



Illinois Department of Insurance

JB PRITZKER
Governor

ROBERT H. MURIEL
Director

VIA ELECTRONIC MAIL
VIA USPS CERTIFIED MAIL

January 9, 2020

Mr. David Michael O'Malley
President
The Penn Mutual Life Insurance Company
The Penn Insurance and Annuity Company
600 Dresher Rd
Horsham, PA 19044

Re: The Penn Mutual Life Insurance Company, NAIC 67644
The Penn Insurance and Annuity Company, NAIC 93262
Market Conduct Examination Report Closing Letter

Dear Mr. O'Malley:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
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Penn Mutual Life Insurance Company

Examination Report

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: April 29, 2019 through July 12, 2019

EXAMINATION OF: Penn Mutual Life Insurance Company
NAIC Number: 67644

LOCATION: 600 Dresher Road
Horsham, PA 19044

PERIOD COVERED
BY EXAMINATION: March 1, 2018 through February 28, 2019
COMPLAINTS: September 1, 2017 through February 28, 2019

EXAMINERS: John Drake, MCM, APIR, ChFC, CLU, RHU, FLMI, HIA
Chris Heisler, Examiner-in-Charge, AIE, MCM, FLMI, ARC

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I. FOREWORD

This is a comprehensive market conduct examination report of the Penn Mutual Life Insurance Company (NAIC Code 63312). This examination was conducted at the offices of Penn Mutual Life Insurance Company (“Company or PML”), located at 600 Dresher Road Horsham, PA 19044.

The Illinois Department of Insurance (“Department”) examined both Penn Mutual Life Insurance Company (‘PML’) and its affiliate Penn Insurance and Annuity Company (“PIA”) at the same time. Separate market conduct exam reports were prepared for each company. This report is specifically for Penn Mutual Life Insurance Company.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance.

During this examination, examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with Illinois statutes, and Illinois Administrative Code and to consider whether the Company’s operations are consistent with public interest. The primary period covered by this review is March 1, 2018 through February 28, 2019 for claims and September 1, 2017 through February 28, 2019 for complaints and appeals unless otherwise noted. Errors outside of this time period discovered during the course of the examination may also be included in the report.

The examination was a comprehensive examination involving the following business functions of the life insurance and annuity line of business: claims handling practices, policy forms and advertising in use, producer licensing, new business and handling of consumer complaints, appeals and Department complaints.

In performing this examination, the examiners reviewed a sample of the Company’s practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdiction does not constitute acceptance of such practices.

III. COMPANY PROFILE

Penn Mutual Life Insurance Company (“PML or Penn Mutual”) was incorporated in Pennsylvania on February 24, 1847 and commenced business on May 25, 1847. PML is licensed in all 50 states and the District of Columbia. PML owns numerous companies that include insurance affiliates, asset management, broker dealer/advisory and retirement plans and other associated companies. The collection of companies is often referred to as “Penn Mutual”. Penn Mutual’s headquarters and administrative offices are located in Horsham, Pennsylvania.

Penn Insurance and Annuity Company (“PIA”) is a wholly owned life insurance subsidiary of Penn Mutual Life Insurance Company and is domiciled in Delaware. PIA is licensed to do business in 49 states and the District of Columbia.

PIA Reinsurance Company of Delaware I (PIA Re) is a Delaware special purpose financial captive insurance company established to reinsure universal life with secondary guarantee redundant reserves. PIA Re is a wholly owned subsidiary of PIA.

Longevity Life Insurance Company is a Texas domiciled stock company and a wholly owned life insurance subsidiary of PIA. It is licensed to do business in 42 states. Longevity has no current business operations and has not actively written new business in more than 10 years.

Vantis Life Insurance Company is a Connecticut domiciled stock company and a wholly owned subsidiary of Penn Mutual. Vantis Life markets its products through financial institutions and direct to the consumer in all states except New York and by Vantis Life Insurance Company of New York for New York business.

Penn Mutual Asset Management, LLC (“PMAM”), a registered investment adviser and a wholly owned subsidiary of Penn Mutual. PMAM offers investment management services to: affiliated insurance company general and separate accounts and other affiliated corporate entities; third-party U.S. institutional clients; registered investment companies; private funds; separately managed portfolios; and other pooled investment vehicles.

Honor, Townsend & Kent, LLC (“HTK”) is a wholly owned broker dealer subsidiary of Penn Mutual. HTK financial advisers access a full range of product choices, including mutual funds, stocks, bonds and proprietary and non-proprietary variable life insurance and annuity products.

Janney Montgomery Scott LLC (“Janney”) is a full-service regional securities broker dealer. Janney offers clients a complete range of investment vehicles, from individual securities to mutual funds, insurance, money management and other financial service products. It also provides investment banking services to corporations and institutional clients. Janney is a member of the New York Stock Exchange, all other major U.S. exchanges, the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Corporation (“SIPC”).

During the exam period PML offered a variety of term, whole life, universal life and indexed universal life insurance and fixed, immediate, variable and indexed annuity products. Life Insurance and Annuity written premium and market share in Illinois per the NAIC Market Analysis Review System for PML are as follows:

Year	Life Premium	Market Share	Annuity Premium	Market Share
2018	\$41,857,338	0.766%	\$6,396,870	0.087%
2017	\$37,803,700	0.712%	\$12,054,118	0.184%

IV. SUMMARY

A comprehensive market conduct examination of Penn Mutual Life Insurance Company was performed to determine compliance with Illinois statutes and Illinois Administrative Code.

The following represents a summary of findings; however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS							
Penn Mutual Life Insurance Company							
Crit #	Statute /Rule	Description of Violations	Population	Files Reviewed	Number of Violations	Findings Section	Error %
2	50 Ill. Adm. Code 919.70(a)(2)	Individual Life Claims, Failed to provide Notice of Availability of the Department of Insurance on the delay letter	195	76	14	A.1	18%
3	215 ILCS 5/154.6(o)	Individual Life Claims, Failed to provide claim forms to beneficiary	19	76	2	A.1	3%
4	50 Ill. Adm. Code 919.70(a)(2)	Annuity Death Settlements, Failed to provide Notice of Availability of the Department of Insurance on the delay letter	34	34	18	A.2	53%
5	215 ILCS 5/1011(A)(1)	Declined Individual Life Applications, Failed to provide applicant with specific reason of adverse underwriting decision in writing	523	86	1	B.4	1%
7	50 Ill. Adm. Code 917.70(b) & (c)	Replacements Life, Failed to send Notice of Replacement (Exhibit B) to existing insurer within 3 working days	105	54	1	B.6	2%
6	50 Ill. Adm. Code 917.70(b) & (c)	Replacements Annuity, Failed to send Notice of Replacement (Exhibit B) to existing insurer within 3 working days	8	8	4	B.7	50%
8	215 ILCS 5/234.1	Non-forfeiture Options, Failed to provide policy owner with detailed explanation of all available options	30	30	29	B.8	97%

V. METHODOLOGY

The market conduct examination covered the business written for the period of March 1, 2018 through February 28, 2019. Appeals and Complaints covered the period of September 1, 2017 through February 28, 2019. Specifically, the examination focused on a review of the following areas:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims Analysis
4. Policy Application and Decline Analysis
5. External and Internal Policy Replacement Analysis
6. Consumer and Insurance Department Complaints

The review of these categories was accomplished through examination of appointed and terminated producer files, application files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department and consumer complaint files, policy forms and advertising material. Each of these categories is examined for compliance with Department Regulations and applicable State Laws.

The report concerns itself with improper practices performed by the Company which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid criticisms were incorporated in this report.

The following methods were used to obtain the required samples and to assure a methodical selection.

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were duly licensed in Illinois. New business listings were retrieved from company records selecting newly solicited insurance applications, which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

A list of all plans, form letters, riders and advertising materials used in Illinois during the examination period were requested. All were reviewed for compliance as to format, content and terminology as required by Illinois Law.

Claims Analysis

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for claims made during the examination period.
2. Denied Claims - Denial of benefits during the examination period for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

The examination period for the claims review was March 1, 2018 through February 28, 2019.

Policy Application and Decline Analysis

The Company provided a listing of all life insurance and annuity application files relating to those applications that were declined during the survey period. The files were reviewed to determine validity of the reason for denial.

External and Internal Policy Replacement Analysis

The Company provided a listing of all life insurance and annuity files for policies that were either internal or external replacements of existing policies. The replacements were reviewed to determine compliance with 215 ILCS 5/224(2) and to determine if the required replacement forms were properly executed and or sent.

Consumer and Insurance Department Complaints

The Company provided all files relating to complaints which had been received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response by the Company. The period of review was September 1, 2017 through February 28, 2019.

VI. SELECTION OF SAMPLES

Penn Mutual Life Insurance Company

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
CLAIMS ANALYSIS			
Individual Life	195	76	39%
Annuity Death Settlements	34	34	100%
CONSUMER COMPLAINTS			
DEPARTMENT OF INSURANCE COMPLAINTS	6	6	100%
DEPARTMENT OF INSURANCE COMPLAINTS			
DEPARTMENT OF INSURANCE COMPLAINTS			
POLICYHOLDER SERVICES			
Individual Life New Business Issued	523	86	16%
Variable Annuity New Business Issued	15	15	100%
Fixed & Immediate Annuity New Business Issued	15	15	100%
Declined Individual Life Applications	8	8	100%
Not Taken or Withdrawn Applications	133	67	50%
Life Replacements	105	54	51%
Annuity Replacements	8	8	100%
Individual Life Nonforfeiture Options	30	30	100%
Individual Life Cash Surrender	209	79	38%
Annuity Cash Surrender	137	69	50%
Retained Asset Accounts	87	87	100%
PRODUCER LICENSING			
Agents (New Business and Replacement Transactions)	1,854	330	18%
Agents Terminated	108	27	25%
Agents Terminated for Cause	5	5	100%
POLICY FORMS AND ADVERTISING			
Policy Forms	190	190	100%
Advertising Materials-Company	457	114	25%
Advertising Materials-Agents	87	44	50%

VII. FINDINGS

A. Claims Practices

The examiners reviewed the Company's claim practices to determine its efficiency of handling, accuracy of payment, adherence to contract provisions and compliance with Illinois laws and regulations.

1. Paid Individual Life Claims

A review of 76 paid individual life claims produced two (2) criticisms. Criticism 2 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for 14 claims as required by 50 Ill. Adm. Code 919.70(a)(2).

Criticism 3 was issued to the Company. The Company failed to provide claims forms to the beneficiary for 2 claims as required by 215 ILCS 5/154.6(o).

The median for payment was four (4) days.

2. Annuity Death Settlements

A review of 34 paid annuity death settlements produced one (1) criticism. Criticism 4 was issued to the Company. The Company failed to provide the Notice of Availability of the Department of Insurance on the delay letter for 18 claims as required by 50 Ill. Adm. Code 919.70(a)(2).

The median for payment was eight (8) days.

B. Policyholder Services

1. Individual Life New Business Issued

A review of 86 individual life new business application files produced no criticisms.

2. Fixed Annuity New Business Issued

A review of 15 fixed indexed annuity new business application files produced no criticisms.

3. Variable Annuity New Business Issued

A review of 15 variable annuity new business application files produced no criticism.

4. Declined Individual Life Applications

A review of 8 declined individual life applications produced one (1) criticism. Criticism 5 was issued to the Company. The Company failed to provide applicant with specific reason for adverse underwriting decision in writing as required by 215 ILCS 5/1011(A)(1).

5. Not Taken or Withdrawn Individual Life Applications

A review of 67 not taken or withdrawn individual life application files produced no criticisms.

6. Individual Life Replacements

A review of 54 individual life replacements files produced one (1) criticism. Criticism 7 was issued to the Company. The Company failed to send the Notice Regarding Proposed Replacement of Life Insurance or Annuity Form (Exhibit B) to existing insurer within 3 working days after receipt of the applications for 1 file as required by 50 Ill. Adm. Code 917.70(b) & (c).

7. Annuity Replacements

A review of 8 annuity replacement files produced one (1) criticism. Criticism 6 was issued to the Company. The Company failed to send the Notice Regarding Proposed Replacement of Life Insurance or Annuity Form (Exhibit B) to existing insurer within 3 working days after receipt of the applications for 4 files as required by 50 Ill. Adm. Code 917.70(b) & (c).

8. Non-forfeiture Options

A review of 30 non-forfeiture option files produced one (1) criticism. Criticism 8 was issued to the Company. The Company failed to provide the policy owner with a detailed explanation of all available non-forfeiture options that the policy owner may elect per the policy for 29 files as required by 215 ILCS 5/234.1.

9. Individual Life Cash Surrender

A review of 79 individual life cash surrender files produced no criticisms.

The median for surrender was 31 days.

10. Annuity Cash Surrender

A review of 69 annuity cash surrender files produced no criticisms.

The median for surrender was five (5) days.

11. Retained Asset Accounts

A review of 87 retained asset account files produced no criticisms.

C. Producer Licensing

A review of 330 agent new business and replacement transactions produced no criticisms.

A review of 27 terminated agents produced no criticisms. A review of 5 terminated agents for cause produced no criticisms.

D. Complaints

A review of six (6) consumer complaints produced no criticisms.

A review of two (2) Illinois Department of Insurance complaints produced no criticisms.

E. Policy Forms and Advertising

1. Policy Forms

A review of 190 policy forms produced no criticisms.

2. Advertising

A review of 158 pieces of advertising material produced no criticisms.

STATE OF Illinois)
) ss
COUNTY OF Sangamon)

Christopher J. Heisler, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Penn Mutual Life Insurance Company (the "Company"), NAIC #67644.

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

Christopher J. Heisler
Examiner-In-Charge

Subscribed and sworn to before me
this 12th day of July, 2019.

Erica Weyhenmeyer
Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**PENN MUTUAL LIFE INS COMPANY
600 DRESHER ROAD
HORSHAM, PA 19044**

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance (“Department”) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Penn Mutual Life Insurance Company (“the Company”), NAIC 67644, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide the insured or beneficiary, when applicable, a reasonable written explanation for delay, accompanied by a Notice of Availability of the Department of Insurance, when a claim remains unresolved for 45 days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).
2. Institute and maintain policies and procedures whereby the Company shall use and collect all required notices for replacements of life insurance or annuity contracts and shall provide notice to the existing insurer within 3 working days after receipt of the application as required by 50 Ill. Adm. Code 917.70(b) and 50 Ill. Adm. Code 917.70(c).
3. Institute and maintain policies and procedures whereby the Company shall provide policy owners with a Notice of Non-Forfeiture Option prior to enactment of the non-forfeiture option as required by 215 ILCS 5/234.1.
4. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above three (3) orders within 30 days of execution of this Order.
5. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$15,000.00 to be paid within 10 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of PENN MUTUAL LIFE INSURANCE COMPANY

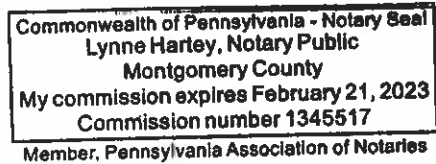
David M. Malley
Signature

David M. Malley
Name

President & Chief Operating Officer
Title

Subscribed and sworn to before me this
18th day of December 2019.

Lynne Hartey
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 1-2-20

Robert H. Muriel
Robert H. Muriel
Director

