

Examination Warrant Number 15-00850-67644-R1

Report of Examination of
The Penn Mutual Life Insurance Company
Philadelphia, Pennsylvania
As of December 31, 2015

The Penn Mutual Life Insurance Company

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Harrisburg, Pennsylvania
August 17, 2016

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 15-00850-67644-R1 dated May 11, 2015, an examination was made of

The Penn Mutual Life Insurance Company, NAIC Code: 67644

a Pennsylvania domiciled multi-state mutual life insurance company, hereinafter referred to as "Penn Mutual" or the "Company." The examination was conducted at the Company's main administrative office, located at 600 Dresher Road, Horsham, Pennsylvania 19044.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an examination of "Penn Mutual", which was last examined as of December 31, 2010. This examination covered the five-year period from January 1, 2011 through December 31, 2015.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department and the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook").

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with

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40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year during the period under examination, the certified public accounting firm ("CPA") of PricewaterhouseCoopers has provided an unmodified opinion based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination, and incorporated into the examination workpapers.

The Penn Insurance and Annuity Company ("PIA"), a Delaware domiciled subsidiary of the Company, along with its subsidiary, PIA Reinsurance Company of Delaware I ("PIA Re"), a special purpose financial captive insurance company, were examined at the same time, as part of the coordinated examination. The Delaware Insurance Department will issue the Reports of Examination of PIA and PIA Re separately.

HISTORY

In February 1847, the Company was chartered in Philadelphia by an Act of the General Assembly of the Commonwealth of Pennsylvania, P.L. 159, entitled "An Act to Incorporate The Penn Mutual Life Insurance Company". It was licensed and commenced business in May of the same year. The Charter was specifically amended by Supplementary Acts and the Articles of Agreement adopted by the Company in 1961, 1967, 1980, 1983, as modified by the Insurance Company Law of 1921.

Penn Mutual is currently authorized to transact those classes of insurance described in 40 P.S. § 382(a)(1) Life and Annuities and (a)(2) Accident and Health, as well as in 31 Pa. Code Chapters 82 and 85 for Variable Life and Variable Annuities, respectively.

MANAGEMENT AND CONTROL

MEMBERS

The Company is controlled by its members, which for purposes of this examination are synonymous with policyholders. Members include persons who own and insure under a life insurance policy or an annuity contract issued by the Company or, who hold a group policy or contract issued by the Company. Annually, members are entitled to and may vote by proxy for the election of trustees of the Company.

SURPLUS REQUIREMENTS

As described in 40 P.S. § 386(d), mutual life insurance companies are required to maintain an unimpaired policyholder's surplus of \$1,000,000. The Company met the minimum surplus requirement for each year under examination.

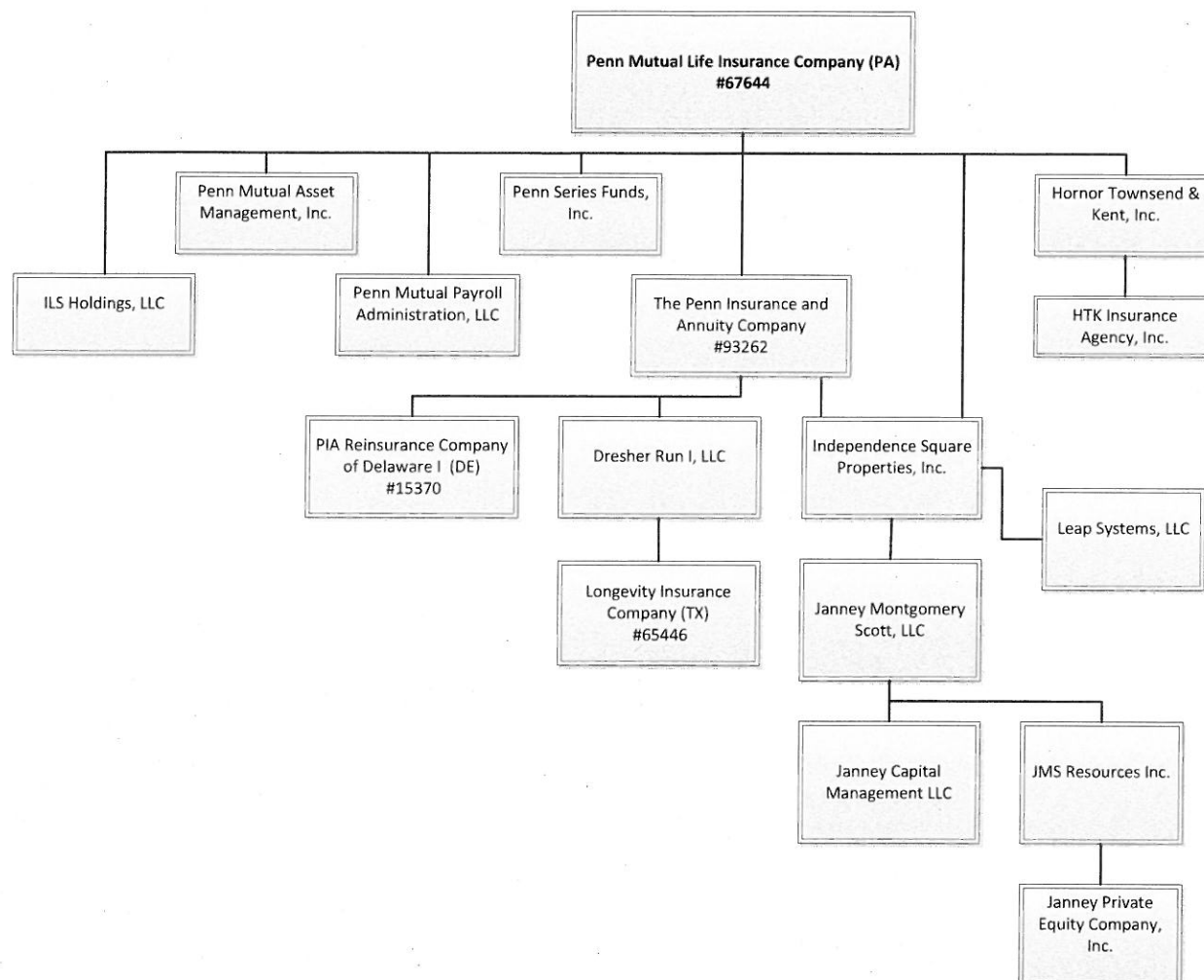
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INSURANCE HOLDING COMPANY SYSTEM

During the period under examination, the Company met the requirements for filing an insurance holding company system annual registration statement, in compliance with 40 P.S. § 991.1404. For each of the years under examination, Penn Mutual properly filed the holding company registration statement with the Department by March 31.

The organization chart that follows identifies the affiliated entities that are part of the holding company:



The following is a brief description of the business nature of some of the more significant affiliated entities:

The Penn Insurance and Annuity Company (“PIA”) is a wholly owned stock life insurance company domiciled in Delaware that develops and sells nonparticipating life insurance and annuity products. It is licensed in 48 states and the District of Columbia.

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PIA Reinsurance Company of Delaware I ("PIA Re") is a wholly owned subsidiary of PIA that was incorporated on December 18, 2013 as a special purpose financial captive insurance company. PIA Re commenced operations on December 31, 2013.

Penn Series Funds, Inc. is a registered investment management company that provides the underlying investment funds for variable annuity and variable life insurance products issued by the Company and PIA.

Hornor Townsend & Kent, Inc. ("HTK") is a fully owned registered broker/dealer that licenses the Company's producers and serves as the Company's marketing agent for its registered products that are regulated as securities under federal and state securities laws.

Penn Mutual Asset Management, Inc. ("PMAM") is a fully owned registered investment advisor. This company was formerly known as Independence Capital Management at the time of the previous examination. PMAM is responsible for making the day-to-day investment decisions for the Companies and several of the funds within Penn Mutual's variable product portfolios, in addition to providing advisory services for the Penn Series Funds, Inc.

Janney Montgomery Scott, LLC ("JMS") is a full service regional securities broker/dealer which operates predominately in the retail marketplace.

Dresher Run I, LLC ("Dresher Run") is a downstream holding company, which was formed during 2015 by PIA for the acquisition of Longevity Insurance Company. Dresher Run has no operations other than serving as the holding company for the Longevity transaction, which closed on November 30, 2015.

Longevity Insurance Company ("Longevity") is a Texas domiciled life and health insurer that is licensed in 41 states and the District of Columbia. As of December 31, 2015, Longevity had total policies in force with an aggregate face amount of \$20.96 million; 100% of the obligations under these policies have been ceded to an unaffiliated reinsurer.

BOARD OF TRUSTEES

Management of the Company is vested in its Board of Trustees ("Board"). The Board is divided into three classes based upon the terms of the trustees, which expire in successive years. Trustees must be members of the corporation and are elected for a term of three years or until their successors are elected and qualified.

The Board of Trustees, elected by the members and serving as of the examination date, December 31, 2015, was comprised of the following individuals:

Name and Address	Principal Occupation
Edward G. Boehne Huntington Valley, PA	Retired President and CEO Federal Reserve Bank of Philadelphia
Joan P. Carter Haddonfield, NJ	President UM Holdings Ltd.

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Robert E. Chappell
Oley, PA

Former Chairman, President, and CEO
The Penn Mutual Life Insurance Company

William R. Cook
Palm Coast, FL

Retired Chairman, President and CEO
BetzDearborn, Inc.

James S. Hunt
Bradbury, CA

Retired Executive Vice President and CFO
Walt Disney Parks and Resorts Worldwide

Charisse R. Lillie
Philadelphia, PA

Vice President, Community Investment
Comcast Corporation; and President –
Comcast Foundation

Eileen C. McDonnell
Doylestown, PA

Chair of the Board of Trustees, President
and Chief Executive Officer
The Penn Mutual Life Insurance Company

Edmond F. Notebaert
Paoli, PA

Retired President and CEO
Temple University Health System; and
Senior Executive Vice President of Health
Services – Temple University

Helen P. Pudlin
Bryn Mawr, PA

Retired Executive Vice President and
General Counsel
The PNC Financial Services Group Inc.

Robert H. Rock
Philadelphia, PA

President
MLR Holdings, LLC

Anthony M. Santomero
Wynnewood, PA

Former President
Federal Reserve Bank of Philadelphia; and
Richard K. Mellon Professor Emeritus of
Finance – The Wharton School of the
University of Pennsylvania

Susan D. Waring
South Hero, VT

Retired Executive Vice President and Chief
Administrative Officer, Life and Health –
State Farm Insurance Company

The Company has a conflict of interest policy. The policy requires that all applicable associates, officers, and trustees report and disclose information about defined areas of potential conflict and to formally acknowledge their understanding of this policy on at least an annual basis.

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COMMITTEES

As of the examination date, December 31, 2015, the following committees were appointed by the Board and serving in accordance with the Company's by-laws:

Audit Committee

Edward Boehne, Chair
William Cook
James Hunt
Charisse Lilly
Edmond Notebaert
Robert Rock

Executive Committee

Eileen C. McDonnell, Chair
Edward Boehne
Joan Carter
Robert Chappell
Edmond Notebaert
Helen Pudlin
Robert Rock
Anthony Santomero

Human Resources Committee

Edmond Notebaert, Chair
Charisse Lilly
Helen Pudlin
Robert Rock
Susan Waring

Marketing Committee

Joan Carter, Chair
Robert Chappell
William Cook
James Hunt
Charisse Lilly
Eileen C. McDonnell
Helen Pudlin
Susan Waring

Corporate Governance and Nominating Committee

Robert Rock, Chair
Edward Boehne
Joan Carter
James Hunt
Anthony Santomero

OFFICERS

As of the examination date, December 31, 2015, the following officers were appointed and serving in accordance with the Company's by-laws:

Name and Address

Title

Eileen C. McDonnell

Chair of the Board of Trustees,
President and Chief Executive Officer

David M. O'Malley

Chief Operating Officer

Susan T. Deakins

Executive Vice President, Chief Financial
Officer and Treasurer

Thomas H. Harris

Executive Vice President, Distribution

Kevin T. Reynolds

Senior Vice President, Chief Legal Officer

Nina M. Mulrooney

Senior Vice President, General Auditor

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Raymond G. Caucci	Senior Vice President, Product Management, Underwriting and Advanced Sales
Gregory J. Driscoll	Senior Vice President, Chief Information Officer
Jeffrey Fleischman	Senior Vice President, Chief Marketing & Digital Officer
Jay T. Lewellen	Vice President and Chief Actuary
Franklin L. Best, Jr.	Corporate Secretary, Vice President and General Counsel, Insurance Operations

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The annual meetings of the members were held in compliance with its by-laws.
- The members elect directors at such meetings in compliance with the by-laws.
- The members ratified the prior year's actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The Board appoints or reaffirms the appointment of the Company's officers on an annual basis.
- The Board approves the Company's investment activity at each regularly scheduled meeting and reinsurance transactions as necessary.
- All directors regularly attend Board meetings.
- The Company's Board meeting minutes reflect approval of reinsurance retention limits.

CHARTER

There were no changes or amendments to the Company's Charter that occurred during the examination period.

BY-LAWS

The Company amended its by-laws during the examination period. These amendments were made to clarify the eligibility and update the terminology regarding Indemnification, in addition to non-substantive changes relative to member voting rights and the filling of vacancies

on Board committees. The Company filed a copy of the amended by-laws with the Department in December 2015.

SERVICE AND OPERATING AGREEMENTS

The Company is a party to a number of service and operating agreements with its affiliates. These agreements can be classified as one of the following types: administrative, tax sharing, investment management and revolving loans. These agreements have been reviewed and meet the fair and reasonableness standards in 40 P.S. § 991.1405(a)(1)(i). A summary of the nature of the inter-company agreements that have been entered into follows:

Administrative Services and Support Agreements

As of the examination date, the Company has entered into Administrative Service and Support Agreements with HTK; Independence Square Properties; JMS; Leap Systems; PIA; PMAM; and Penn Series Funds, Inc.

Under these agreements, Penn Mutual agrees to provide all or a portion of the following types of services for the benefit of the affiliated entity:

- Executive & Administrative
- Financial Recordkeeping and Reporting
- Tax Services
- Data Processing
- Administrative Service Operations
- Human Resources
- Purchasing
- Business Insurance
- Legal
- Treasury
- Corporate Secretarial
- Internal Audit
- Marketing

Tax Sharing Agreements

The Company has executed a Master Tax Sharing Agreement under which its affiliated entities that execute a Joinder Agreement are included within the filing of a consolidated federal income tax return with the Internal Revenue Service. This Master Tax Sharing Agreement outlines the terms and conditions surrounding this filing in addition to the allocation, sharing and payments of the resulting tax liabilities and/or refunds.

As of the examination date, Joinder Agreements have been executed by HTK; HTK Insurance Agency; Independence Square Properties; Longevity Insurance Company; PIA; and PMAM.

Investment Management Agreement with Penn Mutual Asset Management

The Company has entered into an Investment Management Agreement with Penn Mutual Asset Management under which PMAM, under the general supervision of the Company's Board and its designated authorized representatives, is responsible for the management and oversight of the Company's investment portfolio in accordance with the approved investment policy. These responsibilities include, but are not limited to, the identification of appropriate investment

vehicles, the initiation and execution of transactions involving the purchase, sale and redemption of securities, the preparation of accounting entries necessary to record the purchase, sale and redemption of securities, the management of the Company's derivatives portfolio, the valuation of securities for financial reporting purposes, and the preparation of schedules and other documentation necessary for the successful satisfaction of the Company's regulatory filing requirements.

Revolving Loan Agreements with Janney Montgomery Scott

The Company entered into revolving loan agreements with Janney Montgomery Scott on March 13, 2009 and January 15, 2010, to provide funding to JMS in an amount not to exceed \$65 million and \$50 million, respectively. The terms of these loans specify that interest be paid semi-annually based on market rates determined at the dates of the loans. The principal balances are due to mature on January 2029 and March 2029, respectively.

On January 15, 2013, the Company entered into a new revolving loan agreement with JMS to provide additional funding in an amount not to exceed \$80 million. Terms of this agreement specify the interest rate will be based upon the published 3-month Libor rate plus 250 basis points as of the date of the draw(s) and will be subsequently reset on the first business day of each calendar quarter. The principal balance under this loan is due to mature in January 2033.

As of December 31, 2015, the total principal balance outstanding under these revolving loans is \$165 million, an increase of \$100 million over the balance at the time of the previous examination.

REINSURANCE

The Company's reinsurance strategy is to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises under facultative, excess and coinsurance contracts. Facultative reinsurance is used primarily for risks the Company does not want to retain. The Company has set its retention limit for acceptance of risk on life insurance policies at various levels over the years. The current retention limit as of the examination date is \$5.0 million on a single life policy and \$7.5 million on a joint life policy. Risk on any single or joint insured that exceeds these current retention limits is reinsured.

As of the examination date, the Company was ceding and assuming life insurance to its Delaware domiciled affiliate, PIA. In addition, the Company was ceding life, annuities, and accident and health business to non-affiliated companies.

Ceded contracts are structured either on an automatic basis, where all risks meeting prescribed criteria are automatically covered, or on a facultative basis, where the reinsurer reserves the right to review and accept the risk before it becomes liable.

At December 31, 2015, the Company took reserve credits of \$4.1 million and \$191.5 million for Life and Annuity and Accident and Health business, respectively, that was ceded to an unauthorized company. These amounts were properly collateralized with trust agreements in the amounts of \$4.5 million and \$206.6 million, respectively, as of the same date.

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The Company does not use the services of an intermediary in connection with its reinsurance program.

CEDED

Affiliated Reinsurance

During the examination period, the Company entered into two new reinsurance contracts with PIA.

The first agreement is a contract to cede reserves pursuant to transactions subject to the requirements of Section 7 of the NAIC XXX and AXXX Reinsurance Model Regulation. The contract is a 70% coinsurance with funds withheld agreement with an effective date of December 31, 2014. This agreement was executed to reinsure all risks related to an in force block of single life no-lapse guaranteed universal life policies, net of inuring reinsurance, issued between October 2007 and June 2013 and in force as of December 31, 2014. The underlying policies are within the scope of the NAIC Valuation of Life Insurance Policies Model Regulation ("Regulation AXXX"). PIA contemporaneously reinsured the policies to PIA Re. The amounts of reinsurance in force and the total reserve credit transferred under this agreement at December 31, 2015 were \$5.45 billion and \$942.8 million, respectively. The reserve credit is supported by primary assets in the form of a funds withheld account held at the Company of \$646.5 million, and other assets held by the ultimate assuming Company.

The second agreement, which was effective on January 1, 2015, was executed to reinsure on a 100% quota share coinsurance basis, an in force block and new business issues of single life index universal life policies written by the Company. For purposes of this agreement, the in force policies are those that were issued by the Company during the period between January 1, 2012 and December 31, 2014 which were still active and in force on the latter date. The new business covers all like policies originally issued on and subsequent to January 1, 2015. The total amount of insurance in force and reserve credit transferred under this agreement at December 31, 2015 was \$5.34 billion and \$238.8 million, respectively.

In addition to the above, the Company has several other reinsurance agreements with PIA, which remain in effect. Inclusive of the above, the total amount of insurance in force and reserve credits transferred under reinsurance agreements with PIA at December 31, 2015 were \$14.34 billion and \$1.55 billion, respectively.

Non-Affiliated Reinsurance

The Company's primary non-affiliated reinsurers are well recognized and favorably rated insurers that accept life, annuity and accident and health business. The amount of in force life insurance reinsured with these non-affiliates was \$40.8 billion at the examination date, and the accompanying reserve credit taken by the Company amounted to \$226.6 million. The following is a summary of the most significant reinsurers utilized and the nature of the Company's products reinsured by each during the period under examination.

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Swiss Re Life & Health America, Inc.

The Company has active reinsurance agreements in place with Swiss Re Life & Health America, Inc., of which one agreement is open to the placing of new business as of December 31, 2015. Details of the agreement open for new business are below:

Type of contract:	Automatic 50% of the excess of the Company's retention Facultative 100% of accepted policies
Effective date:	03/01/2015
Term:	Continuous
Business covered:	Whole life, 1, 10, 15, 20-year term life policies and UL policies. Certain policy riders as defined.
Company's retention:	Single: \$500,000 to \$5,000,000 Joint: \$750,000 to \$7,500,000
Reinsurance limits:	Single: \$0 to \$25,000,000 Joint: \$0 to \$23,750,000

The active reinsurance contracts primarily provide coverage for exposures on Term, Whole Life, Group Life and Accidental Death and Disability, and Disability Income policies that exceeded the Company's retention limits in effect at the time of the underlying policy's issuance. Under three of these contracts, the reinsurer assumes the responsibility for the payment of all or a portion of the policy benefits that are within the Company's retention limits.

As of December 31, 2015, the aggregate value of the policies in force covered by these agreements was approximately \$24.4 billion. Premiums ceded under these agreements during 2015 were approximately \$33.5 million.

Transamerica Financial Life Insurance Company

The Company has active reinsurance agreements in place with Transamerica Financial Life Insurance Company; however, none of these agreements is open to the placing of new business as of December 31, 2015.

These reinsurance contracts primarily provide coverage for exposures on Term, Whole Life, and Universal Life policies that exceeded the Company's retention limits in effect at the time of the underlying policy's issuance. Under three of these contracts, the reinsurer assumes the responsibility for the payment of all or a portion of the policy benefits that are within the Company's retention limits.

As of December 31, 2015, the aggregate value of the policies in force covered by these agreements was approximately \$7.55 billion. Premiums ceded under these agreements during 2015 were approximately \$28.8 million.

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RGA Reinsurance Company

The Company has active reinsurance agreements in place with RGA Reinsurance Company, of which one agreement remains open to the placing of new business as of December 31, 2015. Details of the treaty open for new business are below:

Type of contract:	Facultative 100% of accepted policies
Effective date:	09/01/2014
Term:	Continuous
Business covered:	Whole life, 1, 10, 15, 20-year term life policies and UL policies. Certain policy riders as defined.

The active reinsurance contracts primarily provide coverage for exposures on Term, Whole Life, and Universal Life policies that exceeded the Company's retention limits in effect at the time of the underlying policy's issuance.

As of December 31, 2015, the aggregate value of the policies in force covered by these agreements was approximately \$2.65 billion. Premiums ceded under these agreements during 2015 were approximately \$27.2 million.

Hannover Life Reassurance Company

The Company has active reinsurance agreements in place with Hannover Life Reassurance Company, of which one agreement remains open to the placing of new business as of December 31, 2015. Details of the treaty open for new business are below:

Type of contract:	Automatic 50% of the excess of the Company's retention Facultative 100% of accepted policies
Effective date:	03/01/2015
Term:	Continuous
Business covered:	Whole life, 1, 10, 15, 20-year term life policies and UL policies. Certain policy riders as defined.
Company's retention:	Single: \$500,000 to \$5,000,000 Joint: \$750,000 to \$7,500,000
Reinsurance limits:	Single: \$0 to \$25,000,000 Joint: \$0 to \$23,750,000

As of December 31, 2015, the aggregate value of the policies in force covered by these agreements was approximately \$2.05 billion. Premiums ceded under these agreements during 2015 were approximately \$1.5 million.

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Lincoln National Life Insurance Company

The Company has active reinsurance agreements in place with Lincoln National Life Insurance Company; however, none of these agreements is open to the placing of new business as of December 31, 2015.

These reinsurance contracts primarily provide coverage for exposures on Term, Whole Life, Group Life and Accidental Death and Disability, and Disability Income policies that exceeded the Company's retention limits in effect at the time of the underlying policy's issuance. Under one of these contracts, the reinsurer assumes the responsibility for the payment of 80% of the portion of the policy benefits that are within the Company's retention limits.

As of December 31, 2015, the aggregate value of the policies in force covered by these agreements was approximately \$1.1 billion. Premiums ceded under these agreements during 2015 were approximately \$5.6 million.

ASSUMED

Affiliated Reinsurance

At the time of the previous examination, the Company had entered into two assumption reinsurance agreements with PIA. These agreements remained in effect throughout the current examination period.

Under the first agreement, the Company has assumed from PIA the equity risk associated with PIA's indexed universal life products. Net premiums assumed from PIA under this agreement for the year ended December 31, 2015 were \$67.3 million. The associated reserves were \$33.6 million.

Under the second agreement, the Company assumed from PIA all liabilities for policies issued by PIA that exceed its internal retention limit of \$1 million per individual life. As of December 31, 2015, the total amount in force associated with these policies was slightly less than \$4.1 billion and carried an associated reserve of \$236,490. Net premiums assumed under this agreement for the year ended December 31, 2015 were approximately \$2.1 million.

Non-Affiliated Reinsurance

The Company continues to assume reinsurance under two reinsurance agreements that have been in existence since prior to the previous examination. The total amount in force under these agreements at the date of examination was \$824.2 million and the accompanying reserves totaled \$2.8 million. Total premiums received under these agreements during the 2015 calendar year were \$4.76 million.

TERRITORY AND PLAN OF OPERATIONS

The Company is the nation's second oldest mutual life insurer and is licensed to conduct business in all 50 states and the District of Columbia. The Company provides participating and

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non-participating life insurance and annuity products through a national network of professional agents and financial advisors, Independence Financial Network, in addition to its internal Career Agency System which is managed through 11 regional offices nationwide. This approach is consistent with what was in place at the time of the previous examination.

The Company is a Nationally-Significant company as defined by the NAIC.

Through its affiliates, Penn Mutual offers a full range of specialized products and services, concentrating on the sale of traditional whole life, term life, universal life, and variable universal life products to individuals. Group business is immaterial to operations and is in run-off. Financial & investment products sold consist of single premium and fixed and variable annuities. Penn Mutual competes with other life insurers and relies upon a career as well as an independent agent sales force.

In addition, the Company writes fixed and variable annuity products through its wholly owned subsidiary, PIA. PIA distributes its annuity products through Penn Mutual's existing distribution system or career agents, independent agents and independent marketing organizations. PIA also has a book of universal life business.

The following table presents a summary of the Company's premium by line of business for the year-ending December 31, 2015:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
Ordinary life	\$ 1,181,137,035	\$ 671,001,832	\$ 510,135,203	42.8%
Group life	1,049,619	150,956	898,663	0.1%
Individual annuities	665,918,865	48,844	665,870,021	55.9%
Group annuities	14,767,711	0	14,767,711	1.2%
Other accident and health	10,685,790	10,196,367	489,423	0.0%
Totals	\$ 1,873,559,020	\$ 681,397,999	\$ 1,192,161,021	100.0%

SIGNIFICANT OPERATING TRENDS

The following indicates the growth of the Company during the period covered by this examination:

	2015	2014	2013	2012	2011
Admitted Assets	\$ 18,235,048,089	\$ 17,270,765,708	\$ 15,945,191,145	\$ 14,330,715,400	\$ 13,059,814,071
Liabilities	\$ 16,447,356,211	\$ 15,470,989,167	\$ 14,454,505,414	\$ 12,835,324,602	\$ 11,517,066,350
Capital and Surplus Funds	\$ 1,787,691,878	\$ 1,799,776,541	\$ 1,490,685,731	\$ 1,495,390,798	\$ 1,542,747,721
Net Premiums Written	\$ 1,192,161,021	\$ 657,164,380	\$ 1,482,955,405	\$ 1,616,832,374	\$ 1,484,943,173
Benefits to Members	\$ 1,118,184,710	\$ 1,092,991,493	\$ 1,063,205,382	\$ 1,006,810,087	\$ 952,489,431
Net Investment Income	\$ 533,572,379	\$ 482,671,434	\$ 468,948,098	\$ 434,082,630	\$ 414,124,752
Net Income	\$ 101,309,427	\$ 9,283,832	\$ (34,420,846)	\$ (38,948,914)	\$ 12,439,982

Since the prior examination, the Company has experienced the following changes in its total number of certificates in force, the overall amount of insurance in force, and the average amount of insurance in force per policy:

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	Certificates In Force	Insurance In Force	Average Certificate In Force
December 31, 2015	286,909	\$106,033,330,614	\$483,306
December 31, 2010	309,812	69,640,891,598	299,198
Net Increase/(decrease)	(22,903)	\$36,392,439,016	\$184,108

The number of certificates in force at December 31, 2015 decreased since the prior examination while the amount of insurance in force has increased. A similar trend was noted during the December 31, 2010 examination. Additionally, the number of new certificates written over the examination period was less than the number of certificates under which death benefits were paid.

PENDING LITIGATION

The Company and its subsidiaries are involved in litigation arising in and out of the normal course of business, which seek both compensatory and punitive damages. In addition, regulators within the insurance and brokerage industries continue to focus on market conduct and compliance issues. While the Company is not aware of any actions or allegations that should reasonably give rise to a material adverse impact to the Company's financial position or liquidity, the outcome of litigation cannot be foreseen with certainty.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2015, and the results of its operations for the five-year period under examination, are reflected in the following statements:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;

Comparative Statement of Income;

Comparative Statement of Capital and Surplus;

Comparative Statement of Cash Flow

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

Assets

	2015	2014	2013	2012	2011
Bonds	\$ 8,134,957,193	\$ 7,528,487,793	\$ 7,243,115,642	\$ 7,101,318,638	\$ 6,731,184,565
Preferred stocks	72,595,020	72,904,623	21,050,489	21,247,139	22,609,889
Common stocks	468,595,369	496,317,877	323,820,549	208,681,167	145,492,673
Real estate	29,443,826	27,642,425	19,238,268	16,024,937	13,437,830
Cash, cash equivalents and short-term investments	245,071,077	128,700,147	68,731,139	77,798,910	111,922,573
Contract loans	304,726,511	298,689,122	299,570,660	303,545,012	316,257,100
Derivatives	59,602,366	62,995,463	71,869,382	39,124,405	30,717,361
Other invested assets	871,794,183	793,096,172	728,872,664	708,937,661	682,986,087
Receivable for securities	0	923,402	7,947,549	7,579,776	7,911,848
Subtotal, cash and invested assets	10,186,785,545	9,409,757,024	8,784,216,342	8,484,257,645	8,062,519,926
Investment income due and accrued	107,539,958	99,000,901	93,753,469	91,716,309	79,851,609
Premiums and considerations	69,796,473	63,550,716	56,075,880	49,642,251	44,463,796
Amounts recoverable from reinsurers	14,964,457	11,315,310	11,371,408	3,638,615	5,393,045
Other amounts receivable under reinsurance contracts	20,683,836	1,800,690	2,460,518	1,386,322	3,937,109
Current federal and foreign income tax recoverable and interest thereon	1,606,193	0	11,847,433	14,130,550	17,179,809
Net deferred tax asset	230,678,005	230,151,403	192,525,946	171,404,743	139,410,343
Guaranty funds receivable or on deposit	1,108,229	1,157,558	1,796,487	2,601,407	2,248,367
Electronic data processing equipment and software	19,140,931	17,864,062	13,431,017	9,722,887	6,291,007
Receivable from parent, subsidiaries and affiliates	11,507,141	9,096,743	10,946,042	11,597,028	20,653,315
Aggregate write-ins for other than invested assets	353,399,292	248,002,957	149,345,650	109,860,247	91,624,919
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	11,017,210,060	10,091,697,364	9,327,770,192	8,949,958,004	8,473,573,245
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	7,217,838,029	7,179,068,344	6,617,420,953	5,380,757,396	4,586,240,826
Total	<u>\$ 18,235,048,089</u>	<u>\$ 17,270,765,708</u>	<u>\$ 15,945,191,145</u>	<u>\$ 14,330,715,400</u>	<u>\$ 13,059,814,071</u>

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds (Continued) As of December 31,

Liabilities and Surplus

	2015	2014	2013	2012	2011
Aggregate reserve for life contracts	\$ 6,967,947,243	\$ 6,592,952,861	\$ 6,903,862,147	\$ 6,542,969,971	\$ 6,038,083,196
Aggregate reserve for accident and health contracts	10,198,201	10,461,569	10,597,607	10,748,474	11,110,326
Liability for deposit-type contracts	947,337,202	502,499,992	504,394,253	518,892,582	531,038,020
Contract claims:					
Life	44,867,896	43,810,408	37,425,730	46,955,436	40,405,208
Accident and health	159,997	189,292	183,484	199,022	196,819
Policyholders' dividends and coupons due and unpaid	289,739	466,712	189,483	291,402	490,564
Provision for policyholders' dividends and coupons payable:					
Dividends apportioned for payment	48,000,000	41,200,000	33,200,000	31,000,000	30,400,000
Premiums and annuity considerations received in advance	75,323,525	47,183,612	21,040,057	8,550,615	4,494,337
Contract liabilities not included elsewhere:					
Provision for experience rating refunds	500,000	500,000	500,000	500,000	500,000
Other amounts payable on reinsurance assumed and ceded	53,225,485	17,049,654	9,078,396	7,586,130	6,623,049
Interest maintenance reserve	132,271,870	120,902,591	99,194,811	101,307,928	85,946,463
General expenses due or accrued	67,789,995	66,391,254	64,522,314	71,361,797	81,006,857
Transfers to Separate Accounts due or accrued (net)	(178,722,897)	(192,483,688)	(197,937,438)	(164,319,747)	(176,553,643)
Taxes, licenses and fees due or accrued	7,226,916	3,918,324	7,838,956	9,157,330	7,369,318
Federal income taxes due or accrued	0	88,222,119	0	0	0
Amounts held for agents' account	0	0	0	2,179,639	1,905,197
Remittances and items not allocated	47,794,196	32,371,274	24,389,846	25,519,108	23,520,641
Liability for benefits for employees and agents if not included above	106,159,705	102,713,952	97,840,318	88,153,886	80,601,116
Borrowed money and interest thereon	7,137,500	7,137,500	7,137,500	7,137,500	7,137,500
Miscellaneous liabilities:					
Asset valuation reserve	81,512,460	77,048,294	50,206,579	52,080,638	46,789,206
Payable to parent, subsidiaries and affiliates	632,645	1,950,622	1,164,013	1,260,497	571,047
Drafts outstanding	31,624,198	26,235,523	26,911,489	29,449,155	26,865,499
Funds held under coinsurance	646,519,218	582,794,961	0	0	0
Derivatives	95,985,670	70,333,713	107,998,790	17,842,404	6,599,198
Payable for securities	11,112,494	26,868,843	364,571	0	0
Aggregate write-ins for liabilities	24,624,924	21,201,441	26,981,555	55,937,454	84,352,856
Total liabilities excluding Separate Accounts business	9,229,518,182	8,291,920,823	7,837,084,461	7,464,761,221	6,939,452,774
From Separate Accounts Statement	7,217,838,029	7,179,068,344	6,617,420,953	5,370,563,381	4,577,613,576
Total liabilities	16,447,356,211	15,470,989,167	14,454,505,414	12,835,324,602	11,517,066,350
Surplus notes	389,411,727	389,231,053	389,063,219	388,907,308	388,762,467
Aggregate write-ins for special surplus funds	0	0	0	0	57,033,215
Unassigned funds (surplus)	1,398,280,151	1,410,545,488	1,101,622,512	1,106,483,490	1,096,952,039
Surplus	1,787,691,878	1,799,776,541	1,490,685,731	1,495,390,798	1,542,747,721
Total capital and surplus	1,787,691,878	1,799,776,541	1,490,685,731	1,495,390,798	1,542,747,721
Totals	\$ 18,235,048,089	\$ 17,270,765,708	\$ 15,945,191,145	\$ 14,330,715,400	\$ 13,059,814,071

The Penn Mutual Life Insurance Company

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Comparative Statement of Income For the Year Ended December 31,

	2015	2014	2013	2012	2011
Premiums and annuity considerations for life and A&H contracts	\$ 1,192,161,021	\$ 657,164,380	\$ 1,482,955,405	\$ 1,616,832,374	\$ 1,484,943,173
Considerations for supplementary contracts with life contingencies	4,123,497	6,841,426	12,926,579	9,234,312	7,102,220
Net investment income	533,572,379	482,671,434	468,948,098	434,082,630	414,124,752
Amortization of interest maintenance reserve (IMR)	(1,728,266)	(2,305,259)	3,236,600	4,000,370	3,125,404
Commissions and expense allowances on reinsurance ceded	100,268,671	101,263,348	23,219,147	3,073,434	2,527,248
Reserve adjustments on reinsurance ceded	166,280,387	0	0	0	0
Miscellaneous income:					
Income from fees associated with investment management					
administration and contract guaranties, Separate Accounts	191,135,188	179,284,440	161,467,083	142,338,281	135,186,641
Charges and fees for deposit-type contracts	647,418	1,251,418	1,198,170	1,918,386	2,349,351
Aggregate write-ins for miscellaneous income	12,437,407	11,750,150	10,050,942	10,563,355	7,440,592
Totals	2,198,897,702	1,437,921,337	2,164,002,024	2,222,043,142	2,056,799,381
Death benefits	179,876,591	172,577,132	178,161,574	170,239,601	160,714,894
Annuity benefits	701,235,548	677,781,061	648,540,146	573,765,786	531,356,687
Disability benefits and benefits under accident and health contracts	4,501,981	4,631,468	4,373,505	4,085,439	4,357,923
Surrender benefits and withdrawals for life contracts	149,607,032	169,004,546	173,760,195	197,088,706	197,346,231
Interest and adjustments on contract or deposit-type funds	24,174,779	16,916,163	14,668,275	21,846,651	19,354,161
Payments on supplementary contracts with life contingencies	8,697,100	8,606,875	8,581,652	8,042,017	7,514,743
Increase in aggregate reserves for life and A&H policies and contracts	375,030,309	(311,045,324)	360,741,310	504,576,104	569,220,589
Totals	1,443,123,340	738,471,921	1,388,826,657	1,479,644,304	1,489,865,228
Commissions on premiums, annuity considerations & deposit-type funds (direct)	138,523,537	120,361,846	113,488,638	109,469,188	92,080,640
General insurance expenses	257,217,547	224,072,489	225,283,635	207,449,558	198,794,733
Insurance taxes, licenses and fees	36,559,231	29,635,167	32,996,143	27,218,458	23,802,124
Increase in loading on deferred and uncollected premiums	450,857	(826,927)	950,179	(552,275)	615,123
Net transfers to or (from) Separate Accounts net of reinsurance	110,916,254	151,215,007	310,909,692	344,279,924	238,161,140
Aggregate write-ins for deductions	106,650,143	103,594,694	77,202,691	31,196,972	14,512,185
Totals	2,093,440,909	1,366,524,197	2,149,657,635	2,198,706,129	2,057,831,173
Net gain from operations before dividends to policyholders and					
federal income taxes	105,456,793	71,397,140	14,344,389	23,337,013	(1,031,792)
Dividends to policyholders	50,091,679	43,474,248	35,120,035	31,741,887	31,844,792
Net gain from operations after dividends to policyholders and					
before federal income taxes	55,365,114	27,922,892	(20,775,646)	(8,404,874)	(32,876,584)
Federal and foreign income taxes incurred (excluding tax on capital gains)	(35,212,812)	36,037,104	(3,477,247)	(17,100,122)	(38,581,887)
Net gain from operations after dividends to policyholders and					
federal income taxes and before realized capital gains or (losses)	90,577,926	(8,114,212)	(17,298,399)	8,695,248	5,705,303
Net realized capital gains or (losses) less capital gains tax					
(excluding gains/losses transferred to the IMR)	10,731,501	17,398,044	(17,122,447)	(47,644,162)	6,734,679
Net income	\$ 101,309,427	\$ 9,283,832	\$ (34,420,846)	\$ (38,948,914)	\$ 12,439,982

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Comparative Statement of Capital and Surplus For the Year Ended December 31,

	2015	2014	2013	2012	2011
Capital and surplus, December 31, previous year	\$ 1,799,776,541	\$ 1,490,685,731	\$ 1,495,390,798	\$ 1,542,747,721	\$ 1,520,931,715
Net income	101,309,427	9,283,832	(34,420,846)	(38,948,914)	12,439,982
Change in net unrealized capital gains or (losses)	(92,001,504)	115,348,250	2,957,481	(41,870,843)	(27,839,181)
Change in net unrealized foreign exchange capital gain (loss)	(5,208,426)	(2,257,540)	780,403	345,249	(194,654)
Change in net deferred income tax	(5,797,137)	63,648,306	57,080,109	33,630,480	2,600,000
Change in nonadmitted assets	(25,077,369)	(6,761,330)	(56,926,107)	5,988,330	30,867,720
Change in asset valuation reserve	(4,464,168)	(26,841,715)	1,874,060	(5,291,433)	7,145,731
Surplus (contributed to) withdrawn from Separate Accounts during period	0	0	10,030,344	0	0
Other changes in surplus in Separate Accounts Statement	0	0	(9,124,931)	1,566,766	(1,245,377)
Change in surplus notes	180,674	167,835	155,911	144,841	134,558
Cumulative effect of changes in accounting principles	0	0	(27,738,682)	0	0
Change in surplus as a result of reinsurance	20,813,848	173,062,459	30,204,064	0	0
Aggregate write-ins for gains and losses in surplus	(1,840,008)	(16,559,287)	20,423,127	(2,921,399)	(2,092,773)
Net change in capital and surplus for the year	(12,084,663)	309,090,810	(4,705,067)	(47,356,923)	21,816,006
Capital and surplus, December 31, current year	<u>\$ 1,787,691,878</u>	<u>\$ 1,799,776,541</u>	<u>\$ 1,490,685,731</u>	<u>\$ 1,495,390,798</u>	<u>\$ 1,542,747,721</u>

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Comparative Statement of Cash Flow For the Year Ended December 31,

	2015	2014	2013	2012	2011
Cash from Operations					
Premiums collected net of reinsurance	\$ 1,997,572,981	\$ 1,530,568,060	\$ 1,568,412,127	\$ 1,625,496,784	\$ 1,489,761,883
Net investment income	513,610,407	415,883,927	421,831,658	377,135,681	386,084,576
Miscellaneous Income	264,627,543	200,361,878	151,835,342	157,893,456	145,632,251
Total	2,775,810,931	2,146,813,865	2,142,079,127	2,160,525,921	2,021,478,710
Benefit and Loss related Payments	1,020,567,849	1,035,067,442	1,044,945,314	963,247,471	918,700,404
Net Transfers to Separate, Segregated Accounts and Protected Cell Accounts	97,155,463	145,761,257	344,527,383	332,046,028	232,360,737
Commissions, expenses paid and aggregate write-ins for deductions	515,473,695	487,065,279	484,153,027	412,675,078	273,158,444
Dividends paid to policyholders	16,478,953	35,197,019	33,021,954	31,341,049	31,034,222
Federal and foreign income taxes paid (recovered)	81,324,289	(10,187,757)	(5,760,364)	(17,565,984)	(43,781,530)
Total deductions	1,731,000,249	1,692,903,240	1,900,887,314	1,721,743,642	1,411,472,277
Net Cash from Operations	1,044,810,682	453,910,625	241,191,813	438,782,279	610,006,433
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	1,371,168,057	1,827,619,242	1,045,405,044	1,326,700,573	1,358,865,674
Stocks	77,353,288	18,858,109	6,861,399	3,252,208	31,352,520
Other invested assets	27,848,113	36,100,500	64,387,629	90,407,951	66,326,119
Net gain or (loss) on cash, cash equivalents and short term investments	0	0	0	(14,504)	0
Miscellaneous applications	16,482,975	56,931,289	364,571	332,072	1,604,134
Total investment proceeds	1,492,852,433	1,939,509,140	1,117,018,643	1,420,678,300	1,458,148,447
Cost of investments acquired (long-term only):					
Bonds	2,086,788,492	2,018,452,992	1,136,966,556	1,686,968,274	1,938,677,835
Stocks	122,131,663	134,605,884	31,990,218	38,951,255	36,883,863
Real estate	0	9,376,788	3,920,277	3,307,434	0
Other invested assets	123,899,440	102,827,661	118,481,491	129,121,537	54,248,060
Miscellaneous applications	15,756,349	0	16,052,173	8,407,044	4,171,797
Total investments acquired	2,348,575,944	2,265,263,325	1,307,410,715	1,866,755,544	2,033,981,555
Net increase (decrease) in policy loans and premium notes	9,890,796	(881,538)	(3,974,352)	(12,712,088)	(16,048,856)
Net cash from investments	(865,614,307)	(324,872,647)	(186,417,720)	(433,365,156)	(559,784,252)
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Net deposits on deposit-type contracts and other insurance liabilities	(17,460,819)	(13,723,533)	(27,659,543)	(23,783,853)	12,819,812
Other cash provided or (applied)	(45,364,626)	(55,345,437)	(36,182,321)	(15,756,933)	(13,320,652)
Net cash from financing and miscellaneous sources	(62,825,445)	(69,068,970)	(63,841,864)	(39,540,786)	(500,840)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	116,370,931	59,969,008	(9,067,771)	(34,123,663)	49,721,341
Cash and short-term investments:					
Beginning of the year	128,700,147	68,731,139	77,798,910	111,922,573	62,201,232
End of the year	\$ 245,071,078	\$ 128,700,147	\$ 68,731,139	\$ 77,798,910	\$ 111,922,573

SUMMARY OF EXAMINATION CHANGES

The preceding financial statements reflect the Company's financial condition and operating results as reported to regulatory authorities over the examination period. No financial statement adjustments were made as a result of this examination.

NOTES TO FINANCIAL ITEMS

SURPLUS DEBENTURES

There were no new surplus notes issued during the five years under review. Two notes were outstanding during the exam period.

On June 23, 2004, the Company issued a \$200,000,000 Surplus Note with an interest rate of 6.65%, at a discount. The carrying value of this note at December 31, 2015 was \$197,346,942. The maturity date is June 15, 2034.

On July 1, 2010, the Company issued an additional \$200,000,000 Surplus Note with an interest rate of 7.625%, at a discount. The carrying value of this note at December 31, 2015 was \$192,064,785. The maturity date is June 15, 2040.

In accordance with the requirements of 40 P.S. § 445.2, all accruals and payments of interest due on these notes throughout the examination period were submitted to and approved by the Department prior to being recorded or paid.

ASSETS

INVESTMENTS

As of December 31, 2015, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 8,134,957,193	79.8 %
Preferred stocks	72,595,020	0.7 %
Common stocks	468,595,369	4.6 %
Real estate occupied by Company	29,443,826	0.3 %
Cash	103,079,857	1.0 %
Short-term investments	141,991,220	1.4 %
Contract loans	304,726,511	3.0 %
Derivatives	59,602,366	0.6 %
Other invested assets	871,794,183	8.6 %
Totals	<u>\$ 10,186,785,545</u>	<u>100.0 %</u>

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The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 5,867,930,963	70.9 %
2 - high quality	2,104,026,536	25.4 %
3 - medium quality	170,027,628	2.1 %
4 - low quality	84,670,899	1.0 %
5 - lower quality	30,286,149	0.4 %
6 - in or near default	20,006,278	0.2 %
Totals	<u>\$ 8,276,948,453</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 573,893,580	6.9 %
2 to 5 years	1,654,704,962	20.0 %
6 to 10 years	2,223,375,581	26.9 %
11 to 20 years	1,652,925,166	20.0 %
over 20 years	2,172,049,164	26.2 %
Totals	<u>\$ 8,276,948,453</u>	<u>100.0 %</u>

The Company has a written investment plan that complies with 40 P.S. § 504.1(c). Penn Mutual's overall investment philosophy, which is approved by the Board of Trustees at least annually, is to maintain relatively strong portfolio returns on both yield and total return bases, both of which are critical to the achievement of high profitability for the Company. The general goal is to maximize return while operating within strict guidelines for risk taking.

As of December 31, 2015, the Company continued to maintain a high quality, highly liquid investment portfolio. The overall quality of the Company's bond portfolio was considered high at 1.36, as measured by the weighted average NAIC investment designation category.

Common stock is comprised principally of investments in insurance and non-insurance affiliates. As of the date of the prior examination, December 31, 2010, the Company's total investment in common stock was \$133,301,591, or 1.8% of total invested assets. This compares to \$468,595,369, or 4.6% of total invested assets as of December 31, 2015, an increase of 2.8%. The rate of this increase was consistent over the examination period with the exception of a slight decrease from 2014 to 2015 due primarily to the decrease in an affiliate's surplus due to the dividend paid to the Company in addition to a net loss. The increase over the examination period was due to increases in affiliate surplus primarily resulting from reinsurance activity and capital contributions.

The Company has no material investments in either joint ventures or partnerships. As of December 31, 2015, limited partnership and other investments totaling \$871.8 million was comprised of Alternative Assets, the Company's investment in Independence Square Properties, LLC, the outstanding balance on the JMS Revolving Note, and Low Income Housing Tax Credits. The value of these investments represents an increase of approximately \$177.6 million as compared to the balance of \$694.2 million at December 31, 2010. The overall increase was

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due primarily to increases in the balances attributable to Alternative Assets and the JMS Revolving Notes discussed previously.

The Company has a custodial agreement in place with State Street that complies with 31 PA Code § 148a.3.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

The Company reported policy reserves and deposit funds totaling approximately \$7.93 billion and comprised 85.9% of statutory liabilities, excluding separate accounts, as of December 31, 2015. The classification of these reserves was as follows:

Life Insurance:

Individual	\$4,581,036,258
Group	1,071,586

Annuities:

Individual	2,060,765,764
Group	261,356,184

Supplementary contracts	63,717,454
Deposit-type contracts	947,337,202
Accident and health contracts	10,198,201

The Company had two different appointed actuaries during the period under examination. Susan T. Deakins, FSA, MAAA, Vice President and Appointed Actuary of Penn Mutual, issued the Company's Statements of Actuarial Opinion ("Opinion") for years-ending 2011 and 2012. The Board appointed Eric C. Johnson, FSA, MAAA, Vice President and Appointed Actuary of Penn Mutual, to be the Company's appointed actuary on March 26, 2013. Mr. Johnson issued the Company's Opinions for years-ending 2013, 2014 and 2015.

The Opinions issued by both appointed actuaries during the examination period did not contain any exceptions and concluded the reserves made an adequate provision for the anticipated cash flows required by the contractual obligations and related expenses of the Company. The 2015 Opinion included the comment that, "My examination included such review of the actuarial assumptions and actuarial methods and the underlying basic liability records, which records, to the best of my basic knowledge and belief, are substantially accurate and complete, and such tests of the actuarial calculations as I considered necessary, and I am satisfied as to their reasonableness and consistency."

As part of this examination, the Department engaged the services of Lewis & Ellis, an actuarial consulting firm, to perform an actuarial review of the Company's Individual Variable Annuity and Variable Universal Life business. The Lewis & Ellis analysis included reviewing the reserve process documentation and controls along with the underlying support maintained by

the Company. Based upon the procedures performed and the results obtained, the Department believes that the Company's reported Policyholder and Claim Reserves make a reasonable provision for all unpaid Policyholder and Claim Reserves of the Company as of December 31, 2015.

SUBSEQUENT EVENTS

Senior Management Changes

Mr. David O'Malley, Chief Operating Officer of the Company, was promoted to President effective January 1, 2016. Concurrent with this change, Ms. Eileen McDonnell relinquished her role as the Company's President but retained her positions as Chairwoman of the Board and Chief Executive Officer. Mr. O'Malley also continues to serve as the Company's Chief Operating Officer.

Mr. Gregory Driscoll, who was the Senior Vice President, Chief Information Officer assumed additional responsibilities for the oversight of the administrative functional areas from Mr. O'Malley effective January 1, 2016. Concurrent with this change, Mr. Driscoll's title was changed to Senior Vice President, Service Operations and Chief Information Officer.

Board of Trustee Changes

Mr. O'Malley was appointed a member of the Board of Trustees effective January 1, 2016.

Mr. Edward Boehne retired from the Board of Trustees effective March 1, 2016. Simultaneous to Mr. Boehne's retirement, Mr. James Hunt assumed his responsibility as Chairman of the Audit Committee.

RECOMMENDATIONS

PRIOR EXAMINATION

There were no prior examination recommendations.

CURRENT EXAMINATION

There are no recommendations as result of the current examination.

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CONCLUSION

As a result of this examination, the financial condition of The Penn Mutual Life Insurance Company, as of December 31, 2015, was determined to be as follows:

	Amount	Percentage
Total assets excluding separate accounts	\$11,017,210,060	60.4%
Separate accounts	7,217,838,029	39.6%
Admitted assets	\$18,235,048,089	100%
<hr/>		
Total liabilities excluding separate accounts	\$9,229,518,182	50.6%
Separate Accounts	7,217,838,029	39.6%
Surplus	1,787,691,878	9.8%
Total Liabilities and Surplus	\$18,235,048,089	100%

Since the previous examination, made as of December 31, 2010, the Company's assets increased by \$6,017,560,038, its liabilities increased by \$5,750,799,875, and its surplus increased by \$266,760,163.

The Penn Mutual Life Insurance Company

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This examination was conducted by James Carpino and Pamela Roberts of the Pennsylvania Insurance Department; Albert Picolli, CFE of RIS Delaware representing the Delaware Department of Insurance; Michael A. Mayberry, FSA, MAAA, Jennifer Allen, ASA, MAAA and Kathleen Knight of the actuarial consulting firm of Lewis & Ellis; and Philip Schmoyer, CFE, AES, CISA, Taylor Tommasino, CPA, CISA, David Scanlon, Jennifer Romano, Jon Kelly, Changyi Song, Lester C. Schott, CFE, CPA, CGMA and James B. Morris, CFE, CPA, CGMA, CICA of Baker Tilly, with the latter in charge.

Respectfully,



Melissa L. Greiner

Director

Bureau of Financial Examinations



Kelly A. Monaghan, CFE, CPA, CGFM, CFE
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Examiner-in-Charge

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