



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of the **Prudential Retirement Insurance and Annuity Company** (the "Company") as of December 31, 2016, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

#### TO WIT:

1. I, Katharine L. Wade, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On December 1, 2017, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On February 13, 2018, the Company notified the Insurance Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

**NOW, THEREFORE**, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. **Section 38a-14(e)(4)(A) of the CGS requires that:**

*“The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director.”*

Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Supervising Examiner, of the Financial Regulation Division.

4. **Section 38a-14(e)(4)(B) of the CGS requires that:**

*“Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting.”*

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 21st day of February, 2018.



Katharine L. Wade  
Insurance Commissioner

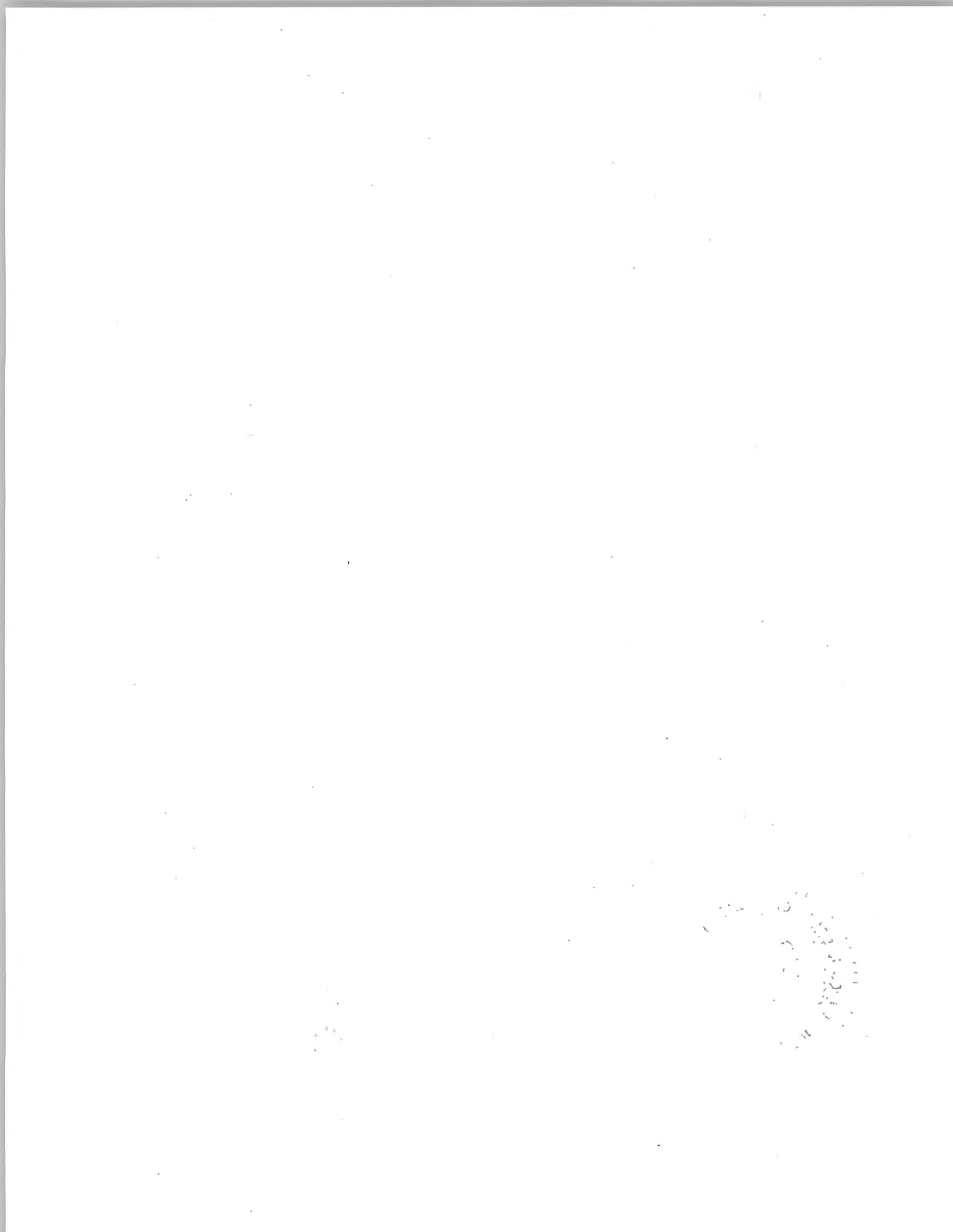


Exhibit A

**EXAMINATION REPORT**

**OF THE**

**PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY  
(NAIC # 93629)**

**AS OF**

**DECEMBER 31, 2016**

**BY THE**

**CONNECTICUT INSURANCE DEPARTMENT**



## Table of Contents

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	3
Organizational Chart	4
Management and Control	4
Related Parties	6
Insurance Coverage	6
Territory and Plan of Operation	7
Reinsurance	7
Information Technology Controls	8
Accounts and Records	8
Financial Statements	9
Assets	9
Liabilities, Surplus and Other Funds	10
Summary of Operations	11
Capital and Surplus Account	11
Aggregate Reserve for Life Contracts (General Account)	12
Aggregate Reserve for Life, Annuity and Accident and Health Contracts (Separate Accounts)	12
Liability for Deposit-Type Contracts (General Account)	12
Liability for Deposit-Type Contracts (Separate Accounts)	12
Contract Claims: Life	12
Capital and Surplus	13
Subsequent Events	13
Conclusion	14
Signature	15

December 1, 2017

The Honorable Katharine L. Wade  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 6<sup>th</sup> Floor  
Hartford, Connecticut 06103

Dear Commissioner Wade:

In compliance with your instructions and pursuant to the requirements of section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made an examination of the condition and affairs of

**PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY**

(hereafter referred to as the Company or PRIAC), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office located at 280 Trumbull Street, Harford, Connecticut. The report of such examination is respectfully submitted.

**SCOPE OF EXAMINATION**

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2011. The current examination, which covers the subsequent five year period through December 31, 2016, was conducted at the statutory home office of the Company and additionally at the headquarters of its parent holding company, Prudential Financial, Inc. (PFI) located at 751 Broad Street, Newark, New Jersey. The Department participated in a coordinated multistate examination with the Arizona Department of Insurance, the Indiana Department of Insurance and the New Jersey Department of Banking and Insurance (NJDOBI) which acted as lead state for the examination.

The following list of companies was part of the coordinated exam (herein referred to as the Group):

- The Prudential Insurance Company of America (PICA) (NJ)
- Pruco Life Insurance Company of New Jersey (NJ)
- Prudential Legacy Insurance Company of New Jersey (NJ)
- PRIAC (CT)
- Prudential Annuities Life Assurance Corporation (AZ)
- Pruco Life Insurance Company (AZ)
- Prudential Arizona Reinsurance Captive Company (AZ)
- Universal Prudential Arizona Reinsurance Company (AZ)
- Prudential Arizona Reinsurance Term Company (AZ)
- Prudential Arizona Reinsurance Universal Company (AZ)
- Prudential Term Reinsurance Company (AZ)
- Prudential Universal Reinsurance Company (AZ)
- Vantage Casualty Insurance Company (IN)

## PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

As part of the examination planning procedures, the Department reviewed the following materials dated 2012 through 2016, submitted by the Company:

- Board of Director (Board) and other committees minutes (through the latest 2017 minutes);
- statutory audit reports completed by the Company's independent certified public accountants, PricewaterhouseCoopers, LLP (PwC);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002 (SOX);
- Form 10-K reports filed with the Securities and Exchange Commission;
- Annual Statements filed with the Department; and
- reports of the Internal Audit Department.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as independent audit reports, all of which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Work papers prepared by PwC, as of December 31, 2016, in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

INS Consultants, Inc. (INS) was engaged by the NJDOBI to perform the examination procedures in certain key functional activities of the financial condition examination, to conduct an evaluation of the Company's information technology (IT) controls and to conduct the actuarial review of the Group.

Rutter Associates, LLC was engaged by the NJDOBI to conduct the review of investments for the Group.

Risk and Regulatory Consulting (RRC) was engaged by the NJDOBI to perform interim reviews in the following areas:

- Pension Risk Transfer;
- Recapture of living benefit guarantees (Project Wildcat); and
- Own Risk Solvency Assessment Review.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as

## PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Annual Statement Instructions.

The examination considered prospective risks, those risks that existed at the balance sheet date that will impact future operations or risks associated with future business plans of the Company. Examination procedures were performed as deemed appropriate to evidence actions that the Company had taken to mitigate these risks.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

### HISTORY

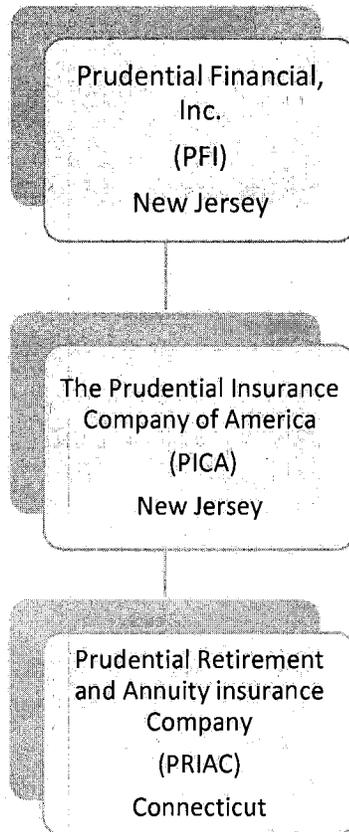
The Company was incorporated on January 14, 1981, as a wholly owned subsidiary of the Connecticut General Corporation by Special Act 77-15 as amended by Special Act 79-16 of the Connecticut General Assembly. On August 3, 1984, the Company changed its name from Connecticut General Life and Casualty Insurance Company to CIGNA Life Insurance Company (CIGNA Life).

CIGNA Corporation (CIGNA) sold its retirement business to PICA on April 1, 2004, for \$2.12 billion. The sale of the business included the purchase by PICA of all the shares of CIGNA Life. Prior to the sale, CIGNA Life entered into reinsurance arrangements with wholly owned subsidiaries of CIGNA to affect the transfer of the retirement business included in the transaction to PICA. Subsequent to the sale, PICA changed the name of CIGNA Life to Prudential Retirement Insurance and Annuity Company. Currently, PRIAC is a wholly owned subsidiary of PICA which in turn is a wholly owned subsidiary of PFI.

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

**ORGANIZATIONAL CHART**

The following is a partial organizational chart that identifies the relationship of the Company and its parent as of December 31, 2016:



**MANAGEMENT AND CONTROL**

In accordance with the amended and restated bylaws, the annual meeting of the shareholders shall be held at such date and time as shall be stated in the notice of the meeting. At such meeting, the shareholders shall elect the Board for the ensuing year and shall transact such other business as shall properly come before them.

Special meetings of the shareholders may be called by the chairman of the Board, the chief executive officer (CEO), the president, or the Board, and shall be called by the president upon written request of the holders of not less than one-tenth of the voting power of all shares entitled to vote at the meeting.

The holders of a majority of the shares of the issued and outstanding stock entitled to vote at a meeting shall constitute a quorum for the transaction of business at such meeting of the shareholders.

## PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

All corporate powers shall be exercised by or under authority of the Board. The Board shall not be less than one (1) nor more than ten (10) directors and shall be elected by the shareholders entitled to vote at each annual meeting of shareholders.

Regular meetings of the Board shall be called at such dates, times and places as established by the Board. Special meetings of the directors may be called by the chairman of the Board, CEO, or the president and shall be called whenever three directors request, but no business shall be considered at a special meeting, except that referred to in the notice of the meeting, without the consent of a majority of the members of the Board.

Directors holding a majority of the number of directorships shall constitute a quorum.

Members of the Board serving the Company at December 31, 2016, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Christine C. Marcks	President Prudential Retirement Insurance and Annuity Company
Michael J. Brandt	Senior Vice President and Chief Financial Officer Prudential Retirement Insurance and Annuity Company
John J. Kalamarides	Senior Vice President Prudential Retirement Insurance and Annuity Company
James M. O'Connor	Senior Vice President Prudential Retirement Insurance and Annuity Company
George P. Waldeck, Jr.	Senior Vice President Prudential Retirement Insurance and Annuity Company
Elizabeth M. Marin	Assistant Treasurer Prudential Retirement Insurance and Annuity Company
Brent W. Walder	Senior Vice President and Chief Actuary Prudential Retirement Insurance and Annuity Company
Timothy L. Schmidt	Senior Vice President, GPM Global Investment Officer Prudential Retirement Insurance and Annuity Company

### Officers

The officers of the Company shall be the president, a secretary, a controller, one or more vice-presidents, and a treasurer. In addition, the Board may elect a CEO and such other officers as the Board may from time to time deem advisable.

## PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

At December 31, 2016, the senior officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Christine C. Marcks	President
Michael J. Brandt	Senior Vice President, Chief Financial Officer
Timothy L. Schmidt	Senior Vice President, GPM Global Investment Officer
Brent Walder	Senior Vice President, Chief Actuary
Stephen E. Wieler	Secretary
Kenneth Y. Tanji	Treasurer
Scott G. Sleyster	PFI Chief Investment Officer
John J. Kalamarides	Senior Vice President
Robert H. Tyndall	Senior Vice President
George P. Waldeck, Jr.	Senior Vice President

### Committees

At any regular or special meeting, the Board may designate amongst its members, committees, including an Executive Committee, having the authority of the Board, an Audit Committee, an Investment Committee and a Separate Accounts Committee. As of December 31, 2016, the Company had an Executive Committee comprised of four members, an Audit Committee comprised of eight members, an Investment Committee comprised of eight members, and a Separate Account Committee comprised of five members.

### RELATED PARTIES

PFI and its affiliates enter into inter-affiliate agreements in the normal course of business. These agreements are maintained on a legal entity basis as part of Prudential's larger Interaffiliate Agreement Database and are subject to Prudential's Interaffiliate Agreement Policy. The latter policy outlines approval and reporting for agreements between Prudential affiliates. The primary types of contractual agreements between affiliated legal entities concern the provision of investment management and advisory services, reinsurance, cash management services, administrative and other services, and International Swaps and Derivatives Association agreements.

The Company joins in filing a consolidated federal income tax return with PFI pursuant to a written tax allocation agreement.

### INSURANCE COVERAGE

The Company is covered by a fidelity bond maintained by PFI for itself and the majority owned affiliates and subsidiaries. The fidelity bond is part of a blended program issued by various insurers, led by ACE American Insurance Company. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the NAIC's schedule of suggested minimum amounts in the Handbook.

## PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

In addition to the fidelity insurance policy, PFI and its subsidiaries maintain, with various insurance carriers, insurance coverage including: property; professional and management liability; insurance company professional liability; workers' compensation; general liability; and terrorism coverage.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed to sell retirement services products in all 50 states, the District of Columbia and Puerto Rico.

The Company provides retirement-investment and income products and services to public, private and not-for-profit organizations. The Company offers sponsors and their participants a broad range of products and services to assist in the delivery and administration of defined contribution and defined benefit qualified and non-qualified retirement plans which include recordkeeping and administrative services, comprehensive investment offerings, and advisory services to assist plan sponsors in managing fiduciary obligations. The Company also offers products that provide risk transfer solutions to United Kingdom pension schemes seeking to manage risk exposures in the form of longevity reinsurance.

The Company's Retirement segment is organized around two major sub-businesses, Full Services Solutions (FSS) and Investment and Pension Solutions (IPS), both of which provide solutions for defined benefits, defined contributions and non-qualified retirement plans.

FSS business offers plan sponsor defined contribution, defined benefit and non-qualified plans including administrative, investment and consulting services to assist in managing fiduciary obligations.

IPS business offers retirement savings and income products to retirement plans. Products include: stable value products; pension risk transfer; and guaranteed investment contracts.

### REINSURANCE

The Company's primary use of reinsurance relates to the assumption reinsurance used in the acquisition of CIGNA's retirement business. There are a series of reinsurance agreements that were utilized to affect the transfer of the retirement business to PRIAC in 2004, which included coinsurance-with-assumption, modified-coinsurance-with-assumption, indemnity coinsurance and modified-coinsurance-without-assumption.

Effective June 16, 2008, through March 31, 2016, the Company entered into an automatic coinsurance refinance agreement with Pruco Reinsurance Limited (Pruco Re) as part of its risk management and capital management strategy, providing for 100% reinsurance of the Company's guaranteed withdrawal benefit associated with certain of PRIAC's group annuity contracts. Effective April 1, 2016, the Company recaptured the guaranteed withdrawal obligation risks from Pruco Re where such risk was previously retained.

## PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

Since 2011, the Company entered into several reinsurance agreements in order to assume longevity risk in the United Kingdom. The Company pays the reinsured benefits based on the actual mortality experience for the period to the ceding insurers and has secured collateral from its counterparties to minimize counterparty default risk. As of December 31, 2016, the Company had reserves of \$40 million to cover the longevity risk associated with the pension benefits.

There were no unaffiliated reinsurers that were owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company.

### **INFORMATION TECHNOLOGY CONTROLS**

The NJDOBI engaged INS to assist in conducting a review of PFI's evaluation of IT controls in accordance with the guidelines and procedures set forth in Exhibit C of the Handbook (Exhibit C). The objectives were achieved through a combination of reviewing PFI's policies and procedures, testing in key areas related to Exhibit C, interviewing PFI's senior IT management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by PwC, the Company's internal audit department and SOX documentation.

Based upon the risk-based assessment and review, the IT general controls were determined to be effective.

### **ACCOUNTS AND RECORDS**

The Company utilizes Oracle as its general ledger system and WINGS, an Eagle Technology Management statutory annual statement package for the preparation of its statutory statements. The Company utilizes multiple systems which feed into Oracle.

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2016.

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

**FINANCIAL STATEMENTS**

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2016. No adjustments were made to surplus as a result of the examination.

**ASSETS**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$20,337,110,813	\$116,000,000	\$20,221,110,813
Preferred stocks	30,800,172		30,800,172
Common stocks	11,495,707		11,495,707
Mortgage loans on real estate – first liens	5,064,290,449		5,064,290,449
Cash, cash equivalents and short-term investments	676,524,930		676,524,930
Derivatives (Schedule DB)	361,374,403		361,374,403
Other invested assets (Schedule BA)	66,748,690		66,748,690
Receivables for securities	5,659,056		5,659,056
Aggregate write-ins for invested assets	13,854,044		13,854,044
Subtotals, cash and invested assets	26,567,858,264	116,000,000	26,451,858,264
Investment income due and accrued	191,057,148	1,687	191,055,461
Premiums and consideration:			
Uncollected premiums and agents' balances in the course of collection	64,713,640		64,713,640
Net deferred tax asset	170,841,492	55,990,074	114,851,418
Guaranty funds receivable or on deposit	5,705,252		5,705,252
Receivables from parent, subsidiaries and affiliates	63,324,345		63,324,345
Aggregate write-ins for other than invested assets	90,703,444	64,820,782	25,882,662
Total assets excluding Separate Accounts	27,154,203,585	236,812,543	26,917,391,042
From Separate Accounts	44,670,559,867		44,670,559,867
Total	<u>\$71,824,763,452</u>	<u>\$236,812,543</u>	<u>\$71,587,950,909</u>

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$885,006,489
Liability for deposit-type contracts	23,822,981,698
Contract claims: Life	64,116,759
Interest maintenance reserve	72,833,348
Commissions to agents due or accrued – deposit-type contract funds	4,137,733
General expenses due or accrued	74,863,743
Transfers to Separate Accounts due or accrued (net)	(257,468)
Taxes, licenses and fees due or accrued, excluding federal income taxes	88,873
Current federal and foreign income taxes	2,413,613
Unearned investment income	64,105
Amounts withheld or retained by company as agent or trustee	36,709,494
Remittances and items not allocated	62,414,171
Net adjustment in assets and liabilities due to foreign exchange rates	61
Miscellaneous liabilities:	
Asset valuation reserve	191,195,737
Payable to parent, subsidiaries and affiliates	6,263,476
Derivatives	104,520,326
Payable for securities	29,575,499
Payable for securities lending	522,278,988
Aggregate write-ins for liabilities	18,726,278
Total liabilities, excluding Separate Accounts business	25,897,932,923
From Separate Accounts statement	44,669,527,625
Total liabilities	70,567,460,548
Common capital stock	2,500,000
Gross paid in and contributed surplus	1,033,498,537
Unassigned funds (surplus)	(15,508,176)
Surplus	1,017,990,361
Total capital and surplus	1,020,490,361
Total	<u>\$71,587,950,909</u>

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$862,412,997
Net investment income	909,106,102
Amortization of Interest Maintenance Reserve	376,501
Separate Accounts net gain from operations, excluding unrealized gains or losses	(174,366)
Commissions and expense allowances on reinsurance ceded	65,464
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	268,766,962
Charges and fees for deposit-type contracts	116,326,159
Aggregate write-ins for miscellaneous income	85,505,373
Totals	2,242,385,192
Annuity benefits	603,538,569
Surrender benefits and withdrawals for life contracts	208,853,766
Interest and adjustments on contract or deposit-type contract funds	665,755,696
Increase in aggregate reserves for life and accident and health contracts	(21,012,367)
Totals	1,457,135,664
Commissions on premiums, annuity considerations, and deposit-type contract funds	15,029,508
General insurance expenses	440,494,536
Insurance taxes, licenses and fees, excluding federal income taxes	10,038,403
Net transfers to or (from) Separate Accounts net of reinsurance	54,176,008
Aggregate write-ins for deductions	(6,083)
Totals	1,976,868,036
Net gain from operations before dividends to policyholders and federal income taxes	265,517,156
Federal and foreign income taxes incurred	58,157,634
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	207,359,522
Net realized capital gains (losses)	(34,939,800)
Net income	\$172,419,722

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$1,080,355,119
Net income	172,419,722
Change in net unrealized capital gains (losses) less capital gains tax of (47,209,687)	(77,632,844)
Change in net unrealized foreign exchange capital gain (loss)	(10,194,184)
Change in net deferred income tax	8,795,335
Change in nonadmitted assets	(156,888,030)
Change in asset valuation reserve	31,370,410
Surplus (contributed to) withdrawn from Separate Accounts during period	(56,528)
Other changes in surplus in Separate Accounts Statement	56,528
Surplus adjustment - Paid in	103,329,626
Dividends to stockholders	(147,000,000)
Aggregate write-ins for gains and losses in surplus	15,935,207
Net change in capital and surplus for the year	(59,864,758)
Capital and surplus, December 31, current year	<u>\$1,020,490,361</u>

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

<u>AGGREGATE RESERVE FOR LIFE CONTRACTS (General Account)</u>	<u>\$885,006,489</u>
<u>AGGREGATE RESERVE FOR LIFE, ANNUITY AND ACCIDENT AND HEALTH CONTRACTS (Separate Accounts)</u>	<u>\$2,108,273,252</u>
<u>LIABILITY FOR DEPOSIT-TYPE CONTRACTS (General Account)</u>	<u>\$23,822,981,698</u>
<u>LIABILITY FOR DEPOSIT-TYPE CONTRACTS (Separate Accounts)</u>	<u>\$41,203,770,954</u>
<u>CONTRACT CLAIMS: Life</u>	<u>\$64,116,759</u>

INS performed a risk-focused actuarial examination of the Group, following the procedures outlined in the Handbook.

INS reviewed material risks by business units shared across the organization. INS reviewed statutory reserves for compliance with standard valuation laws and applicable NAIC Actuarial Guidelines and Model Regulations.

INS performed a risk based analysis of reserving to ensure that:

- supporting data included in the valuation was accurate and complete;
- statutory reserve computations were performed correctly on a gross and net basis;
- statutory assumptions and methodologies used in statutory reserve calculations and asset adequacy testing were reasonable; and
- assets held in support of the reserves make sufficient provision for all future obligations.

Information reviewed included the following:

- 2016 Annual Statements and Separate Account Statements;
- 2016 Actuarial Opinion (Opinion) and Actuarial Memoranda (Memoranda);
- 2015 and 2016 PwC audit work papers relating to statutory reserves;
- internal audit work papers relating to statutory reserves;
- model input and statutory assumption verification; and
- sample statutory reserve cell testing.

INS' reserving analysis included:

- interviews with Company staff responsible for statutory reserving and asset adequacy analysis;
- review of the Opinion and Memoranda regarding asset adequacy analysis provided by the Company; and
- review of statutory reserves.

In addition to INS' review, RRC's interim examination procedures included a review of the significant pricing assumptions for longevity reinsurance. These assumptions included mortality and mortality improvement. Base mortality assumptions are often based on actual case experience (for jumbo cases) and vetted through an external consultant in the pricing process, while mortality improvement factors are developed by making adjustments to industry mortality

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

improvement data. Both assumptions are evaluated annually during assumption reviews and monitored versus pricing expectations.

Conclusion

Based upon the risk-based assessment and review, no material financial findings relating to reserving and pricing risks were noted.

CAPITAL AND SURPLUS

\$1,020,490,361

The reconciliation of surplus for the period under examination, January 1, 2012, through December 31, 2016, was as follows:

Surplus, as of December 31, 2011	\$1,079,377,414
Net income	1,022,706,971
Change in net unrealized capital gains (losses)	(85,920,200)
Change in net unrealized foreign exchange gains (losses)	(24,441,522)
Change in net deferred income tax	(116,079,088)
Change in nonadmitted assets	(136,552,197)
Change in asset valuation reserve	19,184,160
Surplus (contributed to)/withdrawn from Separate Accounts during period	14,576,768
Other changes in surplus in Separate Accounts statements	(14,577,789)
Surplus adjustment – paid in	282,192,975
Dividend to stockholders	(1,040,863,349)
Aggregate write-ins for gains and losses in surplus	20,886,218
Net change in capital and surplus	(58,887,053)
Surplus, December 31, 2016	\$1,020,490,361

As indicated above, changes to the Company’s policyholder surplus over the exam period were largely due from results of operations and payment of ordinary dividends to stockholders.

**SUBSEQUENT EVENTS**

Effective February 8, 2017, the Company entered into a new longevity reinsurance transaction, the “Project Norway 5” contract, with Prudential Assurance Company Limited as counterparty, for approximately \$800 million.

Effective March 31, 2017, Nandini Mongia replaced Michael Brandt as Senior Vice President and Chief Financial Officer.

On May 10, 2017, the Company paid PICA an extraordinary distribution of \$90 million out of gross paid in and contributed surplus. This extraordinary distribution was approved by the Department in April 2017.

Effective June 5, 2017, George P. Waldeck, Jr. was named President and CEO of Prudential Retirement, a division of PFI. He succeeded Christine Marcks who retired after 10 years in the role of President and CEO.

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

**CONCLUSION**

As of December 31, 2016, the Company reported (including Separate Accounts) admitted assets of \$71,587,950,909, liabilities of \$70,567,460,548, and capital and surplus of \$1,020,490,361. During the period under examination, admitted assets increased by \$8,145,004,759, liabilities increased by \$8,203,891,812, and capital and surplus decreased by \$58,887,053.

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

SIGNATURE

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: Sharon Altieri, CPA; William Arfanis, CFE; Ronald Jankoski, CFE; Lisa Pagliaro, AFE; Kent Krajick, CFE; William Tacy, CFE, CIA, CISA; Michael Colburn, FSA, MAAA; and the consulting firms of INS Consultants, Inc. and Rutter Associates, LLC.

I, Kevin Beaudoin, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2016, to the best of my information, knowledge and belief.

Respectfully submitted,

Kevin Beaudoin

Kevin Beaudoin, CFE  
Insurance Certified Financial Examiner  
State of Connecticut  
Insurance Department

State of Connecticut                    ss

County of Hartford

Subscribed and sworn before me, JOSEPH A. MEDINA, Notary Public/Commissioner of the Superior Court, on this 11<sup>TH</sup> day of JANUARY, 2018.

Joseph A. Medina  
Notary Public/Commissioner of the Superior Court  
JOSEPH A. MEDINA  
NOTARY PUBLIC  
My Commission Expires MY COMMISSION EXPIRES Sept. 16, 2020