

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

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**FORM 10-Q**  

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☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 333-18053

**Pruco Life Insurance Company of New Jersey**

(Exact Name of Registrant as Specified in its Charter)

New Jersey  
(State or Other Jurisdiction of  
Incorporation or Organization)

22-2426091  
(I.R.S. Employer Identification Number)

213 Washington Street

Newark, NJ 07102

(973) 802-6000

(Address and Telephone Number of Registrant's Principal Executive Offices)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

**Title of Each Class**

Not Applicable

**Trading Symbol(s)**

Not Applicable

**Name of Each Exchange on Which Registered**

Not Applicable

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of the Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

☐

Accelerated Filer

☐

Non-accelerated Filer

☒

Smaller Reporting Company

☐

Emerging Growth Company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 13, 2022, 400,000 shares of the registrant's Common Stock (par value \$5) were outstanding. As of such date, Pruco Life Insurance Company, an Arizona corporation, owned all of the registrant's Common Stock.

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

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## FORWARD-LOOKING STATEMENTS

Certain of the statements included in this Quarterly Report on Form 10-Q, constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “will,” “shall” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Pruco Life Insurance Company of New Jersey and its subsidiary. There can be no assurance that future developments affecting Pruco Life Insurance Company of New Jersey and its subsidiary will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including, among others: (1) the ongoing impact of the COVID-19 pandemic on the global economy, financial markets and our business, (2) losses on investments or financial contracts due to deterioration in credit quality or value, or counterparty default; (3) losses on insurance products due to mortality experience or policyholder behavior experience that differs significantly from our expectations when we price our products; (4) changes in interest rates and equity prices that may (a) adversely impact the profitability of our products, the value of separate accounts supporting these products or the value of assets we manage, (b) result in losses on derivatives we use to hedge risk or increase collateral posting requirements and (c) limit opportunities to invest at appropriate returns; (5) guarantees within certain of our products which are market sensitive and may decrease our earnings or increase the volatility of our results of operations or financial position; (6) liquidity needs resulting from (a) derivative collateral market exposure, (b) asset/liability mismatches, (c) the lack of available funding in the financial markets or (d) unexpected cash demands due to severe mortality calamity or lapse events; (7) financial or customer losses, or regulatory and legal actions, due to inadequate or failed processes or systems, external events and human error or misconduct such as (a) disruption of our systems and data, (b) an information security breach, (c) a failure to protect the privacy of sensitive data (d) reliance on third parties or (e) labor and employment matters; (8) changes in the regulatory landscape, including related to (a) financial sector regulatory reform, (b) changes in tax laws, (c) fiduciary rules and other standards of care, (d) state insurance laws and developments regarding group-wide supervision, capital and reserves, and (e) privacy and cybersecurity regulation; (9) technological changes which may adversely impact companies in our investment portfolio or cause insurance experience to deviate from our assumptions; (10) ratings downgrades; (11) market conditions that may adversely affect the sales or persistency of our products; (12) competition; and (13) reputational damage. Pruco Life Insurance Company of New Jersey does not intend, and is under no obligation, to update any particular forward-looking statement included in this document. See “Risk Factors” included in the Annual Report on Form 10-K for the year ended December 31, 2021 for discussion of certain risks relating to our business and investment in our securities.

# PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

### PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

#### Unaudited Interim Statements of Financial Position March 31, 2022 and December 31, 2021 (in thousands, except share amounts)

|                                                                                                                                                                   | March 31, 2022       | December 31, 2021    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                     |                      |                      |
| Fixed maturities available for sale, at fair value (allowance for credit losses: 2022-\$1,558; 2021-\$1,558) (amortized cost: 2022-\$1,793,799; 2021-\$1,762,211) | \$ 1,783,855         | \$ 1,935,598         |
| Fixed maturities, trading, at fair value (amortized cost: 2022-\$36,397; 2021-\$36,863)                                                                           | 34,198               | 36,456               |
| Equity securities, at fair value (cost: 2022-\$4,651; 2021-\$4,660)                                                                                               | 5,400                | 5,937                |
| Policy loans                                                                                                                                                      | 211,894              | 210,730              |
| Short-term investments                                                                                                                                            | 9,999                | 9,997                |
| Commercial mortgage and other loans (net of \$231 and \$246 allowance for credit losses at March 31, 2022 and December 31, 2021, respectively)                    | 111,787              | 115,576              |
| Other invested assets (includes \$4,348 and \$10,027 of assets measured at fair value at March 31, 2022 and December 31, 2021, respectively)                      | 120,069              | 124,327              |
| Total investments                                                                                                                                                 | 2,277,202            | 2,438,621            |
| Cash and cash equivalents                                                                                                                                         | 219,358              | 136,316              |
| Deferred policy acquisition costs                                                                                                                                 | 317,785              | 290,299              |
| Accrued investment income                                                                                                                                         | 23,475               | 22,539               |
| Reinsurance recoverables                                                                                                                                          | 3,399,644            | 3,601,212            |
| Receivables from parent and affiliates                                                                                                                            | 19,340               | 21,438               |
| Income taxes receivable                                                                                                                                           | 15,652               | 5,842                |
| Other assets                                                                                                                                                      | 17,048               | 17,581               |
| Separate account assets                                                                                                                                           | 16,584,145           | 17,922,367           |
| <b>TOTAL ASSETS</b>                                                                                                                                               | <b>\$ 22,873,649</b> | <b>\$ 24,456,215</b> |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                     |                      |                      |
| <b>LIABILITIES</b>                                                                                                                                                |                      |                      |
| Policyholders' account balances                                                                                                                                   | \$ 2,671,683         | \$ 2,608,640         |
| Future policy benefits                                                                                                                                            | 2,479,227            | 2,757,941            |
| Payables to parent and affiliates                                                                                                                                 | 9                    | 2,432                |
| Other liabilities                                                                                                                                                 | 175,790              | 194,123              |
| Separate account liabilities                                                                                                                                      | 16,584,145           | 17,922,367           |
| Total liabilities                                                                                                                                                 | 21,910,854           | 23,485,503           |
| <b>COMMITMENTS AND CONTINGENT LIABILITIES (See Note 10)</b>                                                                                                       |                      |                      |
| <b>EQUITY</b>                                                                                                                                                     |                      |                      |
| Common stock (\$5 par value; 400,000 shares authorized, issued and outstanding)                                                                                   | 2,000                | 2,000                |
| Additional paid-in capital                                                                                                                                        | 551,802              | 450,102              |
| Retained earnings                                                                                                                                                 | 409,819              | 387,957              |
| Accumulated other comprehensive income (loss)                                                                                                                     | (826)                | 130,653              |
| Total equity                                                                                                                                                      | 962,795              | 970,712              |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                                                                                               | <b>\$ 22,873,649</b> | <b>\$ 24,456,215</b> |

See Notes to Unaudited Interim Financial Statements

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Unaudited Interim Statements of Operations and Comprehensive Income (Loss)**  
**Three Months Ended March 31, 2022 and 2021 (in thousands)**

|                                                                                 | Three Months Ended<br>March 31, |                    |
|---------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                 | 2022                            | 2021               |
| <b>REVENUES</b>                                                                 |                                 |                    |
| Premiums                                                                        | \$ 10,195                       | \$ 7,559           |
| Policy charges and fee income                                                   | 15,721                          | 28,318             |
| Net investment income                                                           | 24,369                          | 23,545             |
| Asset administration fees                                                       | 2,260                           | 2,026              |
| Other income (loss)                                                             | (1,514)                         | (264)              |
| Realized investment gains (losses), net                                         | 16,028                          | 15,832             |
| <b>TOTAL REVENUES</b>                                                           | <b>67,059</b>                   | <b>77,016</b>      |
| <b>BENEFITS AND EXPENSES</b>                                                    |                                 |                    |
| Policyholders' benefits                                                         | 13,574                          | 18,835             |
| Interest credited to policyholders' account balances                            | 11,194                          | 10,711             |
| Amortization of deferred policy acquisition costs                               | 6,192                           | 7,123              |
| General, administrative and other expenses                                      | 12,381                          | 14,084             |
| <b>TOTAL BENEFITS AND EXPENSES</b>                                              | <b>43,341</b>                   | <b>50,753</b>      |
| <b>INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES</b>                        | <b>23,718</b>                   | <b>26,263</b>      |
| Income tax expense (benefit)                                                    | 1,856                           | 2,125              |
| <b>NET INCOME (LOSS)</b>                                                        | <b>\$ 21,862</b>                | <b>\$ 24,138</b>   |
| Other comprehensive income (loss), before tax:                                  |                                 |                    |
| Foreign currency translation adjustments                                        | (67)                            | (108)              |
| Net unrealized investment gains (losses)                                        | (166,361)                       | (113,561)          |
| Total                                                                           | (166,428)                       | (113,669)          |
| Less: Income tax expense (benefit) related to other comprehensive income (loss) | (34,949)                        | (23,871)           |
| Other comprehensive income (loss), net of taxes                                 | (131,479)                       | (89,798)           |
| <b>Comprehensive income (loss)</b>                                              | <b>\$ (109,617)</b>             | <b>\$ (65,660)</b> |

See Notes to Unaudited Interim Financial Statements

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Unaudited Interim Statements of Equity**  
**Three Months Ended March 31, 2022 and 2021 (in thousands)**

|                                               | Common Stock    | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Equity      |
|-----------------------------------------------|-----------------|----------------------------|-------------------|-----------------------------------------------|-------------------|
| <b>Balance, December 31, 2021</b>             | \$ 2,000        | \$ 450,102                 | \$ 387,957        | \$ 130,653                                    | \$ 970,712        |
| Contributed capital                           |                 | 101,700                    |                   |                                               | 101,700           |
| Comprehensive income (loss):                  |                 |                            |                   |                                               |                   |
| Net income (loss)                             |                 |                            | 21,862            |                                               | 21,862            |
| Other comprehensive income (loss), net of tax |                 |                            |                   | (131,479)                                     | (131,479)         |
| Total comprehensive income (loss)             |                 |                            |                   |                                               | (109,617)         |
| <b>Balance, March 31, 2022</b>                | <u>\$ 2,000</u> | <u>\$ 551,802</u>          | <u>\$ 409,819</u> | <u>\$ (826)</u>                               | <u>\$ 962,795</u> |

  

|                                               | Common Stock    | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Equity      |
|-----------------------------------------------|-----------------|----------------------------|-------------------|-----------------------------------------------|-------------------|
| <b>Balance, December 31, 2020</b>             | \$ 2,000        | \$ 348,735                 | \$ 328,450        | \$ 185,407                                    | \$ 864,592        |
| Contributed capital                           |                 | 1,300                      |                   |                                               | 1,300             |
| Comprehensive income (loss):                  |                 |                            |                   |                                               |                   |
| Net income (loss)                             |                 |                            | 24,138            |                                               | 24,138            |
| Other comprehensive income (loss), net of tax |                 |                            |                   | (89,798)                                      | (89,798)          |
| Total comprehensive income (loss)             |                 |                            |                   |                                               | (65,660)          |
| <b>Balance, March 31, 2021</b>                | <u>\$ 2,000</u> | <u>\$ 350,035</u>          | <u>\$ 352,588</u> | <u>\$ 95,609</u>                              | <u>\$ 800,232</u> |

See Notes to Unaudited Interim Financial Statements

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Unaudited Interim Statements of Cash Flows**  
**Three Months Ended March 31, 2022 and 2021 (in thousands)**

|                                                                                                    | 2022              | 2021             |
|----------------------------------------------------------------------------------------------------|-------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                       |                   |                  |
| Net income (loss)                                                                                  | \$ 21,862         | \$ 24,138        |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                   |                  |
| Policy charges and fee income                                                                      | (4,892)           | (10,959)         |
| Interest credited to policyholders' account balances                                               | 11,194            | 10,711           |
| Realized investment (gains) losses, net                                                            | (16,028)          | (15,832)         |
| Amortization and other non-cash items                                                              | (4,105)           | (4,785)          |
| Change in:                                                                                         |                   |                  |
| Future policy benefits                                                                             | (873)             | 62,561           |
| Reinsurance recoverables                                                                           | (37,823)          | (43,468)         |
| Accrued investment income                                                                          | (936)             | (430)            |
| Net payables to/receivables from parent and affiliates                                             | (378)             | (5,011)          |
| Deferred policy acquisition costs                                                                  | (11,678)          | (18,981)         |
| Income taxes                                                                                       | 25,140            | 2,114            |
| Derivatives, net                                                                                   | 4,574             | 5,046            |
| Other, net                                                                                         | 3,042             | 14,388           |
| <b>Cash flows from (used in) operating activities</b>                                              | <b>(10,901)</b>   | <b>19,492</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                       |                   |                  |
| Proceeds from the sale/maturity/prepayment of:                                                     |                   |                  |
| Fixed maturities, available-for-sale                                                               | 38,502            | 14,508           |
| Fixed maturities, trading                                                                          | 325               | 0                |
| Equity securities                                                                                  | 17                | 0                |
| Policy loans                                                                                       | 7,490             | 7,377            |
| Ceded policy loans                                                                                 | (537)             | (742)            |
| Commercial mortgage and other loans                                                                | 3,636             | 483              |
| Other invested assets                                                                              | 1,276             | 390              |
| Payments for the purchase/origination of:                                                          |                   |                  |
| Fixed maturities, available-for-sale                                                               | (71,758)          | (50,946)         |
| Policy loans                                                                                       | (6,694)           | (4,537)          |
| Ceded policy loans                                                                                 | 579               | 334              |
| Other invested assets                                                                              | (3,568)           | (4,149)          |
| Notes receivable from parent and affiliates, net                                                   | (9)               | (8)              |
| Derivatives, net                                                                                   | 101               | (136)            |
| Other, net                                                                                         | 4,052             | (104)            |
| <b>Cash flows from (used in) investing activities</b>                                              | <b>(26,588)</b>   | <b>(37,530)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                       |                   |                  |
| Policyholders' account deposits                                                                    | 134,084           | 108,982          |
| Ceded policyholders' account deposits                                                              | (87,398)          | (79,213)         |
| Policyholders' account withdrawals                                                                 | (103,693)         | (72,274)         |
| Ceded policyholders' account withdrawals                                                           | 69,281            | 57,352           |
| Contributed capital                                                                                | 100,400           | 0                |
| Drafts outstanding                                                                                 | 5,441             | (542)            |
| Other, net                                                                                         | 2,416             | 6,411            |
| <b>Cash flows from (used in) financing activities</b>                                              | <b>120,531</b>    | <b>20,716</b>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                        | <b>83,042</b>     | <b>2,678</b>     |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                                | <b>136,316</b>    | <b>68,527</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                                                    | <b>\$ 219,358</b> | <b>\$ 71,205</b> |

**Significant Non-Cash Transactions**

There were no significant non-cash transactions for the three months ended March 31, 2022 and 2021.

**See Notes to Unaudited Interim Financial Statements**

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**1. BUSINESS AND BASIS OF PRESENTATION**

Pruco Life Insurance Company of New Jersey (the "Company" or "PLNJ") is a wholly-owned subsidiary of Pruco Life Insurance Company ("Pruco Life"), which in turn is a wholly-owned subsidiary of The Prudential Insurance Company of America ("Prudential Insurance"). Prudential Insurance is a direct wholly-owned subsidiary of Prudential Financial, Inc. ("Prudential Financial"). PLNJ is a stock life insurance company organized in 1982 under the laws of the State of New Jersey. It is licensed to sell life insurance and annuities in New Jersey and New York only, and sells such products primarily through affiliated and unaffiliated distributors.

***Basis of Presentation***

The Unaudited Interim Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") on a basis consistent with reporting interim financial information in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Intercompany balances and transactions have been eliminated.

In the opinion of management, all adjustments necessary for a fair statement of the financial position and results of operations have been made. All such adjustments are of a normal, recurring nature. Interim results are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the Company's Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining deferred policy acquisition costs ("DAC") and related amortization; policyholders' account balances related to the fair value of embedded derivative instruments associated with the index-linked features of certain universal life products; valuation of investments including derivatives, measurement of allowance for credit losses, and the recognition of other-than-temporary impairments; future policy benefits including guarantees; reinsurance recoverables; provision for income taxes and valuation of deferred tax assets; and accruals for contingent liabilities, including estimates for losses in connection with unresolved legal and regulatory matters.

***COVID-19***

Since the first quarter of 2020, the novel coronavirus ("COVID-19") has resulted in extreme stress and disruption in the global economy and financial markets. While markets have rebounded, the pandemic has adversely impacted, and may continue to adversely impact, the Company's results of operations, financial condition and cash flows. Due to the highly uncertain nature of these conditions, it is not possible to estimate the ultimate impacts at this time. The risks may have manifested, and may continue to manifest, in the Company's financial statements in the areas of, among others, i) insurance liabilities and related balances: potential changes to assumptions regarding investment returns, mortality and policyholder behavior which are reflected in our insurance liabilities and certain related balances (e.g., DAC, etc.) and; ii) investments: increased risk of loss on our investments due to default or deterioration in credit quality or value. The Company cannot predict what impact the COVID-19 pandemic will ultimately have on its businesses.

***Reclassifications***

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS**

***Recent Accounting Pronouncements***

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standards Updates ("ASUs") to the FASB Accounting Standards Codification ("ASC"). The Company considers the applicability and impact of all ASUs. ASUs listed below include those that have been adopted during the current fiscal year and/or those that have been issued but not yet adopted as of March 31, 2022, and as of the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

*ASU issued but not yet adopted as of March 31, 2022 — ASU 2018-12*

ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, was issued by the FASB on August 15, 2018, and was amended by ASU 2019-09, *Financial Services - Insurance (Topic 944): Effective Date*, issued in October 2019, and ASU 2020-11, *Financial Services-Insurance (Topic 944): Effective Date and Early Application*, issued in November 2020. The Company will adopt ASU 2018-12 effective January 1, 2023 using the modified retrospective transition method where permitted, and apply the guidance as of January 1, 2021 (and record transition adjustments as of January 1, 2021) in the 2023 financial statements.

ASU 2018-12 will impact, at least to some extent, the accounting and disclosure requirements for all long-duration insurance and investment contracts issued by the Company. The Company expects the standard to have a significant financial impact on the Financial Statements and will significantly enhance disclosures. In addition to the significant impacts to the balance sheet, the Company also expects an impact to the pattern of earnings emergence following the transition date. Outlined below are four key areas of change, although there are other less significant policy changes not noted below.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

| ASU 2018-12 Amended Topic                                                                                                                                     | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Method of adoption                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Effect on the financial statements or other significant matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Cash flow assumptions used to measure the liability for future policy benefits for non-participating traditional and limited-pay insurance products</i>    | Requires an entity to review, and if necessary, update the cash flow assumptions used to measure the liability for future policy benefits, for both changes in future assumptions and actual experience, at least annually using a retrospective update method with a cumulative catch-up adjustment recorded in a separate line item in the Statements of Operations.                                                                                                                    | An entity may choose one of two adoption methods for the liability for future policy benefits: (1) a modified retrospective transition method whereby the entity may choose to apply the amendments to contracts in force as of the beginning of the prior year (if early adoption is elected) or as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in Accumulated other comprehensive income (loss) ("AOCI") or (2) a full retrospective transition method.                                                                                     | The Company will adopt this guidance effective January 1, 2023 using the modified retrospective transition method. The impacts of electing such method are currently under assessment.                                                                                                                                                                                                                                                                                                                                                                                    |
| <i>Discount rate assumption used to measure the liability for future policy benefits for non-participating traditional and limited-pay insurance products</i> | Requires discount rate assumptions to be based on an upper-medium grade fixed income instrument yield, which will be updated each quarter with the impact recorded through OCI. An entity shall maximize the use of relevant observable information and minimize the use of unobservable information in determining the discount rate assumptions.                                                                                                                                        | As noted above, an entity may choose either a modified retrospective transition method or full retrospective transition method for the liability for future policy benefits. Under either method, for balance sheet remeasurement purposes, the liability for future policy benefits will be remeasured using current discount rates as of either the beginning of the prior year (if early adoption is elected) or the beginning of the earliest period presented with the impact recorded as a cumulative effect adjustment to AOCI.                                                                                                               | As noted above, the Company will adopt the guidance for the liability for future policy benefits effective January 1, 2023 using the modified retrospective transition method. There will be an adjustment to AOCI as a result of remeasuring in force contract liabilities using upper-medium grade fixed income instrument yields as of the adoption date. The adjustment will largely reflect the difference between discount rates locked-in at contract inception versus discount rates at transition. The magnitude of such adjustment is currently being assessed. |
| <i>Amortization of DAC and other balances</i>                                                                                                                 | Requires DAC and other balances, such as unearned revenue reserves and deferred sales inducements ("DSI"), to be amortized on a constant level basis over the expected term of the related contract, independent of expected profitability.                                                                                                                                                                                                                                               | An entity may apply one of two adoption methods: (1) a modified retrospective transition method whereby the entity may choose to apply the amendments to contracts in force as of the beginning of the prior year (if early adoption is elected) or as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI or (2) if an entity chooses a full retrospective transition method for its liability for future policy benefits, as described above, it is required to also use a full retrospective transition method for DAC and other balances. | The Company will adopt this guidance effective January 1, 2023 using the modified retrospective transition method. Under the modified retrospective transition method, the Company would not expect a significant impact to the balance sheet, other than the impact of the removal of any related amounts in AOCI.                                                                                                                                                                                                                                                       |
| <i>Market Risk Benefits ("MRB")</i>                                                                                                                           | Requires an entity to measure all market risk benefits (e.g., living benefit and death benefit guarantees associated with variable annuities) at fair value, and record MRB assets and liabilities separately on the Statements of Financial Position. Changes in fair value of market risk benefits are recorded in net income, except for the portion of the change in MRB liabilities attributable to changes in an entity's non-performance risk ("NPR"), which is recognized in OCI. | An entity shall adopt the guidance for market risk benefits using the retrospective transition method which includes a cumulative-effect adjustment on the balance sheet as of either the beginning of prior year (if early adoption is elected) or the beginning of the earliest period presented. An entity shall maximize the use of relevant observable information and minimize the use of unobservable information in determining the balance of the market risk benefits upon adoption.                                                                                                                                                       | The Company will adopt this guidance effective January 1, 2023 using the retrospective transition method. Upon adoption, the Company expects an impact to retained earnings for the difference between the fair value and carrying value of benefits not currently measured at fair value (e.g., guaranteed minimum death benefits on variable annuities) and an impact from reclassifying the cumulative effect of changes in NPR from retained earnings to AOCI. The magnitude of such adjustments is currently being assessed.                                         |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

*Other ASU issued but not yet adopted as of March 31, 2022*

| Standard                                                                                                                             | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Effective date and method of adoption                                                                                                                                                                                                                                                                                                                                                                                      | Effect on the financial statements or other significant matters                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ASU 2022-02,</b><br><i>Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosure</i> | This ASU eliminates the accounting guidance for Troubled Debt Restructurings (“TDR”) for creditors and adds enhanced disclosure requirements for certain loan refinancings and restructurings by creditors made to borrowers experiencing financial difficulty. Following adoption of the ASU, all loan refinancings are subject to the modification guidance in ASC 310-20. This ASU also amends the guidance on the vintage disclosures to require disclosure of current-period gross write-offs by year of origination. | January 1, 2023 using the prospective method with an option to apply a modified retrospective transition method for the recognition and measurement of TDRs which will include a cumulative effect adjustment on the balance sheet in the period of adoption. Early adoption is permitted beginning January 1, 2022, including adoption in an interim period provided guidance is applied as of the beginning of the year. | The Company does not expect the adoption of the ASU to have a significant impact on the Financial Statements and Notes to the Financial Statements. |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

### 3. INVESTMENTS

#### *Fixed Maturity Securities*

The following tables set forth the composition of fixed maturity securities (excluding investments classified as trading), as of the dates indicated:

| March 31, 2022                                                                       |                     |                              |                               |                                |                     |
|--------------------------------------------------------------------------------------|---------------------|------------------------------|-------------------------------|--------------------------------|---------------------|
|                                                                                      | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for Credit<br>Losses | Fair<br>Value       |
| (in thousands)                                                                       |                     |                              |                               |                                |                     |
| <b>Fixed maturities, available-for-sale:</b>                                         |                     |                              |                               |                                |                     |
| U.S. Treasury securities and obligations of U.S. government authorities and agencies | \$ 12,711           | \$ 346                       | \$ 0                          | \$ 0                           | \$ 13,057           |
| Obligations of U.S. states and their political subdivisions                          | 163,305             | 6,061                        | 27                            | 0                              | 169,339             |
| Foreign government bonds                                                             | 87,999              | 2,862                        | 4,720                         | 0                              | 86,141              |
| U.S. public corporate securities                                                     | 938,638             | 33,663                       | 36,060                        | 0                              | 936,241             |
| U.S. private corporate securities                                                    | 188,198             | 2,434                        | 1,983                         | 1,558                          | 187,091             |
| Foreign public corporate securities                                                  | 118,619             | 1,737                        | 7,562                         | 0                              | 112,794             |
| Foreign private corporate securities                                                 | 133,872             | 589                          | 6,146                         | 0                              | 128,315             |
| Asset-backed securities(1)                                                           | 17,389              | 455                          | 45                            | 0                              | 17,799              |
| Commercial mortgage-backed securities                                                | 130,797             | 1,613                        | 1,853                         | 0                              | 130,557             |
| Residential mortgage-backed securities(2)                                            | 2,271               | 250                          | 0                             | 0                              | 2,521               |
| Total fixed maturities, available-for-sale                                           | <u>\$ 1,793,799</u> | <u>\$ 50,010</u>             | <u>\$ 58,396</u>              | <u>\$ 1,558</u>                | <u>\$ 1,783,855</u> |

(1) Includes credit-tranched securities collateralized by education loans and loan obligations.

(2) Includes publicly-traded agency pass-through securities and collateralized mortgage obligations.

| December 31, 2021                                                                    |                     |                              |                               |                                |                     |
|--------------------------------------------------------------------------------------|---------------------|------------------------------|-------------------------------|--------------------------------|---------------------|
|                                                                                      | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for Credit<br>Losses | Fair<br>Value       |
| (in thousands)                                                                       |                     |                              |                               |                                |                     |
| <b>Fixed maturities, available-for-sale:</b>                                         |                     |                              |                               |                                |                     |
| U.S. Treasury securities and obligations of U.S. government authorities and agencies | \$ 12,832           | \$ 673                       | \$ 0                          | \$ 0                           | \$ 13,505           |
| Obligations of U.S. states and their political subdivisions                          | 161,812             | 17,198                       | 0                             | 0                              | 179,010             |
| Foreign government bonds                                                             | 93,062              | 8,731                        | 1,002                         | 0                              | 100,791             |
| U.S. public corporate securities                                                     | 908,129             | 117,450                      | 2,994                         | 0                              | 1,022,585           |
| U.S. private corporate securities                                                    | 190,157             | 13,128                       | 52                            | 1,558                          | 201,675             |
| Foreign public corporate securities                                                  | 105,346             | 8,481                        | 644                           | 0                              | 113,183             |
| Foreign private corporate securities                                                 | 138,753             | 6,620                        | 2,015                         | 0                              | 143,358             |
| Asset-backed securities(1)                                                           | 16,685              | 596                          | 4                             | 0                              | 17,277              |
| Commercial mortgage-backed securities                                                | 132,961             | 8,401                        | 7                             | 0                              | 141,355             |
| Residential mortgage-backed securities(2)                                            | 2,474               | 385                          | 0                             | 0                              | 2,859               |
| Total fixed maturities, available-for-sale                                           | <u>\$ 1,762,211</u> | <u>\$ 181,663</u>            | <u>\$ 6,718</u>               | <u>\$ 1,558</u>                | <u>\$ 1,935,598</u> |

(1) Includes credit-tranched securities collateralized by education loans and loan obligations.

(2) Includes publicly-traded agency pass-through securities and collateralized mortgage obligations.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

The following tables set forth the fair value and gross unrealized losses on available-for-sale fixed maturity securities without an allowance for credit losses aggregated by investment category and length of time that individual fixed maturity securities had been in a continuous unrealized loss position, as of the dates indicated:

| March 31, 2022                                                                       |                         |                       |                         |                  |                         |                  |
|--------------------------------------------------------------------------------------|-------------------------|-----------------------|-------------------------|------------------|-------------------------|------------------|
| Less Than Twelve Months                                                              |                         | Twelve Months or More |                         | Total            |                         |                  |
| Fair Value                                                                           | Gross Unrealized Losses | Fair Value            | Gross Unrealized Losses | Fair Value       | Gross Unrealized Losses |                  |
| (in thousands)                                                                       |                         |                       |                         |                  |                         |                  |
| <b>Fixed maturities, available-for-sale:</b>                                         |                         |                       |                         |                  |                         |                  |
| U.S. Treasury securities and obligations of U.S. government authorities and agencies | \$ 0                    | \$ 0                  | \$ 0                    | \$ 0             | \$ 0                    | 0                |
| Obligations of U.S. states and their political subdivisions                          | 4,941                   | 27                    | 0                       | 0                | 4,941                   | 27               |
| Foreign government bonds                                                             | 32,235                  | 2,768                 | 10,618                  | 1,952            | 42,853                  | 4,720            |
| U.S. public corporate securities                                                     | 356,383                 | 29,898                | 30,804                  | 6,162            | 387,187                 | 36,060           |
| U.S. private corporate securities                                                    | 71,990                  | 1,927                 | 895                     | 56               | 72,885                  | 1,983            |
| Foreign public corporate securities                                                  | 67,209                  | 6,124                 | 8,119                   | 1,438            | 75,328                  | 7,562            |
| Foreign private corporate securities                                                 | 100,581                 | 4,333                 | 11,008                  | 1,813            | 111,589                 | 6,146            |
| Asset-backed securities                                                              | 6,722                   | 45                    | 0                       | 0                | 6,722                   | 45               |
| Commercial mortgage-backed securities                                                | 84,171                  | 1,853                 | 0                       | 0                | 84,171                  | 1,853            |
| Total fixed maturities, available-for-sale                                           | <u>\$ 724,232</u>       | <u>\$ 46,975</u>      | <u>\$ 61,444</u>        | <u>\$ 11,421</u> | <u>\$ 785,676</u>       | <u>\$ 58,396</u> |

| December 31, 2021                            |                         |                       |                         |                 |                         |                 |
|----------------------------------------------|-------------------------|-----------------------|-------------------------|-----------------|-------------------------|-----------------|
| Less Than Twelve Months                      |                         | Twelve Months or More |                         | Total           |                         |                 |
| Fair Value                                   | Gross Unrealized Losses | Fair Value            | Gross Unrealized Losses | Fair Value      | Gross Unrealized Losses |                 |
| (in thousands)                               |                         |                       |                         |                 |                         |                 |
| <b>Fixed maturities, available-for-sale:</b> |                         |                       |                         |                 |                         |                 |
| Foreign government bonds                     | \$ 17,306               | \$ 928                | \$ 2,072                | \$ 74           | \$ 19,378               | \$ 1,002        |
| U.S. public corporate securities             | 72,360                  | 1,255                 | 42,496                  | 1,739           | 114,856                 | 2,994           |
| U.S. private corporate securities            | 2,349                   | 27                    | 979                     | 25              | 3,328                   | 52              |
| Foreign public corporate securities          | 9,439                   | 192                   | 6,726                   | 452             | 16,165                  | 644             |
| Foreign private corporate securities         | 18,912                  | 596                   | 11,402                  | 1,419           | 30,314                  | 2,015           |
| Asset-backed securities                      | 3,426                   | 4                     | 0                       | 0               | 3,426                   | 4               |
| Commercial mortgage-backed securities        | 3,083                   | 7                     | 0                       | 0               | 3,083                   | 7               |
| Total fixed maturities, available-for-sale   | <u>\$ 126,875</u>       | <u>\$ 3,009</u>       | <u>\$ 63,675</u>        | <u>\$ 3,709</u> | <u>\$ 190,550</u>       | <u>\$ 6,718</u> |

As of March 31, 2022 and December 31, 2021, the gross unrealized losses on fixed maturity available-for-sale securities without an allowance were composed of \$55.9 million and \$5.3 million, respectively, related to “1” highest quality or “2” high quality securities based on the National Association of Insurance Commissioners (“NAIC”) or equivalent rating and \$2.5 million and \$1.4 million, respectively, related to other than high or highest quality securities based on NAIC or equivalent rating. As of March 31, 2022, the \$11.4 million of gross unrealized losses of twelve months or more were concentrated in the Company’s corporate securities within the consumer non-cyclical, utility and finance sectors. As of December 31, 2021, the \$3.7 million of gross unrealized losses of twelve months or more were concentrated in the Company’s corporate securities within the consumer non-cyclical, finance and utility sectors.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

In accordance with its policy described in Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, the Company concluded that an adjustment to earnings for credit losses related to these fixed maturity securities was not warranted at March 31, 2022. This conclusion was based on a detailed analysis of the underlying credit and cash flows on each security. Gross unrealized losses are primarily attributable to increases in interest rates, general credit spread widening, foreign currency exchange rate movements and the financial condition or near-term prospects of the issuer. As of March 31, 2022, the Company did not intend to sell these securities, and it was not more likely than not that the Company would be required to sell these securities before the anticipated recovery of the remaining amortized cost basis.

The following table sets forth the amortized cost and fair value of fixed maturities by contractual maturities, as of the date indicated:

|                                                   | March 31, 2022      |                     |
|---------------------------------------------------|---------------------|---------------------|
|                                                   | Amortized Cost      | Fair Value          |
|                                                   | (in thousands)      |                     |
| <b>Fixed maturities, available-for-sale:</b>      |                     |                     |
| Due in one year or less                           | \$ 59,619           | \$ 57,221           |
| Due after one year through five years             | 239,089             | 238,152             |
| Due after five years through ten years            | 88,704              | 86,299              |
| Due after ten years                               | 1,255,930           | 1,251,306           |
| Asset-backed securities                           | 17,389              | 17,799              |
| Commercial mortgage-backed securities             | 130,797             | 130,557             |
| Residential mortgage-backed securities            | 2,271               | 2,521               |
| <b>Total fixed maturities, available-for-sale</b> | <b>\$ 1,793,799</b> | <b>\$ 1,783,855</b> |

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Asset-backed, commercial mortgage-backed and residential mortgage-backed securities are shown separately in the table above, as they do not have a single maturity date.

The following table sets forth the sources of fixed maturity proceeds and related investment gains (losses), as well as losses on write-downs and the allowance for credit losses of fixed maturities, for the periods indicated:

|                                                      | Three Months Ended March 31, |          |
|------------------------------------------------------|------------------------------|----------|
|                                                      | 2022                         | 2021     |
|                                                      | (in thousands)               |          |
| <b>Fixed maturities, available-for-sale:</b>         |                              |          |
| Proceeds from sales <sup>(1)</sup>                   | \$ 20,241                    | \$ 2,922 |
| Proceeds from maturities/prepayments                 | 18,233                       | 10,086   |
| Gross investment gains from sales and maturities     | 2                            | 25       |
| Gross investment losses from sales and maturities    | (1,961)                      | (167)    |
| (Addition to) release of allowance for credit losses | 0                            | 0        |

(1) Excludes activity from non-cash related proceeds due to the timing of trade settlements of \$0.0 million and \$1.5 million for the three months ended March 31, 2022 and 2021, respectively.

For both the three months ended March 31, 2022 and 2021 there was no activity in the allowance for credit losses for available-for-sale securities.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

See Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 for additional information about the Company's methodology for developing our allowance for credit losses.

The Company did not have any fixed maturity securities purchased with credit deterioration, as of both March 31, 2022 and December 31, 2021.

**Equity Securities**

The net change in unrealized gains (losses) from equity securities still held at period end, recorded within "Other income (loss)," was \$(0.5) million and \$(0.2) million during the three months ended March 31, 2022 and 2021, respectively.

**Commercial Mortgage and Other Loans**

The following table sets forth the composition of "Commercial mortgage and other loans," as of the dates indicated:

|                                                                              | March 31, 2022           |            | December 31, 2021        |            |
|------------------------------------------------------------------------------|--------------------------|------------|--------------------------|------------|
|                                                                              | Amount<br>(in thousands) | % of Total | Amount<br>(in thousands) | % of Total |
| <b>Commercial mortgage and agricultural property loans by property type:</b> |                          |            |                          |            |
| Apartments/Multi-Family                                                      | \$ 42,001                | 37.5 %     | \$ 42,188                | 36.4 %     |
| Hospitality                                                                  | 13,544                   | 12.1       | 13,709                   | 11.8       |
| Industrial                                                                   | 17,293                   | 15.4       | 17,356                   | 15.0       |
| Office                                                                       | 16,711                   | 14.9       | 16,880                   | 14.6       |
| Other                                                                        | 7,878                    | 7.0        | 7,927                    | 6.8        |
| Retail                                                                       | 12,359                   | 11.1       | 15,511                   | 13.4       |
| Total commercial mortgage loans                                              | 109,786                  | 98.0       | 113,571                  | 98.0       |
| Agricultural property loans                                                  | 2,232                    | 2.0        | 2,251                    | 2.0        |
| Total commercial mortgage and agricultural property loans                    | 112,018                  | 100.0 %    | 115,822                  | 100.0 %    |
| Allowance for credit losses                                                  | (231)                    |            | (246)                    |            |
| Total net commercial mortgage and other loans                                | \$ 111,787               |            | \$ 115,576               |            |

As of March 31, 2022, the commercial mortgage and agricultural property loans were secured by properties geographically dispersed throughout the United States (with the largest concentrations in New York (16%), Florida (11%), Texas (10%)) and included loans secured by properties in Europe (8%), Mexico (3%), and Australia (2%).

The following table sets forth the activity in the allowance for credit losses for commercial mortgage and other loans, as of the dates indicated:

|                                                        | Three Months Ended March 31, |                                |        |                              |                                |        |
|--------------------------------------------------------|------------------------------|--------------------------------|--------|------------------------------|--------------------------------|--------|
|                                                        | 2022                         |                                |        | 2021                         |                                |        |
|                                                        | Commercial<br>Mortgage Loans | Agricultural<br>Property Loans | Total  | Commercial<br>Mortgage Loans | Agricultural<br>Property Loans | Total  |
|                                                        | (in thousands)               |                                |        |                              |                                |        |
| <b>Allowance, beginning of period</b>                  | \$ 246                       | \$ 0                           | \$ 246 | \$ 440                       | \$ 0                           | \$ 440 |
| Addition to (release of) allowance for expected losses | (16)                         | 1                              | (15)   | 26                           | 0                              | 26     |
| <b>Allowance, end of period</b>                        | \$ 230                       | \$ 1                           | \$ 231 | \$ 466                       | \$ 0                           | \$ 466 |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

See Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 for additional information about the Company's methodology for developing our allowance and expected losses.

For the three months ended March 31, 2022, the net decrease in the allowance for credit losses on commercial mortgage and other loans was primarily related to net positive credit migration. For the three months ended March 31, 2021, the increase in the allowance for credit losses on commercial mortgage and other loans was primarily related to net negative credit migration.

The following table sets forth key credit quality indicators based upon the recorded investment gross of allowance for credit losses, as of the dates indicated:

| March 31, 2022                     |             |                 |                 |                  |                 |                  |                   |  |
|------------------------------------|-------------|-----------------|-----------------|------------------|-----------------|------------------|-------------------|--|
| Amortized Cost by Origination Year |             |                 |                 |                  |                 |                  |                   |  |
|                                    | 2022        | 2021            | 2020            | 2019             | 2018            | Prior            | Total             |  |
| (in thousands)                     |             |                 |                 |                  |                 |                  |                   |  |
| <b>Commercial Mortgage Loans</b>   |             |                 |                 |                  |                 |                  |                   |  |
| Loan-to-Value Ratio:               |             |                 |                 |                  |                 |                  |                   |  |
| 0%-59.99%                          | \$ 0        | \$ 358          | \$ 0            | \$ 7,250         | \$ 1,422        | \$ 59,131        | \$ 68,161         |  |
| 60%-69.99%                         | 0           | 2,063           | 2,198           | 24,183           | 0               | 6,171            | 34,615            |  |
| 70%-79.99%                         | 0           | 347             | 0               | 3,855            | 0               | 1,855            | 6,057             |  |
| 80% or greater                     | 0           | 0               | 0               | 0                | 0               | 953              | 953               |  |
| <b>Total</b>                       | <u>\$ 0</u> | <u>\$ 2,768</u> | <u>\$ 2,198</u> | <u>\$ 35,288</u> | <u>\$ 1,422</u> | <u>\$ 68,110</u> | <u>\$ 109,786</u> |  |
| Debt Service Coverage Ratio:       |             |                 |                 |                  |                 |                  |                   |  |
| Greater or Equal to 1.2x           | \$ 0        | \$ 2,768        | \$ 2,198        | \$ 29,930        | \$ 1,422        | \$ 44,854        | \$ 81,172         |  |
| 1.0 - 1.2x                         | 0           | 0               | 0               | 0                | 0               | 10,064           | 10,064            |  |
| Less than 1.0x                     | 0           | 0               | 0               | 5,358            | 0               | 13,192           | 18,550            |  |
| <b>Total</b>                       | <u>\$ 0</u> | <u>\$ 2,768</u> | <u>\$ 2,198</u> | <u>\$ 35,288</u> | <u>\$ 1,422</u> | <u>\$ 68,110</u> | <u>\$ 109,786</u> |  |
| <b>Agricultural Property Loans</b> |             |                 |                 |                  |                 |                  |                   |  |
| Loan-to-Value Ratio:               |             |                 |                 |                  |                 |                  |                   |  |
| 0%-59.99%                          | \$ 0        | \$ 1,125        | \$ 0            | \$ 0             | \$ 0            | \$ 1,107         | \$ 2,232          |  |
| 60%-69.99%                         | 0           | 0               | 0               | 0                | 0               | 0                | 0                 |  |
| 70%-79.99%                         | 0           | 0               | 0               | 0                | 0               | 0                | 0                 |  |
| 80% or greater                     | 0           | 0               | 0               | 0                | 0               | 0                | 0                 |  |
| <b>Total</b>                       | <u>\$ 0</u> | <u>\$ 1,125</u> | <u>\$ 0</u>     | <u>\$ 0</u>      | <u>\$ 0</u>     | <u>\$ 1,107</u>  | <u>\$ 2,232</u>   |  |
| Debt Service Coverage Ratio:       |             |                 |                 |                  |                 |                  |                   |  |
| Greater or Equal to 1.2x           | \$ 0        | \$ 1,125        | \$ 0            | \$ 0             | \$ 0            | \$ 1,107         | \$ 2,232          |  |
| 1.0 - 1.2x                         | 0           | 0               | 0               | 0                | 0               | 0                | 0                 |  |
| Less than 1.0x                     | 0           | 0               | 0               | 0                | 0               | 0                | 0                 |  |
| <b>Total</b>                       | <u>\$ 0</u> | <u>\$ 1,125</u> | <u>\$ 0</u>     | <u>\$ 0</u>      | <u>\$ 0</u>     | <u>\$ 1,107</u>  | <u>\$ 2,232</u>   |  |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

| December 31, 2021                  |          |          |           |          |           |           |            |
|------------------------------------|----------|----------|-----------|----------|-----------|-----------|------------|
| Amortized Cost by Origination Year |          |          |           |          |           |           |            |
| 2021                               | 2020     | 2019     | 2018      | 2017     | Prior     | Total     |            |
| (in thousands)                     |          |          |           |          |           |           |            |
| Commercial Mortgage Loans          |          |          |           |          |           |           |            |
| Loan-to-Value Ratio:               |          |          |           |          |           |           |            |
| 0%-59.99%                          | \$ 360   | \$ 0     | \$ 7,203  | \$ 1,433 | \$ 8,836  | \$ 50,537 | \$ 68,369  |
| 60%-69.99%                         | 2,066    | 2,198    | 24,368    | 0        | 1,016     | 8,524     | 38,172     |
| 70%-79.99%                         | 347      | 0        | 3,855     | 0        | 0         | 1,870     | 6,072      |
| 80% or greater                     | 0        | 0        | 0         | 0        | 958       | 0         | 958        |
| Total                              | \$ 2,773 | \$ 2,198 | \$ 35,426 | \$ 1,433 | \$ 10,810 | \$ 60,931 | \$ 113,571 |
| Debt Service Coverage Ratio:       |          |          |           |          |           |           |            |
| Greater or Equal to 1.2x           | \$ 2,773 | \$ 2,198 | \$ 30,009 | \$ 1,433 | \$ 5,671  | \$ 42,469 | \$ 84,553  |
| 1.0 - 1.2x                         | 0        | 0        | 0         | 0        | 958       | 9,186     | 10,144     |
| Less than 1.0x                     | 0        | 0        | 5,417     | 0        | 4,181     | 9,276     | 18,874     |
| Total                              | \$ 2,773 | \$ 2,198 | \$ 35,426 | \$ 1,433 | \$ 10,810 | \$ 60,931 | \$ 113,571 |
| Agricultural Property Loans        |          |          |           |          |           |           |            |
| Loan-to-Value Ratio:               |          |          |           |          |           |           |            |
| 0%-59.99%                          | \$ 1,126 | \$ 0     | \$ 0      | \$ 0     | \$ 0      | \$ 1,125  | \$ 2,251   |
| 60%-69.99%                         | 0        | 0        | 0         | 0        | 0         | 0         | 0          |
| 70%-79.99%                         | 0        | 0        | 0         | 0        | 0         | 0         | 0          |
| 80% or greater                     | 0        | 0        | 0         | 0        | 0         | 0         | 0          |
| Total                              | \$ 1,126 | \$ 0     | \$ 0      | \$ 0     | \$ 0      | \$ 1,125  | \$ 2,251   |
| Debt Service Coverage Ratio:       |          |          |           |          |           |           |            |
| Greater or Equal to 1.2x           | \$ 1,126 | \$ 0     | \$ 0      | \$ 0     | \$ 0      | \$ 1,125  | \$ 2,251   |
| 1.0 - 1.2x                         | 0        | 0        | 0         | 0        | 0         | 0         | 0          |
| Less than 1.0x                     | 0        | 0        | 0         | 0        | 0         | 0         | 0          |
| Total                              | \$ 1,126 | \$ 0     | \$ 0      | \$ 0     | \$ 0      | \$ 1,125  | \$ 2,251   |

See Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 for additional information about the Company's commercial mortgage and other loans credit quality monitoring process.

The following tables set forth an aging of past due commercial mortgage and other loans based upon the recorded investment gross of allowance for credit losses, as well as the amount of commercial mortgage and other loans on non-accrual status, as of the dates indicated:

|                             | March 31, 2022 |                     |                     |                             |             |                       |
|-----------------------------|----------------|---------------------|---------------------|-----------------------------|-------------|-----------------------|
|                             | Current        | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due(1) | Total Loans | Non-Accrual Status(2) |
|                             | (in thousands) |                     |                     |                             |             |                       |
| Commercial mortgage loans   | \$ 109,786     | \$ 0                | \$ 0                | \$ 0                        | \$ 109,786  | \$ 0                  |
| Agricultural property loans | 2,232          | 0                   | 0                   | 0                           | 2,232       | 0                     |
| Total                       | \$ 112,018     | \$ 0                | \$ 0                | \$ 0                        | \$ 112,018  | \$ 0                  |

(1) As of March 31, 2022, there were no loans in this category accruing interest.

(2) For additional information regarding the Company's policies for accruing interest on loans, see Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

|                             | December 31, 2021 |                     |                     |                             |                   | Total Loans | Non-Accrual Status(2) |
|-----------------------------|-------------------|---------------------|---------------------|-----------------------------|-------------------|-------------|-----------------------|
|                             | Current           | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due(1) | (in thousands)    |             |                       |
| Commercial mortgage loans   | \$ 113,571        | \$ 0                | \$ 0                | \$ 0                        | \$ 113,571        | \$ 0        | 0                     |
| Agricultural property loans | 2,251             | 0                   | 0                   | 0                           | 2,251             | 0           | 0                     |
| Total                       | <u>\$ 115,822</u> | <u>\$ 0</u>         | <u>\$ 0</u>         | <u>\$ 0</u>                 | <u>\$ 115,822</u> | <u>\$ 0</u> | <u>0</u>              |

(1) As of December 31, 2021, there were no loans in this category accruing interest.

(2) For additional information regarding the Company's policies for accruing interest on loans, see Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The Company did not have any commercial mortgage and other loans purchased with credit deterioration, as of both March 31, 2022 and December 31, 2021.

For both the three months ended March 31, 2022 and 2021, there were no commercial mortgage and other loans acquired, other than those through direct origination, and there were no commercial mortgage and other loans sold.

**Other Invested Assets**

The following table sets forth the composition of "Other invested assets," as of the dates indicated:

|                                           | March 31, 2022    | December 31, 2021 |
|-------------------------------------------|-------------------|-------------------|
|                                           | (in thousands)    | (in thousands)    |
| Company's investment in separate accounts | \$ 0              | \$ 4,053          |
| LPs/LLCs:                                 |                   |                   |
| Equity method:                            |                   |                   |
| Private equity                            | 67,729            | 63,705            |
| Hedge funds                               | 38,987            | 38,216            |
| Real estate-related                       | 9,005             | 8,326             |
| Subtotal equity method                    | <u>115,721</u>    | <u>110,247</u>    |
| Fair value:                               |                   |                   |
| Private equity                            | 376               | 400               |
| Hedge funds                               | 67                | 66                |
| Real estate-related                       | 2,463             | 2,374             |
| Subtotal fair value                       | <u>2,906</u>      | <u>2,840</u>      |
| Total LPs/LLCs                            | <u>118,627</u>    | <u>113,087</u>    |
| Derivative instruments                    | 1,442             | 7,187             |
| Total other invested assets               | <u>\$ 120,069</u> | <u>\$ 124,327</u> |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Accrued Investment Income**

The following table sets forth the composition of “Accrued investment income,” as of the dates indicated:

|                                             | March 31, 2022   | December 31, 2021 |
|---------------------------------------------|------------------|-------------------|
|                                             | (in thousands)   |                   |
| Fixed maturities                            | \$ 17,280        | \$ 16,561         |
| Equity securities                           | 92               | 1                 |
| Commercial mortgage and other loans         | 304              | 301               |
| Policy loans                                | 5,760            | 5,670             |
| Short-term investments and cash equivalents | 39               | 6                 |
| Total accrued investment income             | <u>\$ 23,475</u> | <u>\$ 22,539</u>  |

There were no write-downs on accrued investment income as of both the three months ended March 31, 2022 and 2021.

**Net Investment Income**

The following table sets forth “Net investment income” by investment type, for the periods indicated:

|                                             | Three Months Ended March 31, |                  |
|---------------------------------------------|------------------------------|------------------|
|                                             | 2022                         | 2021             |
|                                             | (in thousands)               |                  |
| Fixed maturities, available-for-sale        | \$ 17,125                    | \$ 15,966        |
| Fixed maturities, trading                   | 274                          | 167              |
| Equity securities                           | 91                           | 91               |
| Commercial mortgage and other loans         | 1,082                        | 1,267            |
| Policy loans                                | 2,772                        | 2,827            |
| Other invested assets                       | 4,000                        | 4,243            |
| Short-term investments and cash equivalents | 60                           | 22               |
| Gross investment income                     | 25,404                       | 24,583           |
| Less: investment expenses                   | (1,035)                      | (1,038)          |
| Net investment income                       | <u>\$ 24,369</u>             | <u>\$ 23,545</u> |

**Realized Investment Gains (Losses), Net**

The following table sets forth “Realized investment gains (losses), net” by investment type, for the periods indicated:

|                                             | Three Months Ended March 31, |                  |
|---------------------------------------------|------------------------------|------------------|
|                                             | 2022                         | 2021             |
|                                             | (in thousands)               |                  |
| Fixed maturities(1)                         | \$ (1,959)                   | \$ (142)         |
| Commercial mortgage and other loans         | 15                           | (26)             |
| Other invested assets                       | (51)                         | 34               |
| Derivatives                                 | 18,035                       | 15,970           |
| Short term investments and cash equivalents | (12)                         | (4)              |
| Realized investment gains (losses), net     | <u>\$ 16,028</u>             | <u>\$ 15,832</u> |

(1) Includes fixed maturity securities classified as available-for-sale and excludes fixed maturity securities classified as trading.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Net Unrealized Gains (Losses) on Investments within AOCI***

The following table sets forth net unrealized gains (losses) on investments, as of the dates indicated:

|                                                                    | March 31, 2022    | December 31, 2021 |
|--------------------------------------------------------------------|-------------------|-------------------|
|                                                                    | (in thousands)    |                   |
| Fixed maturity securities, available-for-sale without an allowance | \$ (8,386)        | \$ 174,945        |
| Derivatives designated as cash flow hedges(1)                      | 6,629             | 5,407             |
| Affiliated notes                                                   | 131               | 194               |
| Other investments                                                  | 274               | 260               |
| Net unrealized gains (losses) on investments                       | <u>\$ (1,352)</u> | <u>\$ 180,806</u> |

(1) For more information on cash flow hedges, see Note 4.

***Repurchase Agreements and Securities Lending***

In the normal course of business, the Company sells securities under agreements to repurchase and enters into securities lending transactions. As of both March 31, 2022 and December 31, 2021, the Company had no repurchase agreements.

**4. DERIVATIVES AND HEDGING**

***Types of Derivative Instruments and Derivative Strategies***

The Company utilizes various derivative instruments and strategies to manage its risk. Commonly used derivative instruments include, but are not necessarily limited to:

- Interest rate contracts: futures, swaps, options, caps and floors
- Equity contracts: futures, options and total return swaps
- Foreign exchange contracts: futures, options, forwards and swaps
- Credit contracts: single and index reference credit default swaps

Other types of financial contracts that the Company accounts for as derivatives include:

- Embedded derivatives

For detailed information on these contracts and the related strategies, see Note 4 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Primary Risks Managed by Derivatives**

The table below provides a summary of the gross notional amount and fair value of derivative contracts by the primary underlying risks, excluding embedded derivatives and associated reinsurance recoverables. Many derivative instruments contain multiple underlying risks. The fair value amounts below represent the value of derivative contracts prior to taking into account the netting effects of master netting agreements and cash collateral.

| Primary Underlying Risk/Instrument Type                           | March 31, 2022    |                  |                    | December 31, 2021 |                  |                    |
|-------------------------------------------------------------------|-------------------|------------------|--------------------|-------------------|------------------|--------------------|
|                                                                   | Gross Notional    | Fair Value       |                    | Gross Notional    | Fair Value       |                    |
|                                                                   |                   | Assets           | Liabilities        |                   | Assets           | Liabilities        |
| (in thousands)                                                    |                   |                  |                    |                   |                  |                    |
| Derivatives Designated as Hedge Accounting Instruments:           |                   |                  |                    |                   |                  |                    |
| Currency/Interest Rate                                            |                   |                  |                    |                   |                  |                    |
| Foreign Currency Swaps                                            | \$ 124,465        | \$ 5,674         | \$ (186)           | \$ 124,950        | \$ 4,416         | \$ (291)           |
| Total Derivatives Designated as Hedge Accounting Instruments:     | <u>\$ 124,465</u> | <u>\$ 5,674</u>  | <u>\$ (186)</u>    | <u>\$ 124,950</u> | <u>\$ 4,416</u>  | <u>\$ (291)</u>    |
| Derivatives Not Qualifying as Hedge Accounting Instruments:       |                   |                  |                    |                   |                  |                    |
| Interest Rate                                                     |                   |                  |                    |                   |                  |                    |
| Interest Rate Swaps                                               | \$ 30,200         | \$ 1,255         | \$ 0               | \$ 30,200         | \$ 2,757         | \$ 0               |
| Credit                                                            |                   |                  |                    |                   |                  |                    |
| Credit Default Swaps                                              | 0                 | 0                | 0                  | 0                 | 0                | 0                  |
| Currency/Interest Rate                                            |                   |                  |                    |                   |                  |                    |
| Foreign Currency Swaps                                            | 35,204            | 2,760            | (510)              | 35,204            | 2,685            | (637)              |
| Foreign Currency                                                  |                   |                  |                    |                   |                  |                    |
| Foreign Currency Forwards                                         | 7,176             | 86               | (3)                | 4,667             | 66               | (9)                |
| Equity                                                            |                   |                  |                    |                   |                  |                    |
| Equity Options                                                    | 500,175           | 1,948            | (9,581)            | 488,850           | 18,761           | (20,561)           |
| Total Derivatives Not Qualifying as Hedge Accounting Instruments: | <u>\$ 572,755</u> | <u>\$ 6,049</u>  | <u>\$ (10,094)</u> | <u>\$ 558,921</u> | <u>\$ 24,269</u> | <u>\$ (21,207)</u> |
| Total Derivatives(1)(2)                                           | <u>\$ 697,220</u> | <u>\$ 11,723</u> | <u>\$ (10,280)</u> | <u>\$ 683,871</u> | <u>\$ 28,685</u> | <u>\$ (21,498)</u> |

(1) Excludes embedded derivatives and associated reinsurance recoverables which contain multiple underlying risks. The fair value of these embedded derivatives was a net liability of \$633 million and \$822 million as of March 31, 2022 and December 31, 2021, respectively included in "Future policy benefits" and \$131 million and \$153 million as of March 31, 2022 and December 31, 2021, respectively included in "Policyholders' account balances". The fair value of the related reinsurance, included in "Reinsurance recoverables" or "Other liabilities" was an asset of \$633 million and \$822 million as of March 31, 2022 and December 31, 2021, respectively.

(2) Recorded in "Other invested assets" and "Payables to parent and affiliates" on the Unaudited Interim Statements of Financial Position.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Offsetting Assets and Liabilities**

The following table presents recognized derivative instruments (excluding embedded derivatives and associated reinsurance recoverables), and repurchase and reverse repurchase agreements that are offset in the Unaudited Interim Statements of Financial Position, and/or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the Unaudited Interim Statements of Financial Position.

| March 31, 2022                                  |                                                   |                                                              |                                                               |                                      |             |
|-------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------|-------------|
|                                                 | Gross Amounts of Recognized Financial Instruments | Gross Amounts Offset in the Statements of Financial Position | Net Amounts Presented in the Statements of Financial Position | Financial Instruments/ Collateral(1) | Net Amount  |
| (in thousands)                                  |                                                   |                                                              |                                                               |                                      |             |
| <b>Offsetting of Financial Assets:</b>          |                                                   |                                                              |                                                               |                                      |             |
| Derivatives                                     | \$ 11,723                                         | \$ (10,280)                                                  | \$ 1,443                                                      | \$ (1,443)                           | \$ 0        |
| Securities purchased under agreements to resell | 0                                                 | 0                                                            | 0                                                             | 0                                    | 0           |
| Total Assets                                    | <u>\$ 11,723</u>                                  | <u>\$ (10,280)</u>                                           | <u>\$ 1,443</u>                                               | <u>\$ (1,443)</u>                    | <u>\$ 0</u> |
| <b>Offsetting of Financial Liabilities:</b>     |                                                   |                                                              |                                                               |                                      |             |
| Derivatives                                     | \$ 10,280                                         | \$ (10,280)                                                  | \$ 0                                                          | \$ 0                                 | \$ 0        |
| Securities sold under agreements to repurchase  | 0                                                 | 0                                                            | 0                                                             | 0                                    | 0           |
| Total Liabilities                               | <u>\$ 10,280</u>                                  | <u>\$ (10,280)</u>                                           | <u>\$ 0</u>                                                   | <u>\$ 0</u>                          | <u>\$ 0</u> |

  

| December 31, 2021                               |                                                   |                                                              |                                                               |                                      |             |
|-------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------|-------------|
|                                                 | Gross Amounts of Recognized Financial Instruments | Gross Amounts Offset in the Statements of Financial Position | Net Amounts Presented in the Statements of Financial Position | Financial Instruments/ Collateral(1) | Net Amount  |
| (in thousands)                                  |                                                   |                                                              |                                                               |                                      |             |
| <b>Offsetting of Financial Assets:</b>          |                                                   |                                                              |                                                               |                                      |             |
| Derivatives                                     | \$ 28,685                                         | \$ (21,498)                                                  | \$ 7,187                                                      | \$ (7,187)                           | \$ 0        |
| Securities purchased under agreements to resell | 0                                                 | 0                                                            | 0                                                             | 0                                    | 0           |
| Total Assets                                    | <u>\$ 28,685</u>                                  | <u>\$ (21,498)</u>                                           | <u>\$ 7,187</u>                                               | <u>\$ (7,187)</u>                    | <u>\$ 0</u> |
| <b>Offsetting of Financial Liabilities:</b>     |                                                   |                                                              |                                                               |                                      |             |
| Derivatives                                     | \$ 21,498                                         | \$ (21,498)                                                  | \$ 0                                                          | \$ 0                                 | \$ 0        |
| Securities sold under agreements to repurchase  | 0                                                 | 0                                                            | 0                                                             | 0                                    | 0           |
| Total Liabilities                               | <u>\$ 21,498</u>                                  | <u>\$ (21,498)</u>                                           | <u>\$ 0</u>                                                   | <u>\$ 0</u>                          | <u>\$ 0</u> |

(1) Amounts exclude the excess of collateral received/pledged from/to the counterparty.

For information regarding the rights of offset associated with the derivative assets and liabilities in the table above see “Credit Risk” below and Note 9. For securities purchased under agreements to resell and securities sold under agreements to repurchase, the Company monitors the value of the securities and maintains collateral, as appropriate, to protect against credit exposure. Where the Company has entered into repurchase and resale agreements with the same counterparty, in the event of default, the Company would generally be permitted to exercise rights of offset. For additional information on the Company’s accounting policy for securities repurchase and resale agreements, see Note 2 to the Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Cash Flow Hedges**

The primary derivative instruments used by the Company in its cash flow hedge accounting relationships are currency swaps. These instruments are only designated for hedge accounting in instances where the appropriate criteria are met. The Company does not use futures, options, credit or equity derivatives in any of its cash flow hedge accounting relationships.

The following tables provide the financial statement classification and impact of derivatives used in qualifying and non-qualifying hedge relationships, excluding the offset of the hedged item in an effective hedge relationship.

|                                                                   | Three Months Ended March 31, 2022        |                             |              |                |
|-------------------------------------------------------------------|------------------------------------------|-----------------------------|--------------|----------------|
|                                                                   | Realized<br>Investment<br>Gains (Losses) | Net<br>Investment<br>Income | Other Income | Change in AOCI |
|                                                                   | (in thousands)                           |                             |              |                |
| Derivatives Designated as Hedge Accounting Instruments:           |                                          |                             |              |                |
| Cash flow hedges                                                  |                                          |                             |              |                |
| Currency/Interest Rate                                            | \$ 31                                    | \$ 451                      | \$ 188       | \$ 1,222       |
| Total cash flow hedges                                            | 31                                       | 451                         | 188          | 1,222          |
| Derivatives Not Qualifying as Hedge Accounting Instruments:       |                                          |                             |              |                |
| Interest Rate                                                     | (1,201)                                  | 0                           | 0            | 0              |
| Currency                                                          | 115                                      | 0                           | 0            | 0              |
| Currency/Interest Rate                                            | 290                                      | 0                           | 8            | 0              |
| Credit                                                            | 0                                        | 0                           | 0            | 0              |
| Equity                                                            | (1,526)                                  | 0                           | 0            | 0              |
| Embedded Derivatives                                              | 20,326                                   | 0                           | 0            | 0              |
| Total Derivatives Not Qualifying as Hedge Accounting Instruments: | 18,004                                   | 0                           | 8            | 0              |
| Total                                                             | \$ 18,035                                | \$ 451                      | \$ 196       | \$ 1,222       |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

|                                                                   | Three Months Ended March 31, 2021        |                             |              |                |
|-------------------------------------------------------------------|------------------------------------------|-----------------------------|--------------|----------------|
|                                                                   | Realized<br>Investment<br>Gains (Losses) | Net<br>Investment<br>Income | Other Income | Change in AOCI |
|                                                                   | (in thousands)                           |                             |              |                |
| Derivatives Designated as Hedge Accounting Instruments:           |                                          |                             |              |                |
| Cash flow hedges                                                  |                                          |                             |              |                |
| Currency/Interest Rate                                            | \$ (8)                                   | \$ 401                      | \$ 159       | \$ 1,545       |
| Total cash flow hedges                                            | (8)                                      | 401                         | 159          | 1,545          |
| Derivatives Not Qualifying as Hedge Accounting Instruments:       |                                          |                             |              |                |
| Interest Rate                                                     | (827)                                    | 0                           | 0            | 0              |
| Currency                                                          | 111                                      | 0                           | 0            | 0              |
| Currency/Interest Rate                                            | 3                                        | 0                           | (6)          | 0              |
| Credit                                                            | (3)                                      | 0                           | 0            | 0              |
| Equity                                                            | 1,965                                    | 0                           | 0            | 0              |
| Embedded Derivatives                                              | 14,729                                   | 0                           | 0            | 0              |
| Total Derivatives Not Qualifying as Hedge Accounting Instruments: | 15,978                                   | 0                           | (6)          | 0              |
| Total                                                             | \$ 15,970                                | \$ 401                      | \$ 153       | \$ 1,545       |

Presented below is a rollforward of current period cash flow hedges in AOCI before taxes:

|                                                      | (in thousands)  |
|------------------------------------------------------|-----------------|
| <b>Balance, December 31, 2021</b>                    | <b>\$ 5,407</b> |
| Amount recorded in AOCI                              |                 |
| Currency/Interest Rate                               | 1,892           |
| <b>Total amount recorded in AOCI</b>                 | <b>1,892</b>    |
| Amount reclassified from AOCI to income              |                 |
| Currency/Interest Rate                               | (670)           |
| <b>Total amount reclassified from AOCI to income</b> | <b>(670)</b>    |
| <b>Balance, March 31, 2022</b>                       | <b>\$ 6,629</b> |

The changes in fair value of cash flow hedges are deferred in AOCI and are included in "Net unrealized investment gains (losses)" in the Unaudited Interim Statements of Operations and Comprehensive Income (Loss); these amounts are then reclassified to earnings when the hedged item affects earnings. Using March 31, 2022 values, it is estimated that a pre-tax gain of \$1.7 million is expected to be reclassified from AOCI to earnings during the subsequent twelve months ending March 31, 2023.

The exposures the Company is hedging with these qualifying cash flow hedges include the variability of the payment or receipt of interest or foreign currency amounts on existing financial instruments.

There were no material amounts reclassified from AOCI into earnings relating to instances in which the Company discontinued cash flow hedge accounting because the forecasted transaction did not occur by the anticipated date or within the additional time period permitted by the authoritative guidance for the accounting for derivatives and hedging.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Credit Derivatives***

The Company has no exposure from credit derivative positions where it has written or purchased credit protection as of March 31, 2022 and December 31, 2021.

***Counterparty Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative transactions with a positive fair value. The Company manages credit risk by entering into derivative transactions with its affiliate, Prudential Global Funding LLC ("PGF"), related to its over-the-counter ("OTC") derivatives. PGF, in turn, manages its credit risk by: (i) entering into derivative transactions with highly rated major international financial institutions and other creditworthy counterparties governed by master netting agreement, as applicable; (ii) trading through central clearing and OTC parties; (iii) obtaining collateral, such as cash and securities, when appropriate; and (iv) setting limits on single-party credit exposures which are subject to periodic management review.

Substantially all of the Company's derivative agreements have zero thresholds which require daily full collateralization by the party in a liability position.

**5. FAIR VALUE OF ASSETS AND LIABILITIES**

**Fair Value Measurement** – Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.

Level 2 - Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs.

Level 3 - Fair value is based on at least one significant unobservable input for the asset or liability. The assets and liabilities in this category may require significant judgment or estimation in determining the fair value.

For a discussion of the Company's valuation methodologies for assets and liabilities measured at fair value and the fair value hierarchy, see Note 5 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Assets and Liabilities by Hierarchy Level** – The tables below present the balances of assets and liabilities reported at fair value on a recurring basis, as of the dates indicated.

|                                                                                      | March 31, 2022 |               |            |             |               |
|--------------------------------------------------------------------------------------|----------------|---------------|------------|-------------|---------------|
|                                                                                      | Level 1        | Level 2       | Level 3    | Netting(1)  | Total         |
|                                                                                      | (in thousands) |               |            |             |               |
| Fixed maturities, available-for-sale:                                                |                |               |            |             |               |
| U.S. Treasury securities and obligations of U.S. government authorities and agencies | \$ 0           | \$ 13,057     | \$ 0       | \$          | 13,057        |
| Obligations of U.S. states and their political subdivisions                          | 0              | 169,339       | 0          |             | 169,339       |
| Foreign government bonds                                                             | 0              | 86,141        | 0          |             | 86,141        |
| U.S. corporate public securities                                                     | 0              | 936,241       | 0          |             | 936,241       |
| U.S. corporate private securities                                                    | 0              | 184,487       | 2,604      |             | 187,091       |
| Foreign corporate public securities                                                  | 0              | 112,794       | 0          |             | 112,794       |
| Foreign corporate private securities                                                 | 0              | 110,096       | 18,219     |             | 128,315       |
| Asset-backed securities(2)                                                           | 0              | 17,799        | 0          |             | 17,799        |
| Commercial mortgage-backed securities                                                | 0              | 106,160       | 24,397     |             | 130,557       |
| Residential mortgage-backed securities                                               | 0              | 2,521         | 0          |             | 2,521         |
| Subtotal                                                                             | 0              | 1,738,635     | 45,220     |             | 1,783,855     |
| Fixed maturities, trading                                                            | 0              | 34,198        | 0          |             | 34,198        |
| Equity securities                                                                    | 0              | 102           | 5,298      |             | 5,400         |
| Short-term investments                                                               | 9,999          | 0             | 0          |             | 9,999         |
| Cash equivalents                                                                     | 0              | 212,172       | 0          |             | 212,172       |
| Other invested assets(3)                                                             | 0              | 11,723        | 0          | (10,280)    | 1,443         |
| Reinsurance recoverables                                                             | 0              | 0             | 633,060    |             | 633,060       |
| Receivables from parent and affiliates                                               | 0              | 734           | 0          |             | 734           |
| Subtotal excluding separate account assets                                           | 9,999          | 1,997,564     | 683,578    | (10,280)    | 2,680,861     |
| Separate account assets(4)(5)                                                        | 0              | 14,500,461    | 0          |             | 14,500,461    |
| Total assets                                                                         | \$ 9,999       | \$ 16,498,025 | \$ 683,578 | \$ (10,280) | \$ 17,181,322 |
| Future policy benefits(6)                                                            | \$ 0           | \$ 0          | \$ 633,060 | \$          | \$ 633,060    |
| Policyholders' account balances                                                      | 0              | 0             | 130,930    |             | 130,930       |
| Payables to parent and affiliates                                                    | 0              | 10,280        | 0          | (10,280)    | 0             |
| Total liabilities                                                                    | \$ 0           | \$ 10,280     | \$ 763,990 | \$ (10,280) | \$ 763,990    |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

|                                                                                      | December 31, 2021 |               |            |             |               |
|--------------------------------------------------------------------------------------|-------------------|---------------|------------|-------------|---------------|
|                                                                                      | Level 1           | Level 2       | Level 3    | Netting(1)  | Total         |
|                                                                                      | (in thousands)    |               |            |             |               |
| Fixed maturities, available-for-sale:                                                |                   |               |            |             |               |
| U.S. Treasury securities and obligations of U.S. government authorities and agencies | \$ 0              | \$ 13,505     | \$ 0       | \$          | \$ 13,505     |
| Obligations of U.S. states and their political subdivisions                          | 0                 | 179,010       | 0          |             | 179,010       |
| Foreign government bonds                                                             | 0                 | 100,791       | 0          |             | 100,791       |
| U.S. corporate public securities                                                     | 0                 | 1,022,585     | 0          |             | 1,022,585     |
| U.S. corporate private securities                                                    | 0                 | 199,070       | 2,605      |             | 201,675       |
| Foreign corporate public securities                                                  | 0                 | 113,183       | 0          |             | 113,183       |
| Foreign corporate private securities                                                 | 0                 | 121,644       | 21,714     |             | 143,358       |
| Asset-backed securities(2)                                                           | 0                 | 17,277        | 0          |             | 17,277        |
| Commercial mortgage-backed securities                                                | 0                 | 114,081       | 27,274     |             | 141,355       |
| Residential mortgage-backed securities                                               | 0                 | 2,859         | 0          |             | 2,859         |
| Subtotal                                                                             | 0                 | 1,884,005     | 51,593     |             | 1,935,598     |
| Fixed maturities, trading                                                            | 0                 | 36,456        | 0          |             | 36,456        |
| Equity securities                                                                    | 0                 | 125           | 5,812      |             | 5,937         |
| Short-term investments                                                               | 9,997             | 0             | 0          |             | 9,997         |
| Cash equivalents                                                                     | 0                 | 128,719       | 0          |             | 128,719       |
| Other invested assets(3)                                                             | 0                 | 28,685        | 0          | (21,498)    | 7,187         |
| Reinsurance recoverables                                                             | 0                 | 0             | 821,596    |             | 821,596       |
| Receivables from parent and affiliates                                               | 0                 | 788           | 0          |             | 788           |
| Subtotal excluding separate account assets                                           | 9,997             | 2,078,778     | 879,001    | (21,498)    | 2,946,278     |
| Separate account assets(4)(5)                                                        | 0                 | 15,731,959    | 0          |             | 15,731,959    |
| Total assets                                                                         | \$ 9,997          | \$ 17,810,737 | \$ 879,001 | \$ (21,498) | \$ 18,678,237 |
| Future policy benefits(6)                                                            | \$ 0              | \$ 0          | \$ 821,596 | \$          | \$ 821,596    |
| Policyholders' account balances                                                      | 0                 | 0             | 153,127    |             | 153,127       |
| Payables to parent and affiliates                                                    | 0                 | 21,498        | 0          | (21,498)    | 0             |
| Total liabilities                                                                    | \$ 0              | \$ 21,498     | \$ 974,723 | \$ (21,498) | \$ 974,723    |

(1) "Netting" amounts represent cash collateral of \$0 million as of both March 31, 2022 and December 31, 2021.

(2) Includes credit-tranched securities collateralized by syndicated bank loans, sub-prime mortgages, auto loans, credit cards, education loans and other asset types.

(3) Other invested assets excluded from the fair value hierarchy include certain hedge funds, private equity funds and other funds for which fair value is measured at net asset value ("NAV") per share (or its equivalent) as a practical expedient. As of March 31, 2022 and December 31, 2021, the fair values of such investments was \$2.9 million and \$2.8 million, respectively.

(4) Separate account assets included in the fair value hierarchy exclude investments in entities that calculate NAV per share (or its equivalent) as a practical expedient. Such investments excluded from the fair value hierarchy include investments in real estate, hedge funds and a corporate owned life insurance fund, for which fair value is measured at NAV per share (or its equivalent). At March 31, 2022 and December 31, 2021, the fair value of such investments was \$2,084 million and \$2,190 million, respectively.

(5) Separate account assets represent segregated funds that are invested for certain customers. 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. Separate account liabilities are not included in the above table as they are reported at contract value and not fair value in the Company's Unaudited Interim Statements of Financial Position.

(6) As of March 31, 2022, the net embedded derivative liability position of \$633 million includes \$63 million of embedded derivatives in an asset position and \$696 million of embedded derivatives in a liability position. As of December 31, 2021, the net embedded derivative liability position of \$822 million includes \$62 million of embedded derivatives in an asset position and \$884 million of embedded derivatives in a liability position.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Quantitative Information Regarding Internally Priced Level 3 Assets and Liabilities** – The tables below present quantitative information on significant internally-priced Level 3 assets and liabilities.

|                                    | March 31, 2022 |                                                                                          |                         |         |                               |          |                        |
|------------------------------------|----------------|------------------------------------------------------------------------------------------|-------------------------|---------|-------------------------------|----------|------------------------|
|                                    | Fair Value     | Valuation                                                                                | Unobservable            | Minimum | Maximum                       | Weighted | Impact of Increase in  |
|                                    | (in thousands) | Techniques                                                                               | Inputs                  |         |                               | Average  | Input on Fair Value(1) |
| Assets:                            |                |                                                                                          |                         |         |                               |          |                        |
| Corporate securities(2)            | \$ 20,823      | Discounted cash flow                                                                     | Discount rate           | 3.06 %  | 3.28 %                        | 3.17 %   | Decrease               |
|                                    |                | Liquidation                                                                              | Liquidation value       | 62.58%  | 62.58%                        | 62.58%   | Increase               |
| Reinsurance recoverables           | \$ 633,060     | Fair values are determined using the same unobservable inputs as future policy benefits. |                         |         |                               |          |                        |
| Liabilities:                       |                |                                                                                          |                         |         |                               |          |                        |
| Future policy benefits(3)          | \$ 633,060     | Discounted cash flow                                                                     | Lapse rate(5)           | 1 %     | 20 %                          |          | Decrease               |
|                                    |                |                                                                                          | Spread over LIBOR(6)    | 0.20 %  | 1.52 %                        |          | Decrease               |
|                                    |                |                                                                                          | Utilization rate(7)     | 39 %    | 96 %                          |          | Increase               |
|                                    |                |                                                                                          | Withdrawal rate         |         | See table footnote (8) below. |          |                        |
|                                    |                |                                                                                          | Mortality rate (9)      | 0 %     | 15 %                          |          | Decrease               |
|                                    |                |                                                                                          | Equity volatility curve | 18 %    | 26 %                          |          | Increase               |
| Policyholders' account balances(4) | \$ 130,930     | Discounted cash flow                                                                     | Lapse rate(5)           | 1 %     | 6 %                           |          | Decrease               |
|                                    |                |                                                                                          | Spread over LIBOR(6)    | 0.20 %  | 1.52 %                        |          | Decrease               |
|                                    |                |                                                                                          | Mortality rate (9)      | 0 %     | 23 %                          |          | Decrease               |
|                                    |                |                                                                                          | Equity volatility curve | 14 %    | 29 %                          |          | Increase               |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

|                                    | December 31, 2021 |                                                                                          |                         |         |                              |          |                           |
|------------------------------------|-------------------|------------------------------------------------------------------------------------------|-------------------------|---------|------------------------------|----------|---------------------------|
|                                    | Fair Value        | Valuation                                                                                | Unobservable Inputs     | Minimum | Maximum                      | Weighted | Impact of Increase        |
|                                    | (in thousands)    | Techniques                                                                               |                         |         |                              | Average  | in Input on Fair Value(1) |
| Assets:                            |                   |                                                                                          |                         |         |                              |          |                           |
| Corporate securities(2)            | \$ 24,319         | Discounted cash flow                                                                     | Discount rate           | 2.41 %  | 3.99 %                       | 2.62 %   | Decrease                  |
|                                    |                   | Liquidation                                                                              | Liquidation value       | 62.58%  | 62.58%                       | 62.58%   | Increase                  |
| Reinsurance recoverables           | \$ 821,596        | Fair values are determined using the same unobservable inputs as future policy benefits. |                         |         |                              |          |                           |
| Liabilities:                       |                   |                                                                                          |                         |         |                              |          |                           |
| Future policy benefits(3)          | \$ 821,596        | Discounted cash flow                                                                     | Lapse rate(5)           | 1 %     | 20 %                         |          | Decrease                  |
|                                    |                   |                                                                                          | Spread over LIBOR(6)    | 0.03 %  | 1.13 %                       |          | Decrease                  |
|                                    |                   |                                                                                          | Utilization rate(7)     | 39 %    | 96 %                         |          | Increase                  |
|                                    |                   |                                                                                          | Withdrawal rate         |         | See table footnote(8) below. |          |                           |
|                                    |                   |                                                                                          | Mortality rate(9)       | 0 %     | 15 %                         |          | Decrease                  |
|                                    |                   |                                                                                          | Equity volatility curve | 16 %    | 25 %                         |          | Increase                  |
| Policyholders' account balances(4) | \$ 153,127        | Discounted cash flow                                                                     | Lapse rate(5)           | 1 %     | 6 %                          |          | Decrease                  |
|                                    |                   |                                                                                          | Spread over LIBOR(6)    | 0.03 %  | 1.13 %                       |          | Decrease                  |
|                                    |                   |                                                                                          | Mortality rate (9)      | 0 %     | 23 %                         |          | Decrease                  |
|                                    |                   |                                                                                          | Equity volatility curve | 12 %    | 27 %                         |          | Increase                  |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

- (1) Conversely, the impact of a decrease in input would have the opposite impact on fair value as that presented in the table.
- (2) Includes assets classified as fixed maturities available-for-sale.
- (3) Future policy benefits primarily represent general account liabilities for the living benefit features of the Company's variable annuity contracts which are accounted for as embedded derivatives. Since the valuation methodology for these liabilities uses a range of inputs that vary at the contract level over the cash flow projection period, presenting a range, rather than weighted average, is a more meaningful representation of the unobservable inputs used in the valuation.
- (4) Policyholders' account balances primarily represent general account liabilities for the index-linked interest credited on certain of the Company's life products that are accounted for as embedded derivatives. Since the valuation methodology for these liabilities uses a range of inputs that vary at the contract level over the cash flow projection period, presenting a range, rather than weighted average, is a more meaningful representation of the unobservable inputs used in the valuation.
- (5) Lapse rates for contracts with living benefit guarantees are adjusted at the contract level based on the in-the-moneyness of the living benefit and reflect other factors, such as the applicability of any surrender charges. Lapse rates are reduced when contracts are more in-the-money. Lapse rates for contracts with index-linked crediting guarantees may be adjusted at the contract level based on the applicability of any surrender charges, product type, and market related factors such as interest rates. Lapse rates are also generally assumed to be lower for the period where surrender charges apply. For any given contract, lapse rates vary throughout the period over which cash flows are projected for the purposes of valuing these embedded derivatives.
- (6) The spread over the London Inter-Bank Offered Rate ("LIBOR") swap curve represents the premium added to the proxy for the risk-free rate (LIBOR) to reflect the Company's estimates of rates that a market participant would use to value the living benefits in both the accumulation and payout phases and index-linked interest crediting guarantees. This spread includes an estimate of NPR, which is the risk that the obligation will not be fulfilled by the Company. NPR is primarily estimated by utilizing the credit spreads associated with issuing funding agreements, adjusted for any illiquidity risk premium. In order to reflect the financial strength ratings of the Company, credit spreads associated with funding agreements, as opposed to credit spread associated with debt, are utilized in developing this estimate because funding agreements, living benefit guarantees, and index-linked interest crediting guarantees are insurance liabilities and are therefore senior to debt.
- (7) The utilization rate assumption estimates the percentage of contracts that will utilize the benefit during the contract duration and begin lifetime withdrawals at various time intervals from contract inception. The remaining contractholders are assumed to either begin lifetime withdrawals immediately or never utilize the benefit. Utilization assumptions may vary by product type, tax status and age. The impact of changes in these assumptions is highly dependent on the product type, the age of the contractholder at the time of the sale, and the timing of the first lifetime income withdrawal. Range reflects the utilization rate for the vast majority of business with living benefits.
- (8) The withdrawal rate assumption estimates the magnitude of annual contractholder withdrawals relative to the maximum allowable amount under the contract. These assumptions vary based on the age of the contractholder, the tax status of the contract and the duration since the contractholder began lifetime withdrawals. As of March 31, 2022 and December 31, 2021, the minimum withdrawal rate assumption is 76% and the maximum withdrawal rate assumption may be greater than 100%. The fair value of the liability will generally increase the closer the withdrawal rate is to 100% and decrease as the withdrawal rate moves further away from 100%.
- (9) The range reflects the mortality rates for the vast majority of business with living benefits and other contracts, with policyholders ranging from 45 to 90 years old. While the majority of living benefits have a minimum age requirement, certain other contracts do not have an age restriction. This results in contractholders with mortality rates approaching 0% for certain benefits. Mortality rates may vary by product, age and duration. A mortality improvement assumption is also incorporated into the overall mortality table.

**Interrelationships Between Unobservable Inputs** – In addition to the sensitivities of fair value measurements to changes in each unobservable input in isolation, as reflected in the table above, interrelationships between these inputs may also exist, such that a change in one unobservable input may give rise to a change in another, or multiple, inputs. Examples of such interrelationships for significant internally-priced Level 3 assets and liabilities are as follows:

*Corporate Securities* - The rate used to discount future cash flows reflects current risk-free rates plus credit and liquidity spread requirements that market participants would use to value an asset. The discount rate may be influenced by many factors, including market cycles, expectations of default, collateral, term, and asset complexity. Each of these factors can influence discount rates, either in isolation, or in response to other factors. During weaker economic cycles, as the expectations of default increases, credit spreads widen, which results in a decrease in fair value.

*Future Policy Benefits* – The Company expects efficient benefit utilization and withdrawal rates to generally be correlated with lapse rates. However, behavior is highly dependent on the facts and circumstances surrounding the individual contractholder, such as their liquidity needs or tax situation, which could drive lapse behavior independent of other contractholder behavior assumptions. To the extent more efficient contractholder behavior results in greater in-the-moneyness at the contract level, lapse rates may decline for those contracts. Similarly, to the extent that increases in equity volatility are correlated with overall declines in the capital markets, lapse rates may decline as contracts become more in-the-money.

**Changes in Level 3 Assets and Liabilities** – The following tables describe changes in fair values of Level 3 assets and liabilities as of the dates indicated, as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at the end of their respective periods. When a determination is made to classify assets and liabilities within Level 3, the determination is based on significance of the unobservable inputs in the overall fair value measurement. All transfers are based on changes in the observability of the valuation inputs, including the availability of pricing service information that the Company can validate. Transfers into Level 3 are generally the result of unobservable inputs utilized within valuation methodologies and the use of indicative broker quotes for assets that were previously valued using observable inputs. Transfers out of Level 3 are generally due to the use of observable inputs in valuation methodologies as well as the availability of pricing service information for certain assets that the Company can validate.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

| Three Months Ended March 31, 2022     |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |  |
|---------------------------------------|---------------------------------------|-------------------------------------------------------|-----------|-------|-----------|-------------|-------|---------------------------|-----------------------------|------------------------------|----------------------------------------------------------|--|
|                                       | Fair Value,<br>beginning of<br>period | Total realized<br>and unrealized<br>gains (losses)(1) | Purchases | Sales | Issuances | Settlements | Other | Transfers into<br>Level 3 | Transfers out<br>of Level 3 | Fair Value, end<br>of period | Unrealized gains<br>(losses) for assets<br>still held(2) |  |
| (in thousands)                        |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |  |
| Fixed maturities, available-for-sale: |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |  |
| Corporate securities(3)               | \$ 24,319                             | \$ (2,864)                                            | \$ 0      | \$ 0  | \$ 0      | \$ (632)    | \$ 0  | \$ 0                      | \$ 0                        | \$ 20,823                    | \$ (2,821)                                               |  |
| Structured securities(4)              | 27,274                                | (2,795)                                               | 0         | 0     | 0         | (82)        | 0     | 0                         | 0                           | 24,397                       | (2,796)                                                  |  |
| Other assets:                         |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |  |
| Equity securities                     | 5,812                                 | (514)                                                 | 0         | 0     | 0         | 0           | 0     | 0                         | 0                           | 5,298                        | (514)                                                    |  |
| Reinsurance recoverables              | 821,596                               | (214,894)                                             | 26,358    | 0     | 0         | 0           | 0     | 0                         | 0                           | 633,060                      | (207,732)                                                |  |
| Liabilities:                          |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |  |
| Future policy benefits                | (821,596)                             | 214,894                                               | 0         | 0     | (26,358)  | 0           | 0     | 0                         | 0                           | (633,060)                    | 207,732                                                  |  |
| Policyholders' account<br>balances(5) | (153,127)                             | 19,553                                                | 0         | 0     | 0         | 2,644       | 0     | 0                         | 0                           | (130,930)                    | 21,607                                                   |  |

| Three Months Ended March 31, 2022             |                        |                                                     |                          |                                                    |                        |                                                     |            |
|-----------------------------------------------|------------------------|-----------------------------------------------------|--------------------------|----------------------------------------------------|------------------------|-----------------------------------------------------|------------|
| Total realized and unrealized gains (losses)  |                        |                                                     |                          | Unrealized gains (losses) for assets still held(2) |                        |                                                     |            |
| Realized investment<br>gains (losses), net(1) | Other income<br>(loss) | Included in other<br>comprehensive income<br>(loss) | Net investment<br>income | Realized investment<br>gains (losses), net         | Other income<br>(loss) | Included in other<br>comprehensive income<br>(loss) |            |
| (in thousands)                                |                        |                                                     |                          |                                                    |                        |                                                     |            |
| <b>Fixed maturities, available-for-sale</b>   | \$ 0                   | \$ 0                                                | \$ (5,661)               | \$ 2                                               | \$ 0                   | \$ 0                                                | \$ (5,617) |
| <b>Other assets:</b>                          |                        |                                                     |                          |                                                    |                        |                                                     |            |
| Equity securities                             | 0                      | (514)                                               | 0                        | 0                                                  | 0                      | (514)                                               | 0          |
| Reinsurance recoverables                      | (214,894)              | 0                                                   | 0                        | 0                                                  | (207,732)              | 0                                                   | 0          |
| <b>Liabilities:</b>                           |                        |                                                     |                          |                                                    |                        |                                                     |            |
| Future policy benefits                        | 214,894                | 0                                                   | 0                        | 0                                                  | 207,732                | 0                                                   | 0          |
| Policyholders' account balances               | 19,553                 | 0                                                   | 0                        | 0                                                  | 21,607                 | 0                                                   | 0          |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

| Three Months Ended March 31, 2021            |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |
|----------------------------------------------|---------------------------------------|-------------------------------------------------------|-----------|-------|-----------|-------------|-------|---------------------------|-----------------------------|------------------------------|----------------------------------------------------------|
|                                              | Fair Value,<br>beginning of<br>period | Total realized<br>and unrealized<br>gains (losses)(1) | Purchases | Sales | Issuances | Settlements | Other | Transfers into<br>Level 3 | Transfers out<br>of Level 3 | Fair Value, end<br>of period | Unrealized gains<br>(losses) for assets<br>still held(2) |
| (in thousands)                               |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |
| <b>Fixed maturities, available-for-sale:</b> |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |
| Corporate securities(3)                      | \$ 24,045                             | \$ (1,714)                                            | \$ 0      | \$ 0  | \$ 0      | \$ 0        | \$ 0  | \$ 0                      | \$ 0                        | \$ 22,331                    | \$ (1,713)                                               |
| Structured securities                        | 0                                     | 0                                                     | 0         | 0     | 0         | 0           | 0     | 0                         | 0                           | 0                            | 0                                                        |
| <b>Other assets:</b>                         |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |
| Equity securities                            | 6,095                                 | (238)                                                 | 0         | 0     | 0         | 0           | 0     | 0                         | 0                           | 5,857                        | (238)                                                    |
| Reinsurance recoverables                     | 1,195,469                             | (562,720)                                             | 27,784    | 0     | 0         | 0           | 0     | 0                         | 0                           | 660,533                      | (551,773)                                                |
| <b>Liabilities:</b>                          |                                       |                                                       |           |       |           |             |       |                           |                             |                              |                                                          |
| Future policy benefits                       | (1,195,469)                           | 562,720                                               | 0         | 0     | (27,784)  | 0           | 0     | 0                         | 0                           | (660,533)                    | 551,773                                                  |
| Policyholders' account balances(5)           | (153,937)                             | 14,042                                                | 0         | 0     | 0         | 3,122       | 0     | 0                         | 0                           | (136,773)                    | 16,277                                                   |

| Three Months Ended March 31, 2021             |                        |                                                     |                          |                                                    |                           |                                                     |         |
|-----------------------------------------------|------------------------|-----------------------------------------------------|--------------------------|----------------------------------------------------|---------------------------|-----------------------------------------------------|---------|
| Total realized and unrealized gains (losses)  |                        |                                                     |                          | Unrealized gains (losses) for assets still held(2) |                           |                                                     |         |
| Realized investment<br>gains (losses), net(1) | Other income<br>(loss) | Included in other<br>comprehensive income<br>(loss) | Net investment<br>income | Realized investment<br>gains (losses), net         | Other<br>income<br>(loss) | Included in other<br>comprehensive income<br>(loss) |         |
| (in thousands)                                |                        |                                                     |                          |                                                    |                           |                                                     |         |
| <b>Fixed maturities, available-for-sale</b>   | \$ 0                   | \$ 0                                                | (1,714) \$               | 0                                                  | \$ 0                      | \$ 0                                                | (1,713) |
| <b>Other assets:</b>                          |                        |                                                     |                          |                                                    |                           |                                                     |         |
| Equity securities                             | 0                      | (238)                                               | 0                        | 0                                                  | (238)                     | 0                                                   | 0       |
| Reinsurance recoverables                      | (562,720)              | 0                                                   | 0                        | (551,773)                                          | 0                         | 0                                                   | 0       |
| <b>Liabilities:</b>                           |                        |                                                     |                          |                                                    |                           |                                                     |         |
| Future policy benefits                        | 562,720                | 0                                                   | 0                        | 551,773                                            | 0                         | 0                                                   | 0       |
| Policyholders' account balances               | 14,042                 | 0                                                   | 0                        | 16,277                                             | 0                         | 0                                                   | 0       |

- (1) Realized investment gains (losses) on future policy benefits and reinsurance recoverables primarily represent the change in the fair value of the Company's living benefit guarantees on certain of its variable annuity contracts.
- (2) Unrealized gains or losses related to assets still held at the end of the period do not include amortization or accretion of premiums and discounts.
- (3) Includes U.S. corporate public, U.S. corporate private and foreign corporate private securities.
- (4) Includes commercial mortgage-backed securities.
- (5) Issuances and settlements for Policyholders' account balances are presented net in the rollforward.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Fair Value of Financial Instruments**

The table below presents the carrying amount and fair value by fair value hierarchy level of certain financial instruments that are not reported at fair value. The financial instruments presented below are reported at carrying value on the Company's Unaudited Interim Statements of Financial Position. In some cases, as described below, the carrying amount equals or approximates fair value.

| March 31, 2022                                         |                 |                   |                   |                   |                    |                |
|--------------------------------------------------------|-----------------|-------------------|-------------------|-------------------|--------------------|----------------|
|                                                        | Fair Value      |                   |                   |                   | Carrying Amount(1) |                |
|                                                        | Level 1         | Level 2           | Level 3           | Total             | Total              |                |
| (in thousands)                                         |                 |                   |                   |                   |                    |                |
| <b>Assets:</b>                                         |                 |                   |                   |                   |                    |                |
| Commercial mortgage and other loans                    | \$ 0            | \$ 0              | \$ 111,974        | \$ 111,974        | \$                 | 111,787        |
| Policy loans                                           | 0               | 0                 | 211,894           | 211,894           |                    | 211,894        |
| Cash and cash equivalents                              | 7,186           | 0                 | 0                 | 7,186             |                    | 7,186          |
| Accrued investment income                              | 0               | 23,475            | 0                 | 23,475            |                    | 23,475         |
| Reinsurance recoverables                               | 0               | 0                 | 27,530            | 27,530            |                    | 28,317         |
| Receivables from parent and affiliates                 | 0               | 18,606            | 0                 | 18,606            |                    | 18,606         |
| Other assets                                           | 0               | 3,708             | 0                 | 3,708             |                    | 3,708          |
| <b>Total assets</b>                                    | <u>\$ 7,186</u> | <u>\$ 45,789</u>  | <u>\$ 351,398</u> | <u>\$ 404,373</u> | <u>\$</u>          | <u>404,973</u> |
| <b>Liabilities:</b>                                    |                 |                   |                   |                   |                    |                |
| Policyholders' account balances - investment contracts | \$ 0            | \$ 199,185        | \$ 39,174         | \$ 238,359        | \$                 | 239,146        |
| Payables to parent and affiliates                      | 0               | 9                 | 0                 | 9                 |                    | 9              |
| Other liabilities                                      | 0               | 56,254            | 0                 | 56,254            |                    | 56,254         |
| <b>Total liabilities</b>                               | <u>\$ 0</u>     | <u>\$ 255,448</u> | <u>\$ 39,174</u>  | <u>\$ 294,622</u> | <u>\$</u>          | <u>295,409</u> |

| December 31, 2021                                      |                 |                   |                   |                   |                    |                |
|--------------------------------------------------------|-----------------|-------------------|-------------------|-------------------|--------------------|----------------|
|                                                        | Fair Value      |                   |                   |                   | Carrying Amount(1) |                |
|                                                        | Level 1         | Level 2           | Level 3           | Total             | Total              |                |
| (in thousands)                                         |                 |                   |                   |                   |                    |                |
| <b>Assets:</b>                                         |                 |                   |                   |                   |                    |                |
| Commercial mortgage and other loans                    | \$ 0            | \$ 0              | \$ 121,594        | \$ 121,594        | \$                 | 115,576        |
| Policy loans                                           | 0               | 0                 | 210,730           | 210,730           |                    | 210,730        |
| Cash and cash equivalents                              | 7,597           | 0                 | 0                 | 7,597             |                    | 7,597          |
| Accrued investment income                              | 0               | 22,539            | 0                 | 22,539            |                    | 22,539         |
| Reinsurance recoverables                               | 0               | 0                 | 29,931            | 29,931            |                    | 28,883         |
| Receivables from parent and affiliates                 | 0               | 20,650            | 0                 | 20,650            |                    | 20,650         |
| Other assets                                           | 0               | 3,013             | 0                 | 3,013             |                    | 3,013          |
| <b>Total assets</b>                                    | <u>\$ 7,597</u> | <u>\$ 46,202</u>  | <u>\$ 362,255</u> | <u>\$ 416,054</u> | <u>\$</u>          | <u>408,988</u> |
| <b>Liabilities:</b>                                    |                 |                   |                   |                   |                    |                |
| Policyholders' account balances - investment contracts | \$ 0            | \$ 201,955        | \$ 41,939         | \$ 243,894        | \$                 | 242,846        |
| Payables to parent and affiliates                      | 0               | 2,432             | 0                 | 2,432             |                    | 2,432          |
| Other liabilities                                      | 0               | 49,130            | 0                 | 49,130            |                    | 49,130         |
| <b>Total liabilities</b>                               | <u>\$ 0</u>     | <u>\$ 253,517</u> | <u>\$ 41,939</u>  | <u>\$ 295,456</u> | <u>\$</u>          | <u>294,408</u> |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

- (1) Carrying values presented herein differ from those in the Company's Unaudited Interim Statements of Financial Position because certain items within the respective financial statement captions are not considered financial instruments or out of scope under authoritative guidance relating to disclosures of the fair value of financial instruments.

## 6. REINSURANCE

The Company participates in reinsurance with its affiliates Prudential Arizona Reinsurance Captive Company ("PARCC"), Prudential Arizona Reinsurance Term Company ("PAR Term"), Prudential Arizona Reinsurance Universal Company ("PAR U"), Prudential Term Reinsurance Company ("Term Re") and Dryden Arizona Reinsurance Term Company ("DART"), its parent companies, Pruco Life and Prudential Insurance, as well as third parties. The reinsurance agreements provide risk diversification and additional capacity for future growth, limit the maximum net loss potential, manage statutory capital, and facilitate the Company's capital market hedging program. Life reinsurance is accomplished through various plans of reinsurance, primarily yearly renewable term and coinsurance. 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. The Company believes a material reinsurance liability resulting from such inability of reinsurers to meet their obligations is unlikely.

Reserves related to reinsured long-duration contracts are accounted for using assumptions consistent with those used to account for the underlying contracts. Amounts recoverable from reinsurers for long-duration reinsurance arrangements are estimated in a manner consistent with the claim liabilities and policy benefits associated with the reinsured policies. Reinsurance policy charges and fee income ceded for universal life and variable annuity products are accounted for as a reduction of policy charges and fee income. Reinsurance premiums ceded for term insurance products are accounted for as a reduction of premiums.

Realized investment gains and losses include the impact of reinsurance agreements, particularly reinsurance agreements involving living benefit guarantees. The Company has entered into a reinsurance agreement to transfer the risk related to living benefit guarantees on variable annuities to Prudential Insurance. These reinsurance agreements are derivatives and have been accounted for in the same manner as embedded derivatives and the changes in the fair value of these derivatives are recognized through "Realized investment gains (losses), net". See Note 4 for additional information related to the accounting for embedded derivatives.

Reinsurance amounts included in the Company's Unaudited Interim Statements of Financial Position as of March 31, 2022 and December 31, 2021 were as follows:

|                                   | March 31, 2022 | December 31, 2021 |
|-----------------------------------|----------------|-------------------|
|                                   | (in thousands) |                   |
| Reinsurance recoverables          | \$ 3,399,644   | \$ 3,601,212      |
| Policy loans                      | (22,227)       | (22,028)          |
| Deferred policy acquisition costs | (652,000)      | (634,661)         |
| Deferred sales inducements        | (34,616)       | (37,905)          |
| Other assets                      | 11,722         | 12,941            |
| Other liabilities                 | 116,726        | 140,248           |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

Reinsurance recoverables by counterparty are broken out below:

|                                | March 31, 2022      | December 31, 2021   |
|--------------------------------|---------------------|---------------------|
|                                | (in thousands)      |                     |
| Prudential Insurance           | \$ 1,135,742        | \$ 1,344,251        |
| PAR U                          | 1,233,956           | 1,213,038           |
| PARCC                          | 401,989             | 415,266             |
| PAR Term                       | 250,132             | 248,387             |
| Term Re                        | 263,675             | 256,283             |
| DART                           | 78,949              | 77,995              |
| Pruco Life                     | 31,170              | 40,804              |
| Unaffiliated                   | 4,031               | 5,188               |
| Total reinsurance recoverables | <u>\$ 3,399,644</u> | <u>\$ 3,601,212</u> |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

Reinsurance amounts, included in the Company's Unaudited Interim Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, were as follows:

|                                                                                                                | Three months ended March 31, |           |
|----------------------------------------------------------------------------------------------------------------|------------------------------|-----------|
|                                                                                                                | 2022                         | 2021      |
|                                                                                                                | (in thousands)               |           |
| Premiums:                                                                                                      |                              |           |
| Direct                                                                                                         | \$ 63,437                    | \$ 64,350 |
| Ceded                                                                                                          | (53,242)                     | (56,791)  |
| Net premiums                                                                                                   | 10,195                       | 7,559     |
| Policy charges and fee income:                                                                                 |                              |           |
| Direct                                                                                                         | 100,498                      | 107,538   |
| Ceded(1)                                                                                                       | (84,777)                     | (79,220)  |
| Net policy charges and fee income                                                                              | 15,721                       | 28,318    |
| Net investment income:                                                                                         |                              |           |
| Direct                                                                                                         | 24,563                       | 23,753    |
| Ceded                                                                                                          | (194)                        | (208)     |
| Net investment income                                                                                          | 24,369                       | 23,545    |
| Asset administration fees:                                                                                     |                              |           |
| Direct                                                                                                         | 10,502                       | 10,806    |
| Ceded                                                                                                          | (8,242)                      | (8,780)   |
| Net asset administration fees                                                                                  | 2,260                        | 2,026     |
| Realized investment gains (losses), net:                                                                       |                              |           |
| Direct                                                                                                         | 230,121                      | 577,847   |
| Ceded                                                                                                          | (214,093)                    | (562,015) |
| Realized investment gains (losses), net                                                                        | 16,028                       | 15,832    |
| Policyholders' benefits (including change in reserves):                                                        |                              |           |
| Direct                                                                                                         | 100,495                      | 110,163   |
| Ceded(2)                                                                                                       | (86,921)                     | (91,328)  |
| Net policyholders' benefits (including change in reserves)                                                     | 13,574                       | 18,835    |
| Interest credited to policyholders' account balances:                                                          |                              |           |
| Direct                                                                                                         | 24,446                       | 21,312    |
| Ceded                                                                                                          | (13,252)                     | (10,601)  |
| Net interest credited to policyholders' account balances                                                       | 11,194                       | 10,711    |
| Reinsurance expense allowances and general and administrative expenses, net of capitalization and amortization | (45,246)                     | (36,429)  |

(1) Includes \$(1) million and \$0.0 million of unaffiliated activity for the three months ended March 31, 2022 and 2021, respectively.

(2) Includes \$(0.1) million and \$(1) million of unaffiliated activity for the three months ended March 31, 2022 and 2021, respectively.

The gross and net amounts of life insurance face amount in force as of March 31, 2022 and 2021 were as follows:

|                                                  | 2022           |               | 2021 |               |
|--------------------------------------------------|----------------|---------------|------|---------------|
|                                                  | (in thousands) |               |      |               |
| Direct gross life insurance face amount in force | \$             | 155,729,264   | \$   | 154,519,117   |
| Reinsurance ceded                                |                | (141,264,004) |      | (139,942,682) |
| Net life insurance face amount in force          | \$             | 14,465,260    | \$   | 14,576,435    |

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

Information regarding significant affiliated reinsurance agreements is described below.

**Prudential Insurance**

The Company has a yearly renewable term reinsurance agreement with Prudential Insurance and reinsures the majority of all mortality risks not otherwise reinsured. Effective July 1, 2017, this agreement was terminated for certain new business, primarily Universal Life business, and such business was reinsured to Pruco Life under a yearly renewable term reinsurance agreement. As of January 1, 2020, the remaining portions of new business (specifically Term policies) ceased being reinsured by the Company to Prudential Insurance, and a separate yearly renewable term reinsurance agreement was established with Pruco Life for Term policies. Effective April 1, 2016, the Company entered into a reinsurance agreement with Prudential Insurance to reinsure its variable annuity base contracts, along with the living benefit guarantees. As of December 31, 2020, the Company discontinued the sales of traditional variable annuities with guaranteed living benefit riders. This discontinuation has no impact on the reinsurance agreement between Prudential Insurance and the Company.

**PAR U**

Effective July 1, 2012, the Company reinsures an amount equal to 95% of all risks associated with Universal Protector policies having no-lapse guarantees as well as certain of its universal policies, with effective dates through December 31, 2019, excluding those policies that are subject to principle-based reserving.

**PARCC**

The Company reinsures 90% of the risks under its term life insurance policies with effective dates prior to January 1, 2010 through an automatic coinsurance agreement with PARCC.

**PAR Term**

The Company reinsures 95% of the risks under its term life insurance policies, with effective dates January 1, 2010 through December 31, 2013, through an automatic coinsurance agreement with PAR Term.

**Term Re**

The Company reinsures 95% of the risks under its term life insurance policies with effective dates on or after January 1, 2014 through December 31, 2017, through an automatic coinsurance agreement with Term Re.

**Pruco Life**

Effective July 1, 2017, the Company entered into a yearly renewable term reinsurance agreement with Pruco Life for new business, primarily covering Universal Life policies. Effective January 1, 2020, the Company entered in a similar yearly renewable term reinsurance agreement with Pruco Life for new business relating to Term policies. Under these agreements the majority of all mortality risk is ceded to Pruco Life. The Company also reinsures certain Corporate Owned Life Insurance ("COLI") policies with Pruco Life. Through March 31, 2016, the Company reinsured Prudential Defined Income ("PDI") living benefit guarantees with Pruco Life. Effective April 1, 2016, the Company recaptured PDI living benefit guarantees from Pruco Life and reinsured them, together with the related variable annuity base contracts, with Prudential Insurance.

**DART**

Effective January 1, 2018, the Company entered into an automatic coinsurance agreement with DART to reinsure an amount equal to 95% of the risks associated with its term life insurance policies with effective dates on or after January 1, 2018 through December 31, 2019, excluding those policies that are subject to principle-based reserving.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

## 7. INCOME TAXES

The Company uses a full year projected effective tax rate approach to calculate year-to-date taxes. In addition, certain items impacting total income tax expense are recorded in the periods in which they occur. The projected effective tax rate is the ratio of projected "Income tax expense (benefit)" divided by projected "Income (loss) from operations before income taxes". The interim period tax expense (or benefit) is the difference between the year-to-date income tax provision and the amounts reported for the previous interim periods of the fiscal year.

The Company's income tax provision amounted to an income tax expense of \$1.9 million, or 7.83% of income (loss) from operations before income taxes in the first three months of 2022, compared to \$2.1 million, or 8.09%, in the first three months of 2021. The Company's current and prior effective tax rates differed from the U.S. statutory tax rate of 21% primarily due to non-taxable investment income and tax credits.

## 8. EQUITY

### *Accumulated Other Comprehensive Income (Loss)*

AOCI represents the cumulative OCI items that are reported separate from net income and detailed on the Unaudited Interim Statements of Operations and Comprehensive Income (Loss). The balance of and changes in each component of AOCI as of and for the three months ended March 31, 2022 and 2021, are as follows:

|                                        | Accumulated Other Comprehensive Income (Loss) |                                             |                                                     |
|----------------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------------------------------|
|                                        | Foreign Currency Translation Adjustment       | Net Unrealized Investment Gains (Losses)(1) | Total Accumulated Other Comprehensive Income (Loss) |
|                                        | (in thousands)                                |                                             |                                                     |
| Balance, December 31, 2021             | \$ (988)                                      | \$ 131,641                                  | \$ 130,653                                          |
| Change in OCI before reclassifications | (67)                                          | (167,650)                                   | (167,717)                                           |
| Amounts reclassified from AOCI         | 0                                             | 1,289                                       | 1,289                                               |
| Income tax benefit (expense)           | 15                                            | 34,934                                      | 34,949                                              |
| Balance, March 31, 2022                | <u>\$ (1,040)</u>                             | <u>\$ 214</u>                               | <u>\$ (826)</u>                                     |

|                                        | Accumulated Other Comprehensive Income (Loss) |                                             |                                                     |
|----------------------------------------|-----------------------------------------------|---------------------------------------------|-----------------------------------------------------|
|                                        | Foreign Currency Translation Adjustment       | Net Unrealized Investment Gains (Losses)(1) | Total Accumulated Other Comprehensive Income (Loss) |
|                                        | (in thousands)                                |                                             |                                                     |
| Balance, December 31, 2020             | \$ (783)                                      | \$ 186,190                                  | \$ 185,407                                          |
| Change in OCI before reclassifications | (108)                                         | (113,151)                                   | (113,259)                                           |
| Amounts reclassified from AOCI         | 0                                             | (410)                                       | (410)                                               |
| Income tax benefit (expense)           | 23                                            | 23,848                                      | 23,871                                              |
| Balance, March 31, 2021                | <u>\$ (868)</u>                               | <u>\$ 96,477</u>                            | <u>\$ 95,609</u>                                    |

(1) Includes cash flow hedges of \$7 million and \$5 million as of March 31, 2022 and December 31, 2021, respectively, and \$(1) million and \$(3) million as of March 31, 2021 and December 31, 2020, respectively.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Reclassifications out of Accumulated Other Comprehensive Income (Loss)***

|                                                                           | Three Months Ended<br>March 31, |        |
|---------------------------------------------------------------------------|---------------------------------|--------|
|                                                                           | 2022                            | 2021   |
|                                                                           | (in thousands)                  |        |
| <u>Amounts reclassified from AOCI (1)(2):</u>                             |                                 |        |
| Net unrealized investment gains (losses):                                 |                                 |        |
| Cash flow hedges - Currency/ Interest rate(3)                             | \$ 670                          | \$ 552 |
| Net unrealized investment gains (losses) on available-for-sale securities | (1,959)                         | (142)  |
| Total net unrealized investment gains (losses)(4)                         | (1,289)                         | 410    |
| Total reclassifications for the period                                    | \$ (1,289)                      | \$ 410 |

(1) All amounts are shown before tax.

(2) Positive amounts indicate gains/benefits reclassified out of AOCI. Negative amounts indicate losses/costs reclassified out of AOCI.

(3) See Note 4 for additional information on cash flow hedges.

(4) See table below for additional information on unrealized investment gains (losses), including the impact on DAC and other costs, future policy benefits, policyholders' account balances and other liabilities.

***Net Unrealized Investment Gains (Losses)***

Net unrealized investment gains (losses) on available-for-sale fixed maturity securities and certain other invested assets and other assets are included in the Company's Unaudited Interim Statements of Financial Position as a component of AOCI. Changes in these amounts include reclassification adjustments to exclude from OCI those items that are included as part of "Net income" for a period that had been part of OCI in earlier periods. There are no amounts related to net unrealized investment gains (losses) on available-for-sale fixed maturity securities on which an allowance for credit losses has been recognized as of March 31, 2022. The amounts for the periods indicated below represent all other net unrealized investment gains (losses):

***All Other Net Unrealized Investment Gains (Losses) in AOCI***

|                                                                        | Net Unrealized<br>Gains (Losses) on<br>Investments(1) | DAC and Other<br>Costs(2) | Future Policy Benefits,<br>Policyholders' Account<br>Balances and Other<br>Liabilities(3) | Income Tax<br>Benefit (Expense) | Accumulated Other<br>Comprehensive<br>Income (Loss) Related To<br>Net Unrealized Investment<br>Gains (Losses) |
|------------------------------------------------------------------------|-------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------------|
| Balance, December 31, 2021                                             | \$ 180,806                                            | \$ 26,048                 | \$ (40,221)                                                                               | \$ (34,992)                     | \$ 131,641                                                                                                    |
| Net investment gains (losses) on investments arising during the period | (183,447)                                             | 0                         | 0                                                                                         | 38,522                          | (144,925)                                                                                                     |
| Reclassification adjustment for (gains) losses included in net income  | 1,289                                                 | 0                         | 0                                                                                         | (271)                           | 1,018                                                                                                         |
| Impact of net unrealized investment (gains) losses                     | 0                                                     | (12,272)                  | 28,069                                                                                    | (3,317)                         | 12,480                                                                                                        |
| Balance, March 31, 2022                                                | <b>\$ (1,352)</b>                                     | <b>\$ 13,776</b>          | <b>\$ (12,152)</b>                                                                        | <b>\$ (58)</b>                  | <b>\$ 214</b>                                                                                                 |

(1) Includes cash flow hedges. See Note 4 for information on cash flow hedges.

(2) "Other costs" primarily includes reinsurance recoverables and deferred reinsurance losses.

(3) "Other liabilities" primarily includes reinsurance payables.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

## **9. RELATED PARTY TRANSACTIONS**

The Company has extensive transactions and relationships with Prudential Insurance and other affiliates. Although we seek to ensure that these transactions and relationships are fair and reasonable, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

### ***Expense Charges and Allocations***

The majority of the Company's expenses are allocations or charges from Prudential Insurance or other affiliates. These expenses can be grouped into general and administrative expenses and agency distribution expenses.

The Company's general and administrative expenses are charged to the Company using allocation methodologies based on business production processes. Management believes that the methodology is reasonable and reflects costs incurred by Prudential Insurance to process transactions on behalf of the Company. The Company operates under service and lease agreements whereby services of officers and employees, supplies, use of equipment and office space are provided by Prudential Insurance. The Company reviews its allocation methodology periodically which it may adjust accordingly. General and administrative expenses include allocations of stock compensation expenses related to a stock-based awards program and a deferred compensation program issued by Prudential Financial. The expense charged to the Company for the stock-based awards program was \$0.0 million for both the three months ended March 31, 2022 and 2021. The expense charged to the Company for the deferred compensation program was \$0.3 million and \$0.2 million for the three months ended March 31, 2022 and 2021, respectively.

The Company is charged for its share of employee benefit expenses. These expenses include costs for funded and non-funded, non-contributory defined benefit pension plans. Some of these benefits are based on final earnings and length of service while others are based on an account balance, which takes into consideration age, service and earnings during a career. The Company's share of net expense for the pension plans was \$0.3 million for both the three months ended March 31, 2022 and 2021.

The Company is also charged for its share of the costs associated with welfare plans issued by Prudential Insurance. These expenses include costs related to medical, dental, life insurance and disability. The Company's share of net expense for the welfare plans was \$0.3 million and \$0.4 million for the three months ended March 31, 2022 and 2021, respectively.

Prudential Insurance sponsors voluntary savings plans for its employee 401(k) plans. The plans provide for salary reduction contributions by employees and matching contributions by the Company of up to 4% of annual salary. The Company's expense for its share of the voluntary savings plan was \$0.1 million for both the three months ended March 31, 2022 and 2021.

The Company is charged distribution expenses from Prudential Insurance's agency network for both its domestic life and annuity products through a transfer pricing agreement, which is intended to reflect a market-based pricing arrangement.

The Company pays commissions and certain other fees to Prudential Annuities Distributors, Inc. ("PAD") in consideration for PAD's marketing and underwriting of the Company's annuity products. Commissions and fees are paid by PAD to broker-dealers who sell the Company's annuity products. Commissions and fees paid by the Company to PAD were \$12 million and \$9 million for the three months ended March 31, 2022 and 2021, respectively.

The Company is charged for its share of corporate expenses incurred by Prudential Financial to benefit its businesses, such as advertising, executive oversight, external affairs and philanthropic activity. The Company's share of corporate expenses was \$2 million for both the three months ended March 31, 2022 and 2021.

### ***Corporate-Owned Life Insurance***

The Company has sold three Corporate-Owned Life Insurance ("COLI") policies to Prudential Insurance and one to Prudential Financial. The cash surrender value included in separate accounts for these COLI policies was \$3,303 million at March 31, 2022 and \$3,465 million at December 31, 2021. Fees related to these COLI policies were \$7 million for both the three months ended March 31, 2022 and 2021. The Company retains 10% of the mortality risk associated with these COLI policies up to \$0.1 million per individual policy.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Affiliated Investment Management Expenses***

In accordance with an agreement with PGIM, Inc. ("PGIM"), the Company pays investment management expenses to PGIM who acts as investment manager to certain Company general account and separate account assets. Investment management expenses paid to PGIM related to this agreement were \$0.7 million for both the three months ended March 31, 2022 and 2021. These expenses are recorded as "Net investment income" in the Company's Unaudited Interim Statements of Operations and Comprehensive Income (Loss).

***Derivative Trades***

In its ordinary course of business, the Company enters into OTC derivative contracts with an affiliate, PGF. For these OTC derivative contracts, PGF has a substantially equal and offsetting position with an external counterparty. See Note 4 for additional information.

***Joint Ventures***

The Company has made investments in joint ventures with certain subsidiaries of Prudential Financial. "Other invested assets" includes \$48 million as of both March 31, 2022 and December 31, 2021. "Net investment income" related to the ventures includes gains of \$0.5 million and \$0.8 million for the three months ended March 31, 2022 and 2021, respectively.

***Affiliated Asset Administration Fee Income***

The Company has a revenue sharing agreement with AST Investment Services, Inc. ("ASTISI") and PGIM Investments LLC ("PGIM Investments") whereby the Company receives fee income based on policyholders' separate account balances invested in the Advanced Series Trust. Income received from ASTISI and PGIM Investments related to this agreement was \$8 million and \$9 million for the three months ended March 31, 2022 and 2021, respectively. These revenues are recorded as "Asset administration fees" in the Company's Unaudited Interim Statements of Operations and Comprehensive Income (Loss).

The Company has a revenue sharing agreement with PGIM Investments, whereby the Company receives fee income based on policyholders' separate account balances invested in The Prudential Series Fund. Income received from PGIM Investments related to this agreement was \$2 million for both the three months ended March 31, 2022 and 2021. These revenues are recorded as "Asset administration fees" in the Company's Unaudited Interim Statements of Operations and Comprehensive Income (Loss).

***Affiliated Notes Receivable***

Affiliated notes receivable included in "Receivables from parent and affiliates" at March 31, 2022 and December 31, 2021 were as follows:

|                                                  | <u>Maturity Date</u> | <u>Interest Rates</u> | <u>March 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------------------------|----------------------|-----------------------|-----------------------|--------------------------|
|                                                  |                      |                       | (in thousands)        |                          |
| U.S. dollar fixed rate notes                     | 2027                 | 0.00% - 14.85 %       | \$ 734                | \$ 788                   |
| Total long-term notes receivable - affiliated(1) |                      |                       | <u>\$ 734</u>         | <u>\$ 788</u>            |

(1) All long-term notes receivable may be called for prepayment prior to the respective maturity dates under specified circumstances.

The affiliated notes receivable shown above are classified as available-for-sale securities and other trading assets carried at fair value. The Company monitors the internal and external credit ratings of these loans and loan performance. The Company also considers any guarantees made by Prudential Insurance for loans due from affiliates.

There was no accrued interest receivable related to these loans as of March 31, 2022 and December 31, 2021, respectively. Revenues related to these loans were \$0.0 million for both the three months ended March 31, 2022 and 2021, and are included in "Other income (loss)".

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Affiliated Asset Transfers***

The Company participates in affiliated asset trades with parent and sister companies. Book and market value differences for trades with a parent and sister are recognized within "Additional paid-in capital" ("APIC") and "Realized investment gains (losses), net", respectively. The table below shows affiliated asset trades for the three months ended March 31, 2022 and for the year ended December 31, 2021.

| Affiliate                                    | Date           | Transaction | Security Type    | Fair Value | Book Value | APIC, Net of Tax Increase/(Decrease) | Realized Investment Gain (Loss) |
|----------------------------------------------|----------------|-------------|------------------|------------|------------|--------------------------------------|---------------------------------|
| (in thousands)                               |                |             |                  |            |            |                                      |                                 |
| Prudential Insurance                         | September 2021 | Purchase    | Fixed Maturities | \$ 10,810  | \$ 10,520  | \$ (229)                             | \$ 0                            |
| Prudential Insurance                         | September 2021 | Sale        | Fixed Maturities | \$ 7,356   | \$ 6,477   | \$ 695                               | \$ 0                            |
| Prudential Retirement Insurance & Annuity Co | September 2021 | Purchase    | Fixed Maturities | \$ 19,724  | \$ 19,724  | \$ 0                                 | \$ 0                            |
| Prudential Retirement Insurance & Annuity Co | September 2021 | Sale        | Fixed Maturities | \$ 22,557  | \$ 22,038  | \$ 0                                 | \$ 519                          |
| Prudential Insurance                         | September 2021 | Purchase    | Derivatives      | \$ 715     | \$ 213     | \$ (396)                             | \$ 0                            |
| Prudential Retirement Insurance & Annuity Co | September 2021 | Purchase    | Derivatives      | \$ 21      | \$ 21      | \$ 0                                 | \$ 0                            |
| Prudential Retirement Insurance & Annuity Co | September 2021 | Sale        | Derivatives      | \$ 816     | \$ 233     | \$ 0                                 | \$ 583                          |

***Debt Agreements***

The Company is authorized to borrow funds up to \$200 million from affiliates to meet its capital and other funding needs. As of March 31, 2022 and December 31, 2021, there was no debt outstanding.

The total interest expense to the Company related to loans payable to affiliates was \$0.0 million for both the three months ended March 31, 2022 and 2021.

***Contributed Capital and Dividends***

The Company received capital contributions of \$102 million from Pruco Life through March 2022. In March 2021 and December 2021, the Company received a capital contribution from Pruco Life in the amount of \$1 million and \$100 million, respectively.

Through March 2022 and December 2021, the Company did not pay any dividends to Pruco Life.

***Reinsurance with Affiliates***

As discussed in Note 6, the Company participates in reinsurance transactions with certain affiliates.

**10. COMMITMENTS AND CONTINGENT LIABILITIES**

***Commitments***

The Company has made commitments to fund commercial mortgage loans. As of March 31, 2022 and December 31, 2021, the outstanding balance on these commitments were \$1 million and \$1 million respectively. These amounts do not include unfunded commitments that are not unconditionally cancellable. For related credit exposure, there was no allowance for credit losses as of either March 31, 2022 or December 31, 2021. For the three months ended March 31, 2022, and 2021, there was no change in allowance for credit losses. The Company has made commitments to purchase or fund investments, mostly private fixed maturities. As of March 31, 2022 and December 31, 2021, \$57 million and \$61 million, respectively, of these commitments were outstanding. The amounts include unfunded commitments that are not unconditionally cancellable. There were no related charges for credit losses for both the three months ended March 31, 2022 or 2021.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Contingent Liabilities***

On an ongoing basis, the Company and its regulators review its operations including, but not limited to, sales and other customer interface procedures and practices, and procedures for meeting obligations to its customers and other parties. These reviews may result in the modification or enhancement of processes or the imposition of other action plans, including concerning management oversight, sales and other customer interface procedures and practices, and the timing or computation of payments to customers and other parties. In certain cases, if appropriate, the Company may offer customers or other parties remediation and may incur charges, including the cost of such remediation, administrative costs and regulatory fines.

The Company is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements.

It is possible that the results of operations or the cash flows 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 or other matters depending, in part, upon the results of operations or cash flows for such period. Management believes, however, that ultimate payments in connection with these matters, after consideration of applicable reserves and rights to indemnification, should not have a material adverse effect on the Company's financial position.

***Litigation and Regulatory Matters***

The Company is subject to legal and regulatory actions in the ordinary course of its business. Pending legal and regulatory actions include proceedings specific to the Company and proceedings generally applicable to business practices in the industry in which it operates. The Company is subject to class action lawsuits and other litigation involving a variety of issues and allegations involving sales practices, claims payments and procedures, premium charges, policy servicing and breach of fiduciary duty to customers. The Company is also subject to litigation arising out of its general business activities, such as its investments, contracts, leases and labor and employment relationships, including claims of discrimination and harassment, and could be exposed to claims or litigation concerning certain business or process patents. In addition, the Company, along with other participants in the businesses in which it engages, may be subject from time to time to investigations, examinations and inquiries, in some cases industry-wide, concerning issues or matters upon which such regulators have determined to focus. In some of the Company's pending legal and regulatory actions, parties are seeking large and/or indeterminate amounts, including punitive or exemplary damages. The outcome of litigation or a regulatory matter, and the amount or range of potential loss at any particular time, is often inherently uncertain.

The Company establishes accruals for litigation and regulatory matters when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. For litigation and regulatory matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but the matter, if material, is disclosed. The Company estimates that as of March 31, 2022, the aggregate range of reasonably possible losses in excess of accruals established for those litigation and regulatory matters for which such an estimate currently can be made is less than \$10 million. This estimate is not an indication of expected loss, if any, or the Company's maximum possible loss exposure on such matters. The Company reviews relevant information with respect to its litigation and regulatory matters on a quarterly and annual basis and updates its accruals, disclosures and estimates of reasonably possible loss based on such reviews.

The following discussion of litigation and regulatory matters provides an update of those matters discussed in Note 14 to the Company's Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and should be read in conjunction with the complete descriptions provided in the Form 10-K.

There are no material developments in previously reported matters disclosed as of December 31, 2021.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

***Summary***

The Company's litigation and regulatory matters are subject to many uncertainties, and given their complexity and scope, their outcome cannot be predicted. It is possible that the Company's results of operations or cash flows 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 flows for such period. In light of the unpredictability of the Company's litigation and regulatory matters, it is also possible that in certain cases an ultimate unfavorable resolution of one or more pending litigation or regulatory matters could have a material adverse effect on the Company's financial statements. Management believes, however, that, based on information currently known to it, the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves and rights to indemnification, is not likely to have a material adverse effect on the Company's financial statements.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") addresses the financial condition of Pruco Life Insurance Company of New Jersey, or the "Company," as of March 31, 2022, compared with December 31, 2021, and its results of operations for the three months ended March 31, 2022 and 2021. You should read the following analysis of our financial condition and results of operations in conjunction with the MD&A, the "Risk Factors" section, and the audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as well as the statements under "Forward-Looking Statements", and the Unaudited Interim Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.*

### **Overview**

The Company is licensed to sell variable annuities, universal life insurance, variable life insurance and term life insurance in New Jersey and New York. The Company only sells such products in New York primarily through affiliated and unaffiliated distributors. As of December 31, 2020, the Company discontinued the sales of traditional variable annuities with guaranteed living benefit riders.

Annually during the second quarter of each year, we perform a comprehensive review of actuarial assumptions. As part of this review, we may update these assumptions and make refinements to our models based upon emerging experience, future expectations and other data, including any observable market data. For additional information, see "Accounting Policies & Pronouncements—Application of Critical Accounting Estimates" below as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

### **COVID-19**

Since the first quarter of 2020, the COVID-19 pandemic has caused extreme stress and disruption in the global economy and financial markets and elevated mortality and morbidity for the global population. The COVID-19 pandemic impacted our results of operations in the current period and is expected to impact our results of operations in future periods. The Company has taken several measures to manage the impacts of this crisis. The actual and expected impacts of these events and other items are included in the following update:

- *Outlook.* We expect COVID-19 to continue to contribute in the near term to elevated levels of mortality, resulting in increased life insurance claims.
- *Results of Operations.* See "Results of Operations" for a discussion of results for the first quarter of 2022.
- *Risk Factors.* The COVID-19 pandemic has adversely impacted our results of operations, financial position, investment portfolio, new business opportunities and operations, and these impacts are expected to continue. For additional information on the risks to our business posed by the COVID-19 pandemic, see "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.
- *Business Continuity.* Throughout the COVID-19 pandemic, we have been executing Prudential Financial Inc.'s ("Prudential Financial") and our business continuity protocols to ensure employees are safe and able to serve our customers. This included effectively transitioning the vast majority of employees to remote work arrangements. In March 2022, Prudential Financial's offices were reopened to employees and we expect that most of the workforce will adopt a hybrid arrangement for the foreseeable future.

We believe we can sustain long-term hybrid or fully remote work arrangements while ensuring that critical business operations are sustained. In addition, we are managing COVID-19 related impacts on third-party provided services, and do not anticipate significant interruption in critical operations.

## **Impact of a Low Interest Rate Environment**

As a financial services company, market interest rates are a key driver of our results of operations and financial condition. Changes in interest rates can affect our results of operations and/or our financial condition in several ways, including favorable or adverse impacts to:

- investment-related activity, including: investment income returns, net interest margins, net investment spread results, new money rates, mortgage loan prepayments and bond redemptions;
- hedging costs and other risk mitigation activities;
- insurance reserve levels, amortization of deferred policy acquisition costs (“DAC”) and market experience true-ups;
- customer account values, including their impact on fee income;
- product offerings, design features, crediting rates and sales mix; and
- policyholder behavior, including surrender or withdrawal activity.

For more information on interest rate risks, see “Risk Factors—Market Risk” included in our Annual Report on Form 10-K for the year ended December 31, 2021.

## **Revenues and Expenses**

The Company earns revenues principally from insurance premiums, mortality and expense fees, asset administration fees from insurance and investment products, and from net investment income on the investment of general account and other funds. The Company receives premiums primarily from the sale of individual life insurance and annuity products. The Company earns mortality and expense fees, and asset administration fees, primarily from the sale and servicing of universal life insurance and separate account products including variable life insurance and variable annuities. The Company’s operating expenses principally consist of insurance benefits provided and reserves established for anticipated future insurance benefits, general business expenses, reinsurance premiums, commissions and other costs of selling and servicing the various products sold and interest credited on general account liabilities.

## **Accounting Policies & Pronouncements**

### **Application of Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires the application of accounting policies that often involve a significant degree of judgment. Management, on an ongoing basis, reviews estimates and assumptions used in the preparation of financial statements. If management determines that modifications in assumptions and estimates are appropriate given current facts and circumstances, the Company’s results of operations and financial position as reported in the Unaudited Interim Financial Statements could change significantly.

Management believes the accounting policies relating to the following areas are most dependent on the application of estimates and assumptions and require management’s most difficult, subjective, or complex judgments:

- DAC and other costs, including deferred sales inducements (“DSI”);
- Policyholder liabilities;
- Valuation of investments, including derivatives, measurement of allowance for credit losses, and recognition of other-than-temporary impairments;
- Reinsurance recoverables;
- Taxes on income; and
- Reserves for contingencies, including reserves for losses in connection with unresolved legal matters.

### ***Market Performance - Equity and Interest Rate Assumptions***

DAC and other costs associated with the variable and universal life policies and the variable and fixed annuity contracts are generally amortized over the expected lives of these policies in proportion to total gross profits. Total gross profits include both actual gross profits and estimates of gross profits for future periods. The quarterly adjustments for market performance reflect the impact of changes to our estimate of total gross profits to reflect actual fund performance and market conditions. A significant portion of gross profits for our variable annuity contracts and, to a lesser degree, our variable life contracts are dependent upon the total rate of return on assets held in separate account investment options. This rate of return influences the fees we earn on variable annuity and variable life contracts, costs we incur associated with the guaranteed minimum death and guaranteed minimum income benefit features related to our variable annuity contracts and expected claims to be paid on variable life contracts, as well as other sources of profit. Returns that are higher than our expectations for a given period produce higher than expected account balances, which increase the future fees we expect to earn on variable annuity and variable life contracts and decrease the future costs we expect to incur associated with the guaranteed minimum death and guaranteed minimum income benefit features related to our variable annuity contracts and expected claims to be paid on variable life contracts. The opposite occurs when returns are lower than our expectations. The changes in future expected gross profits are used to recognize a cumulative adjustment to all prior periods' amortization.

Furthermore, the calculation of the estimated liability for future policy benefits related to certain insurance products includes an estimate of associated revenues and expenses that are dependent on both historical market performance as well as estimates of market performance in the future. Similar to DAC and other costs described above, these liabilities are subject to quarterly adjustments for experience including market performance, in addition to annual adjustments resulting from our annual reviews of assumptions.

The weighted average rate of return assumptions used in developing estimated market returns consider many factors specific to each product type, including asset durations, asset allocations and other factors. With regard to equity market assumptions, the near-term future rate of return assumption used in evaluating DAC, other costs and liabilities for future policy benefits for certain of our products, primarily our domestic variable annuity and variable life insurance products, is generally updated each quarter and is derived using a reversion to the mean approach, a common industry practice. Under this approach, we consider historical equity returns and adjust projected equity returns over an initial future period of five years (the "near-term") so that equity returns converge to the long-term expected rate of return. If the near-term projected future rate of return is greater than our near-term maximum future rate of return of 15.0%, we use our maximum future rate of return. If the near-term projected future rate of return is lower than our near-term minimum future rate of return of 0%, we use our minimum future rate of return. As of March 31, 2022, our variable annuities and variable life insurance businesses assume an 8.0% long-term equity expected rate of return and a 0.9% near-term mean reversion equity expected rate of return.

With regard to interest rate assumptions used in evaluating DAC, DSI and liabilities for future policy benefits for certain of our products, we generally update the long-term and near-term future rates used to project fixed income returns annually and quarterly, respectively. As a result of our 2021 annual reviews and update of assumptions and other refinements, we kept our long-term expectation of the 10-year U.S. Treasury rate unchanged and continue to grade to a rate of 3.25% over ten years. As part of our quarterly market experience updates, we update our near-term projections of interest rates to reflect changes in current rates.

In accordance with our established practice, we will update actuarial assumptions during the second quarter of 2022. We have a comprehensive process that will include, among other things, the review of long-term interest rates, inflation, COVID-19 mortality experience, and industry studies, including evaluating industry data as to its applicability to the Company's experience. We have recently obtained industry data that reflects experience that is more adverse than the assumptions we currently use in our individual life business. We are evaluating the applicability of this information to our block of business and the extent to which it would cause an increase in reserves and corresponding decline in earnings within our individual life business. The overall process to update assumptions is ongoing and the outcome across our businesses is uncertain.

For further discussion of impacts that could result from changes in certain key assumptions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Policies and Pronouncements—Application of Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2021.

## Future Adoption of New Accounting Pronouncements

ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, was issued by the Financial Accounting Standards Board ("FASB") on August 15, 2018, and was amended by ASU 2019-09, *Financial Services - Insurance (Topic 944): Effective Date*, issued in October 2019, and ASU 2020-11, *Financial Services-Insurance (Topic 944): Effective Date and Early Application*, issued in November 2020. The Company will adopt ASU 2018-12 effective January 1, 2023 using the modified retrospective transition method where permitted, and apply the guidance as of January 1, 2021 (and record transition adjustments as of January 1, 2021) in the 2023 financial statements.

ASU 2018-12 will impact, at least to some extent, the accounting and disclosure requirements for all long-duration insurance and investment contracts issued by the Company. The Company expects the standard to have a significant financial impact on the Financial Statements and will significantly enhance disclosures. In addition to the significant impacts to the balance sheet upon adoption, the Company also expects an impact to the pattern of earnings emergence following the transition date. See Note 2 to the Unaudited Interim Financial Statements for a more detailed discussion of ASU 2018-12, as well as other accounting pronouncements issued but not yet adopted and newly adopted accounting pronouncements.

## Changes in Financial Position

Total assets decreased \$1.6 billion from \$24.5 billion at December 31, 2021 to \$22.9 billion at March 31, 2022. Significant components were:

- Separate account assets decreased \$1.3 billion primarily driven by unfavorable equity market performance and net outflows; and
- Reinsurance recoverables decreased \$0.2 billion primarily related to the variable annuity reinsured living benefit liabilities resulting from a decrease in future expected benefit payments from rising interest rates.

Total liabilities decreased \$1.6 billion from \$23.5 billion at December 31, 2021 to \$21.9 billion at March 31, 2022. Significant components were:

- Separate account liabilities decreased \$1.3 billion, corresponding to the decrease in Separate account assets, as discussed above; and
- Future policy benefits decreased \$0.3 billion primarily driven by a decrease in reserves related to our variable annuity living benefit liabilities, as discussed above.

Total equity decreased \$8 million from \$971 million at December 31, 2021 to \$963 million at March 31, 2022 primarily driven by unrealized losses on fixed maturity investments driven by rising interest rates reflected in Accumulated other comprehensive income (loss), partially offset by \$101 million in capital contributions and net income of \$22 million.

## Results of Operations

### Income (loss) from Operations before Income Taxes

#### Three Months Comparison

Income (loss) from operations before income taxes decreased \$2 million from income of \$26 million for the three months ended March 31, 2021 to income of \$24 million for the three months ended March 31, 2022.

- Lower Policy charges and fee income driven by an increase in unearned revenue reserve capitalization due to growth from retained business;

partially offset by

- Higher Premiums from growth in term policies retained by the Company.

## Revenues, Benefits and Expenses

### *Three Months Comparison*

Revenues decreased \$9 million from \$77 million for the three months ended March 31, 2021 to \$68 million for the three months ended March 31, 2022 primarily driven by:

- Lower Policy charges and fee income driven by an increase in unearned revenue reserve capitalization due to growth from retained business and a change in presentation of ceded yearly renewable term ("YRT") premiums, offset in benefits and expenses below;

partially offset by

- Higher Premiums from growth in term policies retained by the Company.

Benefits and expenses decreased \$7 million from \$51 million for the three months ended March 31, 2021 to \$44 million for the three months ended March 31, 2022.

- Lower Policyholders' benefits due to a change in presentation of ceded YRT premiums, offsetting the impacts mentioned above to Revenues.

### *Risks and Risk Mitigants*

#### Variable Annuity Risks and Risk Mitigants:

The primary risk exposures of our variable annuity contracts relate to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including capital markets assumptions such as equity market returns, interest rates and market volatility, along with actuarial assumptions such as contractholder mortality, the timing and amount of annuitization and withdrawals, and contract lapses. For these risk exposures, achievement of our expected returns is subject to the risk that actual experience will differ from the assumptions used in the original pricing of these products. Prudential Financial manages our exposure to certain risks driven by fluctuations in capital markets primarily through a combination of Product Design Features and an Asset Liability Management Strategy ("ALM"), as discussed below. Sales of traditional variable annuities with guaranteed living benefit riders were discontinued as of December 31, 2020.

#### Product Design Features:

A portion of the variable annuity contracts that we offered include an asset transfer feature. This feature is implemented at the contract level, and transfers assets between certain variable investment sub-accounts selected by the annuity contractholder and, depending on the benefit feature, a fixed-rate account in the general account or a bond fund sub-account within the separate account. The objective of the asset transfer feature is to reduce our exposure to equity market risk and market volatility. The asset transfer feature associated with highest daily living benefit products uses a designated bond fund sub-account within the separate account. The transfers are based on a static mathematical formula used with the particular benefit which considers a number of factors, including, but not limited to, the impact of investment performance on the contractholder's total account value. Other product design features we utilize include, among others, asset allocation restrictions, minimum issuance age requirements and certain limitations on the amount of contractholder purchase payments, as well as a required minimum allocation to our general account for certain of our products.

We continue to introduce products that diversify our risk profile and have incorporated provisions in product design allowing frequent revisions of key pricing elements for certain of our products. In addition, there is diversity in our fee arrangements, as certain fees are primarily based on the benefit guarantee amount, the contractholder account value and/or premiums, which helps preserve certain revenue streams when market fluctuations cause account values to decline.

*Asset Liability Management Strategy (including fixed income instruments and derivatives):*

We employ an ALM strategy that utilizes a combination of both traditional fixed income instruments and derivatives to meet expected liabilities associated with our variable annuity living benefit guarantees. The economic liability we manage with this ALM strategy consists of expected living benefit claims under less severe market conditions, which are managed using fixed income instruments, derivatives, or a combination thereof, and potential living benefit claims resulting from more severe market conditions, which are hedged using derivative instruments. For our Prudential Defined Income variable annuity, we utilize fixed income instruments to meet expected liabilities. For the portion of our ALM strategy executed with derivatives, we enter into a range of exchange-traded and over-the-counter equity, interest rate and credit derivatives, including, but not limited to: equity and treasury futures; total return, credit default and interest rate swaps; and options including equity options, swaptions, and floors and caps. The intent of this strategy is to more efficiently manage the capital and liquidity associated with these products while continuing to mitigate fluctuations in net income due to movements in capital markets. To achieve this, we periodically review and recalibrate the ALM strategy by optimizing the mix of derivatives and fixed income instruments to achieve expected outcomes.

#### **Income Taxes**

For information regarding income taxes, see Note 7 to the Unaudited Interim Financial Statements.

#### **Liquidity and Capital Resources**

##### **Overview**

Liquidity refers to the ability to generate sufficient cash resources to meet the payment obligations of the Company. Capital refers to the long-term financial resources available to support the operations of our business, fund business growth, and provide a cushion to withstand adverse circumstances. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of our business, general economic conditions, our ability to borrow from affiliates and our access to the capital markets through affiliates as described herein.

Effective and prudent liquidity and capital management is a priority across the organization. Management monitors the liquidity of the Company on a daily basis and projects borrowing and capital needs over a multi-year time horizon. We use a Risk Appetite Framework ("RAF") to ensure that all risks taken by the Company aligns with our capacity and willingness to take those risks. The RAF provides a dynamic assessment of capital and liquidity stress impacts, including scenarios similar to, and more severe than, those occurring due to COVID-19, and is intended to ensure that sufficient resources are available to absorb those impacts. We believe that our capital and liquidity resources are sufficient to satisfy the capital and liquidity requirements of the Company.

Our businesses are subject to comprehensive regulation and supervision by domestic and international regulators. These regulations currently include requirements (many of which are the subject of ongoing rule-making) relating to capital, leverage, liquidity, stress-testing, overall risk management, credit exposure reporting and credit concentration. For information on these regulatory initiatives and their potential impact on us, see "Business—Regulation" and "Risk Factors" included in our Annual Report of Form 10-K for the year ended December 31, 2021.

##### **Capital**

We manage the Company to regulatory capital levels consistent with our "AA" ratings targets. We utilize the risk-based capital ("RBC") ratio as a primary measure of capital adequacy. RBC is calculated based on statutory financial statements and risk formulas consistent with the practices of the National Association of Insurance Commissioners ("NAIC"). RBC considers, among other things, risks related to the type and quality of the invested assets, insurance-related risks associated with an insurer's products and liabilities, interest rate risks and general business risks. RBC ratio calculations are intended to assist insurance regulators in measuring an insurer's solvency and ability to pay future claims. The reporting of RBC measures is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities, but is available to the public. The Company's capital levels substantially exceed the minimum level required by applicable insurance regulations. Our regulatory capital levels may be affected in the future by changes to the applicable regulations, proposals for which are currently under consideration by both domestic and international insurance regulators.

The regulatory capital level of the Company can be materially impacted by interest rate and equity market fluctuations, changes in the values of derivatives, the level of impairments recorded, and credit quality migration of the investment portfolio, among other items. In addition, the reinsurance of business or the recapture of business subject to reinsurance arrangements due to defaults by, or credit quality migration affecting, the reinsurers or for other reasons could negatively impact regulatory capital levels. The Company's regulatory capital level is also affected by statutory accounting rules, which are subject to change by each applicable insurance regulator.

*Captive Reinsurance Companies:*

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Capital-Affiliated Captive Reinsurance Companies” included in our Annual Report on Form 10-K for the year ended December 31, 2021, for a discussion of our use of captive reinsurance companies.

**Liquidity**

Our liquidity is managed to ensure stable, reliable and cost-effective sources of cash flows to meet all of our obligations. Liquidity is provided by a variety of sources, as described more fully below, including portfolios of liquid assets. Our investment portfolios are integral to the overall liquidity of the Company. We use a projection process for cash flows from operations to ensure sufficient liquidity to meet projected cash outflows, including claims. The impact of Prudential Funding, LLC’s (“Prudential Funding”), a wholly-owned subsidiary of Prudential Insurance, financing capacity on liquidity is considered in the internal liquidity measures of the Company.

Liquidity is measured against internally-developed benchmarks that take into account the characteristics of both the asset portfolio and the liabilities that they support. We consider attributes of the various categories of liquid assets (for example, type of asset and credit quality) in calculating internal liquidity measures to evaluate our liquidity under various stress scenarios, including company-specific and market-wide events. We continue to believe that cash generated by ongoing operations and the liquidity profile of our assets provide sufficient liquidity under reasonably foreseeable stress scenarios.

The principal sources of the Company’s liquidity are premiums and certain annuity considerations, investment and fee income, investment maturities, sales of investments and internal borrowings. The principal uses of that liquidity include benefits, claims, and payments to policyholders and contractholders in connection with surrenders, withdrawals and net policy loan activity. Other uses of liquidity include commissions, general and administrative expenses, purchases of investments, the payment of dividends and returns of capital to the parent company, hedging and reinsurance activity and payments in connection with financing activities.

In managing liquidity, we consider the risk of policyholder and contractholder withdrawals of funds earlier than our assumptions when selecting assets to support these contractual obligations. We use surrender charges and other contract provisions to mitigate the extent, timing and profitability impact of withdrawals of funds by customers.

*Liquid Assets*

Liquid assets include cash and cash equivalents, short-term investments, U.S. Treasury fixed maturities, and fixed maturities that are not designated as held-to-maturity and public equity securities. As of March 31, 2022 and December 31, 2021, the Company had liquid assets of \$2,053 million and \$2,124 million, respectively. The portion of liquid assets comprised cash and cash equivalents was \$229 million and \$146 million as of March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022, \$1,721.6 million, or 97%, of the fixed maturity investments in the Company’s general account portfolios, were rated high or highest quality based on NAIC or equivalent rating.

*Term and Universal Life Reserve Financing*

The Company uses affiliated captive reinsurance subsidiaries to finance the portion of the statutory reserves required to be held under Regulation XXX and Guideline AXXX that is considered to be non-economic. The financing arrangements involve the reinsurance of term and universal life business to our affiliated captive reinsurers and the issuance of surplus notes by those affiliated captives that are treated as capital for statutory purposes. These surplus notes are subordinated to policyholder obligations, and the payment of principal and interest on the surplus notes can only be made with prior insurance regulatory approval.

As of March 31, 2022, the affiliated captive reinsurance companies have entered into agreements with external counterparties providing for the issuance of up to an aggregate of \$14,600 million of surplus notes by our affiliated captive reinsurers in return for the receipt of credit-linked notes (“Credit-Linked Note Structures”), of which \$12,821 million of surplus notes was outstanding, compared to an aggregate issuance capacity of \$14,600 million, of which \$12,721 million was outstanding as of December 31, 2021. Under the agreements, the affiliated captive receives in exchange for the surplus notes one or more credit-linked notes issued by a special-purpose affiliate of the Company with an aggregate principal amount equal to the surplus notes outstanding. The affiliated captive holds the credit-linked notes as assets supporting Regulation XXX or Guideline AXXX non-economic reserves, as applicable. For more information on our Credit-Linked Note Structures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Financing Activities” in the Annual Report on Form 10-K for the year ended December 31, 2021.

As of March 31, 2022, our affiliated captive reinsurance companies had outstanding an aggregate of \$3,025 million of debt issued for the purpose of financing Regulation XXX and Guideline AXXX non-economic reserves, of which approximately \$1,125 million relates to Regulation XXX reserves and approximately \$1,900 million relates to Guideline AXXX reserves. In addition, as of March 31, 2022, for purposes of financing Guideline AXXX reserves, one of our affiliated captives had approximately \$3,982 million of surplus notes outstanding that were issued to affiliates.

The Company has introduced updated versions of its individual life products in conjunction with the requirement to adopt principle-based reserving by January 1, 2020. These updated products are currently priced to support the principle-based statutory reserve level without the need for reserve financing.

**PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY**  
**Notes to Unaudited Interim Financial Statements—(Continued)**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of fluctuations in the value of financial instruments as a result of absolute or relative changes in interest rates, foreign currency exchange rates, equity prices or commodity prices. To varying degrees, our products and services, and the investment activities supporting them, generate exposure to market risk. The market risk incurred, and our strategies for managing this risk, vary by product. As of March 31, 2022, there have been no material changes in our economic exposure to market risk from December 31, 2021, a description of which may be found in our Annual Report on Form 10-K, for the year ended December 31, 2021, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” filed with the Securities and Exchange Commission. See Item 1A, “Risk Factors” included in the Annual Report on Form 10-K for the year ended December 31, 2021, for a discussion of how difficult conditions in the financial markets and the economy generally may materially adversely affect our business and results of our operations.

**Item 4. Controls and Procedures**

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized, and reported on a timely basis, the Company’s management, including our Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Securities Exchange Act of 1934, as amended (“Exchange Act”) Rule 15d-15(e), as of March 31, 2022. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2022, our disclosure controls and procedures were effective. No change in our internal control over financial reporting, as defined in Exchange Act Rule 15d-15(f), occurred during the quarter ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 10 to the Unaudited Interim Financial Statements under “—Litigation and Regulatory Matters” for a description of certain pending litigation and regulatory matters affecting us, and certain risks to our business presented by such matters, which is incorporated herein by reference.

### **Item 1A. Risk Factors**

You should carefully consider the risks described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. These risks could materially affect our business, results of operations or financial condition or cause our actual results to differ materially from those expected or those expressed in any forward-looking statements made by, or on behalf of, the Company. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under “Forward-Looking Statements” and the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q.

**Item 6. Exhibits**

**EXHIBIT INDEX**

[31.1 Section 302 Certification of the Chief Executive Officer](#)

[31.2 Section 302 Certification of the Chief Financial Officer](#)

[32.1 Section 906 Certification of the Chief Executive Officer](#)

[32.2 Section 906 Certification of the Chief Financial Officer](#)

101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH - XBRL Taxonomy Extension Schema Document.

101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB - XBRL Taxonomy Extension Label Linkbase Document

101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF - XBRL Taxonomy Extension Definition Linkbase Document

104.Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pruco Life Insurance Company of New Jersey

By: /s/ Robert E. Boyle  
Name: Robert E. Boyle  
Vice President and Chief Financial Officer  
(Authorized Signatory and Principal Financial Officer)

Date: May 13, 2022

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Dylan J. Tyson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pruco Life Insurance Company of New Jersey;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2022

/s/ Dylan J. Tyson

Dylan J. Tyson

President and Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, Robert E. Boyle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pruco Life Insurance Company of New Jersey;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2022

/s/ Robert E. Boyle

Robert E. Boyle

Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. § 1350, I, Dylan J. Tyson, President and Chief Executive Officer of Pruco Life Insurance Company of New Jersey (the “Company”), hereby certify that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2022

/s/ Dylan J. Tyson

Dylan J. Tyson  
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

Pursuant to 18 U.S.C. § 1350, I, Robert E. Boyle, Vice President and Chief Financial Officer of Pruco Life Insurance Company of New Jersey (the “Company”), hereby certify that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2022

/s/ Robert E. Boyle

Robert E. Boyle

Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.