

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023

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 November 9, 2023, 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) rapidly rising interest rates and equity market declines and their impact on our liquidity, capital positions, cash flows, results of operations and financial position, (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; (13) reputational damage; and (14) risks related to COVID-19 could reemerge. 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, 2022 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 September 30, 2023 and December 31, 2022 (in thousands, except share amounts)

	September 30, 2023	December 31, 2022
ASSETS		
Fixed maturities, available for sale, at fair value (allowance for credit losses: 2023-\$4; 2022-\$363) (amortized cost: 2023-\$2,542,677; 2022-\$1,990,718)	\$ 2,147,672	\$ 1,719,488
Fixed maturities, trading, at fair value (amortized cost: 2023-\$26,196; 2022-\$27,566)	22,407	23,782
Equity securities, at fair value (cost: 2023-\$4,652; 2022-\$4,614)	4,420	4,358
Policy loans	1,112,583	212,063
Short-term investments	4,500	7,000
Commercial mortgage and other loans (net of \$694 and \$408 allowance for credit losses at September 30, 2023 and December 31, 2022, respectively)	185,510	148,179
Other invested assets (includes \$1,895 and \$2,389 of assets measured at fair value at September 30, 2023 and December 31, 2022, respectively)	149,659	129,528
Total investments	3,626,751	2,244,398
Cash and cash equivalents	62,770	255,767
Deferred policy acquisition costs(1)	381,162	351,874
Accrued investment income	42,878	25,222
Reinsurance recoverables(1)	3,283,413	3,098,248
Receivables from parent and affiliates	17,295	19,348
Income tax assets(1)	96,370	67,615
Market risk benefit assets(1)	488,815	558,624
Other assets(1)	50,570	48,391
Separate account assets	13,095,326	13,926,958
TOTAL ASSETS	\$ 21,145,350	\$ 20,596,445
LIABILITIES AND EQUITY		
LIABILITIES		
Policyholders' account balances(1)	\$ 3,897,263	\$ 2,774,315
Future policy benefits(1)	2,169,501	2,130,042
Market risk benefit liabilities(1)	488,815	558,624
Cash collateral for loaned securities	2,153	0
Payables to parent and affiliates	10,669	7,546
Other liabilities(1)	292,453	172,305
Separate account liabilities	13,095,326	13,926,958
Total liabilities	19,956,180	19,569,790
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 15)		
EQUITY		
Common stock (\$5 par value; 400,000 shares authorized, issued and outstanding)	2,000	2,000
Additional paid-in capital	950,913	775,412
Retained earnings(1)	380,396	285,433
Accumulated other comprehensive income (loss)(1)	(144,139)	(36,190)
Total equity	1,189,170	1,026,655
TOTAL LIABILITIES AND EQUITY	\$ 21,145,350	\$ 20,596,445

(1) Prior period amounts adjusted for the implementation of Accounting Standard Update ("ASU") 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

See Notes to Unaudited Interim Financial Statements

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
Unaudited Interim Statements of Operations and Comprehensive Income (Loss)
Three and Nine Months Ended September 30, 2023 and 2022 (in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
REVENUES				
Premiums(1)	\$ 10,145	\$ 8,204	\$ 29,888	\$ 25,475
Policy charges and fee income(1)	17,412	16,782	52,893	43,654
Net investment income	49,359	23,450	117,993	72,683
Asset administration fees	2,349	2,079	6,699	6,449
Other income (loss)	35	266	1,458	(3,876)
Realized investment gains (losses), net(1)	16,355	1,447	3,440	22,832
Change in value of market risk benefits, net of related hedging gain (loss)(1)	40,121	(382)	47,262	(175,210)
TOTAL REVENUES	135,776	51,846	259,633	(7,993)
BENEFITS AND EXPENSES				
Policyholders' benefits(1)	21,192	3,994	55,252	22,839
Change in estimates of liability for future policy benefits(1)	(88)	98	(2,171)	12,279
Interest credited to policyholders' account balances	19,429	11,779	43,189	34,914
Amortization of deferred policy acquisition costs(1)	5,420	4,770	15,356	14,332
General, administrative and other expenses(1)	12,156	19,568	40,923	40,418
TOTAL BENEFITS AND EXPENSES	58,109	40,209	152,549	124,782
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	77,667	11,637	107,084	(132,775)
Income tax expense (benefit)(1)	8,577	3,268	12,121	(40,023)
NET INCOME (LOSS)	\$ 69,090	\$ 8,369	\$ 94,963	\$ (92,752)
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(172)	(328)	(1)	(745)
Net unrealized investment gains (losses)(1)	(116,595)	(103,102)	(103,034)	(413,222)
Interest rate remeasurement of future policy benefits(1)	16,771	18,901	13,653	66,637
Gain (loss) from changes in non-performance risk on market risk benefits(1)	(40,121)	382	(47,262)	175,210
Total	(140,117)	(84,147)	(136,644)	(172,120)
Less: Income tax expense (benefit) related to other comprehensive income (loss)(1)	(29,425)	(17,671)	(28,695)	(36,146)
Other comprehensive income (loss), net of taxes	(110,692)	(66,476)	(107,949)	(135,974)
Comprehensive income (loss)	\$ (41,602)	\$ (58,107)	\$ (12,986)	\$ (228,726)

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

See Notes to Unaudited Interim Financial Statements

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
Unaudited Interim Statements of Equity
Three and Nine Months Ended September 30, 2023 and 2022 (in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2022(1)	\$ 2,000	\$ 775,412	\$ 285,433	\$ (36,190)	\$ 1,026,655
Contributed capital		175,000			175,000
Comprehensive income (loss):					
Net income (loss)			(10,394)		(10,394)
Other comprehensive income (loss), net of tax				37,632	37,632
Total comprehensive income (loss)					27,238
Balance, March 31, 2023	<u>2,000</u>	<u>950,412</u>	<u>275,039</u>	<u>1,442</u>	<u>1,228,893</u>
Contributed (distributed) capital-parent/child asset transfers		501			501
Comprehensive income (loss):					
Net income (loss)			36,267		36,267
Other comprehensive income (loss), net of tax				(34,889)	(34,889)
Total comprehensive income (loss)					1,378
Balance, June 30, 2023	<u>2,000</u>	<u>950,913</u>	<u>311,306</u>	<u>(33,447)</u>	<u>1,230,772</u>
Comprehensive income (loss):					
Net income (loss)			69,090		69,090
Other comprehensive income (loss), net of taxes				(110,692)	(110,692)
Total comprehensive income (loss)					(41,602)
Balance, September 30, 2023	<u>\$ 2,000</u>	<u>\$ 950,913</u>	<u>\$ 380,396</u>	<u>\$ (144,139)</u>	<u>\$ 1,189,170</u>

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2021(1)	\$ 2,000	\$ 450,102	\$ 355,262	\$ 101,987	\$ 909,351
Contributed capital		101,700			101,700
Comprehensive income (loss):					
Net income (loss)			(46,116)		(46,116)
Other comprehensive income (loss), net of tax				(40,171)	(40,171)
Total comprehensive income (loss)					(86,287)
Balance, March 31, 2022(1)	<u>2,000</u>	<u>551,802</u>	<u>309,146</u>	<u>61,816</u>	<u>924,764</u>
Comprehensive income (loss):					
Net income (loss)			(55,005)		(55,005)
Other comprehensive income (loss), net of tax				(29,327)	(29,327)
Total comprehensive income (loss)					(84,332)
Balance, June 30, 2022(1)	<u>2,000</u>	<u>551,802</u>	<u>254,141</u>	<u>32,489</u>	<u>840,432</u>
Contributed capital		100,000			100,000
Contributed (distributed) capital-parent/child asset transfers		(1,390)			(1,390)
Comprehensive income (loss):					
Net income (loss)			8,369		8,369
Other comprehensive income (loss), net of tax				(66,476)	(66,476)
Total comprehensive income (loss)					(58,107)
Balance, September 30, 2022(1)	<u>\$ 2,000</u>	<u>\$ 650,412</u>	<u>\$ 262,510</u>	<u>\$ (33,987)</u>	<u>\$ 880,935</u>

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

See Notes to Unaudited Interim Financial Statements

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
Unaudited Interim Statements of Cash Flows
Nine Months Ended September 30, 2023 and 2022 (in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)(1)	\$ 94,963	\$ (92,752)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Policy charges and fee income(1)	(6,269)	(3,086)
Interest credited to policyholders' account balances	43,189	34,914
Realized investment (gains) losses, net(1)	(3,440)	(22,832)
Change in value of market risk benefits, net of related hedging (gains) losses(1)	(47,262)	175,210
Change in:		
Future policy benefits and other insurance liabilities(1)	222,013	375,686
Reinsurance recoverables(1)	(105,373)	(328,413)
Accrued investment income	(17,656)	(3,035)
Net payables to/receivables from parent and affiliates	(2,116)	11,793
Deferred policy acquisition costs(1)	(29,288)	(33,408)
Income taxes(1)	(193)	(17,923)
Derivatives, net	10,140	4,124
Other, net(1)(2)	(90,066)	(81,972)
Cash flows from (used in) operating activities	68,642	18,306
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	70,451	75,157
Fixed maturities, trading	991	6,336
Equity securities	208	17
Policy loans	23,121	21,648
Ceded policy loans	(1,869)	(1,399)
Short-term investments	10,000	9,997
Commercial mortgage and other loans	5,849	17,578
Other invested assets	701	3,424
Payments for the purchase/origination of:		
Fixed maturities, available-for-sale	(612,493)	(247,523)
Equity securities	(57)	0
Policy loans	(917,244)	(16,823)
Ceded policy loans	1,679	1,627
Short-term investments	(7,500)	0
Commercial mortgage and other loans	(43,885)	(3,231)
Other invested assets	(11,335)	(11,464)
Notes receivable from parent and affiliates, net	629	(27)
Derivatives, net	(269)	2,552
Other, net	0	4,053
Cash flows from (used in) investing activities	(1,481,023)	(138,078)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Policyholders' account deposits	1,421,262	381,718
Ceded policyholders' account deposits	(242,710)	(239,619)
Policyholders' account withdrawals	(341,452)	(294,902)
Ceded policyholders' account withdrawals	202,130	184,201
Net change in securities sold under agreement to repurchase and cash collateral for loaned securities	2,153	0
Contributed / (return of) capital	175,000	200,400
Contributed (distributed) capital - parent/child asset transfers	634	(1,759)
Drafts outstanding	(6,978)	1,559
Other, net	9,345	494
Cash flows from (used in) financing activities	1,219,384	232,092
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(192,997)	112,320
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	255,767	136,316
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 62,770	\$ 248,636

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

(2) Prior period has been reclassified to conform to the current period presentation.

Significant Non-Cash Transactions

There were no significant non-cash transactions for the nine months ended September 30, 2023 and 2022.

See Notes to Unaudited Interim Financial Statements

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY
Notes to Unaudited Interim Financial Statements

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

On January 1, 2023, the Company adopted ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, which provided new authoritative guidance impacting the accounting and disclosure requirements for long-duration insurance and investment contracts issued by the Company. See "Adoption of ASU 2018-12" below for additional information regarding this adoption, including the impacts to the Company's 2022 financial statements from implementing the new accounting standard as well as the transition impacts recorded as of January 1, 2021. See Note 2 for additional details regarding the key policy changes effected by this ASU and updated accounting policies resulting from the adoption of this ASU for all periods presented in the Unaudited Interim Financial Statements.

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, 2022, and the Company's restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023.

Adoption of ASU 2018-12

In August 2018, the FASB issued ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* which provides new authoritative guidance impacting the accounting and disclosure requirements for long-duration insurance and investment contracts issued by the Company. The Company adopted this guidance, effective January 1, 2023, using the modified retrospective transition method, where permitted, for changes to the liability for future policy benefits and deferred policy acquisition costs ("DAC") and related balances, and using the retrospective transition method, as required for market risk benefits. The Company applied the guidance as of the transition date of January 1, 2021 and retrospectively adjusted prior period amounts shown in the 2023 financial statements to reflect the new guidance.

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

The following tables present amounts as previously reported in 2022, the effect upon those amounts from the adoption of the new guidance under ASU 2018-12, and the adjusted amounts that are reflected in the Unaudited Interim Financial Statements included herein.

Unaudited Interim Statements of Financial Position:

IMPACTED LINES ONLY	December 31, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
	(in thousands)		
Deferred policy acquisition costs	\$ 364,494	\$ (12,620)	\$ 351,874
Reinsurance recoverables	3,258,526	(160,278)	3,098,248
Income tax assets	67,126	489	67,615
Market risk benefit assets	0	558,624	558,624
Other assets	16,207	32,184	48,391
TOTAL ASSETS	\$ 20,178,046	\$ 418,399	\$ 20,596,445
Policyholders' account balances	\$ 2,763,730	\$ 10,585	\$ 2,774,315
Future policy benefits	2,303,407	(173,365)	2,130,042
Market risk benefit liabilities	0	558,624	558,624
Other liabilities	147,908	24,397	172,305
Total liabilities	19,149,549	420,241	19,569,790
Retained earnings	439,236	(153,803)	285,433
Accumulated other comprehensive income (loss)	(188,151)	151,961	(36,190)
Total equity	1,028,497	(1,842)	1,026,655
TOTAL LIABILITIES AND EQUITY	\$ 20,178,046	\$ 418,399	\$ 20,596,445

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

Unaudited Interim Statements of Operations and Comprehensive Income (Loss):

IMPACTED LINES ONLY	Three Months Ended September 30, 2022					
	As Previously Reported		Effect of Change	As Currently Reported		
	(in thousands)					
REVENUES						
Premiums	\$	8,224	\$	(20)	\$	8,204
Policy charges and fee income		18,903		(2,121)		16,782
Realized investment gains (losses), net		1,212		235		1,447
Change in value of market risk benefits, net of related hedging gain (loss)		0		(382)		(382)
TOTAL REVENUES		54,134		(2,288)		51,846
BENEFITS AND EXPENSES						
Policyholders' benefits		12,728		(8,734)		3,994
Change in estimates of liability for future policy benefits		0		98		98
Amortization of deferred policy acquisition costs		782		3,988		4,770
General, administrative and other expenses		19,601		(33)		19,568
TOTAL BENEFITS AND EXPENSES		44,890		(4,681)		40,209
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES						
Income tax expense (benefit)		9,244		2,393		11,637
NET INCOME (LOSS)		3,086		182		3,268
	\$	6,158	\$	2,211	\$	8,369
Other comprehensive income (loss), before tax:						
Net unrealized investment gains (losses)		(114,154)		11,052		(103,102)
Interest rate remeasurement of future policy benefits		0		18,901		18,901
Gain (loss) from changes in non-performance risk on market risk benefits		0		382		382
Total		(114,482)		30,335		(84,147)
Less: Income tax expense (benefit) related to other comprehensive income (loss)		(24,042)		6,371		(17,671)
Other comprehensive income (loss), net of taxes		(90,440)		23,964		(66,476)
Comprehensive income (loss)	\$	(84,282)	\$	26,175	\$	(58,107)

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

IMPACTED LINES ONLY	Nine Months Ended September 30, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
	(in thousands)		
REVENUES			
Premiums	\$ 27,054	\$ (1,579)	\$ 25,475
Policy charges and fee income	66,818	(23,164)	43,654
Realized investment gains (losses), net	22,850	(18)	22,832
Change in value of market risk benefits, net of related hedging gain (loss)	0	(175,210)	(175,210)
TOTAL REVENUES	191,978	(199,971)	(7,993)
BENEFITS AND EXPENSES			
Policyholders' benefits	38,789	(15,950)	22,839
Change in estimates of liability for future policy benefits	0	12,279	12,279
Amortization of deferred policy acquisition costs	20,889	(6,557)	14,332
General, administrative and other expenses	42,267	(1,849)	40,418
TOTAL BENEFITS AND EXPENSES	136,859	(12,077)	124,782
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	55,119	(187,894)	(132,775)
Income tax expense (benefit)	596	(40,619)	(40,023)
NET INCOME (LOSS)	\$ 54,523	\$ (147,275)	\$ (92,752)
Other comprehensive income (loss), before tax:			
Net unrealized investment gains (losses)	(440,618)	27,396	(413,222)
Interest rate remeasurement of future policy benefits	0	66,637	66,637
Gain (loss) from changes in non-performance risk on market risk benefits	0	175,210	175,210
Total	(441,363)	269,243	(172,120)
Less: Income tax expense (benefit) related to other comprehensive income (loss)	(92,687)	56,541	(36,146)
Other comprehensive income (loss), net of taxes	(348,676)	212,702	(135,974)
Comprehensive income (loss)	\$ (294,153)	\$ 65,427	\$ (228,726)

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

Unaudited Interim Statements of Cash Flows:

IMPACTED LINES ONLY	Nine Months Ended September 30, 2022		
	As Previously Reported	Effect of Change	As Currently Reported
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 54,523	\$ (147,275)	\$ (92,752)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Policy charges and fee income	(16,977)	13,891	(3,086)
Realized investment (gains) losses, net	(22,850)	18	(22,832)
Change in value of market risk benefits, net of related hedging (gains) losses	0	175,210	175,210
Change in:			
Future policy benefits and other insurance liabilities	176,360	199,326	375,686
Reinsurance recoverables	(212,894)	(115,519)	(328,413)
Deferred policy acquisition costs	(26,900)	(6,508)	(33,408)
Income taxes	22,695	(40,618)	(17,923)
Other, net(1)	(3,447)	(78,525)	(81,972)
Cash flows from (used in) operating activities	\$ 18,306	\$ 0	\$ 18,306

(1) Prior period has been reclassified to conform to the current period presentation.

The following tables detail the January 1, 2021 transition adjustments by providing a rollforward of the ending reported balances as of December 31, 2020 to the opening balances as of January 1, 2021 for retained earnings, accumulated other comprehensive income ("AOCI") and the impacted insurance-related balances.

	January 1, 2021	
	Retained Earnings	
	(in thousands)	
Balance after-tax, prior to transition	\$	328,450
Reclassification of market risk benefits non-performance risk to accumulated other comprehensive income(1)		(60,792)
Updates to certain universal life contract liabilities(2)		(20,108)
Other(3)		7,722
Total pre-tax adjustments		(73,178)
Tax impacts		15,367
Balance after-tax, after transition	\$	270,639

(1) Reflects the cumulative impact of changes in the fair value of market risk benefits ("MRB") non-performance risk ("NPR") from the date of contract issuance to January 1, 2021. These amounts were previously recorded in retained earnings but are now reflected in AOCI under the new guidance.

(2) Reflects the impact on additional insurance reserves ("AIR") and other related balances primarily related to the no-lapse guarantee features on certain universal life contracts. For additional information, see Note 2.

(3) Primarily reflects the reassessment of deferred reinsurance losses ("DRL").

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

	January 1, 2021
	Accumulated Other Comprehensive Income
	(in thousands)
Balance after-tax, prior to transition	\$ 185,407
Interest rate remeasurement of future policy benefits	(57,440)
Reclassification of market risk benefits non-performance risk to accumulated other comprehensive income(1)	60,792
Unwinding amounts related to unrealized investment gains and losses(2)	(15,161)
Total pre-tax adjustments	(11,809)
Tax impacts	2,480
Balance after-tax, after transition	\$ 176,078

- (1) Reflects the cumulative impact of changes in NPR on the fair value of market risk benefits from the date of contract issuance to January 1, 2021. These amounts were previously recorded in retained earnings but are now reflected in AOCI under the new guidance.
- (2) Primarily reflects amounts related to DAC and other balances as unrealized investment gains or losses no longer impact the amortization pattern of such balances under the new guidance. Also includes the impacts from updates to reserves and other related balances for certain universal life contracts. For additional information, see Note 2.

	January 1, 2021		
	Deferred Policy Acquisition Costs		
	Term Life	Variable/Universal Life	Total
	(in thousands)		
Balance prior to transition	\$ 51,526	\$ 172,899	\$ 224,425
Unwinding amounts related to unrealized investment gains and losses	0	21,714	21,714
Other(1)	1	(1,922)	(1,921)
Balance after transition	\$ 51,527	\$ 192,691	\$ 244,218

- (1) Represents miscellaneous model refinements.

	January 1, 2021
	Deferred Reinsurance Losses(1)
	Variable Annuities
	(in thousands)
Balance prior to transition	\$ 15,209
Unwinding amounts related to unrealized investment gains and losses	1,187
Effect of change in reserve basis to market risk benefits	4,236
Balance after transition	\$ 20,632

- (1) Deferred reinsurance losses are included in "Other assets".

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

	January 1, 2021		
	Benefit Reserves(1)		
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance prior to transition	\$ 1,049,445	\$ 16,468	\$ 1,065,913
Changes in cash flow assumptions and other activity	30	(687)	(657)
Balance after transition, at original discount rate	1,049,475	15,781	1,065,256
Cumulative changes in discount rate assumptions	401,072	2,188	403,260
Balance after transition, at current discount rate	1,450,547	17,969	1,468,516
Less: Reinsurance recoverable	1,264,199	17,944	1,282,143
Balance after transition, net of reinsurance recoverable	\$ 186,348	\$ 25	\$ 186,373

(1) Benefit reserves, excluding amounts for reinsurance recoverable, are included in "Future policy benefits". For additional information on the liability for future policy benefits, see Note 8.

	January 1, 2021	
	Deferred Profit Liability(1)	
	Fixed Annuities	
	(in thousands)	
Balance prior to transition	\$	102
Changes in benefit reserves		882
Balance after transition		984
Less: Reinsurance recoverable		984
Balance after transition, net of reinsurance recoverable	\$	0

(1) Deferred profit liability ("DPL"), excluding amounts for reinsurance recoverable, is included in "Future policy benefits". For additional information regarding the liability for future policy benefits, see Note 8.

	January 1, 2021		
	Additional Insurance Reserves(1)		
	Variable/Universal Life	Variable Annuities	Total
	(in thousands)		
Balance prior to transition	\$ 513,812	\$ 24,433	\$ 538,245
Unwinding amounts related to unrealized investment gains and losses	(109,355)	(1,698)	(111,053)
Balance prior to transition, excluding amounts related to unrealized investment gains and losses	404,457	22,735	427,192
Reclassification of future policy benefits additional insurance reserves to market risk benefits	0	(22,735)	(22,735)
Updates to certain universal life contract liabilities(2)	142,726	0	142,726
Balance after transition, excluding amounts related to unrealized investment gains and losses	547,183	0	547,183
Amounts related to unrealized investment gains and losses after transition	95,331	0	95,331
Balance after transition	642,514	0	642,514
Less: Reinsurance recoverable	613,009	0	613,009
Balance after transition, net of reinsurance recoverable	\$ 29,505	\$ 0	\$ 29,505

(1) AIR, excluding amounts for reinsurance recoverable, are included in "Future policy benefits". For additional information regarding the liability for future policy benefits, see Note 8.

(2) For additional information regarding updates to reserves and other related balances for certain universal life contracts, see Note 2.

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

	January 1, 2021
	Unearned Revenue Reserves(1)
	Variable/Universal Life
	(in thousands)
Balance prior to transition	\$ 94,480
Unwinding amounts related to unrealized investment gains and losses and other activity	92,103
Balance after transition	186,583
Less: Reinsurance recoverable	45,019
Balance after transition, net of reinsurance recoverable	\$ 141,564

(1) Unearned revenue reserves ("URR") are included in "Policyholders' account balances". For additional information regarding the liability for policyholders' account balances, see Note 9.

	January 1, 2021
	Market Risk Benefits(1)
	Variable Annuities
	(in thousands)
Liability for guaranteed benefits recorded at fair value, prior to transition	\$ 1,195,470
Additional insurance reserves to be reclassified to market risk benefits, prior to transition, excluding amounts related to unrealized investment gains and losses	22,735
Total liability prior to transition	1,218,205
Change in reserve basis to market risk benefits framework	(12,634)
Market risk benefits after transition, at current non-performance risk value	1,205,571
Less: Reinsured market risk benefits	1,205,571
Market risk benefits after transition, net of reinsurance	0
Market risk benefits after transition, at contract inception non-performance risk value	\$ 1,266,363
Cumulative change in non-performance risk	60,792
Market risk benefits after transition, at current non-performance risk value	\$ 1,205,571

(1) For additional information regarding market risk benefits, see Note 10.

	January 1, 2021
	Cost of Reinsurance(1)
	Variable/Universal Life
	(in thousands)
Balance prior to transition	\$ 85,773
Unwinding amounts related to unrealized investment gains and losses	(34,617)
Balance prior to transition, excluding amounts related to unrealized investment gains and losses	51,156
Impact from updates to certain universal life contract liabilities(2)	14,045
Balance after transition, excluding amounts related to unrealized investment gains and losses	65,201
Amounts related to unrealized investment gains and losses after transition	27,620
Balance after transition	\$ 92,821

(1) Cost of reinsurance is included in "Other liabilities".

(2) For additional information regarding updates to reserves and other related balances for certain universal life contracts, see Note 2.

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

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 future policy benefits; policyholders' account balances and reinsurance related to the fair value of embedded derivative instruments associated with the index-linked features of certain universal life and annuity products; market risk benefits; the valuation of investments including derivatives, the measurement of allowance for credit losses, and the recognition of other-than-temporary impairments; reinsurance recoverables; any 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.

Reclassifications

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

Out of Period Adjustments

During the three months ended September 30, 2022, the Company recorded out of period adjustments resulting in an aggregate net charge of \$6 million to "Income (loss) from operations before income taxes". These adjustments primarily relate to a portion of the ceding and expense allowance incorrectly recorded in the second quarter of 2022.

The aggregate impact of out of period adjustments recorded in the first nine months of 2022 was a net charge of \$5 million to "Income (loss) from operations before income taxes." These adjustments relate to reserves for certain universal and variable life products and certain portions of reinsurance activity.

Management has evaluated the impact of all out of period adjustments, both individually and in the aggregate, and concluded that they are not material to any current or previously reported quarterly or annual financial statements.

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 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 September 30, 2023, and as of the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

Adoption of ASU 2018-12

Effective January 1, 2023, the Company adopted ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. Adoption of this ASU impacted, at least to some extent, the accounting and disclosure requirements for all long-duration insurance and investment contracts issued by the Company and had a significant financial impact on the Financial Statements and disclosures. See Note 1 for additional information.

As of the January 1, 2021 transition date, the adoption of the standard resulted in a decrease to "Total equity" of \$67 million, primarily from remeasuring in force contract liabilities using upper-medium grade fixed income instrument yields as of the transition date and from other changes in reserves. As of the January 1, 2023 adoption date, the impact amounted to a decrease to "Total equity" of \$2 million. The changes in the impacts from January 1, 2021 to January 1, 2023 primarily reflect the increase in market interest rates during 2021 and 2022.

Outlined below are: (1) key accounting policy changes effected by the ASU and (2) updated accounting policies for all of the periods presented in the Unaudited Interim Financial Statements.

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

(1) Key Accounting Policy Changes

Area of Change	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-payment 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.	Effective January 1, 2023 using the modified retrospective transition method, which includes a cumulative effect adjustment to the balance sheet as of January 1, 2021 (the “transition date”). Under this method, the amendments to contracts in force were applied as of January 1, 2021 on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI	The impact upon transition reflects the impact on in force contract liabilities in instances where expected net premiums exceeded expected gross premiums at an issue-year cohort level as a result of updating to current best estimate cash flow assumptions as of the transition date. As a result of the modified retrospective transition method, the vast majority of the impact of updating cash flow assumptions to best estimates as of the transition date will be reflected in the pattern of earnings in subsequent periods. See Note 1 for additional information regarding the effect on the financial statements. Adoption of the standard also resulted in additional required disclosures. See Note 8 for additional information.
<i>Discount rate assumption used to measure the liability for future policy benefits for non-participating traditional and limited-payment insurance products</i>	Requires discount rate assumptions to be based on an upper-medium grade fixed income instrument yields, 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, the guidance for the liability for future policy benefits was adopted effective January 1, 2023 using the modified retrospective transition method, which includes a cumulative effect adjustment to the balance sheet as of January 1, 2021. Under this method, for balance sheet remeasurement purposes, the liability for future policy benefits is remeasured using discount rates as of January 1, 2021 with the impact recorded as a cumulative effect adjustment to AOCI.	Adoption of the ASU resulted in a significant impact to AOCI as a result of remeasuring in force contract liabilities using current upper-medium grade fixed income instrument yields. This adjustment largely reflects the difference between discount rates locked-in at contract inception versus current discount rates. See Note 1 for additional information regarding the effect on the financial statements. Adoption of the standard also resulted in additional required disclosures. See Note 8 for additional information.
<i>Amortization of deferred acquisition costs and other balances</i>	Requires DAC and other balances, such as URR 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.	Effective January 1, 2023 using the modified retrospective transition method, which includes a cumulative effect adjustment to the balance sheet as of January 1, 2021. Under this method, the amendments to contracts in force were applied as of January 1, 2021 on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI.	Adoption of the ASU did not have a significant impact on DAC and other balances upon transition, other than the impact of the removal of any related amounts in AOCI. See Note 1 for additional information regarding the effect on the financial statements. Adoption of the standard also resulted in additional required disclosures. See Note 6 for additional information.

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

<i>Market Risk Benefits</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 the fair value of market risk benefits are recorded in net income, except for the portion attributable to changes in an entity's NPR, which is recognized in OCI. 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.	Effective January 1, 2023 using the retrospective transition method, which includes a cumulative effect adjustment to the balance sheet as of January 1, 2021.	Adoption of the ASU resulted in an adjustment to retained earnings for the difference between the fair value and carrying value of benefits not measured at fair value prior to the adoption of the ASU (e.g., guaranteed minimum death benefits on variable annuities) and a reclass of the cumulative effect of changes in NPR from retained earnings to AOCI. See Note 1 for additional information regarding the effect on the financial statements. Adoption of the standard also resulted in additional required disclosures. See Note 10 for additional information.
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In addition to the significant key accounting changes noted above, ASU 2018-12 also clarified the definition of assessments used to accrue additional insurance reserves and other related balances, primarily for no-lapse guarantee features on certain universal life contracts. Application of the new guidance changed the pattern of reserve recognition for these guarantees and resulted in an increase to the net contract liabilities related to these products at transition. See Note 1 for additional information regarding the effect on the financial statements.

ASU 2022-05, *Financial Services – Insurance (Topic 944) Transition for Sold Contracts* was issued on December 15, 2022, to amend the transition guidance in ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. The amendment allows an insurance entity to make an accounting policy election to not apply ASU 2018-12 to contracts or legal entities sold or disposed of before the effective date, and in which the insurance entity has no significant continuing involvement with the derecognized contracts. An insurance entity is permitted to apply the policy election on a transaction by transaction basis to each sale or disposal transaction. An insurance entity is required to disclose whether it has chosen to apply this accounting policy election and provide a qualitative description of the sale or disposal transactions to which the accounting policy election is applied. The Company did not apply this accounting policy election.

(2) Updated Accounting Policies

This section includes the updated accounting policies resulting from the adoption of ASU 2018-12 which are applicable to all of the periods presented in the Unaudited Interim Financial Statements. This section is meant to serve as an update to, and should be read in conjunction with, Note 2 to the Financial Statements included in the Company's restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023.

ASSETS

Deferred policy acquisition costs represents costs directly related to the successful acquisition of new and renewal insurance and annuity business. Such DAC primarily includes commissions, costs of policy issuance and underwriting, and certain other expenses that are directly related to successfully acquired contracts. In each reporting period, previously capitalized DAC is amortized and included in "Amortization of deferred policy acquisition costs". Upon the adoption of ASU 2018-12, the carrying amount of DAC for long-duration contracts is no longer subject to recoverability testing.

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

DAC for most long-duration contracts is amortized on a constant-level basis at a grouped contract level over the expected life of the underlying insurance contracts. Contracts are grouped consistent with the groupings used to estimate the liability for future policy benefits (or other related balances) for the corresponding contracts. Since contracts within a grouping may be of different sizes, contracts within a group are weighted to achieve appropriate amortization and to ensure that DAC is derecognized when a policy is no longer in force. The constant-level basis used to weight contracts within a grouping and amortize DAC is generally defined as follows:

- *Life insurance contracts* – DAC associated with life insurance contracts is generally amortized in proportion to the initial face amount of life insurance in force. This is applicable to traditional and universal life insurance.
- *Payout annuity contracts* – DAC associated with payout annuity contracts is amortized in proportion to annual benefit payments.
- *Deferred annuity contracts* – DAC associated with fixed and variable deferred annuity contracts is amortized in proportion to deposits.

For single premium immediate annuities without life contingencies, acquisition expenses are deferred and amortized over the expected life of the contracts using the interest method.

Current period DAC amortization reflects the impact of changes in actual insurance in force during the period and changes in future assumptions effected as of the end of the quarter, where applicable. The Company typically updates actuarial assumptions annually in the second quarter, (see "*Annual Assumptions Review*" below), unless a material change is observed in an interim period that is indicative of a long-term trend. Generally, the Company does not expect trends to change significantly in the short-term and, to the extent these trends may change, the Company expects such changes to be gradual over the long-term.

Assumptions used for DAC are consistent with those used in estimating the liability for future policy benefits (or any other related balance) for the corresponding contract. Determining the level of aggregation and actuarial assumptions used in projecting in force terminations requires judgment. Internal criteria are developed to determine the level of aggregation by considering both qualitative and quantitative materiality thresholds. The assumptions used in projecting in force terminations are mortality, mortality improvement, and lapse assumptions. These assumptions are generally based on the Company's experience, industry experience and/or other factors, as applicable. For variable deferred annuity contracts, lapse rates are adjusted at the contract level based on the in-the-moneyness of the living benefits 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 are also generally assumed to be lower for the period where surrender charges apply.

For some products, policyholders can elect to modify product benefits, features, rights or coverages by exchanging a contract for a new contract or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. These transactions are known as internal replacements. If policyholders surrender traditional life insurance policies in exchange for life insurance policies that do not have fixed and guaranteed terms, the Company immediately charges to expense the remaining unamortized DAC on the surrendered policies. For other internal replacement transactions, except those that involve the addition of a non-integrated contract feature that does not change the existing base contract, the unamortized DAC is immediately charged to expense if the terms of the new policies are not substantially similar to those of the former policies. If the new terms are substantially similar to those of the earlier policies, the DAC is retained with respect to the new policies and amortized over the expected life of the new policies. See Note 6 for additional information regarding DAC.

Reinsurance recoverables include corresponding receivables associated with reinsurance arrangements with affiliates and third party reinsurers, and are reported on the Statements of Financial Position net of the CECL allowance. Reinsurance recoverables also include assumed modified coinsurance arrangements which generally reflect the value of the invested assets retained by the cedant and the associated asset returns. Modified coinsurance recoverables contain an embedded derivative (bifurcated and accounted for separately from the host contract) that is presented together with the derivative embedded in the modified coinsurance payables as one compound derivative. For additional information about these arrangements see Note 11.

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

The CECL allowance considers the credit quality of the reinsurance counterparty and is generally determined based on the probability of default and loss given default assumptions, after considering any applicable collateral arrangements. The CECL allowance does not apply to reinsurance recoverables with affiliated counterparties under common control. Additions to or releases of the allowance are reported in "Policyholders' benefits." Prior to the adoption of this standard, an allowance for credit losses for reinsurance recoverables was established only when it was deemed probable that a reinsurer may fail to make payments to us in a timely manner. Reinsurance premiums, commissions, expense reimbursements, benefits and reserves related to reinsured long-duration contracts under coinsurance arrangements are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. For reinsurance of in force blocks of non-participating traditional and limited-payment contracts, the current value of the direct liability as of inception of the reinsurance agreement is used to calculate the reinsurance recoverable and cost of reinsurance such that there is no immediate other comprehensive income or loss from recognition of the reinsurance recoverable at inception. Consistent with the direct liability, the reinsurance recoverable for non-participating traditional and limited-payment contracts is remeasured each period using current single A rates with the effect on the liability resulting from such updates recorded in "Interest rate remeasurement of future policy benefits" in OCI.

Coinurance arrangements contrast with the Company's yearly renewable term ("YRT") arrangements, where only mortality risk is transferred to the reinsurer and premiums are paid to the reinsurer to reinsure that risk. The mortality risk that is reinsured under YRT arrangements represents the difference between the stated death benefits in the underlying reinsured contracts and the corresponding reserves or account value carried by the Company on those same contracts. The premiums paid to the reinsurer are based upon negotiated amounts, not on the actual premiums paid by the underlying contractholders to the Company. As YRT arrangements are usually entered into by the Company with the expectation that the contracts will be in force for the lives of the underlying policies, they are considered to be long-duration reinsurance contracts. The cost of reinsurance for universal life products is generally recognized based on the gross assessments of the underlying direct policies. The cost of reinsurance for term insurance products is generally recognized in proportion to direct premiums over the life of the underlying policies.

Market risk benefit assets represents MRBs in an asset position and are presented separately from MRBs in a liability position. See "*Market risk benefit liabilities*" below. MRB assets also reflect ceded MRBs resulting from reinsurance of the Company's traditional variable annuity contracts. See Note 11 for additional information regarding the reinsurance of these contracts to Prudential Insurance.

Other assets consists primarily of premiums due and deferred loss on reinsurance which is amortized over the expected life of the reinsured contracts on a constant-level basis.

Separate account assets represents segregated funds that are invested for certain policyholders, and other customers. The assets consist primarily of equity securities, fixed maturities, real estate-related investments, real estate mortgage loans, short-term investments and derivative instruments and are reported at fair value. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company. Investment risks associated with market value changes are borne by the customers, except to the extent of minimum guarantees made by the Company with respect to certain accounts. The investment income and realized investment gains or losses from separate account assets generally accrue to the policyholders and are not included in the Company's results of operations. Mortality, policy administration and surrender charges assessed against the accounts are included in "Policy charges and fee income". Asset administration fees charged to the accounts are included in "Asset administration fees". Seed money that the Company invests in separate accounts is reported in the appropriate general account asset line. Investment income and realized investment gains or losses from seed money invested in separate accounts accrue to the Company and are included in the Company's results of operations. See Note 7 for additional information regarding separate account arrangements with contractual guarantees. See also "*Separate account liabilities*" below.

LIABILITIES

Future policy benefits is primarily comprised of the present value of expected future payments to or on behalf of policyholders, where the timing and amount of such payments depend on policyholder mortality or morbidity, less the present value of expected future net premiums (where net premiums are gross premiums multiplied by the Net-To-Gross ("NTG") ratio discussed below). The liability for future policy benefits is accrued over time as premium revenue is recognized. See Note 8 for additional information regarding future policy benefits.

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

The reserving methodology used for non-participating traditional and limited-payment contracts include the following:

- *Cash Flow Assumptions.* In measuring the liability for future policy benefits, the net premium valuation methodology is utilized. Under this methodology, a liability for future policy benefits is established using current best estimate insurance assumptions and interest rate assumptions locked-in at contract issuance date. The NTG ratio is calculated as the ratio of the present value of expected policy benefits and non-level claim settlement expenses divided by the present value of expected gross premiums. The NTG ratio is applied to gross premiums, as premium revenue is recognized, to determine net premiums. The liability is then determined as the present value of expected future policy benefits and non-level claim settlement expenses less the present value of expected future net premiums. For purposes of liability measurement, contracts are grouped into cohorts based primarily on issue year and major product line.

The NTG ratio is generally updated quarterly for actual experience and annually for future cash flow assumption updates during the Company's annual assumptions review process in the second quarter of each year unless a material change is observed in an interim period that is indicative of a long-term trend (see "*Annual Assumptions Review*" below), with the exception of claim settlement expense assumptions which the Company has made an entity-wide election to lock-in as of contract issuance. The NTG ratio is subject to a retrospective unlocking method whereby the Company updates its best estimate of cash flows expected over the life of the cohort using actual historical experience and updated future cash flow assumptions. These updated cash flows are used to calculate the revised NTG ratio, which is used to derive an updated liability for future policy benefits as of the beginning of the current reporting period, discounted at the original contract issuance discount rate. The updated liability for future policy benefit amount as of the beginning of the quarter is then compared to the carrying amount of the liability as of that same date, before the updates for actual experience or future cash flow assumptions, to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss that is recorded through current period earnings in "Change in estimates of liability for future policy benefits." In subsequent periods, the revised NTG ratio is used to measure the liability for future policy benefits, subject to future revisions.

If a cohort is in a loss position where the liability for future policy benefits plus the present value of expected future gross premiums are determined to be insufficient to provide for expected future policy benefits and non-level claim settlement expenses, the NTG ratio is capped at 100%. In these instances, all changes in expected benefits resulting from both actual experience deviations and changes in future assumptions are reflected immediately. While the liability for future policy benefits cannot be less than zero (i.e., a contra-liability) at the cohort level and thus the balance is floored at zero (i.e., "flooring"), the NTG ratio may be negative. This would be the case whereby conditions have improved such that the present value of future net premiums plus the existing liability for future policy benefits as of the valuation date exceed the present value of expected future policy benefits and non-level claim settlement expenses. In this case, the negative NTG ratio would be applied going forward to gross premiums received, effectively amortizing the gain into income and reducing the liability over time.

In addition, for limited-payment contracts, the liability for future policy benefits also includes a Deferred Profit Liability representing gross premiums received in excess of net premiums and is generally recognized in revenue in a constant relationship with insurance in force for life contracts or with the amount of expected future benefit payments for annuity contracts. The DPL is subject to a retrospective unlocking adjustment consistent with the liability for future policy benefits discussed above. The DPL cannot be less than zero (i.e., a contra-liability) at the cohort level and thus the balance is floored at zero (i.e., "flooring").

For contracts issued prior to January 1, 2021, the modified retrospective transition method was used to transition to ASU 2018-12. Under this method, the transition date of January 1, 2021 serves as the new issue date of the contracts in force for purposes of retrospectively unlocking the NTG ratio and DPL as described above.

- *Discount Rate Assumption.* The locked-in discount rate is generally based on expected investment returns at contract inception for contracts issued prior to January 1, 2021 and the upper medium grade fixed income corporate instrument yield (i.e., global single A) at contract inception for contracts issued after January 1, 2021. The discount rate in effect at contract inception is locked-in for the calculation of the NTG ratio and accretion of interest cost on the liability through net income. However, for balance sheet remeasurement purposes, the discount rate is updated using the current single A rate at each reporting period, with the effect on the liability resulting from such update recorded in "Interest rate remeasurement of future policy benefits" in OCI.

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

The methodology used in constructing the single A discount rate curve for discounting cash flows used to calculate the liability for future policy benefits is intended to be reflective of the characteristics of the applicable insurance liabilities. The single A discount rate curve is developed by reference to upper medium grade (low credit risk) fixed income instrument yields that reflect the duration characteristics of the applicable insurance liabilities. The single A discount curve for the United States and foreign economies, such as Japan, with observable corporate A spreads, is developed using government bond rates, plus globally equivalent public corporate A spreads in the observable periods. The definition of upper medium grade is based on Moody's definition which includes the spectrum of A (i.e., A- to A+). The rate used in foreign operations (with the exception of certain emerging markets, as discussed below) is based on the equivalent of a single A rate from a global rating agency for corporate bonds issued in the same currency and country in which the insurance contract is written. Liquidity is considered in defining the observable period and linear extrapolation is performed to the Company's ultimate long-term economic assumptions. See "Annual Assumptions Review" below for further discussion regarding the Company's long-term economic assumption setting process.

The Company's liability for future policy benefits also includes net liabilities for guaranteed benefits related to certain long-duration life contracts, such as no-lapse guarantee contract features (AIR liability), for which a liability is established when associated assessments are recognized (which include investment margin on policyholders' account balances in the general account and all policy charges including charges for administration, mortality, expense, surrender, and other charges). This liability is established using current best estimate assumptions and is based on the ratio of the present value of total expected excess payments (i.e., payments in excess of account value) over the life of the contract divided by the present value of total expected assessments (i.e., benefit ratio).

For universal life type contracts and participating contracts, the Company performs premium deficiency tests using best estimate assumptions as of the testing date. If the liabilities determined based on these best estimate assumptions are greater than the net reserves (i.e., GAAP reserves including URR, net of reinsurance), the existing net reserves are adjusted by first reducing these assets by the amount of the deficiency or to zero through a charge to current period earnings. If the deficiency is more than these asset balances for insurance contracts, the net reserves are increased by the excess through a charge to current period earnings included in "policyholders' benefits". Since investment yields are used as the discount rate, the premium deficiency test is also performed using a discount rate based on the market yield (i.e., assuming what would be the impact if any unrealized gains (losses) were realized as of the testing date). In the event that by using the market yield a deficiency occurs, an adjustment is established for the deficiency and is included in AOCL.

In certain instances, for universal life type contracts and participating contracts, the policyholder liability for a particular line of business may not be deficient in the aggregate to trigger loss recognition, but the pattern of earnings may be such that profits are expected to be recognized in earlier years followed by losses in later years. In these situations, accounting standards require that an additional liability (Profits Followed by Losses or "PFL" liability) be recognized by an amount necessary to sufficiently offset the losses that would be recognized in later years. To date, the Company has not recorded a PFL liability on any such contracts.

The Company's liability for future policy benefits also includes a liability for unpaid claims and claim adjustment expenses. The Company does not establish claim liabilities until a loss has been incurred. However, unpaid claims and claim adjustment expenses include estimates of claims that the Company believes have been incurred but have not yet been reported as of the balance sheet date.

Policyholders' account balances liability represents the contract value that has accrued to the benefit of the policyholder as of the balance sheet date. This liability is primarily associated with the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balance, as applicable. These policyholders' account balances also include provision for benefits under non-life contingent payout annuities and certain unearned revenues. The unearned revenue liability represents policy charges for services to be provided in future periods. The charges are deferred as incurred and are generally amortized over the expected life of the contract using the same methodology, factors, and assumption used to amortize DAC. See Note 9 for additional information regarding policyholders' account balances. Policyholders' account balances also include amounts representing the fair value of embedded derivative instruments associated with the index-linked feature of certain universal life and annuity products. For additional information regarding the valuation of these embedded derivatives, see Note 5.

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

Market risk benefit liabilities represents contracts or contract features that provide protection to the contractholder and exposes the Company to other than nominal capital market risk, primarily related to deferred annuities with guaranteed minimum benefits associated with annuities products including guaranteed minimum death benefits (“GMDB”), guaranteed minimum income benefits (“GMIB”), guaranteed minimum accumulation benefits (“GMAB”), guaranteed minimum withdrawal benefits (“GMWB”) and guaranteed minimum income and withdrawal benefits (“GMIWB”). The benefits are accounted for using a fair value measurement framework. If a contract contains multiple market risk benefits, the benefits are bundled together and accounted for as a single compound market risk benefit. Market risk benefits in an asset position are presented separately from those in a liability position as there is no legal right of offset between contracts. The fair value of market risk benefits is calculated as the present value of expected future benefit payments to contractholders less the present value of expected future rider fees attributable to the market risk benefit. The fair value of market risk benefits is based on assumptions a market participant would use in valuing market risk benefits. For additional information regarding the valuation of market risk benefits, see Note 5. On a quarterly basis, changes in the fair value of market risk benefits are recorded in net income, net of related hedges, in “Change in value of market risk benefits, net of related hedging gains (losses)”, except for the portion of the change attributable to changes in the Company’s NPR which is recorded in OCI. See Note 10 for additional information regarding market risk benefits.

Consistent with direct contracts, reinsurance agreements may also include features that meet the definition of an MRB and, if so, are accounted for at fair value. The fair value of direct or assumed MRBs reflects the Company’s NPR, while the fair value of ceded MRBs reflects the counterparty credit risk of the reinsurer. Changes in the fair value of ceded MRBs, including the impact of changes in counterparty credit risk, are recorded in net income in “Change in value of market risk benefits, net of related hedging gain (loss)”.

Other liabilities consists primarily of accrued expenses, reinsurance payables and technical overdrafts.

Separate account liabilities primarily represents the contractholders’ account balance in separate account assets and to a lesser extent borrowings of the separate account, and will be equal and offsetting to total separate account assets. See also “*Separate account assets*” above.

REVENUES AND BENEFITS AND EXPENSES

Insurance Revenue and Expense Recognition

Premiums from individual life products, other than universal and variable life contracts, are recognized when due. When premiums are due over a significantly shorter period than the period over which benefits are provided, any gross premium in excess of the net premium (i.e., the portion of the gross premium required to provide for all expected future policy benefits and non-level claim settlement expenses) is generally deferred and recognized into revenue in a constant relationship to insurance in force. Benefits are recorded as an expense when they are incurred. A liability for future policy benefits is recorded when premiums are recognized as described in “Future policy benefits” above.

Premiums from single premium immediate annuities with life contingencies are recognized when due. When premiums are due over a significantly shorter period than the period over which benefits are provided, any gross premium in excess of the net premium is generally deferred and recognized into revenue based on expected future benefit payments. Benefits are recorded as an expense when they are incurred. A liability for future policy benefits is recorded when premiums are recognized as described in “Future policy benefits” above.

Certain individual annuity contracts provide the contractholder a guarantee that the benefit received upon death or annuitization will be no less than a minimum prescribed amount. These benefits are generally accounted for as market risk benefits (see “*Market risk benefits*” above).

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

Amounts received from policyholders as payment for universal or variable individual life contracts, deferred fixed or variable annuities and other contracts without life contingencies are reported as deposits to “Policyholders’ account balances” and/or “Separate account liabilities.” Revenues from these contracts are reflected in “Policy charges and fee income” consisting primarily of fees assessed during the period against the policyholders’ account balances for mortality and other benefit charges, policy administration charges and surrender charges. In addition to fees, the Company earns investment income from the investment of deposits in the Company’s general account portfolio. Fees assessed that represent compensation to the Company for services to be provided in future periods and certain other fees are generally deferred and amortized into revenue over the life of the related contracts using the same methodology, factors, and assumption used to amortize DAC as described above. Benefits and expenses for these products include claims in excess of related account balances, expenses of contract administration, interest credited to policyholders’ account balances and amortization of DAC.

Policyholders’ account balances also includes amounts representing the fair value of embedded derivative instruments associated with the index-linked features of certain universal life and annuity products where changes in the value of the embedded derivatives are recorded through “Realized investment gains (losses), net”. For additional information regarding the valuation of these embedded derivatives, see Note 5.

Annual Assumptions Review

Annually, the Company performs a comprehensive review of the assumptions set for purposes of estimating future premiums, benefits, and other cash flows. Assumptions include those that are economic and those that are insurance related. Insurance related assumptions are based on the Company’s best estimates of future rates of mortality, morbidity, lapse, surrender, annuitization, expenses and other items. The Company generally looks to relevant Company experience as the primary basis for these assumptions. If relevant Company experience is not available or does not have sufficient credibility, the Company may look to experience of similar blocks of business, either in the Company or the industry. Mortality rate assumptions are generally based on Company experience, sometimes blending Company experience with an industry table where the Company experience alone is not sufficiently credible. The Company sets mortality and morbidity assumptions that vary by major type of business. Within type of business, rates vary by age and gender. The Company applies an adjustment for future mortality improvement, consistent with observed long-term trends of population mortality over time. Lapse and surrender assumptions are based on Company and industry experience, where available. The Company sets rates that vary by product type, taking into account features specific to the product.

As part of this review, the Company may update these assumptions and make refinements to its models based upon emerging experience, future expectations and other data, including any observable market data it feels is indicative of a long-term trend. These assumptions are generally updated annually, unless a material change is observed in an interim period that the Company feels is also indicative of a long-term trend. Generally, the Company does not expect trends to change significantly in the short-term and, to the extent these trends may change, it expects such changes to be gradual over the long-term.

The Company also performs a comprehensive review of the economic assumptions, including long-term interest rate assumptions and equity return assumptions that impact reserve calculations. The Company generally utilizes relevant economic outlook information and industry survey as the primary basis for these assumptions. The Company may use those economic assumptions to project future rates of return on investments.

Other ASUs adopted during the nine months ended September 30, 2023

The Company adopted ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosure, effective January 1, 2023, on a prospective basis. This ASU eliminates the accounting guidance for Troubled Debt Restructurings (“TDR”) for creditors and adds enhanced disclosure requirements. Following adoption of the ASU, all loan refinancings and restructurings are subject to the modification guidance in ASC 310-20. Specific to the accounting policy for commercial mortgage and other loans, adoption of the ASU resulted in the elimination of TDRs such that, on a prospective basis, all modifications are evaluated under the existing modification guidance in ASC 310-20 to determine whether a modification results in a new financial instrument or a continuation of the existing financial instrument. Furthermore, for modifications of loans that have a CECL allowance and result in a continuation of the existing loan, the CECL allowance of the loan is remeasured using the modified terms and the post-modification effective yield. Prior to the adoption of the ASU, if a loan modification was a TDR, the CECL allowance of the loan was remeasured using the modified terms and the loan’s original effective yield. Adoption of the ASU did not have a significant impact on the Company’s 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:

September 30, 2023					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
(in thousands)					
Fixed maturities, available-for-sale:					
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ 52,198	\$ 0	\$ 3,860	\$ 0	\$ 48,338
Obligations of U.S. states and their political subdivisions	184,523	85	17,348	0	167,260
Foreign government bonds	95,231	0	22,036	0	73,195
U.S. public corporate securities	1,501,837	1,015	264,566	0	1,238,286
U.S. private corporate securities	200,671	70	15,629	0	185,112
Foreign public corporate securities	189,857	34	36,183	0	153,708
Foreign private corporate securities	177,523	393	25,233	0	152,683
Asset-backed securities(1)	20,317	30	934	0	19,413
Commercial mortgage-backed securities	108,000	0	9,830	0	98,170
Residential mortgage-backed securities(2)	12,520	43	1,052	4	11,507
Total fixed maturities, available-for-sale	<u>\$ 2,542,677</u>	<u>\$ 1,670</u>	<u>\$ 396,671</u>	<u>\$ 4</u>	<u>\$ 2,147,672</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, 2022					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
(in thousands)					
Fixed maturities, available-for-sale:					
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ 62,210	\$ 0	\$ 1,074	\$ 0	\$ 61,136
Obligations of U.S. states and their political subdivisions	165,109	421	6,315	0	159,215
Foreign government bonds	87,853	1	15,891	0	71,963
U.S. public corporate securities	1,062,342	1,943	180,880	0	883,405
U.S. private corporate securities	186,123	141	13,465	358	172,441
Foreign public corporate securities	138,717	28	25,783	0	112,962
Foreign private corporate securities	133,074	523	21,562	0	112,035
Asset-backed securities(1)	18,358	272	256	0	18,374
Commercial mortgage-backed securities	124,486	0	8,595	0	115,891
Residential mortgage-backed securities(2)	12,446	92	467	5	12,066
Total fixed maturities, available-for-sale	<u>\$ 1,990,718</u>	<u>\$ 3,421</u>	<u>\$ 274,288</u>	<u>\$ 363</u>	<u>\$ 1,719,488</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:

	September 30, 2023					
	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)					
Fixed maturities, available-for-sale:						
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ 46,490	\$ 3,530	\$ 1,849	\$ 330	\$ 48,339	\$ 3,860
Obligations of U.S. states and their political subdivisions	99,347	9,611	52,887	7,737	152,234	17,348
Foreign government bonds	12,805	1,588	60,389	20,448	73,194	22,036
U.S. public corporate securities	439,014	38,246	763,745	226,320	1,202,759	264,566
U.S. private corporate securities	51,301	1,542	122,428	14,087	173,729	15,629
Foreign public corporate securities	41,688	3,695	96,962	32,488	138,650	36,183
Foreign private corporate securities	49,000	2,109	95,679	23,124	144,679	25,233
Asset-backed securities	7,979	822	7,543	112	15,522	934
Commercial mortgage-backed securities	0	0	98,169	9,830	98,169	9,830
Residential mortgage-backed securities	147	7	10,008	1,045	10,155	1,052
Total fixed maturities, available-for-sale	\$ 747,771	\$ 61,150	\$ 1,309,659	\$ 335,521	\$ 2,057,430	\$ 396,671

December 31, 2022												
Less Than Twelve Months				Twelve Months or More		Total						
Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses						
(in thousands)												
Fixed maturities, available-for-sale:												
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$	61,136	\$	1,074	\$	0	\$	0	\$	61,136	\$	1,074
Obligations of U.S. states and their political subdivisions		113,693		6,315		0		0		113,693		6,315
Foreign government bonds		46,826		5,741		24,746		10,150		71,572		15,891
U.S. public corporate securities		704,906		111,763		155,138		69,117		860,044		180,880
U.S. private corporate securities		149,670		11,857		9,273		1,608		158,943		13,465
Foreign public corporate securities		69,310		11,016		38,996		14,767		108,306		25,783
Foreign private corporate securities		62,044		12,499		33,858		9,063		95,902		21,562
Asset-backed securities		5,570		160		3,289		96		8,859		256
Commercial mortgage-backed securities		110,820		8,398		5,071		197		115,891		8,595
Residential mortgage-backed securities		10,509		467		0		0		10,509		467
Total fixed maturities, available-for-sale	\$	1,334,484	\$	169,290	\$	270,371	\$	104,998	\$	1,604,855	\$	274,288

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

As of September 30, 2023 and December 31, 2022, the gross unrealized losses on fixed maturity available-for-sale securities without an allowance of \$390.9 million and \$269.6 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 \$5.8 million and \$4.7 million, respectively, related to other than high or highest quality securities based on NAIC or equivalent rating. As of September 30, 2023, the \$335.5 million of gross unrealized losses of twelve months or more were concentrated in the Company’s corporate securities within the utility, consumer non-cyclical and finance sectors. As of December 31, 2022, the \$105.0 million of gross unrealized losses of twelve months or more were concentrated in the Company’s corporate securities within the finance, consumer non-cyclical and capital goods sectors.

In accordance with its policy described in Note 2 to the Financial Statements included in the Company’s restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company’s Current Report on Form 8-K filed on July 14, 2023, the Company concluded that an adjustment to earnings for credit losses related to these fixed maturity securities was not warranted at September 30, 2023. This conclusion was based on detailed analysis of the underlying credit and cash flows for each security. Gross unrealized losses are primarily attributable to increases in interest rates, general credit spread widening and foreign currency exchange rate movements. As of September 30, 2023, 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 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:

	September 30, 2023	
	Amortized Cost	Fair Value
	(in thousands)	
Fixed maturities, available-for-sale:		
Due in one year or less	\$ 67,911	\$ 65,077
Due after one year through five years	371,198	350,289
Due after five years through ten years	211,137	196,513
Due after ten years	1,751,594	1,406,703
Asset-backed securities	20,317	19,413
Commercial mortgage-backed securities	108,000	98,170
Residential mortgage-backed securities	12,520	11,507
Total fixed maturities, available-for-sale	\$ 2,542,677	\$ 2,147,672

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Fixed maturities, available-for-sale:				
Proceeds from sales(1)	\$ 987	\$ 4,741	\$ 2,820	\$ 33,745
Proceeds from maturities/prepayments	28,358	11,264	67,521	41,384
Gross investment gains from sales and maturities	44	(1,053)	49	(983)
Gross investment losses from sales and maturities	(44)	0	(469)	(2,972)
(Addition to) release of allowance for credit losses	(1)	385	359	1,052

(1) Excludes activity from non-cash related proceeds due to the timing of trade settlements of \$0.1 million and \$0.0 million for the nine months ended September 30, 2023 and 2022, respectively.

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

The following tables set forth the activity in the allowance for credit losses for fixed maturity securities, as of the dates indicated:

Three Months Ended September 30, 2023								
	U.S. Treasury Securities and Obligations of U.S. States	Foreign Government Bonds	U.S. and Foreign Corporate Securities	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Residential Mortgage-Backed Securities	Total	
	(in thousands)							
Fixed maturities, available-for-sale:								
Balance, beginning of period	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3	\$ 3	
Reductions for securities sold during the period	0	0	0	0	0	1	1	
Additions (reductions) on securities with previous allowance	0	0	0	0	0	0	0	
Balance, end of period	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 4</u>	
Three Months Ended September 30, 2022								
	U.S. Treasury Securities and Obligations of U.S. States	Foreign Government Bonds	U.S. and Foreign Corporate Securities	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Residential Mortgage-Backed Securities	Total	
	(in thousands)							
Fixed maturities, available-for-sale:								
Balance, beginning of period	\$ 0	\$ 0	\$ 891	\$ 0	\$ 0	\$ 0	\$ 891	
Additions (reductions) on securities with previous allowance	0	0	(388)	0	0	0	(388)	
Additions to allowance for credit losses not previously recorded	0	0	0	0	0	3	3	
Balance, end of period	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 503</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 506</u>	
Nine Months Ended September 30, 2023								
	U.S. Treasury Securities and Obligations of U.S. States	Foreign Government Bonds	U.S. and Foreign Corporate Securities	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Residential Mortgage-Backed Securities	Total	
	(in thousands)							
Fixed maturities, available-for-sale:								
Balance, beginning of period	\$ 0	\$ 0	\$ 358	\$ 0	\$ 0	\$ 5	\$ 363	
Reductions for securities sold during the period	0	0	(358)	0	0	0	(358)	
Additions (reductions) on securities with previous allowance	0	0	0	0	0	(1)	(1)	
Balance, end of period	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 4</u>	

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

	Nine Months Ended September 30, 2022							
	U.S. Treasury Securities and Obligations of U.S. States	Foreign Government Bonds	U.S. and Foreign Corporate Securities	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Residential Mortgage-Backed Securities	Total	
	(in thousands)							
Fixed maturities, available-for-sale:								
Balance, beginning of period	\$ 0	\$ 0	\$ 1,558	\$ 0	\$ 0	\$ 0	\$ 1,558	
Additions (reductions) on securities with previous allowance	0	0	(1,055)	0	0	0	(1,055)	
Additions to allowance for credit losses not previously recorded	0	0	0	0	0	3	3	
Balance, end of period	\$ 0	\$ 0	\$ 503	\$ 0	\$ 0	\$ 3	\$ 506	

See Note 2 to the Financial Statements included in the Company's restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023 for additional information about the Company's methodology for developing our allowance and expected losses.

For the three months ended September 30, 2023 there was a minimal increase in the allowance for credit loss on available-for-sale securities and for nine months ended September 30, 2023, the net decrease in the allowance for credit losses on available for-sale securities was primarily related to restructuring in the transportation sector within corporate securities. For both the three and nine months ended September 30, 2022, the net decrease in the allowance for credit losses on available-for-sale securities was primarily related to improved cash flows in the transportation sector within corporate securities.

The Company did not have any fixed maturity securities purchased with credit deterioration, as of both September 30, 2023 and December 31, 2022.

Fixed Maturities, Trading

The net change in unrealized gains (losses) from fixed maturities, trading still held at period end, recorded within "Other income (loss)," was \$(0.2) million and \$0.0 million during the three months ended September 30, 2023 and 2022, respectively, and \$0.0 million and \$(4.7) million during the nine months ended September 30, 2023 and 2022, respectively.

Equity Securities

The net change in unrealized gains (losses) from equity securities still held at period end, recorded within "Other income (loss)," was \$(0.1) million and \$(0.3) million during the three months ended September 30, 2023 and 2022, respectively, and \$0.0 million and \$(1.3) million during the nine months ended September 30, 2023 and 2022, respectively.

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

Commercial Mortgage and Other Loans

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

	September 30, 2023		December 31, 2022	
	Amount (in thousands)	% of Total	Amount (in thousands)	% of Total
Commercial mortgage and agricultural property loans by property type:				
Apartments/Multi-Family	\$ 63,269	34.0 %	\$ 62,434	42.0 %
Hospitality	12,582	6.8	12,996	8.7
Industrial	51,297	27.5	17,132	11.5
Office	8,090	4.3	10,568	7.1
Other	11,681	6.3	7,767	5.2
Retail	21,633	11.6	22,123	14.9
Total commercial mortgage loans	168,552	90.5	133,020	89.4
Agricultural property loans	17,652	9.5	15,567	10.6
Total commercial mortgage and agricultural property loans	186,204	100.0 %	148,587	100.0 %
Allowance for credit losses	(694)		(408)	
Total net commercial mortgage and other loans	\$ 185,510		\$ 148,179	

As of September 30, 2023, the commercial mortgage and agricultural property loans were secured by properties geographically dispersed throughout the United States with the largest concentrations in New Jersey (11%), Florida (10%), New York (8%), and included loans secured by properties in Europe (10%) and Mexico (2%).

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

	Three Months Ended September 30,					
	2023			2022		
	Commercial Mortgage Loans	Agricultural Property Loans	Total	Commercial Mortgage Loans	Agricultural Property Loans	Total
	(in thousands)					
Allowance, beginning of period	\$ 622	\$ 53	\$ 675	\$ 289	\$ 1	\$ 290
Addition to (release of) allowance for expected losses	19	0	19	(14)	0	(14)
Allowance, end of period	\$ 641	\$ 53	\$ 694	\$ 275	\$ 1	\$ 276

	Nine Months Ended September 30,					
	2023			2022		
	Commercial Mortgage Loans	Agricultural Property Loans	Total	Commercial Mortgage Loans	Agricultural Property Loans	Total
	(in thousands)					
Allowance, beginning of period	\$ 405	\$ 3	\$ 408	\$ 246	\$ 0	\$ 246
Addition to (release of) allowance for expected losses	236	50	286	29	1	30
Allowance, end of period	\$ 641	\$ 53	\$ 694	\$ 275	\$ 1	\$ 276

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 restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023 for additional information about the Company's methodology for developing our allowance and expected losses.

For the three months ended September 30, 2023, the net increase in the allowance for credit losses on commercial mortgage and other loans was primarily related to loan originations. For the three months ended September 30, 2022, the net decrease in the allowance for credit losses on commercial mortgage and other loans was primarily related to a net positive migration.

For the nine months ended September 30, 2023, the net increase in the allowance for credit losses on commercial mortgage and other loans was primarily related to loan originations. For the nine months ended September 30, 2022, the net increase in the allowance for credit losses on commercial mortgage and other loans was primarily related to an increase in the general allowance due to declining market conditions, partially offset by net positive migration.

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

September 30, 2023							
Amortized Cost by Origination Year							
2023	2022	2021	2020	2019	Prior	Total	
(in thousands)							
Commercial mortgage loans							
Loan-to-Value Ratio:							
0%-59.99%	\$ 7,415	\$ 19,912	\$ 777	\$ 0	\$ 16,123	\$ 46,204	\$ 90,431
60%-69.99%	2,332	15,000	1,962	2,198	11,501	4,056	37,049
70%-79.99%	31,528	0	0	0	3,892	1,603	37,023
80% or greater	0	0	0	0	1,007	3,042	4,049
Total	\$ 41,275	\$ 34,912	\$ 2,739	\$ 2,198	\$ 32,523	\$ 54,905	\$ 168,552
Debt Service Coverage Ratio:							
Greater or Equal to 1.2x	\$ 38,828	\$ 34,912	\$ 2,739	\$ 2,198	\$ 31,587	\$ 50,944	\$ 161,208
1.0 - 1.2x	2,447	0	0	0	0	3,042	5,489
Less than 1.0x	0	0	0	0	936	919	1,855
Total	\$ 41,275	\$ 34,912	\$ 2,739	\$ 2,198	\$ 32,523	\$ 54,905	\$ 168,552
Agricultural property loans							
Loan-to-Value Ratio:							
0%-59.99%	\$ 2,207	\$ 1,046	\$ 1,058	\$ 0	\$ 0	\$ 996	\$ 5,307
60%-69.99%	0	12,345	0	0	0	0	12,345
70%-79.99%	0	0	0	0	0	0	0
80% or greater	0	0	0	0	0	0	0
Total	\$ 2,207	\$ 13,391	\$ 1,058	\$ 0	\$ 0	\$ 996	\$ 17,652
Debt Service Coverage Ratio:							
Greater or Equal to 1.2x	\$ 2,207	\$ 13,391	\$ 1,058	\$ 0	\$ 0	\$ 996	\$ 17,652
1.0 - 1.2x	0	0	0	0	0	0	0
Less than 1.0x	0	0	0	0	0	0	0
Total	\$ 2,207	\$ 13,391	\$ 1,058	\$ 0	\$ 0	\$ 996	\$ 17,652

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

December 31, 2022							
Amortized Cost by Origination Year							
	2022	2021	2020	2019	2018	Prior	Total
(in thousands)							
Commercial mortgage loans							
Loan-to-Value Ratio:							
0%-59.99%	\$ 20,000	\$ 792	\$ 0	\$ 9,993	\$ 1,387	\$ 48,812	\$ 80,984
60%-69.99%	15,000	1,615	2,198	18,982	0	1,016	38,811
70%-79.99%	0	347	0	3,855	0	7,213	11,415
80% or greater	0	0	0	0	0	1,810	1,810
Total	<u>\$ 35,000</u>	<u>\$ 2,754</u>	<u>\$ 2,198</u>	<u>\$ 32,830</u>	<u>\$ 1,387</u>	<u>\$ 58,851</u>	<u>\$ 133,020</u>
Debt Service Coverage Ratio:							
Greater or Equal to 1.2x	\$ 35,000	\$ 2,754	\$ 2,198	\$ 27,697	\$ 1,387	\$ 40,285	\$ 109,321
1.0 - 1.2x	0	0	0	0	0	8,809	8,809
Less than 1.0x	0	0	0	5,133	0	9,757	14,890
Total	<u>\$ 35,000</u>	<u>\$ 2,754</u>	<u>\$ 2,198</u>	<u>\$ 32,830</u>	<u>\$ 1,387</u>	<u>\$ 58,851</u>	<u>\$ 133,020</u>
Agricultural property loans							
Loan-to-Value Ratio:							
0%-59.99%	\$ 1,078	\$ 1,092	\$ 0	\$ 0	\$ 0	\$ 1,052	\$ 3,222
60%-69.99%	12,345	0	0	0	0	0	12,345
70%-79.99%	0	0	0	0	0	0	0
80% or greater	0	0	0	0	0	0	0
Total	<u>\$ 13,423</u>	<u>\$ 1,092</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,052</u>	<u>\$ 15,567</u>
Debt Service Coverage Ratio:							
Greater or Equal to 1.2x	\$ 13,423	\$ 1,092	\$ 0	\$ 0	\$ 0	\$ 1,052	\$ 15,567
1.0 - 1.2x	0	0	0	0	0	0	0
Less than 1.0x	0	0	0	0	0	0	0
Total	<u>\$ 13,423</u>	<u>\$ 1,092</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,052</u>	<u>\$ 15,567</u>

See Note 2 to the Financial Statements included in the Company's restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023 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:

September 30, 2023						
	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	\$ 168,552	\$ 0	\$ 0	\$ 0	\$ 168,552	\$ 0
Agricultural property loans	17,652	0	0	0	17,652	0
Total	<u>\$ 186,204</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 186,204</u>	<u>\$ 0</u>

(1) As of September 30, 2023, 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 restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023.

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

	December 31, 2022					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	\$ 133,020	\$ 0	\$ 0	\$ 0	\$ 133,020	\$ 0	
Agricultural property loans	15,567	0	0	0	15,567	0	
Total	<u>\$ 148,587</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,587</u>	<u>\$ 0</u>	

(1) As of December 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 restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023.

For both the three and nine months ended September 30, 2023, 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.

For the three and nine months ended September 30, 2022, there were \$0.0 million and \$3.4 million commercial mortgage and other loans acquired, other than those through direct origination, and there were \$0.0 million and \$3.8 million commercial mortgage and other loans sold, respectively.

The Company did not have any commercial mortgage and other loans purchased with credit deterioration, as of both September 30, 2023 and December 31, 2022.

Other Invested Assets

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

	September 30, 2023	December 31, 2022
	(in thousands)	
LPs/LLCs:		
Equity method:		
Private equity	\$ 91,454	\$ 74,468
Hedge funds	46,597	42,472
Real estate-related	9,713	10,199
Subtotal equity method	<u>147,764</u>	<u>127,139</u>
Fair value:		
Private equity	238	279
Hedge funds	27	55
Real estate-related	1,630	2,055
Subtotal fair value	<u>1,895</u>	<u>2,389</u>
Total LPs/LLCs	<u>149,659</u>	<u>129,528</u>
Total other invested assets	<u>\$ 149,659</u>	<u>\$ 129,528</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:

	September 30, 2023	December 31, 2022
	(in thousands)	
Fixed maturities	\$ 26,564	\$ 18,653
Equity securities	92	1
Commercial mortgage and other loans	608	352
Policy loans	15,311	5,612
Short-term investments and cash equivalents	303	604
Total accrued investment income	<u>\$ 42,878</u>	<u>\$ 25,222</u>

There were no significant write-downs on accrued investment income for both the three and nine months ended September 30, 2023 and 2022.

Net Investment Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Fixed maturities, available-for-sale	\$ 27,365	\$ 18,145	\$ 73,676	\$ 54,152
Fixed maturities, trading	154	245	469	784
Equity securities	91	91	273	273
Commercial mortgage and other loans	2,149	1,069	5,973	3,212
Policy loans	12,845	2,219	22,935	7,790
Other invested assets	6,525	1,902	12,644	8,364
Short-term investments and cash equivalents	1,345	796	5,237	1,148
Gross investment income	50,474	24,467	121,207	75,723
Less: investment expenses	(1,115)	(1,017)	(3,214)	(3,040)
Net investment income	<u>\$ 49,359</u>	<u>\$ 23,450</u>	<u>\$ 117,993</u>	<u>\$ 72,683</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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Fixed maturities(1)	\$ (1)	\$ (668)	\$ (61)	\$ (2,903)
Commercial mortgage and other loans	(19)	14	(286)	(21)
Other invested assets	0	0	(14)	(51)
Derivatives(2)	16,371	2,107	3,742	25,842
Short term investments and cash equivalents	4	(6)	59	(35)
Realized investment gains (losses), net(2)	<u>\$ 16,355</u>	<u>\$ 1,447</u>	<u>\$ 3,440</u>	<u>\$ 22,832</u>

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

(2) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

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:

	September 30, 2023	December 31, 2022
	(in thousands)	
Fixed maturity securities, available-for-sale without an allowance	\$ (395,001)	\$ (270,867)
Derivatives designated as cash flow hedges(1)	12,588	14,102
Affiliated notes	0	59
Other investments	335	122
Net unrealized gains (losses) on investments	<u>\$ (382,078)</u>	<u>\$ (256,584)</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 September 30, 2023 and December 31, 2022, the Company had no repurchase agreements.

The following table sets forth the composition of “Cash collateral for loaned securities”, which represents the liability to return cash collateral received for the following types of securities loaned, as of the dates indicated:

	September 30, 2023			December 31, 2022		
	Remaining Contractual Maturities of the Agreements			Remaining Contractual Maturities of the Agreements		
	Overnight & Continuous	Up to 30 Days	Total	Overnight & Continuous	Up to 30 Days	Total
	(in thousands)					
U.S. public corporate securities	\$ 2,153	\$ 0	\$ 2,153	\$ 0	\$ 0	\$ 0
Total cash collateral for loaned securities(1)	<u>\$ 2,153</u>	<u>\$ 0</u>	<u>\$ 2,153</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(1) The Company did not have any agreements with remaining contractual maturities greater than thirty days, as of the dates indicated.

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 restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company’s Current Report on Form 8-K filed on July 14, 2023.

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 of the netting effects of master netting agreements and cash collateral.

Primary Underlying Risk/Instrument Type	September 30, 2023			December 31, 2022		
	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	\$ 157,707	\$ 12,685	\$ (732)	\$ 117,015	\$ 14,281	\$ (516)
Total Derivatives Designated as Hedge Accounting Instruments:	<u>\$ 157,707</u>	<u>\$ 12,685</u>	<u>\$ (732)</u>	<u>\$ 117,015</u>	<u>\$ 14,281</u>	<u>\$ (516)</u>
Derivatives Not Qualifying as Hedge Accounting Instruments:						
Interest Rate						
Interest Rate Swaps	\$ 30,200	\$ 0	\$ (614)	\$ 30,200	\$ 0	\$ (383)
Credit						
Credit Default Swaps	0	0	0	0	0	0
Currency/Interest Rate						
Foreign Currency Swaps	33,425	2,675	(80)	24,035	2,957	0
Foreign Currency						
Foreign Currency Forwards	16,815	374	(146)	7,520	3	(368)
Equity						
Equity Options	1,033,511	9,015	(33,824)	509,200	555	(20,562)
Total Derivatives Not Qualifying as Hedge Accounting Instruments:	<u>\$ 1,113,951</u>	<u>\$ 12,064</u>	<u>\$ (34,664)</u>	<u>\$ 570,955</u>	<u>\$ 3,515</u>	<u>\$ (21,313)</u>
Total Derivatives(1)(2)	<u>\$ 1,271,658</u>	<u>\$ 24,749</u>	<u>\$ (35,396)</u>	<u>\$ 687,970</u>	<u>\$ 17,796</u>	<u>\$ (21,829)</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 \$174 million and \$108 million as of September 30, 2023 and December 31, 2022, respectively included in "Policyholders' account balances".
- (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.

September 30, 2023					
	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)					
Offsetting of Financial Assets:					
Derivatives	\$ 24,749	\$ (24,749)	\$ 0	\$ 0	\$ 0
Securities purchased under agreements to resell	0	0	0	0	0
Total Assets	<u>\$ 24,749</u>	<u>\$ (24,749)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Offsetting of Financial Liabilities:					
Derivatives	\$ 35,396	\$ (24,749)	\$ 10,647	\$ (10,006)	\$ 641
Securities sold under agreements to repurchase	0	0	0	0	0
Total Liabilities	<u>\$ 35,396</u>	<u>\$ (24,749)</u>	<u>\$ 10,647</u>	<u>\$ (10,006)</u>	<u>\$ 641</u>

December 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)					
Offsetting of Financial Assets:					
Derivatives	\$ 17,796	\$ (17,796)	\$ 0	\$ 0	\$ 0
Securities purchased under agreements to resell	0	0	0	0	0
Total Assets	<u>\$ 17,796</u>	<u>\$ (17,796)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Offsetting of Financial Liabilities:					
Derivatives	\$ 21,829	\$ (17,796)	\$ 4,033	\$ (4,033)	\$ 0
Securities sold under agreements to repurchase	0	0	0	0	0
Total Liabilities	<u>\$ 21,829</u>	<u>\$ (17,796)</u>	<u>\$ 4,033</u>	<u>\$ (4,033)</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 14. 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 restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company’s Current Report on Form 8-K filed on July 14, 2023.

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 September 30, 2023					
	Realized Investment Gains (Losses)	Change in Value of Market Risk Benefits, Net of Related Hedging Gain (Loss)	Net Investment Income	Other Income	Change in AOCI
(in thousands)					
Derivatives Designated as Hedge Accounting Instruments:					
Cash flow hedges					
Currency/Interest Rate	\$ (678)	\$ 0	\$ 464	\$ 672	\$ 737
Total cash flow hedges	(678)	0	464	672	737
Derivatives Not Qualifying as Hedge Accounting Instruments:					
Interest Rate	(324)	0	0	0	0
Currency	340	0	0	0	0
Currency/Interest Rate	213	0	0	5	0
Credit	0	0	0	0	0
Equity	(5,724)	0	0	0	0
Embedded Derivatives	22,544	0	0	0	0
Total Derivatives Not Qualifying as Hedge Accounting Instruments	17,049	0	0	5	0
Total	\$ 16,371	\$ 0	\$ 464	\$ 677	\$ 737

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

	Nine Months Ended September 30, 2023				
	Realized Investment Gains (Losses)	Change in Value of Market Risk Benefits, Net of Related Hedging Gain (Loss)	Net Investment Income	Other Income	Change in AOCI
	(in thousands)				
Derivatives Designated as Hedge Accounting Instruments:					
Cash flow hedges					
Currency/Interest Rate	\$ (621)	\$ 0	\$ 1,415	\$ 409	\$ (1,514)
Total cash flow hedges	(621)	0	1,415	409	(1,514)
Derivatives Not Qualifying as Hedge Accounting Instruments:					
Interest Rate	(582)	0	0	0	0
Currency	225	0	0	0	0
Currency/Interest Rate	(45)	0	0	(6)	0
Credit	0	0	0	0	0
Equity	5,889	0	0	0	0
Embedded Derivatives	(1,124)	0	0	0	0
Total Derivatives Not Qualifying as Hedge Accounting Instruments	4,363	0	0	(6)	0
Total	\$ 3,742	\$ 0	\$ 1,415	\$ 403	\$ (1,514)
	Three Months Ended September 30, 2022				
	Realized Investment Gains (Losses)(1)	Change in Value of Market Risk Benefits, Net of Related Hedging Gain (Loss)(1)	Net Investment Income	Other Income	Change in AOCI
	(in thousands)				
Derivatives Designated as Hedge Accounting Instruments:					
Cash flow hedges					
Currency/Interest Rate	\$ 614	\$ 0	\$ 475	\$ 580	\$ 7,594
Total cash flow hedges	614	0	475	580	7,594
Derivatives Not Qualifying as Hedge Accounting Instruments:					
Interest Rate	(859)	0	0	0	0
Currency	404	0	0	0	0
Currency/Interest Rate	785	0	0	(2)	0
Credit	0	0	0	0	0
Equity	(2,197)	0	0	0	0
Embedded Derivatives	3,360	0	0	0	0
Total Derivatives Not Qualifying as Hedge Accounting Instruments	1,493	0	0	(2)	0
Total	\$ 2,107	\$ 0	\$ 475	\$ 578	\$ 7,594

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

	Nine Months Ended September 30, 2022				
	Realized Investment Gains (Losses)(1)	Change in Value of Market Risk Benefits, Net of Related Hedging Gain (Loss)(1)	Net Investment Income	Other Income	Change in AOCI
	(in thousands)				
Derivatives Designated as Hedge Accounting Instruments:					
Cash flow hedges					
Currency/Interest Rate	\$ 737	\$ 0	\$ 1,392	\$ 1,625	\$ 17,380
Total cash flow hedges	737	0	1,392	1,625	17,380
Derivatives Not Qualifying as Hedge Accounting Instruments:					
Interest Rate	(2,621)	0	0	0	0
Currency	892	0	0	0	0
Currency/Interest Rate	3,921	0	0	46	0
Credit	0	0	0	0	0
Equity	(13,763)	0	0	0	0
Embedded Derivatives	36,676	0	0	0	0
Total Derivatives Not Qualifying as Hedge Accounting Instruments	25,105	0	0	46	0
Total	\$ 25,842	\$ 0	\$ 1,392	\$ 1,671	\$ 17,380

(1) Amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

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

	(in thousands)
Balance, December 31, 2022	\$ 14,102
Amount recorded in AOCI	
Currency/Interest Rate	(311)
Total amount recorded in AOCI	(311)
Amount reclassified from AOCI to income	
Currency/Interest Rate	(1,203)
Total amount reclassified from AOCI to income	(1,203)
Balance, September 30, 2023	\$ 12,588

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 September 30, 2023 values, it is estimated that a pre-tax gain of \$1.9 million is expected to be reclassified from AOCI to earnings during the subsequent twelve months ending September 30, 2024.

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 September 30, 2023 and December 31, 2022.

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 regulated derivatives exchanges for exchange traded derivatives and 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 restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023.

As a result of the adoption of ASU 2018-12 in the first quarter of 2023, the Company is required to measure all market risk benefits (e.g., living benefit and death benefit guarantees associated with variable annuities) at fair value. Market risk benefit liabilities (or assets) represent contracts or contract features that provide protection to the contractholder and exposes the Company to other than nominal capital market risk, primarily related to deferred annuities with guaranteed minimum benefits in the annuities products including GMDB, GMIB, GMAB, GMWB and GMIWB. The benefits are bundled together and accounted for as single compound market risk benefits using a fair value measurement framework.

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

The fair value of these market risk benefits is calculated as the present value of expected future benefit payments to contractholders less the present value of expected future rider fees attributable to the market risk benefit. The fair value of these benefit features is based on assumptions a market participant would use in valuing market risk benefits. This methodology could result in either a liability or asset balance, given changing capital market conditions and various actuarial assumptions. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally-developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment.

The significant inputs to the valuation models for these market risk benefits include capital market assumptions, such as interest rate levels and volatility assumptions, the Company's market-perceived NPR, as well as actuarially determined assumptions, including contractholder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates. Since many of these assumptions are unobservable and are considered to be significant inputs to the valuations, the assets and liabilities included in market risk benefits have been reflected within Level 3 in the fair value hierarchy.

Capital market inputs and actual policyholders' account values are updated each quarter based on capital market conditions as of the end of the quarter, including interest rates, equity markets and volatility. In the risk neutral valuation, the initial swap curve drives the total return used to grow the policyholders' account values. The Company's discount rate assumption is based on the SOFR swap curve adjusted for an additional spread relative to SOFR to reflect the Company's market-perceived 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 the Company issued 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 are insurance liabilities and are therefore senior to debt.

Actuarial assumptions, including contractholder behavior and mortality, are reviewed at least annually, and updated based upon company emerging experience and industry studies, future expectations and other data, including any observable market data. These assumptions are generally updated annually unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period. See "Annual Assumptions Review" in Note 2 for additional information.

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.

	September 30, 2023				
	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	\$ 48,338	\$ 0	\$	48,338
Obligations of U.S. states and their political subdivisions	0	167,260	0		167,260
Foreign government bonds	0	73,195	0		73,195
U.S. corporate public securities	0	1,238,286	0		1,238,286
U.S. corporate private securities	0	170,450	14,662		185,112
Foreign corporate public securities	0	153,708	0		153,708
Foreign corporate private securities	0	147,801	4,882		152,683
Asset-backed securities(2)	0	19,413	0		19,413
Commercial mortgage-backed securities	0	79,266	18,904		98,170
Residential mortgage-backed securities	0	11,507	0		11,507
Subtotal	0	2,109,224	38,448		2,147,672
Market risk benefit assets	0	0	488,815		488,815
Fixed maturities, trading	0	22,407	0		22,407
Equity securities	0	70	4,350		4,420
Short-term investments	0	2,000	0		2,000
Cash equivalents	0	62,800	0		62,800
Other invested assets(3)	0	24,749	0	(24,749)	0
Reinsurance recoverable	0	0	15,544		15,544
Subtotal excluding separate account assets	0	2,221,250	547,157	(24,749)	2,743,658
Separate account assets(4)(5)	0	12,009,282	0		12,009,282
Total assets	\$ 0	\$ 14,230,532	\$ 547,157	\$ (24,749)	\$ 14,752,940
Market risk benefit liabilities	\$ 0	\$ 0	\$ 488,815	\$	488,815
Policyholders' account balances	0	0	173,627		173,627
Payables to parent and affiliates	0	35,396	0	(24,749)	10,647
Total liabilities	\$ 0	\$ 35,396	\$ 662,442	\$ (24,749)	\$ 673,089

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

	December 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	\$ 61,136	\$ 0	\$ 0	\$ 61,136
Obligations of U.S. states and their political subdivisions	0	159,215	0		159,215
Foreign government bonds	0	71,963	0		71,963
U.S. corporate public securities	0	883,405	0		883,405
U.S. corporate private securities	0	168,638	3,803		172,441
Foreign corporate public securities	0	112,962	0		112,962
Foreign corporate private securities	0	112,035	0		112,035
Asset-backed securities(2)	0	18,374	0		18,374
Commercial mortgage-backed securities	0	95,190	20,701		115,891
Residential mortgage-backed securities	0	12,066	0		12,066
Subtotal	0	1,694,984	24,504		1,719,488
Market risk benefit assets(6)	0	0	558,624		558,624
Fixed maturities, trading	0	23,782	0		23,782
Equity securities	0	67	4,291		4,358
Short-term investments	0	3,000	0		3,000
Cash equivalents	0	245,302	0		245,302
Other invested assets(3)	0	17,796	0	(17,796)	0
Receivables from parent and affiliates	0	688	0		688
Subtotal excluding separate account assets	0	1,985,619	587,419	(17,796)	2,555,242
Separate account assets(4)(5)	0	12,014,623	0		12,014,623
Total assets	\$ 0	\$ 14,000,242	\$ 587,419	\$ (17,796)	\$ 14,569,865
Market risk benefit liabilities(6)	\$ 0	\$ 0	\$ 558,624	\$ 0	\$ 558,624
Policyholders' account balances	0	0	108,144		108,144
Payables to parent and affiliates	0	21,829	0	(17,796)	4,033
Total liabilities	\$ 0	\$ 21,829	\$ 666,768	\$ (17,796)	\$ 670,801

(1) "Netting" amounts represent cash collateral of \$0 million as of both September 30, 2023 and December 31, 2022.

(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 September 30, 2023 and December 31, 2022, the fair values of such investments were \$1.9 million and \$2.4 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 September 30, 2023 and December 31, 2022, the fair value of such investments were \$1,086 million and \$1,912 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) Amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

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 regarding significant internally-priced Level 3 assets and liabilities.

September 30, 2023							
	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average	Impact of Increase in Input on Fair Value(1)
Assets:							
Corporate securities(2)	\$ 12,319	Discounted cash flow	Discount rate	11.71 %	13.31 %	12.47 %	Decrease
Commercial mortgage-backed securities	\$ 18,904	Discounted cash flow	Liquidity premium	0.60 %	0.75 %	0.69 %	Decrease
Market risk benefit assets(3)	\$ 488,815	Discounted cash flow	Lapse rate(4)	1 %	20 %		Increase
			Spread over SOFR(5)	0.48 %	2.10 %		Increase
			Utilization rate(6)	38 %	95 %		Decrease
			Withdrawal rate		See table footnote (7) below.		
			Mortality rate(8)	0 %	15 %		Increase
			Equity volatility curve	15 %	25 %		Decrease
Liabilities:							
Market risk benefit liabilities(3)	\$ 488,815	Discounted cash flow	Lapse rate(4)	1 %	20 %		Decrease
			Spread over SOFR(5)	0.48 %	2.10 %		Decrease
			Utilization rate(6)	38 %	95 %		Increase
			Withdrawal rate		See table footnote (7) below.		
			Mortality rate(8)	0 %	15 %		Decrease
			Equity volatility curve	15 %	25 %		Increase
Policyholders' account balances(9)	\$ 173,627	Discounted cash flow	Lapse rate(4)	1 %	80 %		Decrease
			Spread over SOFR(5)	0.48 %	2.15 %		Decrease
			Mortality rate(8)	0 %	23 %		Decrease
			Equity volatility curve	12 %	28 %		Increase
			Option budget(10)	(1)%	6 %		Increase

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

December 31, 2022

	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average	Impact of Increase in Input on Fair Value(1)
Assets:							
Corporate securities(2)	\$ 3,803	Discounted cash flow	Discount rate	10.18 %	10.18 %	10.18 %	Decrease
Commercial mortgage-backed securities	\$ 20,701	Discounted cash flow	Liquidity premium	60 %	75 %	69.05 %	Decrease
Market risk benefit assets(3)(11)	\$ 558,624	Discounted cash flow	Lapse rate(4)	1 %	20 %		Increase
			Spread over SOFR(5)	0.50 %	2.20 %		Increase
			Utilization rate(6)	38 %	95 %		Decrease
			Withdrawal rate		See table footnote (7) below.		
			Mortality rate(8)	0 %	15 %		Increase
			Equity volatility curve	18 %	26 %		Decrease
Liabilities:							
Market risk benefit liabilities(3)(11)	\$ 558,624	Discounted cash flow	Lapse rate(4)	1 %	20 %		Decrease
			Spread over SOFR(5)	0.50 %	2.20 %		Decrease
			Utilization rate(6)	38 %	95 %		Increase
			Withdrawal rate		See table footnote (7) below.		
			Mortality rate(8)	0 %	15 %		Decrease
			Equity volatility curve	18 %	26 %		Increase
Policyholders' account balances(9)	\$ 108,144	Discounted cash flow	Lapse rate(4)	1 %	6 %		Decrease
			Spread over SOFR(5)	0.53 %	2.26 %		Decrease
			Mortality rate(8)	0 %	23 %		Decrease
			Equity volatility curve	18 %	28 %		Increase

(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) Market risk benefits primarily represent fair value for all living benefit guarantees including accumulation, withdrawal and income benefits. Since the valuation methodology for these assets and 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) 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.

(5) The spread over the Secured Overnight Financing Rate ("SOFR") swap curve and the London Inter-Bank Offered Rate ("LIBOR") swap curve represents the premium added to the proxy for the risk-free rate (SOFR or LIBOR, as applicable) 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 as of September 30, 2023 and December 31, 2022, respectively. 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 are insurance liabilities and are therefore senior to debt.

(6) 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.

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

- (7) 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 September 30, 2023 and December 31, 2022, the minimum withdrawal rate assumption is 81% and 77%, respectively. As of September 30, 2023 and December 31, 2022, 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%.
- (8) The range reflects the mortality rates for the vast majority of business with living benefits and other contracts, with policyholders ranging from 50 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.
- (9) Policyholders' account balances primarily represent general account liabilities for the index-linked interest credited on certain of the Company's life and annuity 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.
- (10) Option budget estimates the expected long-term cost of options used to hedge exposures associated with equity price and interest rate changes. The level of option budgets determines future costs of the options, which impacts the growth in account value and the valuation of embedded derivatives.
- (11) Amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

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.

Commercial Mortgage-backed Securities – Interrelationships may exist between the prepayment rate, the default rate and/ or loss severity, depending on specific market conditions. In stronger economic cycles, prepayment rates are generally driven by underlying property appreciation and subsequent cash-out refinances, while default rates and loss severity may be lower. During weaker economic cycles, prepayment rates may decline, while default rates and loss severity increase. Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates. The impact of these factors on average life and economics varies with the deal structure and tranche subordination.

Market Risk Benefits – The Company expects efficient benefit utilization and withdrawal rates to generally be correlated with lapse rates. However, behavior is generally 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 (excluding MRBs disclosed in Note 10). 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 September 30, 2023(5)(6)											
	Fair Value, beginning of period	Total realized and unrealized gains (losses)	Purchases	Sales	Issuances	Settlements	Other	Transfers into Level 3	Transfers out of Level 3	Fair Value, end of period	Unrealized gains (losses) for assets still held(1)	
	(in thousands)											
Fixed maturities, available-for-sale:												
Corporate securities(2)	\$ 12,579	\$ (200)	\$ 5,431	\$ 0	\$ 0	\$ (53)	\$ 0	\$ 5,550	\$ (3,763)	\$ 19,544	\$ (200)	
Structured securities(3)	19,838	(843)	0	0	0	(91)	0	0	0	18,904	(835)	
Other assets:												
Equity securities	4,416	(96)	30	0	0	0	0	0	0	4,350	(96)	
Reinsurance recoverables	1,465	14,079	0	0	0	0	0	0	0	15,544	14,079	
Liabilities:												
Policyholders' account balances(4)	(160,503)	8,155	0	0	(21,279)	0	0	0	0	(173,627)	3,877	

Three Months Ended September 30, 2023(5)												
	Total realized and unrealized gains (losses)				Unrealized gains (losses) for assets still held(1)							
	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)	Net investment income	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)					
(in thousands)												
Fixed maturities, available-for-sale	\$ 0	\$ 0	\$ (1,034)	\$ (9)	\$ 0	\$ 0	\$ (1,035)					
Other assets:												
Equity securities	0	(96)	0	0	0	(96)	0					
Reinsurance recoverables	14,079	0	0	0	14,079	0	0					
Liabilities:												
Policyholders' account balances	8,155	0	0	0	3,877	0	0					

	Nine Months Ended September 30, 2023(5)(6)											
	Fair Value, beginning of period	Total realized and unrealized gains (losses)	Purchases	Sales	Issuances	Settlements	Other	Transfers into Level 3	Transfers out of Level 3	Fair Value, end of period	Unrealized gains (losses) for assets still held(1)	
	(in thousands)											
Fixed maturities, available-for-sale:												
Corporate securities(2)	\$ 3,803	\$ (214)	\$ 18,070	\$ 0	\$ 0	\$ (3,902)	\$ 0	\$ 5,550	\$ (3,763)	\$ 19,544	\$ (258)	
Structured securities(3)	20,701	(1,494)	0	0	0	(303)	0	0	0	18,904	(1,462)	
Other assets:												
Equity securities	4,291	29	30	0	0	0	0	0	0	4,350	29	
Reinsurance recoverables	0	15,544	0	0	0	0	0	0	0	15,544	15,544	
Liabilities:												
Policyholders' account balances(4)	(108,144)	(16,593)	0	0	(48,890)	0	0	0	0	(173,627)	(18,209)	

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

Nine Months Ended September 30, 2023(5)								
	Total realized and unrealized gains (losses)				Unrealized gains (losses) for assets still held(1)			
	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)	Net investment income	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)	
	(in thousands)							
Fixed maturities, available-for-sale	\$	(2)	\$	0	\$	(1,682)	\$	(24)
Other assets:								
Equity securities		0		29		0		0
Reinsurance recoverables		15,544		0		0		0
Liabilities:								
Policyholders' account balances		(16,593)		0		0		0

Three Months Ended September 30, 2022(5)(6)												
	Fair Value, beginning of period	Total realized and unrealized gains (losses)	Purchases	Sales	Issuances	Settlements	Other	Transfers into Level 3	Transfers out of Level 3	Fair Value, end of period	Unrealized gains (losses) for assets still held(1)	
	(in thousands)											
Fixed maturities, available-for-sale:												
Corporate securities(2)	\$	3,271	\$	388	\$	0	\$	0	\$	0	\$	3,659
Structured securities(3)		22,170		(679)		0		(85)		0		(320)
Other assets:												
Equity securities		4,853		(342)		0		0		0		4,511
Liabilities:												
Policyholders' account balances(4)		(112,672)		3,226		0		0		8,694		0

Three Months Ended September 30, 2022(5)												
	Total realized and unrealized gains (losses)				Unrealized gains (losses) for assets still held(1)							
	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)	Net investment income	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)		Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)	
	(in thousands)											
Fixed maturities, available-for-sale	\$	389	\$	0	\$	(671)	\$	(9)	\$	388	\$	0
Other assets:												
Equity securities		0		(342)		0		0		0		(342)
Liabilities:												
Policyholders' account balances		3,226		0		0		0		806		0

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

	Nine Months Ended September 30, 2022(5)(6)											
	Fair Value, beginning of period	Total realized and unrealized gains (losses)	Purchases	Sales	Issuances	Settlements	Other	Transfers into Level 3	Transfers out of Level 3	Fair Value, end of period	Unrealized gains (losses) for assets still held(1)	
	(in thousands)											
Fixed maturities, available-for-sale:												
Corporate securities(2)	\$ 24,319	\$ (1,809)	\$ 0	\$ 0	\$ 0	(632)	\$ 0	\$ 0	\$ (18,219)	\$ 3,659	(1,766)	
Structured securities(3)	27,274	(5,903)	320	0	0	(285)	0	0	(320)	21,086	(5,886)	
Other assets:												
Equity securities	5,812	(1,301)	0	0	0	0	0	0	0	4,511	(1,302)	
Liabilities:												
Policyholders' account balances(4)	(153,127)	35,383	0	0	16,992	0	0	0	0	(100,752)	33,842	

Nine Months Ended September 30, 2022(5)									
	Total realized and unrealized gains (losses)				Unrealized gains (losses) for assets still held(1)				
	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)	Net investment income	Realized investment gains (losses), net	Other income (loss)	Included in other comprehensive income (loss)		
(in thousands)									
Fixed maturities, available-for-sale	\$ 1,056	\$ 0	\$ (8,750)	\$ (18)	\$ 1,055	\$ 0	\$ (8,707)		
Other assets:									
Equity securities	0	(1,301)	0	0	0	(1,302)	0		
Liabilities:									
Policyholders' account balances	35,383	0	0	0	33,842	0	0		

(1) 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.

(2) Includes U.S. corporate private securities and foreign corporate private securities.

(3) Includes commercial mortgage-backed securities.

(4) Issuances and settlements for Policyholders' account balances are presented net in the rollforward.

(5) Effective January 1, 2021, Future policy benefits previously included in "Changes in Level 3 Assets and Liabilities" are now reported as Market Risk Benefits. See Note 10 for additional information.

(6) Excludes MRB assets of \$489 million and \$595 million and MRB liabilities of \$489 million and \$595 million for period ending September 30, 2023 and 2022, respectively. See Note 10 for additional information.

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

Fair Value of Financial Instruments

The tables below present 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.

September 30, 2023					
	Fair Value				Carrying Amount(1)
	Level 1	Level 2	Level 3	Total	Total
(in thousands)					
Assets:					
Commercial mortgage and other loans	\$ 0	\$ 0	\$ 175,433	\$ 175,433	\$ 185,510
Policy loans	0	0	1,112,583	1,112,583	1,112,583
Short-term investments	2,500	0	0	2,500	2,500
Cash and cash equivalents	(30)	0	0	(30)	(30)
Accrued investment income	0	42,878	0	42,878	42,878
Reinsurance recoverables	0	0	22,899	22,899	24,942
Receivables from parent and affiliates	0	17,295	0	17,295	17,295
Other assets	0	4,702	0	4,702	4,702
Total assets	<u>\$ 2,470</u>	<u>\$ 64,875</u>	<u>\$ 1,310,915</u>	<u>\$ 1,378,260</u>	<u>\$ 1,390,380</u>
Liabilities:					
Policyholders' account balances - investment contracts	\$ 0	\$ 149,729	\$ 32,449	\$ 182,178	\$ 184,221
Cash collateral for loaned securities	0	2,153	0	2,153	2,153
Payables to parent and affiliates	0	22	0	22	22
Other liabilities	0	55,875	0	55,875	55,875
Total liabilities	<u>\$ 0</u>	<u>\$ 207,779</u>	<u>\$ 32,449</u>	<u>\$ 240,228</u>	<u>\$ 242,271</u>

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

December 31, 2022					
	Fair Value				Carrying Amount(1)
	Level 1	Level 2	Level 3	Total	Total
(in thousands)					
Assets:					
Commercial mortgage and other loans	\$ 0	\$ 0	\$ 141,513	\$ 141,513	\$ 148,179
Policy loans	0	0	212,063	212,063	212,063
Short-term investments	4,000	0	0	4,000	4,000
Cash and cash equivalents	10,465	0	0	10,465	10,465
Accrued investment income	0	25,222	0	25,222	25,222
Reinsurance recoverables	0	0	25,127	25,127	27,183
Receivables from parent and affiliates	0	18,660	0	18,660	18,660
Other assets	0	3,852	0	3,852	3,852
Total assets	\$ 14,465	\$ 47,734	\$ 378,703	\$ 440,902	\$ 449,624
Liabilities:					
Policyholders' account balances - investment contracts	\$ 0	\$ 180,576	\$ 36,746	\$ 217,322	\$ 219,378
Payables to parent and affiliates	0	3,513	0	3,513	3,513
Other liabilities	0	51,312	0	51,312	51,312
Total liabilities	\$ 0	\$ 235,401	\$ 36,746	\$ 272,147	\$ 274,203

(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. DEFERRED POLICY ACQUISITION COSTS AND DEFERRED REINSURANCE

Deferred Policy Acquisition Costs

The following tables show a rollforward for the lines of business that contain DAC balances, along with a reconciliation to the Company's total DAC balance:

	Nine Months Ended September 30, 2023		
	Term Life	Variable / Universal Life	Total
(in thousands)			
Balance, beginning of period	\$ 70,213	\$ 281,661	\$ 351,874
Capitalization	13,334	31,310	44,644
Amortization expense	(5,347)	(10,009)	(15,356)
Balance, end of period	<u>\$ 78,200</u>	<u>\$ 302,962</u>	<u>\$ 381,162</u>

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

	Nine Months Ended September 30, 2022		
	Term Life	Variable / Universal Life	Total
	(in thousands)		
Balance, beginning of period	\$ 62,091	\$ 246,653	\$ 308,744
Capitalization	11,563	36,227	47,790
Amortization expense	(5,010)	(9,322)	(14,332)
Other	(43)	(6)	(49)
Balance, end of period	<u>\$ 68,601</u>	<u>\$ 273,552</u>	<u>\$ 342,153</u>

Deferred Reinsurance Losses

The following tables show a rollforward of DRL balances for variable annuity products, which is the only line of business that contains a DRL balance, along with a reconciliation to the Company's total DRL balance:

	Nine Months Ended September 30, 2023	
	Variable Annuities	
	(in thousands)	
Balance, beginning of period	\$	17,425
Amortization expense		(1,091)
Other		(8)
Balance, end of period	<u>\$</u>	<u>16,326</u>

	Nine Months Ended September 30, 2022	
	Variable Annuities	
	(in thousands)	
Balance, beginning of period	\$	18,977
Amortization expense		(1,164)
Other		(8)
Balance, end of period	<u>\$</u>	<u>17,805</u>

7. SEPARATE ACCOUNTS

The Company issues variable annuity and variable life insurance contracts through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contractholder. Most variable annuity and variable life insurance contracts are offered with both separate and general account options. See Note 9 for additional information.

The assets supporting the variable portion of variable annuity and variable life insurance contracts are carried at fair value and reported as “Separate account assets” with an equivalent amount reported as “Separate account liabilities”. The liabilities related to the net amount at risk are reflected within future policy benefits or market risk benefits. Amounts assessed against the contractholders for mortality, administration, and other services are included within revenue in “Policy charges and fee income” and changes in liabilities for minimum guarantees are generally included in “Policyholders’ benefits” or “Realized investment gains (losses), net”.

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

Separate Account Assets

The aggregate fair value of assets, by major investment asset category, supporting separate accounts is as follows:

	September 30, 2023	December 31, 2022
	(in thousands)	
Asset Type:		
Mutual funds:		
Equity	\$ 7,358,222	\$ 7,430,452
Fixed Income	3,991,860	3,973,001
Other	659,200	611,170
Other invested assets	1,086,044	1,912,335
Total	<u>\$ 13,095,326</u>	<u>\$ 13,926,958</u>

For the nine months ended September 30, 2023 and year ended December 31, 2022, there were no transfers of assets, other than cash, from the general account to a separate account; therefore, no gains or losses were recorded.

Separate Account Liabilities

The balances of and changes in separate account liabilities as of and for the periods indicated are as follows:

	Nine Months Ended September 30, 2023		
	Variable Annuities	Variable Life	Total
	(in thousands)		
Balance, beginning of period	\$ 8,928,568	\$ 4,998,390	\$ 13,926,958
Deposits	31,399	143,987	175,386
Investment performance	375,821	425,803	801,624
Policy charges	(165,745)	(76,929)	(242,674)
Surrenders and withdrawals	(618,886)	(36,759)	(655,645)
Benefit payments	(4,960)	(31,669)	(36,629)
Net transfers (to) from general account(1)	(5,486)	(883,977)	(889,463)
Other	837	14,932	15,769
Balance, end of period	<u>\$ 8,541,548</u>	<u>\$ 4,553,778</u>	<u>\$ 13,095,326</u>
Cash surrender value(2)	\$ 8,397,330	\$ 4,446,055	\$ 12,843,385

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

	Nine Months Ended September 30, 2022		
	Variable Annuities	Variable Life	Total
	(in thousands)		
Balance, beginning of period	\$ 11,982,322	\$ 5,940,046	\$ 17,922,368
Deposits	56,196	144,600	200,796
Investment performance	(2,561,767)	(1,178,266)	(3,740,033)
Policy charges	(182,848)	(75,874)	(258,722)
Surrenders and withdrawals	(579,845)	(30,714)	(610,559)
Benefit payments	(4,220)	(37,552)	(41,772)
Net transfers (to) from general account	(1,595)	(27,689)	(29,284)
Other	861	5,815	6,676
Balance, end of period	<u>\$ 8,709,104</u>	<u>\$ 4,740,366</u>	<u>\$ 13,449,470</u>
Cash surrender value(2)	\$ 8,517,445	\$ 4,645,513	\$ 13,162,958

(1) Variable life includes \$900 million of funding for a policy loan to an affiliated irrevocable trust. See Note 14 for additional information.

(2) Represents the amount of the contractholder's account balances distributable at the balance sheet date less certain surrender charges.

8. LIABILITY FOR FUTURE POLICY BENEFITS

Liability for Future Policy Benefits primarily consists of the following sub-components, which are discussed in greater detail below.

- Benefit Reserves;
- Deferred Profit Liability; and
- Additional Insurance Reserves

In 2023, the Company recognized an immaterial impact to net income attributable to the actuarial assumption update for direct and assumed benefit reserves. Additionally, the Company recognized an unfavorable impact to net income attributable to the actuarial assumption update and other refinements for direct and assumed additional insurance reserves, primarily due to unfavorable model refinements, partially offset by favorable updates to economic assumptions, including expected future rates of returns on investments on universal life policies with secondary guarantees.

In 2022, the Company recognized an unfavorable impact to net income attributable to the actuarial assumption update for direct and assumed benefit reserves, primarily due to updates to mortality assumptions on individual term life insurance. Additionally, the Company recognized an unfavorable impact to net income attributable to the actuarial assumption update and other refinements for direct and assumed additional insurance reserves, primarily due to updates to policyholder behavior assumptions on universal life policies with secondary guarantees.

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

Benefit Reserves

The balances of and changes in Benefit Reserves as of and for the periods indicated consist of the three tables presented below: Present Value of Expected Net Premiums rollforward, Present Value of Expected Future Policy Benefits rollforward, and Net Liability for Future Policy Benefits.

Nine Months Ended September 30, 2023			
Present Value of Expected Net Premiums			
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance, beginning of period	\$ 1,416,807	\$ 0	\$ 1,416,807
Effect of cumulative changes in discount rate assumptions, beginning of period	73,563	0	73,563
Balance at original discount rate, beginning of period	1,490,370	0	1,490,370
Effect of assumption update	(152)	0	(152)
Effect of actual variances from expected experience and other activity	(40,803)	(554)	(41,357)
Adjusted balance, beginning of period	1,449,415	(554)	1,448,861
Issuances	63,086	2,221	65,307
Net premiums / considerations collected	(124,176)	(1,667)	(125,843)
Interest accrual	50,992	0	50,992
Balance at original discount rate, end of period	1,439,317	0	1,439,317
Effect of cumulative changes in discount rate assumptions, end of period	(126,071)	0	(126,071)
Balance, end of period	\$ 1,313,246	\$ 0	\$ 1,313,246

Nine Months Ended September 30, 2023			
Present Value of Expected Future Policy Benefits			
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance, beginning of period	\$ 2,551,191	\$ 16,460	\$ 2,567,651
Effect of cumulative changes in discount rate assumptions, beginning of period	137,962	1,899	139,861
Balance at original discount rate, beginning of period	2,689,153	18,359	2,707,512
Effect of assumption update	(202)	0	(202)
Effect of actual variances from expected experience and other activity	(52,087)	494	(51,593)
Adjusted balance, beginning of period	2,636,864	18,853	2,655,717
Issuances	63,086	2,221	65,307
Interest accrual	97,133	502	97,635
Benefit payments	(126,337)	(1,851)	(128,188)
Other adjustments	(976)	(50)	(1,026)
Balance at original discount rate, end of period	2,669,770	19,675	2,689,445
Effect of cumulative changes in discount rate assumptions, end of period	(264,111)	(2,578)	(266,689)
Balance, end of period	\$ 2,405,659	\$ 17,097	\$ 2,422,756

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

	Nine Months Ended September 30, 2023		
	Net Liability for Future Policy Benefits (Benefit Reserves)		
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance, end of period, post-flooring	\$ 1,092,413	\$ 17,097	\$ 1,109,510
Less: Reinsurance recoverable	951,938	17,097	969,035
Balance after reinsurance recoverable, end of period, post-flooring	\$ 140,475	\$ 0	\$ 140,475

	Nine Months Ended September 30, 2022		
	Present Value of Expected Net Premiums		
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance, beginning of period	\$ 1,641,933	\$ 0	\$ 1,641,933
Effect of cumulative changes in discount rate assumptions, beginning of period	(253,752)	0	(253,752)
Balance at original discount rate, beginning of period	1,388,181	0	1,388,181
Effect of assumption update	174,263	0	174,263
Effect of actual variances from expected experience and other activity	(26,616)	(635)	(27,251)
Adjusted balance, beginning of period	1,535,828	(635)	1,535,193
Issuances	43,905	1,994	45,899
Net premiums / considerations collected	(127,209)	(1,359)	(128,568)
Interest accrual	52,026	0	52,026
Balance at original discount rate, end of period	1,504,550	0	1,504,550
Effect of cumulative changes in discount rate assumptions, end of period	(99,751)	0	(99,751)
Balance, end of period	\$ 1,404,799	\$ 0	\$ 1,404,799

	Nine Months Ended September 30, 2022		
	Present Value of Expected Future Policy Benefits		
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance, beginning of period	\$ 3,041,562	\$ 19,314	\$ 3,060,876
Effect of cumulative changes in discount rate assumptions, beginning of period	(561,455)	(1,459)	(562,914)
Balance at original discount rate, beginning of period	2,480,107	17,855	2,497,962
Effect of assumption update	255,336	0	255,336
Effect of actual variances from expected experience and other activity	(52,843)	137	(52,706)
Adjusted balance, beginning of period	2,682,600	17,992	2,700,592
Issuances	43,905	1,994	45,899
Interest accrual	97,023	464	97,487
Benefit payments	(124,024)	(1,764)	(125,788)
Other adjustments	(196)	(74)	(270)
Balance at original discount rate, end of period	2,699,308	18,612	2,717,920
Effect of cumulative changes in discount rate assumptions, end of period	(200,446)	(2,203)	(202,649)
Balance, end of period	\$ 2,498,862	\$ 16,409	\$ 2,515,271

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

Nine Months Ended September 30, 2022			
Net Liability for Future Policy Benefits (Benefit Reserves)			
	Term Life	Fixed Annuities	Total
	(in thousands)		
Balance, end of period, post-flooring	\$ 1,094,105	\$ 16,409	\$ 1,110,514
Less: Reinsurance recoverable	969,020	16,409	985,429
Balance after reinsurance recoverable, end of period, post-flooring	\$ 125,085	\$ 0	\$ 125,085

The following tables provide supplemental information related to the balances of and changes in Benefit Reserves included in the disaggregated tables above, on a gross (direct and assumed) basis, as of and for the periods indicated:

Nine Months Ended September 30, 2023			
	Term Life	Fixed Annuities	
	(\$ in thousands)		
Undiscounted expected future gross premiums	\$ 3,023,328	\$ 0	
Discounted expected future gross premiums (at original discount rate)	\$ 2,029,636	\$ 0	
Discounted expected future gross premiums (at current discount rate)	\$ 1,860,012	\$ 0	
Undiscounted expected future benefits and expenses	\$ 4,307,813	\$ 25,434	
Interest accrual	\$ 46,141	\$ 502	
Gross premiums	\$ 176,976	\$ 2,018	
Weighted-average duration of the liability in years (at original discount rate)	11	7	
Weighted-average duration of the liability in years (at current discount rate)	10	5	
Weighted-average interest rate (at original discount rate)	5.28 %	3.54 %	
Weighted-average interest rate (at current discount rate)	6.03 %	5.91 %	

Nine Months Ended September 30, 2022			
	Term Life	Fixed Annuities	
	(\$ in thousands)		
Undiscounted expected future gross premiums	\$ 3,088,953	\$ 0	
Discounted expected future gross premiums (at original discount rate)	\$ 2,079,915	\$ 0	
Discounted expected future gross premiums (at current discount rate)	\$ 1,946,605	\$ 0	
Undiscounted expected future benefits and expenses	\$ 4,377,611	\$ 24,475	
Interest accrual	\$ 44,998	\$ 464	
Gross premiums	\$ 183,124	\$ 1,677	
Weighted-average duration of the liability in years (at original discount rate)	11	7	
Weighted-average duration of the liability in years (at current discount rate)	10	6	
Weighted-average interest rate (at original discount rate)	5.36 %	3.56 %	
Weighted-average interest rate (at current discount rate)	5.67 %	5.55 %	

For additional information regarding observable market information and the techniques used to determine the interest rate assumptions seen above, see Note 2.

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

For non-participating traditional and limited-payment products, if a cohort is in a loss position where the liability for future policy benefits plus the present value of expected future gross premiums are determined to be insufficient to provide for the present value of expected future policy benefits and non-level claim settlement expenses, then the liability for future policy benefits is adjusted at that time, and thereafter such that all changes, both favorable and unfavorable, in expected benefits resulting from both actual experience deviations and changes in future assumptions are recognized immediately as a gain or loss.

In the first nine months of 2023, there was a \$5 million gain in net income for non-participating traditional and limited-payment products, where net premiums exceeded gross premiums for certain issue-year cohorts, which was offset by a \$4 million charge, reflecting the impact of ceded reinsurance on the affected cohorts.

In the first nine months of 2022, there was a \$16 million charge to net income for non-participating traditional and limited-payment products, where net premiums exceeded gross premiums for certain issue-year cohorts, partially offset by a \$15 million gain, reflecting the impact of ceded reinsurance on the affected cohorts. The unfavorable impact in the first nine months of 2022 is primarily due to unfavorable assumption updates related to individual term life products.

Deferred Profit Liability

The balances of and changes in Deferred Profit Liability as of and for the periods indicated are as follows:

	Nine Months Ended September 30,	
	2023	2022
	Fixed Annuities (in thousands)	
Balance, beginning of period	\$ 1,684	\$ 1,726
Effect of actual variances from expected experience and other activity	(473)	(194)
Adjusted balance, beginning of period	1,211	1,532
Profits deferred	338	309
Interest accrual	38	45
Amortization	(150)	(171)
Other adjustments	(2)	(5)
Balance, end of period	1,435	1,710
Less: Reinsurance recoverable	1,435	1,710
Balance after reinsurance recoverable	\$ 0	\$ 0

The following table provides supplemental information related to the balances of and changes in Deferred Profit Liability, included in the disaggregated table above, on a gross (direct and assumed) basis, as of and for the period indicated:

	Nine Months Ended September 30,	
	2023	2022
	Fixed Annuities (in thousands)	
Revenue(1)	\$ 249	\$ 16
Interest accrual	38	45

(1) Represents the gross premiums collected in changes in deferred profit liability.

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

Additional Insurance Reserves

AIR represents the additional liability for annuitization, death, or other insurance benefits, including GMDB and GMIB contract features, that are above and beyond the contractholder's account balance.

The following table shows a rollforward of AIR balances for variable and universal life products for the periods indicated:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Balance including amounts in AOCI, beginning of period, post-flooring	\$ 827,478	\$ 703,968
Flooring impact and amounts in AOCI	91,115	(71,467)
Balance, excluding amounts in AOCI, beginning of period, pre-flooring	918,593	632,501
Effect of assumption update	9,713	180,404
Effect of actual variances from expected experience and other activity	(9,288)	(35,951)
Adjusted balance, beginning of period	919,018	776,954
Assessments collected(1)	81,628	113,621
Interest accrual	24,165	19,821
Benefits paid	(8,004)	(11,943)
Balance, excluding amounts in AOCI, end of period, pre-flooring	1,016,807	898,453
Flooring impact and amounts in AOCI	(118,817)	(117,612)
Balance, including amounts in AOCI, end of period, post-flooring	897,990	780,841
Less: Reinsurance recoverable	858,939	748,743
Balance after reinsurance recoverable, including amounts in AOCI, end of period	\$ 39,051	\$ 32,098

(1) Represents the portion of gross assessments required to fund the future policy benefits.

	Nine Months Ended September 30,	
	2023	2022
	(\$ in thousands)	
Interest accrual	\$ 24,165	\$ 19,821
Gross assessments	\$ 195,775	\$ 248,684
Weighted-average duration of the liability in years (at original discount rate)	27	28
Weighted-average interest rate (at original discount rate)	3.35 %	3.40 %

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

Future Policy Benefits Reconciliation

The following table presents the reconciliation of the ending balances from the above rollforwards, Benefit Reserves, Additional Insurance Reserves, and Deferred Profit Liability including other liabilities, gross of related reinsurance recoverables, to the total liability for Future Policy Benefits as reported on the Company's Unaudited Interim Statements of Financial Position as of the periods indicated:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Benefit reserves, end of period, post-flooring	\$ 1,109,510	\$ 1,110,514
Deferred profit liability, end of period, post-flooring	1,435	1,710
Additional insurance reserves, including amounts in AOCI, end of period, post-flooring	897,990	780,841
Subtotal of amounts disclosed above	2,008,935	1,893,065
Other Future policy benefits reserves(1)	160,566	154,940
Total Future policy benefits	<u>\$ 2,169,501</u>	<u>\$ 2,048,005</u>

(1) Represents balances for which disaggregated rollforward disclosures are not required, including unpaid claims and claims expenses, and incurred but not reported and in course of settlement claim liabilities.

Revenue and Interest Expense

The following tables present revenue and interest expense related to Benefit Reserves, Additional Insurance Reserves, and Deferred Profit Liability, as well as related revenue and interest expense not presented in the above supplemental tables, in the Company's Statement of Operations for the periods indicated:

	Nine Months Ended September 30, 2023			
	Revenues(1)			
	Fixed Annuities	Term Life	Variable and Universal Life	Total
	(in thousands)			
Benefit reserves	\$ 2,018	\$ 176,976	\$ 0	\$ 178,994
Deferred profit liability	249	0	0	249
Additional insurance reserves	0	0	195,775	195,775
Total	<u>\$ 2,267</u>	<u>\$ 176,976</u>	<u>\$ 195,775</u>	<u>\$ 375,018</u>

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

Nine Months Ended September 30, 2022				
Revenues(1)				
	Fixed Annuities	Term Life	Variable and Universal Life	Total
	(in thousands)			
Benefit reserves	\$ 1,677	\$ 183,124	\$ 0	\$ 184,801
Deferred profit liability	16	0	0	16
Additional insurance reserves	0	0	248,684	248,684
Total	\$ 1,693	\$ 183,124	\$ 248,684	\$ 433,501

(1) Represents "Gross premiums" for benefit reserves; "Revenue" for deferred profit liability and "Gross assessments" for additional insurance reserves.

Nine Months Ended September 30, 2023				
Interest Expense				
	Fixed Annuities	Term Life	Variable and Universal Life	Total
	(in thousands)			
Benefit reserves	\$ 502	\$ 46,141	\$ 0	\$ 46,643
Deferred profit liability	38	0	0	38
Additional insurance reserves	0	0	24,165	24,165
Total	\$ 540	\$ 46,141	\$ 24,165	\$ 70,846

Nine Months Ended September 30, 2022				
Interest Expense				
	Fixed Annuities	Term Life	Variable and Universal Life	Total
	(in thousands)			
Benefit reserves	\$ 464	\$ 44,998	\$ 0	\$ 45,462
Deferred profit liability	45	0	0	45
Additional insurance reserves	0	0	19,821	19,821
Total	\$ 509	\$ 44,998	\$ 19,821	\$ 65,328

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

9. POLICYHOLDERS' ACCOUNT BALANCES

Policyholders' Account Balances

The balance of and changes in policyholders' account balances as of and for the periods ended are as follows:

	Nine Months Ended September 30, 2023			
	Fixed Annuities	Variable Annuities	Variable Life / Universal Life	Total
	(\$ in thousands)			
Balance, beginning of period	\$ 39,406	\$ 327,124	\$ 2,084,680	\$ 2,451,210
Deposits	2,987	188,144	161,663	352,794
Interest credited	713	5,627	43,469	49,809
Policy charges	(43)	(107)	(109,489)	(109,639)
Surrenders and withdrawals	(5,700)	(27,840)	(82,502)	(116,042)
Benefit payments	(798)	(2,109)	(1,212)	(4,119)
Net transfers (to) from separate account(1)	0	5,486	883,977	889,463
Change in market value and other adjustments(2)	0	6,509	10,351	16,860
Balance, end of period	36,565	502,834	2,990,937	3,530,336
Less: Reinsurance and other recoverables(3)	22,276	495,506	775,790	1,293,572
Policyholders' account balance net of reinsurance and other recoverables	<u>\$ 14,289</u>	<u>\$ 7,328</u>	<u>\$ 2,215,147</u>	<u>\$ 2,236,764</u>
Unearned revenue reserve				357,354
Other				9,573
Total Policyholders' account balance				<u>\$ 3,897,263</u>
Weighted-average crediting rate	2.50 %	1.81 %	2.28 %	2.22 %
Net amount at risk(4)	\$ 0	\$ 0	\$ 34,207,998	\$ 34,207,998
Cash surrender value(5)	\$ 9,207	\$ 480,001	\$ 2,670,457	\$ 3,159,665

(1) Variable life includes \$900 million of funding for a policy loan to an affiliated irrevocable trust. See Note 14 for additional information.

(2) Primarily relates to changes in the value of embedded derivative instruments associated with the indexed options of certain products.

(3) The amount of recoverables related to reinsurance agreements that reduce the risk of the policyholders' account balances gross liability.

(4) The net amount at risk calculation includes both general and separate account balances.

(5) Represents the amount of the contractholder's account balances distributable at the balance sheet date less certain surrender charges.

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

	Nine Months Ended September 30, 2022			
	Fixed Annuities	Variable Annuities	Variable Life / Universal Life	Total
	(\$ in thousands)			
Balance, beginning of period	\$ 42,068	\$ 344,945	\$ 2,052,065	\$ 2,439,078
Deposits	2,804	964	175,538	179,306
Interest credited	856	4,652	47,873	53,381
Policy charges	(44)	(211)	(108,725)	(108,980)
Surrenders and withdrawals	(764)	(17,364)	(92,438)	(110,566)
Benefit payments	(5,195)	(3,112)	1,876	(6,431)
Net transfers (to) from separate account	0	1,595	27,689	29,284
Change in market value and other adjustments(1)	0	0	(35,383)	(35,383)
Balance, end of period	39,725	331,469	2,068,495	2,439,689
Less: Reinsurance and other recoverables(2)	4,664	328,079	753,175	1,085,918
Policyholders' account balance net of reinsurance and other recoverables	<u>\$ 35,061</u>	<u>\$ 3,390</u>	<u>\$ 1,315,320</u>	<u>\$ 1,353,771</u>
Unearned revenue reserve				298,082
Other				9,340
Total Policyholders' account balance				<u>\$ 2,747,111</u>
Weighted-average crediting rate	2.79 %	1.83 %	3.10 %	2.92 %
Net amount at risk (3)	\$ 0	\$ 0	\$ 33,403,996	\$ 33,403,996
Cash surrender value(4)	\$ 11,508	\$ 326,842	\$ 1,734,951	\$ 2,073,301

(1) Primarily relates to changes in the value of embedded derivative instruments associated with the indexed options of certain products.

(2) The amount of recoverables related to reinsurance agreements that reduce the risk of the policyholders' account balances gross liability.

(3) The net amount at risk calculation includes both general and separate account balances.

(4) Represents the amount of the contractholder's account balances distributable at the balance sheet date less certain surrender charges.

The Company issues variable life and universal life insurance contracts which may also include a “no-lapse guarantee” where the Company contractually guarantees to the contractholder a death benefit even when the account value drops to zero, as long as the “no-lapse guarantee” premium is paid.

The net amount at risk is generally defined as the current death benefit in excess of the current account balance at the balance sheet date. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including contractholder mortality, contract lapses, and premium pattern, as well as interest rate and equity market returns.

The Company also issues annuity contracts that provide certain death benefit and/or living benefit guarantees and are accounted for as MRBs. See Note 10 for additional information, including the net amount at risk associated with these guarantees.

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

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums are as follows:

	September 30, 2023				
Range of Guaranteed Minimum Crediting Rate(1)	At guaranteed minimum	1 -50 bps above guaranteed minimum	51 - 150 bps above guaranteed minimum (in thousands)	Greater than 150 bps above guaranteed minimum	Total
Fixed Annuities					
Less than 1.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1.00% - 1.99%	1,041	0	0	0	1,041
2.00% - 2.99%	19,633	0	0	0	19,633
3.00% - 4.00%	8,509	0	0	0	8,509
Greater than 4.00%	0	0	0	0	0
Total	\$ 29,183	\$ 0	\$ 0	\$ 0	\$ 29,183
Variable Annuities					
Less than 1.00%	\$ 469	\$ 0	\$ 0	\$ 0	\$ 469
1.00% - 1.99%	182,321	1,580	0	0	183,901
2.00% - 2.99%	1,584	0	0	0	1,584
3.00% - 4.00%	118,128	110	0	0	118,238
Greater than 4.00%	129	0	0	0	129
Total	\$ 302,631	\$ 1,690	\$ 0	\$ 0	\$ 304,321
Variable Life / Universal Life					
Less than 1.00%	\$ 0	\$ 0	\$ 0	\$ 33,731	\$ 33,731
1.00% - 1.99%	19,433	0	400,830	55,056	475,319
2.00% - 2.99%	3,946	154,613	183,835	28,193	370,587
3.00% - 4.00%	240,886	251,629	920,658	0	1,413,173
Greater than 4.00%	373,820	0	0	0	373,820
Total	\$ 638,085	\$ 406,242	\$ 1,505,323	\$ 116,980	\$ 2,666,630

(1) Excludes contracts without minimum guaranteed crediting rates, such as funds with indexed-linked crediting options.

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

Range of Guaranteed Minimum Crediting Rate(1)	September 30, 2022				
	At guaranteed minimum	1 - 50 bps above guaranteed minimum	51 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
(in thousands)					
Fixed Annuities					
Less than 1.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1.00% - 1.99%	1,274	0	0	0	1,274
2.00% - 2.99%	20,842	0	0	0	20,842
3.00% - 4.00%	10,398	0	0	0	10,398
Greater than 4.00%	0	0	0	0	0
Total	<u>\$ 32,514</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,514</u>
Variable Annuities					
Less than 1.00%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1.00% - 1.99%	195,113	1,596	0	0	196,709
2.00% - 2.99%	1,838	0	0	0	1,838
3.00% - 4.00%	135,581	0	0	0	135,581
Greater than 4.00%	124	0	0	0	124
Total	<u>\$ 332,656</u>	<u>\$ 1,596</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 334,252</u>
Variable Life / Universal Life					
Less than 1.00%	\$ 956	\$ 0	\$ 0	\$ 0	\$ 956
1.00% - 1.99%	43,741	0	101,059	299,339	444,139
2.00% - 2.99%	651	65	207,037	147,065	354,818
3.00% - 4.00%	133,347	3,822	456,369	0	593,538
Greater than 4.00%	358,994	0	0	0	358,994
Total	<u>\$ 537,689</u>	<u>\$ 3,887</u>	<u>\$ 764,465</u>	<u>\$ 446,404</u>	<u>\$ 1,752,445</u>

(1) Excludes contracts without minimum guaranteed crediting rates, such as funds with indexed-linked crediting options.

Unearned Revenue Reserve

The balances of and changes in URR as of and for the periods ended are as follows:

	Nine Months Ended September 30,	
	2023	2022
	Variable Life / Universal Life	
	(in thousands)	
Balance, beginning of period	\$ 313,711	\$ 251,573
Unearned revenue	55,483	56,515
Amortization expense	(11,840)	(10,061)
Other adjustments	0	55
Balance, end of period	357,354	298,082
Less: Reinsurance recoverables	92,142	77,121
Unearned revenue reserve net of reinsurance recoverables	<u>\$ 265,212</u>	<u>\$ 220,961</u>

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

10. MARKET RISK BENEFITS

The following tables show a rollforward of MRB balances for variable annuity products, along with a reconciliation to the Company's total net MRB positions as of the following dates:

Nine Months Ended September 30, 2023			
	Variable Annuities	Less: Reinsured Market Risk Benefits	Total, Net of Reinsurance
	(in thousands)		
Balance, beginning of period	\$ 398,254	\$ (398,254)	\$ 0
Effect of cumulative changes in non-performance risk	163,169	0	163,169
Balance, beginning of period, before effect of changes in non-performance risk	561,423	(398,254)	163,169
Attributed fees collected	81,802	(81,802)	0
Claims paid	(3,661)	3,661	0
Interest accrual	20,878	(20,878)	0
Actual in force different from expected	6,017	(6,017)	0
Effect of changes in interest rates	(275,862)	275,862	0
Effect of changes in equity markets	(80,411)	80,411	0
Effect of assumption update	30,269	(30,269)	0
Issuances	(10,058)	10,058	0
Effect of changes in current period counterparty non-performance risk	0	(47,263)	(47,263)
Balance, end of period, before effect of changes in non-performance risk	330,397	(214,491)	115,906
Effect of cumulative changes in non-performance risk	(115,906)	0	(115,906)
Balance, end of period	\$ 214,491	\$ (214,491)	\$ 0

Nine Months Ended September 30, 2022			
	Variable Annuities	Less: Reinsured Market Risk Benefits	Total, Net of Reinsurance
	(in thousands)		
Balance, beginning of period	\$ 796,913	\$ (796,913)	\$ 0
Effect of cumulative changes in non-performance risk	21,123	0	21,123
Balance, beginning of period, before effect of changes in non-performance risk	818,036	(796,913)	21,123
Attributed fees collected	90,468	(90,468)	0
Claims paid	(1,567)	1,567	0
Interest accrual	6,478	(6,478)	0
Actual in force different from expected	7,285	(7,285)	0
Effect of changes in interest rates	(594,818)	594,818	0
Effect of changes in equity markets	341,325	(341,325)	0
Effect of assumption update	(17,430)	17,430	0
Effect of changes in current period counterparty non-performance risk	0	175,210	175,210
Balance, end of period, before effect of changes in non-performance risk	649,777	(453,444)	196,333
Effect of cumulative changes in non-performance risk	(196,333)	0	(196,333)
Balance, end of period	\$ 453,444	\$ (453,444)	\$ 0

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

In 2023, the Company recognized an unfavorable impact to net income attributable to the actuarial assumption update for direct market risk benefits, primarily due to updates to policyholder behavior assumptions on certain variable annuities.

In 2022, the Company recognized a favorable impact to net income attributable to the actuarial assumption update for direct market risk benefits, primarily due to updates to mortality and policyholder behavior assumptions on certain variable annuities.

The Company issues certain variable annuity insurance contracts where the Company contractually guarantees to the contractholder a return of no less than (1) total deposits made to the contract adjusted for any partial withdrawals plus a minimum return, and/or (2) the highest anniversary contract value on a specified date adjusted for any withdrawals. These guarantees include benefits that are payable in the event of death, annuitization or at specified dates during the accumulation period and withdrawal and income benefits payable during specified periods.

The Company also issues indexed variable annuity contracts for which the return is tied to the return of specific indices where the Company contractually guarantees to the contractholder a return of no less than total deposits made to the contract adjusted for any partial withdrawals upon death. In certain of these indexed variable annuity contracts, the Company also contractually guarantees to the contractholder withdrawal benefits payable during specific periods.

For guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including fixed income and equity market returns, contract lapses and contractholder mortality.

For guarantees of benefits that are payable at annuitization, the net amount at risk is generally defined as the present value of the minimum guaranteed annuity payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including fixed income and equity market returns, timing of annuitization, contract lapses and contractholder mortality.

For guarantees of benefits that are payable at withdrawal, the net amount at risk is generally defined as the present value of the minimum guaranteed withdrawal payments available to the contractholder determined in accordance with the terms of the contract in excess of the current account balance.

For guarantees of accumulation balances, the net amount at risk is generally defined as the guaranteed minimum accumulation balance minus the current account balance. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including equity market returns, interest rates, market volatility and contractholder behavior.

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

The following table presents accompanying information to the rollforward table above.

	September 30, 2023	September 30, 2022
	Variable Annuities	
	(\$ in thousands)	
Net amount at risk(1)	\$ 1,099,825	\$ 1,235,519
Weighted-average attained age of contractholders	69	68

(1) For contracts with multiple benefit features, the highest net amount at risk for each contract is included.

The table below reconciles MRB asset and liability positions as of the following dates:

	September 30, 2023	September 30, 2022
	Variable Annuities	
	(in thousands)	
Market risk benefit assets	\$ 488,815	\$ 595,479
Market risk benefit liabilities	488,815	595,479
Net liability	\$ 0	\$ 0

11. 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 YRT 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.

"Change in value of market risk benefits, net of related hedging gain (loss)" 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 market risk benefits and have been accounted for in the same manner. See Note 4 for additional information related to the accounting for market risk benefits.

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 Financial Position as of September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023	December 31, 2022
	(in thousands)	
Reinsurance recoverables(1)	\$ 3,283,413	\$ 3,098,248
Policy loans	(23,288)	(22,999)
Deferred policy acquisition costs(1)	(625,726)	(646,737)
Deferred sales inducements(1)	(36,080)	(38,146)
Market risk benefit assets(1)	351,652	478,439
Other assets(1)	41,097	42,265
Market risk benefit liabilities(1)	137,162	80,185
Other liabilities(1)	239,052	115,351

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

Reinsurance recoverables by counterparty are broken out below:

	September 30, 2023	December 31, 2022
	(in thousands)	
Prudential Insurance(1)	\$ 599,425	\$ 456,633
PAR U(1)	1,652,835	1,575,260
PARCC(1)	418,460	464,142
PAR Term(1)	248,065	258,169
Term Re(1)	239,156	232,796
DART(1)	81,097	73,702
Pruco Life(1)	38,306	34,720
Unaffiliated	6,069	2,826
Total reinsurance recoverables	<u>\$ 3,283,413</u>	<u>\$ 3,098,248</u>

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

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 and nine months ended September 30, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Premiums:				
Direct(1)	\$ 58,019	\$ 60,600	\$ 181,716	\$ 185,966
Ceded(1)	(47,874)	(52,396)	(151,828)	(160,491)
Net premiums(1)	10,145	8,204	29,888	25,475
Policy charges and fee income:				
Direct(1)	89,010	91,001	263,663	281,219
Ceded(1)(2)	(71,598)	(74,219)	(210,770)	(237,565)
Net policy charges and fee income(1)	17,412	16,782	52,893	43,654
Net investment income:				
Direct	49,555	23,632	118,612	73,263
Ceded	(196)	(182)	(619)	(580)
Net investment income	49,359	23,450	117,993	72,683
Asset administration fees:				
Direct	9,031	9,223	26,797	29,306
Ceded	(6,682)	(7,144)	(20,098)	(22,857)
Net asset administration fees	2,349	2,079	6,699	6,449
Realized investment gains (losses), net:				
Direct(1)	1,890	1,294	(12,363)	21,523
Ceded(1)	14,465	153	15,803	1,309
Realized investment gains (losses), net(1)	16,355	1,447	3,440	22,832
Change in value of market risk benefits, net of related hedging gain (loss):				
Direct(1)	162,638	88,841	312,127	255,212
Ceded(1)	(122,517)	(89,223)	(264,865)	(430,422)
Net change in value of market risk benefits, net of related hedging gain (loss)(1)	40,121	(382)	47,262	(175,210)
Policyholders' benefits (including change in reserves):				
Direct(1)	133,799	117,962	355,387	352,135
Ceded(1)(3)	(112,607)	(113,968)	(300,135)	(329,296)
Net policyholders' benefits (including change in reserves)(1)	21,192	3,994	55,252	22,839
Change in estimates of liability for future policy benefits:				
Direct(1)	(12,618)	(7,030)	(10,419)	215,998
Ceded(1)	12,530	7,128	8,248	(203,719)
Net change in estimates of liability for future policy benefits(1)	(88)	98	(2,171)	12,279
Interest credited to policyholders' account balances:				
Direct(1)	28,337	20,592	68,256	61,058
Ceded(1)	(8,908)	(8,813)	(25,067)	(26,144)
Net interest credited to policyholders' account balances	19,429	11,779	43,189	34,914
Reinsurance expense allowances and general and administrative expenses, net of capitalization and amortization(1)	(31,432)	(24,384)	(98,797)	(97,849)

(1) Prior period amounts adjusted for the implementation of ASU 2018-12: Targeted Improvements to the Accounting for Long-Duration Contracts.

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

- (2) Includes \$(1.2) million and \$(1.3) million of unaffiliated activity for the three months ended September 30, 2023 and 2022, respectively, and \$(3.7) million and \$(3.8) million for the nine months ended September 30, 2023 and 2022, respectively.
- (3) Includes \$0.0 million and \$0.0 million of unaffiliated activity for the three months ended September 30, 2023 and 2022, respectively, and \$(1.9) million and \$(0.1) million for the nine months ended September 30, 2023 and 2022, respectively.

The gross and net amounts of life insurance face amount in force as of September 30, 2023 and 2022 were as follows:

	2023	2022
	(in thousands)	
Direct gross life insurance face amount in force	\$ 154,081,712	\$ 154,612,881
Reinsurance ceded	(139,657,841)	(140,809,087)
Net life insurance face amount in force	<u>\$ 14,423,871</u>	<u>\$ 13,803,794</u>

Significant Affiliated Reinsurance Agreements

Prudential Insurance

The Company has a YRT 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 YRT 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 YRT 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. Effective February 1, 2023, PLNJ began selling indexed variable annuities products, which is reinsured to Prudential Insurance through the existing reinsurance agreement. The reinsurance of the indexed variable annuities transfers all significant risks, including mortality risk, embedded in the reinsured contracts to Prudential Insurance. As a result of the agreement, reinsurance payables includes the ceded modified coinsurance arrangement, which reflects the value of the invested assets retained by the Company and the associated asset returns.

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

Pruco Life

Effective July 1, 2017, the Company entered into a YRT reinsurance agreement with Pruco Life for new business, primarily covering universal life policies. Effective January 1, 2020, the Company entered in a similar YRT 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.

12. INCOME TAXES

The Company uses a full year projected effective tax rate approach to calculate year-to-date taxes. In determining the full year projected tax rate, the Company considers the realizability of deferred tax assets, including those associated with unrealized investment losses, and has determined based upon the weight of available evidence that no valuation allowance is necessary related to unrealized investment losses. 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 \$12.1 million, or 11.32% of income (loss) from operations before income taxes in the first nine months of 2023, compared to an income tax benefit of \$(40.0) million, or 30.14%, in the first nine months of 2022. 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.

Inflation Reduction Act. On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”). One of the most significant provisions of the Inflation Reduction Act is a 15% alternative minimum tax based on the Company's GAAP income, with certain adjustments. This provision which is applicable only to companies with average applicable financial statement income over \$1 billion for any three-year period ending in 2022 or later, is effective in taxable years beginning after December 31, 2022. The impact of the book-income alternative minimum tax, if any, will vary from year to year based on the relationship of the Company's GAAP income to the Company's taxable income. Any tax paid pursuant to this provision is available as a tax credit in future years when the Company's tax rate exceeds the 15% minimum tax threshold.

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

13. 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 nine months ended September 30, 2023 and 2022, are as follows:

	Accumulated Other Comprehensive Income (Loss)				
	Foreign Currency Translation Adjustment	Net Unrealized Investment Gains (Losses)(1)	Interest Rate Remeasurement of Future Policy Benefits	Gain (loss) from Changes in Non-Performance Risk on Market Risk Benefits	Total Accumulated Other Comprehensive Income (Loss)
	(in thousands)				
Balance, December 31, 2022	\$ (1,214)	\$ (176,386)	\$ 12,504	\$ 128,906	\$ (36,190)
Change in OCI before reclassifications	(1)	(101,892)	13,653	(47,262)	(135,502)
Amounts reclassified from AOCI	0	(1,142)	0	0	(1,142)
Income tax benefit (expense)	(45)	21,682	(2,867)	9,925	28,695
Balance, September 30, 2023	<u>\$ (1,260)</u>	<u>\$ (257,738)</u>	<u>\$ 23,290</u>	<u>\$ 91,569</u>	<u>\$ (144,139)</u>

	Accumulated Other Comprehensive Income (Loss)				
	Foreign Currency Translation Adjustment	Net Unrealized Investment Gains (Losses)(1)	Interest Rate Remeasurement of Future Policy Benefits	Gain (loss) from Changes in Non-Performance Risk on Market Risk Benefits	Total Accumulated Other Comprehensive Income (Loss)
	(in thousands)				
Balance, December 31, 2021	\$ (988)	\$ 121,075	\$ (34,788)	\$ 16,688	\$ 101,987
Change in OCI before reclassifications	(745)	(412,371)	66,637	175,210	(171,269)
Amounts reclassified from AOCI	0	(851)	0	0	(851)
Income tax benefit (expense)	189	86,744	(13,993)	(36,794)	36,146
Balance, September 30, 2022	<u>\$ (1,544)</u>	<u>\$ (205,403)</u>	<u>\$ 17,856</u>	<u>\$ 155,104</u>	<u>\$ (33,987)</u>

(1) Includes cash flow hedges of \$13 million and \$14 million as of September 30, 2023 and December 31, 2022, respectively, and \$23 million and \$5 million as of September 30, 2022 and December 31, 2021, respectively.

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
<u>Amounts reclassified from AOCI(1)(2):</u>				
Net unrealized investment gains (losses):				
Cash flow hedges - Currency/Interest rate(3)	\$ 459	\$ 1,669	\$ 1,203	\$ 3,754
Net unrealized investment gains (losses) on available-for-sale securities	(1)	(668)	(61)	(2,903)
Total net unrealized investment gains (losses)(4)	<u>458</u>	<u>1,001</u>	<u>1,142</u>	<u>851</u>
Total reclassifications for the period	<u>\$ 458</u>	<u>\$ 1,001</u>	<u>\$ 1,142</u>	<u>\$ 851</u>

(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.

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

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 (loss)" 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 September 30, 2023. The amounts for the periods indicated below represent all other net unrealized investment gains (losses), are as follows:

	Net Unrealized Gains (Losses) on All Other Investments(1)	Other Costs(2)	Future Policy Benefits, Policyholders' Account Balances and Other Liabilities(3) (in thousands)	Income Tax Benefit (Expense)	Accumulated Other Comprehensive Income (Loss) Related To Net Unrealized Investment Gains (Losses)
Balance, December 31, 2022	\$ (256,584)	\$ (83,712)	\$ 117,070	\$ 46,840	\$ (176,386)
Net investment gains (losses) on investments arising during the period	(124,352)	0	0	26,158	(98,194)
Reclassification adjustment for (gains) losses included in net income	(1,142)	0	0	241	(901)
Impact of net unrealized investment (gains) losses	0	(25,368)	47,828	(4,717)	17,743
Balance, September 30, 2023	<u>\$ (382,078)</u>	<u>\$ (109,080)</u>	<u>\$ 164,898</u>	<u>\$ 68,522</u>	<u>\$ (257,738)</u>

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

(2) "Other costs" primarily includes reinsurance recoverables.

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

14. 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 \$0.1 million for both the three months ended September 30, 2023 and 2022, and \$0.1 million for both the nine months ended September 30, 2023 and 2022. The expense charged to the Company for the deferred compensation program was \$0.1 million and \$0.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$0.4 million and \$0.3 million for the nine months ended September 30, 2023 and 2022, respectively.

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

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 September 30, 2023 and 2022, and \$0.8 million and \$1 million for the nine months ended September 30, 2023 and 2022, respectively.

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 September 30, 2023 and 2022, respectively, and \$0.9 million and \$1.1 million for the nine months ended September 30, 2023 and 2022, 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 September 30, 2023 and 2022, and \$0.4 million for both the nine months ended September 30, 2023 and 2022.

The Company is charged distribution expenses from Prudential's proprietary nationwide sales organization, "Prudential Advisors" through a transfer pricing agreement, which is intended to reflect a market-based pricing arrangement. Prudential Advisors distributes Prudential life insurance, annuities, and investment products with proprietary and non-proprietary product options.

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 \$11 million and \$7 million for the three months ended September 30, 2023 and 2022, respectively, and \$31 million and \$24 million for the nine months ended September 30, 2023 and 2022, 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 \$4 million and \$3 million for the three months ended September 30, 2023 and 2022, respectively, and \$12 million and \$7 million for the nine months ended September 30, 2023 and 2022, respectively.

Corporate-Owned Life Insurance

The Company has sold three COLI policies to Prudential Insurance and one to Prudential Financial. The cash surrender value included in separate accounts for these COLI policies was \$2,245 million and \$2,946 million at September 30, 2023 and December 31, 2022, respectively. Fees related to these COLI policies were \$7 million for both the three months ended September 30, 2023 and 2022, and \$19 million and \$21 million for the nine months ended September 30, 2023 and 2022, respectively. The Company retains 10% of the mortality risk associated with these COLI policies up to \$0.1 million per individual policy.

In May 2023, the Company funded a policy loan from the Prudential Financial COLI policy noted above in an amount of \$900 million to an affiliated irrevocable trust, commonly referred to as a "rabbi trust", which Prudential Financial created to support certain non-qualified retirement plans. The outstanding balance of the policy loan with the rabbi trust was \$898 million as of September 30, 2023. Interest income related to the policy loan was \$10 million and \$15 million for the three months and nine months ended September 30, 2023, respectively.

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 and \$0.6 million for the three months ended September 30, 2023 and 2022, respectively, and \$1.9 million and for both the nine months ended September 30, 2023 and 2022. 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 \$58 million and \$51 million of investments in joint ventures as of September 30, 2023 and December 31, 2022, respectively. "Net investment income" related to these ventures includes gains(losses) of \$1.8 million and \$0.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$1.4 million and for both the nine months ended September 30, 2023 and 2022.

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 \$6 million and \$7 million for the three months ended September 30, 2023 and 2022, respectively, and \$20 million and \$23 million for the nine months ended September 30, 2023 and 2022, 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 and for both the three months ended September 30, 2023 and 2022, and \$6 million for both the nine months ended September 30, 2023 and 2022. 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 September 30, 2023 and December 31, 2022 were as follows:

	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
			(in thousands)	
U.S. dollar fixed rate notes	2027	0.00% - 14.85 %	\$ 0	\$ 688
Total long-term notes receivable - affiliated(1)			<u>\$ 0</u>	<u>\$ 688</u>

(1) All long-term notes receivable may be called for prepayment prior to the respective maturity dates under specified circumstances. In 2023, the notes receivable as of December 31, 2022 were called prior to the maturity date within 2027.

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.

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

Accrued interest receivable related to these loans was \$0.0 million for both September 30, 2023 and December 31, 2022. Revenues related to these loans were \$0.0 million for both the three months ended September 30, 2023 and 2022, and \$0.0 million for both the nine months ended September 30, 2023 and 2022, and are included in “Other income (loss)”.

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 nine months ended September 30, 2023 and for the year ended December 31, 2022.

Affiliate	Date	Transaction	Security Type	Fair Value	Book Value	APIC, Net of Tax Increase/(Decrease)	Realized Investment Gain (Loss)
(in thousands)							
Prudential Insurance	August 2022	Purchase	Fixed Maturities	\$ 21,389	\$ 19,630	\$ (1,390)	\$ 0
Prudential Insurance	June 2023	Purchase	Fixed Maturities	\$ 14,452	\$ 15,086	\$ 501	\$ 0

Debt Agreements

The Company is authorized to borrow funds up to \$200 million from affiliates to meet its capital and other funding needs. There was no debt outstanding as of both September 30, 2023 and December 31, 2022.

The total interest expense to the Company related to loans payable to affiliates was \$(0.1) million and \$0.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$0.0 million and for both the nine months ended September 30, 2023 and 2022.

Contributed Capital and Dividends

In February 2023, the Company received a capital contribution in the amount of \$175 million from Pruco Life. In February, March, September and December 2022, the Company received capital contributions in the amount of \$100 million, \$2 million, \$100 million and \$125 million from Pruco Life, respectively.

Through September 2023 and December 2022, the Company did not pay any dividends to Pruco Life.

Reinsurance with Affiliates

As discussed in Note 11, the Company participates in reinsurance transactions with certain affiliates.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Company has made commitments to fund commercial mortgage loans. As of September 30, 2023 and December 31, 2022, the outstanding balances on these commitments were \$35 million and \$15 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 September 30, 2023 or December 31, 2022. For the three and nine months ended September 30, 2023 and 2022, there was no change in allowance for credit losses. The Company also made commitments to purchase or fund investments, mostly private fixed maturities. As of September 30, 2023 and December 31, 2022, \$104 million and \$62 million, respectively, of these commitments were outstanding. These amounts include unfunded commitments that are not unconditionally cancellable. There were no related charges for credit losses for either the three or nine months ended September 30, 2023 or 2022.

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 September 30, 2023, 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 16 to the Company's Financial Statements included in the Company's restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023, and should be read in conjunction with the complete descriptions provided therein.

There are no material developments in previously reported matters disclosed as of December 31, 2022.

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 September 30, 2023, compared with December 31, 2022, and its results of operations for the three and nine months ended September 30, 2023 and 2022. 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, 2022, and the MD&A and the restated audited Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023, 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.

In July 2023, the Company entered into an agreement with Somerset Reinsurance Ltd. ("Somerset Re") to coinsure a closed block of guaranteed universal life policies to the Prudential Universal Reinsurance Entity Company ("PURE"), a newly formed wholly-owned subsidiary of The Prudential Insurance Company of America ("Prudential Insurance"), with retrocession by PURE of such liabilities, on a modified coinsurance basis, to Somerset Re. The deal is subject to receipt of regulatory approvals and the satisfaction of customary closing conditions. We will continue to manage financing related to Guideline AXXX reserves for the business reinsured to Somerset Re; as a result, we anticipate changes to our current captive financing arrangements upon closing of the reinsurance transaction, including an increase in the amount of financing related to Guideline AXXX reserves. See "—Liquidity and Capital Resources—Liquidity—Term and Universal Life Reserve Financing" below for discussion of our current captive financing arrangements.

Regulatory Developments

Interest Maintenance Reserves. In August 2023, the National Association of Insurance Commissioners ("NAIC") adopted a temporary change in the statutory accounting treatment of net negative interest maintenance reserves ("IMR") that permits an insurer to admit net negative IMR up to 10% of their adjusted statutory surplus, provided such insurer's risk-based capital ("RBC") ratio remains above 300% of its Authorized Control Level RBC. This change is currently scheduled to expire on January 1, 2026.

Impact of Changes in the 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;
- the valuation of fixed income investments and derivative instruments;
- collateral posting requirements, hedging costs and other risk mitigation activities;
- customer account values, including their impact on fee income;
- insurance reserve levels, including market risk benefits ("MRB"), and market experience true-ups;
- policyholder behavior, including surrender or withdrawal activity; and
- product offerings, design features, crediting rates and sales mix.

For additional information regarding interest rate risks, see "Risk Factors—Market Risk" included in our Annual Report on Form 10-K for the year ended December 31, 2022.

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 generally accepted accounting principles in the United States of America ("U.S. GAAP") requires the application of accounting policies that often involve a significant degree of judgment. Management, on an ongoing basis, reviews the estimates and assumptions used in the preparation of the Company's financial statements. If management determines that modifications to 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.

The following sections discuss the accounting policies applied in preparing our financial statements that management believes are most dependent on the application of estimates and assumptions and require management's most difficult, subjective, or complex judgments.

Insurance Liabilities

Future Policy Benefits

Future Policy Benefit Reserves, including Unpaid Claims and Claim Adjustment Expenses

We establish reserves for future policy benefits to, or on behalf of, policyholders using methodologies prescribed by U.S. GAAP. The reserving methodologies used include the following:

- For some long-duration contracts, we utilize a net premium valuation methodology in measuring the liability for future policy benefits. Under this methodology, the Company accrues a liability for future policy benefits when premium revenue is recognized. The liability represents the present value of expected future benefits to be paid to or on behalf of policyholders and related non-level claim settlement expenses less the present value of expected future net premiums (portion of the gross premium required to provide for all benefits and related non-level claim settlement expenses using current best estimate assumptions). A net-to-gross ("NTG") ratio is calculated as the ratio of the present value of expected policy benefits and non-level claim settlement expenses divided by the present value of expected gross premiums. The NTG ratio is applied to gross premiums, as premium revenue is recognized, to determine net premiums that are subtracted from the present value of expected benefits and non-level claim settlement expenses to determine the liability for future policy benefits, which cannot be less than zero. The NTG ratio at the cohort measurement unit level cannot exceed 100%, and if it exceeds 100%, the excess benefit expenses are recorded as a charge to current period earnings. The result of the net premium valuation methodology is that the liability at any point in time represents an accumulation of the portion of premiums received to date expected to fund future benefits (i.e., net premiums received to date), less any benefits and expenses already paid. The liability does not necessarily reflect the full policyholder obligation the Company expects to pay at the conclusion of the contract since a portion of that obligation would be funded by net premiums received in the future and would be recognized in the liability at that time. The insurance cash flow projections are updated quarterly to reflect actual experience and are generally updated annually to reflect changes in best estimate future insurance assumptions using a retrospective unlocking method with the impact recorded through current period earnings. At the time of an experience or best estimate assumption unlocking, a revised NTG ratio is calculated using actual historical cash flow experience and updated, if any, best estimate future cash flow projections, discounted using the locked-in discount rate. The revised NTG ratio is then applied to prior period cash flows to derive a cumulative catch-up adjustment as of the beginning of the quarter.

The revised NTG ratio is then used going forward to accrue the reserve, until the next unlocking. The liability is also remeasured each quarter using a current discount rate, based on an upper medium grade fixed-income instrument yield, with the impact recorded through accumulated other comprehensive income. Expense assumptions included in the liability only include claim related expenses and exclude acquisition costs and non-claim related costs such as costs relating to investments, general administration, policy maintenance, product development, market research, and general overhead. For limited-payment contracts, a deferred profit liability ("DPL") is established for the amount of gross premiums received in excess of expected net premiums and is amortized into premium income in relation to the discounted amount of insurance in force for life insurance or expected benefit payments for annuity contracts. The DPL is subject to a retrospective unlocking adjustment consistent with the liability for future policy benefits.

- For certain contract features, such as no-lapse guarantees, a liability is established when associated assessments (which include investment margin on policyholders' account balances in the general account and policy charges for administration, mortality, expense, surrender, and other charges) are recognized. This liability is established using current best estimate assumptions and is based on the ratio of the present value of total expected excess payments (e.g., payments in excess of account value) over the life of the contract divided by the present value of total expected assessments (i.e., benefit ratio). The liability equals the current benefit ratio multiplied by cumulative assessments recognized to date, plus interest, less cumulative excess payments to date. The liability does not necessarily reflect the full policyholder obligation the Company expects to pay at the conclusion of the contract since a portion of that excess payment would be funded by assessments received in the future and would be recognized in the liability at that time. The reserves are subject to adjustments based on annual reviews of assumptions and quarterly adjustments for experience as described below, including market performance. These adjustments reflect the impact on the benefit ratio of using actual historical experience from the issuance date to the balance sheet date plus updated estimates of future experience. The updated benefit ratio is then applied to all prior periods' assessments to derive an adjustment to the reserve recognized through a benefit or charge to current period earnings.
- For universal life type contracts and participating contracts, the Company performs premium deficiency tests using best estimate assumptions, at a minimum, on an annual basis, and on a quarterly basis for business whose profitability is closely tied to equity market performance. If the current net reserves are less than the best estimate liability, the existing net reserves are adjusted by first reducing the associated deferred sales inducements ("DSI") by the amount of the deficiency or to zero through a charge to current period earnings. If the deficiency is more than the DSI for insurance contracts, the net reserves are increased by the excess through a charge to current period earnings. Since investment yields are used as the discount rate, the premium deficiency test is also performed using a discount rate based on the market yield (i.e., assuming what would be the impact if any unrealized gains (losses) were realized as of the testing date). In the event that by using the market yield a deficiency occurs, an adjustment is established for the deficiency and is included in "Accumulated other comprehensive income (loss)" ("AOCI").

Annual assumptions review and quarterly adjustments

The assumptions used in establishing reserves are generally based on the Company's experience, industry experience and/or other factors, as applicable. We update our actuarial assumptions, such as mortality, morbidity, retirement and policyholder behavior assumptions, annually unless a material change in our own experience or in industry experience made available to us is observed in an interim period that we feel is indicative of a long-term trend. Generally, we do not expect trends to change significantly in the short-term and, to the extent these trends may change, we expect such changes to be gradual over the long-term.

We perform an annual comprehensive review of the assumptions used for estimating future premiums, benefits, and other cash flows, including reviews related to mortality, morbidity, lapse, surrender, other contractholder behavior assumptions, economic assumptions, and expected future rates of returns on investments. The Company generally looks to relevant Company experience as the primary basis for these assumptions. If relevant Company experience is not available or does not have sufficient credibility, the Company may look to experience of similar blocks of business, either elsewhere within the Company or within the industry. 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 we feel is indicative of a long-term trend. The impact on our results of operations of changes in these assumptions can be offsetting and we are unable to predict their movement or offsetting impact over time.

The quarterly adjustments for market performance referred to above reflect the impact of changes to our estimate of future rates of returns on investments to reflect actual fund performance and market conditions. A portion of returns on investments for 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 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 life contracts and decrease expected claims to be paid on variable life contracts. The opposite occurs when returns are lower than our expectations.

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 liabilities for future policy benefits for certain of our products, primarily our domestic 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 September 30, 2023, our variable life insurance businesses assume an 8.0% long-term equity expected rate of return and a 5.4% near-term mean reversion equity expected rate of return.

With regard to interest rate assumptions used in evaluating 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 2023 annual reviews and update of assumptions and other refinements, we kept our long-term expectation of the 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. For additional information regarding discount rates used to establish the liability for future policy benefits, see Note 2 to the Unaudited Interim Financial Statements.

Policyholders’ Account Balances

Policyholders’ account balances liability represents the contract value that has accrued to the benefit of the policyholder as of the balance sheet date. This liability is primarily associated with the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balance, as applicable. The liability also includes provisions for benefits under non-life contingent payout annuities. Policyholders’ account balances also include amounts representing the fair value of embedded derivative instruments associated with the index-linked features of certain universal life and annuity products. The changes in the fair value of the embedded derivatives, including changes in non-performance risk (“NPR”) are recorded in net income. For additional information regarding the valuation of these embedded derivatives, see Note 5 to the Financial Statements included in the Company’s restated Financial Statements for the year ended December 31, 2022 included as Exhibit 99.1 within the Company’s Current Report on Form 8-K filed on July 14, 2023.

Market Risk Benefits

Market risk benefit liabilities (or assets) represent contracts or contract features that provide protection to the contractholder and exposes the Company to other than nominal capital market risk. MRBs are primarily related to deferred annuities with guaranteed minimum benefits including guaranteed minimum death benefits (“GMDB”), guaranteed minimum accumulation benefits (“GMAB”), guaranteed minimum withdrawal benefit (“GMWB”) and guaranteed minimum income and withdrawal benefits (“GMIWB”). The liability (or asset) for MRBs is estimated using a fair value measurement methodology. The fair value of these MRBs is based on assumptions a market participant would use in valuing market risk benefits. On a quarterly basis, the fair value of these MRBs is calculated as the present value of expected future benefit payments to contractholders less the present value of expected future rider fees attributable to the market risk benefits. The changes in the fair value of market risk benefits are recorded in net income, net of related hedges, in “Change in value of market risk benefits, net of related hedging gains (losses)”, except for the portion of the change attributable to changes in the Company’s own NPR which is recorded in other comprehensive income (“OCI”) for the direct and assumed businesses. However, the change in NPR for the ceded MRB will go through net income. The Company estimates that a hypothetical change to its own credit risk of plus 50 and minus 50 basis points would result in a decrease and an increase to net income of \$95 million and \$105 million, respectively. For additional information regarding the valuation of these MRB features, see Note 10 to the Unaudited Interim Financial Statements.

Sensitivities for Insurance Assets and Liabilities

The following table summarizes the impact that could result on each of the listed financial statement balances from changes in certain key assumptions. The information below is for illustrative purposes and includes only the hypothetical direct impact on December 31, 2022, balances of changes in a single assumption and not changes in any combination of assumptions. Additionally, the illustration of the insurance assumption impacts below reflects a parallel shift in the insurance assumptions; however, these may be non-parallel in practice. Changes in current assumptions could result in impacts to financial statement balances that are in excess of the amounts illustrated. A description of the estimates and assumptions used in the preparation of each of these financial statement balances is provided above. Changes to the insurance cash flow assumptions are reflected in net income through the retrospective unlocking method for traditional long duration, limited-payment and universal life type products.

The impacts presented within this table exclude the impacts of our asset liability management strategy, which seeks to offset the changes in the balances presented within this table and is primarily composed of investments and derivatives. See further below for a discussion of the estimates and assumptions involved with the application of U.S. GAAP accounting policies for these instruments and “Item 3. Quantitative and Qualitative Disclosures about Market Risk” for hypothetical impacts on related balances as a result of changes in certain significant assumptions.

	Increase (Decrease) in Net Income due to changes in Future Policy Benefits, Market Risk Benefits(1), and Policyholders' Account Balances, Net of Reinsurance	
	(in millions)	
Hypothetical change in current assumptions:		
Long-term interest rate:		
Increase by 25 basis points	\$	0
Decrease by 25 basis points	\$	0
Long-term equity expected rate of return:		
Increase by 50 basis points	\$	0
Decrease by 50 basis points	\$	0
Mortality:		
Increase by 1%	\$	5
Decrease by 1%	\$	(5)
Lapse(2)(3):		
Increase by 10%	\$	15
Decrease by 10%	\$	(15)

(1) MRB impact reflects the net impact of MRB assets and liabilities prior to hedging.

(2) The lapse sensitivity shocks applied for the post-level premium period for term products are capped at the level where the rates would equal 100% under an increase lapse scenario. The same capped shock levels are also applied for the decrease lapse scenario.

(3) Assumes the same shock across all products; however, we would not expect lapse rates of different products to move uniformly.

Other Accounting Policies

In addition to the items listed above, management believes the accounting policies relating to the following areas are also most dependent on the application of estimates and assumptions and require management's most difficult, subjective, or complex judgments:

- Valuation of investments including derivatives, measurement of allowance for credit losses, and recognition of other-than-temporary impairments ("OTTI");
- Reinsurance recoverables;
- Taxes on income; and
- Reserves for contingencies, including reserves for losses in connection with unresolved legal matters

For further discussion of impacts that could result from changes in these key estimates and assumptions, see our restated "Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Policies and Pronouncements—Application of Critical Accounting Estimates" for the year ended December 31, 2022 included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023.

Adoption of New Accounting Pronouncements

Effective January 1, 2023, the Company adopted ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. Adoption of this ASU impacted, at least to some extent, the accounting and disclosure requirements for all long-duration insurance and investment contracts issued by the Company and had a significant financial impact on the Financial Statements disclosures. See Note 1 for additional information.

As of the January 1, 2021 transition date, the adoption of the standard resulted in a decrease to "Total equity" of \$67 million, primarily from remeasuring in force contract liabilities using upper-medium grade fixed income instrument yields as of the transition date and from other changes in reserves. As of the January 1, 2023 adoption date, the impact amounted to a decrease to "Total equity" of \$2 million. The changes in the impacts from January 1, 2021 to January 1, 2023 primarily reflect the increase in market interest rates during 2021 and 2022. 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 increased \$0.5 billion from \$20.6 billion at December 31, 2022 to \$21.1 billion at September 30, 2023. Significant components were:

- Total investments increased \$1.4 billion primarily driven by an increase in policy loans from variable life contracts and an increase in fixed maturity investment from the reinvestment of cash and cash equivalents; and
- Separate account assets decreased \$0.8 billion primarily driven by separate account transfers to fund variable life contract policy loans, somewhat offset by favorable equity market performance.

Total liabilities increased \$0.4 billion from \$19.6 billion at December 31, 2022 to \$20.0 billion at September 30, 2023

- Policyholders' account balances increased \$1.1 billion primarily driven by separate account transfers to fund variable life contract policy loans; and
- Separate account liabilities decreased \$0.8 billion corresponding to the decrease in separate account assets, as mentioned above.

Total equity increased \$0.2 billion from \$1.0 billion at December 31, 2022 to \$1.2 billion at September 30, 2023 primarily driven by a \$175 million capital contribution to fund statutory reserve requirements.

Results of Operations

Income (loss) from Operations before Income Taxes

Three Months Comparison

Income (loss) from operations before income taxes increased \$66 million from income of \$12 million for the three months ended September 30, 2022 to income of \$78 million for the three months ended September 30, 2023.

- Higher Change in value of market risk benefits, net of related hedging gain (loss) from ceded NPR; and
- Higher Net investment income primarily due to the impact from higher reinvestment rates.

Nine Months Comparison

Income (loss) from operations before income taxes increased \$240 million from a loss of \$133 million for the nine months ended September 30, 2022 to income of \$107 million for the nine months ended September 30, 2023. The impact from our annual reviews and update of assumptions and other refinements was a net gain of \$11 million. Excluding the comparative impact of our annual reviews and update of assumptions and other refinements, income (loss) from operations increased \$229 million primarily driven by:

- Higher Change in value of market risk benefits, net of related hedging gain (loss) from ceded NPR.

Revenues, Benefits and Expenses

Three Months Comparison

Revenues increased \$84 million from \$52 million for the three months ended September 30, 2022 to \$136 million for the three months ended September 30, 2023.

- Higher Change in value of market risk benefits, net of related hedging gains (loss) from ceded NPR; and
- Higher Net investment income due to the impact from higher reinvestment rates.

Benefits and expenses increased \$18 million from \$40 million for the three months ended September 30, 2022 to \$58 million for the three months ended September 30, 2023.

- Higher Policyholders' benefits due to business growth in traditional life product reserves, net of reinsurance;
- Higher Interest credited to policyholders' account balances due to policy loan interest credited to fund variable life contract policy loans;

Partially offset by:

- Lower General, administrative and other expenses due to lower commission expense.

Nine Months Comparison

Revenues increased \$268 million from a loss of \$8 million for the nine months ended September 30, 2022 to a gain of \$260 million for the nine months ended September 30, 2023. This includes an unfavorable comparative increase of \$4 million from our annual reviews and update of assumptions and other refinements. Excluding the comparative impact of our annual reviews and update of assumptions and other refinements, revenues increased \$272 million primarily driven by:

- Higher Change in value of market risk benefits, net of related hedging gains (loss) from ceded NPR.

Benefits and expenses increased \$28 million from \$125 million for the nine months ended September 30, 2022 to \$153 million for the nine months ended September 30, 2023. This includes a favorable increase of \$15 million from our annual reviews and update of assumptions and other refinements. Excluding the comparative impact of our annual reviews and update of assumptions and other refinements, benefits and expenses increased \$43 million primarily driven by:

- Higher Policyholders' benefits due to business growth in traditional life product reserves, net of reinsurance.

Risks and Risk Mitigants:

Indexed Variable Annuity Risks and Risk Mitigants. The primary risk exposure of these indexed variable annuity products relates to the investment risks we bear in order to credit to the customer's account balance the required crediting rate based on the performance of the elected indices at the end of each term. We manage this risk primarily through our investment strategies including derivatives and product design features, which include credit rate resetting subject to contractual minimums as well as surrender charges applied during the early years of the contract that help to provide protection for premature withdrawals. In addition, our indexed variable annuity strategies have an interim value provision that provides protection from lapse in the case of rising interest rates.

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 i) Product Design Features, and ii) our 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 offer 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 purchase payments, as well as a required minimum allocation to our general account 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 annuity guarantees. The MRB liability that we hedge consists of expected living and death benefit claims under various market conditions, which are managed using fixed income instruments, derivatives, or a combination thereof. 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 ("OTC") 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 12 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 align 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 and liquidity management. For information on these regulatory initiatives and their potential impact on us, see "Business—Regulation" and "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022.

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. For information regarding the NAIC's August 2023 adoption of changes to the treatment of negative interest maintenance reserves, see "Regulatory Developments" above.

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, 2022, 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 (as described below) 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 September 30, 2023 and December 31, 2022, the Company had liquid assets of \$2,242 million and \$2,010 million, respectively. The portion of liquid assets comprised of cash and cash equivalents and short-term investments was \$67 million and \$263 million as of September 30, 2023 and December 31, 2022, respectively. As of September 30, 2023, \$2,051 million, or 95%, of the fixed maturity investments in the Company's general account portfolios, were rated high or highest quality based on NAIC or equivalent rating.

Prudential Funding, LLC

Prudential Financial and Prudential Funding borrow funds in the capital markets primarily through the direct issuance of commercial paper. The borrowings serve as an additional source of financing to meet our working capital needs. Prudential Funding operates under a support agreement with Prudential Insurance whereby Prudential Insurance has agreed to maintain Prudential Funding's positive tangible net worth at all times.

Term and Universal Life Reserve Financing

The Company uses 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 both September 30, 2023, and December 31, 2022, the affiliated captive reinsurance companies have entered into agreements with external counterparties providing for the issuance of up to an aggregate of \$16,050 million of surplus notes by our affiliated captive reinsurers in return for the receipt of credit-linked notes ("Credit-Linked Note Structures"), of which \$14,070 million of surplus notes was outstanding. 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.

As of September 30, 2023, our affiliated captive reinsurance companies had outstanding an aggregate of \$2,800 million of debt issued for the purpose of financing Regulation XXX and Guideline AXXX non-economic reserves, of which approximately \$700 million relates to Regulation XXX reserves and approximately \$2,100 million relates to Guideline AXXX reserves. In addition, as of September 30, 2023, 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.

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 September 30, 2023, there have been no material changes in our exposure to market risk from December 31, 2022, a description of which may be found in our restated Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," for the year ended December 31, 2022, included as Exhibit 99.1 within the Company's Current Report on Form 8-K filed on July 14, 2023. See Item 1A, "Risk Factors" included in the Annual Report on Form 10-K for the year ended December 31, 2022, 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 September 30, 2023. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023, 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 September 30, 2023, 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 15 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, 2022. 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/ Elizabeth Dietrich
Name: Elizabeth Dietrich
Vice President, Chief Financial Officer and Chief Accounting Officer
(Authorized Signatory and Principal Financial Officer)

Date: November 9, 2023

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: November 9, 2023

/s/ Dylan J. Tyson

Dylan J. Tyson

President and Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Elizabeth Dietrich, 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: November 9, 2023

/s/ Elizabeth Dietrich

Elizabeth Dietrich

Vice President, Chief Financial Officer and Chief Accounting 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 September 30, 2023 (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: November 9, 2023

/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, Elizabeth Dietrich, Vice President, Chief Financial Officer and Chief Accounting 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 September 30, 2023 (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: November 9, 2023

/s/ Elizabeth Dietrich

Elizabeth Dietrich

Vice President, Chief Financial Officer and Chief Accounting 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.