the terms of the Stipulation are effectuated, the Stipulation is terminated in accordance with the terms of this Stipulation, or the Court at any time determines that said Plaintiff cannot represent the Class.

4. Defendants' Counsel represents and warrants that it is authorized to enter into this Stipulation on behalf of The Prudential Insurance Company of America and any attorneys who have represented or who now represent The Prudential Insurance Company of America in the Actions.

5. Each of the Individual Defendants' Counsel represents and warrants that it is authorized to enter into this Stipulation on behalf of each of the Individual Defendants, respectively, and any attorneys who have represented or who now represent their respective Individual Defendants in the Actions.

P. GENERAL MATTERS AND RESERVATIONS

1. Within thirty days after the conclusion of the ADR Process or promptly after the termination of this Stipulation (unless the time is extended by agreement of the Settling Parties), whichever comes first, Plaintiffs and their counsel will return to Prudential all documents (and all copies of such documents in whatever form made or maintained) produced by Prudential in the Actions after August 20, 1996, as well as the transcripts of any deposition testimony provided by Prudential or its current or former employees and any exhibits to those depositions; provided, however, that (a) all such documents shall be preserved by Prudential, and (b) this subsection shall not apply to any documents gathered or made part of the record in connection with a claim made under the ADR Process.

2. By execution hereof, this Stipulation does not release any claim of the Defendants against any insurer for any cost or expense hereunder, including attorneys' fees and costs.

3. This Stipulation sets forth the entire agreement among the Settling Parties with respect to its subject matter, and it may not be altered or modified except by written instrument executed by Lead Counsel, Defendants' Counsel and the Individual Defendants' Counsel. The Settling Parties expressly acknowledge that no other agreements, arrangements or understandings, excepting the Statement of Intent of the Parties executed by Lead Counsel and Defendants' Counsel on September 27, 1996, not expressed in this Stipulation exist among or between them.

4. This Stipulation, its Exhibits and any ancillary agreements shall be governed by and interpreted according to the substantive law of the State of New Jersey, excluding its conflict of laws provisions.

5. Any action to enforce this Stipulation shall be commenced and maintained only in the United States District Court for the District of New Jersey.

6. Whenever this Stipulation requires or contemplates that one party shall or may give notice to the others, notice shall be provided as follows:

(a) If to Plaintiffs, then to:

Melvyn I. Weiss, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
One Pennsylvania Plaza
New York, New York 10119

and

Michael B. Hyman, Esq.
Much Shelist Freed Denenberg Ament
Bell & Rubenstein, P.C.
200 North LaSalle Street, Suite 2100
Chicago, Illinois 60601

(b) If to Defendants, then to:

Reid L. Ashinoff, Esq.
Sonnenschein Nath & Rosenthal
1221 Avenue of the Americas
New York, New York 10020

and

Frederick B. Lacey, Esq.
LeBoeuf, Lamb, Greene & MacRae L.L.P.
Legal Center
One Riverfront Plaza
Newark, New Jersey 07102

and

Michael R. Griffinger, Esq.
Crummy, Del Deo, Dolan,
Griffinger & Vecchione
One Riverfront Plaza
Newark, New Jersey 07102-5497

7. All time periods set forth herein shall be computed in calendar days unless otherwise expressly provided. In computing any period of time prescribed or allowed by this Stipulation or by order of court, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, a Sunday or a legal holiday, or, when the act to be done is the filing of a paper in court, a day on which weather or other conditions have made the office of the clerk of the court inaccessible, in which event the period shall run until the end of the next day that is not one of the aforementioned days. As used in this paragraph, "legal holiday" includes New Year's Day, Birthday of Martin Luther King, Jr., Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Christmas Day and any other day appointed as a holiday by the President or the Congress of the United States, or by the State of New Jersey.

8. The Settling Parties reserve the right, subject to the Court's approval, to make any reasonable extensions of time that might be necessary to carry out any of the provisions of the Stipulation.

9. In no event shall the Stipulation, any of its provisions or any negotiations, statements or proceedings relating to it in any way be construed as, offered as, received as, used as or deemed to be evidence of any kind in the Actions, any other action, or in any judicial, administrative, regulatory or other proceeding, except in a proceeding to enforce this Stipulation, or as may be necessary in any insurance coverage litigation. Without limiting the foregoing, neither this Stipulation nor any related negotiations, statements or proceedings shall be construed as, offered as, received as, used as or deemed to be evidence

or an admission or concession of any liability or wrongdoing whatsoever on the part of any person, including but not limited to the Defendants, Plaintiffs or the Class, or as a waiver by the Defendants of any applicable defense in any legal proceeding, including without limitation any applicable statute of limitations or statute of frauds, or as a waiver by Plaintiffs or the Class of any claims.

10. This Stipulation neither constitutes an admission (i) by the Defendants respecting the merits of the allegations made in the Consolidated Complaint or any of the Actions, or regarding any facts or claims that have been or could have been alleged against them in this litigation, nor (ii) by Plaintiffs that any of the allegations made in the Consolidated Complaint or any

of the Actions lack merit.

11. The Settling Parties, their successors and assigns, and their attorneys agree to cooperate fully with one another in seeking court approval of the Stipulation and to use their best efforts to effect the prompt consummation of the Stipulation and the Proposed Settlement.

12. This Stipulation, together with all documents contemplated herein, constitutes the entire agreement and understanding between the Settling Parties and supersedes all prior agreements and understandings, including the Settlement Agreement, and excepting the Statement of Intent of the Parties executed by Lead Counsel and Defendants' Counsel on September 27, 1996, as to the matters set forth herein. This Stipulation may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned stipulate and have entered into this Stipulation of Settlement as of the 28th day of October, 1996.

APPROVED AND AGREED TO BY
AND ON BEHALF OF THE NAMED
PLAINTIFFS, IN THEIR INDIVIDUAL
AND REPRESENTATIVE CAPACITIES

By: /s/ Melvyn I. Weiss

Melvyn I. Weiss, Esq.
Milberg Weiss Berhard Hynes & Lerach LLP

By: /s/ Michael B. Hyman

Michael B. Hyman, Esq.
Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C.

APPROVED AND AGREED TO BY
THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By: /s/ Mark B. Grier

Mark B. Grier
Chief Financial Officer

COUNSEL TO THE PRUDENTIAL
INSURANCE COMPANY OF AMERICA

By: /s/ Reid L. Ashinoff

Reid L. Ashinoff, Esq.
Sonnenschein Nath & Rosenthal

APPROVED AND AGREED TO BY
AND BEHALF OF
ROBERT A. BECK

By: /s/ Frederick B. Lacey

Frederick B. Lacey, Esq.
Charles M. Lizza, Esq.
LeBoeuf, Lamb, Greene & MacRae L.L.P.

APPROVED AND AGREED TO BY

By: /s/ Ronald D. Barbaro

APPROVED AND AGREED TO BY
AND ON BEHALF OF
ROBERT C. WINTERS

By: /s/ Michael R. Griffinger

Michael R. Griffinger, Esq.
Crummy, Del Deo, Dolan,
Griffinger & Vecchione

EXHIBIT A

George A. Zoller v. Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-1093 (AMW).

Lester H. Groth, et al. v. The Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-1104 (AMW).

Martin Dorfner v. The Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-1107 (AMW).

Toni Wachtler, et al. v. Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-2473 (AMW).

Elizabeth Kuchas, et al. v. Prudential Insurance Company of America, District of Connecticut, Civil Action No. 3:95-353.

Carol Nicholson, et al. v. The Prudential Insurance Company of America, Southern District of Illinois, Civil Action No. 3:95-206.

Allan W. Amlee, et al. v. Prudential Insurance Company of America, District of Minnesota, Civil Action No. 3:95-380.

Gary Dugan, et al. v. Prudential Life Insurance Company of America, et al., Southern District of New York, Civil Action No. 1:94-1195.

E. Eugene Price, et al. v. Prudential Insurance Company of America, Western District of Pennsylvania, Civil Action No. 2:94-75.

Charles J. Harris, et al. v. Prudential Insurance Company of America, Southern District of Illinois, Civil Action No. 95-203-WLB.

John A. Hunter, et al. v. The Prudential Life Insurance Company of America, Western District of New York, Civil Action No. 95-CV-0364E(F).

EXHIBIT B

PRUDENTIAL ALTERNATIVE
DISPUTE RESOLUTION GUIDELINES

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PRUDENTIAL ALTERNATIVE DISPUTE RESOLUTION GUIDELINES

I. INTRODUCTION

A. GENERAL

With respect to any Policy, a Policyholder may assert a Claim under the procedures for assessment and evaluation described in these ADR Guidelines. The procedures and rules set forth in the Manual of Procedures shall govern the prompt and fair processing of Claims submitted by Policyholders pursuant to the Stipulation of Settlement entered into between Plaintiffs and the Defendants (the "Stipulation") and pursuant to the consent orders and agreements, and all amendments thereto, issued by the State Insurance Departments identified in Exhibit 1 hereto ("Consent Orders").

B. OVERVIEW OF PROCESS

The Alternative Dispute Resolution ("ADR") Process, which offers the opportunity to resolve Claims in an orderly and comprehensive manner, will begin on the Post-Settlement Notice Date. One or more of the Claim Evaluation Staff, the Independent Claim Evaluation Team, the Claim Review Staff and the Appeals Committee will evaluate each Claim and base its decision on the facts and circumstances of each case, as more particularly described herein. Sections II.A., III.A. IV.A. and V.A. of these ADR Guidelines set forth a list of claim-specific resolution factors, which form the basis of a Policyholder's contention of wrongdoing (the "Claim Resolution Factors"), for each of the designated categories. Provided that one or more Claim Resolution Factors is alleged directly or indirectly in connection with a Claim and is established hereunder, it will lead to a prescribed type of relief described in Sections II.C., III.C., IV.C. and V.B. respectively, herein. Each Claim Resolution Factor will be scored on a scale of 0 to 3. The range of scores is closely related to the weight of evidence made available to the Claim Evaluation Staff, the Independent Claim Evaluation Team, the Claim Review Staff, or the Appeals Committee to support or undermine any subject allegation. Scores assigned to each individual Claim Resolution Factor are not to be aggregated in determining whether a score sufficient to justify relief has been received. Sections II.B., III.B. and IV.B. of these ADR Guidelines provide evidentiary considerations specific to the corresponding Claim-Specific Category. In addition, there are other factors not directly related to the specific Claim Resolution Factors that will be considered in arriving at a determination of the applicable score. The score given to a Claim will determine the nature and scope of the choices of relief to be afforded to the Claimant. The scoring system is set forth in Sections I.D., I.E. and I.F. below.

C. DEFINITIONS

For purposes of the ADR Guidelines, the following terms shall have the following respective meanings:

"ADR Guidelines" shall mean this Exhibit to each of the Stipulation and the Consent Orders, as amended or modified from time to time in accordance with the terms and provisions of each of the Stipulation and the Consent Orders.

"Abbreviated Payment" or "APP" shall mean, for purposes of this Exhibit, a feature using a Policy's existing dividend credits for traditional whole-life policies and contract fund amounts for VAL/AL policies to limit the number of cash or "out-of-pocket" payments required of the Policyholder to keep the Policy in force.

"Abbreviation Point" shall mean (i) in the case of Policies other

than VAL, which apply dividend credits toward premium, the Policy anniversary when the existing and future dividend credits would be sufficient to pay all remaining premiums as they become due, assuming the continuation in all future years of the current dividend scale in effect as of a specified date, or (ii) in the case of VAL/AL, the Policy anniversary when the contract fund (including for VAL, future investment returns at an express or implied hypothetical interest rate and including for AL, future interest at an express or implied interest crediting rate) would be sufficient to keep the Policy in force, assuming the continuation in all future years of the current charges on the Policy in effect as of a specified date. In each of the foregoing cases, it is assumed that there are no loans and no surrenders of or withdrawals from any such Policy.

"Action" means the Consolidated Policyholders Class Actions in In re The Prudential Insurance Company of America Sales Practices Litigation, Master Docket No. 95-4704(AMW), MDL No. 1061, pending in the United State District Court for the District of New Jersey.

"Agent" shall mean any agent or other representative of the Company in respect of the sale, delivery and/or service of the Policy or Policies which is/are the subject of the Claim.

"Agent Statement" shall mean the statement of the Agent as defined in the Manual of Procedures.

"AL" shall mean the Company's Appreciable Life Insurance Policy.

"Alternative Dispute Resolution Process" or "ADR Process" shall mean the procedures for presentation to and evaluation of Claims by the Claim Evaluation Staff, the Independent Claim Evaluation Team, the Claim Review Staff and the

Appeals Committee, as described in the ADR Guidelines and the Manual of Procedures taken together.

"Appeals Committee" or "APCOM" shall mean those individuals assembled, supervised and monitored by Lead Counsel and the Regulatory Oversight Staff (as defined in the Manual of Procedures), to review Claimants' objections to ADR Process determinations. The 50 members (or such greater number as mutually agreed upon by the Regulatory Oversight Staff, Lead Counsel and the Company) of the Appeals Committee will be chosen by Lead Counsel and the Regulatory Oversight Staff from lists drawn from the American Arbitration Association, the CPR Institute for Dispute Resolution or another dispute resolution entity, based upon such persons' experience either (i) with the life insurance industry or life insurance products, (ii) with the resolution of insurance-related complaints, or (iii) as arbitrators or other adjudicators so as to have the appropriate expertise to serve as members of the Appeals Committee. Both the identification of any such other dispute resolution entity and the list of potential Appeals Committee members shall be mutually agreeable to the Regulatory Oversight Staff, Lead Counsel and the Company, all as more specifically described in the Manual of Procedures.

"Associated Complaint" shall mean, with respect to any given Claim evaluation, a Policyowner complaint made prior to September 20, 1996, against the Agent involved in the Claim by another Policyowner, asserting a Misstatement relating to any of the Claim-Specific Categories; provided, however, in determining the number of Associated Complaints against the Agent (i) multiple complaints by any other Policyowner relating to any of the Claim-Specific Categories, regardless of the number of policies which are the subject of any or all of such complaints, shall be deemed one (1) Associated Complaint, and (ii) complaints from members of the same household as the other Policyowner shall be deemed another Associated Complaint only in the event the policy, which is the subject of such complaint, is different than the other Policyowner's policy.

"Available Evidence" shall mean all original or true copies of any written certificates, agreements, instruments, or documents, letters, memoranda or notes of any kind with respect to any Policy or insured, taken as a whole, including, without limitation, illustrations, sales materials and the contract, the application documentation, data or documents relating to the Complaint History of the Agent who sold and/or serviced the Policy, the Claim Form, the Agent Statement and correspondence concerning the Policy or the Claim, all as existing in the File. Available Evidence includes, without limitation, any and all Company Documentation.

"Basic Claim Relief" shall mean, as more particularly described in the "Guidelines for Prudential Basic Claim Relief," that relief comprising the following: optional

premium loans, enhanced value policies, enhanced value annuities and mutual fund enhancements.

"Claim" shall mean a claim by a Claimant submitted to the ADR Process and meeting the criteria for eligibility set forth herein and in the Manual of Procedures.

"Claimant" shall mean all such Policyholder(s) having, individually or together, a complete ownership interest in a Policy which is the subject of a Claim.

"Claim Category" shall mean the Claim-types described in Sections II.A., III.A., IV.A. and V.A.

"Claim Evaluation Staff" shall mean the qualified professional and administrative staffs established by the Company, wholly independent from the Company's marketing or sales functions, composed solely to perform the evaluation of Claims, and to score and determine the level of relief of all Claims. The administrative staff shall consist of persons adequately trained or experienced to perform the functions required herein and to assist the professional staff. The professional staff shall consist of persons from the Company's Policyowner Relations, Compliance, Individual Insurance and/or Law Departments, none of whom shall have acted as a licensed agent for the Company or shall have directly supported, or acted in the field supervision of the Company's licensed agents.

"Claim Form" shall mean the form submitted by each Claimant to establish his, her or its Claim pursuant to the ADR Guidelines.

"Claim Resolution Factors" shall have the meaning set forth in Section I.B. of this Exhibit.

"Claim Review Staff" shall mean the qualified professional and administrative staffs established by the Company, wholly independent from the Company's marketing or sales functions, composed to perform the oversight functions more specifically described in Sections II and III of the Manual of Procedures. The administrative staff shall consist of persons adequately trained or experienced to perform the functions required therein and to assist the professional staff. The professional staff shall consist of certain of the Company's senior complaint handlers from the Policyowner Relations Department, attorneys from the Company's Law Department and/or experienced members of the Company's Compliance Department, none of whom shall have acted as a licensed agent for the Company or shall have directly supported, or acted in the field supervision of the Company's licensed agents.

"Claim-Specific Category" shall mean the Claim-types described in Sections II.A., III.A. and IV.A.

"Class Period" shall mean the period commencing January 1, 1982 and terminating on December 31, 1995, inclusive.

"Company" shall mean Prudential, as defined herein. With respect to the provision of relief as described in Sections II.C, III.C, IV.C and V.B herein and with respect to any amounts required to be paid under the Manual of Procedures, the Guidelines for Prudential Basic Claim Relief or under these ADR Guidelines, such actions or payments, respectively, will be by or on behalf of each of The Prudential Insurance Company of America, its United States life insurance subsidiaries and the Individual Defendants.

"Company Documentation" shall mean (i) originally executed, or true copies thereof, of written correspondence from an Agent or the Company, including illustrations or other sales materials whether or not on letterhead of the Company or (ii) a validly executed policy application.

"Complaint History" shall mean, with respect to any Agent, that such Agent has had prior to September 20, 1996, three (3) or more Associated Complaints (documented in the Company's files).

"Defendants" shall mean The Prudential Insurance Company of America

and the Individual Defendants (as defined in the Stipulation of Settlement).

"Department" shall mean those State Insurance Departments set forth on Exhibit 1 hereto which have issued Consent Orders.

"Designated New Policy" shall mean those life insurance policies within the Company's portfolio of individual permanent life insurance policies available on the date of the award as more particularly described on Schedule A hereto; provided that such Schedule may be modified and supplemented by notice to and approval by the Regulatory Oversight Staff (as defined in the Manual of Procedures) and Lead Counsel.

"Election Form" shall mean the form on which each Policyholder elects (i) Basic Claim Relief or (ii) participation in the ADR Process.

"Existing Policy" shall mean an insurance policy issued by the Company which funds, in whole or in part, a New Policy issued by the Company.

"File" shall mean all documents submitted by or on behalf of the Claimant (including the Claim Form), the Agent and the Company to the Claim Evaluation Staff in connection with the Claim.

"Final Order and Judgment" shall mean the order to be issued by the United States District Court for the District of New Jersey in the Actions approving the Settlement and the judgment entered pursuant to that order.

"Final Settlement Date" shall mean the date on which the Settlement (as approved by the Final Order and Judgment) becomes Final. For purposes of the Settlement: (1) if no appeal has been taken from the Final Order and Judgment, "Final" means that the time to appeal therefrom has expired; or (2) if any appeal has been taken from the Final Order and Judgment, "Final" means that all appeals therefrom, including petition for rehearing or reargument, petition for rehearing en banc and petitions for certiorari or any other form of review have been finally disposed of in a manner that affirms the Final Order and Judgment.

"Independent Claim Evaluation Team" or "ICET" shall mean the qualified individuals wholly independent from the Company who will evaluate all Claims receiving less than a score of "3" from the Claim Evaluation Staff and make recommendations respecting such scoring to the Claim Review Staff, as more fully described in the Manual of Procedures. The ICET shall follow the criteria, guidelines and remedies established herein and in the Manual of Procedures.

"Interest Rate" shall mean, with respect to any given Policy, interest at the actual rate(s) of the Company on its "interest-only" settlement option plus 1.5% in effect for the period commencing on the date the Policy was issued and ending on the date of the award. Beginning in 1997, the Interest Rate will be adjusted on an annual basis to reflect changes to the rate offered by the Company on its "interest-only'" settlement option provided that no annual decrease in the Interest Rate will occur unless the decrease would be at least .5%.

"Lead Counsel" shall mean the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C.

"Manual of Procedures" shall mean the "Manual of Procedures for Resolving Claims Under the Prudential Alternative Dispute Resolution Guidelines," as may be amended or modified from time to time in accordance with the terms and provisions applicable thereto.

"Misstatement" shall mean in respect of any Claim Resolution Factor either:

(a) An untrue statement of material fact; or

(b) The failure to disclose a material fact necessary to make the statements made not materially misleading, under the circumstances.

"New Policy" shall mean an insurance policy issued by the Company

which is funded, in whole or in part, by an Existing Policy.

"Plaintiffs" shall mean the named plaintiffs in the Action.

"Policy" or "Policies" shall mean one or more individual permanent life insurance policies issued in the United States by Prudential with an issue date during the Class Period.

"Policyholders" shall mean all Policyowners of one or more Policies issued during the Class Period, but do not include (unless such persons or entities are Policyholders by virtue of other Policies) (i) Policyowners represented by counsel who executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such Policies, (ii) Policyowners which are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate- or trust-owned life insurance and under which either (a) there are 50 or more separate insured individuals or (b) the aggregate premium paid over an eight (8) year period, ending with the close of 1996, exceeds one million dollars, or (iii) Policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

"Policyowners" shall mean all persons or entities who (i) own a life insurance policy or other contract issued by the Company in the United States or (ii) owned at its termination a life insurance policy or other contract issued by the Company in the United States.

"Post-Settlement Notice" shall mean the notice to be sent within 30 days after the date of the entry of the Final Order and Judgment to each of the Policyholders at his, her or its last known address, informing Policyholders of the Consent Orders between the Company and the Department, where applicable, and that the Stipulation between the Plaintiffs and the Defendants has been approved.

"Post-Settlement Notice Date" shall mean the date on which the Post-Settlement Notice first is mailed to each individual Policyholder at his, her or its last known address.

"Prudential" shall mean The Prudential Insurance Company of America, a mutual insurance company domiciled in the State of New Jersey, and each of its United States life insurance subsidiaries with respect to Policies issued by them.

"PUA" shall mean paid-up additional insurance.

"Settlement" shall have the meaning set forth in the Stipulation.

"Term Insurance Costs" shall mean, with respect to any Policy, a charge for providing death benefit coverage for the period commencing on the date the Policy was issued and ending on the date of the award (or in the case of a Policy that has lapsed, ending on the last day of coverage under such Policy). With respect to traditional whole-life policies, the charge shall be computed on the Policy's face amount exclusive of term insurance riders and PUAs using 85% of The Commissioners' 1980 Standard Ordinary Ultimate Mortality Tables for Males and Females as appropriate (i.e., sex distinct rates). With respect to VAL/AL Policies, the charge shall be computed using the Company's mortality tables applied to the net amount at risk of the respective VAL/AL Policies. In no event, however, will the Term Insurance Costs, as calculated pursuant to the foregoing and deducted as provided in these ADR Guidelines in connection with the rescission of any Policy or New Policy, exceed 50% of the applicable premiums paid on the Policy or New Policy (before subtracting from such premium amount any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the respective Policy or New Policy).

"Transaction Documents" shall mean Company documents or forms required to be signed by the Policyholder in connection with a transaction respecting the Policy which is the subject of a Claim. Such documents or forms shall only include the Policy application, disbursement forms, withdrawal forms, change forms and check endorsements.

"VAL" shall mean the Company's Variable Appreciable Life Insurance Policy.

"VAL/AL" shall mean either or both of the Company's Variable Appreciable Life (VAL) or Appreciable Life (AL) Insurance Policies.

D. GENERAL SCORING OF CLAIM RESOLUTION FACTORS

POINTS

3 A score of "3" is assigned in the event that either (i) Company Documentation expressly supports the Misstatement, or (ii) the Agent Statement confirms the Claimant's allegation of the Misstatement and this confirmation is not undermined by Available Evidence.

2 A score of "2" is assigned in the event that the alleged Misstatement is not expressly in writing and the Agent Statement denies the allegation, but (i) Available Evidence, on balance, supports the Claimant's allegation of the Misstatement, or (ii) the Agent has a Complaint History.

1 A score of "1" is assigned in the event that the alleged Misstatement is not expressly in writing and the Agent Statement denies the allegation, and Available Evidence, on balance, neither supports nor undermines the Claimant's allegation of the Misstatement.

0 A score of "0" is assigned in the event that Available Evidence exists which undermines the Claimant's allegation of the Misstatement and suggests that no Misstatement occurred.

N/A "N/A" is assigned in the event that the Claim Resolution Factor is "not applicable" to the Claim submitted.

For purposes of all the above scoring, any statement in the illustration and/or contract (which are part of the Available Evidence) indicating solely that dividends for traditional Policies, investment returns for VAL Policies, or interest crediting rates for AL Policies, are "not guaranteed" or "non-guaranteed", without further explanation or description, shall not, by itself, be deemed to undermine the alleged Misstatement.

E. COMPLAINT HISTORY SCORING ADJUSTMENTS

In the event a Claim receives a mandatory score of "2" based solely on the existence of a Complaint History (not subject to downward adjustment), such score automatically will be raised to a score of "3" only if one or more of the following is found to exist:

1. There was an unauthorized execution by the Agent of the Policyholder's or insured's signature on any Transaction Document;

2. Company Documentation expressly supports the Misstatement alleged in the Claim; or

3. The Agent Statement confirms the Claimant's allegation of the Misstatement and such confirmation is not undermined by Available Evidence (for purposes of this subsection, any statement in the illustration and/or contract (which are part of the Available Evidence) indicating solely that dividend for traditional Policies, investment returns for VAL Policies, or interest crediting rates for AL Policies, are "not guaranteed" or "non-guaranteed", without further explanation or description, shall not, by itself, be deemed to undermine the alleged Misstatement).

F. NON-SPECIFIC EVIDENTIARY CONSIDERATIONS

The following considerations (if not previously applied) shall be considered after a preliminary score has been assigned to the Claim Resolution Factors in Sections II.A., III.A., IV.A. and V.A. The Claim Evaluation Staff, the Claim Review Staff or the Appeals Committee, as the case may be, may raise or lower the score by one (except that a score of "3" as result of the presence of Company Documentation may not be lowered), unless expressly provided for otherwise herein, upon application of the considerations set forth in Section I.F.1. ("Positive Considerations") and the considerations set forth in Section I.F.2. ("Negative Considerations") determined to be applicable. The Positive Considerations and the Negative Considerations are to be reviewed in light of the totality of the facts and circumstances pertaining to the particular Claim. They are to provide additional guidance to the Claim Evaluation Staff, the Claim Review Staff or the Appeals Committee, as the case may be, particularly in instances where there is an absence of

Available Evidence of the alleged Misstatement, but where it appears that the Claimant was misled as to any one or more of the itemized Claim Resolution Factors herein.

1. CONSIDERATIONS WHICH MAY INCREASE SCORE (POSITIVE CONSIDERATIONS)

a. There was an unauthorized execution by the Agent of the Policyholder's or insured's signature on any Transaction Document (which in the case of a Section II Claim Resolution Factor, shall automatically increase the score to a 3).

b. The use of unauthorized or altered sales materials, including illustrations, occurred.

c. The Agent who sold the Policy to the Policyholder was terminated, was placed on probation, was otherwise internally disciplined orally or in writing on more than one occasion, or received a fine or other sanction from a regulatory body, because of allegedly improper life insurance sales practices while an Agent for the Company.

d. The Agent, if currently appointed or employed by the Company, failed to cooperate with the investigation of the Claim.

e. The sale, administration or service of the Policy violated rules promulgated under the Securities Act of 1933, as amended, the Rules of Fair Practice issued by the National Association of Securities Dealers, or state insurance statutes or regulations, in each case respecting product advertising or insurance sales practices.

f. Respecting a Policy having a face amount of $300,000 or more, the Policyholder had an independent advisor (an attorney, accountant or licensed insurance broker other than the Agent) providing assistance at the time of the sale of the Policy, and such independent advisor has provided a sworn statement corroborating the Misstatement.

g. It has been affirmatively demonstrated that, in connection with a particular Policy which is the subject of a Claim, any documents originally kept by the Company which would affect the evaluation of the Claim, have been improperly destroyed or removed and copies of such documents cannot be located. (This evidentiary consideration will not be applicable to Claims scored a "2" pursuant to Sections I.D. (Score 2, clause (ii)), I.E. and II.A.5.)

2. CONSIDERATIONS WHICH MAY DECREASE SCORE (NEGATIVE CONSIDERATIONS)

a. The Policyholder's actions were inconsistent with the presentation upon which the Policy was sold and adversely affected achievement of the results described in the sales presentation.

b. The Claimant failed to cooperate in the review of his, her or its Claim in the ADR Process, and such failure materially affected the review of the Claim.

c. Respecting a Policy having a face amount of $300,000 or more, the Policyholder had an independent advisor (an attorney, accountant or licensed insurance broker other than the Agent) providing assistance at the time of the sale of the Policy. This consideration shall not apply if the consideration set forth in I.F.1.f. applies.

G. CUMULATIVE, ALTERNATIVE AND DISCRETIONARY RELIEF

If a Claim contains multiple allegations of Misstatements respecting more than one Claim Resolution Factor or multiple allegations of improper sales practices in one or more Claim Categories, each allegation will be scored individually with respect to that particular Claim Resolution Factor, with the appropriate "determination of relief" being made for each allegation as prescribed in Sections II.C., III.C., IV.C. and V.B. The relief offered to the Claimant will be the aggregate of the reliefs prescribed for the highest individual score assigned for each of those Claim Resolution Factors evaluated. There will be no duplication of relief within a Claim Category. If the multiple allegations made in the Claim fall within more than one Claim Category, the Claimant will be offered the combination of the aggregated reliefs presented for each of the Claim Categories (as described above) to the extent that this combined relief is also not duplicative.

With respect to any of the relief described in the Claim-Specific Categories, future cash surrender values and death benefits will never be less than the amounts, if any, guaranteed by the Policy (less outstanding

loans). The actual amounts payable upon withdrawal, surrender, or death will depend: (i) for traditional whole-life policies, upon future experience based on dividends actually credited to the Policy, subject to applicable provisions of the Policy; and (ii) for VAL/AL policies, upon actual performance of the selected investment option(s) for VAL policies, or the actual interest credited for AL policies, and changes in the Policy's contract fund, subject to applicable provisions of the Policy.

If relief was previously obtained from the Company regarding the Claims submitted for review in the ADR Process, the Claimant shall obtain relief in the ADR Process as described herein, or that relief which is reasonably equivalent under the circumstances, but in no event will such relief offered by the Claim Evaluation Staff, the Claim Review Staff, or awarded on appeal pursuant to the Manual of Procedures be duplicative of the prior relief afforded.

With respect to the remedies herein providing for the rescission of a Policy, the refunded amount shall be the greater of (i) the amount to be refunded in accordance with the applicable provisions providing for such rescission, and (ii) the cash surrender value calculated in accordance with the provisions of the Policy (in which case the Policy shall be surrendered), both as determined on the same date; provided, however, with respect to the rescission remedies set forth in Section II hereof, the refunded amount shall be the greater of (x) the amount to be refunded in accordance with the applicable provisions providing for such rescission, and (y) the sum of the cash surrender value calculated in accordance with the provisions of the Policy (in which case the Policy shall be surrendered) and such applicable

amount specified to be paid in cash in Sections II.C.1.b.i., II.C.2.b.i., II.C.3.b.i., II.C.4.b.i., and II.C.5.b.i., respectively.

After a Claim has been scored and a determination has been made that a Claimant is entitled to a certain type of relief based on the Claim's score, the Claimant may choose a type of relief available to any lower score with respect to that particular category of Claim, if the Claimant so requests in writing.

H. DEFENDANTS' DEFENSES WAIVED

Solely for purposes of resolving Claims that are pursued within this ADR Process, Defendants will waive their rights with regard to raising the following defenses against a Claimant which would frequently be available to defeat such Claims in contested litigations: statute of limitations, laches, statute of frauds, effect of integration or merger clauses in the contract, lack of capacity, lack of authority, failure to state a claim upon which relief may be granted, and the Parol Evidence Rule.

I. DECEASED INSUREDS

1. POLICY LAPSE PRIOR TO INSURED'S DEATH

If the Policy has lapsed and the insured under the Policy died or dies prior to the expiration of the ADR Process election period (i.e., 75 days after the mailing of the Post-Settlement Notice), the Claim will be reviewed and scored in accordance with these ADR Guidelines.

The relief which shall be awarded if the score for the Claim is "2" or "3" shall be a refund of premiums subject to, and as provided in, the applicable rescission remedy for such respective score in Sections II, III, IV and V of these ADR Guidelines.

Additionally, in the case of a Claim alleging a Misstatement respecting loans taken or charged against the Existing Policy to finance the New Policy (i.e., a Financed Insurance Claim) which attains a score of "3", where the Policy has lapsed and the insured has died, the contested loan amounts will be considered as if restored to the Policy. If, as a result, the Policy would have then been in-force at the time of death, in accordance with the Policyholder's selected non-forfeiture or loan option in effect on the date the Policy lapsed (extended insurance, reduced paid-up or automatic premium loan), an amount will be paid equal to the death benefit which would have been provided, had the contested loans not been taken.

Further, in the case of a Claim alleging any Misstatement respecting Abbreviated Payment or "APP" which attains a score of "3," where the Policy has lapsed and the insured has died, and (i) the Policyholder had met the Original Payment Commitment, as defined in Section III.C.1.a., before the Policy lapsed, or (ii) the Policyholder had not met the

Original Payment Commitment, but the Policy lapsed as a result of the Policyholder being notified that additional premiums beyond the Original Payment Commitment would be required, as evidenced by (x) such lapse occurring after a writing by the Company or an Agent providing such notification, and within 13 months of the penultimate annual premium due date under the Original Payment Commitment, or (y) a confirmation in writing by the Policyholder to the Company or the Agent (made contemporaneous with such notification) that such lapse resulted from the notification, an amount will be paid equal to the death benefit which would have been provided if the remedies applicable for a Claim with a score of "3" under Sections III.C.1.a. and III.C.5.a. of these ADR Guidelines, respectively, had been implemented.

In the case of a Claim alleging any Misstatement respecting Abbreviated Payment or "APP" which obtains a score of "2," where the Policy has lapsed and the insured has died, and (i) the Policyholder had met the Original Payment Commitment, as defined in Section III.C.1.a., before the Policy lapsed, or (ii) the Policyholder had not met the Original Payment Commitment, but the Policy lapsed as a result of the Policyholder being notified that additional premiums beyond the Original Payment Commitment would be required, as evidenced by (x) such lapse occurring after a writing to the Policyholder by the Company or an Agent providing such notification, and within 13 months of the penultimate annual premium due date under the Original Payment Commitment, or (y) a confirmation in writing by the Policyholder to the Company or the Agent (made contemporaneous with such notification) that such lapse resulted from the notification, an amount equal to 50% of the death benefit which would have been provided if the remedies applicable for a Claim with a score of "3" under Sections III.C.1.b. and III.C.5.b.,respectively, had been implemented.

2. INSURED'S DEATH WHILE CLAIM IS PENDING

Where a Claim concerning an in-force Policy is submitted to the ADR Process and the insured subsequently dies while the Claim is pending, the Company will process any death claim received in accordance with current Company practices. In addition, the Company will complete the Claim evaluation required under these ADR Guidelines. Any relief provided would be offered only to the extent that such relief, including the amount of any death benefits payable from a Policy that has been modified, reinstated, or newly issued as part of a remedy, exceeds the amount of the death claim already paid. Relief afforded in the ADR Process shall not be

inconsistent with or duplicative of the payment of the death claim on the Existing Policy.

3. INSURED'S DEATH AND DEATH BENEFITS PAID

If the insured under the Policy has died and death benefits under the Policy have been paid to the beneficiary(ies) prior to the expiration of the ADR election period (i.e. 75 days after the mailing of the Post-Settlement Notice), the Claim will be reviewed and scored under the ADR Guidelines, provided, however, relief shall be provided solely in accordance with the following provisions:

a. if the Claim is scored under Section II hereof, applicable relief shall be that set forth only in the following Sections: II.C.1.a.(i); II.C.1.b.(i); II.C.2.a.(i); II.C.2.b.(i); II.C.3.a.(i); II.C.3.b.(i); II.C.4.a.(i); II.C.4.b.(i); II.C.5.a.(i); and II.C.5.b.(i); and

b. if the Claim is scored under Section III, the applicable relief shall be an amount constituting the refund of all amounts, with interest at the Interest Rate, representing premium payments made by the Policyholder on the Policy subsequent to the Represented Abbreviation Date, but only with respect to Claims that would otherwise (if not for this Section I.I.3.(b)) receive relief in accordance with the following subsections: III.C.1.a.; III.C.2.a.; III.C.5.a.; or III.C.6.a.

J. OTHER INSURANCE PRODUCTS

Subject to the review of Lead Counsel and the Regulatory Oversight Staff (as defined in the Manual of Procedures), the Company will treat Claims on other portfolio life insurance products of the Company in a substantially similar manner with regard to scoring and the offer of remedies as claims on comparable traditional whole-life or VAL/AL policies specifically provided for herein.

II. FINANCED INSURANCE

A. ASSESSMENT OF CLAIM/CLAIM RESOLUTION FACTORS

1. A Misstatement in respect of loans was made to the Policyholder as to whether, or to what extent, loans would be taken or charged against the Existing Policy to finance the New Policy.

2. A Misstatement in respect of dividends or Policy values was made to the Policyholder as to whether, or to what extent, dividends or Policy values derived from the Existing Policy would be used to finance the New Policy.

3. A Misstatement in respect of surrenders, partial surrenders or withdrawals was made to the Policyholder as to whether, or to what extent, surrenders, partial surrenders or withdrawals of or against the Existing Policy would be used to finance the New Policy.

4. A Misstatement in respect of the viability of the financing plan presented to the Policyholder (i.e. whether the financing plan could have worked as presented at the time of sale, assuming the dividend scale then in effect (with respect to traditional whole-life policies), the presented hypothetical investment return (with respect to VAL policies), or the presented interest crediting rate (with respect to AL policies)).

5. A violation of state replacement regulations, applicable to the Policy at the time of sale, occurred in connection with the financing of the New Policy. (Only written documentation contemporaneous with the sale shall establish a violation of applicable state replacement regulations respecting a plan (if provided for by such regulations) to pledge as collateral or subject to borrowing a specified percentage of the values of an Existing Policy to finance a New Policy.) Where the Available Evidence gathered by the Claim Evaluation Staff does not contain executed forms required to be completed and to be retained by the Company by the applicable state replacement regulations, the Company will be deemed to have violated the applicable regulation. In the event that this Claim-Resolution Factor exists, the Claimant shall be offered no less than the rescission remedy provided for a Claim attaining a score of "2" as set forth in Section II.C. without any deduction for Term Insurance Costs.

With respect to each of the foregoing items, the existence of a Claim Resolution Factor requires that policy transaction records reflect the applicable Claim Resolution Factor.

B. SPECIFIC EVIDENTIARY CONSIDERATIONS

1. For purposes of this Section II only, supporting evidence shall include, but not be limited to:

a. A Pattern of Financing Activity (as defined below) is found to be present;

b. the Agent stated on the application that the sale did not involve replacement, when (i) an Existing Policy was surrendered, or (ii) at least 25% of the accumulated cash value of the Existing Policy was used, in order to pay the New Policy's initial premium, or (iii) there is written documentation contemporaneous with the sale regarding a plan to pledge as collateral or subject to borrowing 25% of the cash value of an Existing Policy to pay one or more future premiums on the New Policy;

c. the Agent misstated the interest rate on a policy loan;

d. the Policyholder was advised by the Agent, after the issuance of the New Policy, to disregard or discard notices of the Company concerning loans, withdrawals/partial surrenders, premiums due or pending lapse with respect to the Existing Policy and/or with respect to both the Existing Policy and the New Policy;

e. the Policyholder's annual income at the time of sale was below $25,000; or

f. the use of blank, signed disbursement forms, absent evidence of the Policyholder's consent to any such use.

For purposes of this Section II.B.1., a "Pattern of Financing Activity" shall mean when it is determined, via a review of the Company's files by the Claim Evaluation Staff or the Claim Review Staff, that 12% or more of the policies sold by the Agent, during the Applicable Period (so long as

the Agent has sold ten or more policies during such Applicable Period) involved the use of an Existing Policy's cash value (exclusive of dividends), by means of a withdrawal or partial surrender or loan, to purchase or maintain a New Policy. "Applicable Period" shall mean a one-year period consisting of (i) the calendar quarter in which the sale of the New Policy occurs, (ii) the one immediately preceding calendar quarter, and (iii) the two immediately succeeding calendar quarters.

2. For purposes of this Section II only, undermining evidence shall include, but not be limited to:

a. The Policyholder had at the time of sale a financial need (based only upon written documentation of such need prepared at the time of sale) either (i) to replace lost income for the beneficiary(ies) in the event of the insured's death, or (ii) to leave the beneficiary(ies) with cash necessary to meet another obligation or to complete a cash accumulation goal or need that would not otherwise be fulfilled in the event of the insured's death; or

b. the Policyholder added a policy rider that increased the Policyholder's costs with respect to the Policy, and such increase materially impacted the level of financing required to maintain the Policy under the plan presented at the time of sale.

C. DETERMINATION OF RELIEF

1. If the Misstatement giving rise to the Claim was in respect of loans against the Existing Policy(ies) used to pay premiums on the New Policy and the Existing Policy is other than a VAL/AL, and,

a. the highest score for any Claim Resolution Factor in respect of loans in Section II is "3", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to the aggregate amount of the contested loan(s), including loan interest, on the Existing Policy(ies) used to pay premiums on the New Policy (the "Loan Amounts"); however, any existing loans will remain outstanding as an obligation on the Existing Policy(ies); or

(ii) the Claimant will retain the New Policy and the Company will repay, in whole, the Loan Amounts into the Existing Policy(ies); provided, however, if the Existing Policy(ies) has lapsed prior to the date of the award, (a) the Company will reinstate the Existing Policy(ies) in accordance with applicable reinstatement terms of such Existing Policy(ies) (except that all underwriting requirements will be waived) and will repay Loan Amounts thereon so long as the Claimant causes to be paid all reinstatement costs, or (b) in the event the Existing Policy(ies) cannot be so reinstated, or if it is deemed necessary and in the Claimant's best interests for tax purposes, the Company (waiving all underwriting requirements) will issue a Designated New Policy (within the Company's portfolio of individual permanent life insurance policies available on the date of the award), having a face amount, together with PUA insurance amounts purchased with Loan

Amounts repaid by the Company (the "Combined Amount"), equal to the original face amount(s) of the Existing Policy(ies), whereby the Combined Amount shall consist of the maximum possible PUA insurance amounts. The new policy's suicide and contestability provisions will be considered to commence as of the Existing Policy's issue date.

The Policyholder shall be obligated to pay all premiums due on the reinstated or new policy; or

(iii) the Company will rescind the New Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and plus interest at the Interest Rate.

b. the highest score for any Claim Resolution Factor in respect of loans in Section II is "2", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from

the Company an amount in cash equal to 50% of the Loan Amounts; however, any existing loans will remain outstanding as an obligation on the Existing Policy(ies); or

(ii) the Company will offer to rescind the New Policy as of the date of issue and refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

c. the highest score for any Claim Resolution Factor in respect of loans in Section II is "1", the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible again for the Basic Claim Relief for which the Claimant was originally eligible.

d. the highest score for any Claim Resolution Factor in respect of loans in Section II is "0", the Claimant shall not be awarded relief.

2. If the Misstatement giving rise to the Claim was in respect of dividend accumulations from the Existing Policy(ies) used to pay premiums on the New Policy, and the Existing Policy is other than a VAL/AL, and,

a. the highest score for any Claim Resolution Factor in respect of dividend accumulations in Section II is "3", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to the aggregate amount of contested dividend accumulations withdrawn from the Existing Policy(ies) used to pay premiums on the New Policy plus interest thereon at the rate applicable for dividend accumulations during the period commencing on the date such dividend accumulations were withdrawn and ending on the date of the award (the "Withdrawn Dividend Amounts"); however, the Withdrawn Dividend Amounts will not be restored to such Existing Policy(ies); or

(ii) the Claimant will retain the New Policy and the Company will restore, in whole, the Withdrawn Dividend Amounts to the Existing Policy(ies); or

(iii) the Company will rescind the New Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and plus interest at the Interest Rate.

b. the highest score for any Claim Resolution Factor in respect of dividend accumulations in Section II is "2", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to 50% of the Withdrawn Dividend Amounts; however, such amounts will not be restored to such Existing Policy(ies); or

(ii) the Company will offer to rescind the New Policy as of the date of issue and refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

c. the highest score for any Claim Resolution Factor in respect of dividend accumulations in Section II is "1", the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible

again for the Basic Claim Relief for which the Claimant was originally eligible.

d. the highest score for any Claim Resolution Factor in respect of dividend accumulations in Section II is "0", the Claimant shall not be awarded relief.

3. If the Misstatement giving rise to the Claim was in respect of PUAs taken

from the Existing Policy(ies) used to pay premiums on the New Policy and the Existing Policy is other than a VAL/AL, and,

a. the highest score for any Claim Resolution Factor in respect of PUAs in Section II is "3", the Claimant may, in his/her discretion, receive either of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to the aggregate surrender amount of the contested PUAs surrendered from the Existing Policy(ies) used to pay premiums on the New Policy, plus interest thereon at the rate applicable for dividend accumulations for the period commencing on the date such PUAs were surrendered and ending on the date of the award (the "PUA Surrender Amounts"); however, such PUA Surrender Amount will not be restored to the Existing Policy(ies);

(ii) the Claimant will retain the New Policy and the Company will restore, in whole, the PUA Surrender Amounts as dividend accumulations in the Existing Policy(ies); or

(iii) the Company will rescind the New Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and plus interest at the Interest Rate.

b. the highest score for any Claim Resolution Factor in respect of PUAs in Section II is "2", the Claimant may, in his/her discretion, receive either of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to 50% of the PUA Surrender Amounts; however, such amounts will not be restored to the Existing Policy(ies);

(ii) the Company will offer to rescind the New Policy and refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

c. the highest score for any Claim Resolution Factor in respect of PUAs in Section II is "1", the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible again for the Basic Claim Relief for which the Claimant was originally eligible.

d. the highest score for any Claim Resolution Factor in respect of PUA's in Section II is "0", the Claimant shall not be awarded relief.

4. If the Misstatement giving rise to the Claim was in respect of loans against the Existing Policy(ies) used to pay premiums on the New Policy and the Existing Policy is a VAL/AL (the "Existing VAL/AL Policy"), and,

a. the highest score for any Claim Resolution Factor in respect of loans in Section II is "3", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to the Loan Amounts on the Existing VAL/AL Policy(ies) used to pay premiums on the New Policy, however, any existing loans will remain outstanding as an obligation on the Existing VAL/AL Policy(ies); or

(ii) the Claimant will retain the New Policy and the Company will repay, in whole, the Loan Amounts into the Existing VAL/AL Policy(ies); provided, however, if the Existing VAL/AL Policy(ies) has lapsed prior to the date of the award, (a) the Company will reinstate the Existing VAL/AL Policy(ies) in accordance with applicable reinstatement terms of such Existing VAL/AL Policy(ies) (except that all underwriting requirements will be waived) and will repay Loan Amounts thereon so long as the Claimant causes to be paid all reinstatement costs, or (b) in the event the Existing VAL/AL Policy cannot be so reinstated, the Company (waiving all underwriting requirements) will offer to issue a Designated New Policy (within the Company's current portfolio of individual permanent life insurance policies available on the

date of the award). A newly issued VAL policy will have a face amount equal to the original face amount of the Existing VAL/AL Policy(ies). An amount equal to the Loan

Amounts will be applied to pay the initial scheduled premium for the newly issued VAL policy, and any remaining amounts will be applied as an unscheduled premium payment for the newly issued VAL policy. A newly issued traditional whole-life policy will have a Combined Amount equal to the original face amount of the Existing VAL/AL Policy(ies), whereby the Combined Amount shall consist of the maximum possible PUA insurance amounts purchased with Loan Amounts repaid by the Company. In each case, the new policy's suicide and contestability provisions will be considered to commence as of the Existing Policy's issue date.

The Policyholder shall be obligated to pay all premiums due on the reinstated or new policy; or

(iii) the Company will rescind the New Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and plus interest at the Interest Rate.

b. the highest score for any Claim Resolution Factor in respect of loans in Section II is "2", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to 50% of the Loan Amounts; however, any existing loans will remain outstanding as an obligation on the Existing Policy(ies); or

(ii) the Company will offer to rescind the New Policy as of the date of issue and refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

c. the highest score for any Claim Resolution Factor in respect of loans in Section II is "1", the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible again for the Basic Claim Relief for which the Claimant was originally eligible.

d. the highest score for any Claim Resolution Factor in respect of loans in Section II is "0", the Claimant shall not be awarded relief.

5. If the Misstatement giving rise to the Claim was in respect of cash surrender values from the Existing Policy(ies) used to pay premiums on the New Policy, and the Existing Policy is a VAL/AL, and

a. the highest score for any Claim Resolution Factor in respect of cash surrender values in Section II is "3", the Claimant may, in his/her discretion, receive any one of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to the aggregate amount of contested cash value withdrawn (including any withdrawal charges incurred) from the Existing VAL/AL Policy(ies) used to pay premiums on the New Policy at the Interest Rate from the date the cash value was withdrawn and ending on the date of the award (the "Withdrawn Amounts"), however, the Withdrawn Amounts will not be restored to the Existing VAL/AL Policy(ies); or

(ii) the Claimant will retain the New Policy and the Company will restore the Withdrawn Amounts to the Existing VAL/AL Policy(ies) as an unscheduled premium payment; or

(iii) the Company will rescind the New Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and plus interest at the Interest Rate.

b. the highest score for any Claim Resolution Factor in respect of cash surrender values in Section II is "2", the Claimant may, in his/her discretion, receive either of the following:

(i) The Claimant will retain the New Policy and will receive from the Company an amount in cash equal to 50% of the Withdrawn Amounts; however, such amounts will not be restored to such Existing Policy(ies); or

(ii) the Company will offer to rescind the New Policy as of the date of issue and refund in cash an amount equal to the premiums paid on the New Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the New Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

c. the highest score for any Claim Resolution Factor in respect of cash surrender values in Section II is "1", the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible again for the Basic Claim Relief for which the Claimant was originally eligible.

d. the highest score for any Claim Resolution Factor in respect of cash surrender values in Section II is "0", the Claimant shall not be awarded relief.

III. ABBREVIATED PAYMENT ("APP")

A. ASSESSMENT OF CLAIM/CLAIM RESOLUTION FACTORS

1. A Misstatement in respect of an Abbreviated Payment ("APP") was made to the Policyholder as to whether, or to what extent, dividends were guaranteed or would not be decreased.

2. A Misstatement in respect of premiums or other amounts due was made to the Policyholder as to whether, or to what extent, the amount, application, timing or frequency of premiums or other amounts to be paid on a Policy, either in the aggregate or on a per payment basis, were adequate to maintain the Policy in force.

3. A Misstatement in respect of the viability of the APP sales presentation was made to the Policyholder (i.e. whether the APP could have worked as presented, assuming the dividend scale then in effect at the time of sale (with respect to traditional whole-life policies), the presented hypothetical investment return (with respect to VAL policies), or the presented interest crediting rate (with respect to AL policies)).

B. SPECIFIC EVIDENTIARY CONSIDERATIONS

1. For purposes of this Section III only, supporting evidence shall include, but not be limited to:

a. There was a clear relationship between a life event (e.g., retirement or specific financial need) and the Abbreviation Point as originally presented at the time of sale (the "Represented Abbreviation Date");

b. the Policyholder was advised, after issuance of the Policy, to disregard or discard notices of the Company concerning loans, withdrawals/partial surrenders, premiums due or pending lapse with respect to a Policy;

c. the Policyholder was not informed that the Policy was issued at a rating class other than as illustrated or quoted, and this affected the Represented Abbreviation Date;

d. the Policyholder made a significant financial decision and acted upon that decision in reliance upon an anticipated year the Policyholder expected out-of-pocket premiums to cease;

e. the Policyholder purchased a Survivorship Special Rider and did not receive an alternative dividend scale illustration;

f. the Policyholder received Company-approved illustrations or sales materials which were altered to delete disclosure

explaining, or did not state clearly, that dividends are not guaranteed and/or the operation of APP; or

g. in connection with the marketing, sale or illustration of the Policy to the Claimant, which is the subject of the Claim, the Company used in writing the phrases "vanishing premium" or "vanishing point."

h. in the event a claim attains a score of "3" and the following circumstances are present, the Claimant may receive the relief set forth in Section III.C.1.c in lieu of that contained in Section III.C.1.a. with respect to a Policy other than VAL/AL, or the relief set forth in Section III.C.5.c. in lieu of that contained in Section III.C.5.a. for a VAL/AL Policy:

(i) Company Documentation on or before the delivery of the Policy states that the policyholder would be issued a policy that (x) would be "paid-up" or fully "paid-up" without further out-of-pocket premium payments required of the Policyholder, either immediately upon issue or after a specified number of years or payments, to maintain the policy in force to maturity; and (y) would not require the application of policy cash values (existing and future dividend credits for traditional policies, or contract fund values for VAL/AL Policies) to pay future premiums; and

(ii) there was no Company Documentation (other than the Policy itself) on or before delivery of the Policy stating that dividends or contract values for Policies other than VAL/AL, and investment returns or contract values for VAL Policies, or interest crediting rates or contract values for AL Policies, as such are applicable, are not guaranteed (determined without regard to the provision in Section III.B.2.c.).

2. For purposes of this Section III only, undermining evidence shall include, but not be limited to:

a. The Policyholder took Policy loans in excess of the guaranteed cash value of the Policy, or engaged in withdrawal/partial surrender activity other than to pay premiums after either the Original Payment Commitment or to pay premiums before the Original Payment Commitment as a result of being notified that premiums beyond the Original Payment Commitment would be required, as evidenced by a writing to that effect by the Company or an Agent or a confirmation in writing by the Policyholder to the Company or the Agent to that effect made contemporaneous with such notification;

b. the Policyholder changed his/her dividend option to other than PUA or dividend accumulations;

c. the Policyholder received Company-approved illustrations or sales materials which contained disclosure stating clearly that dividends (for traditional Policies), investment returns (for VAL Policies), or interest crediting rates (for AL Policies), as the case may be, are not guaranteed and may change over time and/or describing the operation of APP, so long as the statements in those materials were not solely limited to expressions that dividends were "not guaranteed" or "non-guaranteed";

d. the Policyholder signed an APP Election/Authorization form in conjunction with or prior to the alleged Misstatement;

e. the Policyholder changed the Policy in a way that materially increased premiums; or

f. the Policy lapsed prior to the Represented Abbreviation Date, unless the Policy lapsed as a result of the Policyholder being notified that additional premiums beyond the Original Payment Commitment would be required, as evidenced by (x) such lapse occurring after a writing to the Policyholder by the Company or an Agent providing such notification, and within 13 months of the penultimate annual premium due date under the Original Payment Commitment, or (y) a confirmation in writing by the Policyholder to the Company or the Agent made contemporaneous with such notification.

C. DETERMINATION OF RELIEF

1. If the highest score for any Claim Resolution Factor in Section III is "3" and the Policy is other than a VAL/AL, the Claimant may, in his/her discretion, receive either of the following:

a. The Claimant shall cause to be made payments remaining under the original payment commitment at the time of sale (the "Original Payment Commitment"), if any, until the Represented Abbreviation Date. In the event premium payments have been made subsequent to the Represented Abbreviation Date, the Company will refund all such amounts to the Claimant, with interest at the Interest Rate. Thereafter, the Policy's dividend values and PUAs will be used first to pay all future premiums. In any year when such dividends and PUAs are insufficient to pay the premium, the Company will adjust the price of the Policy accordingly. If (x) any withdrawals of dividend values or loans in excess of guaranteed cash value (or any loans on direct recognition policies) are taken against the

Policy or (y) the dividend option is not purchase of PUAs, or (z) there is a failure to make any required payments under the Original Payment Commitment, then the Company's obligation to adjust the price of the Policy shall cease, the Policy shall revert to normal operation, and the Policyholder will be responsible for any and all amounts necessary to keep the Policy in force.

If the Policy has lapsed prior to the date of the award, the Company will reinstate the Policy and bear as a price adjustment all reinstatement costs pursuant to the reinstatement terms of such Policy (but not including payments remaining under the Original Payment Commitment) (except that all underwriting requirements will be waived) and the Company will then provide the relief as set forth above. In the event (i) the Policy cannot be so reinstated, or (ii) it is deemed necessary and in the Claimant's best interest for tax purposes (whether or not the Policy is in force), the Company (waiving all underwriting requirements) will issue a Designated New Policy, within the Company's portfolio of individual permanent life insurance policies available on the date of the award for the same amount of initial death benefit. The new policy's suicide and contestability provisions will be considered to commence as of the Existing Policy's issue date. The Company will then provide the relief as set forth above; or

b. the Company will rescind the Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the Policy, less cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the Policy, and plus interest at the Interest Rate.

c. If Section III.B.1.h applies, the relief in Section III.C.1.a will be made available; provided, however, that after the Represented Abbreviation Date, the Policy's dividend values and PUAs will be accrued to the Policy as dividend credits without application to premiums, all without giving effect to clauses III.C.1.a.(x) and III.C.1.a.(y).

2. If the highest score for any Claim Resolution Factor in Section III is "2" and the Policy is other than a VAL/AL, the Claimant may, in his/her discretion, receive either of the following:

a. The Claimant shall cause to be made payments remaining under the Original Payment Commitment at the time of sale, if any, until the Represented Abbreviation Date. In the event premium payments have been made subsequent to the Represented Abbreviation Date, the Company will refund all such amounts to the Claimant, with interest at the Interest Rate. Thereafter, the Policy's dividend values and PUAs will be used to pay all

future premiums that are necessary to maintain the Policy in force. Assuming the continuance of the current dividend scale in effect at the time of the award, the Company will adjust the price of the Policy each year until the New Abbreviation Point (as defined below) to the extent the Policy's dividends and PUAs would otherwise be insufficient to pay premiums as they become due; provided, however, the Policyholder will be responsible until, on and after the New Abbreviation Point for paying any premium, or portion thereof, which is required to keep the Policy in force as a result of reduction(s) in the Company's actual dividend scale from the Company's dividend scale in effect on the date of the award. "New Abbreviation Point" shall mean the Abbreviation Point based upon the current dividend scale of the Company in effect on the date of the award. If any withdrawals of dividend values or loans in excess of guaranteed cash value (or any loans on direct recognition policies) are taken against the Policy or if the dividend option is not purchase of

PUAs, or there is failure to make any required payments under the Original Payment Commitment, then the Company's obligation to adjust the price of the Policy shall cease, the Policy shall revert to normal operation, and the Policyholder will be responsible for any and all amounts necessary to keep the Policy in force.

To qualify for the relief set forth in this Section III.C.2.a., the Claimant must sign a collateral assignment, in the form of collateral assignment used by the Company on the date of the award, providing, among other things, for the assignment of the right to the Policy's cash value, the right to make Policy loans, the right to change the Policy's dividend option, and the right to receive specified death benefits. The collateral assignment shall further provide that: (i) if a surrender or a loan or a withdrawal is taken from the Policy, the Company will receive the cash value up to the amount of price adjustment of the Policy the Company has provided in accordance herewith prior to the payment to the Claimant of the surrender, loan or withdrawal amounts, and (ii) when the insured dies, the Company will receive, up to the amount of price adjustment on the Policy it has provided in accordance herewith, any value in the Policy above and beyond the face amount after first subtracting any Policy debt.

If the Policy has lapsed prior to the date of the award, the Company will reinstate the Policy and bear as a price adjustment all reinstatement costs pursuant to the reinstatement terms of such Policy (but not including payments remaining under the Original Payment Commitment) (except that all underwriting requirements will be waived) and the Company will then provide the relief as set forth above. In the event (i) the Policy cannot be so reinstated, or (ii) it is deemed necessary and in the Claimant's best interest for tax purposes (whether or not the Policy is in force), the Company

(waiving all underwriting requirements) will issue a Designated New Policy, within the Company's portfolio of individual permanent life insurance policies available on the date of the award for the same amount of initial death benefit. The new policy's suicide and contestability provisions will be considered to commence as of the Existing Policy's issue date. The Company will then provide the relief as set forth above; or

b. the Company will rescind the Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the Policy, less cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

3. If the highest score for any Claim Resolution Factor in Section III is "1" and the Policy is other than a VAL/AL, the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible for the Basic Claim Relief for which the Claimant was originally eligible.

4. If the highest score for any Claim Resolution Factor in Section III is "0" and the Policy is other than a VAL/AL, the Claimant shall not be awarded relief.

5. If the highest score for any Claim Resolution Factor in Section III is "3" and the Policy is a VAL/AL, the Claimant may, in his/her discretion, receive either of the following:

a. The Claimant shall cause to be made payments remaining under the Original Payment Commitment, if any, until the Represented Abbreviation Date. In the event premium payments have been made subsequent to the Represented Abbreviation Date, the Company will refund all such amounts to the Claimant, with interest at the Interest Rate. Thereafter, the Company shall adjust the price of the Policy in such amounts to the extent necessary to keep the Policy in force. If (x) any withdrawals or loans on the Policy are made, or (y) there is a failure to make any required payment under the Original Payment Commitment, the Company's obligation under this section shall cease, the Policy will revert to normal operation and the Policyholder will be responsible for any and all amounts necessary to keep the Policy in force.

If the Policy has lapsed prior to the date of the award, the Company will reinstate the Policy and bear as a price adjustment all reinstatement costs pursuant to the reinstatement terms of such Policy (but not including payments remaining under the Original Payment Commitment) (except that all underwriting requirements will be waived) and the Company will then

provide the relief as set forth above. In the event the Policy cannot be so reinstated, the Company (waiving all underwriting requirements) will issue a Designated New Policy, within the Company's portfolio of individual permanent life insurance policies available on the date of the award for the same amount of initial death benefit. The new policy's suicide and contestability provisions will be considered to commence as of the Existing Policy's issue date. The Company will then provide the relief as set forth above; or

b. the Company will rescind the Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the Policy, less cash withdrawals, surrenders and/or loans on the Policy, and plus interest at the Interest Rate.

c. If Section III.B.1.h applies, the relief in Section III.C.5.a will be made available; provided, however, that after the Represented Abbreviation Date, the Company will further adjust the price of the Policy annually in the amount of the first scheduled premium, and the condition in clause III.C.5.a.(x) shall apply only with respect to the withdrawal or loan of amounts resulting from any adjustments made by the Company.

6. If the highest score for any Claim Resolution Factor in Section III is "2" and the Policy is a VAL/AL. the Claimant may, in his/her discretion, receive either of the following:

a. The Claimant shall cause to be made payments remaining under the Original Payment Commitment, if any, until the Represented Abbreviation Date. In the event premium payments have been made subsequent to the Represented Abbreviation Date, the Company will refund all such amounts to the Claimant, with interest at the Interest Rate. Thereafter, the Company shall adjust the price of the Policy in such amounts to the extent necessary to keep the Policy in force. If any withdrawals or loans on the Policy are made, or, if there is a failure to make any required payment under the Original Payment Commitment, the Company's obligation under this section shall cease, the Policy will revert to normal operation and the Policyholder will be responsible for any and all amounts necessary to keep the Policy in force.

To qualify for the relief set forth in this Section III.C.6.a., the Claimant must sign a collateral assignment, in the form of collateral assignment used by the Company on the date of the award, providing, among other things, for the assignment of the right to the Policy's cash value, the right to make Policy loans, and the right to receive specified death benefits. The

collateral assignment shall further provide that: (i) if a surrender or a loan or a withdrawal is taken from the Policy, the Company will receive the cash value up to the amount of price adjustment of the Policy the Company has provided in accordance herewith prior to the payment to the Claimant of the surrender, loan or withdrawal amounts, and (ii) when the insured dies, the Company will receive, up to the amount of price adjustment of the Policy it has provided in accordance herewith, any value in the Policy above and beyond the face amount after first subtracting any Policy debt.

If the Policy has lapsed prior to the date of the award, the Company will reinstate the Policy and bear as a price adjustment all reinstatement costs pursuant to the reinstatement terms of such Policy (but not including payments remaining under the Original Payment Commitment) (except that all underwriting requirements will be waived) and the Company will then provide the relief as set forth above. In the event the Policy cannot be so reinstated, the Company (waiving all underwriting requirements) will issue a Designated New Policy, within the Company's portfolio of individual permanent life insurance policies available on the date of the award for the same amount of initial death benefit. The new policy's suicide and contestabitity provisions will be considered to commence as of the Existing Policy's issue date. The Company will then provide the relief as set forth above; or

b. the Company will rescind the Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the Policy, less cash withdrawals, surrenders and/or loans on the Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate.

7. If the highest score for any Claim Resolution Factor in Section III is "1" and the Policy is a VAL/AL, the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible for the Basic Claim Relief for which the Claimant was originally eligible.

8. If the highest score for any Claim Resolution Factor in Section III is "0" and the Policy is a VAL/AL, the Claimant shall not be awarded relief.

IV. LIFE INSURANCE SOLD AS AN INVESTMENT, SAVINGS OR RETIREMENT VEHICLE

A. ASSESSMENT OF CLAIM/CLAIM RESOLUTION FACTORS

1. A Misstatement was made to the Policyholder as to whether, or to what extent, (i) the sale did or did not primarily involve life insurance, or (ii) that an investment, savings account, mortgage protection, college/tuition funding, retirement plan, or other investment, savings or thrift vehicle was sold in such a manner that the Policyholder had no reasonable basis to understand that the underlying funding vehicle was a life insurance policy.

B. SPECIFIC EVIDENTIARY CONSIDERATIONS

1. For purposes of this Section IV only, supporting evidence shall include, but not be limited to:

   a. The Policyholder did not have at the time of sale a financial need (based only upon written documentation of such need prepared at the time of sale) either (i) to replace lost income for the beneficiary(ies) in the event of the insured's death, or (ii) to leave the beneficiary(ies) with cash necessary to meet another obligation or to complete a cash accumulation goal or need that would not otherwise be fulfilled in the event of the insured's death;

   b. premiums and other payments to fund the Policy were predominantly referred to as "deposits" or "contributions";

   c. the cash value of the Policy was predominantly referred to as "account" value;

   d. loans, surrenders, or withdrawals were referred to as "investment," "savings," "capital," "retirement," "pension," or other non-insurance funds; or

   e. the Policyholder did not receive the Policy.

2. For purposes of this Section IV only, undermining evidence shall include, but not be limited to:

   a. The Policyholder had at the time of sale a financial need (based only upon written documentation of such need prepared at the time of sale) either (i) to replace lost income for the beneficiary(ies) in the event of the insured's death, or (ii) to leave the beneficiary(ies) with cash necessary to meet

   another obligation or to complete a cash accumulation goal or need that would not otherwise be fulfilled in the event of the insured's death;

   b. the Policyholder received illustrations, sales materials, or a current prospectus filed with the Securities and Exchange Commission clearly setting forth that the product sold was life insurance; or

   c. the Policyholder, as the insured, underwent blood tests or medical examination.

C. DETERMINATION OF RELIEF

1. If the highest score for any Claim Resolution Factor in Section IV is "3", the Claimant may, in his/her discretion, receive from the Company either of the following:

   a. a rescission of the Policy as of the date of issue and a refund in cash in an amount equal to the premiums paid on the Policy, less any Cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the Policy, and plus interest at the Interest Rate; or

b. an exchange of the Policy for a flexible premium deferred annuity designated by the Company and set forth on Schedule A hereto (the "Flexible Premium Deferred Annuity"), with standard surrender charges (the applicable period for surrender charges shall be considered to commence as of the Policy's issue date), purchased with the applicable funds described in clause C.1.a. above.

2. If the highest score for any Claim Resolution Factor in Section IV is "2", the Claimant may, in his/her discretion, receive from the Company either of the following:

a. a rescission of the Policy as of the date of issue and a refund in cash in an amount equal to the premiums paid on the Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate. No Term Insurance Costs will be deducted in the event the Claim attains a score of "2" as a result of the Agent having a Complaint History; or

b. an exchange of the Policy for a Flexible Premium Deferred Annuity, with standard surrender charges (the applicable period for surrender charges shall be considered to commence as of the Policy's issue date), purchased with

the applicable funds described in clause C.2.a. above and without interest being paid thereon.

3. If the highest score for any Claim Resolution Factor in Section IV is "1", the Appeals Committee, the Claim Evaluation Staff or the Claim Review Staff shall make the Claimant eligible again for the Basic Claim Relief for which the Claimant was originally eligible.

4. If the highest score for any Claim Resolution Factor in Section IV is "0", the Claimant shall not be awarded relief.

V. OTHER CLAIMS

A. ASSESSMENT OF CLAIM/CLAIM RESOLUTION FACTORS

1. A Misstatement in respect of information which forms the basis of any Claim and not particularly provided for in Sections II through IV hereof, was made to the Policyholder.

2. The sale, administration or service of the Policy violated applicable state insurance statutes or regulations respecting product advertising or retail sales practices; provided however, that this Claim Resolution Factor may not be assigned a score of greater than "1" in the absence of a related fraud or deceit.

3. The Policyholder was the victim of forgery or theft or other form of misappropriation of funds, cash values or Policy benefits.

B. DETERMINATION OF RELIEF

1. If the highest score for any Claim Resolution Factor in Section V is "3", the Claimant shall be awarded remedial relief chosen from the forms of relief described in paragraph 2 below, except that interest at the Interest Rate on funds paid into the Policy, less any cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums, shall also be awarded, and no Term Insurance Costs will be deducted.

2. If the highest score for any Claim Resolution Factor in Section V is "2", the Claimant shall be awarded the following remedial relief as chosen by the Company:

a. a rescission of the Policy as of the date of issue and a refund in cash in an amount equal to the premiums paid on the Policy, less cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the Policy, and less Term Insurance Costs, plus 50% of the interest at the Interest Rate; or

b. the issuance (with regular underwriting) of a substitute product within the Company's portfolio of products available on the date of the award, purchased with the applicable funds described in clause B.2.a. above. If the substitute product is

a life insurance policy, such policy's suicide and contestability provisions will be considered to commence as of the Policy's issue date with respect to insurance provided by the substitute product in an amount not exceeding the face amount of the Policy. If the substitute product is an annuity, the applicable period for surrender charges shall be considered to commence as of the Policy's issue date.

3. If the highest score for any Claim Resolution Factor in Section V is "1", the Claimant shall be awarded remedial relief which appropriately responds to the nature of the asserted Claim. Such relief shall not be at a cost in excess of the cost to the Company of Basic Claim Relief.

4. If the highest score for any Claim Resolution Factor in Section V is "0", the Claimant shall not be awarded relief.

VI. ALLOCATION OF ADDITIONAL REMEDIATION AMOUNT

A. The additional amounts for distribution made available through the Settlement pursuant to the Stipulation ("Additional Remediation Amount") will be distributed subsequent to all Claimants' final notification to the Company of their acceptance and selection of relief, which shall be after any and all Hearings or Rehearings pursuant to APCOM Review (the "ADR Process Completion"). After the ADR Process Completion, the Court shall determine, at a hearing upon notice, the method and allocation of the distribution of the Additional Remediation Amount among Claimants receiving relief in the ADR Process. The Regulatory Oversight Staff shall have the opportunity to make a presentation through its representative at such hearing. Such hearing will be subject to published notice as shall be approved by the Court. In making such determination, the Court in its sole discretion shall distribute the Additional Remediation Amount among the Claimants attaining scores of "3" and "2", with appropriate weighting concerning Claims receiving such scores, unless, after consideration of the following factors, the Court determines that a different distribution is warranted to achieve equity among all remediated Claimants:

(i) the aggregate number of Claims submitted to the ADR Process;

(ii) the distribution of Claims among Claim Categories;

(iii) the aggregate number of Claims receiving relief under the ADR Process;

(ix) the distribution of Claims among all the scores set forth in Section I.D. hereof; and

(v) within each Claim Category, the average cost per Claim receiving relief, for each of the scores set forth in Section I.D. hereof.

SCHEDULE A

DESIGNATED NEW POLICIES

A. The Designated Policy if a Policyholder's Policy was a Traditional Whole-Life Policy will be the following:

FACE AMOUNT	ISSUE AGE (0-75)	ISSUE AGE (76-85)
Below $25,000	Life at 85	Life at 90
$25,000 and above	Life at 85	Estate 25 Whole Life

B. The Designated Policy if a Policyholder's Policy was a VAL/AL Policy will be the Policyholder's choice of the applicable Policy listed in Section A. above, or the following:

FACE AMOUNT	ALL ISSUE AGES
All Amounts	VAL(1)

DESIGNATED ANNUITY

- ----------

(1) In the event the Policyholder's Policy was an AL Policy, and the Company is unable as a result of differences in Policy type between AL and VAL to issue a VAL as the Designated Policy under applicable federal or state suitability requirements, the Designated Policy shall be an AL.

EXHIBIT 1

STATE INSURANCE DEPARTMENTS

Alabama
Alaska
Arizona
Arkansas
Colorado
Connecticut
Delaware
District of Columbia
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Maine
Maryland
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Utah
Vermont
West Virginia
Wisconsin
Wyoming

EXHIBIT C

MANUAL OF PROCEDURES FOR
RESOLVING CLAIMS UNDER PRUDENTIAL
ALTERNATIVE DISPUTE RESOLUTION GUIDELINES

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MANUAL OF PROCEDURES FOR RESOLVING CLAIMS UNDER PRUDENTIAL ALTERNATIVE DISPUTE RESOLUTION GUIDELINES

I. INTRODUCTION

A. GENERAL. The procedures set forth in this Manual of Procedures for Resolving Claims under the Prudential Alternative Dispute Resolution Guidelines (as amended or modified from time to time, this "Manual") generally will provide guidance for the prompt and fair processing and resolution of all Claims submitted by eligible Policyholders pursuant to the Stipulation of Settlement to be entered into between Plaintiffs and the Defendants (the "Stipulation") and pursuant to consent orders and agreements, and all amendments thereto, issued by the State Insurance Departments identified in Exhibit 1 to the ADR Guidelines ("Consent Orders"). Claims pursued through the ADR Process will be administered in accordance with the provisions set forth in this Manual.

B. OVERVIEW OF PROCESS. The procedures described in this Manual provide a comprehensive plan for the efficient and effective processing, administration and resolution of Claims. Section II describes the process for the preparation and submission of Claims by Claimants, with the assistance of independent claim advisors, and the processing, administering, evaluating, scoring and remedying of Claims by the Company's Claim Evaluation Staff. Sections II and III specifically provide for the establishment of (A) the Independent Claim Evaluation Team, which will re-evaluate all Claims initially receiving less than the highest score from the Claim Evaluation Staff and (B) the Claim Review Staff, which will perform an oversight function by (i) handling communications from Claimants, including inquiries concerning the ADR Process generally and awards received, via the establishment of a toll-free telephone hot-line (subject to monitoring from time to time by Lead Counsel and the Regulatory Oversight Staff of the training and telephone calls of those persons responding to Claimants' inquiries), (ii) randomly selecting for

additional review and re-evaluation a percentage of Claims previously evaluated and scored by the Claim Evaluation Staff, prior to any Claimant notification of the decision with respect to those randomly selected Claims, (iii) processing Claimant requests for review by an appeals committee, (iv) administering award determinations, and (v) collating and synthesizing the data derived from the Claims re-evaluated, and recommending to the Steering Committee modifications and enhancements in the procedures set forth in this Manual. To ensure the integrity of the ADR Process, Section IV provides for (a) the appointment by Lead Counsel of the Claimant Representative, and the designation of the Regulatory Oversight Staff by the Department, both of which are to be responsible for monitoring and oversight of the ADR Process, (b) the appointment of a Company multi-disciplinary Steering Committee to aid in implementing improvements in the procedures set forth herein based on the recommendations of the Claim Review Staff, Lead Counsel and the Regulatory Oversight Staff, and to communicate with each of the Claim Evaluation Staff, the Claim Review Staff, the Independent Claim Evaluation Team, the Department, the Regulatory Oversight Staff, Lead Counsel and the Claimant Representative, and (c) the retention of independent auditors to

assess the consistent application of the ADR Guidelines (as defined below). Section V provides for an appeals process in establishing an appeals committee to resolve Claimants' objections to the determinations of their Claims by the Claim Evaluation Staff and/or the Claim Review Staff.

C. PROMULGATION. In order to comply with the terms of the Stipulation, the Consent Orders and the ADR Guidelines, the Company shall resolve all Claims submitted in the ADR Process in conformance with the provisions set forth in this Manual. The Company, Lead Counsel or the Department may propose modifications or revisions of the procedures set forth in this Manual in order to continue to effectuate the common objectives of the Department. Lead Counsel and the Company as circumstances arise and situations change through the normal course of the Company's business; provided, however, that (i) all such modifications or revisions of these procedures shall continue to be consistent with the terms of the Stipulation, the Consent Orders and the objectives and policies put forth by this Manual on this date, and (ii) the Claimant's relief is not diminished by such modification or revision. Any such proposed modifications or revisions proposed by one party shall be forwarded to the other parties for their approval. Additionally, the Company is authorized to adopt all necessary and/or additional internal Company operating policies, processes or documents not in violation of the terms or provisions of either of the Stipulation, the Consent Orders or the ADR Guidelines, in order to carry out the objectives described by the Stipulation, the Consent Orders, the ADR Guidelines and this Manual.

D. DEFINITIONS. Capitalized terms used in this Manual and not otherwise defined herein shall have the same meanings ascribed thereto in the Prudential Alternative Dispute Resolution Guidelines (the "ADR Guidelines").

For purposes of this Manual, the following terms shall have the following respective meanings:

1. "Agent Statement" shall mean the written statement of the Agent(s) who sold and/or serviced the Policy, validly executed and made with a Declaration.

2. "Claim Evaluation Staff" shall mean the qualified professional and administrative staffs established by the Company, wholly independent from the Company's marketing or sales functions, composed solely to perform the evaluation of Claims, and to score and determine the level of relief of all Claims. The administrative staff shall consist of persons adequately trained or experienced to perform the functions required herein and to assist the professional staff. The professional staff shall consist of persons from the Company's Policyowner Relations, Compliance, Individual Insurance and/or Law Departments, none of whom shall have acted as a licensed agent for the Company or shall have directly supported, or acted in the field supervision of the Company's licensed agents.

3. "Claim Review Staff" shall mean the qualified professional and administrative staffs established by the Company, wholly independent from the Company's marketing or sales functions, composed to perform the functions more specifically described in Sections II and III hereof. The administrative staff shall consist of persons adequately trained or experienced to perform the functions required herein and to assist the professional staff. The professional staff shall consist of certain of the Company's senior complaint handlers from the Policyowner Relations Department, attorneys from the Company's Law Department and/or experienced members of the Company's Compliance Department, none of whom shall have acted as a licensed agent for the Company or shall have directly supported, or acted in the field supervision of the Company's licensed agents.

4. "Claimant Group" shall mean all Policyholders, taken as a whole.

5. "Claimant Group Administrator" shall mean any third party, agent or administrator, including Boston Financial Data Services, Inc., which may be retained by the Company and must be approved by Lead Counsel and the Regulatory Oversight Staff, to help implement the ADR Process and Basic Claim Relief.

6. "Claimant Representative" shall mean that person, and his or her two assistants, selected by Lead Counsel to act as a monitor on behalf of the Claimants as described herein.

7. "Claimant Support Team" shall mean that wholly independent entity designated and retained by the Company, and approved by Lead Counsel and the Regulatory Oversight Staff, to provide administrative assistance to Claimants in the preparation of their respective Claims, including providing aid in completing Claim Forms and responding to inquiries respecting the ADR Process during the time prior to the submission of the Claim Form. Lead Counsel and the Regulatory Oversight Staff shall monitor from time to time the Claimant Support Team's training and telephone calls.

8. "Declaration" shall mean a written declaration, subject to the penalties of perjury, in accordance with 28 U.S.C. Section 1746, using the language in Section 1746(1) thereof.

9. "Defendants' Counsel" shall mean the law firm of Sonnenschein Nath & Rosenthal.

10. "Regulatory Oversight Staff" shall mean those persons, appointed or designated by the Department assembled to provide oversight of these programs.

E. GRACE PERIOD. With respect to any submissions by a Policyholder which are required to be provided within an express period of time hereunder, the Company will

automatically grant a 1O-day "grace period" from the expiration of the applicable period of time in order to accept an otherwise untimely submission as timely.

II. CLAIM PROCESSING AND REVIEW

A. POST-SETTLEMENT NOTICE. Within 30 days of the date of the entry of the Final Order and Judgment, the Company, through the Claimant Group Administrator, will distribute to all Policyholders the Post-Settlement Notice which will (i) inform Policyholders about the Settlement in the Action, and that the Consent Orders have been signed and are effective, and (ii) advise Policyholders of the existence of a toll-free telephone hot-line for any inquiries concerning the Post-Settlement Notice, the Election Form and their Claims. Enclosed with the Post-Settlement Notice will be one or more Election Forms (one for each Policy owned by the Policyholder) to be completed by the Policyholder. The Election Form enables a Policyholder to choose to either submit his, her, or its Claim for evaluation in the ADR Process or to receive Basic Claim Relief.

B. ELECTION FORM RECEIPT. All Election Forms which allow a Claimant to select either Basic Claim Relief or participation in the ADR Process will be addressed to and received by the Claimant Group Administrator. Within 75 days of receiving an Election Form from a Policyholder, the Claimant Group Administrator will transmit either (i) an acknowledgement of receipt of the Election Form and information regarding the implementation of Basic Claim Relief, or (ii) a Claim Form and covering letter to the Claimant if the ADR Process is selected. A copy of the Election Form will also be forwarded to the Claim Evaluation Staff.

C. ELECTION FORM PROCESSING. The Claim Evaluation Staff will receive and record all Election Forms received from the Claimant Group Administrator and will assign a separate Claim number to each Claim.

D. CLAIMANT SUPPORT TEAM. The Claimant Support Team will provide administrative assistance to Claimants in making their election on the Election Form and in the preparation of their respective Claims. The Claimant Support Team will perform the following functions:

1. Respond to any Claimant inquiries, via a toll-free telephone hot-line, respecting their election on the Election Form, their preparation of the Claim Form, the ADR Process and the review by the APCOM;

2. Assist Claimants in the completing of the Claim Form; and

3. Advise Claimants with respect to the collection of documents for submission to the Claim Evaluation Staff for inclusion in the File.

The Claimant Support Team will not participate in the evaluation of any Claims.

E. CLAIM FORM RECEIPT. The Claim Evaluation Staff will receive and record all Claim Forms received by the Company from Claimants, and, to the extent the Claim has not previously been assigned a Claim number, will assign a separate Claim number to each such Claim. The Claim Evaluation Staff will also fill out the Claim Summary Form by recording the information, as received, on a computerized storage and retrieval system that is designed to permit efficient recovery of the information, in written form, by appropriate topic.

F. CLAIM FILE ASSEMBLY. As soon as reasonably practicable after receipt and recording of a Claim Form, the Claim Evaluation Staff will establish a separate File for each Claim. The Claim Evaluation Staff will assemble the File from Company sources and those documents submitted by the Claimant with the Claim Form. The File for a particular Claim will contain copies of all documents transmitted to, or prepared or obtained by, the Claim Evaluation Staff with respect to the Claim, including, without limitation, to the extent available in the Company's records (including the non-privileged Company documents such as agent complaint histories held by Defendants' Counsel), the following materials:

1. documents that were furnished to the Claimant in connection with the sale of the Policy(ies) including, the Policy(ies), illustrations and sales materials;

2. documents contained in the files of the Agent(s);

3. documentation and data concerning the Policy(ies) from the Agent's sales office(s);

4. correspondence concerning the Policy(ies);

5. records maintained by the Company including the Claimant's application file (including the application and change and disbursement requests);

6. relevant portions of the electronic records relating to the Policy, including, without limitation, the master record and the policy history;

7. prior complaint correspondence from or at the direction of the Claimant concerning the Policy(ies) and related data received from or concerning the Agent(s);

8. data or documents relating to the Complaint History, internal discipline, or regulatory sanction of the Agent(s) who sold and/or serviced the Policy(ies) (in summary form only, the foregoing notwithstanding);

9. any other information or document relevant to the Claim which pertains to the Claim Resolution Factors or evidentiary considerations under the ADR Guidelines;

10. the Claim Form and all documents furnished with or attached to the Claim Form (including any third-party affidavits);

11. the Claim Summary Form;

12. correspondence concerning the Claim;

13. the written statement of the Agent(s), validly executed and notarized, who sold and/or serviced the Policy (the "Agent Statement"); and

14. the written statement of supervising manager(s) of the Agent(s) in respect of the Claim.

G. FACTUAL INVESTIGATION. Concurrent with the assembly of the File as described in Section II.F. hereof, the Claim Evaluation Staff will, to the extent practicable, conduct a reasonable investigation of relevant facts, including (but not necessarily limited to) the following:

1. Policy Information. The Claim Evaluation Staff will retrieve and review the relevant files relating to the Claimant's Policy or Policies, including, to the extent pertinent, any application files, premium- and loan-history records, disbursement and withdrawal records, master record, replacement forms and complaint files.

2. Agent-Related Information. The Claim Evaluation Staff will identify the Agent or Agents who sold the Policy or Policies, and generally will:

a. determine the status of the Agent (e.g., active, retired, deceased, terminated, etc.) and, if known, the Agent's current address or business unit and office affiliation;

b. contact the Agent concerning the Claim and request the Agent to furnish an Agent Statement concerning the Claim and to provide any other facts or documents, including sales materials, illustrations and correspondence, that might be relevant in assessing the Claim, including whether the Agent knows, based on personal knowledge, whether any documents originally created or kept by the Agent or in the agency office specifically pertaining to the Claim have been destroyed, and the circumstances of such destruction, and whether copies of such documents cannot be located. In the event (i) the Claim involves a complaint previously received and

processed by the Company and (ii) the Company, in processing the complaint, obtained from the Agent any statements and/or relevant documents from the Agent's file, the Claim Evaluation Staff may rely on the previously submitted statements and/or documents without contacting the Agent again, (however, any such earlier statement will be returned to the Agent with a request that the Agent have the statement converted to an Agent Statement, which process includes the provision of a Declaration). Where an Agent, without cause, unreasonably fails or refuses to furnish the Claim Evaluation Staff with information or a statement which such staff believes is important, the Claim Evaluation Staff will document such failure or refusal. Additionally, any statement of the Agent prepared on or after the Final Settlement Date which is not executed and does not contain a Declaration will be deemed not to be Available Evidence;

c. advise the Agent in writing in connection with the above contacts that the Company will not take disciplinary action against any Agent solely based on any truthful representations he or she might make in the Agent Statement in connection with the ADR Process; provided, however, that disciplinary action may be taken based on any other evidence regardless of source;

d. retrieve and review any relevant files in respect of the Claim, including complaint and replacement history;

e. to facilitate the ADR Process and to minimize inconvenience to Agents and office personnel, the Company may appoint one or more persons to be available, at the request of an Agent, to assist Agents in fully responding to Company requested information. Where the Claim Evaluation Staff is unable after reasonable efforts to contact the Agent, or where the Agent is not available and the Agent's office may be able to provide the necessary information, the Claim Evaluation Staff, in lieu of contacting the Agent, may contact the appropriate sales management and may consider as Available Evidence the information provided by such sales management to the extent sales management personnel were present at the time of the sale; and

f. contact the office with which the Agent was affiliated at the time of the sale(s) of the Policy or Policies to request that the office assist in furnishing any documents that may be relevant in assessing the Claim.

3. Communication with Claimant. The Claim Evaluation Staff may communicate with the Claimant concerning the Claim and may seek additional information or documents from the Claimant in order to assist the Claim Evaluation Staff in assessing, scoring and determining the Claim. All communications with the Claimant will be appropriately documented. Where a Claimant unreasonably fails or refuses to furnish the Claim

Evaluation Staff with information or a statement which could materially affect the review of the Claim, the Claim Evaluation Staff will document such failure or refusal.

H. CLAIM FILE RETENTION. The Company will retain the Claim File for no less than five (5) years from the mailing of the Post-Settlement Notice in paper, electronic or other media to permit the use, copying and retention of the Claim File for the purposes of the ADR Process.

I. CLAIM EVALUATION.

1. Preliminary Review. Promptly upon receipt of a Claim Form, the Claim Evaluation Staff will perform a preliminary review of the Claim to ensure that, as to the Policy in question:

a. the Claim Form has been submitted in a timely manner;

b. the Claim Form is complete, has been signed by each owner of the Policy, and has been made with a Declaration;

c. the representations and agreements in the Claim Form have not been deleted or modified;

d. the Claimant has not previously signed an agreement, while represented by counsel, pursuant to a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released the Company from any further claims concerning the Policy; and

e. the Claimant has not been excluded from the Claimant Group with respect to the Policy in question. Although the Claimant Group Administrator will not transmit Claim Forms to persons or entities who have been excluded from the Claimant Group. it is possible that such persons or entities may obtain Claim Forms and submit them to the Company. As a result, in conducting its preliminary review of each Claim, the Claim Evaluation Staff also needs to determine whether the person or entity has previously been excluded from the Claimant Group.

2. Preliminary Notification. Upon completing its preliminary review of a Claim, the Claim Evaluation Staff will transmit one of the following letters to the Claimant:

a. Acknowledgement. When the Claim Evaluation Staff determines that the Claim Form is complete and has been submitted in a timely manner by a Claimant who is eligible to submit a Claim, the Claim Evaluation Staff will send the Claimant a letter (i) acknowledging receipt of the Claim Form, (ii) informing the Claimant of the Claim number assigned to the Claim, (iii) advising the

Claimant that the Claim is being processed, and (iv) advising the Claimant of the availability of the toll-free telephone hot-line for inquiries regarding the ADR Process.

b. Return or Rejection. When the Claim Evaluation Staff determines that the Claim Form has not been submitted in a timely manner, is not complete, signed or made with a Declaration, or has been submitted by an ineligible Claimant or a Claimant who has been excluded from the Claimant Group, the Claim Evaluation Staff will make reasonable efforts (i) to contact the Claimant in order to resolve any defects in the Claim Form, or (ii) return the Claim Form to the Claimant for correction with a letter of explanation, retaining a copy of the Claim Form in the Claim Evaluation Staff's files. The letter from the Claim Evaluation Staff will identify the Claim by Claim number and, in the event the Claim Form is deemed not to be complete, will advise the Claimant of the availability of the Claimant Support Team to assist him or her.

(i) Timeliness. A Claim will be deemed to be submitted in a timely manner only if the Company has (a) received from the Claimant the appropriate Election Form within 75 days after transmittal of the Post-Settlement Notice to each such Claimant, and, in addition, (b) received the appropriate Claim Form within 90 days after transmittal of the Claim Form by the Claimant Group Administrator. If the Claim Evaluation Staff determines that a Claim has not been submitted in a timely manner, the Claim Evaluation Staff will inform the Claimant that the Claim was not submitted in a timely manner.

(ii) Completeness. If the Claim Evaluation Staff determines that the Claim Form is not complete, has not been executed with a Declaration, or has been modified as to representations and agreements, it will return the Claim Form to the Claimant and will request that the defect be corrected and be received by the Company within 30 days of its transmittal. If not corrected in a timely manner, the Claim Evaluation Staff may reject the Claim. The Claim Evaluation Staff may return a Claim Form as incomplete only in the following instances: (a) the Claimant has failed to sign the Claim Form, (b) the Claimant has failed to have the Claim Form made with a Declaration, or (c) the Claimant has deleted, modified or otherwise refused to agree to make the representations contained in the Claim Form.

(iii) Excluded Or Ineligible Claimants. If the Claim Evaluation Staff determines that the Claimant submitting the Claim has been excluded from the Claimant Group or is otherwise not eligible to submit a Claim, the Claim Evaluation Staff will return the Claim Form to the Claimant advising the Claimant that he or she is not entitled to participate in the ADR Process.

(iv) Company Discretion. The Company will have the right (after giving effect to the grace period described in Section I.E.) to (a) process an untimely or incomplete Claim Form as if the Claim Form was timely or complete, (b) permit a Claimant to withdraw a prior election for Basic Claim Relief and to participate in the ADR Process, or a prior election for the ADR Process and to participate in Basic Claim Relief, as if the respective prior election had not been made, or (c) reject the Claim as untimely.

(v) Review of Claim Evaluation Staff Preliminary Determinations. In the event that a Claimant objects to a determination made by the Claim Evaluation Staff during its preliminary review, as set forth in a transmittal letter contemplated by Section II.I.2, the objection will be referred to the Independent Claim Evaluation Team (as defined in Section II.J.) to review the objection and make a recommendation to the Claim Review Staff. Irrespective of whether the Independent Claim Evaluation Team chooses to make any such recommendation, the Claim Review Staff will have the authority to affirm, modify or reverse the Claim Evaluation Staff's determination. The Company will notify the Claimant of any decision made under Section II.I.2. A Claimant will not have the right to appeal a Claim rejected or returned because the Claim was incomplete or untimely or because the Claim was submitted by a Claimant who had been excluded from the Claimant Group or was not a member of the Claimant Group.

3. Review. After assembling the File and completing the factual investigation described in Section II.G., the Claim Evaluation Staff will review the File in connection with a particular Claim in light of the Claim Resolution Factors and evidentiary considerations set forth in the ADR Guidelines.

4. Scoring. The Claim Evaluation Staff will score each Claim using the Claim-Resolution Factors, evidentiary considerations (specific and non-specific), and guidelines established in the ADR Guidelines. After determining which Claim-Resolution Factors apply to the Claim, the Claim Evaluation Staff will score those factors as required by the relevant subpart of the ADR Guidelines.

5. Determination as to Relief. Based on its scoring of a Claim, the Claim Evaluation Staff, using the criteria, guidelines and remedies established in the ADR Guidelines, will determine what relief or choice of relief, if any, will be awarded to the Claimant by way of resolution of the Claim, including the provision of a type of relief available to any lower score with respect to the particular Claim Category of the Claim if requested by the Claimant in writing. In scoring or determining a Claim, the Claim Evaluation Staff may take into consideration the failure or refusal of the Claimant, the Agent or the sales management to provide the Claim Evaluation Staff with information or a statement requested by the Claim Evaluation Staff as provided in Sections I.F.1.d. and I.F.2.b., respectively, of the ADR Guidelines.

6. Other Actions. The Claim Evaluation Staff will take whatever additional actions are reasonably necessary to carry out its responsibilities as described herein.

7. Prompt Resolution/Time Frame. Where it is not reasonably practicable for the Claim Evaluation Staff to complete its investigation, evaluation and scoring of the Claim within 180 days of the date of acknowledgement of a Claim Form under Section II.I.2.a. because of the volume of Claims received or because of delays in obtaining information requested from other persons, the Claim Evaluation Staff will notify the Claimant concerning the status of the Claim, and use its reasonable best efforts to complete its investigation of such a Claim as soon as practicable, including, where appropriate, expanding the size of the Claim Evaluation Staff.

8. Report of Claim Determination. The Claim Evaluation Staff shall promptly issue a report, in writing, to the Claim Review Staff upon completion concerning the scoring, relief awarded, if any, and other pertinent conclusions concerning the determination of the Claim.

J. INDEPENDENT CLAIM EVALUATION. In the event that a Claim receives a score less than "3", the Claim will be reviewed by a member of the Independent Claim Evaluation Team. The "Independent Claim Evaluation Team" or the "ICET" shall be comprised of qualified individuals wholly independent of the Company. The Company will identify and submit one or more candidates to serve the ICET function to the Regulatory Oversight Staff and Lead Counsel for their approval. The Independent Claim Evaluation Team will be paid at the Company's expense, in an aggregate amount not to exceed ten million dollars, for all such activities performed and expenses incurred in connection with the Settlement and all other similar settlements with other states or jurisdictions; provided, however, such aggregate fee shall be an amount greater than ten million dollars in the event that Lead Counsel, the Regulatory Oversight Staff and the Company mutually agree that such larger amount shall be necessary in order to retain an appropriate Independent Claim Evaluation Team or to address the volume of Claims. The ICET

will be provided the workspace and the facilities necessary to perform this function.

The Independent Claim Evaluation Team shall follow the criteria, guidelines and remedies established in the ADR Guidelines and in this Manual of Procedures in reviewing Claims. In the event the Independent Claim Evaluation Team concurs with the determination of the Claim Evaluation Staff, the Claim will be forwarded to the Claim Review Staff for notification, processing or sampling in accordance with Sections III.B. and II.K., respectively. In the event the Independent Claim Evaluation Team concludes the score should be different from the score assigned by the Claim Evaluation Staff, the Claim will be forwarded to the Claim Review Staff for re-evaluation, re-scoring and assessment on a de novo basis, and pursuant to the procedures for Claim review by the Claim Evaluation Staff. In the event the Claim Review Staff assigns a preliminary score different from the score

recommended by the Independent Claim Evaluation Team, the independent claim evaluator from the Independent Claim Evaluation Team who reviewed the Claim shall be afforded an opportunity to explain the basis of his/her recommendation and advocate the application of that recommendation to the member of the Claim Review Staff handling the Claim. This presentation shall not exceed 15 minutes. Thereafter, the Claim Review Staff will decide, using the criteria, guidelines and remedies established in the ADR Guidelines and in this Manual of Procedures which relief or choice of relief, if any, to offer to the Claimant submitting the Claim. Such determination shall supersede any determination of the Claim Evaluation Staff or recommendation of the Independent Claim Evaluation Team, and shall be binding on the Company.

K. CLAIM REVIEW AND ANALYSIS. The Claim Review Staff will re-evaluate, rescore and assess, on a de novo basis, and pursuant to the procedures for Claim review by the Claim Evaluation Staff, as described in Section II herein, a statistically significant sample of all Claims submitted in each Claim-Specific Category for consideration pursuant to the ADR Process, and evaluated by the Claim Evaluation Staff. Where the Claim Review Staff discerns any pattern of inconsistencies in scoring or award determinations among those Claims reviewed by the Claim Evaluation Staff, the Claim Review Staff shall recommend changes in instruction or administration of the Claim Evaluation Staff as may be warranted to better ensure consistent handling and results. The Claim Review Staff will decide, using the criteria, guidelines and remedies established in the ADR Guidelines and in this Manual of Procedures what relief or choice of relief, if any, to offer to the Claimants submitting these Claims (such determination to supersede any determination of the Claim Evaluation Staff). The Claim Review Staff will also synthesize the results of its re-evaluations and make recommendations to the Steering Committee (as described in Section IV), which in turn shall forward such recommendations to Lead Counsel and the Regulatory Oversight Staff, with the objectives of maintaining consistent application of the procedures described herein, and efficient and effective implementation thereof based on its analysis of such results. The Claim Review Staff shall develop information concerning the ADR Process as a whole sufficient to prepare a final report. Determinations of Claims by the Claim Evaluation Staff, or of the Claim Review Staff in the event it has re-evaluated a Claim, are binding on the Company.

III. COMMUNICATIONS, NOTIFICATION AND IMPLEMENTATION OF RELIEF

A. CLAIMANT ASSISTANCE. Inquiries from Claimants subsequent to the submission of their Claims will be answered by the Claim Review Staff. The Claim Review Staff will respond to inquiries from Claimants about the ADR Process and advise Claimants on the processing and administering of their Claims. To this end, the Company will establish a toll-free telephone hot-line which Claimants may call for information, advice and assistance. This toll-free telephone hot-line will be separate from and in addition to any other toll-free

numbers the Company may establish for purposes of responding to inquiries, and is subject to monitoring from time to time by Lead Counsel.

B. NOTIFICATION. Once a Claim has been completely reviewed, and a determination as to relief has been made, the Claim Review Staff will promptly notify, in writing, the Claimant concerning the determination. The notification sent to the Claimant will (i) provide a written basis for the determination of the Claim being made, (ii) describe the relief being offered to the Claimant, (iii) indicate whether the relief awarded is the greatest relief for such a Claim under the ADR Guidelines, and (iv) notify the Claimant that he or she has the right to either (a) accept and select the determined relief, or (b) obtain review by the APCOM of either a denial of relief or the nature of the relief awarded, and will describe the procedures for seeking this review by the APCOM (as described in Section V.A.). Additionally, the Company's Individual Insurance Group's Compliance Department will be notified concerning any Claim determinations involving any Claim alleging a Misstatement by an Agent which

scores a "2" or "3" in the ADR Process.

C. ACCEPTANCE OF RELIEF/DEMAND FOR APCOM REVIEW. The Company must receive the notification submitted by a Claimant of his or her acceptance and selection of relief determined pursuant to the ADR Process within 45 days of the transmittal of notice of the Claim determination by the Claim Review Staff. Upon receipt of the Claimant's acceptance and selection of relief, the Claim Review Staff will notify the appropriate Company representatives necessary to implement the appropriate relief. A Claimant who wishes to obtain de novo review by the APCOM of the final determination of his or her Claim must notify the Claim Review Staff in writing (the "APCOM Review Demand") of his or her desire to obtain such review (the "APCOM Review"). The APCOM Review Demand must be submitted by the Claimant and received by the Company within 45 days of the transmittal of such notice from the Claim Review Staff. In the event that a Claim (i) receives a score of "0" as set forth in the notification to the Claimant contemplated by Section III.B. hereof, (ii) is not re-scored higher than "0" by the APCOM Reviewer (as hereinafter defined), and (iii) is determined by the APCOM Reviewer to be frivolous, an administrative fee of $50 may be assessed by the Company upon the decision of the APCOM Reviewer as contemplated in Section V.C. hereof. The Company may waive the fee in the event that the Claimant reasonably demonstrates a "financial hardship" which makes such payment impractical.

IV. CLAIMANT REPRESENTATIVE, REGULATORY OVERSIGHT STAFF AND COMPANY STEERING COMMITTEE

A. CLAIMANT REPRESENTATIVE.

Lead Counsel will appoint an individual, experienced in commercial dispute resolution and/or the life insurance industry to act as a monitor on behalf of Claimants during the ADR Process (the "Claimant Representative") as described herein. The Claimant Representative

shall be entitled to retain two assistants in order to adequately perform the functions specified herein. The Claimant Representative, and his or her assistants, will be compensated on an hourly basis at a rate of $300 and $150 per hour respectively, or on a fixed fee basis as agreed to by Lead Counsel, the Regulatory Oversight Staff and the Company. The Company will provide the Claimant Representative with office space and support for any centralized functions and reasonable travel expense reimbursement where travel is associated with the APCOM review process. The Claimant Representative will be provided copies of all the materials in the File used to evaluate a Claim and will perform the following functions:

1. in accordance with the standards, guidelines and rules set forth in the ADR Guidelines and this Manual, discuss individual Claims with, and make recommendations to, the ICET, the Claim Review Staff and/or the Representatives (as described herein);

2. monitor the results of Claim sampling and ongoing ADR Process operations, including the APCOM review process; and

3. consider and provide comment on the ongoing administration of the ADR Process to Lead Counsel and the Steering Committee.

The Claimant Representative may consult with Lead Counsel concerning individual Claims at any time during the ADR Process; provided, however, that Lead Counsel shall not enter an appearance for or act on behalf of the Claimant, the Claimant Representative or otherwise, in connection with the processing, investigation, scoring, determination or review of a Claim.

In the event that the Company concludes the Claimant Representative has failed materially and repeatedly to comply with the standards, guidelines and rules in the ADR Guidelines and this Manual, or to appropriately perform the duties of the Claimant Representative as set forth in this Manual, the Company shall have the right to request Lead Counsel to replace the Claimant Representative. If Lead Counsel elects not to replace the Claimant Representative, the Company shall have the right to apply to the Court for an order directing that the Claimant Representative be replaced. The same procedure may be invoked with regard to the assistants and representatives who are retained by the Claimant Representative.

B. REGULATORY OVERSIGHT STAFF.

The Department and other state insurance departments participating in policyholder remediation programs of the type set forth in the ADR Guidelines will appoint a staff or a designated group independent of the Company designated as the Regulatory Oversight Staff. The costs of the Regulatory Oversight Staff will be reimbursed by the Company, including the retention of such personnel to adequately perform the function specified herein. In so

doing, the Company will apply the requirements and regulations of the respective participating state insurance departments used in connection with the examination of life insurers regarding the reimbursement of the reasonable expense of employees and those retained as independent contractors. The Regulatory Oversight Staff will perform the following functions:

1. monitor and provide oversight concerning the satisfactory performance of the Claimant Support Team in providing appropriate administrative assistance to Claimants in the preparation of their Election and Claims Forms;

2. monitor and provide oversight concerning the quality of the composition and the performance of the Claim Evaluation Staff and the Claim Review Staff;

3. monitor and provide oversight concerning the satisfactory performance of the ICET;

4. monitor and provide oversight concerning the Company's performance in providing documents and further information requested by the Claim Evaluation Staff to assemble the Files (in part, through feedback provided by the APCOM as to the quality and adequacy of those documents contained in the Files);

5. monitor and provide oversight concerning (i) the preliminary determination of Claims and review thereof, and (ii) the results of Claim sampling and ongoing ADR Process operations;

6. provide for the assignment of appeals to APCOM Reviewers;

7. monitor and provide oversight of the Claim review appeals process;

8. based on the performance of each of the functions described immediately above, the Regulatory Oversight Staff, or its appropriate designees, will timely report to the Steering Committee any material deficiencies in the implementation or execution of the ADR Process and, accordingly, any Claims adversely determined as a result of such deficiencies will be remanded to the Claim Evaluation Staff or the Claim Review Staff for de novo evaluation;

9. receive and respond to the questions, comments or concerns of the Department and/or other state insurance departments participating in policyholder remediation programs of the type set forth in the ADR Guidelines;

10. consider and comment on the ongoing administration of the ADR Process in light of the information provided and the documents furnished pursuant to this Section IV.A.; and

11. perform any and all other functions which the Regulatory Oversight Staff or its designee deems to be appropriate.

In connection with performing the above enumerated functions:

1. Any and all information reasonably necessary to carry out its functions from the inception to the close of the ADR Process will be made available to the Regulatory Oversight Staff in a manner satisfactory to the Regulatory Oversight Staff to fulfill the specific purpose of its request.

2. The Regulatory Oversight Staff shall be furnished the following documents:

   a. reports setting forth results of the claim-sampling performed by the Claim Review Staff;

   b. reports of the Company setting forth results concerning the ADR Process, including aggregate results (scores) from the Claim Evaluation Staff, the ICET and the Claim Review Staff, and Basic Claim Relief for Policyholders;

   c. recommendations for the improvement of the procedures set forth in this Manual;

   d. final report of the Claim Review Staff contemplated in Section II.K. hereof;

e. audit result findings and recommendations and regular reports from the independent auditor as contemplated in Section IV.C. hereof and written responses thereto from the Company; and

f. upon the request of the Regulatory Oversight Staff, individual Claim Files and other documents as necessary for the Regulatory Oversight Staff to review specific Claims filed under the ADR Process.

The Claimant Representative shall be furnished with the documents set forth in subsections (a) through (f) above.

3. The Regulatory Oversight Staff shall operate in a manner consistent with the standard procedures and methods generally employed in the examination of life insurance companies by state insurance departments.

4. The Department may conduct such other investigations and examinations as are necessary, among other things, to ensure the integrity of the ADR Process and the accuracy of the scoring of the Claims.

C. COMPANY STEERING COMMITTEE.

The Company will appoint a multi-disciplinary Steering Committee, the members of which will be composed of senior-level management of the Company (the "Steering Committee"). The Company will be responsible for the satisfactory performance of the ADR Process as well as persons and entities retained by the Company in discharging its obligations hereunder. The Steering Committee will (i) evaluate the recommendations of the Claim Review Staff, the Regulatory Oversight Staff, the ICET, the Claimant Representative, and Lead Counsel; (ii) make proposals for the improvement of the procedures set forth herein to the Senior Vice President of the Company's Policyowner Relations Department, who has responsibility for the overall administration of the ADR Process, and (iii) communicate with each of the Claim Evaluation Staff, the Claim Review Staff, the ICET, the Department, the Regulatory Oversight Staff and the Claimant Representative. In this light, the Steering Committee will be the principal organization within the Company which will interface with, and be responsible for all communications with, Lead Counsel, the Department and the Regulatory Oversight Staff with regard to the ADR Process and will receive the questions, comments or concerns, regulatory or otherwise, of Lead Counsel, the Regulatory Oversight Staff and the Department concerning the ADR Process.

D. INDEPENDENT AUDIT.

Subject to the approval of the Regulatory Oversight Staff and Lead Counsel, the Company will select and retain either (i) one of the "Big Six" firms of independent public accountants or (ii) such other firm of independent public accountants of recognized national standing selected by the Company and approved by the Regulatory Oversight Staff, as independent auditors to assess the consistent application of the ADR Guidelines. These

independent auditors will perform audit assessments of the ADR Process on, at a minimum, a quarterly basis and would address, among other items, whether:

1. the ADR Guidelines are being given appropriate effect in the evaluation of Claims;

2. Files are being assembled as provided for in the ADR Procedures;

3. the ADR Process is yielding consistent results in scoring for like Claims; and

4. Claims are being resolved in a timely manner.

To achieve this, the audit process would employ appropriate criteria, sampling and other audit techniques. Audit result findings and recommendations will be addressed promptly by the Company and a written response outlining actions proposed and taken, as well as regular reports, will be provided to the Regulatory Oversight Staff, the Steering Committee and the Policyowner Relations Department.

V. APPEALS PROCEDURES

A. SELECTION OF APPEALS COMMITTEE.

1. Appointment. As soon as reasonably practicable after the Final Settlement Date, the Department, Lead Counsel and the Company will select either the American Arbitration Association, the CPR Institute for Dispute Resolution or such other dispute resolution entity as may be mutually agreed upon. Such entity shall prepare one or more lists composed of individuals with experience either (i) with the life insurance industry or life insurance products, (ii) with the resolution of insurance-related complaints, or (iii) as arbitrators or other adjudicators so as to have the appropriate expertise to serve as members of the Appeals Committee (as described herein). The persons on such list(s) must be satisfactory to each of the Regulatory Oversight Staff, Lead Counsel, and the Company. Lead Counsel and the Regulatory Oversight Staff will select 50 persons (or such greater number as mutually agreed upon the by Regulatory Oversight Staff, Lead Counsel and the Company) from the approved list(s) described immediately above to review Claimants, objections to ADR Process determinations. These persons selected shall constitute the Appeals Committee (the "APCOM"). Upon the appointment of any APCOM member, such member will agree, in writing, to be bound by the terms of the ADR Guidelines and this Manual of Procedures, and will agree to confidentiality provisions acceptable to the Department, Lead Counsel and the Company.

2. Termination. Any APCOM member may be terminated, with or without cause, upon the concurrence of any two of the following parties: (i) the Regulatory

Oversight Staff or the Department, (ii) Lead Counsel, and (iii) the Company. Termination may be based upon, but is not limited to: the breach or violation of any of the ADR Guidelines, ADR Procedures, the APCOM Procedures (as described below) or the confidentiality provisions described above; the failure to maintain appropriate conduct during the APCOM review process; the rendering of awards scored disproportionately higher or lower than that being experienced in appeals in the ADR Process; or any other reason to be mutually agreed upon by the Department, Lead Counsel and the Company. Notwithstanding the foregoing, in the event that any of (i) the Regulatory Oversight Staff or the Department, (ii) Lead Counsel, and (iii) the Company disagrees with the decision to terminate a given APCOM member made by the concurrence of two of the above parties, that party will have the right to seek judicial review. If an APCOM member resigns, is terminated or is unable to continue serving on the APCOM, a new member shall be selected by the same method used to select such members generally.

3. Operation of the APCOM. Each of the 50 APCOM members will be assigned to a state. All expenses directly incurred in connection with the APCOM will be paid by the Company. The procedural guidelines pertaining to the APCOM (the "APCOM Procedures") shall be in such form satisfactory to the Regulatory Oversight Staff, Lead Counsel and the Company. The assignment of individual appeals to APCOM Reviewers (as described below) will be determined by the Regulatory Oversight Staff.

B. COMMENCEMENT OF APCOM REVIEW.

1. Notification and Appointment of APCOM Reviewer. Promptly upon receipt of the APCOM Review Demand (as described in Section III.C above), the Claim Review Staff will send copies of the APCOM Review Demand and the File to the APCOM. Upon receipt of its copy of the APCOM Review Demand, the APCOM will assign the case to an APCOM member in accordance with the APCOM Procedures (the "APCOM Reviewer"). Promptly after assigning a case to the APCOM Reviewer, the APCOM will notify the Claimant and the Company as to the name, address and telephone number of the APCOM Reviewer.

2. Representation of Claimant. Lead Counsel shall select one or more qualified professionals familiar with the life insurance industry and/or alternative dispute resolution procedures to serve as representatives on behalf of the Claimants in the APCOM review process, at no cost to the Claimant (each such professional, a "Representative"), subject to approval by the Regulatory Oversight Staff. The Representative will (i) assist the Claimant in preparing for the APCOM Review, and (ii) if requested by the Claimant, appear in person or by telephone at the Hearing contemplated in Section V.C.2. below to represent the Claimant. The amount to be paid for all such Representatives, at the Company's expense, shall be as follows: (i) for each of the first 1,000 Claims, an average of $500 per Claim (including any training or other activities related to serving as a Representative); (i) for each of the Claims after the first 1,000 and up to and including Claim number

10,000, a fixed $250 amount; and (iii) for each of the Claims after Claim number 10,000, a fixed $200 amount, for all activities performed and expenses incurred by the Representatives in connection with this Settlement and all other similar settlements with other states or jurisdictions. In lieu of having a Representative, the Claimant may, at his or her own expense, retain legal counsel of his or her own choosing to appear with and/or represent him or her at the Hearing (as described in Section V.C. below) in the APCOM Review.

3. Access to File. To assist in preparing for the APCOM Review, the Claimant and the Representative will be provided copies of all of the materials in the File used to evaluate the Claim.

4. Authority of the APCOM Reviewer. Subject to the terms of the Settlement and the provisions of this Manual, the APCOM Reviewer will have the following authority:

a. Upon consultation with the Claimant and the Company, the APCOM Reviewer will select the time and place for the Hearing, and may determine that the Hearing be conducted by telephone or by personal attendance of the parties; provided, however, that if the Claimant requests to appear in person at the Hearing (at the Claimant's own expense) or that the Hearing be concluded by telephone, such request will be accommodated.

b. The APCOM Reviewer will be the judge of the relevance and materiality of the evidence contained in the File, and conformity to legal rules of evidence will not be necessary; provided, however, that the APCOM Reviewer will be required to follow and apply the standards, guidelines and rules set forth in the ADR Guidelines and this Manual and does not have authority, and is not empowered, to award or grant any relief to any Claimant that is not specifically provided for and permitted by the ADR Guidelines.

c. The APCOM Reviewer may maintain the privacy of the Hearing by excluding from such Hearing any person not having a direct interest in the outcome of the APCOM Review.

d. The APCOM Reviewer for good cause shown may postpone the Hearing upon the request of a party or upon the APCOM Reviewer's own initiative; provided, however, that no such postponement will ordinarily exceed 10 days unless the parties agree to a longer postponement.

e. In deciding a Claim, the APCOM Reviewer may take into consideration the failure or refusal of the Claimant, the Agent or Company sales management to provide the Claim Evaluation Staff with information or a statement

requested by the Claim Evaluation Staff as provided in Sections I.F.1.d. and I.F.2.b., respectively, of the ADR Guidelines.

C. APCOM REVIEW PROCEDURES.

1. Mediation Prior to Hearing. Following assignment of a Claim to a APCOM Reviewer, the APCOM Reviewer will meet or otherwise communicate with the Claimant, the Representative (if any) and the Company to try to resolve the differences between the parties. The only materials before the APCOM Reviewer at this time will be those contained in the File. Additional materials will not be accepted or considered.

2. Hearing. If the APCOM Reviewer determines that a Claim cannot be resolved by mediation and agreement, the APCOM Reviewer will convene a hearing (the "Hearing") to be held within 60 days after the receipt of the APCOM Review Demand. Not later than 15 days before the Hearing, the Claimant must notify the APCOM Reviewer if the Claimant intends to appear at the proceedings, wishes to participate by telephone, or if his or her legal counsel or Representative will be appearing on behalf of the Claimant or participating by telephone in the proceedings (at the Claimant's expense). The same rules will apply to the Company; provided, however, that the Company, by written notice to the APCOM Reviewer, may appoint one or more designees who will represent the Company. Not later than 15 days before the Hearing, a Claimant may submit a written statement not exceeding five pages in support of the Claim. The Company may submit a response not exceeding five pages no later than five days before the Hearing. No further written statements will be accepted or considered unless requested by the APCOM Reviewer. At the Hearing, oral presentations will be limited to 10 minutes for each party.

3. Scoring and Relief. In determining the Claim, and subject to the provisions of Section V.B.4.c. above, the APCOM Reviewer will review and decide the Claim de novo, re-scoring the Claim and deciding what relief or choice of relief, if any, should be awarded in accordance with the scoring/relief system established in the ADR Guidelines. The Claim may receive a score higher or lower than that obtained upon evaluation by the Claim Evaluation Staff or Claim Review Staff. The APCOM Reviewer does not have jurisdiction or authority to make findings or award relief except as provided in the ADR Guidelines. Once the APCOM Reviewer has assessed and scored the Claim in accordance with the ADR Guidelines, the APCOM Reviewer may award only the relief prescribed for that particular score in the ADR Guidelines. No other relief will be available; provided, however, that the Claimant may choose a type of relief available to any lower score with respect to that particular category.

4. Notification. The APCOM Reviewer will render his or her decision within 30 days of the end of mediation and/or the Hearing (or the Rehearing, as the case may be (as defined below)), unless cause for a longer time period is shown to the APCOM and granted by it. Once the APCOM Reviewer has rendered a decision, the APCOM

Reviewer will send written notice of the decision to the Claimant, the Policyholder and the Representative, and to the Company. The APCOM Reviewer's decision will be in writing, will set forth the bases for the decision in not more than two pages, and will be signed by the APCOM Reviewer.

5. Rehearing Procedures. If within 30 days of the transmittal of the notice of the APCOM Reviewer's decision with respect to the Claim, the APCOM receives written notice that (i) the Claimant has asked the Claimant Representative to determine whether the APCOM Reviewer's decision operates as a manifest injustice on the Claimant and the Claimant Representative has determined that the Claimant should be entitled to a Rehearing due to such manifest injustice, or (ii) the Company believes that the relief awarded by the APCOM Reviewer is not provided for in the ADR Guidelines, the APCOM will grant the Claimant an opportunity to appear before another APCOM Reviewer, with the assistance of another Representative, for the purpose of another hearing (a "Rehearing"). Upon receipt of such request for a Rehearing, the APCOM will convene a Rehearing to be held no more than 30 days later, unless the parties agree to a longer time period. At the Rehearing, the Claimant and his or her Representative or legal counsel and the Company will each have an opportunity to make an oral presentation not to exceed 10 minutes. The record before the APCOM Reviewer at the Rehearing will consist solely of those materials that were before the APCOM Reviewer at the Hearing which preceded the original decision.

6. Binding Nature of Decisions. The decision of the APCOM Reviewer shall be final and conclusive. Neither party shall institute any action or proceeding against the other in any court with respect to any claim, controversy, or dispute which is or could be subject to the Settlement nor will either party interpose any objection to the procedures set forth herein or contest or otherwise seek directly or indirectly to challenge either the application thereof to any such claim, controversy or dispute, or any decision thereunder, in any court.

EXHIBIT D

GUIDELINES FOR PRUDENTIAL
BASIC CLAIM RELIEF

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GUIDELINES FOR PRUDENTIAL
BASIC CLAIM RELIEF

I. INTRODUCTION

A. OVERVIEW

Pursuant to the Stipulation of Settlement entered into between Plaintiffs and the Defendants (the "Stipulation") and pursuant to the consent orders and agreements, and all amendments thereto, issued by the State Insurance Departments identified in Schedule 1 to the ADR Guidelines ("Consent Orders"), the Company will make available to eligible Policyholders two alternative types of relief. Policyholders may elect to automatically receive Basic Claim Relief, as set forth in these Guidelines for Prudential Basic Claim Relief (these "Guidelines"). Alternatively, Policyholders who do not wish to automatically receive Basic Claim Relief may, in their discretion, elect the individual relief that may be provided via the Alternative Dispute Resolution ("ADR") Process, as more fully described in the Prudential Alternative Dispute Resolution Guidelines (the "ADR Guidelines").

Basic Claim Relief may take the form of (i) an Optional Premium Loan, (ii) an Enhanced Value Policy, (iii) an Enhanced Value Annuity and/or (iv) a Mutual Fund Enhancement. The economic benefits made available through the provision of Basic Claim Relief reflect the willingness and resolve to address and overcome Policyholder difficulties associated with any increasing cost of maintaining life insurance coverage and to provide enhanced benefits. In short, this Basic Claim Relief is provided in order to mitigate the disappointments of Policyholders with the performance of products which they previously purchased from the Company.

B. DEFINITIONS

Capitalized terms used in these Guidelines and not otherwise defined herein shall have the same meanings ascribed thereto in the ADR Guidelines. The following capitalized terms shall have the following meanings:

1. "Access Period" means the period after the Final Settlement Date through December 31, 2010, inclusive of those dates.

2. "Annual Premium Loan" means a loan in an amount less than or equal to the Annual Policy Premium due on the next Policy anniversary, or the last Policy anniversary if the Company receives the loan request within 31 days after the last Policy anniversary, at the Loan-Interest Rate at the applicable annual premium due date, subject to the terms and conditions of these Guidelines. Annual Premium Loans can be used only to pay all or part of one or more of the specified number of Annual Policy Premiums that come due during the Access Period. (See definition of Optional Premium Loan below.)

3. "Annual Policy Premium" means (i) for a traditional whole-life Policy, the amount equal to the annualized base policy premium for a Policy plus the premiums for all riders other than PUA Riders and any other riders that do not have required premiums; and (ii) for a VAL/AL Policy, the amount equal to the annualized initial scheduled premium plus the premiums for all riders other than riders that do not have required premiums.

4. "Eligibility Date" means the last day of the calendar quarter next preceding the month in which the Notice Date occurred, but in any event not less than 30 days before the Notice Date, as specified by the Company.

5. "Enhanced Value Annuity" or "EVA" means those designated annuity products within the Company's portfolio of annuity products available on the date of the award as set forth on Schedule A hereto and as further described in Section IV hereof; provided that such Schedule may be modified and supplemented by notice to and approval by the Regulatory Oversight Staff (as defined in the Manual of Procedures).

6. "Enhanced Value Policy" or "EVP" means those designated whole-life insurance policies within the Company's portfolio of individual permanent life insurance policies available on the date of the award as set forth on Schedule A hereto and as further described in Section III hereof; provided that such Schedule may be modified and supplemented by notice to and approval by the Regulatory Oversight Staff.

7. "Loan-Interest Rate" means the interest rate for the Annual Premium Loans. The Loan-Interest Rate will be a short-term, variable rate set by the Company on a calendar quarterly basis from the Final Settlement Date and will be equal to a rate representative of the Company's unsecured short-term cost of borrowing.

8. "Mutual Fund Enhancement" means the financial contribution by the Company with respect to the additional shares purchased in those mutual funds set forth on Schedule B hereto and made available pursuant to the terms and conditions set forth in Section V hereof; provided that such Schedule may be modified and supplemented by notice to and approval by the Regulatory Oversight Staff and Lead Counsel.

9. "Mutual Fund Shares" or "MFS" means those shares, available pursuant to these Guidelines, in any of the mutual funds set forth on

Schedule B hereto.

10. "Notice Date" means the date when the Post-Settlement Notice is first mailed to Policyholders.

11. "Optional Premium Loan" means all of the Annual Premium Loans offered to Policyholders. A Policyholder's maximum Optional Premium Loan for each Policy making the Policyholder eligible for such relief will be the sum of the maximum Annual Premium Loans which the Policyholder is permitted to request in accordance with the following:

Issue Year of Policy	Number of Annual Premium Loans
1982 through 1984	2
1985 through 1988	6
1989 through 1991	5
1992 through 1995	2

12. "PUA Rider" means a Paid-Up Additional Insurance rider.

II. OPTIONAL PREMIUM LOAN

A. DESCRIPTION

The Company will offer an eligible Policyholder the right to obtain an Optional Premium Loan at the Loan-Interest Rate during the Access Period, subject to the conditions of eligibility set forth below. The purpose of an Optional Premium Loan is to assist an eligible Policyholder in making additional out-of-pocket premium payments.

B. ELIGIBILITY

A Policyholder will be eligible for one or more Annual Premium Loans with respect to any Policy in force as of the Eligibility Date, provided that (i) the Policyholder does not elect to participate in the ADR Process with respect to that Policy, and (ii) the Policyholder satisfies the conditions described in this subsection.

1. A Policyholder may receive an Annual Premium Loan only on a Policy anniversary occurring during the Access Period. The maximum number of Annual Premium Loans an eligible Policyholder may request is specified in Section I.B.11. hereto, which prescribes the number of Annual Premium Loans available to Policyholders. The Company reserves the right, upon advance written notice to those persons affected, to reduce the numbers set forth in Section I.B.11. for some or all issue years of Policies solely to reflect any actual future increases in dividend scales. A Policyholder may elect to take fewer than the maximum number or amount of Annual Premium Loans specified in Section I.B.11.

2. The Policy to which the Annual Premium Loan is to be applied must have, as of the Policy anniversary, on which the Annual Premium Loan is made, a cash surrender value sufficient to secure the full amount of (i) any Annual Premium Loans outstanding. (ii) the amount of the Annual Premium Loan being requested, (iii) existing Policy loans and other instruments outstanding, and (iv) one year's interest on the aggregate of the respective obligations described in the foregoing clauses.

3. The Policy's cash value or death benefit may not be otherwise pledged, assigned or encumbered, unless all parties to any such pledge, assignment or encumbrance expressly agree in writing that their interests in the Policy shall be subordinated, in all respects, to the Company's interests.

4. Each Annual Premium Loan can be used only to pay all or a portion of the Annual Policy Premium due under the Policy making the Policyholder eligible for the Optional Premium Loan.

5. Any portion of Policy cash value pledged as security for an Annual Premium Loan will be unavailable for future Policy loans.

6. Any eligible Policyholder who wishes to take an Optional Premium Loan must enter into an agreement in which the Policyholder agrees to, among other things:

a. not reduce the Policy's cash surrender value below the

full amount of all of the outstanding Annual Premium Loan(s);

b. not withdraw any cash surrender values if the Policy's cash surrender value (with respect to a traditional whole-life Policy) or loan value (with respect to a VAL/AL Policy) is insufficient to secure the amounts set forth in Section II.B.2.;

c. use the Policy's dividends to purchase paid-up additional insurance for the entire period in which any Annual Premium Loans are outstanding;

d. grant the Company a perfected first-priority security interest in the Policy to secure any outstanding Annual Premium Loans, plus accrued interest, by means of a collateral assignment of the cash surrender value and the death benefit of the Policy; and

e. repay each Annual Premium Loan in five annual payments commencing on the next Policy anniversary following the date on which the Annual Premium Loan is made. Each payment will consist of accrued interest due plus one-fifth of the Annual Premium Loan. Policyholders must agree that, unless such

payments are made, the Company will charge any amount not paid when due as a regular Policy loan against the Policy, at the rate of interest specified by the Policy.

7. Any outstanding Annual Premium Loans, including any accrued loan interest, will be deducted from any cash surrender value or death benefit payable on or after the date of any loan.

III. ENHANCED VALUE POLICIES

A. DESCRIPTION

The Company will offer eligible Policyholders the right to apply for Enhanced Value Policies, subject to the conditions of eligibility set forth below. An Enhanced Value Policy shall (i) have a face amount not exceeding the face amount on the date of issue of the Policy making the Policyholder eligible for relief nor less than $5,000 and in no event shall the Enhanced Value Policy have a face amount in excess of $1,000,000 nor shall such face amount exceed the Company's standard retention limit, (ii) have the same insured and Policyholder(s) as the Policy with respect to which the election is made, (iii) include payments by the Company into a paid-up additional insurance rider, to purchase additional insurance coverage, of an amount equal to 50%, 25%, 25%, and 15% respectively, of the Enhanced Value Policy's first-year Annual Policy Premium as of the date of issue after each of the first, third, fifth, and seventh annual premiums, respectively, have been paid in such years, and (iv) be subject to liberalized underwriting requirements.

B. ELIGIBILITY

A Policyholder is eligible for an Enhanced Value Policy only with respect to each of the Policies described in this subsection, provided that the Policyholder does not elect to participate in the ADR Process with respect to such Policy.

1. A Policyholder who has an in-force Policy as of the Eligibility Date will be eligible for an Enhanced Value Policy if, as of the Eligibility Date, any outstanding policy loans for such Policy equal or exceed both (a) three Annual Policy Premiums and (b) 75% of the Policy's total cash surrender value and, provided that the Policyholder does not elect to apply for an Enhanced Value Annuity or a Mutual Fund Enhancement with respect to such Policy. In addition to an Enhanced Value Policy, a Policyholder who meets the foregoing criteria may also request an Optional Premium Loan as to such in-force traditional whole-life Policy, subject to the conditions set forth in Section II.B. above.

2. A Policyholder whose Policy has terminated without payment of death benefit or lapsed may elect to apply for an Enhanced Value Policy provided that such

Policyholder does not elect to apply for an Enhanced Value Annuity or a Mutual Fund Enhancement with respect to such Policy.

C. OBTAINING ENHANCED VALUE POLICIES

To obtain an Enhanced Value Policy:

I. the insured must be under (i) age 85 for Enhanced Value Policies having a face amount of $25,000 or more, and (ii) age 85 for Enhanced Value Policies having a face amount of less than $25,000, and provide evidence of insurability satisfactory to the Company;

2. the Policyholder must pay the first Annual Policy Premium for the Enhanced Value Policy in cash or, alternatively, the Policyholder may select a semiannual, quarterly or monthly mode of payment, provided that the Annual Policy Premium is paid during the first policy year. If a Policyholder selects an alternate mode of premium payment, the contribution of the Company to the policy will be equal to 50% of the Annual Policy Premium and will be made once the premium paid by the Policyholder first equals or exceeds the Annual Policy Premium, provided that this amount is paid during the first policy year; and

3. a Policyholder must make the initial payment with money from a source other than a surrender of, or a policy loan against, or withdrawal of the values of, any existing life insurance or annuity product issued by the Company. The owner and insured must be the same as the owner and insured on the Policy for which the Policyholder is eligible to participate in Basic Claim Relief under these Guidelines. No money from a tax-qualified plan or product will be accepted as payment for an Enhanced Value Policy and the Enhanced Value Policy will not be issued on a tax-qualified basis. If a Policyholder obtains an Enhanced Value Policy but surrenders or assigns the policy during the first year. his or her policy will not be credited with an enhancement by the Company.

IV. ENHANCED VALUE ANNUITIES

A. DESCRIPTION

The Company will offer eligible Policyholders the right to obtain Enhanced Value Annuities, subject to the conditions of eligibility set forth below. Enhanced Value Annuities will be currently issued, designated, non-qualified deferred annuities:

1. that have an initial premium equal to at least $1,000, but no greater than the applicable maximum amount specified as follows:

POLICYHOLDERS' POLICY FACE AMOUNT	MAXIMUM POLICYHOLDER EVA PAYMENT
Less than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1 million or over	$50,000

For any Policy making the Policyholder eligible for the Enhanced Value Annuity, the Policyholder may not pay an aggregate amount for any Enhanced Value Annuity and/or Mutual Fund Enhancement in excess of the applicable Maximum Policyholder EVA Payment set forth above.

2. for which the Company, as part of this agreement, credits a payment at the end of the first, second, and third policy years equal to:

<TABLE>
<CAPTION>

INITIAL PREMIUM	FIRST POLICY YEAR PAYMENT CREDITED	SECOND POLICY YEAR PAYMENT CREDITED	THIRD POLICY YEAR PAYMENT CREDITED
<S>	<C>	<C>	<C>
Less than $25,000	2% of the Initial Premium	2% of the Initial Premium	1% of the Initial Premium
$25,000 to $50,000	3% of the Initial Premium	2% of the Initial Premium	1% of the Initial Premium

</TABLE>

3. for which any applicable surrender charges are waived beginning on the later of (a) the date the Policyholder reaches age 59 1/2 and (b) the date the Enhanced Value Annuity has been in force four years.

B. ELIGIBILITY

A Policyholder is eligible for an Enhanced Value Annuity only with respect to each of the Policies described in this subsection, provided that the Policyholder does not elect to participate in the ADR Process with respect to such Policy.

1. Policyholders with in-force traditional whole-life Policies, other than those described in Section IV.B.2. below, may apply for an Enhanced Value Annuity with respect to each such Policy, provided that they have not applied for an Enhanced Value Policy as to such Policy. In addition, such Policyholders may also apply for an Optional Premium Loan or a Mutual Fund Enhancement with respect to such Policy.

2. Policyholders with Policies, as described in Section III.B.1. above, may apply for an Enhanced Value Annuity as to such Policy, provided that they have not applied for an Enhanced Value Policy as to such Policy. In addition, such Policyholders may also apply for an Optional Premium Loan or a Mutual Fund Enhancement with respect to such Policy.

3. Policyholders with in-force VAL/AL Policies may apply for an Enhanced Value Annuity with respect to each such Policy, provided that they have not applied for an Enhanced Value Policy as to such Policy. In addition, such Policyholders may also apply for an Optional Premium Loan or a Mutual Fund Enhancement with respect to such Policy.

4. Policyholders with terminated, lapsed or surrendered Policies may apply for an Enhanced Value Annuity with respect to each such Policy, provided that they have not applied for an Enhanced Value Policy as to such terminated, lapsed or surrendered Policy.

C. OBTAINING ENHANCED VALUE ANNUITIES

To obtain an Enhanced Value Annuity, a Policyholder must make the initial payment with money from a source other than a surrender of, or a policy loan against or withdrawal of the values of, any existing life insurance or annuity product issued by the Company. The owner of an Enhanced Value Annuity must be the same as the owner of the Policy for which the Policyholder is eligible to participate in Basic Claim Relief under these guidelines. The annuitant must be the owner, or one of the owners, of the Policy with respect to which the election is made. If the Policy is solely owned by a non natural entity, then the annuitant will be the Insured under the Policy. The annuitant for the Enhanced Value Annuity must be under such maximum age for issuance of annuities as required by applicable state law or regulation, and in no event older than age 85. No money from a tax-qualified plan or product will be accepted as payment for an Enhanced Value Annuity, and the Enhanced Value Annuity will not be issued on a tax-qualified basis. If a Policyholder obtains an Enhanced Value Annuity but surrenders or assigns the annuity during the first three years, his or her annuity will not be credited with any subsequent payment by the Company.

V. MUTUAL FUND ENHANCEMENT

A. DESCRIPTION

The Company will offer eligible Policyholders the right to obtain a Mutual Fund Enhancement, subject to the conditions of eligibility set forth below. The Mutual Fund Enhancement will be a financial contribution by the Company for purchase of certain Mutual Fund Shares in addition to the initial purchase amount for such Mutual Fund Shares made by the Policyholder. The Mutual Fund Shares will be those shares in certain mutual funds set

forth on Schedule B hereto and currently distributed by Prudential Securities, Inc., a subsidiary of Prudential (the "Designated Mutual Funds"). This document does not constitute an offer to purchase any Mutual Fund Shares. Prior to receiving any Mutual Fund Shares, the Policyholder will be provided a prospectus (or prospectuses) that describes in detail the expenses, charges, and risks associated with such Mutual Fund Shares.

The shares (the "Class B Shares") in the Designated Mutual Funds available to Policyholders for the Mutual Fund Enhancement are described in greater detail in the prospectus for each Designated Mutual Fund. The Class B Shares will be offered subject to a contingent deferred sales charge, as described in the relevant prospectus, that generally begins at 5% and decreases to zero over a period of approximately six years. An initial purchase of Class B Shares in any such Designated Mutual Fund must be no less than $1,000, or such other amount as set forth in the applicable prospectus and the amount entitled to receive the enhancement described below is subject to the following limits:

POLICYHOLDER'S POLICY FACE AMOUNT	MAXIMUM POLICYHOLDER INITIAL PURCHASE AMOUNT ENTITLED TO ENHANCEMENT
Less than $100,000	$10,000
From $100,000 to $249,999	$20,000

From $250,000 to $999,999	$30,000
$1 million or over	$50,000

For any Policy making the Policyholder eligible for the Mutual Fund Enhancement, the Policyholder may not pay an aggregate amount for any Mutual Fund Enhancement and/or Enhanced Value Annuity in excess of the applicable Maximum Policyholder Initial Purchase Amount Entitled to Enhancement set forth above.

Concurrent with the initial purchase of Class B Shares, the Company will purchase additional Class B Shares for the purchaser's account in an amount equal to 4% of the amount of the initial purchase amount.

B. ELIGIBILITY

A Policyholder is eligible for a Mutual Fund Enhancement only with respect to each of the Policies described in this subsection, provided that the Policyholder does not elect to participate in the ADR Process with respect to such Policy.

1. Policyholders with in-force traditional whole-life Policies, other than those described in Section V.B.2. below, may apply for Mutual Fund Enhancements with respect to each such Policy, provided that they have not applied for an Enhanced

Value Policy as to such Policy. In addition, such Policyholders may also apply for an Optional Premium Loan or Enhanced Value Annuity with respect to such Policy.

2. Policyholders with Policies, as described in Section III.B.1. above, may apply for Mutual Fund Enhancements as to such Policy, provided that they have not applied for an Enhanced Value Policy as to such Policy. In addition, such Policyholders may also apply for an Optional Premium Loan or Enhanced Value Annuity with respect to such Policy.

3. Policyholders with in-force VAL/AL Policies may apply for Mutual Fund Enhancements with respect to each such Policy, provided that they have not applied for an Enhanced Value Policy as to such Policy. In addition, such Policyholders may also apply for an Optional Premium Loan or Enhanced Value Annuity with respect to such Policy.

4. Policyholders with terminated, lapsed or surrendered Policies may apply for Mutual Fund Enhancements with respect to each such Policy, provided that they have not applied for an Enhanced Value Policy as to such terminated, lapsed or surrendered Policy.

C. OBTAINING A MUTUAL FUND ENHANCEMENT

To obtain a Mutual Fund Enhancement, a Policyholder must make the initial payment with money from a source other than a surrender of, or a policy loan against or withdrawal of the values of any existing life insurance or annuity product issued by the Company. The purchaser must be the owner of the Policy with respect to which the election is made. No money from a tax-qualified plan or product will be accepted as payment for Mutual Fund Shares, and the MFS will not be issued and sold to individual retirement accounts or to qualified employee benefit plans on a tax-qualified basis.

SCHEDULE A

DESIGNATED ENHANCED VALUE ANNUITY

PRUDENTIAL'S FIXED INTEREST PLAN; PRUDENTIAL'S VARIABLE INVESTMENT PLAN

DESIGNATED ENHANCED VALUE POLICY

FACE AMOUNT	ISSUE AGES (0-75)	ISSUE AGES (76-85)
$5,000 - $24,999	Life at 85	Life at 90
$25,000 and above	Life at 85	Estate 25 Whole Life

Where the Policy making the Policyholder eligible for relief is a Survivorship Policy and both insureds are alive, the Designated Enhanced Value Policy shall be a Survivorship policy with a face amount not exceeding $2,000,000. Where an insured under a Survivorship Policy is deceased, the above table shall apply with respect to the Designated Enhanced Value Policy on the life of the remaining surviving insured, which Enhanced Value Policy shall have

a face amount not exceeding $1,000,000.

Where the Policy making the Policyholder eligible for relief is a Joint Whole Life Policy, a separate Designated Enhanced Value Policy as set forth on the above table shall apply with respect to the life of each insured; each such Designated Enhanced Value Policy shall have a face amount not to exceed one-half of the face amount of the Joint Whole Life Policy making the Policyholder eligible for relief; and both Designated Enhanced Value Policies together shall have an aggregate face amount not exceeding $1,000,000.

SCHEDULE B

MUTUAL FUNDS

The Prudential Equity Fund
The Prudential Equity Income Fund
The Prudential Allocation Fund/Balanced Portfolio
The Prudential World Fund/Global Series
The Prudential Diversified Bond Fund
The Prudential Municipal Bond Fund/Intermediate Term Series
The Prudential National Municipal Fund

EXHIBIT E -- HEARING ORDER

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	MASTER DOCKET NO. 95-4704 (AMW) MDL NO. 1061
THIS DOCUMENT RELATES TO: ALL ACTIONS LISTED ON EXHIBIT A	

ORDER CONDITIONALLY CERTIFYING CLASS FOR SETTLEMENT PURPOSES, DESIGNATING CLASS COUNSEL AND CLASS REPRESENTATIVES, STAYING PENDING MOTIONS, DIRECTING ISSUANCE OF NOTICE, ISSUING INJUNCTION AND SCHEDULING SETTLEMENT HEARING

Numerous actions that have been filed against defendant The Prudential Insurance Company of America ("Prudential") and certain employees, officers and directors of the foregoing (the "Individual Defendants," collectively, the "Defendants") have been centralized by the Judicial Panel on Multidistrict Litigation in this Court (the "Actions," as identified in Exhibit A hereto). The Consolidated Complaint, as amended on September 20, 1996 (the "Consolidated Complaint"), asserts claims relating to the Defendants' sales practices and contains allegations, among other things, involving misrepresentations concerning: (i) the use of an existing policy's cash value or dividend or interest stream to purchase or maintain a new

policy or other policy by means of a surrender, withdrawal or loan; (ii) the number of out-of-pocket cash premium payments required to be paid for a policy and/or the benefits to be realized or paid based on a particular number of cash premium payments; and (iii) that the product being sold was solely or predominantly an investment or savings vehicle rather than a life insurance policy.

Shortly after this litigation was initiated, the New Jersey Commissioner of Insurance headed a Multi-State Life Insurance Task Force (the "Task Force") to examine sales and marketing practices in the life insurance industry, beginning with a market conduct examination of Prudential, the largest life insurer in the United States. After the Task Force had concluded an extensive review, the Task Force and Prudential each announced a remediation plan which the Task Force and Prudential agreed provided fair and appropriate relief to policyholders who may have been harmed by misrepresentations made in the sale of their policies (the "Task Force Plan"). Forty-three states and the District of Columbia have executed agreements directing Prudential to implement the Task Force Plan.

Before Prudential had begun to implement the Task Force Plan, the parties and their attorneys in the Actions entered into a Stipulation of Settlement (including the exhibits annexed thereto), dated October 28, 1996 (the "Stipulation"), in which the parties agreed upon a plan for settling the Actions subject to the approval and determination of the Court as to the fairness, reasonableness and adequacy of the settlement, which, if approved, is to be in full and final discharge of all claims and matters that have been alleged or might be raised in connection with the allegations raised in the Actions. The parties' proposed settlement expands upon the Task Force Plan.

Upon reviewing the Stipulation, the Consolidated Complaint, the pleadings and other papers submitted in the Actions and all prior proceedings held herein, and the parties having requested that the Court enter an Order: (i) conditionally certifying the Class solely for the purpose of seeking a settlement of the Actions and for no other purpose and without an adjudication of the merits, the parties having preserved all of their legal rights, defenses and remedies; (ii) designating class counsel and class representatives for settlement purposes; (iii) staying all pending motions in the Actions; (iv) directing the issuance of a Class notice; (v) issuing an injunction: and (vi) scheduling a hearing on the fairness, reasonableness and adequacy of the proposed settlement, and after due deliberation having been had thereon:

It is on this ___ day of October, 1996

ORDERED, ADJUDGED AND DECREED as follows:

1. Class Certification for Settlement Purposes Only. Pursuant to the procedures set forth in Rule 23 of the Federal Rules of Civil Procedure, based on the record, including the class action allegations in the Consolidated Complaint, the Court conditionally, certifies, for settlement purposes only, the parties having preserved all of their legal rights, defenses and remedies, a class that consists of all persons who own or owned at termination an individual permanent whole life insurance policy issued by Prudential or any of its United States Life insurance subsidiaries during the Class Period of January 1, 1982 through December 31, 1995 (the "Policy" or "Policies"), except as specifically described below ("Policyholders"), and do not timely exclude themselves from participating in the settlement ("Class Members" or the "Class").

The Policyholders do not include the following persons or entities (unless such persons or entities are Policyholders by virtue of their ownership interest in other Policies):

(i) policyowners who were represented by counsel at the time they executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such Policies; (ii) policyowners that are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate- or trust-owned life insurance under which either (a) there are 50 or more separate insured individuals or (b) the aggregate premium paid over an eight (8) year period, ending with the close of 1996, exceeds one million dollars; or (iii) policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

2. Lead Counsel Designated. The law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C. ("Lead Counsel") shall continue as lead counsel for the Class, solely for the purpose of settling the Actions.

3. Additional Counsel Designated. The following firms are designated as additional counsel for the Class ("Additional Counsel"), solely for the purpose of settling the Actions: Arnzen, Parry & Wentz, P.S.C.; Hopkins Goldenberg, P.C.; and Perry & Windels (who are Executive Committee Members); and Goldstein, Till & Lite; Bonnet, Fairbourn, Friedman, Hienton, Miner & Fry, P.C.; Cantilo, Maisel & Hubbard, LLP.; DeFalice & Coleman, P.C.; Law Offices of Douglas B. Thayer; Drubner, Hartley, O'Connor and Mengacci; Law Office of Jay R. Tomerlin; Specter Law Offices; Ziegler, Ziegler & Altman; Heins, Mills & Olson, P.L.C.; Giebel, Gilbert & Mandel; Levin, Fishbein, Sedran & Berman; Allen, Lippes & Shonn; Zwerling, Schachter, Zwerling & Koppell, L.L.P.; Goodkind, Labaton, Rudoff & Sucharow, L.L.P.; The Law Offices of Eric D. Freed and Hagens and Berman.

4. Class Representatives Designated. The named plaintiffs in the Consolidated Complaint are designated as Class Representatives, solely for the purpose of seeking a settlement of the Actions.

5. Motions Stayed. All pending motions in the Actions are stayed.

6. Findings Regarding Proposed Settlement. The Court finds that (a) the proposed settlement resulted from extensive arm's-length negotiations and was concluded only after counsel for plaintiffs had conducted extensive discovery (including the review of hundreds of thousands of pages of documents and the taking of numerous depositions of present and former agents, officers, and employees of Prudential) and had consulted independent experts about the fairness, reasonableness and adequacy of the proposed settlement; and (b) the proposed settlement evidenced by the Stipulation is sufficient to warrant (i) notice thereof to Policyholders and (ii) a full hearing on the settlement.

7. Settlement Hearing. A hearing (the "Settlement Hearing") will be held before this Court at 10:00 a.m. on January 21, 1997, at the Martin Luther King, Jr. Federal Courthouse, 50 Walnut Street, Newark, New Jersey, to consider the fairness, reasonableness and adequacy of the proposed settlement and the terms and provisions of the Stipulation, including the award of attorneys' fees and expenses to plaintiffs' counsel, and to determine whether the proposed settlement and the Stipulation should be finally approved by the Court.

8. Pre-Hearing Notices.

(a) Notice by Mail. Notice substantially in the form annexed to the Stipulation as Exhibit F-2 (the "Class Notice") shall be mailed, at Prudential's expense, by first class mail, postage prepaid, no later than 60 days before the Settlement Hearing, to the last known addresses of all Policyholders. The Class Notice will (i) contain a short, plain

statement of the background of the Actions, the conditional Class certification and the proposed settlement, (ii) describe the proposed forms of relief, (iii) explain the procedures for receiving or participating in the proposed forms of relief, (iv) explain Class Members' rights of exclusion, objection and appeal and (v) state that any relief to Class Members is contingent on the Court's final approval of the proposed settlement.

The Class Notice will include, to the extent practicable, (i) each Policyholder's name and the mailing address with respect to each Policy, as reflected in Prudential's records, (ii) the policy number of each Policy in which the Policyholder has or had an ownership interest, (iii) a notation as to the form(s) of relief for which the Policyholder may be eligible and (iv) the identity of any co-owners of the Policies, as reflected in Prudential's records.

(b) Notice by Publication. In addition to mailing the Class Notice to Policyholders, Prudential will publish a summary notice of the proposed settlement, the Settlement Hearing and Class Members' exclusion, objection and appeal rights in the national editions of the New York Times (business section) and The Wall Street Journal, in USA Today, The Star Ledger and in such other newspapers and/or periodicals and on such dates as are determined by Prudential in consultation with Lead Counsel and subject to this Court's approval as to the form and dates of such notice. Notice will be published at least once in each of the above-named publications no later than 50 days before the Settlement Hearing.

(c) Remailing and Additional Notice. Prudential, or the Claimant Group Administrator, as defined in the Stipulation, (whose job it is, inter alia, to help implement the terms of the proposed settlement) shall (i) remail any notices returned by the United States Postal Service (the "Postal Service") with a forwarding address that are received by

Prudential or the Claimant Group Administrator at least 30 days, if practicable, before the Settlement Hearing, (ii) retain an address research firm to research any returned notices that do not include a forwarding address and (iii) provide copies of and returned notices to the address research firm as soon as practicable following receipt. The address research firm will return to Prudential or the Claimant Group Administrator, promptly after receipt of a returned notice, either an updated address or a statement that, following due research, it has not been possible to update the address. Prudential or the Claimant Group Administrator will remail notice to any Policyholder for whom the address research firm provides an updated address, so long as the updated address is provided to Prudential or the Claimant Group Administrator at least 30 days before the Settlement Hearing.

(d) Proof of Mailing. At or before the Settlement Hearing, Prudential shall file a proof of mailing of the Class Notice and proof of publication of the Publication Notice.

9. Findings Concerning Notice. Having considered, among other factors, (i) the cost of giving notice by various methods. (ii) the resources of the parties, (iii) the stake of each Policyholder, and (iv) the likelihood that significant numbers of Policyholders might desire to exclude themselves from the Class or appear individually, the Court finds that notice given in the form and manner provided in paragraph 8 of this Order is the best practicable notice and is reasonably calculated, under all the circumstances, to apprise Policyholders of the pendency of this class action and of their right to object to or exclude themselves from the proposed settlement. The Court further finds that such notice is reasonable, that it constitutes due, adequate and sufficient notice to all persons entitled to receive notice, and that it meets the requirements of due process.

10. Communications with Policyholders. Defendants, including their agents, sales representatives and any other retained personnel, are authorized to communicate with Class Members and other present or former Policyholders about the class action and the terms of the proposed settlement, subject to monitoring by Lead Counsel and the Regulatory Oversight Staff (consisting of state regulators), and to engage in any other communications within the normal course of Prudential's business.

11. Administration. The Court authorizes Prudential to retain the Claimant Group Administrator to help administer the terms of the settlement and authorizes Prudential to establish the means necessary to administer the settlement relief, process election forms and implement the ADR process, subject to monitoring from time to time by Lead Counsel and the Regulatory Oversight Staff. Defendants or the Claimant Group Administrator shall rent a post-office box in the name of the Clerk of the Court, to be used for receiving requests for exclusion, objections and any other communications, providing that, other than the Court or the Clerk of the Court, only Prudential, Lead Counsel and their designated agents shall have access to this post-office box.

12. Exclusion from Class. Each Policyholder who wishes to exclude himself or herself from the Class must do so by sending a written request for exclusion in care of the post-office box rented for that purpose, by first-class mail, postage prepaid. Exclusion requests must be postmarked no later than December 19, 1996. The original requests for exclusion shall be filed with the Court by Lead Counsel at or before the Settlement Hearing. If the proposed settlement is approved, any and all Policyholders who have not submitted a timely, written request for exclusion from the Class shall be bound by all proceedings, orders and judgments in the Actions, even if those persons have previously initiated or subsequently

initiate individual litigation or other proceedings against the Defendants (or any of them) relating to the policies and claims released in the Actions.

13. Objections and Appearances.

(a) Written Objections. Any Policyholder who has not filed a written request for exclusion with respect to all of his or her Policies, and is thus a Class Member, may object to the fairness, reasonableness or adequacy of the Stipulation or proposed settlement or the award of attorneys' fees and expenses. Class Members may do so either on their own or through an attorney hired at their own expense. Any Class Member who wishes to object to the proposed settlement must file and serve a written statement of objection, along with all other support, papers or briefs that he or she wishes the Court to consider, on each of the following:

Clerk of the Court
United States District Court
District of New Jersey
P.O. Box [ILLEGIBLE]
Newark, New Jersey [ILLEGIBLE]

Melvyn I. Weiss, Esq.
Milberg Weiss Bershad Hynes & Lerach, LLP
One Pennsylvania Plaza
New York, New York 10119-0165

and

Michael B. Hyman, Esq.
Much Shelist Freed Denenberg
Ament Bell & Rubenstein, P.C.
200 North LaSalle Street
Suite 2100
Chicago, Illinois 60601

Co-Lead Counsel for Plaintiffs and the Class

Reid L. Ashinoff, Esq.
Sonnenschein Nath & Rosenthal
1221 Avenue of the Americas
New York, New York 10020

Counsel for Prudential

Objections must be received by the Court and the above counsel no later than December 19, 1996. Any objection that is not timely made shall be forever barred. Any attorney hired by a Class Member, at that Class Member's expense,

for the purpose of objecting to the proposed settlement, must file with the Clerk of the Court, and serve on Lead Counsel and Prudential's Counsel, a notice of appearance, no later than December 19, 1996.

(b) Appearance at Settlement Hearing. Any Class Member who files and serves a timely written objection may also appear at the Settlement Hearing either in person or through personal counsel hired at the Class Member's expense, to object to the fairness, reasonableness or adequacy of the Stipulation or the proposed settlement. Class Members or their attorneys intending to appear at the Settlement Hearing must serve on Lead Counsel and Prudential's Counsel and file with the Court, no later than December 19, 1996, a notice of intention to appear, setting forth the name, address and telephone number of the Class Member (and, if applicable, the name, address and telephone number of the Class Member's attorney) and setting forth the objection, including all papers in support thereof. Any Class Member who does not timely file and serve a written objection and a notice of intention to appear by December 19, 1996 shall not be permitted to object or appear, except for good cause shown, and shall be deemed to have waived and forfeited, and shall be foreclosed from raising, any objection to the settlement, and shall be bound by all the terms of the Stipulation and by all proceedings, orders and judgments in the Actions.

14. Access to Disclosure Materials. Policyholders may obtain access, at their own expense, to the deposition transcripts and attached exhibits as well as to all other documents generated in this lawsuit by entering into the Stipulation of Confidentiality governing these documents. These documents will be made available at the offices of Milberg Weiss Bershad Hynes & Lerach, LLP at One Pennsylvania Plaza, New York, New York 10019-0165 and at 600 West Broadway, 1800 One America Plaza, San Diego, California 92101-5050, and at the offices of Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C., 200 North LaSalle Street, Suite 2100, Chicago, Illinois 60601.

15. Preliminary Injunction. Pursuant to the All-Writs Act, 28 U.S.C. ss. 1651(a), and the Anti-Injunction Act, 28 U.S.C. ss. 2283, the Court is empowered to enter an injunction necessary in aid of its jurisdiction in order to effectuate the proposed settlement. In connection with seeking approval of the proposed settlement, the Court's attention has been directed to the potential for conflicting rulings that may occur if actions related to this lawsuit which purport to be filed on behalf of a Class Member or Class Members, are allowed to go forward in other jurisdictions. In addition, such actions could create confusion among Policyholders who remain in the Class and may interfere with the operation of notice under the proposed settlement. Prudential has proffered evidence showing the existence of multiple class actions which could act to seriously impair this Court's ability to oversee the orderly and efficient management of the proposed nationwide class action settlement, and have demonstrated that without preliminary injunctive relief, many similar actions could proceed. Based on its familiarity with the issues in this lawsuit and the complexity of the proposed settlement, the Court finds that such actions may substantially impair the ability of this Court and the parties to implement the proposed settlement. The Court further finds that

judicial economy and the interests of justice will be served by issuing a preliminary injunction. Therefore, based on the record, including the legal and factual support for an injunction submitted by Prudential, this Court finds that an injunction is necessary to protect its jurisdiction, and hereby issues the following injunction, effective upon the mailing of the Class Notice, with Policyholders having thus been afforded the opportunity to exclude themselves from the Class:

No Policyholder, or any person acting on behalf of or in concert or participation with that Policyholder, may include any other Policyholder from the Class. All Policyholders and all persons acting on behalf of or in concert or participation with any Policyholder, are hereby enjoined from filing, commencing, prosecuting, continuing, litigating, intervening in or participating as class members in, any lawsuit in any jurisdiction based on or relating to the facts and circumstances underlying the claims and causes of action in this lawsuit, unless and until such Policyholder has timely excluded herself or himself from the Class. All persons receiving notice of this Order, including all Policyholders, are hereby enjoined from bringing a class action on behalf of Class Members, or seeking to certify a class which includes Class Members, in any lawsuit, in any jurisdiction, based on or relating to the facts and circumstances underlying the claims and causes of action in this lawsuit.

16. Service of Papers. Prudential and Lead Counsel shall serve on each other and on all other parties who have filed notices of appearance, at or before the Settlement Hearing, any further documents in support of the proposed settlement, including responses to any papers filed by Class Members. Prudential and Lead Counsel shall promptly furnish to each other any and all objections or written requests for exclusion that may come into their

possession and shall file such objections or requests for exclusion with the Court on or before January 21, 1997.

17. Termination of Settlement. This Order shall become null and void, and shall be without prejudice to the rights of the parties, all of whom shall be restored to their respective positions existing immediately before the parties entered into the proposed settlement, as per the terms of the Stipulation, if (a) the proposed settlement is not finally approved by the Court, or does not become final, pursuant to the terms of the Stipulation; or (b) the proposed settlement is terminated or does not become effective pursuant to the terms of the Stipulation. In such event, the proposed settlement and Stipulation shall become null and void and of no further force and effect, and neither the Stipulation nor the Court's prior orders, including this Order, shall be used or referred to for any purpose whatsoever.

18. Use of Order. This Order shall not be construed or used as an admission, concession or declaration by or against Prudential of any fault, wrongdoing, breach or liability, or by or against plaintiffs or the Class that their claims lack merit or that the relief requested in the Amended Complaint is inappropriate, improper or unavailable; nor shall this Order be construed or used to show that certification of one or more classes would or would not be appropriate if these Actions were to be litigated rather than settled.

19. Adjournment of Hearing. The Court reserves the right to adjourn the Settlement Hearing without further written notice.

ALFRED M. WOLIN, U.S.D.J.

EXHIBIT F-1 -- COVER LETTER TO CLASS NOTICE

To Our Valued Policyholders:

Throughout its history, Prudential has sought -- above all else -- to earn the trust of its policyholders. To demonstrate to you that Prudential deserves the trust and confidence you have placed in us, we are creating a comprehensive program to resolve policyholder concerns about life insurance sales practices. This program is the result of the efforts of Prudential, many of its regulators, and lawyers for a large group or class of Prudential policyholders to address customer concerns and to resolve claims in a fair and efficient manner.

OUTLINE OF THE PROGRAM

The comprehensive program will allow policyholders who believe they were misled regarding the sale of their Prudential policies to submit claims for relief to a no cost, user-friendly dispute resolution process instead of bringing lawsuits in court. This process provides our policyholders an opportunity to obtain individual relief tailored to their claims, based on the evidence available to support those claims. Your possible remedies may include returning policy values improperly used, cancelling unwanted policies and receiving a refund of premiums, or reducing the number of out-of-pocket premium payments. As an alternative, you can obtain Basic Claim Relief, without showing any wrongdoing by Prudential. Although not as great as the relief above, Basic Claim Relief includes loans at favorable interest rates, and life insurance, annuity contracts and mutual funds available for purchase with enhancements at Prudential's expense. If you do not want to participate, you can choose to exclude yourself from the class, which will allow you to file your own lawsuit.

CLASS ACTION SETTLEMENT

The program outlined above is a part of a proposed settlement of a nationwide class action lawsuit against Prudential. The suit was brought on behalf of Prudential policyholders who purchased permanent life insurance policies from January 1, 1982 through December 31, 1995. We believe you are part of this class. The proposed settlement must be approved by the court.

The class action settlement expands upon a remediation plan that was accepted in July by a Multi-State Life Insurance Task Force of state insurance regulators. That plan has already been accepted by 43 states and the District of Columbia. The proposed class action settlement provides additional remedies and procedural safeguards. Some of these remedies may result in additional cash payments to some policyholders.

We anticipate that the states that accepted the initial plan will allow Prudential to defer the offer of a remediation plan to February 1, 1997 in order to leave time for a court hearing on the class action settlement. If the class action settlement is approved by that date, one mailing will be sent to you

offering a program that incorporates the terms of the plan accepted by the states plus additional remedies and procedural safeguards that are contained in the proposed class action settlement. If there is no Court approval by February 1 and you live in one of the states which has accepted the Task Force Plan, you will then be notified of your eligibility to participate in a remediation program, which includes some of the remedies from

the class action settlement. If you reside in any other state, you will not receive any notification regarding the settlement unless it receives Court approval.

HOW DO I LEARN MORE ABOUT THE PROPOSED SETTLEMENT?

Accompanying this letter is the court-ordered notice to you of the class action settlement. This notice explains the proposed settlement in more detail. We believe the settlement is fair and equitable to Prudential policyholders. It fulfills our pledge to resolve all legitimate policyholder claims, and provides an objective and efficient means to do so without the costs and delays of litigation.

YOU DO NOT NEED TO TAKE ANY ACTION NOW TO RECEIVE RELIEF UNDER THE CLASS ACTION SETTLEMENT. HOWEVER, YOU MUST ACT NOW IF YOU WISH TO OBJECT TO OR BE EXCLUDED FROM PARTICIPATING IN THE CLASS ACTION SETTLEMENT. IF YOU EXCLUDE YOURSELF FROM THE CLASS, YOU WILL RETAIN THE ABILITY TO BRING YOUR OWN LAWSUIT AGAINST THE COMPANY, BUT YOU WILL NOT BE ELIGIBLE FOR RELIEF PROVIDED BY THE CLASS ACTION SETTLEMENT. IF YOU REMAIN A MEMBER OF THE CLASS, YOU CANNOT BRING YOUR OWN LAWSUIT AGAINST PRUDENTIAL FOR MISLEADING SALES PRACTICES.

PLEASE READ THE ENCLOSED MATERIALS CAREFULLY SO THAT YOU ARE AWARE OF YOUR RIGHTS. If you have questions after reviewing the enclosed information, you can reach us at a special toll-free number we have established to answer your questions, 1-800-736-8913.

WHAT HAPPENS NEXT?

The court hearing the class action lawsuit has scheduled a final hearing to approve the settlement for January 21, 1997. If you don't ask to be excluded, you will receive a further mailing from us providing you the opportunity to elect the relief to which you may be entitled.

* * *

Please read the enclosed materials carefully. I hope the program they describe, together with other measures Prudential has been undertaking to provide the best possible service for our policyholders, will fully address policyholder concerns and reinforce to you how much Prudential values its relationship with you.

Sincerely,

Arthur F. Ryan

SUMMARY OF RELIEF AVAILABLE UNDER THE PROPOSED SETTLEMENT

Unless you ask to be excluded from the class, you will have a choice between two categories of settlement relief: an alternative dispute resolution process ("ADR Process") or Basic Claim Relief. Following is a brief summary of the relief available. A more complete description is included in the enclosed Class Notice and the Questions and Answers brochure that follow the Notice.

ADR PROCESS

Any eligible policyholder who believes that he or she was misled regarding the sale of his or her policy can submit a claim under a no-cost, efficient alternative dispute resolution process. This Process includes, among other measures to protect policyholders, the ability to have the Company's claim determinations reviewed by an independent, final decision-maker with a Policyholder Representative who will be available, at no cost, to represent claimants that appeal, and the involvement in the process of a Claimant Representative selected by the attorneys for the class. The entire process will be overseen by a group of state insurance regulators and attorneys for the class.

Types of Claims Eligible for Relief

Claims in the ADR Process may be based on instances in which you believe you were misled about:

(i) Financed Insurance, which generally involves the use of loans, dividends or other values of existing policies to pay premiums on new policies (sometimes referred to as "twisting" or "churning");

(ii) Abbreviated Payment, which generally involves the use of a policy's dividends or other values to pay premiums on the same policy (sometimes referred to as "vanishing premium");

(iii) Whether you were sold a life insurance policy, rather than an investment, savings or retirement product, and you did not know you were buying a life insurance policy; and/or

(ix) any other improper sales practices.

Range of Relief Available

The range of relief available through the ADR Process depends on the type of claim and the available evidence concerning it. Remedies can include the return of policy values improperly used, allowing a policyholder to cancel an unwanted policy and receive a refund of some or all of the premiums paid, to Prudential agreeing that the policyholder need not make future out-of-pocket payments for some or all premiums due. Certain additional remediation amounts and various financial guarantees and minimum payment obligations will only be available as part of the ADR Process if and when the class action settlement has been finally approved after the conclusion of appeals in court.

THERE IS NO GUARANTEE THAT THE ADR PROCESS WILL RESULT IN A DETERMINATION IN THE POLICYHOLDER'S FAVOR. A DETERMINATION AGAINST THE POLICYHOLDER WILL NOT PRODUCE ANY FORM OF RELIEF. FURTHER, IF YOU CHOOSE THIS PROCESS, THE GUARANTEED RIGHT TO TAKE ADVANTAGE OF BASIC CLAIM RELIEF (AS DESCRIBED BELOW) WILL NOT BE AVAILABLE.

Basic Claim Relief

If a policyholder does not wish to file a claim under the ADR Process, he or she may consider the options available under Basic Claim Relief. To obtain Basic Claim Relief, the policyholder need not claim that he or she was misled or harmed in any way, or that any improper sales practices occurred. The options available under Basic Claim Relief, each of which has particular eligibility requirements, include:

(i) Optional Premium Loans - low interest loans to help policyholders make required out-of-pocket premium payments;

(ii) An Enhanced Value Policy - the purchase by the policyholder of a whole life insurance policy subject to liberalized underwriting requirements, which is enhanced by Prudential providing a certain amount of additional insurance coverage without charge;

(iii) An Enhanced Value Annuity - the purchase by the policyholder of a deferred annuity which is enhanced by contributions from Prudential and in which surrender charges may be waived in certain circumstances; or

(iv) A Mutual Fund Enhancement - the purchase by the policyholder of shares in selected mutual funds with Prudential contributing additional shares of such funds.

The Mutual Fund Enhancement and certain additional contributions to the Enhanced Value Policy and the Enhanced Value Annuity will only be available after the class action settlement is finally approved on appeal.

ADDITIONAL INFORMATION ABOUT THE ADR PROCESS AND BASIC CLAIM RELIEF CAN BE FOUND IN THE ENCLOSED CLASS ACTION NOTICE AND THE QUESTIONS AND ANSWERS BROCHURE THAT FOLLOW THE NOTICE.

Choices You Need To Make Now

At this point in the settlement process, you have the following choices which we urge you to consider carefully:

- You may remain in the Class and be eligible to apply for relief under the proposed settlement. If this is what you want to do, you need not take any action at this time. A second notice offering you an opportunity to choose relief will be sent to you later.

- You may remain in the Class but file with the Court a written objection, postmarked not later than December 19, 1996, to any aspect of the proposed settlement. To do so, you must comply with the requirements described in Section 9 of the enclosed Notice.

- You may exclude yourself from the Class. To do so, you must file a written request for exclusion from the Class, postmarked not later

than December 19, 1996, and comply with the requirements described in Section 9 of the enclosed Class Action Notice. If you exclude yourself from the class, you will retain the ability to bring your own lawsuit against the Company, but you will not be eligible for relief provided by the proposed settlement.

As explained in the enclosed Class Action Notice and the Questions and Answers brochure, regardless of whether the Court approves the class action settlement, Prudential anticipates that the 43 states and the District of Columbia accepting the Task Force plan will agree to allow Prudential to defer the offer of the plan until February 1, 1997, to allow time for the Court to hold a hearing on the Class action settlement. Even if you exclude yourself from the Class, you may still be eligible to participate in the Task Force plan, in the event the proposed Class action settlement does not go forward. You will be required to provide Prudential with a release to participate in that plan.

IF YOU HAVE ANY QUESTIONS, PLEASE CALL THE CLAIMANT SUPPORT TEAM AT 800-736-8913 (FOR TELECOMMUNICATION DEVICE FOR THE DEAF, CALL 800-782-1863).

STATEMENT OF ELIGIBILITY

John Doe
Jane Doe
P O Box 123
Route 34
Anytown, NJ 01234
USA

Additional Owners
[Note: If more than two owners, list other names here.]

Our records indicate that you may be a member of a group or class of policyholders of the Prudential Insurance Company of America ("Prudential") who purchased permanent individual whole life insurance and on whose benefit a lawsuit has been brought against Prudential. The lawsuit, and a proposed settlement of the lawsuit, are described in detail in the enclosed notice (and accompanying explanatory materials). PLEASE READ THE ENTIRE NOTICE CAREFULLY.

You may be entitled to one or more forms of relief, depending on eligibility, for each Policy issued during the period from January 1, 1982 through December 31, 1995, in which you now have, or previously had, ownership rights as described in the notice. If ownership is shared, all those with ownership rights must jointly exercise rights provided by the settlement.

If you believe that any of the policy information provided below is incorrect, or if your address is incorrect, please immediately notify us of any necessary corrections. Call the Claimant Support Team at 800-736-8913 (for Telecommunications Device for the Deaf, call 800-782-1863). Telephone representatives will be available 24 hours a day on weekdays (beginning Monday at 8 a.m.) and Saturdays from 9 a.m. to 3 p.m, your local time.

The proposed settlement offers you a choice of two forms of relief: Basic Claim Relief or an Alternative Dispute Resolution Process ("ADR Process"). The Basic Claim Relief for which you are eligible is subject to certain eligibility restrictions. Basic Claim Relief and the ADR Process are described in detail in the notice.

If you believe you were misled in connection with Prudential's sale of your permanent whole life insurance policy, you may choose to participate in the ADR Process. As an alternative to participating in the ADR Process, you can elect to receive Basic Claim Relief. You do not have to choose at this time whether to participate in the ADR Process or the Basic Claim Relief. A subsequent notice will be sent to you that will tell you when you need to make that election. If you decide to obtain Basic Claim Relief, our records indicate that you will be eligible for the following types:

<TABLE>
<CAPTION>

Policy Number	Policy Status	Available Basic Claim Relief (for those not electing the ADR Process)
<S>	<C>	<C>
12 345 678	Active	Optional Premium Loan, Enhanced Value Annuity
23 456 789	Not active	Enhanced Value Policy
45 678 901	Active	Optional Premium Loan, Enhanced Value Policy, Enhanced Value Annuity

</TABLE>

EXHIBIT F-2
NOTICE OF CLASS ACTION, PROPOSED SETTLEMENT,
SETTLEMENT HEARING AND RIGHT TO APPEAR

IMPORTANT NOTICE TO:

ALL PERSONS WHO PURCHASED CERTAIN LIFE INSURANCE POLICIES FROM PRUDENTIAL FROM JANUARY 1, 1982 THROUGH DECEMBER 31, 1995

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	:	MASTER DOCKET NO. 95-4704 (AMW) MDL NO. 1061
THIS DOCUMENT RELATES TO: ALL ACTIONS LISTED ON EXHIBIT A	:	

NOTICE OF CLASS ACTION, PROPOSED SETTLEMENT, SETTLEMENT HEARING AND RIGHT TO APPEAR

THIS IS AN OFFICIAL NOTICE FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY TO INFORM ALL PERSONS WHO PURCHASED CERTAIN LIFE INSURANCE POLICIES FROM PRUDENTIAL FROM JANUARY 1, 1982 THROUGH DECEMBER 31, 1995 OF A PROPOSED SETTLEMENT IN THIS CLASS ACTION LAWSUIT.

YOU SHOULD READ THIS NOTICE CAREFULLY BECAUSE IF YOU ARE A MEMBER OF THE CLASS, IT WILL AFFECT YOUR LEGAL RIGHTS AND WILL BE LEGALLY BINDING UPON YOU IN THE FUTURE. HOWEVER, YOU DO NOT HAVE TO DO ANYTHING AT THIS TIME TO OBTAIN RELIEF UNDER THE PROPOSED SETTLEMENT.

1. PURPOSE OF THE NOTICE

You have been sent this Notice because you may be eligible for certain relief to be provided as part of the proposed settlement of a consolidated class action lawsuit. The lawsuit was brought on behalf of a class of policyholders against The Prudential Insurance Company of America ("Prudential"). The lawsuit alleges a variety of claims relating to the manner in which Prudential sold life insurance policies. The class generally includes all persons who purchased individual permanent (whole life) insurance policies issued by Prudential during the period from January 1, 1982 through December 31, 1995 (the "Class Period").

A proposed settlement has been reached between Prudential and the Plaintiffs in the lawsuit. The Court has conditionally certified the Class for settlement purposes and determined that the settlement was sufficient to justify sending you this Notice. The Court will hold a hearing regarding the fairness, reasonableness and adequacy of the proposed settlement before deciding whether final approval will be granted. Unless you exclude yourself from the class, you will be bound by the terms of the settlement, if final approval is granted. That means you could not pursue your own lawsuit against Prudential for claims covered by this class action.

This Notice contains the following important information:

- A description of those persons who are included in the Class;
- A description of the lawsuit;
- A description of state insurance department and Multi-State Life Insurance Task Force examination of Prudential and the policyholder remediation plan that 43 states and the District of Columbia accepted. The interaction of the Multi-State Task Force remediation plan with the proposed class action settlement is also described;
- A detailed discussion of the relief being made available to Class Members;
- A description of the release of claims which Class Members will give Prudential; and
- An explanation of how you can request to be excluded from the Class, or object to the settlement.

2. SUMMARY OF THE PROPOSED SETTLEMENT RELIEF

If you are a Class Member, the settlement offers you two alternative forms of relief in exchange for resolving all of your claims involving the sale, servicing or operation of your whole life policies (as set forth in the Release and Waiver Section below). (A detailed description of the relief offered under the settlement is contained in Section 6.)

First, you may elect to participate in an Alternative Dispute Resolution Process (the "ADR Process"). The ADR Process is offered at no cost to Class Members and provides a simplified means for Class Members who believe that they may have been misled regarding the sale of their policies to have their claims resolved without having to go to court. The ADR Process provides Class Members an opportunity to obtain relief without the delays and expense of traditional litigation and without being subject to certain legal defenses, such as statutes of limitation, which Prudential could raise to possibly defeat claims in a court proceeding. The relief awarded in the ADR Process will depend on the type of claim and the available evidence. You may also be eligible to receive a portion of the Additional Remediation Amount (as described below). There is no guarantee, however, that you will receive any relief in the ADR Process, and by electing to file an ADR claim you will not be able to seek Basic Claim Relief. For further explanation see "Description of the Proposed Settlement -- Alternative Dispute Resolution Process" below.

Second, as an alternative to the ADR Process, Class Members may obtain Basic Claim Relief. Basic Claim Relief requires no showing by the Class Member of any wrongdoing by Prudential. Depending on the circumstances, the relief can include loans at favorable interest rates to pay premiums and/or the opportunity for you to purchase life insurance policies or annuities with values enhanced at Prudential's expense, or to purchase shares of mutual funds with Prudential contributing additional shares of such funds. Each of these options is described in detail below.

3. THE CLASS AND CHOICES YOU NEED TO MAKE NOW

Judge Alfred M. Wolin of the United States District Court for the District of New Jersey has issued an Order conditionally certifying only for settlement purposes a class of all persons who own or owned at termination an individual permanent (whole life) insurance policy issued by Prudential or any of its United States life insurance subsidiaries during the Class Period of January 1, 1982 through December 31, 1995 (the "Policy" or "Policies"), except as specifically described below ("Policyholders"), and who do not timely exclude themselves from participating in the settlement ("Class Members" or the "Class").

The Policyholders do not include the following persons or entities (unless such persons or entities are Policyholders by virtue of their ownership interest in other Policies): (i) policyowners who were represented by counsel at the time they executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such Policies, (ii) policyowners that are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate- or trust-owned

life insurance and under which either (a) there are 50 or more separate insured individuals or (b) the aggregate premium paid over an eight (8) year period, ending with the close of 1996, exceeds one million dollars, or (iii) policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

As you will see from reading this Notice, if you are an eligible Policyholder, you have the following choices with respect to each Policy issued during the Class Period in which you have an ownership interest:

- YOU MAY REMAIN IN THE CLASS AND PARTICIPATE IN THE RELIEF OF THE PROPOSED SETTLEMENT. IF THIS IS WHAT YOU CHOOSE TO DO, YOU NEED NOT TAKE ANY ACTION AT THIS TIME. YOUR INTERESTS WILL BE REPRESENTED WITHOUT COST TO YOU BY LEAD COUNSEL, AS DEFINED HEREIN, FOR THE CLASS, AND IF YOU LIVE WITHIN ONE OF THE STATES OR THE DISTRICT OF COLUMBIA WHICH HAS ACCEPTED THE TASK FORCE REMEDIATION PLAN, BY A REGULATORY OVERSIGHT STAFF COMPOSED OF STATE INSURANCE REGULATORS. If the settlement is approved by the Court, you will be contacted again and will be asked which of the available relief, if any, you wish to elect. You should keep in mind that, if you remain in the Class, you will be bound by all orders and judgments entered in this case, including the release and waiver of claims which absolves Prudential of further liability to you in connection with the sale of your Policy. (See Section 8 below).

- IF YOU REMAIN IN THE CLASS, YOU MAY FILE WITH THE COURT A WRITTEN OBJECTION TO ANY ASPECT OF THE PROPOSED SETTLEMENT. OBJECTIONS MUST BE RECEIVED BY THE COURT AND COUNSEL FOR THE PLAINTIFFS AND PRUDENTIAL, NO LATER THAN DECEMBER 19, 1996. To do so, you must comply with the requirements described below in Section 10. In

addition, you (or an attorney acting on your behalf at your expense) may appear before the Court to voice your objection to the extent allowed by the Court. If the Court does not agree with your objection, you nevertheless will be bound by the orders and judgments in this case.

- IF YOU DO NOT WISH TO REMAIN IN THE CLASS, YOU MAY EXCLUDE YOURSELF BY SENDING A FORMAL, WRITTEN REQUEST FOR EXCLUSION THAT COMPLIES WITH THE REQUIREMENTS DESCRIBED BELOW IN SECTION 9. SUCH REQUEST MUST BE SENT TO THE ADDRESS PROVIDED IN SECTION 9 BELOW AND POSTMARKED NO LATER THAN DECEMBER 19, 1996. If the proposed settlement is approved and you request exclusion, (i) you lose all rights to relief under the Class Action Settlement Program, as defined below, (ii) you may not file any objection to the proposed settlement, and (iii) you will not be bound by any orders or judgments in this case.

Please keep these three choices in mind as you read this Notice. Your decision will be affected by all the information in this Notice, including in particular the information about the release of Class Members' claims in Section 8, and about the interaction with the Multi-

State Task Force remediation plan in Section 11. YOU MAY MAKE A DIFFERENT CHOICE FOR EACH POLICY YOU OWN.

4. DESCRIPTION OF THE LAWSUIT

The class action proposed to be settled is consolidated from a number of lawsuits, which were filed beginning in February, 1995, and which were centralized by the Judicial Panel on Multi-district Litigation (the "Judicial Panel") in the United States District Court for the District of New Jersey as part of In re The Prudential Insurance Company of America Sales Practices Litigation, MDL Docket No. 1061 (the "Centralized Proceeding"). By order dated August 3, 1995, and in several subsequent transfer orders, the Judicial Panel consolidated these lawsuits for pretrial purposes. The Honorable Alfred M. Wolin is presiding over the Centralized Proceeding. The Court has approved the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C. as Lead Counsel to represent the Class, in settlement of this action.

On October 24, 1995, plaintiffs in several of the lawsuits joined together to file a Consolidated Amended Class Action Complaint in the Centralized Proceeding. Prudential subsequently moved to dismiss all of the claims in this complaint. By Order dated May 10, 1996 (as amended June 10, 1996), the Court dismissed only portions of that complaint, and plaintiffs were allowed to proceed with certain of their claims. Defendants' motion to stay the Centralized Proceeding was denied. Lead Counsel conducted formal and informal discovery as further described in "Description of Proposed Settlement -- Background to the Settlement," Section 6. On September 20, 1996, plaintiffs in eleven of the lawsuits in the Centralized Proceeding joined in the filing of a Consolidated Second Amended Class Action Complaint (the "Consolidated Complaint") naming Prudential and several of its former officers and directors as defendants.

The Consolidated Complaint purports to be brought on behalf of a nationwide class of persons who purchased individual permanent life insurance policies from Prudential in the United States between the period January 1, 1982 and the present. The plaintiffs in the Consolidated Complaint make allegations, among other things, that Prudential engaged in a common course of conduct through which life insurance was improperly sold through misrepresentations concerning:

(i) the use of an existing policy's cash value or dividend or interest stream to purchase or maintain a new policy or other policy by means of a surrender, withdrawal or loan (sometimes referred to as "twisting" or "churning");

(ii) the number of out-of-pocket cash premium payments required to be paid for a policy and/or the benefits to be realized or paid based on a particular number of cash premium payments (sometimes referred to as "vanishing premiums"); and

(iii) an assertion that the product being sold was solely or predominantly an investment or savings vehicle rather than a life insurance policy.

Prudential has not admitted liability for any of the allegations made in the Consolidated Complaint. Prudential contends that the use of policy cash values or accumulated dividends to finance the purchase of insurance can at

times be beneficial to Policyholders and it was the Company's policy at all times to conduct such sales only when appropriate, and when disclosed to the Policyholder. Prudential also takes the position that the Abbreviated Payment Plan, under which dividends are used to pay premiums on a whole life policy, can be beneficial to Policyholders by reducing the number of out-of-pocket cash premiums that have to be paid for life insurance coverage. Prudential also maintains that it never encouraged sales that failed to disclose that the product being offered was life insurance, and that Prudential policies and policy applications all fully disclosed that customers were purchasing life insurance. Prudential also believes that it has a number of legal defenses, including statute of limitations defenses, which it could assert in litigation to possibly defeat claims by Policyholders. Prudential is concerned, however, that some Policyholders may have been misled in the purchase of their policies and wants to provide Policyholders who were misled with an opportunity to obtain relief.

5. THE MULTI-STATE LIFE INSURANCE TASK FORCE

The proposed settlement reached in this lawsuit expands upon and adds to a remediation plan that Prudential and 43 states and the District of Columbia agreed to in July, 1996 to resolve legitimate Policyholder claims. The background of that remediation plan is as follows.

On April 25, 1995, partially in response to allegations made in several lawsuits, the New Jersey Commissioner of Insurance formed a Multi-State Life Insurance Task Force (the "Task Force") to examine the sales and marketing practices in the life insurance industry. The Task Force began with a market conduct examination of Prudential, the largest life insurer in the United States. Thirty states joined the Task Force. In conducting its examination, the Task Force reviewed and analyzed documents and electronic databases consisting of millions of Prudential records. They also interviewed hundreds of Prudential agents and executives.

On July 9, 1996, the Task Force issued a report setting forth the findings of its market conduct examination. The Task Force found that some Prudential policyholders had been misled in their life insurance purchases and that Prudential's efforts to prevent such abuses had been inadequate. In connection with the issuance of the Task Force report, the Task Force and Prudential each announced a remediation plan which the Task Force and Prudential agreed provided fair and appropriate relief to Policyholders who may have been harmed by misrepresentations made in the sale of their policies (the "Task Force Plan"). Forty-three states and the District of Columbia executed agreements adopting the Task Force report and directing Prudential to implement the Task Force Plan. The Policyholders in

those States who are to be eligible to participate in the Task Force Plan are the same Policyholders who may also be Class Members in the proposed Class Action Settlement.

Prior to implementing the Task Force Plan, Prudential reached a proposed settlement with the Class that includes a remediation plan that expands upon the Task Force Plan and, if approved by the Court and affirmed on appeal, would provide additional significant relief to Policyholders. In order to provide the increased relief to the residents of their jurisdictions and to avoid the possible confusion from multiple mailings of different proposals, it is anticipated that the states that accepted the Task Force Plan will agree to allow Prudential to defer until February 1, 1997, after the scheduled hearing for approval of this class action settlement, the mailing that will mark the implementation of the policyholder remediation program. The inter-relation of the Task Force Plan and this Class Action Settlement is described in detail in Section 11.

6. DESCRIPTION OF THE PROPOSED SETTLEMENT

A. BACKGROUND TO THE SETTLEMENT

The proposed settlement resulted from more than one year of litigation, formal and informal discovery, and an intensive investigation of the relevant facts and law by Lead Counsel and other lawyers for the plaintiffs in the lawsuits combined in the Consolidated Complaint (the "Plaintiffs' Lawyers"). The investigation conducted by Plaintiffs' Lawyers included interviews with present and former policyholders, agents, and Prudential employees, as well as sworn depositions of numerous Prudential executives, senior management and other personnel. Plaintiffs' Lawyers were provided with all documentation, including millions of pieces of electronic data, and other information produced to the Task Force in connection with its examination and used in the development of its report. In addition, Plaintiffs' Lawyers reviewed approximately 800,000 pages of documents, 160 computer diskettes and cartridges, and 45 videotapes and audiotapes, concerning a wide variety of matters and business functions at Prudential. Plaintiffs' Lawyers and lawyers for Prudential then entered into extensive arms-length negotiations that resulted in the proposed settlement.

B. DETAILED DESCRIPTION OF THE SETTLEMENT RELIEF

The proposed settlement would implement a policyholder remediation program which provides remedies and procedural safeguards in addition to those in the Task Force Plan (the "Class Action Settlement Program"). See "Interaction Between the Task Force Plan and the Class Action Settlement Program," Section 11 below. Prudential has pledged to resolve all claims of Policyholders who were misled in the purchase of their policies. Once the proposed settlement is approved by District Court Judge Wolin, Prudential and Lead Counsel for the Class have agreed that many components of the additional relief provided by the Class Action Settlement Program would be provided to Class Members. The additional relief is supplemental to that provided under the Task Force Plan. The Task Force Plan is not subject to the Court's approval. However, the Financial Guarantee, Additional Remediation Amount and Minimum Payment (each as described in Section 6.B.1.f. below)

and the Basic Claim Relief Enhancements (as described in Section 11 below) in the Class Action Settlement Program will be made available only if the settlement is upheld by all appellate courts. If you have any questions as to the relief for which you may be eligible, please call 1-800-736-8913 (24 hours a day on weekdays (beginning Monday at 8 a.m.) and Saturdays from 9 a.m. to 3 p.m., your local time).

The forms of relief which will be made available to Class Members under the proposed Class Action Settlement Program are as follows:

1. ALTERNATIVE DISPUTE RESOLUTION PROCESS

Any Class Member who believes that he or she was misled regarding the sale of his or her Policy may submit a claim to an alternative dispute resolution process (the "ADR Process"). The ADR Process is a streamlined and no-cost means for Class Members to have their claims resolved without having to go to court. In addition, in claims pursued through the ADR Process, Prudential will waive its right to raise certain legal defenses, such as statute of limitations defenses, which could be available to Prudential to possibly defeat such claims in contested litigation. The ADR Process also provides the opportunity for a Class Member to obtain individual relief tailored to his or her claim. However, there is no guarantee that this process will result in a determination in the Class Member's favor, and by choosing this process, the Class Member could lose the right to take advantage of an Optional Premium Loan, an Enhanced Value Policy, an Enhanced Value Annuity and/or a Mutual Fund Enhancement (when available) that otherwise may have been available if the Class Member had selected Basic Claim Relief.

To file a claim under the ADR Process, a Class Member initially must submit a claim, form, which Prudential will provide by mail, in which the Class Member describes the misrepresentation made or other improper sales practice. The insurance regulators, the Plaintiffs' Lawyers and Prudential have agreed on the forms and procedures to be used, the nature of the evidence necessary and the type of relief that may be awarded.

A. SUBMISSION OF ADR CLAIM

Following a Class Member's election to participate in the ADR Process, a claim form will be forwarded. The claim form is designed to obtain information necessary for the evaluation of the claim, such as what the agent told and showed the Policyholder in connection with the sale, and what the Policyholder told the agent about his or her financial and other needs or objectives. With the Claim Form, the Class Member is requested to submit all documents and materials in the Class Member's possession concerning the claim. It is important that Class Members submit all information that they want to have considered.

B. ASSEMBLY OF CLAIM FILE

Prudential's Claim Evaluation Staff is required to gather all information and documentation from Prudential's files and provided by Class Members concerning a Policy and its sale. The Claim Evaluation Staff will be monitored by Lead Counsel, insurance regulators from various states accepting the remediation program (the "Regulatory Oversight Staff") and independent auditors. This information will include, among other things, sales practices complaints against the agent and disciplinary actions with respect to life insurance sales practices against the agent who sold the Policy. Prudential will also attempt to contact the agent who sold the Policy about the Class Member's claim.

C. EVALUATION OF CLAIMS

The ADR Process sets forth a detailed procedure, including

objective criteria, to evaluate the claim presented by the Policyholder in the claim form, and the information gathered by Prudential to determine whether a Policyholder was misled in the purchase of his or her Policy. In addition to considering what the Policyholder was told by the agent and the documents received by the Policyholder, such as a policy illustration, other evidence, including sales practices complaints against the agent who sold the policy and, with respect to Financed Insurance claims, the extent to which the agent engaged in financed transactions, will be considered.

D. ADR CLAIM REVIEW PROCESS

First, Prudential's Claim Evaluation Staff will evaluate and score the claims. This Claim Evaluation Staff will not be comprised of persons who were involved in the sale of insurance.

Second, if the Claim Evaluation Staff does not award the highest score to a given claim, it will automatically be reviewed by the Independent Claim Evaluation Team ("ICET"). This team will be comprised of persons with no affiliation with Prudential. The ICET will not be bound by any determination made by the Claim Evaluation Staff and will follow the guidelines established under the settlement.

Third, if the ICET concludes that the claim should receive a higher score than awarded by the Claim Evaluation Staff, then the Prudential Claim Review Staff will re-evaluate the claim taking into consideration the recommendation of the ICET. The Claimant will receive a decision from the Claim Review Staff indicating the award. This Claim Review Staff will not be comprised of persons who were involved in the sale of insurance and will be monitored by Lead Counsel, the Regulatory Oversight Staff, and independent auditors.

Fourth, if the Claimant is dissatisfied with the award issued by the Claim Review Staff, then the claim, at no cost to the Claimant, will be reviewed by an impartial decision-maker. This reviewer will be a person with no affiliation with Prudential,

with expertise in life insurance or insurance claim resolutions, and will be selected by Lead Counsel and the Regulatory Oversight Staff. Such impartial decision-makers are not bound by the relief awarded by the Claim Review Staff; rather, they are instructed to independently review the claim. The Policyholder is afforded the right to use a Representative, who is selected by Lead Counsel and approved by the Regulatory Oversight Staff, to assist the Policyholder during the review by the impartial decision-maker. The decision of the impartial decision-maker will be binding upon the Policyholder and Prudential unless the Claimant Representative, appointed by Lead Counsel to act as an advocate on behalf of all Class Members submitting claims to the ADR Process, determines, at the request of the Policyholder, that the decision operates as a "manifest injustice." In that event, there will be a rehearing.

E. TYPES OF RELIEF AVAILABLE IN THE ADR PROCESS

The type of relief available to Class Members through the ADR Process depends on the nature of the claim and the strength of the evidence. Relief may be available, under certain circumstances, even if the insured has died and death benefits have previously been paid on a Policy for which you are a successor in interest (i.e., executor, heir, etc.). Examples of available relief are as follows:

o Financed Insurance -- If evidence shows that you were misled in connection with a Financed Insurance sale (one that generally involves the use of loans, dividends or values of existing Policies to pay premiums on a new policy), your remedies may range from the return of policy values improperly used, to allowing you to cancel your Policy and receive a refund of some or all of the premiums you paid, including interest in some cases. Misrepresentations in connection with financed insurance sales are sometimes referred to as "twisting" or "churning."

o Abbreviated Payment -- If evidence shows that you were misled in connection with a sale involving Abbreviated Payment (one that generally involves the use of a policy's dividends or policy values to reduce the number of out-of-pocket premium payments on the same policy), you may not need to make out-of-pocket payments for some or all of the premiums otherwise due. Or, you may be allowed to cancel your Policy and receive a refund of some or all of the premiums you paid, including interest in some cases. You may be entitled to receive this relief even if you have not yet reached the last out-of-pocket premium payment you expected to make, and even if you have not been told that your Policy will require the out-of-pocket payment of premiums for longer than originally expected. These sales are sometimes referred to as "vanishing premium" sales.

o Investment Product -- If evidence shows that you were misled about whether you were purchasing life insurance rather than an investment, savings or retirement product, you may be allowed to cancel your unwanted Policy and receive a refund of some or all of the premiums you paid, including interest in some cases. Or,

you may be able to exchange your Policy for an annuity to be purchased with the amount otherwise available for refund.

o Other Claims -- If evidence shows other improper life insurance sales practices, you may be remedied through the cancellation of your Policy with a refund of some or all of the premiums you paid, including interest in some cases, or the issuance of a substitute product purchased with the amount otherwise available for refund.

F. FINANCIAL GUARANTEE, MINIMUM PAYMENT, AND ADDITIONAL REMEDIATION AMOUNT

Prudential has also agreed to make certain additional payments to eligible Class Members and to guarantee that its pre-tax cost for remedies will reach certain minimum levels, but only if the proposed settlement is both approved by Judge Wolin and upheld on any appeal, as follows:

o Financial Guarantee -- In addition to relief specified above, Prudential also has agreed to guarantee that the pre-tax cost for remedies in the ADR Process for each 110,000 claims receiving remedies will be approximately $260 million (the "Financial Guarantee"). If the actual expense is less than this amount, Prudential guarantees it will add the remaining amount of money (for up to a maximum number of 330,000 claims remedied) to the Additional Remediation Amount to be distributed to Class Members who receive remedies in the ADR Process, as described below.

o Minimum Payment -- Regardless of the number of claims that receive remedies, Prudential also has agreed to pay at least $410 million (the "Minimum Payment"), which is the same amount it would pay if 110,000 claims were remedied ($260 million of Financial Guarantee and $150 million of Additional Remediation Amount).

o Additional Remediation Amount -- In addition, Prudential will pay an additional remediation amount based on a sliding scale which will depend on the number of claims remedied in the ADR Process (the "Additional Remediation Amount"), as follows:

If 110,000 claims are remedied, the Additional Remediation Amount will be $150 million.
If 220,000 claims are remedied, the Additional Remediation Amount will be $250 million.
If 330,000 claims are remedied, the Additional Remediation Amount will be $300 million.
If 440,000 claims are remedied, the Additional Remediation Amount will be $250 million.
If 550,000 claims are remedied, the Additional Remediation Amount will be $150 million.
If 660,000 claims or more are remedied, the Additional Remediation Amount will be $50 million.

The exact amount of the Additional Remediation Amount will be determined at the end of the ADR Process and is dependent on the total number of claims that are remedied. If the settlement is upheld on appeal, the Court will determine how the Additional Remediation Amount will be allocated and distributed after the completion of the ADR Process.

2. BASIC CLAIM RELIEF

All Class Members will be eligible for Basic Claim Relief. To obtain Basic Claim Relief, a Class Member does not have to show that he or she was misled in any way or that any improper sales practices occurred. However, the option of selecting Basic Claim Relief would not be available to Class Members who choose to participate in the ADR Process, and whose claims receive no award of relief.

There are three forms of Basic Claim Relief which will be available to Class Members. You will be informed as to which options you are eligible to select when the remediation program is implemented. The types of Basic Claim Relief which Prudential will offer are as follows:

(a) Optional Premium Loans. Class Members who have Policies in force that were issued during the Class Period have the right to obtain "Optional Premium Loans," which are loans made to you at a reduced interest rate, subject to certain conditions. These loans will be available to eligible Class Members solely to pay all or part of a specified number of annual premiums on the Class Member's Policy. (The specified number of annual premiums, anywhere from two to six, will depend on when the Policy was issued.) Optional Premium Loans will remain

available to an eligible Class Member on his or her annual policy anniversary through December 31, 2010. The purpose of an Optional Premium Loan is to assist an eligible Class Member in making additional out-of-pocket premium payments.

Each Optional Premium Loan will be repaid by the policyholder over a period of five years commencing on the policy anniversary following the date on which the Optional Premium Loan is made. Each payment will consist of accrued interest due plus one-fifth of the original amount of the Optional Premium Loan outstanding.

Optional Premium Loans are not "policy loans" as described in your Policy. They must nevertheless be secured by an assignment of the Policy's cash value and the death benefit as collateral to cover the amount of the Optional Premium Loans (including the Optional Premium Loan being requested), existing policy loans and other instruments outstanding, plus one-year's interest on all such obligations (collectively, the "Outstanding Obligations").

The interest rate (reset quarterly) on the Optional Premium Loans offered to Class Members shall be representative of Prudential's unsecured short-term cost of borrowing. This rate may vary up or down depending on when the loan is taken and may also vary during the time the loan is outstanding.

In order for a Class Member to be eligible for the Optional Premium Loan, the Class Member's Policy must be in force and, following the Optional Premium Loan transaction, have a cash value sufficient to secure the full amount of all Outstanding Obligations.

(b) Enhanced Value Policies. Class Members with Policies in force that are heavily loaned, or who owned Policies that have lapsed or terminated without death benefits being paid, will have the right to apply to purchase Enhanced Value Policies, subject to certain conditions summarized below.

An Enhanced Value Policy will be a designated whole life insurance policy within Prudential's portfolio of individual permanent life insurance policies available on the date of the award. The insured and the Policyholder(s) will be the same as on the Policy with respect to which the election is made. After the Class Member has paid the first year's annual premium, Prudential will "enhance" the policy by buying additional insurance coverage for the Class Member over the next five years, with Prudential paying an amount equal to 100 percent of the Class Member's first-year premium over that five-year period. In addition, in the event the proposed settlement is approved by the Court and upheld on appeal, Prudential will further enhance the policy by buying additional insurance coverage for the Class Member in the seventh year. Prudential will pay an additional amount in the seventh year equal to 15% of the Class Member's first year premium. These enhancements will increase the death benefit protection of the policy at no additional cost to the Class Member.

The insured will have to provide satisfactory evidence of insurability and be age 85 or less. However, the underwriting will be less rigorous than typically applies to the purchase of a new policy. The Class Member must make the initial payment for the Enhanced Value Policy with money from a source other than a surrender of, or a policy loan against, or withdrawal of the values of, any existing life insurance or annuity product issued by Prudential.

(c) Enhanced Value Annuities. Every Class Member will be eligible to apply to purchase an "Enhanced Value Annuity."

An Enhanced Value Annuity is a non-qualified deferred annuity which Prudential, as part of this settlement, will "enhance" by crediting payments credited to the annuity at the end of the first and second contract years. Specifically, at the end of the first year after the Class Member has made his/her initial payment, Prudential will pay into the annuity an additional 2 percent of the Class Member's initial payment if

the initial payment was under $25,000, or an additional 3 percent of the Class Member's initial payment if the initial payment was between $25,000 and $50,000. In either case, at the end of the second year, Prudential will also pay into the annuity an additional 2 percent of the initial payment. In addition, in the event that the proposed settlement is approved by the Court and upheld on appeal, Prudential will further enhance the annuity by paying into the annuity an additional 1 percent of the initial premium at the end of the third year. This enhancement will increase the value of this annuity at no additional cost to the Class Member.

Prudential will also waive the surrender charges with respect to the initial payment and the enhancements made by Prudential beginning on the later of (a) the date that the Class Member reaches the age of 59 1/2 or (b) the date on which the Enhanced Value Annuity has been in force for four years. The Enhanced Value Annuity is subject to a $1,000 minimum payment and a maximum payment based on the face amount of the Class Member's original Policy as provided below:

Class Member's Policy Face Amount	Maximum Amount of Initial Payment Subject to Enhancement
Less Than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1,000,000 or over	$50,000

You may not pay an aggregate amount for any Enhanced Value Annuity and/or Mutual Fund Enhancement in excess of the applicable Maximum Amount of Initial Payment Subject to Enhancement set forth above. A Class Member must purchase an Enhanced Value Annuity with money that is not taken from the proceeds of the surrender of or withdrawal from, or a policy loan against, the values of any existing life insurance or annuity product issued by Prudential. No tax-qualified money will be accepted as payment for an Enhanced Value Annuity. The Enhanced Value Annuity will not be issued on a tax-qualified basis.

You must be age 85 or less to apply for an Enhanced Value Annuity. The owner and annuitant for the Enhanced Value Annuity will be the owner of the Policy with respect to which the election is made, provided that if the owner of the Policy with respect to which the election is made is a corporation, trust, or other entity, then the owner and annuitant may be the insured on the Policy with respect to which the election is made.

(d) Mutual Fund Enhancement. Every Class Member will be eligible to purchase shares in certain designated mutual funds with Prudential contributing additional fund shares.

Although you will be able to select this form of Basic Claim Relief when you submit your Election form, this Mutual Fund Enhancement will only be available in the event the Class action settlement is approved by the Court and upheld on appeal. If the Class action settlement is rejected by the Court or not upheld on appeal, you will be notified that the Mutual Fund Enhancement will not be made available to you. In that case, if the Mutual Fund Enhancement were your only Basic Claim Relief selection, you may make another selection.

For each Class Member's purchase of shares in certain designated mutual funds currently distributed by Prudential Securities, Inc., Prudential will "enhance" the amount of the initial purchase with a financial contribution to purchase additional shares equal to 4% of the amount of such initial purchase. The mutual fund shares will be offered subject to a contingent deferred sales charge, as described in the relevant prospectus, that generally decreases to zero over a period of approximately six years. Your initial purchase of mutual fund shares must be no less than $1,000, or such other amount as set forth in the applicable prospectus, and the amount entitled to receive the enhancement described above is subject to the following limits:

Class Member's Policy Face Amount	Maximum Policyholder Initial Purchase Amount Subject to Enhancement

Less than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1 million or over	$50,000

You may not pay an aggregate amount for any Mutual Fund Enhancement and/or Enhanced Value Annuity in excess of the applicable Maximum Policyholder Initial Purchase Amount Subject to Enhancement set forth above.

In addition to selecting either an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement, a Class Member, if eligible, may also choose to obtain an Optional Premium Loan.

7. INCOME TAX CONSEQUENCES

Your receipt of the relief described above in either the ADR Process or in Basic Claim Relief could have tax consequences for you. Those tax consequences may vary, depending upon your individual circumstances. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR TO DETERMINE ANY FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF THE RECEIPT OF RELIEF IN YOUR PARTICULAR CIRCUMSTANCES.

The following applies only to the selection of an Optional Premium Loan if you elect Basic Claim Relief. While unlikely, there is some risk that the Optional Premium Loan could be considered a below market rate loan for Federal income tax purposes. In such event, the difference between the Optional Premium Loan interest rate and a specified Federal short-term interest rate generally based on the average market yield of United States Treasury obligations with maturities of three years or less, if any, would reduce your cost basis for tax purposes in your Policy, or result in taxable income in the event there is no remaining cost basis in your Policy. Your cost basis in your Policy is important because it determines what portion of distributions under the Policy may be taxable. Moreover, as with any policy loan or pledge of your Policy, an Optional Premium Loan may be wholly or partially taxable to you if your Policy is a "Modified Endowment Contract" (as defined by the Internal Revenue Code) at the time you receive an Optional Premium Loan or, in some circumstances, if your Policy becomes a "Modified Endowment Contract" following your receipt of an Optional Premium Loan. You may also be subject to a 10% penalty tax on the taxable amount. You are particularly urged to consult your tax advisor if your Policy is a "Modified Endowment Contract" at the time you request any Optional Premium Loan, or if you consider making any material changes to your Policy after you receive an Optional Premium Loan.

8. RELEASE OF CLASS MEMBERS' CLAIMS

A. CLASS RELEASE AND WAIVER

IF THE PROPOSED SETTLEMENT IS APPROVED BY THE COURT, AND AFFIRMED ON APPEAL, THE LAWSUIT WILL BE DISMISSED WITH PREJUDICE, AND PRUDENTIAL WILL BE RELEASED FROM ALL CLAIMS THAT HAVE BEEN OR COULD HAVE BEEN ASSERTED BY CLASS MEMBERS. THE RELEASE ENCOMPASSES ANY MATTER RELATING TO THE MARKETING, SOLICITATION, APPLICATION, UNDERWRITING, ACCEPTANCE, SALE, PURCHASE, OPERATION, RETENTION, ADMINISTRATION, SERVICING, OR REPLACEMENT, BY MEANS OF SURRENDER, PARTIAL SURRENDER, LOANS RESPECTING WITHDRAWAL AND/OR TERMINATIONS OF POLICIES OR ANY INSURANCE POLICY OR ANNUITY SOLD IN CONNECTION WITH OR RELATING IN ANY WAY DIRECTLY OR INDIRECTLY TO THE SALE OR SOLICITATION OF, THE POLICIES. THE RELEASE IS INTENDED TO BE VERY BROAD. THE RELEASE IS A CRITICAL ELEMENT OF THE PROPOSED SETTLEMENT, AND ACCORDINGLY, THE ENTIRE TEXT HAS BEEN INCLUDED IN APPENDIX A TO THIS NOTICE (EXCEPT FOR CERTAIN DEFINED TERMS THAT APPEAR ELSEWHERE IN THIS NOTICE). BECAUSE IT WILL AFFECT YOUR RIGHTS IF YOU REMAIN IN THE CLASS, YOU SHOULD CAREFULLY READ THIS PARAGRAPH AND THE ENTIRE RELEASE.

B. RELEASE UPON ELECTION OF ADR PROCESS OR BASIC CLAIM RELIEF

In addition, if you elect to participate in the ADR Process or to receive Basic Claim Relief, you will be required to sign a form of this release which will prevent you from bringing any lawsuit or participating in any other class action relating to the sale, servicing or operation of your Policy which may be brought against Prudential if the proposed settlement is not approved on appeal or otherwise.

HOWEVER, IF YOU ELECT TO PARTICIPATE IN THE ADR PROCESS, WITHIN 60 DAYS OF YOUR RECEIPT FROM PRUDENTIAL OF NOTICE THAT THE SETTLEMENT HAS EITHER NOT BEEN APPROVED BY THE COURT OR HAS BEEN REJECTED ON APPEAL, YOU WILL BE ALLOWED TO RESCIND YOUR RELEASE AND THE RELIEF YOU RECEIVED UNDER THE REMEDIATION PROGRAM AND THEREBY RETURN, TO THE EXTENT PRACTICABLE, TO THE POSITION YOU WERE IN

BEFORE ENTERING THE PROGRAM. IF THE SETTLEMENT IS APPROVED BY THE COURT, AND AFFIRMED ON APPEAL, PRUDENTIAL WILL BE RELEASED FROM ALL CLAIMS, REGARDLESS OF WHETHER YOU ELECT TO SEEK RELIEF IN THE ADR PROCESS.

9. EXCLUSION FROM THE CLASS

If you wish to exclude yourself from the Class with respect to one or more Policies, you must comply with the requirements described in this Section. You must send a formal, written request for exclusion as to each such Policy to the following address:

Prudential Class Action Settlement
P.O. Box 9354
Boston, Massachusetts 02205-9354

YOUR WRITTEN REQUEST FOR EXCLUSION MUST BE POSTMARKED BY NO LATER THAN DECEMBER 19, 1996, OTHERWISE IT WILL BE UNTIMELY AND YOUR REQUEST FOR EXCLUSION WILL BE WAIVED AND YOU WILL BE BOUND BY THE SETTLEMENT AND ALL ORDERS AND JUDGMENTS IN THE ACTIONS.

Your letter must (i) identify by policy number the Policy or Policies for which you are requesting exclusion (you can find your policy number on the materials enclosed with this Notice), (ii) state that you want to be excluded from the Class with respect to each such Policy or Policies, and (iii) include your name, your address, your telephone number, the name and caption of this lawsuit, and your signature. If you have an ownership interest in more than one Policy, you may choose to remain a Class Member with respect to some Policies, but to exclude yourself from the Class with respect to other Policies.

IF TWO OR MORE INDIVIDUALS OR ENTITIES SHARE (OR SHARED AT THE TIME OF TERMINATION) OWNERSHIP IN ONE POLICY, ALL SUCH INDIVIDUALS OR ENTITIES MUST EXCLUDE THEMSELVES IN ORDER FOR ANY TO BE EXCLUDED WITH RESPECT TO THE POLICY.

PLEASE BE SURE TO WRITE "EXCLUSION NOTICE" ON THE LOWER LEFT-HAND CORNER OF THE FRONT OF THE ENVELOPE.

If you exclude yourself from the Class, you will not be permitted to object to or participate in the proposed settlement or to receive any relief under the Class Action Settlement Program if it is approved by the Court, but you may, under certain circumstances, be entitled to receive relief under the Task Force Plan. See "Interaction Between the Task Force Plan and the Class Action Settlement Program" below.

10. HEARING ON PROPOSED SETTLEMENT, RIGHT TO OBJECT TO PROPOSED SETTLEMENT AND RIGHT TO APPEAR

The Court will hold a hearing to consider whether to approve the proposed settlement and to determine the amount of attorneys' fees and expenses to award to Plaintiffs' counsel. THE HEARING WILL BE HELD ON JANUARY 21, 1997, AT 10:00 A.M., IN THE COURTROOM OF JUDGE ALFRED M. WOLIN, LOCATED AT THE MARTIN LUTHER KING, JR. UNITED STATES COURTHOUSE, 50 WALNUT STREET, NEWARK, NEW JERSEY.

If you choose to remain in the Class with respect to one or more Policies, you may file with the Court a written objection to any aspect of the proposed settlement.

Any Policyholder who has not filed a written request for exclusion for all of his or her Policies, and who complies with the procedures described in this Section, may object to the fairness, reasonableness or adequacy of the proposed settlement or the award of attorneys' fees. Policyholders may do so either on their own or through an attorney hired at their own expense. If you hire an attorney to represent you at your own expense, your attorney must (i) file a Notice of Appearance with the Clerk of the Court and (ii) send a copy to counsel for Plaintiffs and Prudential at the addresses provided below.

If you wish to submit written objections to the proposed settlement, you or your attorney must prepare and submit at least one document:

o A statement of the objections, as well as the specific reasons, if any, for each objection, including any legal support you wish to bring to the Court's attention and any evidence you wish to introduce in support of your objections.

Policyholders may obtain access, at their own expense, to the deposition transcripts and attached exhibits as well as to all other documents generated in this lawsuit by entering into the Stipulation of Confidentiality governing these documents. These documents will be made available at the offices of Milberg Weiss Bershad Hynes & Lerach LLP at One Pennsylvania Plaza, New York, New York 10119-0165 and at 600 West Broadway, 1800 One America Plaza, San Diego, California 92101-5050, and at the offices of Much Shelist Freed Denenberg Ament Belt & Rubenstein, P.C., 200 North LaSalle Street, Suite 2100, Chicago, Illinois

60601.

YOU MUST FILE ANY PAPERS AND EVIDENCE WITH THE CLERK OF THE COURT AND SERVE THOSE PAPERS AND EVIDENCE ON THE ATTORNEYS FOR PLAINTIFFS AND PRUDENTIAL SO THAT THEY ACTUALLY RECEIVE SUCH PAPERS AND EVIDENCE NO LATER THAN DECEMBER 19, 1996.

In addition, any Policyholder who submits written objections, as described above, may appear at the hearing, either in person or through personal counsel. Policyholders making an appearance will be heard to the extent allowed by the Court. The Court may adjourn the hearing on the proposed settlement to a new date and time without further notice to you or other Policyholders. Therefore, you (or your personal counsel) should check with the Clerk of the Court before appearing at the hearing.

If you intend to request permission to address the Court at the hearing, you must prepare and submit a notice from you (or your counsel) requesting permission to address the Court at the hearing.

IF YOU WISH TO RECEIVE COPIES OF THE PAPERS IN SUPPORT OF THE SETTLEMENT, YOU SHOULD FILE A NOTICE OF APPEARANCE ON OR BEFORE NOVEMBER 20, 1996, AND REQUEST THAT YOU BE PROVIDED WITH PAPERS IN SUPPORT OF THE SETTLEMENT.

Objections received after December 19, 1996 will not be considered by the Court. You will remain a member of the Class and will be bound by the orders and judgments in this action regardless of how the Court rules on your objections.

The papers to be filed with the Clerk of the Court (copies of which must also be served on counsel for Plaintiffs and Prudential, as set forth below) must be sent to the following addresses and must be received by the Court and all three of the undersigned Counsel by December 19, 1996:

(1) Clerk of the Court
United States District Court
District of New Jersey
P.O. Box [ILLEGIBLE]
Newark, New Jersey [ILLEGIBLE]

(2) Melvyn I. Weiss, Esq.
Milberg Weiss Bershad Hynes & Lerach, LLP
One Pennsylvania Plaza
New York, New York 10119-0165

and

(3) Michael B. Hyman, Esq.
Much Shelist Freed Denenberg
Ament Bell & Rubenstein, P.C.
200 North LaSalle Street
Suite 2100
Chicago, Illinois 60601

Co-Lead Counsel for Plaintiffs and the Class

(4) Reid L. Ashinoff, Esq.
Sonnenschein Nath & Rosenthal
1221 Avenue of the Americas
New York, New York 10020

Counsel for Prudential

YOU ARE NOT REQUIRED TO FILE ANY PAPERS WITH THE COURT OR TO APPEAR AT THE HEARING TO BE ENTITLED TO CHOOSE ONE OF THE FORMS OF RELIEF THAT WILL BE OFFERED TO CLASS MEMBERS IF THE PROPOSED SETTLEMENT IS APPROVED.

11. INTERACTION BETWEEN THE TASK FORCE PLAN AND THE CLASS ACTION SETTLEMENT PROGRAM

As mentioned above, the proposed Class Action Settlement Program is based upon, but provides additional relief not included in, the Task Force Plan. The Policyholders eligible to participate in the proposed Class Action Settlement Program are generally the same Policyholders who are included in the Task Force Plan (except for Policyholders in states that have not accepted the Task Force Plan). Under the original Task Force Plan, announced in July of 1996, Prudential was to begin mailing, in October, 1996, notices to Policyholders in states that have accepted the Task Force Plan which would explain the relief being offered and providing forms to be used by Policyholders to elect to participate in the Task Force Plan. However, it is anticipated that the

participating state insurance regulators will agree to delay the mailing until February 1, 1997, after the scheduled hearing regarding the fairness, reasonableness and adequacy of the proposed settlement, in order to provide certain additional relief under the proposed Class Action Settlement Program to the Policyholders residing in their states and to attempt to avoid the possibility of confusion from multiple mailings of different proposals.

The material additions to the Task Force Plan proposed in the Class Action Settlement Program fall into three categories:

(1) significant changes in favor of Policyholders to certain provisions governing the scoring of claims under the ADR Process and improved remedies for Policyholders under certain circumstances;

(2) the inclusion of Lead Counsel and their designated representatives, including a Claimant Representative, in various monitoring and advocacy roles within the remediation process in addition to ongoing oversight roles to be played by state insurance regulators; and

(3) the Financial Guarantee, Additional Remediation Amount and Minimum Payment to be paid by Prudential (as explained in Section 6.B. above), and certain additional contributions to the Enhanced Value Policy and Enhanced Value Annuities and the availability of the Mutual Fund Enhancement (the "Basic Claim Relief Enhancements").

The Class Action Settlement Program, with all three categories of additions, will be offered if, and only if, the Court approves the proposed class action settlement, and in the event the approval is appealed, it is upheld in all material respects by higher courts on appeal. The Class Action Settlement Program, with the significant exception of the Financial Guarantee, Additional Remediation Amount and the Minimum Payment and the Basic Claim Relief Enhancements, will be offered if District Judge Wolin approves the settlement, even if an appeal is pending. However, if the proposed settlement is not approved, the Task Force Plan will be implemented in those states which have entered into Consent Orders with Prudential, subject to the modifications set forth in the following paragraph.

The following explains when and what additional relief will be offered to Policyholders under the Task Force Plan and the Class Action Settlement Program:

(a) If, by February 1, 1997, the Court approves the proposed class action settlement, Prudential will mail a notice to Policyholders offering the Class Action Settlement Program which will include the features of category 1 and category 2. The notice will also explain that Class Members will only be eligible to receive the relief available in category 3 if and when all appeals have been exhausted and the class action settlement is finally approved without any material modification.

(b) If, by February 1, 1997, the Court has not yet approved the proposed class action settlement or if the Court rejects the proposed class action settlement, Prudential will mail a notice to Policyholders residing in states which accepted the Task Force Plan, offering the Task Force Plan, modified to include the additional features in category 1, but not including the category 2 or category 3 additions. However, in the event the Court has not approved the proposed class action settlement by February 1, 1997, the notice mailed pursuant to this paragraph (b)

will further provide for Lead Counsel's involvement in monitoring the training and telephone calls of the Claimant Support Team.

(c) If the Court approves the proposed class action settlement after the initial mailing offering the Task Force Plan set forth in (b) above, then Prudential will mail an additional notice to Class Members explaining that the features of category 2 are being offered, but that Class Members will only be eligible to receive the relief available in category 3 if and when all appeals have been exhausted and the class action settlement is finally approved without any material modification.

If you reside in a state that has entered into an agreement with Prudential, you will be notified in February, 1997 as to whether the proposed class action settlement has been approved and what relief is being offered in the remediation plan being implemented. If you reside in any other state, you will not receive any notification regarding the settlement unless it receives Court approval.

The principal goal of sending notices by February 1, 1997 permitting you to make your election to participate in either the ADR Process or Basic Claim Relief is to expedite your receipt of certain relief. Absent this procedure, if the Court approves the proposed settlement, and there is an appeal, all the relief could be postponed until the favorable resolution of the appeals. Under this procedure, however, certain relief can be received prior to Court approval and during the pendency of any appeal, and additional relief in the form of the Additional Remediation Amount, the Financial Guarantee, the Minimum Payment and the Basic Claim Relief Enhancements could be received upon the resolution of any appeal with respect to the settlement.

12. COUNSEL FOR THE SETTLEMENT CLASS

The Court has designated the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C. as Lead Counsel for the Class for purposes of the settlement of this lawsuit, and Arnzen, Parry & Wentz, P.S.C.; Hopkins Goldenberg, P.C.; and Perry & Windels (who are Executive Committee Members), and Goldstein, Till & Lite; Bonnett, Fairbourn, Friedman, Hienton, Miner & Fry, P.C.; Cantilo, Maisel & Hubbard, LLP.; DeFalice & Coleman, P.C.; Law Offices of Douglas B. Thayer; Drubner, Hartley, O'Connor and Mengacci; Law Office of Jay R. Tomerlin; Specter Law Offices; Ziegler, Ziegler & Altman; Heins, Mills & Olson, P.L.C.; Giebel, Gilbert & Mandel; Levin, Fishbein, Sedran & Berman; Allen, Lippes & Shonn; Zwerling, Schachter, Zwerling & Koppell, L.L.P.; Goodkind, Labaton, Rudoff & Sucharow, L.L.P.; Hagens and Berman and The Law Office of Eric D. Freed, all as additional counsel for the Class. YOU WILL NOT BE CHARGED FOR THE SERVICES OF THESE OR ANY OTHER LAW FIRMS REPRESENTING THE CLASS IN THIS ACTION.

You have the right to retain your own attorney to represent you in this matter. If you do so, however, you will be responsible for paying your own attorneys' fees and expenses. You also have the right to represent yourself before the Court without an attorney.

13. ATTORNEYS' FEES AND EXPENSES

At the hearing described above, or at such later time as the Court may direct, Lead Counsel for the Plaintiffs will apply to the Court for an award of attorneys' fees and expenses not to exceed $90 million, with one-half (50 percent) of the fees plus all reasonable and documented expenses incurred as of the date of the hearing on the proposed settlement to be paid within five business days of when the Court enters an order approving the settlement and the balance to be paid when the settlement is approved, on any and all appeals and other proceedings, and becomes final. At that time, plaintiffs may request, and Prudential will not oppose, an incentive award up to $10,000 to be mutually agreed upon by Lead Counsel and Prudential, for each named, representative plaintiff in the Actions. Lead Counsel will allocate and distribute this award of Attorneys' Fees and expenses among counsel for the Class and others providing services in support of the Actions. Plaintiffs will serve a brief in support of this fee application on or before the final hearing date. If the Court approves Lead Counsel's fee application, Prudential will pay the award.

PAYMENT OF ATTORNEYS' FEES AND EXPENSES TO PLAINTIFFS' LAWYERS WILL NOT REDUCE ANY FUNDS OR RELIEF BEING MADE AVAILABLE TO CLASS MEMBERS UNDER THE PROPOSED SETTLEMENT. CLASS MEMBERS WILL NOT BE REQUIRED TO PAY ANY PORTION OF PLAINTIFFS' ATTORNEYS' FEES.

14. TERMINATION OF PROPOSED SETTLEMENT

Plaintiffs and Prudential generally have the right to terminate the proposed settlement if the Court does not approve it in full, without modification, or if any appellate court modifies or disapproves the terms of the Stipulation of Settlement or the Court's orders.

THE PROPOSED SETTLEMENT ALSO CONTAINS CERTAIN OTHER CONDITIONS UNDER WHICH THE PARTIES MIGHT HAVE THE RIGHT TO TERMINATE THE PROPOSED SETTLEMENT. IF THE PROPOSED SETTLEMENT IS TERMINATED, ALL CLASS MEMBERS WHO HAVE ELECTED THE ADR PROCESS WILL HAVE THE RIGHT TO RESCIND ANY INDIVIDUAL RELEASE THEY HAVE GIVEN AND, TO THE EXTENT PRACTICABLE, BE RESTORED TO THE POSITIONS THEY OCCUPIED BEFORE THE PARTIES ENTERED INTO THE PROPOSED SETTLEMENT, AND THEIR RIGHTS WILL NOT BE AFFECTED IN ANY WAY BY THE PARTIES' ACTIONS IN CONNECTION WITH THE PROPOSED SETTLEMENT. IF THE PROPOSED SETTLEMENT IS APPROVED BY THE COURT, PRUDENTIAL WILL BE RELEASED FROM ALL CLAIMS REGARDLESS OF WHETHER YOU ELECT TO SEEK RELIEF IN THE ADR PROCESS.

If the proposed Class action settlement is terminated, Prudential will implement (or continue to implement) the Task Force Plan and you will be notified of your eligibility to participate in that program.

15. PRELIMINARY INJUNCTION

Pursuant to the Court's Order: No Policyholder, or any person acting on behalf of or in concert or participation with that Policyholder, may exclude any other Policyholder from the Class. All Policyholders and all persons acting on behalf of or in concert or participation with any Policyholder, are hereby enjoined from filing, commencing, prosecuting, continuing, litigating, intervening in or participating as class members in, any lawsuit in any jurisdiction based on or relating to the facts and circumstances underlying the claims and causes of action in this lawsuit, unless and until such Policyholder has timely excluded herself or himself from the Class. All persons receiving notice of the Court's Order, including all Policyholders, are hereby enjoined from bringing a class action on behalf of Class Members, or seeking to certify a class which includes Class Members, in any lawsuit, in any jurisdiction, based on or relating to the facts and circumstances underlying the claims and causes of action in this lawsuit.

16. ADDITIONAL INFORMATION

This Notice is only a summary of the proposed settlement, which is set forth in a more detailed legal document. The full proposed Stipulation of Settlement is on file with the Clerk of the Court, and you may inspect it at the Clerk's Office at any time during normal business hours. For a more detailed statement of the matters involved in the Action, Plaintiffs and Prudential also refer you to the consolidated complaint in this case and to the other papers and court orders on file in the Clerk's Office, during normal business hours, Monday - - Friday 9:00 a.m. - 4:00 p.m. EST.

Prudential, the Regulatory Oversight Staff and Lead Counsel have set up a toll-free telephone number where there are trained personnel available to answer any questions you may have about the settlement. If you have questions after you have read this Notice and the written Question and Answer brochure that is also being sent to you, please call 1-800-736-8913.

You may also write to the Claimant Support Team:

Claimant Support Team
P.O. Box 9355
Boston, Massachusetts 02205-9355

PLEASE DO NOT CALL THE COURT OR THE CLERK OF THE COURT.

Dated: _____, 1996

Alfred M. Wolin
United States District Judge

APPENDIX A

IF THE SETTLEMENT IS APPROVED BY THE COURT, AND AFFIRMED ON APPEAL, PRUDENTIAL WILL BE RELEASED FROM ALL OF THE MATTERS, AS DESCRIBED BELOW

RELEASE AND WAIVER

1. Definitions. For purposes of the proposed release and waiver:

A. "Abbreviated Payment" or "APP" shall mean a feature using a Policy's existing dividend credits for traditional whole life policies and contract fund amounts for VAL/AL policies to limit the number of cash or "out-of-pocket" payments required of the Policyholder to keep the Policy in force (referred to as "vanishing premium" in some circumstances).

B. "Action(s) shall mean the Consolidated Complaint and the Consolidated Policyholders Class Actions in In re The Prudential Insurance Company of America Sales Practices Litigation, Master Docket No. 95-4704(AMW), MDL No. 1061, pending for pre-trial purposes in the United States District Court for the District of New Jersey.

C. "Claimants" shall mean all such Policyholder(s) having, individually or together, a complete ownership interest in a Policy which is the subject of a Claim.

D. "Class" and "Class Members" shall mean, individually or

collectively, all persons or entities who (i) are Policyholders, as defined herein, and (ii) do not exclude themselves from the Class pursuant to Section 9 of the Class Notice.

E. "Class Period" shall mean the period commencing January 1, 1982 and terminating on December 31, 1995.

F. "Defendants" shall mean, individually or collectively, The Prudential Insurance Company of America, and in their official capacities as officers and/or directors of The Prudential Insurance Company of America, Robert A. Beck, Ronald D. Barbaro and Robert C. Winters.

G. "Lead Counsel" shall mean the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C.

H. "Plaintiffs" shall mean the named plaintiffs in the Actions.

I. "Policy(ies)" shall mean one or more individual permanent life insurance policies issued in the United States by Prudential with an issue date during the Class Period.

J. "Policyholders" shall mean all policyowners of one or more Policies issued during the Class Period, but do not include (unless such persons or entities are Policyholders by virtue of other Policies) (i) policyowners represented by counsel who executed a document in connection with a settlement of a claim, action, lawsuit or

proceeding, pending or threatened, that released Prudential with respect to such Policies, (ii) policyowners which are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate or trust-owned life insurance and under which either (a) there are 50 or more separate insured individuals or (b) the aggregate premium paid over an eight (8) year period ending with the close of 1996 exceeds one million dollars, or (iii) policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

K. "Prudential" shall mean The Prudential Insurance Company of America, a mutual insurance company domiciled in the State of New Jersey and each of its U.S. life insurance subsidiaries with respect to Policies issued by them.

L. "Releasees" shall mean the Defendants, individually and collectively, and any other current, former and future parents, subsidiaries, affiliates, partners, predecessors, successors and assigns of Prudential, and each of their respective past, present and future officers, directors, employees, agents, independent contractors, brokers, representatives, attorneys, heirs, administrators, executors, predecessors, successors and assigns, or any of them.

M. "Released Transactions" shall mean the marketing, solicitation, application, underwriting, acceptance, sale, purchase, operation, retention, administration, servicing, or replacement by means of surrender, partial surrender, loans respecting, withdrawal and/or termination of the Policies or any insurance policy or annuity sold in connection with, or relating in any way directly or indirectly to the sale or solicitation of, the Policies, which include those matters described in Section II below.

N. "Stipulation of Settlement" shall mean the stipulation of settlement, dated October 25, 1996, entered into by Plaintiffs and the Defendants, resolving the disputes in the Actions, and the attached Exhibits.

II. Release.

A. Plaintiffs and all Class Members hereby expressly agree that they shall not now or hereafter institute, maintain or assert against the Releasees, either directly or indirectly, on their own behalf, on behalf of the Class or any other person, and release and discharge the Releasees from, any and all causes of action, claims, damages, equitable, legal and administrative relief, interest, demands or rights, of any kind or nature whatsoever, whether based on federal, state or local statute or ordinance, regulation, contract, common law, or any other source, that have been, could have been, may be or could be alleged or asserted now or in the future by Plaintiffs or any Class Member against the Releasees in the Actions or in any other court action or before any administrative body (including any state Department of Insurance or other regulatory commission), tribunal or arbitration panel on the basis of, connected with, arising out of, or related to, in whole or in part, the Released Transactions and servicing relating to the Released Transactions, which include without limitation:

(i) any or all of the acts, omissions, facts, matters, transactions or occurrences that were directly or indirectly alleged, asserted, described, set forth or

referred to in the Action;

(ii) any or all of the acts, omissions, facts, matters, transactions, occurrences, or any oral or written statements or

representations allegedly made in connection with or directly or indirectly relating to the Released Transactions, including without limitation any acts, omissions, facts, matters, transactions, occurrences, or oral or written statements or representations relating to:

(a) the number of out-of-pocket payments that would need to be paid for the Policies;

(b) the ability to keep or not to keep a Policy in force based on a fixed number and/or amount of premium payments (less than the number and/or amount of payments required by the terms of such Policy), and/or the amount that would be realized or paid under a Policy based on a fixed number and/or amount of cash payments (less than the number and/or amount of payments required by the terms of such Policy), whether in the form of (x) cash value and/or (y) death, retirement or periodic payment benefits and/or (z) investment plan-type benefits;

(c) the nature, characteristics, terms, appropriateness, suitability, descriptions and operation of Policies;

(d) whether such Policies were, would operate or could function as investment, savings or retirement funding vehicles, or investment plans;

(e) the relationship between a Policy's cash surrender value and the cumulative amount of premiums paid;

(f) the fact that a part of the premiums paid would not be credited toward an investment or savings account or a Policies' cash value, but would be used to offset Prudential's commission, sales, administration and/or mortality expenses;

(g) the rate of return on premiums paid in terms of cash value or cash surrender value;

(h) the relative suitability or appropriateness of life insurance policies, versus other investment plans;

(i) the use of an existing policy's or Policy's cash value or cash surrender value by means of a surrender, withdrawal/partial surrender or loan to purchase or maintain a Policy;

(j) Prudential's dividend, interest crediting and cost of insurance and administrative charge policies; dividend scales; illustrations of dividend values, cash values or death benefits; or any other matters relating to

dividends, interest crediting rates or illustrations, or cost of insurance and administrative charges;

(k) the adequacy of the description of those items in clause (j) above;

(l) the use of loans or contract values from existing policies or Policies to pay premiums on new policies, or any representations, promotions or advertising regarding such matters;

(m) the "Abbreviated Payment Plan" or "APP", or the use of a Policy's dividends or other contract values to pay premiums on the same policy, or any

representations, promotions or advertising regarding such matters;

(n) the sale of Policies as investment, savings or retirement funding vehicles, or any representations, promotions or advertising regarding such matters;

(o) violations of the "twisting" or "churning" statutes or regulations under applicable state law;

(p) violations of the "replacement" statutes or regulations under applicable state law;

(q) the suitability of particular types of life insurance policies or products for particular types of Policy purchasers;

(r) any actual or alleged violation of any state statute or regulation relating to life insurance sales practices; and

(iii) any or all acts, omissions, facts, matters, transactions, occurrences or oral or written statements or representations in connection with or directly or indirectly relating to the Stipulation of Settlement or the settlement of the Actions, except as provided in paragraph G. below.

B. Plaintiffs and all Class Members expressly agree that this Release will be, and may be raised as, a complete defense to and will preclude any action or proceeding encompassed by the release of Defendants herein.

C. Nothing in this Release shall be deemed to alter a Class Member's contractual rights (except to the extent that such rights are altered or affected by the election and award of relief under the Stipulation of Settlement) to make a claim for benefits that will become payable in the future pursuant to the express written terms of the policy form issued by Prudential; provided, however, that this provision shall not entitle a Class Member to assert claims which relate to the allegations contained in the Actions or to the matters described in paragraph II.A. above.

D. Without in any way limiting the scope of the Release, this Release covers, without limitation, any and all claims for attorneys' fees, costs or disbursements incurred by Lead Counsel or any other counsel representing Plaintiffs or Class Members (including counsel to Claimants in the ADR Process), or by Plaintiffs or the Class Members, or any of them, in connection with or related in any manner to the Actions, the settlement of the Actions, the administration of such settlements and/or the Released Transactions except to the extent otherwise specified in the Stipulation of Settlement.

E. Plaintiffs and Class Members expressly understand that Section 1542 of the Civil Code of the State of California provides that a general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor pertaining to the Defendants' insurance sales practices. To the extent that, notwithstanding the choice of law provisions in the Stipulation of Settlement, California or other law may be applicable, Plaintiffs and the Class Members hereby agree that the provisions of Section 1542 and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction (including, without limitation, North Dakota and South Dakota) which may be applicable herein, are hereby knowingly and voluntarily waived and relinquished by Plaintiffs and the Class Members with respect to the Defendants' insurance sales practices, and Plaintiffs and the Class Members hereby agree and acknowledge that this is an essential term of this Release.

F. It is the intention of Plaintiffs and the Class Members in executing this Release fully, finally and forever to settle and release all matters, and all claims relating thereto, which exist, hereafter may exist, or might have existed pertaining to the Defendants' insurance sales practices (whether or not previously or currently asserted in any Actions) with regard to the Policies.

G. Nothing in this Release shall preclude any action to enforce the terms of the Stipulation of Settlement, including participation in any of the processes detailed therein.

EXHIBIT F-3 -- QUESTIONS AND ANSWERS

ANSWERS TO QUESTIONS YOU MAY HAVE
ABOUT THE CLASS ACTION SETTLEMENT

PLEASE REVIEW THE FOLLOWING QUESTIONS AND ANSWERS FOR ADDITIONAL INFORMATION CONCERNING THE TERMS, RESTRICTIONS AND OPERATION OF, AND YOUR ELIGIBILITY FOR, THE DIFFERENT OPTIONS UNDER THIS PROGRAM. THE CLAIMANT SUPPORT TEAM IS AVAILABLE AT 800-736-8913 (FOR TELECOMMUNICATION DEVICE FOR THE DEAF, CALL 800-782-1863) TO ANSWER ANY QUESTIONS YOU MAY HAVE ABOUT THIS PROGRAM. DO NOT CALL THE CLERK OF THE COURT, OR THE COURT, WHERE THE CLASS ACTION IS PENDING.

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General Facts About the Class Action Settlement

1. WHY DID I RECEIVE THIS NOTICE IN THE MAIL?

Our records indicate that you currently own or have owned in the past a permanent (whole life) insurance policy or policies issued from January 1, 1982 through December 31, 1995 by Prudential. Policyholders who bought these policies may be eligible to receive relief under the terms of a settlement of a class action lawsuit and under agreements reached with 43 states and the District of Columbia.

2. WHAT IS A CLASS ACTION LAWSUIT?

A class action lawsuit is a suit brought by one or more individuals who are representative of all others, known as members of the class, who may have similar claims.

3. DOES THIS MEAN THAT I HAVE BEEN SUED?

No, you are not being sued. Because you own or owned a permanent (whole life) policy issued during the period January 1, 1982 through December 31, 1995, you are a member of the class which is bringing the lawsuit against Prudential (the "Class") in the United States District Court for the District of New Jersey (the "Court").

4. WHAT CLAIMS WERE MADE AGAINST PRUDENTIAL IN THIS LAWSUIT?

The lawsuit makes several claims about how certain whole life insurance policies were sold. Generally the lawsuit alleges misrepresentations in the sale of such life insurance policies concerning, among other things:

(i) the use of an existing policy's cash value or dividend or interest stream to pay for any other policy (sometimes referred to when misrepresented as "twisting" or "churning");

(ii) in an abbreviated payment plan sale, the number of out-of-pocket cash premium payments required to be paid for a new policy (sometimes referred to as "vanishing premium");

(iii) the benefits that will be available upon payment of a specified number of cash premium payments; and

(iv) that the product being sold was solely an investment or savings vehicle rather than a life insurance policy.

5. WHY IS THIS LAWSUIT BEING SETTLED?

The parties involved -- the plaintiffs and Prudential -- are settling this

lawsuit because they believe that the relief provided under the terms of the settlement is in the best interest of Prudential's policyholders.

6. WHAT RELIEF IS AVAILABLE UNDER THE SETTLEMENT?

The settlement offers to eligible policyholders either (a) an Alternative Dispute Resolution ("ADR") Process or (b) Basic Claim Relief. The ADR Process allows policyholders who believe the available evidence will show they were misled about the sale or operation of their policies to pursue a claim for relief by submitting their evidence to an impartial decision-maker who will evaluate the claim based upon objective standards, all without cost to the policyholder. Alternatively, Basic Claim Relief, for eligible policyholders, consists of loans at reduced interest rates to pay premiums ("Optional Premium Loans"), Enhanced Value Policies, Enhanced Value Annuity contracts and Mutual Fund Enhancement (when available), without requiring policyholders to claim or show they were misled about the sale or operation of their policies. The ADR Process and each of these Basic Claim Relief options is described in detail in these Questions and Answers, as well as in the Summary of Relief Available Under the Proposed Settlement.

7. AM I A POLICYHOLDER ELIGIBLE FOR RELIEF UNDER THE SETTLEMENT?

You are eligible for relief under the settlement provided that you have, or had at the time of your policy's termination, an ownership interest in a Prudential individual whole life insurance policy issued in the United States from January 1, 1982 through December 31, 1995. However, the following policyholders will not be eligible:

(a) Those who previously made complaints to Prudential and signed a release while represented by an attorney when their claims were settled;

(b) Those who exclude themselves from the Class pursuant to Section 9 of the Class Notice;

(c) Those corporations, banks, trusts or non-natural entities that purchased multiple policies as part of corporate or trust-owned life insurance arrangements and under which either (i) there are 50 or more separate insured individuals, or (ii) the aggregate premiums paid in the eight years prior to the close of 1996, exceed $1 million; and

(d) Those who were issued policies in 1995 by Prudential Select Life Insurance Company of America.

8. HAS THE COURT APPROVED THE CLASS ACTION SETTLEMENT?

No. The class action settlement will be the subject of a Court hearing tentatively scheduled for January 21, 1997 to determine whether it is fair and reasonable and should be approved.

9. WHAT OTHER INVESTIGATIONS WERE CONDUCTED REGARDING PRUDENTIAL'S LIFE INSURANCE SALES PRACTICES?

In April 1995, in part in response to allegations made in the class action lawsuits, a Multi-State Life Insurance Task Force (the "Task Force"), composed of insurance regulators from across the country, was formed to conduct a broad review of past and current sales practices in the life insurance industry, including those of Prudential.

In July, 1996, the Task Force issued a report of its examination of Prudential (the "Task Force Report"). The Task Force Report concluded, in part, that some Prudential life insurance sales had been made using improper sales practices. Particularly highlighted were possible misleading sales involving the use of funds from an older policy to pay premiums on a new policy, or possible misstatements concerning the number of years premiums would be due or would have to be paid "out of pocket" on a new policy.

10. WHAT WAS THE RESULT OF THE TASK FORCE EXAMINATION?

Along with the Task Force Report, Prudential and the Task Force agreed that Prudential would offer a remediation plan to provide relief for all Prudential policyholders with legitimate claims about their life insurance purchases (the "Task Force Plan"). The Task Force Plan established the foundation for the remediation plan agreed to by the plaintiffs and Prudential in the settlement of this class-action lawsuit. The lawyers representing the Class and Prudential then agreed to provide, among other modifications to the Task Force Plan, additional provisions governing the scoring of claims and additional remedies for policyholders under certain circumstances, as part of the class-action settlement. In order to provide the increased relief to the residents of their states and to avoid any possible confusion from multiple mailings of different programs, it is anticipated that the states that accepted the Task Force Plan

will agree to allow Prudential to wait until February 1, 1997 -- after the scheduled Court hearing on the settlement -- to start to implement a remediation plan. If the Court rejects or has not approved the settlement by February 1, 1997, Prudential will begin to implement the Task Force Plan in those states that have accepted it, which includes some but not all of the relief of the class action settlement. See Answer No. 12.

11. WILL THE STATE INSURANCE DEPARTMENTS PLAY A ROLE IN THE SETTLEMENT?

The Departments of Insurance of 43 states and the District of Columbia that accepted the Task Force Plan will continue their involvement in the remediation program, even if it is part of the class action settlement, through representatives who will monitor and provide oversight to the ADR Process as members of a Regulatory Oversight Staff.

12. WHEN CAN I OBTAIN THE RELIEF FROM THE SETTLEMENT?

Prudential and the plaintiffs have agreed to make most of the provisions of the settlement available to Policyholders as soon as the settlement receives Court approval, even if there is an appeal. However, certain additional remediation amounts and various financial guarantees and minimum payment obligations will only be available as part of the ADR Process if and when the settlement has been finally approved on appeal. For example, Prudential guarantees as part of the class action settlement that it will spend at least $410 million on the remedies to be provided in the ADR Process. The Mutual Fund Enhancement and certain additional contributions to the Enhanced Value Policy and the Enhanced Value Annuity will also not be available until appellate approval.

If the Court has not ruled on the settlement by February 1, 1997, Prudential has agreed with the states to start to implement the Task Force Plan in those states that have accepted the Plan. This plan will include the additional provisions governing claims scoring and remedies from the class action settlement. But (absent subsequent Court approval), the Plan will not include the provisions concerning the monitoring role in the remediation process of the lawyers representing the Class and the claimant representative, the Basic Claim Relief enhancements (described in preceding paragraph), or the additional remediation amounts, financial guarantees or the minimum payment obligation contained in the Class action settlement. This additional relief and these procedural safeguards depend on Court approval followed by appellate approval.

13. IF THE COURT REJECTS THE CLASS ACTION SETTLEMENT AT ANY TIME, MAY I STILL OBTAIN THE RELIEF PROVIDED IN THE SETTLEMENT?

If the Court rejects the settlement, but the department of insurance in the state or district where you reside has accepted the Task Force Plan (described in Answer No. 10), you will be able to obtain the benefits of the revised Task Force Plan described in the previous Answer No. 12, but you will not obtain the benefit of the monitoring and advocacy by lawyers for the Class and the claimant representative, and the additional remediation amounts, financial guarantees, the minimum payment obligation and the Basic Claim Relief enhancements (described in Answer No. 12) in the class action settlement.

14. IF I HAVE MORE THAN ONE POLICY, AM I REQUIRED TO SELECT THE SAME TYPE OF RELIEF FOR EACH POLICY?

No. If you have more than one policy, you are not required to elect the same type of relief for each policy or to accept relief on one or all of the policies you own.

15. WHAT IS THE DIFFERENCE BETWEEN THE ADR PROCESS AND BASIC CLAIM RELIEF?

The ADR Process requires that you submit a claim that you were misled in connection with the sale or operation of your policy. In addition, it may provide greater relief than is provided by Basic Claim Relief if the available evidence supports the claim. The scope of the relief available through the ADR Process is more fully described in Answer No. 29. If the available evidence does not establish that you were misled, there is no guarantee that you will receive any relief in the ADR Process. On the other hand, if you wish to receive Basic Claim Relief, i.e., an Optional Premium Loan, an Enhanced Value Policy, an Enhanced Value Annuity or Mutual Fund Enhancement (when available), you do not have to claim or show any evidence of wrongdoing.

16. IF I AM THE INSURED OR THE BENEFICIARY OF A POLICY, BUT NOT THE OWNER, AM I ELIGIBLE FOR THE SETTLEMENT RELIEF?

No. Only the owner(s) of a policy is eligible for relief under the program. However, if you have, or had at the time of your policy's termination, an ownership interest in a policy, you may be eligible for relief, whether or not you are also the insured or beneficiary of the policy.

17. IF AN ELIGIBLE POLICYHOLDER IS DECEASED, CAN HIS OR HER LEGAL REPRESENTATIVES STILL PARTICIPATE IN THE SETTLEMENT?

Yes. If a policyholder is eligible (as described in Answer Nos. 10 and 16) but is deceased, a claim can be made in the ADR Process by the person or entity currently representing the legal interest of the deceased policyholder. Depending on the circumstances, this may be the deceased policyholder's executor or authorized personal representative in connection with an estate or other administration of the deceased policyholder's property.

18. AM I REQUIRED TO REMAIN A MEMBER OF THE CLASS AND PARTICIPATE IN THE SETTLEMENT?

No. You may exclude yourself from the Class if you do not wish to be a member of the Class and do not wish to receive the relief provided by the settlement. If you want to exclude yourself from the Class for one or all of your policies, you must follow the procedures described in Section 9 of the Class Notice. The procedures require you to submit your exclusion request to the Court in writing. It must be postmarked by December 19, 1996. Please be sure to follow all the procedures carefully or your decision to exclude yourself will not be effective.

19. IF I CHOOSE TO PARTICIPATE IN THE SETTLEMENT, WILL I HAVE TO PAY ATTORNEYS' FEES TO THE LAWYERS REPRESENTING THE CLASS?

No. As part of the settlement, Prudential has agreed to pay the attorney's fees to the lawyers representing the Class.

20. WILL ANY FEES AND COSTS AWARDED TO THE ATTORNEYS REPRESENTING THE CLASS REDUCE, DIMINISH OR AFFECT THE REMEDIES PROVIDED TO POLICYHOLDERS UNDER THE SETTLEMENT?

No. Any attorneys' fees and costs awarded by the Court to the attorneys representing the Class will be paid by Prudential, and will not reduce, diminish or affect any remedies provided to such persons under the settlement.

21. IF I CHOOSE TO BE EXCLUDED FROM THE CLASS MAY I STILL PARTICIPATE IN THE SETTLEMENT?

No. If you choose to be excluded from the Class you cannot participate in the settlement described in these materials. However, in the event the class action settlement is rejected by the Court and you reside in a state in which the Task Force Plan has been accepted by your state's department of insurance, you may be eligible to participate in the Task Force Plan.

22. WILL I STILL HAVE THE RIGHT TO SUE IF I PARTICIPATE IN THE SETTLEMENT?

No. Unless you exclude yourself from the Class pursuant to Section 9 of the Class Notice, you will be automatically prevented from bringing your own lawsuit or other action against Prudential based upon the sale, servicing or operation of your policy. If you want to participate in the settlement, you should not exclude yourself from the Class. If you want to sue Prudential separately, you should exclude yourself from the Class.

23. DO I HAVE TO CHOOSE NOW BETWEEN PARTICIPATING IN THE ADR PROCESS OR SELECTING BASIC CLAIM RELIEF?

No. If you do not exclude yourself from the Class (see Answer No. 18), you will receive an election form if and when the Court approves the settlement or pursuant to the state Task Force Plan in those states that have accepted the Plan. The election form will provide you a choice of either participating in the ADR Process or electing Basic Claim Relief. Even if you remain a member of the Class you may decide upon receipt of the election form not to elect either form of relief (ADR Process or Basic Claim Relief); however, if the Court approves the settlement you will have given up your right to bring a lawsuit or other action against Prudential as described in Answer No. 22. Any choice which you make will be up to you.

24. WILL THERE BE INDEPENDENT REVIEWS OF THE REMEDIATION PROGRAM AND POLICYHOLDER CLAIMS?

The entire remediation program will be monitored by lawyers representing the Class, by state insurance regulators and by independent auditors. Any policyholder who files a claim in the ADR Process and is dissatisfied with the outcome is entitled to a review by an independent decision-maker selected and approved by state insurance regulators and lawyers representing the Class, and not affiliated in any way with Prudential. A Policyholder Representative, from a group of qualified persons approved by state insurance regulators and the attorneys representing the Class, will be available to represent the claimant

before the independent decision maker. In addition, if the Court approves the settlement, the lawyers representing the Class will appoint an individual, experienced in commercial dispute resolution or the life insurance industry, to monitor the ADR Process on behalf of policyholders submitting claims (the "Claimant Representative").

25. WILL THERE BE TAX CONSEQUENCES IF I PARTICIPATE IN THE SETTLEMENT?

There may be tax consequences from your participation in the settlement. They will depend on your individual circumstances. Prudential cannot provide you with tax advice about any personal tax issues that participation in this program may raise for you. You should consult with your tax advisor as to any tax concerns that you may have.

26. WHO CAN I CALL IF I HAVE QUESTIONS ABOUT THE SETTLEMENT?

A Claimant Support Team, independent of Prudential and approved by state insurance regulators and lawyers representing the Class, is available to assist you in understanding the program and may be contacted at 800-736-8913 (for Telecommunication Device for the Deaf, call 800-782-1863).

ALTERNATIVE DISPUTE RESOLUTION PROCESS

27. WHAT IS THE ALTERNATIVE DISPUTE RESOLUTION PROCESS?

The ADR Process offers an opportunity for policyholders who believe they were misled in connection with the sale, servicing or operation of their policies to pursue and resolve their claims without the costs, difficulties and delays of traditional litigation.

28. WHAT IS THE BASIS FOR RELIEF UNDER THE ADR PROCESS?

The strength of the evidence you submit with your claim, records of the company and the specifics of your claim will determine the relief offered to you under the ADR Process. The determination will be made pursuant to the remediation program established under

the terms of the settlement. If the evidence is insufficient to establish your claim, you may receive an offer of Basic Claim Relief or no relief at all.

29. WHAT IS THE RANGE OF RELIEF AVAILABLE UNDER THE ADR PROCESS IF THE EVIDENCE SUPPORTS MY CLAIM?

Examples of available relief are as follows:

- - Financed Insurance Claims -- If the evidence shows that you were misled in connection with a Financed Insurance sale (one that generally involves the use of loans, dividends or values of existing policies to pay premiums on a new policy), your remedies may range from the return of policy values improperly used, to the cancellation of the new policy and receipt of a refund of some or all of the premiums you paid, including some amount of interest. Misrepresentations in connection with a Financed Insurance sale are sometimes referred to as "twisting" or "churning".

- - Abbreviated Payment Claims -- If the evidence shows that you were misled in connection with a sale involving Abbreviated Payment (one that generally involves the use of a policy's dividends or policy values to pay premiums on the same policy), your remedy may include not making out-of-pocket payments for some or all of the premiums you paid, or you may be allowed to cancel your policy and receive a refund of some or all of the premiums you paid, including some amount of interest. These sales are sometimes referred to as "vanishing premium" sales.

- - Investment Product Claims -- If the evidence shows you were misled about whether the sale was of a life insurance policy, rather than an investment, savings or retirement product, and you did not know you were purchasing life insurance, you may be allowed to cancel your unwanted policy and receive a refund of some or all of the premiums you paid, including some amount of interest. Or, you may be able to exchange your policy for an annuity to be purchased with the amount otherwise available for refund.

- - Other Claims -- Claims in which the evidence shows other improper sales may be remedied through the cancellation of your policy with a refund of some or all of the premiums you paid, including some amount of interest, or the issuance of a substitute product purchased with the amount otherwise available for refund.

30. WHAT EVIDENCE CAN I PROVIDE TO SUPPORT MY CLAIM?

You will have the opportunity to answer questions and provide your own statement about the sale or operation of your policy on the claim form Prudential will send you. You should submit copies of any documents or records you have supporting your claim. Your answers and statements on the claim form are

"evidence" which will be considered in evaluating your claim, regardless of whether you have any documents or records to submit. You should retain the originals of all documents submitted. It is very important

that you submit copies of all documents you think should be considered in connection with your claim. You should be as thorough and complete as possible.

31. WHEN DO I HAVE TO FILE MY CLAIM?

If you do not elect to be excluded from the settlement, and if the Court has approved the settlement, you will receive an election form asking you to select the ADR Process or the Basic Claim Relief options available to you. If you select the ADR Process, you will be sent a claim form, approved by the Court, which will contain specific instructions. The information accompanying the claim form will describe how to contact the "Claimant Support Team" for assistance in completing the claim form.

If the settlement is rejected by the Court or is not approved by February 1, 1997, and you reside in a state in which the department of insurance has accepted the Task Force Plan, you will receive an election form and claim form for the Task Force Plan (if you select the ADR Process pursuant to the Task Force Plan) (See Answer No. 12).

32. HOW WILL CLAIMS SUBMITTED TO THE ADR PROCESS BE DECIDED?

You will submit your claim to Prudential, which will investigate the claim and review the materials you submit, plus relevant information from the company's records, including information regarding your policy, and information from the agent who sold you the policy. The number of other sales-related complaints against your agent may also be considered in evaluating your claim. A determination will be made based solely on the terms and requirements of the settlement, which includes a number of objective criteria, as to whether your claim merits relief and, if so, what relief will be offered to you.

33. WHO WILL EVALUATE MY CLAIM?

The first evaluation will be conducted by trained individuals from Prudential's professional staff who have had no involvement in the sale of life insurance policies. Those persons will be monitored by state insurance regulators and the Claimant Representative (who is selected by lawyers representing the Class). Any claim not receiving the highest relief will receive a separate review by independent claim evaluators having no affiliation or connection to Prudential, and who will be approved by insurance regulators and laywers representing the Class. Those independent claim evaluators will make recommendations to Prudential, and then Prudential will send you a decision regarding your claim.

34. WHAT CAN I DO IF I AM NOT SATISFIED WITH PRUDENTIAL'S DECISION AND WANT A NEW REVIEW BY AN INDEPENDENT REVIEWER?

If you are not satisfied with Prudential's decision and want to have it reconsidered, you may ask that an independent decision-maker review your claim. THE DECISION-MAKER'S

DETERMINATION MAY RESULT IN AN AWARD OF RELIEF THAT IS GREATER OR LESS THAN THE RELIEF ORIGINALLY OFFERED TO YOU. The decision-maker will be selected by insurance regulators and lawyers representing the Class, from lists of persons satisfactory to insurance regulators, the lawyers representing the Class, Prudential and the Court, and will not be affiliated with Prudential in any way. This independent reviewer will not give any deference to the original decision made by Prudential; rather, the new reviewer will separately consider and review your claim based on the available evidence. In virtually all circumstances, the decision-maker's decision will be final and will not be subject to further review, including review by any court.

35. WILL I RECEIVE ASSISTANCE WITH THE REVIEW BY THE INDEPENDENT DECISION-MAKER?

Yes. A representative, selected by lawyers representing the Class and approved by state insurance regulators, will be available to you at no cost to you. This representative shall be a qualified professional familiar with the life insurance industry and/or alternative dispute resolution procedures. The representative will (i) assist you in preparing for the review process, and (ii) if requested by you, will appear in person or by telephone at the hearing to represent you. In lieu of a representative, you may, at your own expense, retain legal counsel of your own choosing to appear with and/or represent you at the hearing. You may also appear on your own behalf, without a representative.

36. DO I NEED TO CONTINUE PAYING PREMIUMS ON MY POLICY WHILE MY CLAIM IS BEING EVALUATED?

Yes. In order to keep your policy in force, you must continue to pay premiums. However, the failure to keep your policy in force will not disqualify you from participation in the settlement if you are otherwise eligible.

BASIC CLAIM RELIEF

37. WHAT IS BASIC CLAIM RELIEF?

Basic Claim Relief provides relief options to policyholders who do not have to show that they were misled about the sale or operation of their policies. These relief options include: Optional Premium Loans, Enhanced Value Policies, Enhanced Value Annuities or a Mutual Fund Enhancement. Each of these relief options is described in greater detail below.

OPTIONAL PREMIUM LOANS

38. WHAT IS AN OPTIONAL PREMIUM LOAN?

An Optional Premium Loan is a loan that Prudential is making available to policyholders, at a rate (reset quarterly) that is equivalent to Prudential's unsecured short-term cost of borrowing, for the purpose of making out-of-pocket premium payments. The rate may vary up or down depending on when the loan is taken and may also vary during the time the loan is outstanding. For example, in October, 1996, the Optional Premium Loan interest rate would have been 5.59%. These loans may be taken even if you also elect to purchase an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available). You may not receive an Optional Premium Loan if you elect to participate in the ADR Process.

39. WHAT ARE THE REQUIREMENTS TO RECEIVE AN OPTIONAL PREMIUM LOAN?

Your election form will indicate whether you are eligible for an Optional Premium Loan. To receive an Optional Premium Loan, you must: (i) have a complete ownership interest in an active policy issued from January 1, 1982 through December 31, 1995, (ii) not elect to participate in the ADR Process with respect to this policy, and (iii) satisfy the following conditions:

(a) The policy must have, at the time the loan is made, a cash value equal to or greater than the sum of (i) any Optional Premium Loans outstanding, (ii) the amount of the Optional Premium Loan being requested, (iii) existing policy loans and other instruments outstanding, and (iv) one year's interest on the total of these obligations.

(b) The policy's cash value or death benefit has not been previously transferred or assigned and is maintained in amounts sufficient to serve as security for the obligations listed in sub-paragraph (a) above.

(c) You must agree to use the policy's dividends to purchase paid-up additional insurance for the entire period in which any Optional Premium Loans are outstanding and to repay each Optional Premium Loan in five annual payments.

Contact a member of the Claimant Support Team if you have any questions about these conditions.

40. HOW DO I REPAY MY OPTIONAL PREMIUM LOAN?

Each Optional Premium Loan must be repaid by the policyholder within five years from the date on which the loan is made. Each year you will be billed for an installment of one-fifth (1/5) of the amount of the original loan plus the interest on the outstanding balance.

41. WHAT HAPPENS IF I DO NOT REPAY MY LOAN?

If at the end of each year you have not repaid your required loan installment, it will be repaid by borrowing through a normal policy loan. The normal policy loan would bear interest at the rate stated in your policy. If there is an outstanding loan at the time of the death of the insured, the loan amount and outstanding interest will be deducted automatically from the death benefit of the policy.

42. ARE THERE LIMITS TO THE USE OF AN OPTIONAL PREMIUM LOAN?

Yes. The Optional Premium Loan can only be used to pay the annual premiums on your Prudential permanent or whole life policy for which you elected the Optional Premium Loan. If you choose to obtain an Optional Premium Loan, you

will be notified in writing as to the number of possible annual loans you may take. The number of possible annual loans will range between 2 and 6 depending on the year your policy was issued.

43. ARE THERE TAX CONSEQUENCES REGARDING AN OPTIONAL PREMIUM LOAN?

While unlikely, there is some risk that the Optional Premium Loan could be considered a below market rate loan for Federal income tax purposes. In such event, the difference between the Optional Premium Loan interest rate and a specified Federal short-term interest rate generally based on the average market yield of United States Treasury obligations with maturities of three years or less, if any, would reduce your cost basis for tax purposes in your policy, or result in taxable income in the event there is no remaining cost basis in your Policy. Your cost basis in your policy is important because it determines what portion of distributions under the policy may be taxable. Moreover, as with any loan secured by your policy, an Optional Premium Loan may be wholly or partially taxable to you if your policy is a Modified Endowment Contract (as defined by the Internal Revenue Code) at the time you receive an Optional Premium Loan or, in

some circumstances, if your policy becomes a Modified Endowment Contract following your receipt of an Optional Premium Loan. You may also be subject to a 10 percent penalty tax on the taxable amount. Please consult your tax advisor if your policy is a Modified Endowment Contract at the time you request any Optional Premium Loan, or if you consider making and material changes to your policy after you receive an Optional Premium Loan.

ENHANCED VALUE POLICY

44. WHAT IS AN ENHANCED VALUE POLICY?

An Enhanced Value Policy is a new whole life insurance policy which you may purchase that Prudential will enhance by paying for additional insurance coverage. Prudential will buy you this additional life insurance coverage by spending:

- an amount equal to 50 percent of your first annual premium in the first year;
- an amount equal to 25 percent of your first annual premium in the third year;
- an amount equal to 25 percent of your first annual premium in the fifth year; and
- an amount equal to 15 percent of your first annual premium in the seventh year (Prudential's purchase of additional life insurance coverage in the seventh year will be available only if and when the Court approval of the Class action settlement is upheld on any appeal).

This means, for example, that if you buy an Enhanced Value Policy and the first annual premium on the policy is $500, Prudential will spend $250 in the first year, $125 in the third year, $125 in the fifth year, and $75 in the seventh year to purchase additional life insurance coverage for you.

This enhancement will increase the death benefit protection of this policy at no additional cost to you. In addition, your application for an Enhanced Value Policy will be evaluated according to liberalized underwriting requirements. The Policyholder and insured must be the same as on the policy for which you elect relief, and you are required to pay each year the scheduled premiums on any Enhanced Value Policy you purchase.

45. AM I ELIGIBLE TO APPLY FOR AN ENHANCED VALUE POLICY?

You are eligible for an Enhanced Value Policy provided that you do not elect, with respect to each policy, to participate in the ADR Process or apply for an Enhanced Value Annuity or Mutual Fund Enhancement (when available), and so long as:

(a) You have an in-force policy with outstanding policy loans equal to or in excess of (i) three annual policy premiums and (ii) 75 percent of the policy's total cash surrender value; or

(b) Your policy has lapsed or has terminated without death benefits being paid.

46. HOW DO I PAY THE PREMIUM ON MY ENHANCED VALUE POLICY?

You may choose any one of Prudential's standard premium payment modes -- annual, semi-annual, quarterly or monthly. The enhancement payments will not be made to buy more life insurance coverage for your Enhanced Value Policy until you have paid an amount equal to the annual premium each year.

47. HOW MUCH INSURANCE CAN I BUY WITH AN ENHANCED VALUE POLICY?

You may purchase an Enhanced Value Policy equal to the face amount of your original policy, but generally not exceeding $1 million.

48. WILL THERE BE ANY UNDERWRITING PRIOR TO THE ISSUING OF MY ENHANCED VALUE POLICY?

Yes. Prudential will ask you questions about your health and financial needs. Under certain circumstances you may also be asked to undergo some medical tests. However, the underwriting will be less rigorous than typically applied to the purchase of a new policy.

49. IF I AM IN POOR HEALTH WILL MY ENHANCED VALUE POLICY BE AFFECTED?

Possibly. Based on the medical information learned in the underwriting process, Prudential may issue your Enhanced Value Policy with an extra charge known as a rating. It will be up to you to decide whether you wish to accept the insurance coverage and pay the additional premium or reject the Enhanced Value Policy.

50. WHAT IF I AM FOUND NOT TO QUALIFY FOR THE ENHANCED VALUE POLICY OR I DECIDE NOT TO ACCEPT THE ENHANCED VALUE POLICY?

You would be issued a new election form to select a different form of relief if:

(a) you were found not to qualify under the underwriting guidelines for an Enhanced Value Policy;

(b) you were issued an Enhanced Value Policy with a rating and decide not to accept such insurance coverage; or

(c) you do not accept the Enhanced Value Policy within the review period required under applicable law.

ENHANCED VALUE ANNUITIES

51. WHAT IS AN ENHANCED VALUE ANNUITY?

An Enhanced Value Annuity is an annuity which you may purchase and which Prudential will "enhance" by a payment credited to the annuity at the end of the first and second contract years. This enhancement will increase the value of this annuity at no additional cost to you. Specifically, if you purchase an Enhanced Value Annuity and your initial payment was less than $25,000, Prudential will pay into the annuity an additional 2 percent of the initial payment. If your initial payment was between $25,000 and $50,000, Prudential will credit the annuity with a payment equal to 3 percent of the initial payment. In either case, Prudential will pay into the Enhanced Value Annuity another 2 percent of the initial payment at the end of the second year. In addition, if the Court approval of the Class action settlement is upheld on appeal, Prudential will pay another 1 percent of the initial premium into the annuity at the end of the third year.

The Enhanced Value Annuity has several important features:

FIRST, an Enhanced Value Annuity is a non-qualified annuity. This means that the annuity cannot be an individual retirement annuity (IRA) or part of a qualified plan. Consult your tax advisor for more information about IRAs or qualified retirement plans.

SECOND, an Enhanced Value Annuity is a deferred annuity. This means that the payments under the annuity would commence at a future date rather than immediately.

THIRD, there are limits to the amount of initial payment that will receive an enhancement under the Enhanced Value Annuity. You may not pay an aggregate amount for any Enhanced Value Annuity and/or Mutual Fund Enhancement greater than the maximum amount of initial payment set forth below:

If The Face Amount Of Your Original Policy Was:	The Maximum Amount Of Your Initial Payment Subject To Enhancement Is:
Less than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1 million or over	$50,000

The minimum amount that you can pay for an Enhanced Value Annuity is $1,000. The

maximum amount, subject to enhancement, will depend on the face amount of your original policy.

FOURTH. Prudential will waive any applicable surrender charges on the initial payment and the enhancements made by the company after the later of the date (1) you reach age 59 1/2, or (2) your Enhanced Value Annuity has been in force for at least four years.

FIFTH, the owner and annuitant for the Enhanced Value Annuity must be the owner of the policy for which you elect relief, unless the owner is not an individual (e.g. a corporation or trust), in which event the owner and annuitant must be the insured on the policy.

52. AM I ELIGIBLE TO ELECT AN ENHANCED VALUE ANNUITY?

Yes. You may apply for one as long as you do not, with respect to each policy, participate in the ADR Process or apply for an Enhanced Value Policy.

MUTUAL FUND ENHANCEMENTS

53. WHAT IS THE MUTUAL FUND ENHANCEMENT?

The Mutual Fund Enhancement provides you with an opportunity to purchase shares in certain mutual funds with Prudential contributing additional fund shares. You may make these purchases following receipt of a prospectus (or prospectuses), for the certain mutual funds distributed by Prudential Securities, Inc., a subsidiary of Prudential. The prospectus (or prospectuses) will describe in detail the expenses, charges and risks associated with the mutual fund shares. The Mutual Fund Enhancement works as follows: For each purchase of these shares by the policyholder, Prudential will "enhance" the amount of the initial purchase with a financial contribution to purchase additional shares equal to 4% of the amount of such purchase. The mutual fund shares will be offered subject to a contingent deferred sales charge, as described in the relevant prospectus, that generally decreases to zero over a period of approximately six years. Your initial purchase of mutual fund shares must be no less than $1,000, or such other amount as set forth in the applicable prospectus, and the amount entitled to receive the enhancement is subject to the following limits:

Policyholder's Policy Face Amount	Maximum Policyholder Initial Purchase Amount Subject to Enhancement
Less than $100,000	$10,000
From $100,000 to $249,999	$20,000
From $250,000 to $999,999	$30,000
$1 million or over	$50,000

You may not pay an aggregate amount for any Mutual Fund Enhancement and/or Enhanced Value Annuity greater than the applicable maximum policyholder initial purchase amount set forth above.

54. AM I ELIGIBLE TO ELECT A MUTUAL FUND ENHANCEMENT?

Yes. You may apply for a Mutual Fund Enhancement as long as you do not, with respect to your policy, participate in the ADR Process or apply for an Enhanced Value Policy.

55. IF I ELECT THE MUTUAL FUND ENHANCEMENT, WHEN WILL IT BECOME AVAILABLE?

You will be able to select the Mutual Fund Enhancement when electing Basic Claim Relief. However, you will have the opportunity, to purchase the mutual fund shares only if and when the class action settlement is approved by the Court and upheld on appeal. If the class action settlement is rejected by the Court or not upheld on appeal, you will be notified that the Mutual Fund Enhancement will not be made available to you. In that case, if the Mutual Fund Enhancement were your only Basic Claim Relief selection, you may make another selection.

PAYMENT AND ELIGIBILITY FOR BASIC CLAIM RELIEF

56. CAN I USE MONEY IN MY EXISTING POLICIES TO BUY AN ENHANCED VALUE POLICY, AN ENHANCED VALUE ANNUITY OR A MUTUAL FUND ENHANCEMENT (WHEN AVAILABLE)?

No. To obtain an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available), you must make the initial premium or payment with money that is not taken from an existing life insurance product issued by Prudential.

In addition, no money from a tax-qualified plan or product can be accepted as

payment for an Enhanced Value Policy, an Enhanced Value Annuity or a Mutual Fund Enhancement (when available), and these cannot be issued on a tax-qualified basis.

57. WHAT IF IT IS DETERMINED THAT I AM NOT ELIGIBLE FOR THE ELECTION THAT I HAVE MADE?

Prudential will notify you if you are not eligible for the type of Basic Claim Relief you have elected, and you will be given an opportunity to complete a new election form.

THE CLAIMANT SUPPORT TEAM WILL BE AVAILABLE TO ANSWER QUESTIONS YOU MAY HAVE ABOUT PARTICIPATION IN THE REMEDIATION PROGRAM. TELEPHONE REPRESENTATIVES WILL BE AVAILABLE TO TAKE YOUR CALLS AT 800-736-8913 (FOR TELECOMMUNICATION DEVICE FOR THE DEAF, CALL 800-782-1863) 24 HOURS A DAY ON WEEKDAYS (BEGINNING MONDAY AT 8 A.M.) AND SATURDAYS FROM 9 A.M. TO 3 P.M., YOUR LOCAL TIME. PLEASE DO NOT CONTACT THE CLERK OF THE COURT, OR THE COURT WHERE THE CLASS ACTION IS PENDING.

EXHIBIT G -- SUMMARY NOTICE

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	:	MASTER DOCKET NO. 95-4704 (AMW) MDL NO. 1061

TO: ALL PERSONS WHO PURCHASED INDIVIDUAL PERMANENT (WHOLE LIFE) INSURANCE POLICIES ISSUED IN THE UNITED STATES BY THE PRUDENTIAL INSURANCE COMPANY OF AMERICA OR ITS U.S. LIFE INSURANCE SUBSIDIARIES DURING THE PERIOD FROM JANUARY 1, 1982 THROUGH DECEMBER 31, 1995

PLEASE TAKE NOTICE that a hearing is to be held on January 21, 1997 at 10:00 a.m., before the Honorable Alfred M. Wolin, United States District Court for the District of New Jersey, located at the Martin Luther King Jr. United States Courthouse, 50 Walnut Street, Newark, New Jersey. The purpose of the hearing is to consider a proposed settlement of the class action with the caption shown above.

A DETAILED SETTLEMENT NOTICE HAS BEEN MAILED TO ALL CLASS MEMBERS DESCRIBING THE PROPOSED SETTLEMENT AND THE RIGHTS OF CLASS MEMBERS (THE "NOTICE"). BECAUSE THE PROPOSED SETTLEMENT AND THE SCHEDULED COURT HEARING MAY AFFECT THE RIGHTS OF CLASS MEMBERS, IF YOU ARE A MEMBER OF THE CLASS AND HAVE NOT RECEIVED A COPY OF THE SETTLEMENT NOTICE, YOU SHOULD IMMEDIATELY OBTAIN A COPY EITHER BY (i) CALLING PRUDENTIAL'S CLAIMANT SUPPORT TEAM AT 1-800-736-8913 (FOR TELECOMMUNICATION DEVICE FOR THE DEAF, CALL 800-782-1863) OR (II) WRITING TO PRUDENTIAL'S CLAIMANT SUPPORT TEAM AT P.O. BOX [NUMBER], [CITY, STATE, ZIP].

(1) THE CLASS. The Court has conditionally certified for settlement purposes a Class of policyholders who own or owned at its termination an individual permanent (whole life) insurance policy (the "Policy" or the "Policies") issued in the United States by The Prudential Life Insurance Company of America or any, of its United States life insurance subsidiaries (collectively, "Prudential") during the period from January 1, 1982 through December 31, 1995 (the "Class Period").

The Class does not include the following persons or entities (unless such persons or entities are members of the Class by virtue of their ownership interest in other Policies): (i) policyowners who were represented by counsel at the time they executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such Policies, (ii) policyowners that are corporations, banks, trusts or non-natural entities, which purchased Policies as corporate- or trust-owned life insurance and under which either (a) there are 50 or more separate insured individuals or (b) the aggregate premium paid over an eight (8) year period, ending with the close of 1996, exceeds one million dollars, or (iii) policyowners who were issued Policies in 1995 by Prudential Select Life Insurance Company of America.

(2) CHOICES AND DEADLINES FOR CLASS MEMBERS. If you are a Class Member, you have the following choices with respect to each Policy issued during the Class Period in which you have an ownership interest:

o YOU MAY REMAIN IN THE CLASS AND PARTICIPATE IN THE BENEFITS OF THE PROPOSED SETTLEMENT. IF THIS IS WHAT YOU CHOOSE TO DO, YOU NEED NOT TAKE ANY ACTION AT THIS TIME. YOUR INTERESTS WILL BE REPRESENTED WITHOUT COST TO YOU BY THE LAW FIRMS OF MILBERG WEISS BERSHAD HYNES & LERACH LLP AND

MUCH SHELIST FREED DENENBERG AMENT BELL & RUBENSTEIN, P.C., WHICH ARE ACTING AS CO-LEAD COUNSEL FOR THE CLASS FOR PURPOSES OF THE SETTLEMENT OF THIS LAWSUIT. If the settlement is approved by the Court, you will be contacted again and will be asked which of the available benefits, if any, you wish to elect. You should keep in mind that, if you remain in the Class and the settlement is approved, (i) you will be bound by all orders and judgments entered in this case, including the release and waiver of claims which absolves Prudential of further liability to you in connection with the sale, servicing or operation of your Policy; (ii) the relief available to you will consist of the proposed settlement relief discussed below; and (iii) and you will not be able to maintain, continue or commence any other claim, lawsuit or proceeding against Prudential relating to the Policies.

o IF YOU REMAIN IN THE CLASS, YOU MAY FILE WITH THE COURT A WRITTEN OBJECTION TO ANY ASPECT OF THE PROPOSED SETTLEMENT. TO DO SO, YOU MUST COMPLY WITH THE REQUIREMENTS DESCRIBED IN THE NOTICE. THE OBJECTION MUST BE FILED WITH THE COURT AT THE FOLLOWING ADDRESS: CLERK, UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY, PRUDENTIAL CLASS ACTION SETTLEMENT, P.O. BOX [__] NEWARK, NEW JERSEY [ZIP CODE], AND MUST BE RECEIVED NO LATER THAN DECEMBER 19, 1996 and must also be sent to the lawyers for the parties as described in the Notice. In addition, you (or an attorney acting on your belief at your expense) may appear before the Court to voice your objection to the extent allowed by the Court. If the Court does not agree with your objection, you nevertheless will be bound by the orders and judgments in this case.

o YOU MAY EXCLUDE YOURSELF FROM THE CLASS BY SENDING A FORMAL, WRITTEN REQUEST FOR EXCLUSION WITH RESPECT TO EACH POLICY FOR WHICH YOU WISH TO BE EXCLUDED THAT

COMPLIES WITH THE REQUIREMENTS DESCRIBED IN THE NOTICE. THE REQUEST MUST BE SENT TO THE COURT AT THE FOLLOWING ADDRESS: PRUDENTIAL CLASS ACTION SETTLEMENT, P.O. BOX [__] BOSTON, MASSACHUSETTS [ZIP CODE], AND MUST BE POSTMARKED BY NO LATER THAN DECEMBER 19, 1996. If you request exclusion, you will retain the ability to bring your own lawsuit against Prudential, but (i) you lose all rights to relief under the proposed class action settlement, (ii) you may not file any objection to the proposed settlement, and (iii) you will not be bound by any orders or judgments in this case.

(3) CLASS ACTION RELIEF. If the Court approves the settlement, Class Members who remain in the Class will have a choice between two categories of settlement benefits: an alternative dispute resolution process ("ADR Process") and Basic Claim Relief.

- ADR PROCESS. Any Class Member, who believes he or she was misled regarding the purchase of his or her policy, can submit a claim in the ADR Process at no cost to the claimant. This process permits the policyholder to have the claim reviewed and evaluated by an independent and impartial person, not affiliated with Prudential, and whose selection is approved by lawyers for the Class in this lawsuit. Depending upon the type of claim involved and evidence presented, remedies can range from no relief to returning policy values improperly used; allowing a policyholder to cancel an unwanted policy and receive a refund of some or all of the premiums paid; or relieving a policyholder from making future out-of-pocket payments for some or all of the premiums due. Prudential has waived defenses such as statute of limitations in the ADR Process.

- BASIC CLAIM RELIEF. If a policyholder does not wish to file a claim under the ADR Process, he or she may consider the options available under Basic Claim Relief. To obtain Basic Claim Relief, the policyholder need not show that he or she was misled or harmed in any way, or that any improper sales practices occurred. The options available under Basic Claim Relief, each of which has particular eligibility requirements, include Optional Premium Loans, an Enhanced Value Policy, and an Enhanced Value Annuity. Certain additional contributions to Enhanced Value Policies and Enhanced Value Annuities as well as the availability of a Mutual Fund Enhancement will become available only upon the entry of a final, non-appealable order approving the class action settlement.

Each of these forms of settlement relief is described in greater detail in the Notice.

(4) TASK FORCE PLAN. If the Court does not approve the settlement by February 1, 1997, you may be eligible to participate in a remediation plan jointly developed by Prudential and a Multi-State Life Insurance Task Force (the "Task Force"), if you are a resident of one of the states or the District of Columbia that have accepted the Task Force

remediation plan. You do not need to exclude yourself from the Class to be eligible for the Task Force Plan.

(5) FURTHER INFORMATION: If you have any questions, if you wish to obtain a copy of the Settlement Notice, or if you need further information about the terms of the settlement, please call Prudential's Claimant Support Team at 1-800-736-8913 (for Telecommunication Device for the Deaf, call 800-782-1863). DO NOT TELEPHONE THE COURT OR THE CLERK OF THE COURT.

Dated: Newark, New Jersey
_____, 1996

Clerk of the Court

EXHIBIT H -- CLAIM FORM

THE DEADLINE FOR FILING THIS CLAIM IS [DATE]. The completed and signed Claim Form should be returned in the enclosed postage-paid envelope.

IF YOUR CLAIM IS NOT RECEIVED BY THE ABOVE DATE, YOU WILL NOT BE ALLOWED TO PARTICIPATE IN THE ADR PROCESS. PLEASE NOTE THAT YOU WILL RECEIVE A SEPARATE CLAIM FORM FOR EACH POLICY FOR WHICH YOU SELECT THE ADR PROCESS.

PLEASE CORRECT AND COMPLETE ALL INFORMATION IN THIS PART I.

PART I

1. Claim Number: [computer produced]

2. Policy Number: [computer produced]

3. Insured: [computer produced]

4. Policyholder(s): [computer produced]

5. Daytime Telephone Number (for each Policyholder):

6 Mailing Address (for each Policyholder):

7. Social Security Number, for each Policyholder (optional, for identification purposes only):

8. What address should we use to reach you?

9. When is the best time to reach you by telephone?

[Policyholder Address]

[ ]

ADR PROCESS CLAIM FORM

This form should be used by Policyholder(s) who believe that they were misled in connection with the sale, servicing or operation of a Prudential whole-life insurance Policy. IF YOU SUBMIT THIS FORM YOU WILL BE PART OF THE ADR PROCESS, AND, THEREFORE, YOU MAY NOT BE ABLE TO ELECT ANY OTHER FORM OF RELIEF (OPTIONAL PREMIUM LOAN, ENHANCED VALUE POLICY, ENHANCED VALUE ANNUITY OR MUTUAL FUND ENHANCEMENT) FOR WHICH YOU MAY BE ELIGIBLE WITH REGARD TO THE POLICY IN QUESTION. Claims that may be resolved through the ADR Process include any Claim based on:

* Misstatements concerning "Financed Insurance" (generally involving the use of loans, dividends or policy values of existing policies to pay premiums on new policies);

* Misstatements concerning "Abbreviated Payment" or "APP" (generally involving the use of a policy's dividends or contract values to pay premiums on the same policy);

* Misstatements in connection with the sale of life insurance as a savings, investment or retirement vehicle; or

* Misstatements in connection with other aspects of the sale of life insurance.

For purposes of completing this Claim Form a "Misstatement" means an untrue statement of material fact, or the failure to disclose a material fact necessary to make the statement made not materially misleading, under the circumstances.

PLEASE KEEP A COPY OF THIS COMPLETED FORM, AND ANY ATTACHMENTS, FOR YOUR RECORDS.

This Claim Form has four parts:

(1) Part I - General, which asks you for information about you and your Policy;

(2) Part II - Description of Claim, which asks you to describe events related to the purchase and servicing of your Policy;

(3) Part III - Questions About Your Claim, which requests other information that is necessary to ensure that your Claim is properly evaluated; and

(4) Part IV - Representations, Authorization and Release, which asks you to make

representations regarding the accuracy and truthfulness of the information provided in Parts I through III, to authorize the use of your personal insurance information in the evaluation of your Claim, and to release the Company from any claims against it in connection with the Policy.

PLEASE NOTE, THAT IN ORDER TO ENSURE THAT YOUR CLAIM IS PROPERLY EVALUATED, YOU MUST ATTACH TO THIS CLAIM FORM COPIES OF ALL DOCUMENTS THAT YOU HAVE IN YOUR POSSESSION THAT RELATE TO YOUR CLAIM. IT IS VERY IMPORTANT THAT YOU ATTACH COPIES OF ALL DOCUMENTS THAT YOU THINK SHOULD BE CONSIDERED IN THE EVALUATION OF YOUR CLAIM. WE RECOMMEND THAT YOU MAKE AND RETAIN COPIES OF ALL DOCUMENTS THAT YOU SUBMIT WITH THIS CLAIM FORM.

If you have any questions about the ADR Process or about this Claim Form, or if you need assistance in preparing this Claim Form, an independent team approved by insurance regulators and plaintiffs' counsel in the Class Action is available to assist you and can be contacted at 800-736-8913 (For TDD, call 800-782-1863).

Please clearly write or print the information requested in this Claim Form. PLEASE NOTE that it may be necessary, for the Company to reject your Claim or to return the Claim Form to you if (i) the Claim Form is not properly completed and signed by an eligible Claimant, (ii) the Claim Form is not timely submitted, or (iii) the representations and agreements in Part IV are deleted or modified.

PART II

PLEASE ANSWER THE FOLLOWING QUESTIONS ABOUT THE EVENTS RELATED TO THE SALE OR SERVICING OF THE POLICY IDENTIFIED IN PART I. BE AS SPECIFIC AND COMPLETE AS YOU CAN, TO THE BEST OF YOUR KNOWLEDGE.

IF YOU NEED MORE SPACE FOR YOUR ANSWERS TO PART II, PLEASE USE THE SPACE BELOW OR ATTACH ADDITIONAL PAGES AT THE END OF THIS CLAIM FORM, PUTTING YOUR CLAIM NUMBER ON EACH SUCH PAGE.

A. Allegation of Claim. Describe as fully as possible the particular Misstatement(s) that you believe were made to you before, during or after the sale of your Policy, or otherwise describe why you think you have a Claim.

B. Discussions with Agent.

1. What was the name of the Agent who sold you this Policy?

2. Who was present at your meeting(s) with the Agent leading up to the purchase of this policy?

3. Describe as fully as possible the discussions that you or others who were present had with the Agent or other Company representatives about the Policy:

(a) before and during the sale of the Policy to you.

(b) after the sale of the Policy to you.

4. Did you discuss your financial needs with the Agent? If so, what specifically did you discuss?

5. Describe any discussions that you had with the Agent concerning your retirement or other financial circumstances. Indicate any date you mentioned concerning your planned retirement. Indicate whether you changed your pension benefit elections as a result of the purchase of the Policy. Please explain as fully as possible.

6. Describe any discussions with the Agent concerning the advisability, effect or cost of a new policy if you replaced your existing policy. Describe and attach the documents you reviewed, received and/or signed concerning these discussions.

C. Decision for Purchase. Please provide information about your decision to purchase your Policy.

1. Why did you purchase your Policy?

2. To what extent did the Policy serve or not serve your needs or purposes, and why ?

D. Payment of Premiums. At the time of the sale of your Policy:

1. How much were you told you would have to pay in premiums?

2. For how long were you told you would have to pay premiums?

3. Did you expect to pay all future premiums and, if not, how were premiums to be paid?

E. Dividends. Describe what was said to you before, during or after the purchase of your policy concerning the amount and use of dividends, investment returns, or interest paid or earned.

F. Policy Loans. Describe what was said to you before, during or after the purchase of your policy concerning the use of policy loans, interest charges on those loans, the repayment of loans or the impact of unpaid loans on your policy.

G. Policy Termination. If your Policy terminated or is no longer in effect, describe when and why you believe this occurred.

H. Records and Documents. Identify to the best of your recollection the various documents that were given or shown to you before, during or after the sale of the Policy to you. You should include, for example, any sales materials, illustrations of premiums, dividends or policy values over time, agreements, letters, change forms, correspondence, notes, or loan or withdrawal documents that you can recall seeing or receiving before, during or after the sale of your Policy. PLEASE NOTE THAT IF YOU STILL HAVE THESE DOCUMENTS, INCLUDING YOUR POLICY AND APPLICATION, IN YOUR POSSESSION OR CAN OBTAIN THESE DOCUMENTS, YOU MUST ATTACH A COPY OF EACH SUCH DOCUMENT TO THIS CLAIM FORM. (IF YOU WISH TO INCLUDE YOUR POLICY AS EVIDENCE YOU NEED ONLY TO COPY THE TOP 3 PAGES.)

PART III

The following questions will provide a more complete picture of your policy's history. You need only answer the questions that relate to your Claim. You may skip any questions that do not apply. After each question are blank lines. Use those lines further to explain your answers. If you need more space attach additional pages. Please answer all questions that apply to your Claim, even though some or all of the same information also may appear in Part II. WHERE ANY OF YOUR ANSWERS REFERENCE DOCUMENTS, PLEASE ATTACH A COPY OF THOSE DOCUMENTS WHICH YOU STILL HAVE TO THIS CLAIM FORM. PLEASE KEEP YOUR ORIGINALS. WHEN REFERRING TO OTHER PRUDENTIAL POLICIES, PLEASE INCLUDE THE POLICY NUMBER IF KNOWN.

1. When you purchased your Policy, did you plan to use the Policy to meet a specific financial need or to satisfy a specific financial obligation?

Yes_____ No____ I do not recall or know____.

If yes, describe the circumstances and facts relating to the specific financial need or specific financial obligation.

_____

_____

2. Did you intend to give up or surrender an existing insurance policy when

you purchased this Policy?

If yes, please identify the policy that was given up or surrendered.

_____

_____

3 Did you have an attorney, financial advisor, accountant or licensed insurance broker (other than the Agent) present and providing assistance to you at the time of the sale of the Policy? Were any other persons present at the sale?

Yes_____ No____ I do not recall or know____.

If yes, list that person below, note their occupation and explain their role.

_____

_____

If yes, you may attach a statement under oath written by that person describing the discussions during the sale of the Policy and his or her role (if any) during the sale.

4. Were you shown a computer-generated illustration (columns of numbers showing how the policy works) prior to, during, or after the sale of the Policy to you?

Yes_____ No____ I do not recall or know____.

If you received a copy of the illustration and you still have it, please attach a copy to this Claim Form.

5. If you were shown a computer-generated illustration, did the illustration show that premiums would not be paid out-of-pocket at some point?

Yes_____ No____ I do not recall or know____.

If yes, did you at any time pay an amount different than the illustrated out-of-pocket premium payments? Please explain.

_____

_____

6. If you were shown a computer-generated illustration, did it include a section showing how premiums could be paid using the policy's values?

Yes_____ No____ I do not recall or know____.

If yes, what words were used to describe this?

_____

_____

7. If you purchased a Survivorship ("second to die") policy, were you shown an illustration?

Yes_____ No____ I do not recall or know____.

If yes, did the illustration include demonstrations of different dividend scales?

_____

_____

8. Did you take policy loans or dividends in cash from a Policy for use for some purpose other than to pay premiums on any Policy?

Yes_____ No____ I do not recall or know____.

9. If you purchased a variable appreciable life or variable life insurance policy, did you receive a booklet (prospectus) describing the policy and its investment options?

Yes_____ No____ I do not recall or know____.

If yes, when did you receive the prospectus?

Before sale____ During sale____ After sale____ I do not recall or know___.

10. Were words other than "premiums" used by your Agent to describe the payments due on your Policy?

Yes_____ No____ I do not recall or know____.

If yes, please explain.

_____

_____

11. Did you have a discussion with your Agent or other Company representatives concerning Company notices for your Policy?

Yes_____ No____ I do not recall or know____.

If yes, what do you recall was said concerning Company notices regarding:

a. Premiums?
b. Loans?
c. Termination of Policy?
d. Reinstatements?
e. Surrenders?
f. Policy Benefits?

_____

_____

12. Did you change your Policy at any time after the sale of the Policy by adding benefits that increased premiums due under the Policy?

Yes_____ No____ I do not recall or know____.

13. Do you have any reason to believe that any Company document affecting your policy bears a signature that is noted to be yours but was not signed or authorized by you?

Yes_____ No____ I do not recall or know____.

If yes, please explain.

_____

_____

14. Did you sign any forms where no information had been filled-in?

Yes_____ No____ I do not recall or know____.

If yes, did you give permission for its use? Please identify the document and explain.

_____

_____

15. Do you believe that funds or Policy benefits have been taken from your Policy without your knowledge or consent?

Yes_____ No____ I do not recall or know____.

If yes, please describe the circumstances.

_____

_____

16. Have you previously submitted any complaint to the Company regarding your Policy?

Yes_____ No____ I do not recall or know____.

If yes, (i) describe the nature and approximate date of the complaint, (ii) describe the outcome and any relief accepted by you, (iii) state whether you were represented by counsel in connection with a settlement of the complaint, and (iv) attach to this Claim Form copies of any documents you have regarding the complaint or relief obtained, including any settlement and release agreements executed by you.

_____

_____

17. What was your approximate annual income at the time of the sale of the Policy to you?

|_| Less than $25,000
|_| Greater than $25,000
|_| I do not recall or know.

18. Are you retired?

Yes_____ No_____

If yes, when did you retire?

_____

_____

DO YOU HAVE ANY ADDITIONAL INFORMATION OR DOCUMENTS THAT YOU BELIEVE WOULD HELP THE CLAIM EVALUATION STAFF EVALUATE YOUR CLAIM? IF SO, PLEASE INCLUDE THE ADDITIONAL INFORMATION AND/OR ATTACH DOCUMENTS TO THIS CLAIM FORM.

[ADDITIONAL PAGE]

PART IV

IMPORTANT: PLEASE READ THE FOLLOWING CAREFULLY BEFORE SIGNING. DELETING OR CHANGING ANY OF THE FOLLOWING PARAGRAPHS WILL INVALIDATE THIS CLAIM FORM.

A. COMPLETE AND ACCURATE SUBMISSION

I/we represent to the best of my/our knowledge that:

1. All of the statements and information in this Claim Form are complete and accurate:

2. All documents attached to this Claim Form or furnished in connection with my/our Claim are genuine; and

3. I/we have furnished copies of all documents in my/our possession, custody or control that relate to or are relevant to my/our Claim or Policy, including documents that tend to prove or disprove, or support or do not support, my/our Claim.

B. AUTHORIZATION

I/we, and others, either independently or on my/our behalf, have provided Prudential with information, including without limitation personal and medical records, in connection with the application, sale, servicing and operation of my/our policy. I/we have requested that Prudential review this information, among other things, in order to adjudicate my/our claim related to the policy. I/we, therefore, authorize Prudential to disclose and provide, if requested, such information to any of its employees, state insurance regulators and lawyers for the class-action lawsuit, along with any third-parties retained on behalf of these entities, involved in evaluating or reviewing my/our claim or who may otherwise be involved in the ADR Process. This authorization shall remain in effect until my claim has been determined, the final award has been accepted, and the ADR Process has been completed.

C. RELEASE AND WAIVER OF CLAIMS

BY COMPLETING, SIGNING AND SUBMITTING THIS CLAIM FORM, YOU ARE RELEASING AND WAIVING ALL CLAIMS YOU MAY HAVE AGAINST PRUDENTIAL AND ITS OFFICERS, EMPLOYEES AND AGENTS CONCERNING THE SALE, SERVICING AND OPERATION OF YOUR POLICY. THE RELEASE, AS SET FORTH IN THE APPENDIX, ENCOMPASSES ANY MATTER

RELATING TO THE MARKETING, SOLICITATION, APPLICATION, UNDERWRITING, ACCEPTANCE, SALE, PURCHASE, OPERATION, RETENTION, ADMINISTRATION, SERVICING, OR REPLACEMENT, BY MEANS OF SURRENDER, PARTIAL SURRENDER, LOANS RESPECTING WITHDRAWAL AND/OR TERMINATIONS OF YOUR

POLICY OR ANY INSURANCE POLICY OR ANNUITY SOLD IN CONNECTION WITH OR RELATING IN ANY WAY DIRECTLY OR INDIRECTLY TO THE SALE OR SOLICITATION OF, YOUR POLICY. THE RELEASE IS INTENDED TO BE VERY BROAD. THE RELEASE IS A CRITICAL ELEMENT OF THE ADR PROCESS. YOU SHOULD CAREFULLY READ THIS PARAGRAPH AND THE ENTIRE RELEASE.

I/WE HAVE READ THE RELEASE SET FORTH IN THE APPENDIX, UNDERSTAND IT FULLY, AND AGREE TO ALL OF ITS TERMS.

D. PENALTY OF PERJURY

I/we declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct (pursuant to 28 U.S.C. ss.1746).

_____
Signature of Policyholder(s)

_____
Signature(s) of Co-Policyholder(s) and/or other parties with ownership interests

Dated: _____, 199_

APPENDIX

RELEASE AND WAIVER OF CLAIMS

I/we, for myself/ourselves and my/our heirs, administrators, executors, successors and assigns, agree to RELEASE The Prudential Insurance Company of America and any of its other current, former and future parents, subsidiaries, affiliates, partners, predecessors, successors and assigns and each of their respective past, present and future officers, directors, employees, agents, independent contractors, brokers, representatives, attorneys, heirs, administrators, executors, predecessors, successors and assigns (collectively, "Prudential") from, and COVENANT NOT TO SUE upon, any claim or cause of action of any kind or nature whatsoever, known or unknown (except claims with respect to receiving any additional amounts made available through a settlement of the Consolidated Policyholders Class Actions in In re The Prudential Insurance Company of America Sales Practices Litigation, Master Docket No. 95-4704 (AMW), MDL No. 1061, after all appeals therefrom have been finally disposed of in a manner so that the settlement is affirmed in all material respects), that has been, could have been, may be or could be asserted now or in the future, against Prudential in any legal action, arbitration, or other proceeding (including before any state Department of Insurance or any other regulatory commission) with respect to, or in any way arising from or connected with, in whole or in part, the marketing, solicitation, application, underwriting, acceptance, sale, purchase, operation, retention, administration, servicing, or replacement of the Policy the subject hereof.

This release is given in return for being afforded the opportunity to have my/our Claim described herein resolved in the ADR Process. I/we agree that this Release will be, and may be raised as, a complete defense and bar to any action or proceeding relating to the subjects on which I/we have released Prudential.

I/we understand that nothing in this Release will be deemed to alter my/our contractual rights (except to the extent that such rights are altered or affected by the election and award of benefits in connection herewith) to make a claim for benefits that will become payable in the future pursuant to the express written terms of the policy form issued by Prudential.

I/we understand that without in any way limiting the scope of the Release, this Release covers, without limitation, any and all claims for attorneys' fees, costs or disbursements incurred by counsel representing me/us, or incurred by me/us, in connection with or related in any manner to the subjects on which I/we have released Prudential hereby: provided, however, this provision shall not release any fees, costs or disbursements of counsel representing the putative class in the Consolidated Policyholders Class Actions described above.

I/we understand that Section 1542 of the Civil Code of the State of California provides that a general release does not extend to claims which a creditor does

not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor pertaining to Prudential's insurance sales practices. I/we hereby agree that the provisions of Section 1542 and all similar laws, rights, rules or legal principles of any other jurisdiction which may be applicable herein (including, without limitation, North Dakota and South Dakota), are hereby knowingly and voluntarily waived, and I/we hereby agree and acknowledge that this is an essential term of this Release.

It is my/our intention in executing this Release fully, finally and forever to settle and release all such matters, and all claims relating thereto, which exist, hereafter may exist, or might have existed.

RESCISSION RIGHT: This release may be rescinded and be of no further force or effect upon The Prudential Insurance Company of America giving notice that the Court and appellate approvals have not been received in the Consolidated Policyholders Class Actions described above and if I/we elect to rescind this release by returning, within 60 days after receipt of the above-described notice, such election to Prudential's designee on the form it will provide. In such event, I/we understand that any relief I/we received in connection with the ADR Process shall be concurrently rescinded and returned to The Prudential Insurance Company of America and The Prudential Insurance Company of America shall return, to the extent reasonably practicable, the Policy making me/us eligible for the ADR Process to its status prior to the inception of the ADR Process.

EXHIBIT I -- STIPULATION OF CONFIDENTIALITY

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	:	MASTER DOCKET NO. 95-4704 (AMW) MDL NO. 1061
THIS DOCUMENT RELATES TO: ALL ACTIONS LISTED ON EXHIBIT A	:	

STIPULATION OF CONFIDENTIALITY

IT IS HEREBY STIPULATED AND AGREED by and between the undersigned as follows:

1. Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Notice of Class Action, Proposed Settlement, Settlement Hearing and Right to Appear, with respect to the above-referenced Actions, mailed on or about November 4, 1996.

2. Pursuant to the Court's Order dated October __, 1996, Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C. ("Lead Counsel") will, upon written request to (i) Melvyn I. Weiss, Esq., Milberg Weiss Bershad Hynes & Lerach LLP, One Pennsylvania Plaza, New York, New York 10119, or (ii) Michael B. Hyman, Esq., Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C., 200 North LaSalle Street, Suite 2100, Chicago, Illinois 60601, with a copy in either case to Reid L. Ashinoff, Esq., Sonnenschein Nath & Rosenthal, 1221 Avenue of the Americas, New York, New York 10020, provide the persons specified in paragraph 5 hereof access to documents generated during discovery in the Actions, all in accordance herewith.

3. All information disclosed to the persons specified in paragraph 5 hereof is subject to this Stipulation of Confidentiality (this "Stipulation"), and shall be deemed "Confidential Information" and shall not be used or disclosed except as expressly provided herein.

4. Confidential Information shall not be disclosed to any person and shall not be used for any purpose other than for purposes of evaluating the fairness, reasonableness and adequacy of the proposed settlement in these Actions as contained in the Stipulation of Settlement entered into with respect to the above-referenced Actions (the "Stipulation of Settlement"). Without any limitation of the foregoing sentence, Confidential Information shall not be used (a) in the litigation of these Actions should the Actions not be settled for

any reasons, including should the court with jurisdiction over the Actions not approve a settlement or should the court's approval of the settlement be overturned on appeal, or (b) in any other litigation, arbitration or other

proceeding, or in the investigation or preparation therefor.

5. Access to Confidential Information shall be limited to (a) Class Members and (b) such of (i) their counsel, (ii) employees of such Class Member (in the case of a Class Member which is an entity) or counsel assigned to and necessary to assist such Class Member or counsel in evaluating the proposed settlement and (iii) consultants or experts retained by Class Members, to the extent necessary to assist Class Members and/or their counsel in evaluating the proposed settlement.

6. No person specified in paragraph 5 shall be given access to Confidential Information unless and until such person shall have executed a document in the form of Annex A hereto acknowledging that he or she has read a copy of this Stipulation and agrees to comply with the provisions hereof.

7. The persons specified in paragraph 5 can inspect the Confidential Information in the offices of Lead Counsel, by prior appointment, during regular business hours, in accordance with the provisions of this Stipulation.

8. Copies of Confidential Information shall not be disclosed to any person, except such copies may be disclosed to the Court in connection with proceedings regarding the fairness, reasonableness and adequacy of the proposed settlement of these Actions. All Confidential Information (including all copies and notes therefrom) shall be returned to Lead Counsel or certified to Lead Counsel, in writing, as destroyed in accordance with Lead Counsel's instructions, upon completion of such proceedings and any appeals therefrom.

9. In the event any person receiving Confidential Information pursuant to this Stipulation is required by order of any court or government agency or official to disclose Confidential Information, such person shall not disclose such Confidential Information except upon ten days prior written notice (which notice shall include a copy of the order) to Prudential.

10. Nothing in this Stipulation shall limit Prudential's use of Confidential Information it has provided Lead Counsel, nor shall it limit the access of those state insurance regulators in the jurisdictions set forth on Exhibit 1 to the Stipulation of Settlement to such Confidential Information held by Lead Counsel or Prudential. Prudential shall preserve all such Confidential Information as required by paragraph P of the Stipulation of Settlement.

11. The provisions of this Stipulation shall survive the termination of the Actions. At the earlier of (a) the termination of record of the Actions or (b) such other time as the parties to the Actions decide not to continue to seek settlement of the Actions, all Confidential Information shall be returned or destroyed in accordance with paragraph 8 hereof. At any time thereafter at which Confidential Information shall be in the possession

or control of any person bound by this Stipulation, such Confidential Information shall be returned in accordance with paragraph 8 herein.

12. The consent of Prudential to the provision of Confidential Information to any person shall not be construed as an admission or concession by Prudential of any matter.

13. This Stipulation may be executed in any number of counterparts.

14. No waiver by either party hereto of any breach by any other person of any conditions or provisions in this Stipulation shall be deemed a waiver of a similar or dissimilar provision or condition at the same time or at any prior or subsequent time.

15. This Stipulation constitutes the complete understanding between the parties and supersedes all previous and contemporaneous agreements or representations, whether written or oral, with respect to the subject matter hereof. This Stipulation may not be modified, supplemented, amended or waived except in a writing signed by authorized representatives of the parties.

16. In the event that any provision of this Stipulation is determined to be unlawful, such provision shall be deemed to be severed from this Stipulation, but every other provision of this Stipulation shall remain in full force and effect.

Dated: _____

APPROVED AND AGREED TO BY AND ON
BEHALF OF THE PRUDENTIAL
INSURANCE COMPANY OF AMERICA

By: _____
Reid L. Ashinoff, Esq.

APPROVED AND AGREED TO

INDIVIDUALLY AND BY AND ON
BEHALF OF THE NAMED PLAINTIFFS,
IN THEIR INDIVIDUAL AND
REPRESENTATIVE CAPACITIES

MILBERG WEISS BERSHAD HYNES &
LERACH LLP

By: _____
Melvyn I. Weiss, Esq.

MUCH SHELIST FREED DENENBERG
AMENT BELL & RUBENSTEIN, P.C.

By: _____
Michael B. Hyman, Esq.

EXHIBIT A TO STIPULATION OF CONFIDENTIALITY

George A. Zoller v. Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-1093 (AMW).

Lester H. Groth, et al. v. The Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-1104 (AMW).

Martin Dorfner v. The Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-1107 (AMW).

Toni Wachtler, et al. v. Prudential Insurance Company of America, District of New Jersey, Civil Action No. 95-2473 (AMW).

Elizabeth Kuchas, et al. v. Prudential Insurance Company of America, District of Connecticut, Civil Action No. 3:95-353.

Carol Nicholson, et al. v. The Prudential Insurance Company of America, Southern District of Illinois, Civil Action No. 3:95-206.

Allan W. Amlee, et al. v. Prudential Insurance Company of America, District of Minnesota, Civil Action No. 3:95-380.

Gary Dugan, et al. v. Prudential Life Insurance Company of America, et al., Southern District of New York, Civil Action No. 1:94-1195.

E. Eugene Price, et al. v. Prudential Insurance Company of America, Western District of Pennsylvania, Civil Action No. 2:94-75.

Charles J. Harris, et al. v. Prudential Insurance Company of America, Southern District of Illinois, Civil Action No. 95-203-WLB.

John A. Hunter, et al. v. The Prudential Life Insurance Company of America, Western District of New York, Civil Action No. 95-CV-0364E(F).

ANNEX A TO STIPULATION OF CONFIDENTIALITY

The undersigned hereby certifies that (s)he has read the attached Stipulation of Confidentiality, understands the terms thereof, is a person described in clause __ of paragraph 5 thereof and agrees to be bound thereby.

_____

Dated: _____

STATE OF)
) SS.
COUNTY OF)

On this __ day of _____, __ before me personally appeared the above-named person, [to me known] [identified to my satisfaction], who being by me duly sworn according to law, and acknowledged that he/she understands and is familiar with the contents and effect of the foregoing instrument and signed, sealed and delivered the foregoing instrument of his own free will.

_____
Notary Public

My Commission Expires:

EXHIBIT 10.3

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE THE PRUDENTIAL INSURANCE COMPANY OF AMERICA SALES PRACTICES LITIGATION	:	MASTER DOCKET NO. 95-4704 (AMW) MDL NO. 1061
THIS DOCUMENT RELATES TO: ALL ACTIONS LISTED ON EXHIBIT A	:	

AMENDMENT TO STIPULATION OF SETTLEMENT

1. WHEREAS, Prudential has agreed with the states of California, Florida, Massachusetts and Texas to provide certain additional remedies and procedural advantages in the ADR Process to Class Members within their respective jurisdictions; and

2. WHEREAS, the Plaintiffs and Defendants have agreed to extend such benefits to all Class Members;

IT IS HEREBY STIPULATED AND AGREED, by, between and among Plaintiffs (individually and in their respective capacities as representatives of the Class) and The Prudential Insurance Company of America, and the Individual Defendants, that the Stipulation of Settlement, executed on or around October 28, 1996, be and hereby is amended as follows:

1. Section I.C. of Exhibit B is amended to state: "'Complaint History' shall mean, with respect to any Agent, that such Agent has had prior to February 1, 1997, three (3) or more sales practices-related complaints (documented in the Company's files)."

2. The relief offered for scores of "2" as set forth in sections II.C.1.b.(ii), II.C.2.b.(ii), II.C.3.b.(ii), II.C.4.b.(ii), II.C.5.b.(ii), III.C.2.b., III.C.6.b., IV.C.2.a., and IV.B.2.a. of Exhibit B to the Stipulation of Settlement, where the remedy includes a rescission of the Policy and a refund of premiums, shall be amended to read as follows: "the Company will rescind the Policy as of the date of issue and will refund in cash an amount equal to the premiums paid on the Policy, less cash withdrawals, surrenders, loans and/or dividends paid in cash or used to reduce premiums on the Policy, and less Term Insurance Costs, plus interest at 100% of the Interest Rate."

3. The following new Non-Specific Evidentiary Consideration shall be added to Exhibit B to the Settlement (ADR Guidelines) as subsection I.F.1.h.: "The Policyholder was age 60 years or older at the time of the sale of the Policy."

4. The following shall be added to Exhibit B to the Stipulation of Settlement as subsection V.A.4.:

> The life insurance application underlying the Policy contains an unauthorized signature. In the event that this Claim-Resolution Factor exists, the Claimant shall be offered no less than the remedy provided for a Claim attaining a score of "3" as set forth in Section V.C.

5. The following provision shall be added to Exhibit C to the Stipulation of Settlement as subsection II.D.4.: "Provide Claimants who so request with current information with respect to the existence of any outstanding loans, their most recent dividend payments, their dividend status, and, where applicable, their currently illustrated year of abbreviation."

IN WITNESS WHEREOF, the undersigned stipulate and have entered into this Stipulation of Settlement as of the 22nd day of February, 1997.

APPROVED AND AGREED TO BY
AND ON BEHALF OF THE NAMED
PLAINTIFFS, IN THEIR INDIVIDUAL
AND REPRESENTATIVE CAPACITIES

By:

Melvyn I. Weiss, Esq.
Milberg Weiss Bershad Hynes &
Lerach LLP

By:

Michael B. Hyman, Esq.
Much Shelist Freed Denenberg
Ament Bell & Rubenstein, P.C.

APPROVED AND AGREED TO BY
THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By: /s/ James R. Gillen

James R. Gillen, Esq.
General Counsel

COUNSEL TO THE PRUDENTIAL
INSURANCE COMPANY OF AMERICA

By: /s/ Michael H. Barr

Michael H. Barr, Esq.
Sonnenschein Nath & Rosenthal

APPROVED AND AGREED TO BY
AND ON BEHALF OF
RONALD D. BARBARO

By: /s/ Michael H. Barr

Michael H. Barr, Esq.
Sonnenschein Nath & Rosenthal

APPROVED AND AGREED TO BY
AND ON BEHALF OF
ROBERT A. BECK

By: /s/ Charles M. Lizza

Frederick B. Lacey, Esq.
Charles M. Lizza, Esq.
LeBoeuf, Lamb, Greene &
MacRae L.L.P.

IN WITNESS WHEREOF, the undersigned stipulate and have entered into this Stipulation of Settlement as of the ____ day of February, 1997.

APPROVED AND AGREED TO BY
AND ON BEHALF OF THE NAMED
PLAINTIFFS, IN THEIR INDIVIDUAL
AND REPRESENTATIVE CAPACITIES

By: /s/ Melvyn I. Weiss

Melvyn I. Weiss, Esq.
Milberg Weiss Bershad Hynes &
Lerach LLP

By: /s/ Michael B. Hyman

Michael B. Hyman, Esq.
Much Shelist Freed Denenberg
Ament Bell & Rubenstein, P.C.

APPROVED AND AGREED TO BY
THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By:

James R. Gillen, Esq.
General Counsel

COUNSEL TO THE PRUDENTIAL

INSURANCE COMPANY OF AMERICA

By:

Michael H. Barr, Esq.
Sonnenschein Nath & Rosenthal

APPROVED AND AGREED TO BY
AND ON BEHALF OF
ROBERT C. WINTERS

By: /s/ Guy V. Amoresano

Guy V. Amoresano, Esq.
Crummy, Del Deo, Dolan,
Griffinger & Vecchione

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated March 13, 2001, except for Note 18, as to which the date is April 2, 2001, relating to the financial statements and financial statement schedules of The Prudential Insurance Company of America, which appear in such Registration Statement. We also consent to the use in this Registration Statement on Form S-1 of our report dated April 6, 2001 relating to the financial statements of Prudential Financial, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

New York, New York
April 9, 2001

EXHIBIT 23.4

[LETTERHEAD OF MILLIMAN & ROBERTSON, INC.]

March 28, 2001

Re: The Prudential Insurance Company of America

Consent of Milliman & Robertson, Inc.

We consent to the use in this registration statement of Mr. McCarthy's opinion letter dated December 12, 2000, as Annex A to the prospectus and to the references made to Mr. McCarthy, to such letter and to Milliman & Robertson, Inc., under the captions "Unaudited Pro Forma Condensed Consolidated Financial Information", "Demutualization and Related Transactions" and "Experts".

Milliman & Robertson, Inc.

By:/s/ Daniel J. McCarthy

Daniel J. McCarthy, M.A.A.A.
Consulting Actuary
New York, New York
March 28, 2001

CONFIDENTIAL TREATMENT REQUESTED BY PRUDENTIAL

Exhibit 24

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Arthur F. Ryan, Mark B. Grier, Richard J. Carbone and John M. Liftin and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Act of 1933 (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission in connection with the registration under the Securities Act of the Common Stock of the Registrant, including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her respective capacity as a member of the Board of Directors or officer of the Registrant, this Registration Statement and/or such other form or forms as may be appropriate to be filed with the Commission as any of them may deem appropriate in respect of the Common Stock of the Registrant, to any and all amendments thereto (including post-effective amendments), to any related Rule 462(b) Registration Statement and to any other documents filed with the Securities and Exchange Commission, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

<TABLE>
<CAPTION>

Name	Title
<S>	<C> <C>
/s/ Arthur F. Ryan Arthur F. Ryan	Chairman, Chief Executive Officer, President and Director
/s/ Richard J. Carbone Richard J. Carbone	Chief Financial Officer (Principal Financial Officer)
/s/ Anthony S. Piszel Anthony S. Piszel	Controller (Principal Accounting Officer)
/s/ Franklin E. Agnew Franklin E. Agnew	Director
/s/ Frederic K. Becker Frederic K. Becker	Director
/s/ Gilbert F. Casellas Gilbert F. Casellas	Director
/s/ James G. Cullen James G. Cullen	Director
/s/ Carolyne K. Davis Carolyne K. Davis	Director
/s/ Allan D. Gilmour Allan D. Gilmour	Director
/s/ William H. Gray, III William H. Gray, III	Director

</TABLE>

CONFIDENTIAL TREATMENT REQUESTED BY PRUDENTIAL

<TABLE>
<CAPTION>

Name	Title

/s/ Jon F. Hanson Jon F. Hanson	Director	
/s/ Glen H. Hiner Glen H. Hiner	Director	
/s/ Constance J. Horner Constance J. Horner	Director	
/s/ Gaynor N. Kelley Gaynor N. Kelley	Director	
/s/ Burton G. Malkiel Burton G. Malkiel	Director	
/s/ Ida F. S. Schmertz Ida F. S. Schmertz	Director	
/s/ Charles R. Sitter Charles R. Sitter	Director	
/s/ Donald L. Staheli Donald L. Staheli	Director	
/s/ Richard M. Thomson Richard M. Thomson	Director	
/s/ James A. Unruh James A. Unruh	Director	
/s/ Pindaros R. Vagelos Pindaros R. Vagelos	Director	
/s/ Stanley C. Van Ness Stanley C. Van Ness	Director	
/s/ Paul A. Volcker Paul A. Volcker	Director	

January 9, 2001