
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2015**

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 **033-37587**

**Pruco Life Insurance
Company**

(Exact name of Registrant as specified in its charter)

Arizona

(State or other jurisdiction of
incorporation or organization)

22-1944557

(IRS Employer Identification No.)

**213 Washington Street
Newark, New Jersey 07102
(973) 802-6000**

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐

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

As of May 14, 2015, 250,000 shares of the registrant's Common Stock (par value \$10) were outstanding.

**Pruco Life Insurance Company 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 including but not limited to those in Management’s Discussion and Analysis of Financial Condition and Results of Operations, 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 and its subsidiaries. There can be no assurance that future developments affecting Pruco Life Insurance Company and its subsidiaries 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) general economic, market and political conditions, including the performance and fluctuations of fixed income, equity, real estate and other financial markets; (2) the availability and cost of additional debt or equity capital or external financing for our operations; (3) interest rate fluctuations or prolonged periods of low interest rates; (4) the degree to which we choose not to hedge risks, or the potential ineffectiveness or insufficiency of hedging or risk management strategies we do implement; (5) any inability to access our credit facilities; (6) reestimates of our reserves for future policy benefits and claims; (7) differences between actual experience regarding mortality, morbidity, persistency, utilization, interest rates or market returns and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes; (8) changes in our assumptions related to deferred policy acquisition costs; (9) changes in our financial strength or credit ratings; (10) statutory reserve requirements associated with term and universal life insurance policies under Regulation XXX and Guideline AXXX; (11) investment losses, defaults and counterparty non-performance; (12) competition in our product lines and for personnel; (13) difficulties in marketing and distributing products through current or future distribution channels; (14) changes in tax law; (15) regulatory or legislative changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act; (16) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (17) adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities; (18) domestic or international military actions, natural or man-made disasters including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life; (19) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; (20) interruption in telecommunication, information technology or other operational systems or failure to maintain the security, confidentiality or privacy of sensitive data on such systems; and (21) changes in statutory or accounting principles generally accepted in the United States of America (“U.S. GAAP”), practices or policies. Pruco Life Insurance Company does not intend, and is under no obligation, to update any particular forward-looking statement included in this document. See “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2014 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

**Unaudited Interim Consolidated Statements of Financial Position
As of March 31, 2015 and December 31, 2014 (in thousands, except share amounts)**

	March 31, 2015	December 31, 2014
ASSETS		
Fixed maturities, available-for-sale, at fair value (amortized cost: 2015 – \$6,065,804; 2014 – \$5,866,873)	\$ 6,460,973	\$ 6,194,564
Equity securities, available-for-sale, at fair value (cost: 2015 – \$33,890; 2014 – \$28,881)	34,844	29,500
Trading account assets, at fair value	60,384	49,661
Policy loans	1,127,936	1,123,912
Short-term investments	215,653	121,272
Commercial mortgage and other loans	1,726,582	1,681,553
Other long-term investments	294,287	298,143
Total investments	9,920,659	9,498,605
Cash and cash equivalents	408,321	214,952
Deferred policy acquisition costs	4,888,010	5,066,855
Accrued investment income	92,881	90,506
Reinsurance recoverables	22,057,381	20,594,371
Receivables from parent and affiliates	285,834	261,915
Deferred sales inducements	772,031	836,791
Other assets	92,462	83,417
Separate account assets	112,173,480	109,194,192
TOTAL ASSETS	\$ 150,691,059	\$ 145,841,604
LIABILITIES AND EQUITY		
LIABILITIES		
Policyholders' account balances	\$ 15,446,787	\$ 15,250,055
Future policy benefits and other policyholder liabilities	15,373,608	13,915,330
Cash collateral for loaned securities	91,015	65,418
Income taxes	252,089	256,168
Short-term debt to affiliates	429,804	423,000
Long-term debt to affiliates	1,288,000	1,288,000
Payables to parent and affiliates	67,114	66,581
Other liabilities	891,314	828,875
Separate account liabilities	112,173,480	109,194,192
TOTAL LIABILITIES	146,013,211	141,287,619
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 6)		
EQUITY		
Common stock (\$10 par value; 1,000,000 shares authorized; 250,000 shares issued and outstanding)	2,500	2,500
Additional paid-in capital	780,373	792,153
Retained earnings	3,664,871	3,580,641
Accumulated other comprehensive income	230,104	178,691
TOTAL EQUITY	4,677,848	4,553,985
TOTAL LIABILITIES AND EQUITY	\$ 150,691,059	\$ 145,841,604

See Notes to Unaudited Interim Consolidated Financial Statements

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PRUCO LIFE INSURANCE COMPANY
Unaudited Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
Three Months Ended March 31, 2015 and 2014 (in thousands)

	Three Months Ended March 31,	
	2015	2014
REVENUES		
Premiums	\$ 15,637	\$ 15,245
Policy charges and fee income	540,765	513,625
Net investment income	103,420	98,477
Asset administration fees	98,687	89,424
Other income	17,217	13,407
Realized investment gains (losses), net:		
Other-than-temporary impairments on fixed maturity securities	(33)	-
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income	22	-
Other realized investment gains (losses), net	59,036	85,531
Total realized investment gains (losses), net	59,025	85,531
TOTAL REVENUES	834,751	815,709
BENEFITS AND EXPENSES		
Policyholders' benefits	58,401	85,035
Interest credited to policyholders' account balances	117,477	79,803
Amortization of deferred policy acquisition costs	302,751	62,236
General, administrative and other expenses	258,546	242,061
TOTAL BENEFITS AND EXPENSES	737,175	469,135
INCOME FROM OPERATIONS BEFORE INCOME TAXES	97,576	346,574
Income tax expense	13,346	67,404
NET INCOME	\$ 84,230	\$ 279,170
Other comprehensive income (loss), before tax:		
Foreign currency translation adjustments	(520)	(2)
Net unrealized investment gains (losses):		
Unrealized investment gains (losses) for the period	81,731	92,374
Reclassification adjustment for (gains) losses included in net income	(2,114)	(1,272)
Net unrealized investment gains (losses)	79,617	91,102
Other comprehensive income (loss), before tax	79,097	91,100
Less: Income tax expense (benefit) related to:		
Foreign currency translation adjustments	(182)	(1)
Net unrealized investment gains (losses)	27,866	31,886
Total	27,684	31,885
Other comprehensive income (loss), net of tax	51,413	59,215
COMPREHENSIVE INCOME	\$ 135,643	\$ 338,385

See Notes to Unaudited Interim Consolidated Financial Statements

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PRUCO LIFE INSURANCE COMPANY
Unaudited Interim Consolidated Statements of Equity
Three Months Ended March 31, 2015 and 2014 (in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2014	<u>\$ 2,500</u>	<u>\$ 792,153</u>	<u>\$ 3,580,641</u>	<u>\$ 178,691</u>	<u>\$ 4,553,985</u>
Contributed (distributed)					
capital-parent/child asset transfers	-	(11,780)	-	-	(11,780)
Comprehensive income:					
Net income	-	-	84,230	-	84,230
Other comprehensive income (loss), net of tax	-	-	-	51,413	51,413
Total comprehensive income					<u>135,643</u>
Balance, March 31, 2015	<u>\$ 2,500</u>	<u>\$ 780,373</u>	<u>\$ 3,664,871</u>	<u>\$ 230,104</u>	<u>\$ 4,677,848</u>

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2013	<u>\$ 2,500</u>	<u>\$ 804,237</u>	<u>\$ 3,542,838</u>	<u>\$ 56,646</u>	<u>\$ 4,406,221</u>
Contributed (distributed)					
capital-parent/child asset transfers	-	130	-	-	130
Comprehensive income:					
Net income	-	-	279,170	-	279,170
Other comprehensive income (loss), net of tax	-	-	-	59,215	59,215
Total comprehensive income					<u>338,385</u>
Balance, March 31, 2014	<u>\$ 2,500</u>	<u>\$ 804,367</u>	<u>\$ 3,822,008</u>	<u>\$ 115,861</u>	<u>\$ 4,744,736</u>

See Notes to Unaudited Interim Consolidated Financial Statements

PRUCO LIFE INSURANCE COMPANY
Unaudited Interim Consolidated Statements of Cash Flows
Three Months Ended March 31, 2015 and 2014 (in thousands)

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 84,230	\$ 279,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Policy charges and fee income	(10,057)	(28,553)
Interest credited to policyholders' account balances	117,477	79,803
Realized investment (gains) losses, net	(59,025)	(85,531)
Amortization and other non-cash items	(19,863)	(16,334)
Change in:		
Future policy benefits and other insurance liabilities	401,279	354,670
Reinsurance recoverables	(411,861)	(344,170)
Accrued investment income	(2,374)	1,564
Net payable to/receivable from parent and affiliates	(35,906)	(14,694)
Deferred policy acquisition costs	156,424	(77,840)
Income taxes	(25,420)	209
Deferred sales inducements	(2,002)	(2,696)
Derivatives, net	151,514	(3,328)
Other, net	(21,814)	(8,447)
Cash flows from operating activities	\$ 322,602	\$ 133,823
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	\$ 229,453	\$ 227,505
Short-term investments	145,309	48,826
Policy loans	31,243	27,395
Ceded policy loans	(1,868)	(1,394)
Commercial mortgage and other loans	8,346	10,051
Other long-term investments	1,697	854
Equity securities, available-for-sale	11	-
Trading account assets, at fair value	1,500	-
Payments for the purchase/origination of:		
Fixed maturities, available-for-sale	(366,407)	(371,235)
Short-term investments	(239,688)	(89,268)
Policy loans	(24,773)	(27,810)
Ceded policy loans	2,909	2,360
Commercial mortgage and other loans	(54,315)	(19,252)
Other long-term investments	(10,234)	(10,716)
Equity securities, available-for-sale	(5,010)	(10,010)
Trading account assets, at fair value	(12,001)	(8,800)
Notes receivable from parent and affiliates, net	11,784	17,191
Derivatives, net	(4,150)	(9,855)
Other, net	2,827	2,121
Cash flows used in investing activities	\$ (283,367)	\$ (212,037)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Policyholders' account deposits	\$ 829,044	\$ 650,604
Ceded policyholders' account deposits	(258,767)	(137,617)
Policyholders' account withdrawals	(455,336)	(421,129)
Ceded policyholders' account withdrawals	10,218	7,920
Net change in securities sold under agreement to repurchase and cash collateral for loaned securities	25,596	13,744
Contributed (Distributed) capital - parent/child asset transfers	(18,123)	130
Net change in financing arrangements (maturities 90 days or less)	6,804	(2,900)
Drafts outstanding	14,698	28,514
Cash flows from financing activities	\$ 154,134	\$ 139,266
NET INCREASE IN CASH AND CASH EQUIVALENTS	193,369	61,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	214,952	307,243
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 408,321	\$ 368,295

See Notes to Unaudited Interim Consolidated Financial Statements

PRUCO LIFE INSURANCE COMPANY
Notes to Unaudited Interim Consolidated Financial Statements

1. BUSINESS AND BASIS OF PRESENTATION

Pruco Life Insurance Company is a wholly owned subsidiary of The Prudential Insurance Company of America (“Prudential Insurance”) which in turn is a direct wholly owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”). Pruco Life Insurance Company is a stock life insurance company organized in 1971 under the laws of the State of Arizona. It is licensed to sell life insurance and annuities in the District of Columbia, Guam and in all States except New York, and sells such products primarily through affiliated and unaffiliated distributors.

Pruco Life Insurance Company has two subsidiaries, including one wholly owned insurance subsidiary, Pruco Life Insurance Company of New Jersey (“PLNJ”) and one subsidiary formed in 2009 for the purpose of holding certain commercial loan investments. Pruco Life Insurance Company and its subsidiaries are together referred to as the “Company” and all financial information is shown on a consolidated basis.

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.

Acquisition of The Hartford’s Individual Life Insurance Business

On January 2, 2013, Prudential Insurance acquired the individual life insurance business of The Hartford Financial Services Group, Inc. (“The Hartford”) through a reinsurance transaction. Under the agreement, Prudential Insurance paid The Hartford cash consideration of \$615 million, primarily in the form of a ceding commission to provide reinsurance for approximately 700,000 life insurance policies with net retained face amount in force of approximately \$141 billion. This acquisition increased the Company’s scale in the U.S. individual life insurance market, particularly universal life products, and provides complimentary distribution opportunities through expanded wirehouse and bank distribution channels.

In connection with this transaction, Prudential Insurance retroceded to the Company the portion of the assumed business that is classified as guaranteed universal life insurance (“GUL”), with account values of approximately \$4 billion as of January 2, 2013. The Company reinsured more than 79,000 GUL policies with a net retained face amount in force of approximately \$30 billion. The Company then retroceded all of the GUL policies to an affiliated captive reinsurance company. Collectively, these transactions do not have a material impact on equity, as determined in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), or the statutory capital and surplus of the Company.

Basis of Presentation

The Unaudited Interim Consolidated Financial Statements have been prepared in accordance with 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 Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

Use of Estimates

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

The most significant estimates include those used in determining deferred policy acquisition costs and related amortization; amortization of deferred sales inducements; valuation of investments including derivatives and the recognition of other-than-temporary impairments (“OTTI”); future policy benefits including guarantees; reinsurance recoverables; provision for income taxes and valuation of deferred tax assets; and reserves for contingent liabilities, including reserves for losses in connection with unresolved legal matters.

Reclassifications

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

2. SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS

This section supplements, and should be read in conjunction with, Note 2 to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Adoption of New Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board (“FASB”) issued updated guidance regarding investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. Under the guidance, an entity is permitted to make an accounting policy election to amortize the initial cost of its investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the statement of operations as a component of income tax expense (benefit) if certain conditions are met. The new guidance became effective for annual periods and interim reporting periods within those annual periods that began after December 15, 2014. The Company did not elect the proportional amortization method under this guidance.

In January 2014, the FASB issued updated guidance for troubled debt restructurings clarifying when an in substance repossession or foreclosure occurs, and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. The new guidance became effective for annual periods and interim periods within those annual periods that began after December 15, 2014 and was applied prospectively. Adoption of the guidance did not have a significant effect on the Company’s consolidated financial position, results of operations or financial statement disclosures.

In August 2014, the FASB issued guidance requiring that mortgage loans be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The new guidance became effective for annual periods and interim periods within those annual periods that began after December 15, 2014 and was applied prospectively. Adoption of the guidance did not have a significant effect on the Company’s consolidated financial position, results of operations or financial statement disclosures.

Future Adoption of New Accounting Pronouncements

In May 2014, the FASB issued updated guidance on accounting for revenue recognition. The guidance is based on the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from cost incurred to obtain or fulfill a contract. Revenue recognition for insurance contracts is explicitly scoped out of the guidance. The new guidance is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2016 and must be applied using one of two retrospective application methods. Early adoption is not permitted. The Company is currently assessing the impact of the guidance on the Company’s consolidated financial position, results of operations and financial statement disclosures.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities, and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently assessing the impact of the guidance on the Company’s consolidated financial position, results of operations and financial statement disclosures.

3. INVESTMENTS

Fixed Maturities and Equity Securities

The following tables provide information relating to fixed maturities and equity securities (excluding investments classified as trading) as of the dates indicated:

	March 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (in thousands)	Fair Value	Other-than- temporary Impairments in AOCI (3)
Fixed maturities, available-for-sale					
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ 87,480	\$ 10,175	\$ -	\$ 97,655	\$ -
Obligations of U.S. states and their political subdivisions	375,937	20,896	270	396,563	-
Foreign government bonds	53,808	4,904	124	58,588	-
Public utilities	713,079	80,872	3,135	790,816	-
Redeemable preferred stock	5,058	1,434	145	6,347	-
All other corporate securities	3,781,661	267,466	27,739	4,021,388	(246)
Asset-backed securities (1)	467,024	8,609	695	474,938	(3,478)
Commercial mortgage-backed securities	458,494	21,899	207	480,186	-
Residential mortgage-backed securities (2)	123,263	11,254	25	134,492	(800)
Total fixed maturities, available-for-sale	<u>\$ 6,065,804</u>	<u>\$ 427,509</u>	<u>\$ 32,340</u>	<u>\$ 6,460,973</u>	<u>\$ (4,524)</u>

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

March 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (in thousands)	Fair Value
Equity securities, available-for-sale				
Common Stocks:				
Public utilities	\$ 66	\$ 17	\$ -	\$ 83
Industrial, miscellaneous & other	4	142	-	146
Mutual funds	33,480	1,116	595	34,001
Non-redeemable preferred stocks	340	274	-	614
Total equity securities, available-for-sale	<u>\$ 33,890</u>	<u>\$ 1,549</u>	<u>\$ 595</u>	<u>\$ 34,844</u>

- (1) Includes credit-tranched securities collateralized by sub-prime mortgages, auto loans, credit cards, education loans, and other asset types.
(2) Includes publicly-traded agency pass-through securities and collateralized mortgage obligations.
(3) Represents the amount of other-than-temporary impairment losses in Accumulated Other Comprehensive Income ("AOCI"), which were not included in earnings. Amount excludes \$10 million of net unrealized gains on impaired available-for-sale securities relating to changes in the value of such securities subsequent to the impairment measurement date.

December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (in thousands)	Fair Value
Fixed maturities, available-for-sale				
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ 83,372	\$ 8,711	\$ 1	\$ 92,082
Obligations of U.S. states and their political subdivisions	310,518	15,323	187	325,654
Foreign government bonds	35,228	3,284	14	38,498
Public utilities	683,652	62,060	3,288	742,424
Redeemable preferred stock	3,185	763	137	3,811
All other corporate securities	3,743,804	227,939	20,820	3,950,923
Asset-backed securities (1)	395,180	8,281	1,210	402,251
Commercial mortgage-backed securities	482,769	17,978	1,868	498,879
Residential mortgage-backed securities (2)	129,165	10,902	25	140,042
Total fixed maturities, available-for-sale	<u>\$ 5,866,873</u>	<u>\$ 355,241</u>	<u>\$ 27,550</u>	<u>\$ 6,194,564</u>

Equity securities, available-for-sale				
Common Stocks:				
Public utilities	\$ 66	\$ 23	\$ -	\$ 89
Industrial, miscellaneous & other	5	173	-	178
Mutual funds	28,470	468	295	28,643
Non-redeemable preferred stocks	340	250	-	590
Total equity securities, available-for-sale	<u>\$ 28,881</u>	<u>\$ 914</u>	<u>\$ 295</u>	<u>\$ 29,500</u>

- (1) Includes credit-tranched securities collateralized by sub-prime mortgages, auto loans, credit cards, education loans, and other asset types.
(2) Includes publicly-traded agency pass-through securities and collateralized mortgage obligations.
(3) Represents the amount of other-than-temporary impairment losses in AOCI, which were not included in earnings. Amount excludes \$10 million of net unrealized gains on impaired available-for-sale securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The amortized cost and fair value of fixed maturities by contractual maturities at March 31, 2015, are as follows:

	Available-for-Sale	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year or less	\$ 362,176	\$ 371,147
Due after one year through five years	1,115,699	1,192,099
Due after five years through ten years	1,185,249	1,232,056
Due after ten years	2,353,899	2,576,055
Asset-backed securities	467,024	474,938
Commercial mortgage-backed securities	458,494	480,186
Residential mortgage-backed securities	123,263	134,492
Total	<u>\$ 6,065,804</u>	<u>\$ 6,460,973</u>

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

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 are not due at a single maturity date.

The following table depicts the sources of fixed maturity proceeds and related investment gains (losses), as well as losses on impairments of both fixed maturities and equity securities:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Fixed maturities, available-for-sale		
Proceeds from sales	\$ 88,320	\$ 39,886
Proceeds from maturities/repayments	151,823	182,019
Gross investment gains from sales, prepayments and maturities	2,517	1,679
Gross investment losses from sales and maturities	(391)	(407)
Equity securities, available-for-sale		
Proceeds from sales	\$ -	\$ -
Proceeds from maturities/repayments	-	-
Gross investment gains from sales	-	-
Gross investment losses from sales	-	-
Fixed maturity and equity security impairments		
Net writedowns for other-than-temporary impairment losses on fixed maturities recognized in earnings (1)	\$ (12)	\$ -
Writedowns for impairments on equity securities	-	-

(1) Excludes the portion of other-than-temporary impairments recorded in “Other comprehensive income (loss),” representing any difference between the fair value of the impaired debt security and the net present value of its projected future cash flows at the time of the impairment.

As discussed in Note 2 to the Company’s Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014, a portion of certain OTTI losses on debt securities is recognized in Other comprehensive income (loss) (“OCI”). For these securities, the net amount recognized in earnings (“credit loss impairments”) represents the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. Any remaining difference between the fair value and amortized cost is recognized in OCI. The following tables set forth the amount of pre-tax credit loss impairments on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the OTTI loss was recognized in OCI, and the corresponding changes in such amounts.

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Balance, beginning of period	\$ 8,729	\$ 14,660
Credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period	(64)	(4,469)
Additional credit loss impairments recognized in the current period on securities previously impaired	12	-
Increases due to the passage of time on previously recorded credit losses	37	101
Accretion of credit loss impairments previously recognized due to an increase in cash flows expected to be collected	(86)	(120)
Balance, end of period	\$ 8,628	\$ 10,172

Trading Account Assets

The following table sets forth the composition of “Trading account assets” as of the dates indicated:

	March 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)			
Fixed maturities	\$ 43,509	\$ 42,015	\$ 43,490	\$ 44,121
Equity securities	14,761	18,369	3,447	5,540
Total trading account assets	\$ 58,270	\$ 60,384	\$ 46,937	\$ 49,661

The net change in unrealized gains (losses) from trading account assets still held at period end, recorded within “Other income” was \$(0.6) million and \$0.9 million during the three months ended March 31, 2015 and 2014, respectively.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Commercial Mortgage and Other Loans

The Company's commercial mortgage and other loans are comprised as follows, as of the dates indicated:

	March 31, 2015		December 31, 2014	
	Amount (in thousands)	% of Total	Amount (in thousands)	% of Total
Commercial and agricultural mortgage loans by property type:				
Retail	\$ 452,984	26.3%	\$ 439,679	26.2%
Apartments/Multi-Family	418,703	24.3	401,568	23.9
Industrial	291,662	16.9	286,104	17.1
Office	254,707	14.8	244,072	14.6
Other	98,773	5.8	99,083	5.9
Hospitality	91,560	5.3	92,126	5.5
Total commercial mortgage loans	1,608,389	93.4	1,562,632	93.2
Agricultural property loans	113,786	6.6	114,665	6.8
Total commercial and agricultural mortgage loans by property type	1,722,175	100.0%	1,677,297	100.0%
Valuation allowance	(4,003)		(4,154)	
Total net commercial and agricultural mortgage loans by property type	1,718,172		1,673,143	
Other Loans				
Uncollateralized loans	8,410		8,410	
Valuation allowance	-		-	
Total net other loans	8,410		8,410	
Total commercial mortgage and other loans	\$ 1,726,582		\$ 1,681,553	

The commercial mortgage and agricultural property loans are geographically dispersed throughout the United States and other countries with the largest concentrations in California (21%), Texas (11%), and New Jersey (9%) at March 31, 2015.

Activity in the allowance for credit losses for all commercial mortgage and other loans, as of the dates indicated, is as follows:

	March 31, 2015	December 31, 2014
	(in thousands)	
Allowance for credit losses, beginning of year	\$ 4,154	\$ 8,904
Addition to / (release of) allowance for losses	(151)	(1,832)
Charge-offs, net of recoveries	-	(2,918)
Total ending balance (1)	\$ 4,003	\$ 4,154

(1) Agricultural loans represent \$0.1 million of the ending allowance at both March 31, 2015 and December 31, 2014.

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

	March 31, 2015	December 31, 2014
	(in thousands)	
Allowance for Credit Losses:		
Individually evaluated for impairment (1)	\$ 896	\$ 940
Collectively evaluated for impairment (2)	3,107	3,214
Total ending balance	\$ 4,003	\$ 4,154
Recorded Investment: (3)		
Gross of reserves: individually evaluated for impairment (1)	\$ 22,455	\$ 15,875
Gross of reserves: collectively evaluated for impairment (2)	1,708,130	1,669,832
Total ending balance, gross of reserves	\$ 1,730,585	\$ 1,685,707

(1) There were no agricultural or uncollateralized loans individually evaluated for impairments at both March 31, 2015 and December 31, 2014.

(2) Agricultural loans collectively evaluated for impairment had a recorded investment of \$114 million and \$115 million at March 31, 2015 and December 31, 2014, respectively, and a related allowance of \$0.1 million at both March 31, 2015 and December 31, 2014. Uncollateralized loans collectively evaluated for impairment had a recorded investment of \$8 million at both March 31, 2015 and December 31, 2014 and no related allowance for both periods.

(3) Recorded investment reflects the balance sheet carrying value gross of related allowance.

Impaired loans include those loans for which it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. Impaired commercial mortgage and other loans identified in management's specific review of probable loan losses and the related

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

allowance for losses, as of March 31, 2015, had a recorded investment and unpaid principal balance of \$15.9 million and related allowance of \$0.9 million primarily related to office property types. Impaired commercial mortgage and other loans identified in management's specific review of probable loan losses and the related allowance for losses, as of December 31, 2014, had a recorded investment and unpaid principal balance of \$15.9 million and related allowance of \$0.9 million primarily related to other property types. At both March 31, 2015 and December 31, 2014, the Company held no impaired agricultural or uncollateralized loans. Net investment income recognized on impaired commercial mortgage loans totaled \$0.2 million as of March 31, 2015 and \$0.8 million as of December 31, 2014.

Impaired commercial mortgage and other loans with no allowance for losses are loans in which the fair value of the collateral or the net present value of the loans' expected future cash flows equals or exceeds the recorded investment. The Company had no such loans at both March 31, 2015 and December 31, 2014. See Note 2 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for information regarding the Company's accounting policies for non-performing loans.

The following table sets forth certain key credit quality indicators as of March 31, 2015, based upon the recorded investment gross of allowance for credit losses.

Total commercial and agricultural mortgage loans

Loan-to-Value Ratio	Debt Service Coverage Ratio - March 31, 2015			
	Greater than 1.2X	1.0X to <1.2X	Less than 1.0X	Total
	(in thousands)			
0%-59.99%	\$ 1,010,032	\$ 14,958	\$ 15,757	\$ 1,040,747
60%-69.99%	404,088	9,764	19,704	433,556
70%-79.99%	198,461	18,230	-	216,691
Greater than 80%	3,323	22,016	5,842	31,181
Total commercial and agricultural mortgage loans	\$ 1,615,904	\$ 64,968	\$ 41,303	\$ 1,722,175

The following table sets forth certain key credit quality indicators as of December 31, 2014, based upon the recorded investment gross of allowance for credit losses.

Loan-to-Value Ratio	Debt Service Coverage Ratio - December 31, 2014			
	Greater than 1.2X	1.0X to <1.2X	Less than 1.0X	Total
	(in thousands)			
0%-59.99%	\$ 997,610	\$ 24,491	\$ 9,393	\$ 1,031,494
60%-69.99%	372,958	15,741	13,981	402,680
70%-79.99%	177,956	31,463	3,493	212,912
Greater than 80%	2,991	22,068	5,152	30,211
Total commercial and agricultural mortgage loans	\$ 1,551,515	\$ 93,763	\$ 32,019	\$ 1,677,297

As of both March 31, 2015 and December 31, 2014, \$1.7 billion of commercial mortgage and other loans were in current status. As of both March 31, 2015 and December 31, 2014, no commercial mortgage and other loans were classified as past due. The Company defines current in its aging of past due commercial mortgage and other loans as less than 30 days past due.

As of both March 31, 2015 and December 31, 2014, \$15.9 million of commercial mortgage and other loans were in nonaccrual status based upon the recorded investment gross of allowance for credit losses. Nonaccrual loans are those on which the accrual of interest has been suspended after the loans become 90 days delinquent as to principal or interest payments, or earlier when the Company has doubts about collectability and loans for which a loan specific reserve has been established. See Note 2 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for further discussion regarding nonaccrual status loans.

For the three months ended both March 31, 2015 and 2014, there were no commercial mortgage and other loans sold or acquired, other than those through direct origination.

The Company's commercial mortgage and other loans may occasionally be involved in a troubled debt restructuring. As of both March 31, 2015 and December 31, 2014, the Company had no significant commitments to fund to borrowers that have been involved in a troubled debt restructuring. For the three months ended March 31, 2015 and 2014 there were no new troubled debt restructurings related to commercial mortgage and other loans, and no payment defaults on commercial mortgages. For the three months ended both March 31, 2015 and 2014, there were no adjusted pre-modification outstanding recorded investments or post-modification outstanding recorded investments. For the three months ended both March 31, 2015 and 2014, there were no payment defaults on commercial mortgage and other loans that were modified as a troubled debt restructuring within the 12 months preceding each respective period. See Note 2 to the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014 for additional information relating to the accounting for troubled debt restructurings.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Net Investment Income

Net investment income for the three months ended March 31, was from the following sources:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Fixed maturities, available-for-sale	\$ 63,938	\$ 65,735
Equity securities, available-for-sale	1	-
Trading account assets	512	196
Commercial mortgage and other loans	20,897	19,830
Policy loans	15,115	14,726
Short-term investments and cash equivalents	275	157
Other long-term investments	8,070	2,467
Gross investment income	108,808	103,111
Less: investment expenses	(5,388)	(4,634)
Net investment income	<u>\$ 103,420</u>	<u>\$ 98,477</u>

Carrying value for non-income producing assets included \$9 million in fixed maturities as of March 31, 2015. Non-income producing assets represent investments that have not produced income for the preceding twelve months.

Realized Investment Gains (Losses), Net

Realized investment gains (losses), net, for the three months ended March 31, 2015 and 2014, were from the following sources:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Fixed maturities	\$ 2,114	\$ 1,272
Equity securities	-	-
Commercial mortgage and other loans	151	127
Joint ventures and limited partnerships	38	-
Derivatives	56,720	84,122
Other	2	10
Realized investment gains (losses), net	<u>\$ 59,025</u>	<u>\$ 85,531</u>

Accumulated Other Comprehensive Income (Loss)

The balance of and changes in each component of “Accumulated other comprehensive income (loss)” for the three months ended March 31, 2015 and 2014 are as follows:

	Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency Translation Adjustment	Net Unrealized Investment Gains (Losses) (1)	Total Accumulated Other Comprehensive Income (Loss)
	(in thousands)		
Balance, December 31, 2014	\$ (67)	\$ 178,758	\$ 178,691
Change in other comprehensive income before reclassifications	(520)	81,731	81,211
Amounts reclassified from AOCI	-	(2,114)	(2,114)
Income tax benefit (expense)	182	(27,866)	(27,684)
Balance, March 31, 2015	<u>\$ (405)</u>	<u>\$ 230,509</u>	<u>\$ 230,104</u>

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

	Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency Translation Adjustment	Net Unrealized Investment Gains (Losses) (1)	Total Accumulated Other Comprehensive Income (Loss)
	(in thousands)		
Balance, December 31, 2013	\$ 403	\$ 56,243	\$ 56,646
Change in other comprehensive income before reclassifications	(2)	92,374	92,372
Amounts reclassified from AOCI	-	(1,272)	(1,272)
Income tax benefit (expense)	1	(31,886)	(31,885)
Balance, March 31, 2014	<u>\$ 402</u>	<u>\$ 115,459</u>	<u>\$ 115,861</u>

(1) Includes cash flow hedges of \$36 million and \$12 million as of March 31, 2015 and December 31, 2014, respectively and (\$5) million as of both March 31, 2014 and December 31, 2013, respectively.

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended March 31, 2015 (in thousands)
Amounts reclassified from AOCI (1)(2):	
Net unrealized investment gains (losses):	
Cash flow hedges - Currency/Interest rate (3)	\$ 1,801
Net unrealized investment gains (losses) on available-for-sale securities (4)	313
Total net unrealized investment gains (losses)	<u>2,114</u>
Total reclassifications for the period	<u>\$ 2,114</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 5 for additional information on cash flow hedges.

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

Net Unrealized Investment Gains (Losses)

Net unrealized investment gains and losses on securities classified as available-for-sale and certain other long-term investments and other assets are included in the Company's Unaudited Interim Consolidated Statements of Financial Position as a component of AOCI. Changes in these amounts include reclassification adjustments to exclude from "Other comprehensive income (loss)" those items that are included as part of "Net income" for a period that had been part of "Other comprehensive income (loss)" in earlier periods. The amounts for the periods indicated below, split between amounts related to fixed maturity securities on which an OTTI loss has been recognized, and all other net unrealized investment gains and losses, are as follows:

Net Unrealized Investment Gains and Losses on Fixed Maturity Securities on which an OTTI loss has been recognized

	Net Unrealized Gains (Losses) on Investments	Deferred Policy Acquisition Costs and Other Costs	Future Policy Benefits and Policyholders' Account Balances (1)	Deferred Income Tax (Liability) Benefit	Accumulated Other Comprehensive Income (Loss) Related To Net Unrealized Investment Gains (Losses)
	(in thousands)				
Balance, December 31, 2014	\$ 5,333	\$ (2,538)	\$ 1,228	\$ (1,440)	\$ 2,583
Net investment gains (losses) on investments arising during the period	158	-	-	(55)	103
Reclassification adjustment for (gains) losses included in net income	(109)	-	-	37	(72)
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs and other costs	-	11	-	(4)	7
Impact of net unrealized investment (gains) losses on future policy benefits and policyholders' account balances	-	-	(28)	10	(18)
Balance, March 31, 2015	<u>\$ 5,382</u>	<u>\$ (2,527)</u>	<u>\$ 1,200</u>	<u>\$ (1,452)</u>	<u>\$ 2,603</u>

(1) Balances are net of reinsurance.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

All Other Net Unrealized Investment Gains and Losses in AOCI

	Net Unrealized Gains (Losses) on Investments (1)	Deferred Policy Acquisition Costs and Other Costs	Future Policy Benefits and Policyholders' Account Balances (2) (in thousands)	Deferred Income Tax (Liability) Benefit	Accumulated Other Comprehensive Income (Loss) Related To Net Unrealized Investment Gains (Losses)
Balance, December 31, 2014	\$ 344,577	\$ (112,829)	\$ 39,122	\$ (94,695)	\$ 176,175
Net investment gains (losses) on investments arising during the period	95,022	-	-	(33,258)	61,764
Reclassification adjustment for (gains) losses included in net income	(2,006)	-	-	703	(1,303)
Impact of net unrealized investment (gains) losses on deferred policy acquisition costs and other costs	-	(23,107)	-	8,087	(15,020)
Impact of net unrealized investment (gains) losses on future policy benefits and policyholders' account balances	-	-	9,676	(3,387)	6,289
Balance, March 31, 2015	<u>\$ 437,593</u>	<u>\$ (135,936)</u>	<u>\$ 48,798</u>	<u>\$ (122,550)</u>	<u>\$ 227,905</u>

(1) Includes cash flow hedges. See Note 5 for information on cash flow hedges.

(2) Balances are net of reinsurance.

Net Unrealized Gains (Losses) on Investments by Asset Class

The table below presents net unrealized gains (losses) on investments by asset class as of the dates indicated:

	March 31, 2015	December 31, 2014
	(in thousands)	
Fixed maturity securities on which an OTTI loss has been recognized	\$ 5,382	\$ 5,333
Fixed maturity securities, available-for-sale - all other	389,787	322,358
Equity securities, available-for-sale	954	619
Derivatives designated as cash flow hedges (1)	36,281	11,585
Other investments	10,571	10,015
Net unrealized gains (losses) on investments	<u>\$ 442,975</u>	<u>\$ 349,910</u>

(1) See Note 5 for more information on cash flow hedges.

Duration of Gross Unrealized Loss Positions for Fixed Maturities and Equity Securities

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time that individual fixed maturity securities and equity securities have been in a continuous unrealized loss position, as of the dates indicated:

	March 31, 2015					
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Obligations of U.S. states and their political subdivisions	36,412	270	-	-	36,412	270
Foreign government bonds	3,275	124	-	-	3,275	124
Public utilities	36,515	2,143	6,300	992	42,815	3,135
All other corporate securities	441,390	24,893	68,998	2,991	510,388	27,884
Asset-backed securities	175,783	344	54,757	351	230,540	695
Commercial mortgage-backed securities	40,720	96	4,434	111	45,154	207
Residential mortgage-backed securities	735	11	3,673	14	4,408	25
Total	<u>\$ 734,830</u>	<u>\$ 27,881</u>	<u>\$ 138,162</u>	<u>\$ 4,459</u>	<u>\$ 872,992</u>	<u>\$ 32,340</u>
Equity securities, available-for-sale	<u>\$ 9,406</u>	<u>\$ 595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,406</u>	<u>\$ 595</u>

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

	December 31, 2014					
	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	\$ 994	\$ 1	\$ -	\$ -	\$ 994	\$ 1
Obligations of U.S. states and their political subdivisions	9,852	125	2,886	62	12,738	187
Foreign government bonds	2,246	14	-	-	2,246	14
Public utilities	30,974	1,618	45,756	1,670	76,730	3,288
All other corporate securities	356,348	13,194	260,985	7,763	617,333	20,957
Asset-backed securities	209,774	737	54,711	473	264,485	1,210
Commercial mortgage-backed securities	15,824	155	87,606	1,713	103,430	1,868
Residential mortgage-backed securities	776	11	3,878	14	4,654	25
Total	<u>\$ 626,788</u>	<u>\$ 15,855</u>	<u>\$ 455,822</u>	<u>\$ 11,695</u>	<u>\$ 1,082,610</u>	<u>\$ 27,550</u>
Equity securities, available-for-sale	<u>\$ 14,706</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,706</u>	<u>\$ 295</u>

The gross unrealized losses on fixed maturity securities at March 31, 2015 and December 31, 2014, were composed of \$25 million and \$21 million, respectively, related to high or highest quality securities based on the National Association of Insurance Commissioners ("NAIC") or equivalent rating and \$7 million and \$6 million, respectively, related to other than high or highest quality securities based on NAIC or equivalent rating. At March 31, 2015, the \$4.5 million of gross unrealized losses of twelve months or more were concentrated in the energy, consumer cyclical and utility sectors of the Company's corporate securities. At December 31, 2014, the \$12 million of gross unrealized losses of twelve months or more were concentrated in the energy, consumer non-cyclical, consumer cyclical and utility sectors of the Company's corporate securities. In accordance with its policy described in Note 2 to the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014, the Company concluded that an adjustment to earnings for other-than-temporary impairments for these securities was not warranted at March 31, 2015 or December 31, 2014. These conclusions are based on a detailed analysis of the underlying credit and cash flows on each security. The gross unrealized losses are primarily attributable to credit spread widening. At March 31, 2015, the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before the anticipated recovery of its remaining amortized cost basis.

At both March 31, 2015 and December 31, 2014, none of the gross unrealized losses related to equity securities represented declines in value of greater than 20%. In accordance with our policy described in Note 2 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, the Company concluded that an adjustment for other-than-temporary impairments for these equity securities was not warranted at March 31, 2015 or December 31, 2014.

4. 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. The Company's Level 1 assets and liabilities primarily include certain cash equivalents, short-term investments and equity securities that trade on an active exchange market.

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. The Company's Level 2 assets and liabilities include: fixed maturities (corporate public and private bonds, most government securities, certain asset-backed and mortgage-backed securities, etc.), certain equity securities (mutual funds, which do not actively trade and are priced based on a net asset value), certain short-term investments and certain cash equivalents, and certain over-the-counter derivatives.

Level 3 - Fair value is based on at least one or more significant unobservable inputs for the asset or liability. The assets and liabilities in this category may require significant judgment or estimation in determining the fair value. The Company's Level 3 assets and liabilities primarily include: certain

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

private fixed maturities and equity securities, certain manually priced public equity securities and fixed maturities, certain highly structured over-the-counter derivative contracts, certain consolidated real estate funds for which the Company is the general partner, and embedded derivatives resulting from reinsurance or certain products with guaranteed benefits.

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.

	As of March 31, 2015				
	Level 1	Level 2	Level 3 (in thousands)	Netting (1)	Total
Fixed maturities, available-for-sale:					
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ -	\$ 97,655	\$ -	\$ -	\$ 97,655
Obligations of U.S. states and their political subdivisions	-	396,563	-	-	396,563
Foreign government bonds	-	58,588	-	-	58,588
Corporate securities	-	4,731,636	86,915	-	4,818,551
Asset-backed securities	-	273,887	201,051	-	474,938
Commercial mortgage-backed securities	-	480,186	-	-	480,186
Residential mortgage-backed securities	-	134,492	-	-	134,492
Sub-total	-	6,173,007	287,966	-	6,460,973
Trading account assets:					
Corporate securities	-	40,026	-	-	40,026
Asset-backed securities	-	1,989	-	-	1,989
Equity securities	-	-	18,369	-	18,369
Sub-total	-	42,015	18,369	-	60,384
Equity securities, available-for-sale	97	34,000	747	-	34,844
Short-term investments	100,164	115,489	-	-	215,653
Cash equivalents	10,632	166,970	-	-	177,602
Other long-term investments	-	362,347	2,141	(348,147)	16,341
Reinsurance recoverables	-	-	5,822,107	-	5,822,107
Receivables from parent and affiliates	-	157,370	21,169	-	178,539
Sub-total excluding separate account assets	110,893	7,051,198	6,152,499	(348,147)	12,966,443
Separate account assets (2)	-	111,853,083	320,397	-	112,173,480
Total assets	\$ 110,893	\$ 118,904,281	\$ 6,472,896	\$ (348,147)	\$ 125,139,923
Future policy benefits (3)	\$ -	\$ -	\$ 5,944,815	\$ -	\$ 5,944,815
Payables to parent and affiliates	-	30,547	-	(29,784)	763
Total liabilities	\$ -	\$ 30,547	\$ 5,944,815	\$ (29,784)	\$ 5,945,578

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	As of December 31, 2014				
	Level 1	Level 2	Level 3 (in thousands)	Netting (1)	Total
Fixed maturities, available-for-sale:					
U.S. Treasury securities and obligations of U.S. government authorities and agencies	\$ -	\$ 92,082	\$ -	\$ -	\$ 92,082
Obligations of U.S. states and their political subdivisions	-	325,654	-	-	325,654
Foreign government bonds	-	38,498	-	-	38,498
Corporate securities	-	4,612,357	84,801	-	4,697,158
Asset-backed securities	-	302,034	100,217	-	402,251
Commercial mortgage-backed securities	-	498,879	-	-	498,879
Residential mortgage-backed securities	-	140,042	-	-	140,042
Sub-total	-	6,009,546	185,018	-	6,194,564
Trading account assets:					
Corporate securities	-	42,131	-	-	42,131
Asset-backed securities	-	1,990	-	-	1,990
Equity securities	-	-	5,540	-	5,540
Sub-total	-	44,121	5,540	-	49,661
Equity securities, available-for-sale	107	28,643	750	-	29,500
Short-term investments	6,997	114,275	-	-	121,272
Cash equivalents	41,584	26,259	-	-	67,843
Other long-term investments	-	242,523	2,115	(215,066)	29,572
Reinsurance recoverables	-	-	4,897,545	-	4,897,545
Receivables from parent and affiliates	-	158,469	19,203	-	177,672
Sub-total excluding separate account assets	48,688	6,623,836	5,110,171	(215,066)	11,567,629
Separate account assets (2)	-	108,891,268	302,924	-	109,194,192
Total assets	\$ 48,688	\$ 115,515,104	\$ 5,413,095	\$ (215,066)	\$ 120,761,821
Future policy benefits (3)	\$ -	\$ -	\$ 4,993,611	\$ -	\$ 4,993,611
Payables to parent and affiliates	-	58,687	-	(58,687)	-
Total liabilities	\$ -	\$ 58,687	\$ 4,993,611	\$ (58,687)	\$ 4,993,611

- (1) "Netting" amounts represent cash collateral of \$318.4 million and \$156.4 million as of March 31, 2015 and December 31, 2014, respectively, and the impact of offsetting asset and liability positions held with the same counterparty, subject to master netting arrangements.
- (2) 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 assets classified as Level 3 consist primarily of real estate and real estate investment funds. 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 Consolidated Statements of Financial Position.
- (3) As of March 31, 2015, the net embedded derivative liability position of \$5,945 million includes \$556 million of embedded derivatives in an asset position and \$6,501 million of embedded derivatives in a liability position. As of December 31, 2014, the net embedded derivative liability position of \$4,994 million includes \$577 million of embedded derivatives in an asset position and \$5,571 million of embedded derivatives in a liability position.

The methods and assumptions the Company uses to estimate the fair value of assets and liabilities measured at fair value on a recurring basis are summarized below.

Fixed Maturity Securities - The fair values of the Company's public fixed maturity securities are generally based on prices obtained from independent pricing services. Prices for each security are generally sourced from multiple pricing vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. The pricing hierarchy is updated for new financial products and recent pricing experience with various vendors. Consistent with the fair value hierarchy described above, securities with validated quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs. Typical inputs used by these pricing services include but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flow, prepayment speeds, and default rates. If the pricing information received from third party pricing services is deemed not reflective of market activity or other inputs observable in the market, the Company may challenge the price through a formal process with the pricing service or classify the securities as Level 3. If the pricing service updates the price to be more consistent with the presented market observations, the security remains within Level 2.

Internally-developed valuations or indicative broker quotes are also used to determine fair value in circumstances where vendor pricing is not available, or where the Company ultimately concludes that pricing information received from independent pricing services is not reflective of market

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

activity. If the Company concludes the values from both pricing services and brokers are not reflective of market activity, it may override the information with an internally-developed valuation. As of March 31, 2015 and December 31, 2014, overrides on a net basis were not material. Pricing service overrides, internally-developed valuations and indicative broker quotes are generally included in Level 3 in the fair value hierarchy.

The Company conducts several specific price monitoring activities. Daily analyses identify price changes over predetermined thresholds defined at the financial instrument level. Various pricing integrity reports are reviewed on a daily and monthly basis to determine if pricing is reflective of market activity or if it would warrant any adjustments. Other procedures performed include, but are not limited to, reviews of third-party pricing services methodologies, reviews of pricing trends, and back testing.

The fair value of private fixed maturities, which are comprised of investments in private placement securities, originated by internal private asset managers, are primarily determined using discounted cash flow models. These models primarily use observable inputs that include Treasury or similar base rates plus estimated credit spreads to value each security. The credit spreads are obtained through a survey of private market intermediaries who are active in both primary and secondary transactions, and consider, among other factors, the credit quality and industry sector of the issuer and the reduced liquidity associated with private placements. Since most private placements are valued using standard market observable inputs and inputs derived from, or corroborated by, market observable data including observed prices and spreads for similar publicly traded or privately traded issues, they have been reflected within Level 2. For certain private fixed maturities, the discounted cash flow model may incorporate significant unobservable inputs, which reflect the Company's own assumptions about the inputs that market participants would use in pricing the asset. To the extent management determines that such unobservable inputs are significant to the price of a security, a Level 3 classification is made.

Trading Account Assets - Trading account assets consist primarily of corporate securities, asset-backed securities and perpetual preferred stock whose fair values are determined consistent with similar instruments described above under "Fixed Maturity Securities" and below under "Equity Securities."

Equity Securities - Equity securities consist principally of investments in common and preferred stock of publicly traded companies, perpetual preferred stock, privately traded securities, as well as mutual fund shares. The fair values of most publicly traded equity securities are based on quoted market prices in active markets for identical assets and are classified within Level 1 in the fair value hierarchy. Estimated fair values for most privately traded equity securities are determined using discounted cash flow, earnings multiple and other valuation models that require a substantial level of judgment around inputs and therefore are classified within Level 3. The fair values of mutual fund shares that transact regularly (but do not trade in active markets because they are not publicly available) are based on transaction prices of identical fund shares and are classified within Level 2 in the fair value hierarchy. The fair values of perpetual preferred stock are based on inputs obtained from independent pricing services that are primarily based on indicative broker quotes. As a result, the fair values of perpetual preferred stock are classified as Level 3.

Derivative Instruments - Derivatives are recorded at fair value either as assets, within "Other long-term investments", or as liabilities, within "Payables to parent and affiliates", except for embedded derivatives which are recorded with the associated host contract. The fair values of derivative contracts can be affected by changes in interest rates, foreign exchange rates, credit spreads, market volatility, expected returns, non-performance risk ("NPR"), liquidity and other factors. For derivative positions included within Level 3 of the fair value hierarchy, liquidity valuation adjustments are made to reflect the cost of exiting significant risk positions, and consider the bid-ask spread, maturity, complexity, and other specific attributes of the underlying derivative position.

The majority of the Company's derivative positions are traded in the over-the-counter ("OTC") derivative market and are classified within Level 2 in the fair value hierarchy. OTC derivatives classified within Level 2 are valued using models that utilize actively quoted or observable market input values from external market data providers, third-party pricing vendors and/or recent trading activity. The Company's policy is to use mid-market pricing in determining its best estimate of fair value. The fair values of most OTC derivatives, including interest rate, cross currency swaps, currency forward contracts and single name credit default swaps are determined using discounted cash flow models. The fair values of European style option contracts are determined using Black Scholes option pricing models. These models' key inputs include the contractual terms of the respective contract, along with significant observable inputs, including interest rates, currency rates, credit spreads, equity prices, index dividend yields, NPR, volatility and other factors.

The Company's cleared interest rate swaps and credit derivatives linked to an index are valued using models that utilize actively quoted or observable market inputs, including Overnight Indexed Swap discount rates, obtained from external market data providers, third-party pricing vendors and/or recent trading activity. These derivatives are classified as Level 2 in the fair value hierarchy.

To reflect the market's perception of its own and the counterparty's NPR, the Company incorporates additional spreads over LIBOR into the discount rate used in determining the fair value of OTC derivative assets and liabilities that are not otherwise collateralized.

Derivatives classified as Level 3 include structured products. These derivatives are valued based upon models such as Monte Carlo simulation models and other techniques that utilize significant unobservable inputs. Level 3 methodologies are validated through periodic comparison of the Company's fair values to external broker-dealer values. As of March 31, 2015 and December 31, 2014 there were no internally valued derivatives with the fair value classified within Level 3, and all other derivatives were classified within Level 2. See Note 5 for more details on the fair value of derivative instruments by primary underlying.

Cash Equivalents and Short-Term Investments - Cash equivalents and short-term investments include money market instruments, and other highly liquid debt instruments. Certain money market instruments are valued using unadjusted quoted prices in active markets that are accessible for

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

identical assets and are primarily classified as Level 1. The remaining instruments in this category are generally fair valued based on market observable inputs and, these investments have primarily been classified within Level 2.

Separate Account Assets - Separate account assets include fixed maturity securities, treasuries, equity securities, mutual funds, and real estate investments for which values are determined consistent with similar instruments described above under “Fixed Maturity Securities” and “Equity Securities”.

Receivables from Parent and Affiliates - Receivables from parent and affiliates carried at fair value include affiliated bonds within the Company’s legal entity whose fair value are determined consistent with similar securities described above under “Fixed Maturity Securities” managed by affiliated asset managers.

Reinsurance Recoverables - Reinsurance recoverables carried at fair value include the reinsurance of the Company’s living benefit guarantees on certain variable annuity contracts. These guarantees are accounted for as embedded derivatives and are recorded in “Reinsurance Recoverables” or “Other Liabilities” when fair value is in an asset or liability position, respectively. The methods and assumption used to estimate the fair value are consistent with those described below in “Future Policy Benefits.” The reinsurance agreements covering these guarantees are derivatives with fair value determined in the same manner as the living benefit guarantee.

The Company also has an agreement with Universal Prudential Arizona Reinsurance Company (“UPARC”), an affiliated captive reinsurance company, to reinsure risks associated with the no-lapse guarantee provision available on a portion of certain universal life products (See Note 7). Under this agreement, the Company pays a premium to UPARC to reinsure the risk of uncollectible policy charges and fees associated with the no-lapse guarantee provision. Reinsurance of this risk is accounted for as an embedded derivative which is included in “Reinsurance recoverables”. The fair value of this embedded derivative is the present value of expected reimbursement from UPARC for cost of insurance charges the Company is unable to collect from policyholders, less the present value of reinsurance premiums that is attributable to the embedded derivative feature. This methodology could result in either an asset or liability, given changes in capital market conditions and various policyholder behavior assumptions. Significant inputs to the valuation model for this embedded derivative include capital market assumptions, such as interest rates, estimated NPR of the counterparty, and various assumptions that are actuarially determined, including lapse rates, premium payment patterns, and mortality rates. This embedded derivative has been classified within Level 3.

Future Policy Benefits - The liability for future policy benefits is related to guarantees primarily associated with the living benefit features of certain variable annuity contracts, including guaranteed minimum accumulation benefits (“GMAB”), guaranteed minimum withdrawal benefits (“GMWB”) and guaranteed minimum income and withdrawal benefits (“GMIWB”), accounted for as embedded derivatives. The fair values of these liabilities are calculated as the present value of future expected benefit payments to contractholders less the present value of assessed rider fees attributable to the optional living benefit feature. This methodology could result in either a liability or contra-liability 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 judgment.

The significant inputs to the valuation models for these embedded derivatives 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 liability valuation, the liability included in future policy benefits has 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 LIBOR swap curve adjusted for an additional spread relative to LIBOR to reflect NPR.

Actuarial assumptions, including contractholder behavior and mortality, are reviewed at least annually, and updated based upon emerging experience, 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.

Transfers between Levels 1 and 2 - Overall, transfers between levels are made to reflect changes in observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the quarter in which the transfers occur. Periodically there are transfers between Level 1 and Level 2 for assets held in the Company’s Separate Account. During the three months ended March 31, 2015, there were no transfers between Level 1 and Level 2. During the three months ended March 31, 2014, \$1.9 million was transferred from Level 1 to Level 2.

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Level 3 Assets and Liabilities by Price Source - The tables below present the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources.

	As of March 31, 2015		
	Internal (1)	External (2) (in thousands)	Total
Corporate securities	\$ 23,419	\$ 63,496	\$ 86,915
Asset-backed securities	246	200,805	201,051
Equity securities	747	18,369	19,116
Other long-term investments	617	1,524	2,141
Reinsurance recoverables	5,822,107	-	5,822,107
Receivables from parent and affiliates	-	21,169	21,169
Subtotal excluding separate account assets	5,847,136	305,363	6,152,499
Separate account assets	84,895	235,502	320,397
Total assets	\$ 5,932,031	\$ 540,865	\$ 6,472,896
Future policy benefits	\$ 5,944,815	\$ -	\$ 5,944,815
Total liabilities	\$ 5,944,815	\$ -	\$ 5,944,815

	As of December 31, 2014		
	Internal (1)	External (2) (in thousands)	Total
Corporate securities	\$ 23,712	\$ 61,089	\$ 84,801
Asset-backed securities	264	99,953	100,217
Equity securities	750	5,540	6,290
Other long-term investments	565	1,550	2,115
Reinsurance recoverables	4,897,545	-	4,897,545
Receivables from parent and affiliates	-	19,203	19,203
Subtotal excluding separate account assets	4,922,836	187,335	5,110,171
Separate account assets	84,111	218,813	302,924
Total assets	\$ 5,006,947	\$ 406,148	\$ 5,413,095
Future policy benefits	\$ 4,993,611	\$ -	\$ 4,993,611
Total liabilities	\$ 4,993,611	\$ -	\$ 4,993,611

- Represents valuations which could incorporate internally-derived and market inputs, as well as third-party pricing information or quotes. See below for additional information related to internally developed valuation for significant items in the above table.
- Represents unadjusted prices from independent pricing services and independent indicative broker quotes where pricing inputs are not readily available.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Quantitative Information Regarding Internally-Priced Level 3 Assets and Liabilities - The tables below present quantitative information on significant internally-priced Level 3 assets and liabilities (see narrative below for quantitative information for separate account assets).

As of March 31, 2015							
	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average	Impact of Increase in Input on Fair Value (1)
Assets:							
Corporate securities	\$ 23,419	Discounted cash flow	Discount rate	10.12%	15.05%	11.45%	Decrease
		Market Comparables	EBITDA Multiples (2)	6.2X	6.2X	6.2X	Increase
Reinsurance recoverables - Living Benefits	\$ 5,390,183	Fair values are determined in the same manner as future policy benefits.					
Reinsurance recoverables - No Lapse Guarantee	\$ 431,924	Discounted cash flow	Lapse rate (3)	0%	15%		Decrease
			NPR spread (4)	0.06%	1.50%		Decrease
			Mortality rate (5)	0%	11%		Decrease
			Premium Payment (6)	1X	3.75X		Decrease
Liabilities:							
Future policy benefits (7)	\$ 5,944,815	Discounted cash flow	Lapse rate (8)	0%	14%		Decrease
			NPR spread (4)	0.06%	1.50%		Decrease
			Utilization rate (9)	63%	96%		Increase
			Withdrawal rate (10)	74%	100%		Increase
			Mortality rate (11)	0%	14%		Decrease
			Equity Volatility curve	15%	28%		Increase

As of December 31, 2014							
	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average	Impact of Increase in Input on Fair Value (1)
Assets:							
Corporate securities	\$ 23,712	Discounted cash flow	Discount rate	10.00%	11.75%	10.52%	Decrease
		Market Comparables	EBITDA Multiples (2)	6.1X	6.1X	6.1X	Increase
Reinsurance recoverables - Living Benefits	\$ 4,521,928	Fair values are determined in the same manner as future policy benefits.					
Reinsurance recoverables - No Lapse Guarantee	\$ 375,617	Discounted cash flow	Lapse rate (3)	0%	15%		Decrease
			NPR spread (4)	0%	1.30%		Decrease
			Mortality rate (5)	0%	11%		Decrease
			Premium Payment (6)	1X	3.75X		Decrease
Liabilities:							
Future policy benefits (7)	\$ 4,993,611	Discounted cash flow	Lapse rate (8)	0%	14%		Decrease
			NPR spread (4)	0%	1.30%		Decrease
			Utilization rate (9)	63%	96%		Increase
			Withdrawal rate (10)	74%	100%		Increase
			Mortality rate (11)	0%	14%		Decrease
			Equity Volatility curve	17%	28%		Increase

(1) Conversely, the impact of a decrease in input would have the opposite impact for the fair value as that presented in the table.

(2) EBITDA multiples represent multiples of earnings before interest, taxes, depreciation and amortization, and are amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.

(3) For universal life, lapse rates vary based on funding level and other factors. Rates are set to zero when the no lapse guarantee is fully funded and the cash value is zero.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

- (4) To reflect NPR, the Company incorporates an additional spread over LIBOR into the discount rate used in the valuation of contracts in a liability position and generally not to those in a contra-liability position. The NPR spread reflects the financial strength ratings of the Company and its affiliates, as these are insurance liabilities and senior to debt. The additional spread over LIBOR is determined by utilizing the credit spreads associated with issuing funding agreements, adjusted for any illiquidity risk premium.
- (5) Universal life mortality rates are adjusted based on underwriting information. A mortality improvement assumption is also incorporated into the projection.
- (6) For universal life, premium payment assumptions vary by funding level. Some policies are assumed to pay the minimum premium required to maintain the no lapse guarantee. Other policies are assumed to pay a multiple of commissionable target premium levels (shown above and indicated as "X"). Policyholders are assumed to stop premium payments once the no lapse guarantee is fully funded.
- (7) Future policy benefits primarily represent general account liabilities for the living benefit features of the Company's variable annuity contracts which are accounted for as embedded derivatives. Since the valuation methodology for these liabilities uses a range of inputs that vary at the contract level over the cash flow projection period, presenting a range, rather than weighted average, is a more meaningful representation of the unobservable inputs used in the valuation.
- (8) Lapse rates 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 are also generally assumed to be lower for the period where surrender charges apply.
- (9) 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.
- (10) The withdrawal rate assumption estimates the magnitude of annual contractholder withdrawals relative to the maximum allowable amount under the contract. These assumptions may vary based on the product type, contractholder age, tax status, and withdrawal timing. The fair value of the liability will generally increase the closer the withdrawal rate is to 100%.
- (11) Range reflects the mortality rate for the vast majority of business with living benefits, with policyholders ranging from 35 to 90 years old. While the majority of living benefits have a minimum age requirement, certain benefits do not have an age restriction. This results in contractholders for certain benefits with mortality rates approaching 0%. Based on historical experience, the Company applies a set of age and duration specific mortality rate adjustments compared to standard industry tables. A mortality improvement assumption is also incorporated into the overall mortality table.

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

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

Future Policy 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.

Separate Account Assets - In addition to the significant internally-priced Level 3 assets and liabilities presented and described above, the Company also has internally-priced separate account assets reported within Level 3. Changes in the fair value of separate account assets are borne by customers and thus are offset by changes in separate account liabilities on the Company's Unaudited Interim Consolidated Statements of Financial Position. As a result, changes in value associated with these investments do not impact the Company's Unaudited Interim Consolidated Statements of Operations. In addition, fees earned by the Company related to the management of most separate account assets classified as Level 3 do not change due to changes in the fair value of these investments. Quantitative information about significant internally-priced Level 3 separate account assets is as follows:

Real Estate and Other Invested Assets - Separate account assets include \$84.9 million and \$84.1 million of investments in real estate as of March 31, 2015 and December 31, 2014, respectively, that are classified as Level 3 and reported at fair value which is determined by the Company's equity in net assets of the entities. In general, these fair value estimates of real estate are based on property appraisal reports prepared by independent real estate appraisers. Key inputs and assumptions to the appraisal process include rental income and expense amounts, related growth rates, discount rates and capitalization rates. Because of the subjective nature of inputs and the judgment involved in the appraisal process, real estate investments are typically included in the Level 3 Classification. Key unobservable inputs to real estate valuation include capitalization rates, which ranged from 5.00% to 10.00% (6.56% weighted average) as of March 31, 2015 and 5.00% to 10.00% (6.68% weighted average) as of December 31, 2014 and discount rates which ranged from 6.50% to 11.00% (7.45% weighted average) as of March 31, 2015 and 6.75% to 11.00% (7.66% weighted average) as of December 31, 2014.

Valuation Process for Fair Value Measurements Categorized within Level 3 - The Company has established an internal control infrastructure over the valuation of financial instruments that requires ongoing oversight by its various Business Groups. These management control functions are segregated from the trading and investing functions. For invested assets, the Company has established oversight teams, often in the form of Pricing Committees within each asset management group. The teams, which typically include representation from investment, accounting, operations, legal

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and other disciplines are responsible for overseeing and monitoring the pricing of the Company's investments and performing periodic due diligence reviews of independent pricing services. An actuarial valuation team oversees the valuation of living benefit features of the Company's variable annuity contracts.

The Company has also established policies and guidelines that require the establishment of valuation methodologies and consistent application of such methodologies. These policies and guidelines govern the use of inputs and price source hierarchies and provide controls around the valuation processes. These controls include appropriate review and analysis of investment prices against market activity or indicators of reasonableness, analysis of portfolio returns to corresponding benchmark returns, back-testing, review of bid/ask spreads to assess activity, approval of price source changes, price overrides, methodology changes and classification of fair value hierarchy levels. For living benefit features of the Company's variable annuity products, the actuarial valuation unit periodically tests contract input data and actuarial assumptions are reviewed at least annually, and updated based upon emerging experience, future expectations and other data, including any observable market data. The valuation policies and guidelines are reviewed and updated as appropriate.

Within the trading and investing functions, the Company has established policies and procedures that relate to the approval of all new transaction types, transaction pricing sources and fair value hierarchy coding within the financial reporting system. For variable annuity product changes or new launches of living benefit features, the actuarial valuation unit validates input logic and new product features and agrees new input data directly to source documents.

Changes in Level 3 assets and liabilities - The following tables provide summaries of the 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.

	Three Months Ended March 31, 2015					
	Fixed Maturities, Available-For-Sale					
	Corporate Securities	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Trading Account Assets-Equity Securities	Equity Securities, Available-for-Sale	Short-Term Investments
	(in thousands)					
Fair Value, beginning of period assets/(liabilities)	\$ 84,801	\$ 100,217	\$ -	\$ 5,540	\$ 750	\$ -
Total gains (losses) (realized/unrealized):						
Included in earnings:						
Realized investment gains (losses), net	62	2	-	-	-	-
Asset management fees and other income	-	-	-	2,328	-	-
Included in other comprehensive income (loss)	(438)	530	-	-	(3)	-
Net investment income	(6)	(8)	-	-	-	-
Purchases	57,340	73,630	-	-	-	-
Sales	(55,033)	-	-	-	-	-
Issuances	-	-	-	-	-	-
Settlements	(1,341)	(72)	-	(1,500)	-	-
Transfers into Level 3 (2)	1,530	44,798	-	-	-	-
Transfers out of Level 3 (2)	-	(18,046)	-	-	-	-
Other (4)	-	-	-	12,001	-	-
Fair Value, end of period assets/(liabilities)	\$ 86,915	\$ 201,051	\$ -	\$ 18,369	\$ 747	\$ -
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held at the end of the period (3):						
Included in earnings:						
Realized investment gains (losses), net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset management fees and other income	\$ -	\$ -	\$ -	\$ 2,283	\$ -	\$ -

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

	Three Months Ended March 31, 2015				
	Other Long-term Investments	Reinsurance Recoverables	Receivables from Parent and Affiliates (in thousands)	Separate Account Assets (1)	Future Policy Benefits
Fair Value, beginning of period assets/(liabilities)	\$ 2,115	\$ 4,897,545	\$ 19,203	\$ 302,924	\$ (4,993,611)
Total gains (losses) (realized/unrealized):					
Included in earnings:					
Realized investment gains (losses), net	51	759,357	-	3,479	(776,607)
Asset management fees and other income	5	-	-	-	-
Interest credited to policyholders' account balances	-	-	-	42	-
Included in other comprehensive income (loss)	-	-	(20)	-	-
Net investment income	16	-	-	-	-
Purchases	-	165,205	-	64,453	-
Sales	-	-	-	(50,501)	-
Issuances	-	-	-	-	(174,597)
Settlements	(16)	-	-	-	-
Transfers into Level 3 (2)	-	-	1,986	-	-
Transfers out of Level 3 (2)	(30)	-	-	-	-
Fair Value, end of period assets/(liabilities)	\$ 2,141	\$ 5,822,107	\$ 21,169	\$ 320,397	\$ (5,944,815)
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held at the end of the period (3):					
Included in earnings:					
Realized investment gains (losses), net	\$ 52	\$ 788,607	\$ -	\$ -	\$ (809,087)
Asset management fees and other income	\$ 5	\$ -	\$ -	\$ -	\$ -
Interest credited to policyholders' account balances	\$ -	\$ -	\$ -	\$ 42	\$ -

	Three Months Ended March 31, 2014					
	Fixed Maturities, Available-for-Sale					
	Corporate Securities	Asset-Backed Securities	Commercial Mortgage Backed Securities (in thousands)	Trading Account Assets-Equity Securities	Equity Securities, Available-for-Sale	Short-Term Investments
Fair Value, beginning of period assets/(liabilities)	\$ 18,293	\$ 80,934	\$ -	\$ 2,731	\$ 569	\$ 18
Total gains (losses) (realized/unrealized):						
Included in earnings:						
Realized investment gains (losses), net	(2)	-	-	-	-	-
Asset management fees and other income	-	-	-	71	-	-
Included in other comprehensive income (loss)	337	135	(2)	-	21	-
Net investment income	10	56	-	-	-	-
Purchases	7,971	-	28,078	-	-	-
Sales	(1,391)	-	-	-	-	-
Issuances	-	-	-	-	-	-
Settlements	(803)	(3,137)	-	-	-	-
Transfers into Level 3 (2)	-	29,407	-	-	-	-
Transfers out of Level 3 (2)	(1,184)	(1,314)	-	-	-	-
Fair Value, end of period assets/(liabilities)	\$ 23,231	\$ 106,081	\$ 28,076	\$ 2,802	\$ 590	\$ 18
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held at the end of the period (3):						
Included in earnings:						
Realized investment gains (losses), net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset management fees and other income	\$ -	\$ -	\$ -	\$ 71	\$ -	\$ -

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

	Three Months Ended March 31, 2014				
	Other Long-Term Investments	Receivables from Parent and Affiliates	Separate Account Assets (1)	Reinsurance Recoverables	Future Policy Benefits
			(in thousands)		
Fair Value, beginning of period assets/(liabilities)	\$ 1,168	\$ 4,121	\$ 279,842	\$ (376,868)	\$ 348,399
Total gains (losses) (realized/unrealized):					
Included in earnings:					
Realized investment gains (losses), net	-	-	2,269	1,252,368	(1,207,282)
Asset management fees and other income	(22)	-	-	-	-
Interest credited to policyholders' account balances	-	-	2,676	-	-
Included in other comprehensive income (loss)	-	(3)	-	-	-
Net investment income	-	-	-	-	-
Purchases	101	-	34,578	142,943	-
Sales	-	-	(40,727)	-	-
Issuances	-	-	-	-	(155,872)
Settlements	-	-	-	-	-
Transfers into Level 3 (2)	-	1,985	-	-	-
Transfers out of Level 3 (2)	-	(979)	-	-	-
Fair Value, end of period assets/(liabilities)	\$ 1,247	\$ 5,124	\$ 278,638	\$ 1,018,443	\$ (1,014,755)
Unrealized gains (losses) for the period relating to those					
Level 3 assets that were still held at the end of the period (3):					
Included in earnings:					
Realized investment gains (losses), net	\$ -	\$ -	\$ -	\$ 1,398,947	\$ (1,517,648)
Asset management fees and other income	\$ -	\$ -	\$ -	\$ -	\$ -
Interest credited to policyholders' account balances	\$ -	\$ -	\$ 2,676	\$ -	\$ -

- (1) 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 Consolidated Statements of Financial Position.
- (2) Transfers into or out of Level 3 are generally reported as the value as of the beginning of the quarter in which the transfer occurs.
- (3) 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.
- (4) Other primarily represents reclassifications of certain assets between reporting categories.

Transfers - 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 is able to validate.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Fair Value of Financial Instruments

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

March 31, 2015					
	Fair Value				Carrying Amount (1) Total
	Level 1	Level 2	Level 3 (in thousands)	Total	
Assets:					
Commercial mortgage and other loans	\$ -	\$ 8,525	\$ 1,833,537	\$ 1,842,062	\$ 1,726,582
Policy loans	-	-	1,127,936	1,127,936	1,127,936
Other long-term investments	-	-	11,772	11,772	11,065
Cash and cash equivalents	54,955	175,764	-	230,719	230,719
Accrued investment income	-	92,881	-	92,881	92,881
Receivables from parent and affiliates	-	107,294	-	107,294	107,295
Other assets	-	34,509	-	34,509	34,509
Total assets	\$ 54,955	\$ 418,973	\$ 2,973,245	\$ 3,447,173	\$ 3,330,987
Liabilities:					
Policyholders' account balances - investment contracts	\$ -	\$ 1,065,498	\$ 39,567	\$ 1,105,065	\$ 1,111,284
Cash collateral for loaned securities	-	91,015	-	91,015	91,015
Short-term debt	-	434,930	-	434,930	429,804
Long-term debt	-	1,337,758	-	1,337,758	1,288,000
Payables to parent and affiliates	-	66,351	-	66,351	66,351
Other liabilities	-	357,874	-	357,874	357,874
Total liabilities	\$ -	\$ 3,353,426	\$ 39,567	\$ 3,392,993	\$ 3,344,328

December 31, 2014					
	Fair Value				Carrying Amount (1) Total
	Level 1	Level 2	Level 3 (in thousands)	Total	
Assets:					
Commercial mortgage and other loans	\$ -	\$ 8,486	\$ 1,775,949	\$ 1,784,435	\$ 1,681,553
Policy loans	-	-	1,123,912	1,123,912	1,123,912
Other long-term investments	-	-	11,085	11,085	10,168
Cash and cash equivalents	53,476	93,633	-	147,109	147,109
Accrued investment income	-	90,506	-	90,506	90,506
Receivables from parent and affiliates	-	70,668	-	70,668	70,689
Other assets	-	24,126	-	24,126	24,126
Total assets	\$ 53,476	\$ 287,419	\$ 2,910,946	\$ 3,251,841	\$ 3,148,063
Liabilities:					
Policyholders' account balances - investment contracts	\$ -	\$ 929,694	\$ 40,063	\$ 969,757	\$ 976,190
Cash collateral for loaned securities	-	65,418	-	65,418	65,418
Short-term debt	-	429,903	-	429,903	423,000
Long-term debt	-	1,321,501	-	1,321,501	1,288,000
Payables to parent and affiliates	-	53,027	-	53,027	53,027
Other liabilities	-	315,736	-	315,736	315,736
Total liabilities	\$ -	\$ 3,115,279	\$ 40,063	\$ 3,155,342	\$ 3,121,371

- (1) Carrying values presented herein differ from those in the Company's Unaudited Interim Consolidated 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. Financial statement captions excluded from the above table are not considered financial instruments.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

The fair values presented above have been determined by using available market information and by applying market valuation methodologies, as described in more detail below.

Commercial Mortgage and Other Loans

The fair value of most commercial mortgage loans is based upon the present value of the expected future cash flows discounted at the appropriate U.S. Treasury rate plus an appropriate credit spread for similar quality loans. The quality ratings for these loans, a primary determinant of the credit spreads and a significant component of the pricing process, are based on an internally-developed methodology.

Policy Loans

The fair value of policy loans is determined by discounting expected cash flows at the current loan coupon rate. Policy loans are fully collateralized by the cash surrender value of underlying insurance policies. As a result, the carrying value of the policy loans approximates the fair value.

Other Long-term Investments

Other long-term investments include investments in joint ventures and limited partnerships. The estimated fair values of these cost method investments are generally based on the Company's share of the net asset value ("NAV") as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments. No such adjustments were made as of March 31, 2015 and December 31, 2014.

Cash and Cash Equivalents, Accrued Investment Income, Receivables from Parent and Affiliates and Other Assets

The Company believes that due to the short-term nature of certain assets, the carrying value approximates fair value. These assets include: cash and cash equivalents instruments, accrued investment income, and other assets that meet the definition of financial instruments, including receivables, such as unsettled trades and accounts receivable. Also included in receivables from parent and affiliates is an affiliated note whose fair value is determined in the same manner as the underlying debt described below under "Short-Term and Long-Term Debt".

Policyholders' Account Balances - Investment Contracts

Only the portion of policyholders' account balances related to products that are investment contracts (those without significant mortality or morbidity risk) are reflected in the table above. For fixed deferred annuities fair values are generally derived using discounted projected cash flows based on interest rates that are representative of the Company's financial strength ratings, and hence reflect the Company's own NPR. For those balances that can be withdrawn by the customer at any time without prior notice or penalty, the fair value is the amount estimated to be payable to the customer as of the reporting date, which is generally the carrying value.

Cash Collateral for Loaned Securities

Cash collateral for loaned securities represents the collateral received or paid in connection with loaning or borrowing securities. For these transactions, the carrying value of the related asset/liability approximates fair value as they equal the amount of cash collateral received or paid.

Short-Term and Long-Term Debt

The fair value of short-term and long-term debt is generally determined by either prices obtained from independent pricing services, which are validated by the Company, or discounted cash flow models. These fair values consider the Company's own NPR. Discounted cash flow models predominately use market observable inputs such as the borrowing rates currently available to the Company for debt and financial instruments with similar terms and remaining maturities. For debt with a maturity of less than 90 days, the carrying value approximates fair value.

Other Liabilities and Payables to Parent and Affiliates

Other liabilities and payables to parent and affiliates are primarily payables, such as unsettled trades, drafts, escrow deposits and accrued expense payables. Due to the short-term until settlement of most of these liabilities, the Company believes that carrying value approximates fair value.

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

5. DERIVATIVE INSTRUMENTS

Types of Derivative Instruments and Derivative Strategies

Interest Rate Contracts

Interest rate swaps are used by the Company to reduce risks from changes in interest rates, manage interest rate exposures arising from mismatches between assets and liabilities (including duration mismatches) and to hedge against changes in the value of assets it owns or anticipates acquiring or selling. Swaps may be attributed to specific assets or liabilities or may be used on a portfolio basis. Under interest rate swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed upon notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by one counterparty at each due date.

Equity Contracts

Equity index options are contracts which will settle in cash based on differentials in the underlying indices at the time of exercise and the strike price. The Company uses combinations of purchases and sales of equity index options to hedge the effects of adverse changes in equity indices within a predetermined range.

Total return swaps are contracts whereby the Company agrees with counterparties to exchange, at specified intervals, the difference between the return on an asset (or market index) and LIBOR plus an associated funding spread based on a notional amount. The Company generally uses total return swaps to hedge the effect of adverse changes in equity indices.

Foreign Exchange Contracts

Currency derivatives, including currency swaps and forwards, are used by the Company to reduce risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Under currency forwards, the Company agrees with counterparties to deliver a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. The Company executes forward sales of the hedged currency in exchange for U.S. dollars at a specified exchange rate. The maturities of these forwards correspond with the future periods in which the non-U.S. dollar-denominated earnings are expected to be generated. These earnings hedges do not qualify for hedge accounting.

Under currency swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between one currency and another at an exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by one counterparty for payments made in the same currency at each due date.

Credit Contracts

Credit derivatives are used by the Company to enhance the return on the Company's investment portfolio by creating credit exposure similar to an investment in public fixed maturity cash instruments. With credit derivatives the Company can sell credit protection on a single name reference, or certain index reference, and in return receives a quarterly premium. With credit default derivatives, this premium or credit spread generally corresponds to the difference between the yield on the referenced name's public fixed maturity cash instruments and swap rates, at the time the agreement is executed. If there is an event of default by the referenced name, as defined by the agreement, then the Company is obligated to pay the counterparty the referenced amount of the contract and receive in return the referenced defaulted security or similar security or pay the referenced amount less the auction recovery rate. See credit derivatives section below for discussion of guarantees related to credit derivatives written. In addition to selling credit protection, the Company has purchased credit protection using credit derivatives in order to hedge specific credit exposures in the Company's investment portfolio.

Embedded Derivatives

The Company sells variable annuity products, which may include guaranteed benefit features that are accounted for as embedded derivatives. The Company has reinsurance agreements to transfer the risk related to certain of these benefit features to an affiliate, Pruco Reinsurance Ltd., or "Pruco Re". Some of the Company's universal life products contain a no-lapse guarantee provision that is reinsured with an affiliate, UPARC. The reinsurance agreement contains an embedded derivative related to the interest rate risk of the reinsurance contract. The embedded derivatives are carried at fair value. These embedded derivatives are marked to market through "Realized investment gains (losses), net" based on the change in value of the underlying contractual guarantees, which are determined using valuation models, as described in Note 4 to the Unaudited Interim Consolidated Financial Statements.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

The table below provides a summary of the gross notional amount and fair value of derivatives contracts by the primary underlying, excluding embedded derivatives which are recorded with the associated host. Many derivative instruments contain multiple underlyings. The fair value amounts below represent the gross fair value of derivative contracts prior to taking into account the netting effects of master netting agreements, cash collateral held with the same counterparty, and non-performance risk.

Primary Underlying	March 31, 2015			December 31, 2014		
	Gross Fair Value			Gross Fair Value		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
(in thousands)						
Derivatives Designated as Hedge Accounting Instruments:						
Currency/Interest Rate						
Currency Swaps	\$ 317,007	\$ 37,707	\$ (207)	\$ 291,100	\$ 14,733	\$ (3,008)
Total Qualifying Hedges	\$ 317,007	\$ 37,707	\$ (207)	\$ 291,100	\$ 14,733	\$ (3,008)
Derivatives Not Qualifying as Hedge Accounting Instruments:						
Interest Rate						
Interest Rate Swaps	\$ 3,234,400	\$ 283,980	\$ (8,004)	\$ 3,184,400	\$ 192,181	\$ (20,574)
Currency						
Forwards	2,119	95	-	1,025	40	-
Credit						
Credit Default Swaps	7,275	163	(430)	12,275	150	(513)
Currency/Interest Rate						
Currency Swaps	123,969	14,487	(427)	101,653	6,677	(712)
Equity						
Total Return Swaps	549,612	2,182	(9,166)	577,054	2,405	(19,670)
Equity Options	42,457,061	24,350	(12,313)	39,735,182	26,932	(14,210)
Total Non-Qualifying Hedges	\$ 46,374,436	\$ 325,257	\$ (30,340)	\$ 43,611,589	\$ 228,385	\$ (55,679)
Total Derivatives (1)	\$ 46,691,443	\$ 362,964	\$ (30,547)	\$ 43,902,689	\$ 243,118	\$ (58,687)

- (1) Excludes embedded derivatives which contain multiple underlyings. The fair value of the embedded derivatives related to living benefit feature was a net liability of \$5,945 million and \$4,994 million as of March 31, 2015 and December 31, 2014, respectively, included in "Future policy benefits." The fair value of the embedded derivatives related to the reinsurance of certain of these benefits to Pruco Re was an asset of \$5,390 million and \$4,522 million as of March 31, 2015 and December 31, 2014, respectively, included in "Reinsurance recoverables." The fair value of the embedded derivative related to the no-lapse guarantee with UPARC was an asset of \$432 million and \$376 million as of March 31, 2015 and December 31, 2014, respectively, included in "Reinsurance recoverables." See Note 7 for additional information on the reinsurance agreement.

Offsetting Assets and Liabilities

The following table presents recognized derivative instruments (including bifurcated embedded derivatives), and repurchase and reverse repurchase agreements that are offset in the balance sheet, and/or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the balance sheet.

	March 31, 2015				
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position (in thousands)	Financial Instruments/ Collateral (1)	Net Amount
Offsetting of Financial Assets:					
Derivatives (1)	\$ 362,322	\$ (348,147)	\$ 14,175	\$ (13,731)	\$ 444
Securities purchased under agreement to resell	175,764	-	175,764	(175,764)	-
Total Assets	<u>\$ 538,086</u>	<u>\$ (348,147)</u>	<u>\$ 189,939</u>	<u>\$ (189,495)</u>	<u>\$ 444</u>
Offsetting of Financial Liabilities:					
Derivatives (1)	\$ 30,547	\$ (29,784)	\$ 763	\$ (763)	\$ -
Securities sold under agreement to repurchase	-	-	-	-	-
Total Liabilities	<u>\$ 30,547</u>	<u>\$ (29,784)</u>	<u>\$ 763</u>	<u>\$ (763)</u>	<u>\$ -</u>

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

	December 31, 2014				
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position (in thousands)	Financial Instruments/ Collateral (1)	Net Amount
Offsetting of Financial Assets:					
Derivatives (1)	\$ 242,523	\$ (215,066)	\$ 27,457	\$ (7,194)	\$ 20,263
Securities purchased under agreement to resell	93,633	-	93,633	(93,633)	-
Total Assets	<u>\$ 336,156</u>	<u>\$ (215,066)</u>	<u>\$ 121,090</u>	<u>\$ (100,827)</u>	<u>\$ 20,263</u>
Offsetting of Financial Liabilities:					
Derivatives (1)	\$ 58,687	\$ (58,687)	\$ -	\$ -	\$ -
Securities sold under agreement to repurchase	-	-	-	-	-
Total Liabilities	<u>\$ 58,687</u>	<u>\$ (58,687)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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. 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 Company’s Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 31, 2014.

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, equity or embedded derivatives in any of its cash flow hedge accounting relationships.

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

	Three Months Ended March 31, 2015			
	Realized Investment Gains (Losses)	Net Investment Income	Other Income	Accumulated Other Comprehensive Income (Loss) (1)
	(in thousands)			
Derivatives Designated as Hedge Accounting Instruments:				
Cash flow hedges				
Currency/Interest Rate	\$ -	\$ 537	\$ 1,264	\$ 24,696
Total cash flow hedges	<u>-</u>	<u>537</u>	<u>1,264</u>	<u>24,696</u>
Derivatives Not Qualifying as Hedge Accounting Instruments:				
Interest Rate	115,132	-	-	-
Currency	136	-	-	-
Currency/Interest Rate	8,265	-	135	-
Credit	(75)	-	-	-
Equity	(15,324)	-	-	-
Embedded Derivatives	<u>(51,414)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-qualifying hedges	<u>56,720</u>	<u>-</u>	<u>135</u>	<u>-</u>
Total	<u>\$ 56,720</u>	<u>\$ 537</u>	<u>\$ 1,399</u>	<u>\$ 24,696</u>

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Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

	Three Months Ended March 31, 2014			Accumulated Other Comprehensive Income (Loss) (1)
	Realized Investment Gains (Losses)	Net Investment Income	Other Income	
	(in thousands)			
Derivatives Designated as Hedge Accounting Instruments:				
Cash flow hedges				
Currency/Interest Rate	\$ -	\$ 253	\$ (71)	\$ 108
Total cash flow hedges	-	253	(71)	108
Derivatives Not Qualifying as Hedge Accounting Instruments:				
Interest Rate	91,578	-	-	-
Currency	3	-	-	-
Currency/Interest Rate	927	-	14	-
Credit	(43)	-	-	-
Equity	(8,083)	-	-	-
Embedded Derivatives	(260)	-	-	-
Total non-qualifying hedges	84,122	-	14	-
Total	\$ 84,122	\$ 253	\$ (57)	\$ 108

(1) Amounts deferred in "Accumulated other comprehensive income (loss)."

For the three months ended March 31, 2015 and 2014, the ineffective portion of derivatives accounted for using hedge accounting was not material to the Company's results of operations. Also, there were no material amounts reclassified 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.

Presented below is a roll forward of current period cash flow hedges in "Accumulated other comprehensive income (loss)" before taxes:

	(in thousands)
Balance, December 31, 2014	11,585
Net deferred gains (losses) on cash flow hedges from January 1 to March 31, 2015	26,497
Amount reclassified into current period earnings	(1,801)
Balance, March 31, 2015	<u>\$ 36,281</u>

As of March 31, 2015 and 2014, the Company did not have any qualifying cash flow hedges of forecasted transactions other than those related to the variability of the payment or receipt of interest or foreign currency amounts on existing financial instruments. The maximum length of time for which these variable cash flows are hedged is 19 years. Income amounts deferred in "Accumulated other comprehensive income (loss)" as a result of cash flow hedges are included in the Unaudited Interim Consolidated Statements of Equity.

Credit Derivatives

The Company has no exposure from credit derivatives where it has written credit protection as of March 31, 2015 and December 31, 2014.

The Company has purchased credit protection using credit derivatives in order to hedge specific credit exposures in the Company's investment portfolio. As of March 31, 2015 and December 31, 2014, the Company had \$7 million and \$12 million of outstanding notional amounts, respectively, reported at fair value as a liability of less than \$1 million for both periods.

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by our counterparty to financial derivative transactions.

The Company has credit risk exposure to an affiliate, Prudential Global Funding, LLC ("PGF"), related to its OTC derivative transactions. PGF manages credit risk with external counterparties by entering into derivative transactions with highly rated major international financial institutions and other creditworthy counterparties, and by obtaining collateral, such as cash and securities, when appropriate. Additionally, limits are set on single party credit exposures which are subject to periodic management review.

Under fair value measurements, the Company incorporates the market's perception of its own and the counterparty's non-performance risk in determining the fair value of the portion of its OTC derivative assets and liabilities that are uncollateralized. Credit spreads are applied to the

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

derivative fair values on a net basis by counterparty. To reflect the Company's own credit spread a proxy based on relevant debt spreads is applied to OTC derivative net liability positions. Similarly, the Company's counterparty's credit spread is applied to OTC derivative net asset positions.

6. COMMITMENTS, CONTINGENT LIABILITIES AND LITIGATION AND REGULATORY MATTERS

Commitments

The Company has made commitments to fund commercial loans. As of March 31, 2015, the outstanding balance on this commitment was \$47 million. The Company also made commitments to purchase or fund investments, mostly private fixed maturities. As of March 31, 2015, \$107 million of this commitment was outstanding.

Contingent Liabilities

On an ongoing basis, the Company's internal supervisory and control functions review the quality of sales, marketing and other customer interface procedures and practices and may recommend modifications or enhancements. From time to time, this review process results in the discovery of product administration, servicing or other errors, including errors relating to the timing or amount of payments or contract values due to customers. In certain cases, if appropriate, the Company may offer customers remediation and may incur charges, including the costs 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. For additional discussion of these matters, see "Litigation and Regulatory Matters" below.

It is possible that the results of operations or the cash flow of the Company in a particular quarterly or annual period could be materially affected as a result of payments in connection with the matters discussed above or other matters depending, in part, upon the results of operations or cash flow for such period. Management believes, however, that ultimate payments in connection with these matters, 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 following is a summary of certain pending proceedings.

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, including matters discussed below. As of March 31, 2015, the aggregate range of reasonably possible losses in excess of accruals established is not currently estimable. 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.

In October 2012, the State of West Virginia, through its State Treasurer, filed a lawsuit, *State of West Virginia ex. Rel. John D. Perdue v. PRUCO Life Insurance Company*, in the Circuit Court of Putnam County, West Virginia. The complaint alleges violations of the West Virginia Uniform Unclaimed Property Fund Act by failing to properly identify and report all unclaimed insurance policy proceeds which should either be paid to beneficiaries or escheated to West Virginia. The complaint seeks to examine the records of the Company to determine compliance with the West Virginia Uniform Unclaimed Property Fund Act, and to assess penalties and costs in an undetermined amount. In April 2013, the Company filed a motion to dismiss the complaint. In December 2013, the Court granted the Company's motion and dismissed the complaint with prejudice. In January 2014, the State of West Virginia appealed the decision.

In January 2012, a Global Resolution Agreement entered into by the Company and a third party auditor became effective upon its acceptance by the unclaimed property departments of 20 states and jurisdictions. Under the terms of the Global Resolution Agreement, the third party auditor acting on behalf of the signatory states will compare expanded matching criteria to the Social Security Master Death File ("SSMDF") to identify deceased insureds and contractholders where a valid claim has not been made. In February 2012, a Regulatory Settlement Agreement entered into by the Company to resolve a multi-state market conduct examination regarding its adherence to state claim settlement practices became effective upon its

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

acceptance by the insurance departments of 20 states and jurisdictions. The Regulatory Settlement Agreement applies prospectively and requires the Company to adopt and implement additional procedures comparing its records to the SSMDf to identify unclaimed death benefits and prescribes procedures for identifying and locating beneficiaries once deaths are identified. Substantially all other jurisdictions that are not signatories to the Global Resolution Agreement or the Regulatory Settlement Agreement have entered into similar agreements with the Company.

The New York Attorney General has subpoenaed the Company, along with other companies, regarding its unclaimed property procedures and may ultimately seek remediation and other relief, including damages. Additionally, the New York Office of Unclaimed Funds is conducting an audit of the Company's compliance with New York's unclaimed property laws.

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 flow in a particular quarterly or annual period could be materially affected by an ultimate unfavorable resolution of pending litigation and regulatory matters depending, in part, upon the results of operations or cash flow for such period. 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 position. 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 position.

7. 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

Many 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 option program and a deferred compensation program issued by Prudential Financial. The expense charged to the Company for the stock option program was less than \$1 million for the three months ended March 31, 2015 and 2014. The expense charged to the Company for the deferred compensation program was \$2 million for the three months ended March 31, 2015 and 2014.

The Company is charged for its share of employee benefits expenses. These expenses include costs for funded and non-funded contributory and non-contributory defined benefit pension plans. Some of these benefits are based on final group earnings and length of service while others are based on an account balance, which takes into consideration age, service and earnings during career. The Company's share of net expense for the pension plans was \$5 million for the three months ended March 31, 2015 and 2014.

Prudential Insurance sponsors voluntary savings plans for its employee's 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 \$2 million for the three months ended March 31, 2015 and 2014.

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

The Company pays commissions and certain other fees to Prudential Annuities Distributors, Inc. ("PAD") in consideration for PAD's marketing and underwriting of the Company's products. Commissions and fees are paid by PAD to broker-dealers who sell the Company's products. Commissions and fees paid by the Company to PAD were \$204 million and \$202 million for the three months ended March 31, 2015 and 2014 respectively.

Corporate Owned Life Insurance

The Company has sold five Corporate Owned Life Insurance or, "COLI," policies to Prudential Insurance, and one to Prudential Financial. The cash surrender value included in separate accounts for these COLI policies was \$2,955 million at March 31, 2015 and \$2,812 million at December 31, 2014. Fees related to these COLI policies were \$11 million and \$10 million for the three months ended March 31, 2015 and 2014, respectively. The Company retains the majority of the mortality risk associated with these COLI policies. In October 2013, the Company increased the maximum amount of mortality risk on any life to \$3.5 million for certain COLI policies.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Derivative Trades

In its ordinary course of business, the Company enters into OTC derivative contracts with an affiliate, PGF.

Reinsurance with Affiliates

The Company participates in reinsurance with its affiliates Prudential Life Insurance Company of Taiwan Inc. (“Prudential of Taiwan”), Prudential Arizona Reinsurance Captive Company (“PARCC”), UPARC, Pruco Re, Prudential Arizona Reinsurance Term Company (“PAR Term”), Prudential Arizona Reinsurance Universal Company (“PAR U”), PURC, and Prudential Term Reinsurance Company (“Term Re”), and its parent company, Prudential Insurance, in order to provide risk diversification and additional capacity for future growth, limit the maximum net loss potential, manage the statutory capital for its individual life business, facilitate its capital market hedging program and align accounting methodology for the assets and liabilities of living benefit riders contained in annuities contracts. Life reinsurance is accomplished through various plans of reinsurance, primarily yearly renewable term and coinsurance. Reinsurance ceded arrangements do not discharge the Company as the primary insurer. Ceded balances would represent a liability of the Company in the event the reinsurers were unable to meet their obligations to the Company under the terms of the reinsurance agreements. The Company believes a material reinsurance liability resulting from such inability of reinsurers to meet their obligations is unlikely.

On January 2, 2013, the Company began to assume GUL business from Prudential Insurance in connection with the acquisition of the Hartford Life Business. The GUL business assumed from Prudential Insurance is subsequently retroceded to PAR U. Collectively, reinsurance of this GUL business does not have a material impact on the equity of the Company.

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 premiums ceded for interest-sensitive life products are accounted for as a reduction of policy charges and fee income. Reinsurance premiums ceded for term insurance products are accounted for as a reduction of premiums.

Realized investment gains and losses include the impact of reinsurance agreements that are accounted for as embedded derivatives. Changes in the fair value of the embedded derivatives are recognized through “Realized investment gains (losses), net”. The Company has entered into reinsurance agreements to transfer the risk related to certain living benefit options on variable annuities to Pruco Re. The Company has also entered into an agreement with UPARC to reinsure a portion of the no-lapse guarantee provision on certain universal life products. These reinsurance agreements are derivatives and have been accounted for in the same manner as an embedded derivative. See Note 5 for additional information related to the accounting for embedded derivatives.

Reinsurance amounts included in the Company’s Unaudited Interim Consolidated Statements of Financial Position as of March 31, 2015 and December 31, 2014 were as follows:

	March 31, 2015	December 31, 2014
	(in thousands)	
Reinsurance recoverable	\$ 22,057,381	\$ 20,594,371
Policy loans	(70,996)	(69,501)
Deferred policy acquisition costs	(1,706,142)	(1,709,625)
Other assets	38,159	39,458
Policyholders’ account balances	4,793,402	4,827,071
Future policy benefits and other policyholder liabilities	2,450,533	2,193,735
Other liabilities (reinsurance payables)	450,021	433,627

The reinsurance recoverables by counterparty is broken out below.

	March 31, 2015	December 31, 2014
	(in thousands)	
UPARC	\$ 463,474	\$ 407,209
PAR U	9,393,529	9,147,870
PURC	1,679,140	1,564,913
PARCC	2,512,718	2,499,567
PAR Term	1,079,239	1,001,181
Term Re	145,014	97,099
Prudential Insurance	198,979	188,466
Pruco Re	5,390,957	4,522,665
Prudential of Taiwan	1,185,438	1,157,881
Unaffiliated	8,893	7,520
Total Reinsurance Recoverables	\$ 22,057,381	\$ 20,594,371

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PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Reinsurance amounts, excluding investment gains (losses) on affiliated asset transfers, included in the Company's Unaudited Interim Consolidated Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2015 and 2014 were as follows:

	2015	(in thousands)	2014
Premiums:			
Direct	\$ 366,243		\$ 339,567
Assumed	-		-
Ceded	(350,606)		(324,322)
Net Premiums	15,637		15,245
Policy charges and fee income:			
Direct	732,565		663,786
Assumed	168,786		30,221
Ceded	(360,586)		(180,382)
Net policy charges and fee income:	540,765		513,625
Net investment income			
Direct	104,049		98,991
Assumed	329		338
Ceded	(957)		(852)
Net investment income	103,420		98,477
Net other income:			
Direct	12,527		13,407
Assumed & Ceded	4,690		-
Net other income	17,217		13,407
Interest credited to policyholders' account balances:			
Direct	142,405		100,893
Assumed	32,714		29,247
Ceded	(57,642)		(50,337)
Net interest credited to policyholders' account balances	117,477		79,803
Policyholders' benefits (including change in reserves):			
Direct	480,655		497,482
Assumed	235,461		154,785
Ceded	(657,715)		(567,232)
Net policyholders' benefits (including change in reserves)	58,401		85,035
Net reinsurance expense allowances, net of capitalization and amortization	(69,712)		(63,553)
Realized investment gains (losses), net:			
Direct	(666,435)		(1,121,522)
Assumed	-		-
Ceded	725,460		1,207,053
Realized investment gains (losses), net	\$ 59,025		\$ 85,531

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

	2015	(in thousands)	2014
Direct gross life insurance face amount in force	\$ 724,268,816		\$ 673,138,081
Assumed gross life insurance face amount in force	44,296,568		45,210,236
Reinsurance ceded	(708,312,995)		(661,545,542)
Net life insurance face amount in force	\$ 60,252,389		\$ 56,802,775

UPARC

Through June 30, 2011, the Company, excluding its subsidiaries, reinsured its Universal Protector policies having no-lapse guarantees with UPARC, an affiliated company. UPARC reinsured an amount equal to 90% of the net amount at risk related to the first \$1 million in face amount plus 100% of the net amount at risk related to the face amount in excess of \$1 million as well as 100% of the risk of uncollectible policy charges and fees associated with the no-lapse guarantee provision of these policies.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Effective July 1, 2011, the agreement between the Company and UPARC to reinsure its Universal Protector policies having no-lapse guarantees was amended for policies with effective dates prior to January 1, 2011. Under the amended agreement, UPARC reinsures an amount equal to 27% of the net amount at risk related to the first \$1 million in face amount plus 30% of the net amount at risk related to the face amount in excess of \$1 million as well as 30% of the risk of uncollectible policy charges and fees associated with the no-lapse guarantee provision of these policies. During the first quarter of 2013, the agreement between the Company and UPARC was further amended to revise language relating to the consideration due to the Company.

Effective July 1, 2013 the agreement between the Company and UPARC to reinsure its Universal Protector policies having no-lapse guarantees was amended for policies with effective dates January 1, 2011 through December 31, 2012. Under the amended agreement, UPARC reinsures an amount equal to 27% of the net amount at risk related to the first \$1 million in face amount plus 30% of the net amount at risk related to the face amount in excess of \$1 million as well as 30% of the risk of uncollectible policy charges and fees associated with the no-lapse guarantee provision of these policies.

Effective January 1, 2014 the agreement between the Company and UPARC to reinsure its Universal Protector policies having no-lapse guarantees was amended for policies with effective dates on or after January 1, 2014. Under the amended agreement, UPARC will no longer reinsure Universal Protector policies having no-lapse guarantees.

Effective July 1, 2014 the agreement between the Company and UPARC to reinsure its Universal Protector policies having no-lapse guarantees was further amended for policies with effective dates January 1, 2013 through December 31, 2013. Under the amended agreement, UPARC reinsures an amount equal to 27% of the net amount at risk related to the first \$1 million in face amount plus 30% of the net amount at risk related to the face amount in excess of \$1 million as well as 30% of the risk of uncollectible policy charges and fees associated with the no-lapse guarantee provision of these policies.

PAR U

Effective July 1, 2011, the Company, excluding its subsidiaries, entered into an automatic coinsurance agreement with PAR U to reinsure an amount equal to 70% of all the risks associated with its Universal Protector policies having no lapse guarantees as well as its Universal Plus policies, with effective dates prior to January 1, 2011. During the first quarter of 2013, the agreement between the Company, excluding its subsidiaries, and PAR U was amended to revise language relating to the consideration due to PAR U.

Effective July 1, 2012, the Company's wholly owned subsidiary, PLNJ, entered into an automatic coinsurance agreement with PAR U to reinsure an amount equal to 95% of all the risks associated with its universal life policies. During the fourth quarter of 2012, the agreement between PLNJ and PAR U was amended to revise language relating to the consideration due to PAR U.

On January 2, 2013, the Company began to assume GUL business from Prudential Insurance in connection with the acquisition of the Hartford Life Business. The GUL business assumed from Prudential Insurance is subsequently retroceded to PAR U. Collectively, reinsurance of the GUL business does not have a material impact on the equity of the Company.

Effective July 1, 2013, the agreement between the Company, excluding its subsidiaries, and PAR U was amended for policies with effective dates from January 1, 2011 through December 31, 2012. Under the amended agreement, PAR U reinsures an amount equal to 70% of all the risks associated with its Universal Protector policies having no-lapse guarantees as well as its Universal Plus policies, with effective dates from January 1, 2011 through December 31, 2012 in addition to policies covered by the initial reinsurance agreement discussed above.

Effective October 1, 2013, the Company entered into an Assumption and Novation Agreement with PAR U and PURC. Under this agreement, PAR U novates, assigns, and transfers to PURC all of its rights, title, interests, duties, obligations, and liabilities under the aforementioned amendment entered into on July 1, 2013. PURC will succeed PAR U and become the counterparty to the Company with respect to the novated business pursuant to the Novated Coinsurance Agreement (the "PURC Novated Coinsurance Agreement"). There is no financial impact to the Company as a result of this transaction.

PURC

The Company, excluding its subsidiaries, reinsures an amount equal to 70% of all the risks associated with its Universal Protector policies having no lapse guarantees as well as its Universal Plus policies, with effective dates from January 1, 2011 through December 31, 2012 with PURC pursuant to the PURC Novated Coinsurance Agreement (as defined in "PARU" above).

Effective January 1, 2014, the Company, excluding its subsidiaries, entered into an automatic coinsurance agreement with PURC to reinsure an amount equal to 95% of all the risks associated with its Universal Protector policies having no-lapse guarantees, as well as its Universal Plus policies, with effective dates on or after January 1, 2014.

Effective July 1, 2014, the agreement between the Company, excluding its subsidiaries, and PURC was amended to reinsure policies with effective dates from January 1, 2013 through December 31, 2013. Under the amended agreement, PURC reinsures an amount equal to 70% of all the risks associated with its Universal Protector policies having no-lapse guarantees as well as its Universal Plus policies, in addition to policies initially covered by the PURC Novated Coinsurance Agreement.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

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 an automatic coinsurance agreement with Term Re.

Prudential Insurance

The Company has a yearly renewable term reinsurance agreement with Prudential Insurance and reinsures the majority of all mortality risks not otherwise reinsured.

On January 2, 2013, the Company began to assume GUL business from Prudential Insurance in connection with the acquisition of the Hartford Life Business. The GUL business assumed from Prudential Insurance is subsequently retroceded to PAR U. Collectively, reinsurance of this GUL business does not have a material impact on the equity of the Company.

The Company has reinsured a group annuity contract with Prudential Insurance, in consideration for a single premium payment by the Company, providing reinsurance equal to 100% of all payments due under the contract.

Pruco Re

The Company uses reinsurance as part of its risk management and capital management strategies for certain of its optional living benefit features available under certain of its annuity products. Starting from 2005, the Company has entered into various automatic coinsurance agreements with Pruco Re, an affiliated company, to reinsure its living benefit features sold on certain of its annuities.

Taiwan Branch Reinsurance Agreement

On January 31, 2001, the Company transferred all of its assets and liabilities associated with its Taiwan branch, including its Taiwan insurance book of business to Prudential of Taiwan, an affiliated company.

The mechanism used to transfer this block of business in Taiwan is referred to as a “full acquisition and assumption” transaction. Under this mechanism, the Company is jointly liable with Prudential of Taiwan for two years from the giving of notice to all obligees for all matured obligations and for two years after the maturity date of not-yet-matured obligations. Prudential of Taiwan is also contractually liable, under indemnification provisions of the transaction, for any liabilities that may be asserted against the Company.

The transfer of the insurance related assets and liabilities was accounted for as a long-duration coinsurance transaction under accounting principles generally accepted in the United States. Under this accounting treatment, the insurance related liabilities remain on the books of the Company and an offsetting reinsurance recoverable is established. These assets and liabilities are denominated in US dollars.

Affiliated Asset Administration Fee Income

The Company has a revenue sharing agreement with AST Investment Services, Inc. and Prudential Investments LLC whereby the Company receives fee income calculated on contractholder separate account balances invested in the Advanced Series Trust. Income received from AST Investment Services, Inc. and Prudential Investments LLC related to this agreement was \$95 million and \$86 million for the three months ended March 31, 2015 and 2014, respectively. These revenues are recorded as “Asset administration fees” in the Company’s Unaudited Interim Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company has a revenue sharing agreement with Prudential Investments LLC, whereby the Company receives fee income based on policyholders’ separate account balances invested in The Prudential Series Fund (“PSF”). Income received from Prudential Investments LLC related to this agreement was \$3 million for both the three months ended March 31, 2015 and 2014. These revenues are recorded as “Asset administration fees” in the Unaudited Interim Consolidated Statements of Operations and Comprehensive Income (Loss).

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

Affiliated Investment Management Expenses

In accordance with an agreement with Prudential Investment Management, Inc. (“PIMI”), the Company pays investment management expenses to PIMI who acts as investment manager to certain Company general account and separate account assets. Investment management expenses paid to PIMI related to this agreement were \$4 million for both the three months ended March 31, 2015 and 2014. These expenses are recorded as “Net investment income” in the Unaudited Interim Consolidated Statements of Operations and Comprehensive Income (Loss).

Affiliated Asset Transfers

From time to time, the Company participates in affiliated asset trades with parent and sister companies. Book and market value differences for trades with a parent and sister are recognized within Additional paid-in capital (“APIC”) and Realized investment gains (losses), net, respectively. The table below shows affiliated asset trades for the three months ended March 31, 2015 and for the year ended December 31, 2014.

Affiliate	Date	Transaction	Security Type	Fair Value	Book Value	Additional Paid-in Capital, Net of Tax Increase/ (Decrease) (in millions)	Realized Investment Gain/(Loss)	Derivative Gain/(Loss)
Prudential Insurance	Mar-14	Purchase	Fixed Maturities	\$ 13	\$ 13	\$ -	\$ -	\$ -
Prudential Financial	Sep-14	Transfer In	Fixed Maturities & Private Equity	81	77	3	-	-
Prudential Financial	Sep-14	Transfer Out	Fixed Maturities	142	136	(4)	-	-
PURC	Sep-14	Transfer Out	Fixed Maturities, Commercial Mortgages, & Private Equity	178	172	-	6	(8)
Prudential Annuities Life Assurance Corporation	Oct-14	Purchase	Fixed Maturities	10	9	-	(1)	-
Prudential Insurance	Dec-14	Purchase	Fixed Maturities, Commercial Mortgages, & Private Equity	122	102	(13)	-	-
PURC	Dec-14	Purchase	JV/LP Investment	3	3	-	-	-
Prudential Insurance	Mar-15	Purchase	Fixed Maturities & Trading Account Assets	92	74	(12)	-	-

Debt Agreements

The Company is authorized to borrow funds up to \$2.2 billion from affiliates to meet its capital and other funding needs.

PRUCO LIFE INSURANCE COMPANY

Notes to Unaudited Interim Consolidated Financial Statements—(Continued)

The following table provides the breakout of the Company's short-term and long-term debt with affiliates:

Affiliate	Date Issued	Amount of Notes - March 31, 2015	Amount of Notes - December 31, 2014	Interest Rate	Date of Maturity
		(in thousands)			
Prudential Financial	6/20/2011	\$ 50,000	\$ 50,000	2.64%	6/21/2015
Prudential Financial	12/15/2011	11,000	11,000	3.61%	12/15/2016
Prudential Financial	12/16/2011	22,000	22,000	3.32% - 3.61%	12/2015 - 12/2016
Prudential Insurance	12/20/2010	204,000	204,000	3.47%	12/21/2015
Washington Street Investment	6/20/2012	237,000	237,000	2.44% - 3.02%	6/2015 - 6/2017
Washington Street Investment	12/17/2012	198,000	198,000	1.33% - 1.87%	12/2015 - 12/2017
Washington Street Investment	12/17/2012	39,000	39,000	1.33% - 1.87%	6/2015 - 6/2017
Prudential Financial	11/15/2013	9,000	9,000	2.24%	12/15/2018
Prudential Financial	11/15/2013	23,000	23,000	3.19%	12/15/2020
Prudential Insurance	12/6/2013	120,000	120,000	2.60%	12/15/2018
Prudential Insurance	12/6/2013	130,000	130,000	4.39%	12/15/2023
Prudential Insurance	12/6/2013	250,000	250,000	3.64%	12/15/2020
Prudential Insurance	9/25/2014	30,000	30,000	1.89%	6/20/2017
Prudential Insurance	9/25/2014	40,000	40,000	3.95%	6/20/2024
Prudential Insurance	9/25/2014	20,000	20,000	2.80%	6/20/2019
Prudential Insurance	9/25/2014	50,000	50,000	3.95%	6/20/2024
Prudential Insurance	9/25/2014	50,000	50,000	2.80%	6/20/2019
Prudential Insurance	9/25/2014	100,000	100,000	3.47%	6/20/2021
Prudential Insurance	9/25/2014	100,000	100,000	3.95%	6/20/2024
Prudential Financial	12/15/2014	5,000	5,000	2.57%	12/15/2019
Prudential Financial	12/15/2014	23,000	23,000	3.14%	12/15/2021
Prudential Funding	3/11/2015	2,001	-	0.28%	4/10/2015
Prudential Funding	3/31/2015	4,803	-	0.25%	4/1/2015
Total Loans Payable to Affiliates		<u>\$ 1,717,804</u>	<u>\$ 1,711,000</u>		

The total interest expense to the Company related to loans payable to affiliates was \$13.2 million and \$13.0 million for the three months ended March 31, 2015 and 2014, respectively.

Contributed Capital and Dividends

For the three months ended March 31, 2015, the Company did not pay any dividends. In June and December 2014, the Company paid dividends of \$338 million and \$410 million, respectively, to Prudential Insurance.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A,") addresses the consolidated financial condition and results of operations of Pruco Life Insurance Company, or the "Company," as of March 31, 2015, compared with December 31, 2014, and its consolidated results of operations for the three months ended March 31, 2015 and 2014. You should read the following analysis of our consolidated financial condition and results of operations in conjunction with the MD&A, the "Risk Factors" section, and the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as well as the statements under "Forward-Looking Statements" and the Unaudited Interim Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Overview

The Company sells variable and fixed annuities, universal life insurance, variable life insurance and term life insurance primarily through affiliated and unaffiliated distributors in the United States.

Regulatory Developments

In April 2015, the U.S. Department of Labor released a proposed regulation accompanied by new class exemptions and proposed amendments to long standing exemptions from the prohibited transaction provisions under the Employee Retirement Income Security Act. If enacted, the proposals would redefine who will be considered a "fiduciary" for purposes of transactions with qualified plans, plan participants and Individual Retirement Accounts. The exact nature and scope of any new final regulations is undeterminable at this time. The Company is evaluating the potential impacts of the proposals on its businesses.

The New Jersey Department of Banking and Insurance ("NJDOBI") has notified Prudential Financial that New Jersey's recently enacted legislation authorizing group-wide supervision of internationally active insurance groups (the "GWS Law") authorizes NJDOBI to act as the group-wide supervisor ("GWS") of Prudential Financial under the GWS Law. The GWS Law, among other provisions, authorizes NJDOBI to examine Prudential Financial and its subsidiaries, in addition to its New Jersey domiciled insurance subsidiaries, for the purpose of ascertaining the financial condition of the insurance companies and compliance with New Jersey insurance laws. We cannot predict what additional requirements or costs may result from NJDOBI's assertion of GWS status with respect to Prudential Financial.

For additional information on the potential impacts of regulation on the Company, including the topics described above, see "Business—Regulation" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014.

Revenues and Expenses

The Company earns revenues principally from insurance premiums; mortality and expense, and asset administration fees from insurance and investment products; and investment of general account and other funds. The Company earns premiums primarily from the sale of individual life insurance and certain 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, commissions and other costs of selling and servicing the various products we sell and interest credited on general account liabilities.

Effective February 25, 2013, the Advanced Series Trust ("AST") adopted a Rule 12b-1 Plan under the Investment Company Act of 1940 with respect to most of the AST portfolios that are offered through the Company's variable annuity and variable life investment products. Under the Rule 12b-1 Plan, AST pays an affiliate of the Company for distribution and administrative services. Prior to the adoption of the 12b-1 Plan, the Company received an administrative service fee from AST and incurred expenses associated with administrative services provided. In April 2015, AST filed a proxy statement and distributed the proxy statement to shareholders for the purpose of seeking shareholder approval, among other things, to amend the Rule 12b-1 Plan. Shareholder approval is pending as of the date of this Quarterly Report on Form 10-Q. If approved by shareholders, there will be an increase in the amount AST pays its affiliate for distribution and administrative services. However, there will be a reduction in management fees.

Profitability

The Company's profitability depends principally on its ability to price our insurance and annuity products at a level that enables us to earn a margin over the costs associated with providing benefits and administering those products. Profitability also depends on, among other items, our actuarial and policyholder behavior experience on insurance and annuity products, our ability to attract and retain customer assets, generate and maintain favorable investment results, and manage expenses.

See "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of risks that have materially affected and may affect in the future the Company's business, results of operations or financial condition, or cause the Company's actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of the Company.

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Products

Individual Annuities

The Company offers a wide array of annuities, including variable annuities with (1) fixed interest rate allocation options, subject to a market value adjustment, that are registered with the United States Securities and Exchange Commission (the “SEC”) and (2) fixed-rate allocation options not subject to a market value adjustment and not registered with the SEC. The Company also offers fixed annuitization options during the payout phase of its variable annuities.

We offer certain variable annuities that provide our contractholders with tax-deferred asset accumulation together with a base death benefit and a suite of optional guaranteed living benefits (including versions with guaranteed minimum death benefits) and annuitization options. The majority of our currently sold contracts include an optional living benefit guarantee which provides, among other features, the ability to make withdrawals based on the highest daily contract value plus a specific return, credited for a period of time. This guaranteed contract value is a notional amount that forms the basis for determining periodic withdrawals for the life of the contractholder, and cannot be accessed as a lump-sum surrender value. Certain optional living benefits can also be purchased with a companion optional death benefit, also based on a highest daily contract value. In the first quarter of 2014, we launched the Prudential Premier® Retirement with Highest Daily Lifetime Income (“HDI”) 3.0 Variable Annuity, which offers lifetime income based on the highest daily account value plus a compounded deferral credit. In the first quarter of 2013, we launched the Prudential Defined Income (“PDI”) Variable Annuity to complement the variable annuity products we offer with the highest daily benefit. PDI provides guaranteed lifetime withdrawal payments, but restricts contractholder investments to a single bond sub-account within the separate account. PDI includes a living benefit rider which provides for a specified lifetime income withdrawal rate applied to the initial premium paid, subject to annual roll-up increases until lifetime withdrawals commence, but does not have the highest daily feature.

In addition, certain in-force contracts include guaranteed benefits which are not currently offered, such as annuitization benefits based on a guaranteed notional amount and benefits payable at specified dates after the accumulation period. Most contracts also guarantee the contractholder’s beneficiary a return of total purchase payments made to the contract, adjusted for any partial withdrawals, upon death.

We also offer immediate annuities and variable annuities without guaranteed living benefits. In the second quarter of 2014, we launched the Prudential Premier® Investment Variable Annuity, which offers tax-deferred asset accumulation with an optional death benefit that guarantees the contractholder’s beneficiary a return of total purchase payments made to the contract, adjusted for any partial withdrawals, upon death.

Excluding our PDI product, the majority of our variable annuities generally provide our contractholders with the opportunity to allocate purchase payments to sub-accounts that invest in underlying proprietary and/or non-proprietary mutual funds, frequently under asset allocation programs. Certain products also allow or require allocation to fixed-rate accounts that are invested in the general account and are credited with interest at rates we determine, subject to certain minimums. We also offer fixed annuities that provide a guarantee of principal and interest credited at rates we determine, subject to certain contractual minimums. Certain allocations made in the fixed-rate accounts of our variable annuities and certain fixed annuities impose a market value adjustment if the contract is not held to maturity.

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 equity market returns, interest rates, market volatility, contractholder longevity/mortality, timing and amount of annuitization and withdrawals, withdrawal efficiency and contract lapses. The return we realize from our variable annuity contracts will vary based on the extent of the differences between our actual experience and the assumptions used in the original pricing of these products. Our returns can also vary due to the impact and effectiveness of our hedging programs for any capital markets movements that we may hedge, the impact of affiliated reinsurance, the impact of that portion of our variable annuity contracts with an asset transfer feature, the impact of risks we have retained and the impact of risks that are not able to be hedged.

Our risk management strategy helps to limit our exposure to certain of these risks primarily through a combination of product design elements, our living benefits hedging program and affiliated reinsurance arrangements. The product design elements we utilize for certain products include, among others, asset allocation restrictions, minimum issuance age requirements, monthly rate setting, certain limitations on the amount of premiums accepted and/or subsequent contractholder deposits and an asset transfer feature, as well as required allocation to our general account for certain of our products. The objective of the asset transfer feature, included in the majority of our variable annuity contracts with optional living benefits features and all new contracts sold with our highest daily living benefits feature, is to help mitigate our exposure to equity market risk and market volatility by transferring assets between certain variable investment sub-accounts selected by the annuity contractholder, and investments that are expected to be more stable (e.g., a bond fund sub-account within the separate account or a fixed-rate account within the general account). The transfers are based on the static mathematical formula used with the particular optional benefit which considers a number of factors, including, but not limited to, the impact of investment performance on the contractholder’s total account value. This occurs at the contractholder level, rather than at the fund level, which we believe enhances our risk mitigation. As of March 31, 2015, approximately \$92 billion or 90% of total variable annuity account values contain a living benefit feature, compared to approximately \$89 billion or 90% as of December 31, 2014. As of March 31, 2015, approximately \$88 billion or 95% of variable annuity account values with living benefit features included an asset transfer feature in the product design, compared to approximately \$85 billion or 95% as of December 31, 2014.

As mentioned above, in addition to our asset transfer feature, we also manage certain risks associated with our variable annuity products through our living benefits hedging programs and affiliated reinsurance agreements. We reinsure the majority of our variable annuity living benefit guarantees to an affiliated reinsurance company, Pruco Reinsurance, Ltd. (“Pruco Re”). The living benefits hedging program is primarily executed within Pruco Re to manage capital markets risk associated with the reinsured optional living benefit guarantees. We use our hedging program to help manage certain risks associated with certain of our guarantees. The hedging program’s objective is to help mitigate fluctuations in net income and capital from living benefit liabilities due to capital market movements, within firm established tolerances. Through our hedging program, we enter into derivative

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positions that seek to offset the net change in our hedge target. In addition to mitigating fluctuations of the living benefit liabilities due to capital market movements, the hedging program is also focused on a long-term goal of accumulating assets that could be used to pay claims under these benefits irrespective of market path.

Term Life Insurance

The Company offers a variety of term life insurance products, which represent 64% of our net individual life insurance in force face amount at March 31, 2015, that provide coverage for a specified time period. Most term products include a conversion feature that allows the policyholder to convert the policy into permanent life insurance coverage. The Company also offers term life insurance that provides for a return of premium if the insured is alive at the end of the level premium period. There continues to be significant demand for term life insurance protection.

Variable Life Insurance

The Company offers a number of individual variable life insurance products, which represent 22% of our net individual life insurance in force face amount at March 31, 2015, that provide a return linked to an underlying investment portfolio selected by the policyholder while providing the policyholder with the flexibility to change both the death benefit and premium payments. The policyholder generally has the option of investing premiums in a fixed rate option that is part of our general account or investing in separate account investment options consisting of equity and fixed income funds. Funds invested in the fixed rate option will accrue interest at rates that we determine, subject to certain contractual minimums. In the separate accounts, the policyholder bears the fund performance risk. The Company also offers a variable product that allows for a more flexible guarantee against lapse where policyholders can select the guarantee period. The Company also offers a policy rider which allows the policyholder to accelerate the death benefit if the insured is chronically or terminally ill and otherwise meets the contractual requirements. While variable life insurance continues to be an important product, marketplace demand continues to favor term and universal life insurance. A significant portion of the Company's insurance profits, however, is associated with our large in force block of variable life insurance policies. Profit patterns on these policies are not level and insureds generally begin paying reduced policy charges as the policies age. This reduction in policy charges, coupled with net policy count and insurance in force runoff over time, reduces our expected future profits from this product line.

Universal Life Insurance

The Company offers universal life insurance products, which represent 14% of our net individual life insurance in force face amount at March 31, 2015, which feature flexible premiums, a choice of guarantees against lapse, and a crediting rate that we determine, subject to certain contractual minimums. In addition, the Company offers universal life insurance products that allow the policyholder to allocate a portion of their account balance into accounts that provide interest or an interest component linked to S&P 500 index performance over the following year, subject to certain participation rates and contractual minimums and maximums. The Company also offers a policy rider which allows the policyholder to accelerate the death benefit if the insured is chronically or terminally ill and otherwise meets the contractual requirements. The Company's profits from universal life insurance are impacted by mortality and expense margins and net interest spread.

Accounting Policies & Pronouncements

Application of Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 estimates and assumptions used in the preparation of financial statements. If management determines that modifications in assumptions and estimates are appropriate given current facts and circumstances, the Company's results of operations and financial position as reported in the Unaudited Interim Consolidated Financial Statements could change significantly.

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

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

DAC and Other Costs

DAC and other costs associated with the variable and universal life policies and the variable and fixed annuity contracts is generally amortized over the expected life of these policies in proportion to total gross profits. Total gross profits include both actual gross profits and estimates of gross profits for future periods. In calculating gross profits, we consider mortality, persistency, and other elements as well as rates of return on investments associated with these contracts and the cost related to our guaranteed minimum death and guaranteed minimum income benefits. For variable annuities, gross profits and amortization rates also include the impacts of the embedded derivatives associated with certain of the living benefit features of our variable annuity contracts and related hedging activities. In calculating amortization expense, we estimate the amounts of gross profits

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that will be included in our U.S. GAAP results and utilize these estimates to calculate amortization rates and expense amounts. In addition, in calculating gross profits, we include the profits and losses related to contracts issued by the Company that are reported in affiliated legal entities other than the Company as a result of, for example, reinsurance agreements with those affiliated entities. The Company is an indirect subsidiary of Prudential Financial (an SEC registrant) and has extensive transactions and relationships with other subsidiaries of Prudential Financial, including reinsurance agreements, as discussed in Note 7 to the Consolidated Financial Statements. Incorporating all product-related profits and losses in gross profits, including those that are reported in affiliated legal entities, produces a DAC amortization pattern representative of the total economics of the products. For a further discussion of the amortization of DAC and DSI, see “MD&A—Results of Operations.”

The near-term future equity rate of return assumptions used in evaluating DAC and DSI for our domestic variable annuity and variable life insurance products are 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%, we use our maximum future rate of return. As of March 31, 2015, our variable annuities and variable life insurance businesses assume an 8.0% long-term equity expected rate of return and a 4.0% near-term mean reversion equity rate of return.

The weighted average rate of return assumptions for these businesses consider many factors specific to each business, including asset durations, asset allocations and other factors. We generally update the near term equity rates of return and our estimate of total gross profits each quarter to reflect the result of the reversion to the mean approach. These market performance related adjustments to our estimate of total gross profits result in cumulative adjustments to prior amortization, reflecting the application of the new required rate of amortization to all prior periods’ gross profits.

For additional information on our policies for DAC and other costs and for the remaining critical accounting estimates listed above, see our Annual Report on Form 10-K for the year ended December 31, 2014, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Accounting Policies & Pronouncements—Application of Critical Accounting Estimates”.

Adoption of New Accounting Pronouncements

See Note 2 to our Unaudited Interim Consolidated Financial Statements for a discussion of newly adopted accounting pronouncements.

Changes in Financial Position

March 31, 2015 versus December 31, 2014

Assets increased by \$4.9 billion, from \$145.8 billion at December 31, 2014 to \$150.7 billion at March 31, 2015. Significant components were:

- Separate account assets increased \$2,979 million from \$109,194 million at December 31, 2014 to \$112,173 million at March 31, 2015, primarily driven by market appreciation and positive net flows from variable annuity new business sales.
- Reinsurance recoverables increased \$1,463 million from \$20,594 million at December 31, 2014 to \$22,057 million at March 31, 2015. The increase was primarily driven by the mark-to-market of the reinsurance recoverable related to the reinsured liability for variable annuity living benefits, reflecting lower interest rates, as well as higher ceded liabilities arising from the GUL business assumed from Hartford Life, and the impact of term and universal life business growth which increased ceded reserves and ceded policyholders’ account balances. See Note 7 to the Unaudited Interim Consolidated Financial Statements for additional information regarding affiliated reinsurance transactions.
- Total investments increased \$422 million from \$9,499 million at December 31, 2014 to \$9,921 million at March 31, 2015, primarily driven by growth in the assets supporting the universal life and term life business and increased general account investments from variable annuity sales, in addition to favorable mark-to-market gains on investments due to lower interest rates.

Total liabilities increased \$4.7 billion, from \$141.3 billion at December 31, 2014 to \$146.0 billion at March 31, 2015. Significant components were:

- Separate account liabilities increased \$2,979 million, corresponding to the increase in separate account assets described above.
- Future policy benefits and other policyholder liabilities increased \$1,459 million, from \$13,915 million at December 31, 2014 to \$15,374 million at March 31, 2015, primarily driven by the mark-to-market of the liability for living benefit embedded derivatives, as described above, in addition to higher reserve associated with the GUL business and in supporting term and universal life business arising from business growth.
- Policyholder account balances increased \$197 million, from \$15,250 million at December 31, 2014 to \$15,447 million at March 31, 2015, primarily driven by liabilities related to continued universal life business growth, as well as growth in the variable annuity product that offers HDI 3.0, which requires fund allocation into the general account.

Results of Operations

Income (Loss) from Operations before Income Taxes

2015 to 2014 Three Months Comparison. Income from operations before income taxes decreased \$249 million from income of \$347 million in the first quarter of 2014 to \$98 million in the first quarter of 2015. Excluding the impact on the amortization of DAC and DSI of the mark-to-market of the living benefit embedded derivative liability and related hedge positions, as well as the impact of changes in the estimated profitability of the business, as discussed below, income from operations before income taxes decreased \$15 million. This decrease was primarily driven by lower realized investment gains on the embedded derivatives related to the no-lapse guarantee reinsurance with UPARC, and higher amortization costs and reserve provisions for the guaranteed minimum death benefits (“GMDB”) and guaranteed minimum income benefits (“GMIB”) features of our variable annuity products and higher operating expenses. Partially offsetting these decreases was higher net asset-based fee income, net of a related increase in asset-based commissions, reflecting higher average variable annuity account values invested in separate accounts driven by market appreciation and positive net flows from new business.

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The DAC and DSI impact of the mark-to-market of the living benefit embedded derivative liability and related hedge positions reflected an unfavorable variance of \$294 million, with an amortization expense of \$245 million in the first quarter of 2015 compared to an amortization benefit of \$49 million in the first quarter of 2014. The unfavorable variance was primarily driven by a higher charge in the current quarter due to higher NPR gains. Adjustments to the reserves for the GMDB and GMIB features of our products and to the amortization of DAC, DSI, and unearned revenue reserve (“URR”) included the impact from changes in the estimated profitability of the business. These adjustments resulted in a net benefit of \$49 million in the first quarter of 2015, compared to a net charge of \$10 million in the first quarter of 2014. The net benefit in the first quarter of 2015 primarily reflected favorable equity market performance, which more than offset the impact of lower expected rates of return on fixed income investments within contractholder accounts and on future expected claims relative to our assumptions. The net charge in the first quarter of 2014 primarily reflected the impact of lower expected rates of return on fixed income investments within contractholder accounts and on future expected claims relative to our assumptions, which more than offset favorable equity market performance.

For variable annuity and variable and universal life contracts, we generally amortize DAC and DSI over the expected lives of the contracts based on the level and timing of gross profits. In calculating gross profits, we consider mortality, persistency, and other elements as well as rates of return on investments associated with these contracts and include gross profits related to these contracts that are reported in affiliated legal entities other than the Company as a result of, for example, reinsurance agreements with those affiliated entities.

Revenues, Benefits and Expenses

2015 to 2014 Three Months Comparison. Revenues increased \$19 million, primarily driven by an increase of \$27 million in policy charges and fee income, consisting primarily of mortality and expense and other insurance charges, assessed on contractholders’ fund balances. The higher policy charges and fee income reflects higher average separate account asset balances on annuity products driven by market appreciation and positive net flows from new business sales. Also contributing to the increase was an increase of \$9 million in asset administration fees, driven by higher average separate account asset balances on annuity products as discussed above. Net investment income increased \$5 million, reflecting growth in our general account investment portfolio. Other income increased \$4 million, driven by amortization of reinsurance deferred gain from the third quarter 2014 reinsurance transaction with PURC in our life products. Partially offsetting these increases was a \$27 million decrease in realized investment gains, primarily reflecting a lower gain in the mark-to-market of the no-lapse guarantee reinsured to UPARC in our life products.

Benefits and expenses increased \$268 million. This increase was primarily driven by an unfavorable variance of \$241 million in DAC amortization and \$38 million in interest credited to policyholders’ account balances which includes DSI amortization. Higher DAC and DSI amortization is mainly related to the impact of the mark-to-market of the living benefit embedded derivative liability and related hedge positions and the impact of changes in the estimated profitability of the business, as discussed above. General, administrative and other expenses, net of capitalization, increased \$17 million, driven by higher asset-based commissions in our annuity products due to account value growth, and higher operating expenses. Partially offsetting these increases was a \$27 million decrease in policyholders’ benefits, including changes in reserves, mainly driven by adjustments to the GMDB and GMIB reserves related to the impact of changes in the estimated profitability of our business as discussed above.

Income Taxes

Income tax expense decreased \$54 million from an expense of \$67 million for the three months ended March 31, 2014 to \$13 million for the three months ended March 31, 2015. The decrease in income tax expense was primarily driven by the decrease in pre-tax income.

The Company’s liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service (“IRS”) or other taxing authorities. Audit periods remain open for review until the statute of limitations has passed. Generally, for tax years which produce net operating losses, capital losses or tax credit carryforwards (“tax attributes”), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes.

The Company does not anticipate any significant changes within the next 12 months to its total unrecognized tax benefits related to tax years for which the statute of limitations has not expired.

As of March 31, 2015, the Company remains subject to examination in the U.S. for tax years 2007 through 2014.

The dividends received deduction (“DRD”) reduces the amount of dividend income subject to U.S. tax and is a significant component of the difference between the Company’s effective tax rate and the federal statutory tax rate of 35%. The DRD for the current period was estimated using information from 2014 and current year results, and was adjusted to take into account the current year’s equity market performance and expected business results. The actual current year DRD can vary from the estimate based on factors such as, but not limited to, changes in the amount of dividends received that are eligible for the DRD, changes in the amount of distributions received from mutual fund investments, changes in the account balances of variable life and annuity contracts, and the Company’s taxable income before the DRD.

There is a possibility that the IRS and the U.S. Treasury will address, through guidance, issues related to the calculation of the DRD. For the last several years, revenue proposals included in the Obama Administration’s budgets have included proposed changes to the method used to determine the amount of the DRD. A change in the DRD, including the possible retroactive or prospective elimination of this deduction through guidance or legislation, could increase actual tax expense and reduce the Company’s consolidated net income.

For tax years 2007 through 2015, the Company is participating in the IRS’s Compliance Assurance Program (“CAP”). Under CAP, the IRS assigns an examination team to review completed transactions as they occur in order to reach agreement with the Company on how they should be reported in the relevant tax returns. If disagreements arise, accelerated resolutions programs are available to resolve the disagreements in a timely manner before the tax returns are filed.

Liquidity and Capital Resources

This section supplements and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” included in our Annual Report on Form 10-K for the year ended December 31, 2014.

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 businesses, 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 businesses, 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 Prudential Financial, Prudential Insurance and the Company on a daily basis and projects borrowing and capital needs over a multi-year time horizon through our quarterly planning process. We believe that cash flows from the sources of funds available to us are sufficient to satisfy the current liquidity requirements of Prudential Financial and the Company, including under reasonably foreseeable stress scenarios. Prudential Financial has a capital management framework in place that governs the allocation of capital and approval of capital uses, and Prudential Financial forecasts capital sources and uses on a quarterly basis. Prudential Financial and the Company also employ a “Capital Protection Framework” to ensure the availability of capital resources to maintain adequate capitalization and competitive risk-based capital ratios under various stress scenarios.

Prudential Financial is a “Designated Financial Company” under the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a Designated Financial Company, Prudential Financial is subject to supervision and examination by the Federal Reserve Bank of Boston and to prudential regulatory standards, which include or will include requirements and limitations (some of which are the subject of ongoing rule-making) relating to risk-based capital, leverage, liquidity, stress-testing, overall risk management, resolution plans, early remediation; and may also include additional standards regarding capital, public disclosure, short-term debt limits, and other related subjects. In addition, the Financial Stability Board (“FSB”) has identified Prudential Financial as a global systemically important insurer (“G-SII”). For information on the potential impact of this regulation on us, see “Business—Regulation” and “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Capital

Our capital management framework is primarily based on statutory risk based capital measures. The Risk Based Capital, or RBC, ratio is a primary measure of the capital adequacy of the Company. RBC is calculated based on statutory financial statements and risk formulas consistent with the practices of the 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 RBC ratio is an annual calculation, however, as of March 31, 2015 we estimate that the Company’s RBC ratio exceeds the minimum level required by applicable insurance regulations.

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, credit quality migration of the investment portfolio, and business growth, among other items. In addition, 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. The Company evaluates its regulatory capital under reasonably foreseeable stress scenarios and believes we have adequate resources to maintain our capital levels comfortably above regulatory requirements under these scenarios.

The Capital Protection Framework incorporates the potential impacts from market related stresses, including equity markets, real estate, interest rates, and credit losses. Potential sources of capital include on-balance sheet capital, derivatives, reinsurance and contingent sources of capital. Although we continue to enhance our approach, we believe we currently have access to sufficient resources to maintain adequate capitalization and a competitive RBC ratio under a range of potential stress scenarios.

Affiliated 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, 2014 for a discussion of our use of captive reinsurance companies.

Liquidity

The Company’s liquidity position has increased since December 31, 2014. 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 for the Company.

The principal sources of the Company’s liquidity are premiums and certain annuity considerations, investment and fee income, investment maturities and sales as well as internal borrowings. The principal uses of that liquidity include benefits, claims, and payments to policyholders and

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contractholders in connection with surrenders, withdrawals and net policy loan activity. Other uses of liquidity include commissions, general and administrative expenses, purchases of investments, and payments in connection with financing activities. We use a projection process for cash flows from operations to ensure sufficient liquidity is available to meet projected cash outflows, including claims.

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 segment our investment portfolios and employ an asset/liability management approach specific to the requirements of each of our product lines. This enhances the discipline applied in managing the liquidity, as well as the interest rate and credit risk profiles, of each portfolio in a manner consistent with the unique characteristics of the product liabilities. The impact of Prudential Funding, LLC's financing capacity on liquidity (as described below) is considered in the internal liquidity measures of the Company.

Liquid assets include cash and cash equivalents, short-term investments and fixed maturities that are not designated as held-to-maturity and public equity securities. As of March 31, 2015 and December 31, 2014 the Company had liquid assets of \$7,180 million and \$6,610 million, respectively. The portion of liquid assets comprised of cash and cash equivalents and short-term investments was \$624 million and \$336 million as of March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015, \$6,063 million, or 94%, of the fixed maturity investments in Company general account portfolios were rated high or highest quality based on NAIC or equivalent rating. The remaining \$398 million, or 6%, of these fixed maturity investments were rated other than high or highest quality.

Prudential Financial and Prudential Funding, LLC, or Prudential Funding, a wholly-owned subsidiary of Prudential Insurance, borrow funds in the capital markets 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.

Affiliated captive reinsurance companies are used to finance the portion of the statutory reserves required to be held under Regulation XXX and Guideline AXXX that is considered non-economic. The financing arrangements involve term and universal life business we reinsure to our affiliated captive reinsurers. The surplus notes issued by those captives are treated as capital for statutory purposes. As of March 31, 2015, our affiliated captive reinsurance companies have entered into agreements with external counterparties providing for the issuance of up to \$8.3 billion of surplus notes in return for the receipt of credit-linked notes. Under the agreements, the captive receives in exchange for the surplus notes one or more credit-linked notes issued by a special-purpose affiliate with an aggregate principal amount equal to the surplus notes outstanding. The captive holds the credit-linked notes as assets supporting Regulation XXX or Guideline AXXX non-economic reserves, as applicable. As of March 31, 2015, an aggregate of \$5.2 billion of surplus notes was outstanding under our Credit-Linked Note Structures, reflecting an increase of \$262 million from December 31, 2014.

In addition, as of March 31, 2015, our affiliated captive reinsurance companies had outstanding an aggregate of \$4.0 billion of debt issued for the purpose of financing Regulation XXX and Guideline AXXX non-economic reserves, of which approximately \$2.4 billion relates to Regulation XXX reserves and approximately \$1.6 billion relates to Guideline AXXX reserves, and all of which was issued directly by or guaranteed by Prudential Financial. Under certain of the financing arrangements pursuant to which this debt was issued, Prudential Financial has agreed to make capital contributions to the applicable captive reinsurance company to reimburse it for investment losses or to maintain its capital above prescribed minimum levels. In addition, as of March 31, 2015, for purposes of financing Guideline AXXX reserves, our affiliated captives had outstanding approximately \$4.0 billion of surplus notes that were issued to Prudential Financial in exchange for promissory notes of affiliates guaranteed by Prudential Financial.

In December 2014, the NAIC adopted a new actuarial guideline, known as "AG 48," that governs the reinsurance of term and universal life insurance business to captives by prescribing requirements for the types of assets that may be held by captives to support the reserves. The requirements in AG 48 became effective on January 1, 2015 and apply in respect of term and universal life insurance policies written from and after January 1, 2015, or written prior to January 1, 2015 but not included in a captive reserve financing arrangement as of December 31, 2014. We expect that AG 48 will require us to hold cash or rated securities in greater amounts than we currently hold to support economic reserves for certain of our term and universal life policies. However, we are continuing to review the application of AG 48 to our business and have not yet finalized its impact on us. We are also currently evaluating the effect of AG 48 more generally on our use of captives and any future financing of statutory reserves for our term and universal life business.

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. There have been no material changes in our market risk exposures from December 31, 2014, a description of which may be found in our Annual Report on Form 10-K, for the year ended December 31, 2014, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk", filed with the Securities and Exchange Commission. See Item 1A, "Risk Factors" included in the Annual Report on Form 10-K for the year ended December 31, 2014, 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

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of our disclosure controls and procedures, as defined in Securities Exchange Act of 1934, as amended (the “Exchange Act”) Rule 13a-15(e), as of March 31, 2015. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2015, our disclosure controls and procedures were effective. No change in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), occurred during the quarter ended March 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

OTHER INFORMATION

PART II

Item 1. Legal Proceedings

See Note 6 to the Unaudited Interim Consolidated Financial Statements under “—Litigation and Regulatory Matters” for a description of material pending litigation and regulatory matters affecting us, and certain risks to our businesses 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, 2014. 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” above and the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q.

Item 6. Exhibits

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.
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.

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
By: /s/ Yanela C. Frias
Name: Yanela C. Frias
Vice President and Chief Financial Officer
(Authorized Signatory and Principal Financial Officer)

Date: May 14, 2015

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Robert F. O'Donnell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pruco Life Insurance Company;
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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2015

/s/ Robert F. O'Donnell
 Robert F. O'Donnell
 President and Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Yanela C. Frias, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pruco Life Insurance Company;
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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2015

/s/ Yanela C. Frias

Yanela C. Frias

Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. § 1350, I, Robert F. O'Donnell, President and Chief Executive Officer of Pruco Life Insurance Company (the "Company"), hereby certify that the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2015

/s/ Robert F. O'Donnell

Robert F. O'Donnell

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, Yanela C. Frias, Vice President and Chief Financial Officer of Pruco Life Insurance Company (the “Company”), hereby certify that the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2015

/s/ Yanela C. Frias

Yanela C. Frias

Vice President and Chief Financial Officer

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