

STATE OF ALASKA

ALASKA INSURANCE DIVISION, DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT

AMENDED CONSENT ORDER

IN THE MATTER OF THE MULTI-STATE)
LIFE INSURANCE TASK FORCE'S)
MULTI-STATE MARKET CONDUCT)
EXAMINATION OF THE PRUDENTIAL)
INSURANCE COMPANY OF AMERICA,)

WHEREAS, a consent order ("Consent Order") was entered by the Alaska Insurance Division, Department of Commerce and Economic Development ("Department") wherein the Department accepted the offer of a remediation program by The Prudential Insurance Company of America ("Prudential") as a satisfactory and fair method of complying with recommendations set forth in the July 9, 1996 Report of the Multi-State Life Insurance Task Force and Multi-State Market Conduct Examination of Prudential's life insurance sales practices; and,

WHEREAS, Prudential agreed in the Consent Order to implement the Remediation Program by mailing certain approved notices to Policyholders in this state within 90 days of the effective date of the Consent Order; and,

WHEREAS, on October 28, 1996, Prudential entered into a Stipulation of Settlement to settle certain putative policyholder class action lawsuits that were filed against it alleging, among other things, improper life insurance sales practices and which

lawsuits were centralized by the Judicial Panel on Multi-district Litigation in the United States District Court for the District of New Jersey before the Honorable Alfred M. Wolin (the "Court") in a matter captioned In re The Prudential Insurance Company of America Sales Practices Litigation, MDL Docket No. 1061, but the Litigation Settlement is subject to approval of the Court ("Court Approval") and appeals and other proceedings; and,

WHEREAS, at Prudential's request, the Department agreed to an extension of time until November 6, 1996, to commence implementation of the Remediation Program set forth in the Consent Order; and,

WHEREAS, the Litigation Settlement expands upon the Remediation Program set forth in the Consent Order by including, among other things, certain improvements to the claim scoring and remedies of the Remediation Program and, if the Litigation Settlement receives Court Approval and is affirmed without change on appeal and any other proceedings ("Appellate Approval"), the provision of the Additional Remediation Amount and the Basic Claim Relief Additions; and,

WHEREAS, Prudential has requested the Department's further consent to defer the commencement and implementation of the Remediation Program until February 1, 1997; and,

WHEREAS, if the requested deferral is granted, Prudential has agreed to provide the Enhanced Remediation Program to Policyholders in this state; and,

WHEREAS, Prudential has stated that it will not oppose, or in any way attempt to enjoin, the implementation on February 1, 1997 of the Enhanced Remediation Program; and,

WHEREAS, in a proceeding before the Court on October 16, 1996, Lead Counsel agreed that the Enhanced Remediation Program could be implemented beginning on February 1, 1997; and,

WHEREAS, the provision of the Enhanced Remediation Program to eligible Policyholders in this state outweighs the detriments resulting from additional delay in implementation of the Remediation Program and is in the best interests of Policyholders of this state;

IT IS ON THIS ___ day of November 1996, stipulated and agreed upon by and between the Department and Prudential and Ordered as follows:

I. **DEFINITIONS:** As used in this Amended Consent Order, the following terms are defined as set forth:

"Additional Remediation Amount" shall mean that sum of money to be allocated and paid at the completion of the ADR process as

provided in Section VI of Exhibit B to the Litigation Settlement, as well as the other financial guarantees and minimum payment obligations described in the Litigation Settlement, all of which are to be provided only after Appellate Approval.

"Basic Claim Relief Additions" shall mean the mutual fund enhancement and the final contribution to be made by Prudential for the enhanced value policy and enhanced value annuity as described in Exhibit D of the Litigation Settlement, all of which are to be provided only after Appellate Approval.

"Enhanced Remediation Program" shall refer to the Remediation Program as supplemented by this Amended Consent Order to include the provisions of Exhibit A and Exhibits B, C and D of the Litigation Settlement (all of which are incorporated by reference and made a part of this Amended Consent Order).

"Exhibit A" shall mean the document attached to this Amended Consent Order which sets forth, among other things, that

- (i) various changes to the ADR claim scoring and remedies will be included in the Remediation Program as of February 1, 1997,
- (ii) most procedural steps involving Lead Counsel that are set forth in the Litigation Settlement will be implemented only upon Court Approval, and
- (iii) the Additional Remediation Amount and Basic Claim Relief Additions will be available to Policyholders, only upon Appellate Approval, or after the time for appeal has passed.

"Lead Counsel" shall mean the law firms of Milberg Weiss Bershad Hynes & Lerach LLP and Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C.

"Litigation Settlement" shall mean the Stipulation of Settlement signed by legal counsel for the named plaintiffs in the subject litigation (acting both individually and in their representative capacities) and Prudential dated October 28, 1996, all documents referenced in the Stipulation of Settlement, and all exhibits to the Stipulation of Settlement.

"Policyholder" shall mean all persons who own or owned at termination an individual permanent whole life insurance policy issued by Prudential or any of its United States life insurance subsidiaries in the United States during the period of January 1, 1982 through December 31, 1995 except:

(i) policyowners who were represented by counsel at the time they executed a document in connection with a settlement of a claim, action, lawsuit or proceeding, pending or threatened, that released Prudential with respect to such policies; and

(ii) policyowners that are corporations, banks, trusts or non-natural entities, which purchased policies as corporate- or trust-owned life insurance and under which either there are 50 or more separate insured individuals or the aggregate premium paid over

an eight year period, ending with the close of 1996, exceeds one million dollars; and

(iii) policyowners who were issued policies in 1995 by Prudential Select Life Insurance Company of America.

"Remediation Program" refers to the alternative dispute resolution ("ADR") and basic claim relief programs and procedures set forth in Exhibits A-1, A-2 and A-3 of the Consent Order specifically identified as:

A-1: The Prudential Alternative Dispute Resolution Guidelines; and,

A-2: Guidelines for Prudential Basic Claim Relief; and

A-3: The Manual of Procedures for Resolving Claims Under Prudential Alternative Dispute Resolution Guidelines.

II. AMENDED CONSENT ORDER TERMS AND STIPULATIONS

The Department and Prudential stipulate and agree to the following paragraphs:

1. Prudential is subject to the jurisdiction of the Department.

2. Prudential shall take all necessary action to seek prompt approval of the Litigation Settlement.

3. Prudential shall implement the Enhanced Remediation Program in accordance with Exhibit A, and in any event no later than February 1, 1997.

a. In the event there is Court Approval of the Litigation Settlement by February 1, 1997, the Enhanced Remediation Program will be as set forth in Section A of Exhibit A;

b. In the event there is no Court Approval of the Litigation Settlement until after February 1, 1997, the Enhanced Remediation Program will be as set forth in Section B of Exhibit A; and

c. In the event the Court rejects the Litigation Settlement, the Enhanced Remediation Program will be as set forth in Section C of Exhibit A. In addition:

(i) Prudential shall implement the Enhanced Remediation Program within twenty (20) days of rejection if the Court rejects the Litigation Settlement on or before January 1, 1997; and

(ii) In addition, if the Court's approval of the Litigation Settlement is reversed by a court with appellate jurisdiction, e.g., the United States Court of Appeals for the Third Circuit or the United States Supreme Court, Prudential shall continue to implement those parts of the Enhanced Remediation Program in accordance with Section C of Exhibit A.

4. If so requested, Prudential shall mail, on a date to be determined by the Department, a letter from the Department to all Policyholders in this state advising them of the timetable for the implementation of the Remediation Program and its enhancements and such other information as the Department and Prudential agree to be appropriate.

5. On or before December 13, 1996, Prudential shall provide the Department with a copy of such Enhanced Remediation Program that will be implemented by February 1, 1997, in the event there is no Court approval of the Litigation Settlement by February 1, 1997.

6. Participation in the Enhanced Remediation Program shall not preclude the award of any Additional Remediation Amount or Basic Claim Relief Additions to Policyholders in this state in accordance with the terms of the Litigation Settlement even if a release has been signed by the Policyholder in connection with such participation. The Enhanced Remediation Program provides that at the time Policyholders submit documentation to participate in the ADR process or to receive Basic Claim Relief that they provide releases in favor of Prudential and its affiliates, directors, officers, employees and agents.

7. Within 60 days after receipt of notice from Prudential that the Litigation Settlement did not receive Court Approval and/or Appellate Approval and such Litigation Settlement was

modified or rejected, Prudential agrees that those Policyholders who have participated or are participating in the ADR process may elect to rescind their releases and return any relief they received pursuant to the ADR process, and thereby return them to the position they were in prior to the processing of their claim.

8. Prudential agrees that it shall not agree to or enter into a policyholder remediation program, of the type set forth in the Enhanced Remediation Program or the Litigation Settlement, on or before July 1, 1998 with another regulatory authority or in a national class action settlement (or subclass thereof), or on or before February 1, 1998 in a state court venued class action settlement where the class certified consists of all the Policyholders within that state ("State Court Class Action"), which includes provisions not materially equivalent to the Enhanced Remediation Program or Litigation Settlement, unless Prudential also agrees to make such provisions available at the direction of the Department. However, this obligation to implement will be effective only upon final approval by such other regulatory authority or, in the case of a national class action settlement (or subclass thereof) or State Court Class Action, only after a final court order approving such settlement has been affirmed after any and all appeals and other proceedings. Further, in the event that the Litigation Settlement is rejected by the Court or on appeal, Prudential's obligation under this paragraph with respect to the provisions of any settlement(s) in any State Court Class Action(s), will be

effective only if the settlement(s) affects more than 1.7 million Policyholders. For purposes of this paragraph, the Enhanced Remediation Program shall not include the Additional Remediation Amount and the Basic Claim Relief Additions included in the Litigation Settlement.

9. In the event that the Department finds that there has been a breach of any provision of the Consent Order or this Amended Consent Order, the Department may, in its discretion, pursue any and all legal remedies available including but not limited to the following: The Department may enforce the provisions of the Consent Order or this Amended Consent Order in the courts of this state or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of the Consent Order or this Amended Consent Order in an administrative action under any administrative law or other relevant provision of the law.

10. Prudential expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement by the Department of the Consent Order or this Amended Consent Order.

11. The representations, warranties and provisions as set forth in the Consent Order are incorporated herein and made a part hereof in their entirety to the extent that they are not inconsistent with the terms of this Amended Consent Order. To


the extent that there is an inconsistency, this Amended Consent Order shall prevail.

12. By entry of the Amended Consent Order or by any reference in its terms or exhibits to Lead Counsel, the Litigation Settlement, Stipulation of Settlement or any specific provision of the Litigation Settlement, the State of Alaska (including its principal departments, agencies or employees) does not agree in fact or by operation of law to waive, relinquish or compromise, in any way or to any extent, its sovereignty or jurisdiction or the sovereignty or jurisdiction of the courts of the State of Alaska regarding this Amended Consent Order or the Consent Order including the jurisdiction to construe, interpret or enforce any provision of the Consent Order or this Amended Consent Order and its exhibits.

13. Prudential will not oppose or in any way attempt to enjoin the implementation of the applicable Enhanced Remediation Program by February 1, 1997.

IN WITNESS WHEREOF, the Department and Prudential have executed this Amended Consent Order on the date indicated above and on the signature lines below.

ALASKA INSURANCE DIVISION,
DEPARTMENT OF COMMERCE AND ECONOMIC
DEVELOPMENT

By: 
Name: MARGANNE S. BURKE
Title: DIRECTOR

Consented to in form and content:

THE PRUDENTIAL INSURANCE COMPANY OF
AMERICA

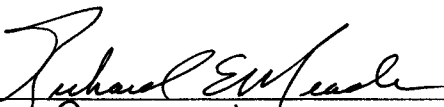
By: 
Name: Richard E. Meade
Title: V.P. and Associate General Counsel

EXHIBIT A TO AMENDED CONSENT ORDER

By agreeing to implement this Exhibit A it is not the intent of the Department to waive the reservation of sovereignty set forth in paragraph 12 of the Amended Consent Order.

For purposes of this Exhibit, the term "Additional Remediation Amount" shall mean that sum of money to be allocated and paid at the completion of the ADR Process as provided in Section VI of Exhibit B to the Litigation Settlement, and the term "Basic Claim Relief Additions" shall mean the "Mutual Fund Enhancement" and the final contribution to be made by Prudential, respectively, for the Enhanced Value Policy and Enhanced Value Annuity as described in Exhibit D, which would be made available if and when Appellate Approval is received.

A. In the event there is Court Approval by February 1, 1997:

Relief - The Enhanced Remediation Program shall be as set forth in Exhibits B, C, and D, attached hereto, from the Litigation Settlement, except the Additional Remediation Amount and the other financial guarantees and minimum payment obligations, as well as Basic Claim Relief Additions, described in the Litigation Settlement shall be available only if and when Appellate Approval is received.

Notice - On or before February 1, 1997, Prudential shall mail the notice described in the Litigation Settlement, which shall be modified to provide that the Policyholders will be eligible to receive the Additional Remediation Amount and the financial guarantees and minimum payment obligations, as well as Basic Claim Relief Additions, described in the Litigation Settlement only if and when Appellate Approval is received.

B. In the event there is no Court Approval until after February 1, 1997:

Relief - The Enhanced Remediation Program shall be as set forth in Exhibits B, C, and D, except that (i) the provisions of Exhibits B, C and D set forth in the following Summary shall only be given effect upon the receipt of Court Approval, and (ii) the Additional Remediation Amount and the other financial guarantees and the minimum payment obligations, as well as Basic Claim Relief Additions, described in the Litigation Settlement shall be available only if and when Appellate Approval is received.

Notices - By February 1, 1997, Prudential shall mail the Post-Settlement Notice, modified to reflect changes to the Remediation Program. In addition, the Post-Settlement Notice will contain a description of the relief that will become available upon Court Approval and the relief that will become available if and when Appellate Approval is received.

Within 30 days of receipt of Court Approval, Prudential shall mail or publish a further notice of the Court's Approval of the Litigation Settlement, advising Policyholders of the immediate availability of all provisions of Exhibits B, C and D, except that eligibility to receive the Additional Remediation Amount and the benefit of the financial guarantees and minimum payment obligations, as well as Basic Claim Relief Additions, described in the Litigation Settlement will remain contingent upon receipt of Appellate Approval.

C. In the event the Court rejects the Litigation Settlement:

Relief - The Enhanced Remediation Program shall be as set forth in Exhibits B, C, and D, except that (i) the provisions of Exhibits B, C, and D set forth in the following Summary shall not be given effect, and (ii) the Enhanced Remediation Program shall not include the Additional Remediation Amount and the other financial guarantees and minimum payment obligations, as well as Basic Claim Relief Additions, described in the Litigation Settlement.

Notice - If the Court rejects the Litigation Settlement prior to February 1, 1997, Prudential shall mail the Post-Settlement Notice, modified to reflect changes to the Remediation Program as provided in the paragraph above.

Summary of Proposed Changes

In the event that the Court has not approved the 'Litigation Settlement by February 1, 1997, the Remediation Program to be offered by Prudential will be the program outlined in Exhibits B, C and D to the Litigation Settlement, excluding those requirements of the Exhibits that would apply only in the context of the Litigation Settlement. Those requirements, like the role of "Lead Counsel" (except as noted below), become effective only if and when Court Approval is received (and the "Additional Remediation Amount" and other financial guarantees and minimums, as well as the Basic Claim Relief Additions, become available only if and when Appellate Approval of the Litigation Settlement is received).

Accordingly, in each of the ADR Guidelines (Exhibit B), the ADR Procedures (Exhibit C) and the Guidelines for Basic Claim Relief (Exhibit D), for purposes of this Summary, the following references should be deleted, along with any provisions or definitions therefor in the documents:

"Stipulation", "Settlement Agreement", "Plaintiffs", "Defendants", "Action", "Lead Counsel", "Final Order and Judgment", "Claimant Representative", "Additional Remediation Amount", "Judge Wolin", and "the Court", and "Mutual Fund Enhancement".

In addition, the ADR Guidelines (Exhibit B) shall be amended as follows:

the definition of "Company" shall revert to the definition contained in Exhibit A-1 to the Consent Order;

the definition of "Policyholder" shall be amended to delete the exclusion for Policyholders who exclude themselves from participation under the Stipulation;

the "Post-Settlement Notice" definition shall be "the notice to be sent on or before February 1, 1997 to each of the Policyholders; and

in the definition of "Appeals Committee", all references to "Lead Counsel" shall be replaced by references to the "Regulatory Oversight Staff" except where provision is already made for the involvement of the Regulatory Oversight Staff.

Similarly, the ADR Procedures (Exhibit C) shall be amended as follows:

in provisions governing the approval of the Independent Claim Evaluation Team, and the selection and termination of the members of the Appeals Committee, all references to "Lead Counsel" shall be replaced by references to the "Regulatory Oversight Staff" except where provision is already made for the involvement of the Regulatory Oversight Staff;

in provisions governing the monitoring of and training for the claimant assistance telephone hot-line, references to the "Regulatory Oversight Staff" shall be inserted in addition to references to "Lead Counsel;"

procedures with respect to the appointment and termination of "Appeals Committee Members" and the selection of "Representatives" will be as provided in Exhibit A-3 to the Consent Order, or substitute procedures will be developed satisfactory to Prudential and the Regulatory Oversight Staff; and

provisions governing rehearing of an APCOM review and referencing the "Claimant Representative" shall be replaced by provisions contained in Exhibit A-3 to the Consent Order.

1 STATE OF ALASKA
2 DIVISION OF INSURANCE
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

3 In the Matter of the)
4 Multi-state Life Insurance)
5 Task Force's Multi-state)
6 market conduct examination of) Case No. D96-09
THE PRUDENTIAL INSURANCE CO.)
OF AMERICA)

7
8 CERTIFICATION

9 I certify the following facts:

10 1. I am the current Commissioner of Insurance for New
11 Jersey Department of Insurance.


12 2. Throughout portions of 1995-96, the New Jersey
13 Department of Insurance, assisted in coordinating efforts involving
14 the Multi-state Market Conduct Examination of the Prudential
15 Insurance Company of America.

16 3. A Report of the Multi-state Life Insurance Task
17 Force and Multi-state Market Conduct Examination of The Prudential
18 Insurance Company of America was adopted by the task force on
19 July 9, 1996. The report was signed by Eugene F. Gery as Examiner-
20 in-charge. Mr. Gery is an employee of the New Jersey Department of
21 Insurance.

22 4. The New Jersey Department of Insurance has been
23 accredited by the National Association of Insurance Commissioners
24 throughout the period of time that this examination was conducted.

25 DATED this ____ day of July, 1996.

26 Jennifer Zima
Attorney at Law

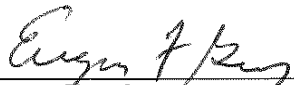

Elizabeth Randall
Commissioner of Insurance


[Certification Stamp or Notary]

Subscribed before me
this 2nd day of August, 1996.

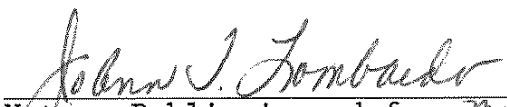
matter comply with the standards and procedures required by the
New Jersey Department of Banking and Insurance.

DATED this 2nd day of August, 1996.



Eugene F. Gery
Administrator, Market Conduct
New Jersey Department of Banking
and Insurance

SUBSCRIBED AND SWORN to before me this 2nd day of
August, 1996.



Notary Public in and for Merse County, NJ
MY commissioner expires: 3/18/2000