Filing at a Glance

Company: Penn Insurance and Annuity Company

Product Name: Survivorship IUL-STOLI/OEMD C

SERFF Tr Num: PNMU-126530994

State: Arkansas

TOI: L09I Individual Life - Flexible Premium Adjustable Life

SERFF Status: Closed-Approved-Closed

State Tr Num: 45211

Sub-TOI: L09I.103 External Indexed - Joint (Last Survivor)

Co Tr Num: SURVIVORSHIP IUL-STOLI/OEMD C

State Status: Approved-Closed

Filing Type: Form

Reviewer(s): Linda Bird

Authors: Nancy Yannuzzi, Rita Bellew

Disposition Date: 03/22/2010

Date Submitted: 03/19/2010

Disposition Status: Approved-Closed

Implementation Date Requested: On Approval

Implementation Date:

State Filing Description:

General Information

Project Name: Survivorship IUL-STOLI/OEMD C

Project Number: Survivorship IUL-STOLI/OEMD C

Requested Filing Mode: Review & Approval

Explanation for Combination/Other:

Submission Type: New Submission

Overall Rate Impact:

Filing Status Changed: 03/22/2010

Deemer Date:

Submitted By: Rita Bellew

Status of Filing in Domicile: Pending

Date Approved in Domicile:

Domicile Status Comments:

Market Type: Individual

Group Market Size:

Group Market Type:

Explanation for Other Group Market Type:

State Status Changed: 03/22/2010

Created By: Rita Bellew

Corresponding Filing Tracking Number: Survivorship IUL-STOLI/OEMD C

Filing Description:

The Penn Insurance and Annuity Company is submitting the following forms for your review and approval:

Form / Title / Form Replaced

PI ENLGJ-10(S) / Rider-Extended No Lapse Guarantee Agreement / None

PI ENLGJ-10(U) / Rider-Extended No Lapse Guarantee Agreement / None
IALJ-08(P6) / Insert Page 6 / Page 6
IALJ-08(P19)(S) / Insert Page 19 (S) / Page 19
IALJ-08(P19)(U) / Insert Page 19 (U) / Page 19

Form PI ENLGJ-10(S) a sex distinct version and PI ENLGJ-10(U) is a unisex version, and will be used in situations where the Norris Decision is applicable. These riders prevent the policy from lapsing as a result of the Net Cash Surrender Value insufficient to cover the Monthly Deductions for the following policy month if the Extended No-Lapse Requirement is met. These forms were previously approved on 10/31/2008 and the only change made in this filing is to remove the 3rd paragraph of the Extended No-Lapse Requirement provision on Page 1 of 3. A highlighted copy is enclosed for your review.

The Insert Pages are replacing Page 6 and Page 19 in the IALJ-08(S)(AR) and IALJ-08(U)(AR) policy forms which were approved by your department, see above paragraph. The changes to these pages are limited to the following:

On Insert Page IALJ-08(P6) we removed the 3rd paragraph of the No-Lapse Guarantee Requirement provision, otherwise the page is the same as the previous Page 6.

On Insert Page IALJ-08(P19)(S) and IALJ-08(P19)(U) we replaced the Deferral of Maturity provision with the Option to Extend Maturity provision on the enclosed pages submitted for your approval. No other changes were made.

These insert pages will be used at issue for all new policies upon approval.

It is our intention to make the riders available on the above referenced policies, as well as other flexible premium adjustable life insurance policies that may be approved by your department in the future.

These policies will be sold through agents to individuals in the general insurance market. The issue ages are 20-85.

Company and Contact

Filing Contact Information

Rita Bellew, State Filing Coordinator	bellew.rita@pennmutual.com
VIM C3G	215-956-8290 [Phone]
Philadelphia, PA 19172	215-956-8145 [FAX]

Filing Company Information

Penn Insurance and Annuity Company	CoCode: 93262	State of Domicile: Delaware
VIM C3G	Group Code: 850	Company Type: Life and Annuity

Philadelphia, PA 19172 Group Name: Penn Mutual Life Ins. Co. State ID Number:
(215) 956-8893 ext. [Phone] FEIN Number: 23-2142731

Filing Fees

Fee Required?	Yes
Fee Amount:	$200.00
Retaliatory?	No
Fee Explanation:	50.00 times two riders and two policy revisions = 200.00
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Penn Insurance and Annuity Company	$200.00	03/19/2010	35032156

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved-Closed	Linda Bird	03/22/2010	03/22/2010

Disposition

Disposition Date: 03/22/2010

Implementation Date:

Status: Approved-Closed

Comment:

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Flesch Certification		Yes
Supporting Document	Application		No
Supporting Document	Health - Actuarial Justification		No
Supporting Document	Outline of Coverage		No
Supporting Document	Act Memo		No
Supporting Document	Stmt of Variability		Yes
Supporting Document	Highlighted pages to show changes		Yes
Form	Rider-Extended No Lapse Guarantee Agreement		Yes
Form	Rider-Extended No Lapse Guarantee Agreement		Yes
Form	Insert Page 6		Yes
Form	Insert Page 19(S)		Yes
Form	Insert Page 19(U)		Yes

Form Schedule

Lead Form Number: PI ENLGJ-10(S)

Schedule Item Status	Form Number	Form Type	Form Name	Action	Action Specific Data	Readability	Attachment
	PI ENLGJ-10(S)	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider	Rider-Extended No Lapse Guarantee Agreement	Initial		51.500	ENLGJ-10(S).pdf
	PI ENLGJ-10(U)	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider	Rider-Extended No Lapse Guarantee Agreement	Initial		50.500	ENLGJ-10(U).pdf
	IALJ-08(P6)	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider	Insert Page 6	Initial		52.500	Pg 6 Insert.pdf
	IALJ-08(P19)(S)	Policy/Contract/Fraternal	Insert Page 19(S)	Initial		51.500	Pg 19(S) Insert.pdf

	Certificate: Amendment, Insert Page, Endorsement or Rider					
IALJ-08(P19)(U)	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider	Insert Page 19(U)	Initial		50.000	Pg 19(U) Insert.pdf

Rider - Extended No-Lapse Guarantee Agreement

The Penn Insurance and Annuity Company agrees, subject to the provisions of this agreement, to provide the Benefit described below.

This supplemental agreement is a part of the policy to which it is attached. It is subject to all of the provisions of the policy unless stated otherwise in this agreement.

Benefit - The Company agrees that the base policy will not lapse as a result of a Net Cash Surrender Value insufficient to cover the Monthly Deductions for the following month if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the following conditions are satisfied:

(a) One Insured is alive;

(b) This agreement is in force;

(c) The Extended No-Lapse Requirement is satisfied.

Extended No-Lapse Requirement - The Extended No-Lapse Requirement is satisfied if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the Extended No-Lapse Account less any outstanding indebtedness exceeds zero.

The Extended No-Lapse Requirement is not satisfied if the indebtedness is greater than the Cash Surrender Value.

Note that the Extended No-Lapse Account, the Extended No-Lapse Percent of Premium Charge, the Extended No-Lapse COI Charges, and the Extended No-Lapse Interest Rates are not used to determine values and benefits under the policy. These values are only used to determine whether or not the Extended No-Lapse Requirement is satisfied.

Extended No-Lapse Account - On the Policy Date, the Extended No-Lapse Account is the initial premium paid less the sum of:

(a) the applicable Extended No-Lapse Percent of Premium Charge shown in the Additional Policy Specifications; and

(b) the applicable Extended No-Lapse COI Charge for Base Coverage; and

(c) the applicable Extended No-Lapse COI Charge for certain other supplemental agreements made part of the base policy.

On each Monthly Anniversary while this agreement is in force, the Extended No-Lapse Account is the sum of:

(a) the Extended No-Lapse Account on the preceding Monthly Anniversary;

(b) one month's interest on (a) using the applicable Extended No-Lapse Interest Rate shown in the Additional Policy Specifications;

(c) any premium paid since the preceding Monthly Anniversary reduced by the applicable Extended No-Lapse Percent of Premium Charge; and

(d) interest on (c) using the applicable Extended No-Lapse Interest Rates from the date of receipt in the Home Office to the Monthly Anniversary;

less the sum of:

(a) any partial surrender since the preceding Monthly Anniversary;

(b) interest on (a) using the applicable Extended No-Lapse Interest Rates from the date of surrender to the Monthly Anniversary;

(c) the applicable Extended No-Lapse COI Charge for Base Coverage; and

(d) the applicable Extended No-Lapse COI Charge for certain other supplemental agreements made part of the base policy.

Extended No-Lapse Interest Rate - The Extended No-Lapse Interest Rate applied to the Extended No-Lapse Account is tiered based on the amount of the Extended No-Lapse Account as shown in the Additional Policy Specifications.

Extended No-Lapse COI Charge - The Extended No-Lapse COI Charge is determined on a monthly basis. For Base Coverage, it is calculated as (a) multiplied by (b) where:

(a) is the applicable Extended No-Lapse COI Rate shown in the Additional Policy Specifications; and
(b) is the Extended No-Lapse Net Amount at Risk.

For certain other supplemental agreements made part of the base policy, it is calculated as (a) multiplied by (b) where:

(a) is the applicable Extended No-Lapse COI Rate for the supplemental agreement shown in the Additional Policy Specifications; and
(b) is the Specified Amount of the supplemental agreement, as shown on Page 3.

Extended No-Lapse Net Amount at Risk - The Extended No-Lapse Net Amount at Risk is equal to (a) minus (b) where:

(a) is the Specified Amount at the beginning of the policy month, divided by the Death Benefit Discount Factor shown on Page 3; and
(b) is the Extended No-Lapse Account at the beginning of the policy month before the deduction of Extended No-Lapse COI Charges.

Changes in the Specified Amount, the addition, deletion or change of any supplemental agreements to the base policy, or a change in the rate class of an Insured before the Extended No-Lapse Date may impact the amount of the Extended No-Lapse Account. As a result, additional premiums may be required on the date of change in order to meet the Extended No-Lapse Requirement.

Allocation Requirement - A maximum Allocation Percentage of the policy value less the Policy Loan Account is allowed to be in the Fixed Account. If, on a monthly anniversary the total value of the Fixed Account is more than this Allocation Percentage, a transfer from the Fixed Account to the Indexed Accounts will be made to satisfy this requirement. The Allocation Percentage is shown on Page 3.

Cost of Insurance - The Cost of Insurance for this agreement for each policy month is calculated as (a) multiplied by (b) where:

(a) is the Cost of Insurance Rate divided by 1,000; and

(b) is the Sum of the applicable Specified Amounts for the Basic Coverage and certain other supplemental agreements.

Rider - Extended No-Lapse Guarantee Agreement (continued)

Cost of Insurance Rate - The Cost of Insurance Rate for this agreement is based on policy year and the issue age, sex and rate class of each Insured. Cost of Insurance Rates will be determined by the Company based on expectations as to future mortality, investment, expense, and persistency experience. In addition, Cost of Insurance Rates will be determined by the Company based on changes in statutory reserve regulations. However, these rates will not exceed those shown for the agreement in the Additional Policy Specifications. Cost of Insurance Rates will not be adjusted by the Company as a means of recovering prior losses nor as a means of distributing past profits.

Grace Period for the Extended No-Lapse Guarantee Agreement - If, on a monthly anniversary prior to the No-Lapse Date and prior to the Extended No-Lapse Date shown on Page 3:

(1) The Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month;
(2) The sum of all premiums paid on the base policy, reduced by any indebtedness and by any partial surrenders, is less than the No-Lapse Premium shown on Page 3 multiplied by the number of elapsed months since the Policy Date; and
(3) The Extended No-Lapse Requirement described above is not met, then a grace period of 61 days will be allowed for the payment of a premium sufficient to keep the base policy in force.

If, on a monthly anniversary on or after the No-Lapse Date and prior to the Extended No-Lapse Date shown on Page 3:
(a) The Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month; and
(b) The Extended No-Lapse Requirement is not met,

then a grace period of 61 days will be allowed for the payment of a premium sufficient to keep the base policy in force.

If, on a monthly anniversary on or after the Extended No-Lapse Date shown on Page 3, the Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month, a grace period of 61 days will be allowed for the payment of a premium sufficient to keep the base policy in force.

The payment of a premium sufficient to keep the base policy in force should cover the lesser of: (i) the amount necessary to meet the No-Lapse Guarantee Requirement for two additional policy months, or (ii) an amount to make the Net Cash Surrender Value positive plus the monthly deductions for two additional policy months.

Reinstatement - If this agreement terminates, it may not be reinstated.

Termination - This agreement will terminate upon:
(a) lapse of the base policy;
(b) full surrender of the base policy;
(c) the date of death of the last Insured to die;
(d) the maturity date of the base policy shown on Page 3; or
(e) the Monthly Anniversary which coincides with or next follows (i) receipt by the Company of a written request to terminate this agreement, and (ii) return of the base Policy for appropriate endorsement.

Effective Date - The effective date of this agreement is the same as the Date of Issue of the base policy.

The Penn Insurance and Annuity Company

Chairman and
Chief Executive Officer

PI ENLGJ-10(S)

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Rider - Extended No-Lapse Guarantee Agreement

The Penn Insurance and Annuity Company agrees, subject to the provisions of this agreement, to provide the Benefit described below.

This supplemental agreement is a part of the policy to which it is attached. It is subject to all of the provisions of the policy unless stated otherwise in this agreement.

Benefit - The Company agrees that the base policy will not lapse as a result of a Net Cash Surrender Value insufficient to cover the Monthly Deductions for the following month if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the following conditions are satisfied:

(a) One Insured is alive;

(b) This agreement is in force;

(c) The Extended No-Lapse Requirement is satisfied.

Extended No-Lapse Requirement - The Extended No-Lapse Requirement is satisfied if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the Extended No-Lapse Account less any outstanding indebtedness exceeds zero.

The Extended No-Lapse Requirement is not satisfied if the indebtedness is greater than the Cash Surrender Value.

Note that the Extended No-Lapse Account, the Extended No-Lapse Percent of Premium Charge, the Extended No-Lapse COI Charges, and the Extended No-Lapse Interest Rates are not used to determine values and benefits under the policy. These values are only used to determine whether or not the Extended No-Lapse Requirement is satisfied.

Extended No-Lapse Account - On the Policy Date, the Extended No-Lapse Account is the initial premium paid less the sum of:

(a) the applicable Extended No-Lapse Percent of Premium Charge shown in the Additional Policy Specifications; and

(b) the applicable Extended No-Lapse COI Charge for Base Coverage; and

(c) the applicable Extended No-Lapse COI Charge for certain other supplemental agreements made part of the base policy.

On each Monthly Anniversary while this agreement is in force, the Extended No-Lapse Account is the sum of:

(a) the Extended No-Lapse Account on the preceding Monthly Anniversary;

(b) one month's interest on (a) using the applicable Extended No-Lapse Interest Rate shown in the Additional Policy Specifications;

(c) any premium paid since the preceding Monthly Anniversary reduced by the applicable Extended No-Lapse Percent of Premium Charge; and

(d) interest on (c) using the applicable Extended No-Lapse Interest Rates from the date of receipt in the Home Office to the Monthly Anniversary;

less the sum of:
(a) any partial surrender since the preceding Monthly Anniversary;
(b) interest on (a) using the applicable Extended No-Lapse Interest Rates from the date of surrender to the Monthly Anniversary;
(c) the applicable Extended No-Lapse COI Charge for Base Coverage; and
(d) the applicable Extended No-Lapse COI Charge for certain other supplemental agreements made part of the base policy.

Extended No-Lapse Interest Rate - The Extended No-Lapse Interest Rate applied to the Extended No-Lapse Account is tiered based on the amount of the Extended No-Lapse Account as shown in the Additional Policy Specifications.

Extended No-Lapse COI Charge - The Extended No-Lapse COI Charge is determined on a monthly basis. For Base Coverage, it is calculated as (a) multiplied by (b) where:

(a) is the applicable Extended No-Lapse COI Rate shown in the Additional Policy Specifications; and
(b) is the Extended No-Lapse Net Amount at Risk.

For certain other supplemental agreements made part of the base policy, it is calculated as (a) multiplied by (b) where:

(a) is the applicable Extended No-Lapse COI Rate for the supplemental agreement shown in the Additional Policy Specifications; and
(b) is the Specified Amount of the supplemental agreement, as shown on Page 3.

Extended No-Lapse Net Amount at Risk - The Extended No-Lapse Net Amount at Risk is equal to (a) minus (b) where:
(a) is the Specified Amount at the beginning of the policy month, divided by the Death Benefit Discount Factor shown on Page 3; and
(b) is the Extended No-Lapse Account at the beginning of the policy month before the deduction of Extended No-Lapse COI Charges.

Changes in the Specified Amount, the addition, deletion or change of any supplemental agreements to the base policy, or a change in the rate class of an Insured before the Extended No-Lapse Date may impact the amount of the Extended No-Lapse Account. As a result, additional premiums may be required on the date of change in order to meet the Extended No-Lapse Requirement.

Allocation Requirement - A maximum Allocation Percentage of the policy value less the Policy Loan Account is allowed to be in the Fixed Account. If, on a monthly anniversary the total value of the Fixed Account is more than this Allocation Percentage, a transfer from the Fixed Account to the Indexed Accounts will be made to satisfy this requirement. The Allocation Percentage is shown on Page 3.

Cost of Insurance - The Cost of Insurance for this agreement for each policy month is calculated as (a) multiplied by (b) where:
(a) is the Cost of Insurance Rate divided by 1,000; and
(b) is the Sum of the applicable Specified Amounts for the Basic Coverage and certain other supplemental agreements.

Cost of Insurance Rate - The Cost of Insurance Rate for this agreement is based on policy year and the issue age and rate class of each Insured. Cost of Insurance Rates will be determined by the Company based on expectations as to future mortality, investment, expense, and persistency experience. In addition, Cost of Insurance Rates will be determined by the Company based on changes in statutory reserve regulations. However, these rates will not exceed those shown for the agreement in the Additional Policy Specifications. Cost of Insurance Rates will not be adjusted by the Company as a means of recovering prior losses nor as a means of distributing past profits.

Rider - Extended No-Lapse Guarantee Agreement (continued)

Grace Period for the Extended No-Lapse Guarantee Agreement - If, on a monthly anniversary prior to the No-Lapse Date and prior to the Extended No-Lapse Date shown on Page 3:

(1) The Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month;

(2) The sum of all premiums paid on the base policy, reduced by any indebtedness and by any partial surrenders, is less than the No-Lapse Premium shown on Page 3 multiplied by the number of elapsed months since the Policy Date; and

(3) The Extended No-Lapse Requirement described above is not met, then a grace period of 61 days will be allowed for the payment of a premium sufficient to keep the base policy in force.

If, on a monthly anniversary on or after the No-Lapse Date and prior to the Extended No-Lapse Date shown on Page 3:

(a) The Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month; and
(b) The Extended No-Lapse Requirement is not met,

then a grace period of 61 days will be allowed for the payment of a premium sufficient to keep the base policy in force.

If, on a monthly anniversary on or after the Extended No-Lapse Date shown on Page 3, the Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month, a grace period of 61 days will be allowed for the payment of a premium sufficient to keep the base policy in force.

The payment of a premium sufficient to keep the base policy in force should cover the lesser of: (i) the amount necessary to meet the No-Lapse Guarantee Requirement for two additional policy months, or (ii) an amount to make the Net Cash Surrender Value positive plus the monthly deductions for two additional policy months.

Reinstatement - If this agreement terminates, it may not be reinstated.

Termination - This agreement will terminate upon:

(a) lapse of the base policy;
(b) full surrender of the base policy;
(c) the date of death of the last Insured to die;
(d) the maturity date of the base policy, shown on Page 3; or
(e) the Monthly Anniversary which coincides with or next follows (i) receipt by the Company of a written request to terminate this agreement, and (ii) return of the base Policy for appropriate endorsement.

Effective Date - The effective date of this agreement is the same as the Date of Issue of the base policy.

The Penn Insurance and Annuity Company

Chairman and
Chief Executive Officer

4. Premiums (continued)

Each premium after the first is payable at the Company's Home Office. A receipt signed by the President or the Secretary will be given on request.

Continuation of Insurance - If insufficient premiums are paid, the insurance provided under this policy, including benefits provided by any supplemental agreements attached to this policy, will continue, subject to the grace period provision, in accordance with the provisions of this policy and any such supplemental agreements for as long as the net cash surrender value in this policy is sufficient to keep it in force, or if the No-Lapse Guarantee requirement is satisfied as described below.

No-Lapse Guarantee Requirement - The No-Lapse Premium for this policy is the amount stated on Page 3. If, on a Monthly Anniversary prior to the No-Lapse Date shown on Page 3, the sum of all premiums paid on this policy, reduced by any partial surrenders, is greater than or equal to the No-Lapse Premium multiplied by the number of months since the Policy Date, this policy will not then lapse as a result of a Net Cash Surrender Value insufficient to pay the Monthly Deduction for the following month. This provision will not prevent the termination of this policy when indebtedness exceeds the Cash Surrender Value in accordance with the indebtedness provision of the Policy Loans Section of this policy.

A change in the Specified Amount, the addition or deletion of a supplemental agreement to this policy, or a change in the rate class of either Insured prior to the No-Lapse Date shown on Page 3 may result in a change in the No-Lapse Premium.

Grace Period - If, on a Monthly Anniversary prior to the Maturity Date shown on Page 3:

(1) the Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month; and

(2) the sum of all premiums paid on this policy, reduced by any partial surrenders, is less than the No-Lapse Premium shown on Page 3 multiplied by the number of elapsed months since the Policy Date,

a grace period of 61 days will be allowed for the payment of a premium sufficient to keep this policy in force. The payment should cover the lesser of: (i) the amount necessary to meet the No-Lapse Guarantee Requirement for two additional policy months, or (ii) an amount to make the Net Cash Surrender Value positive plus the monthly deductions for two additional policy months.

Notice of the amount of premium sufficient to keep this policy in force will be sent to the last known address of the Owner. The notice will be sent at least 30 days before the end of the 61day grace period. This policy will remain in force during the grace period.

12. General Provisions (continued)

Misstatement of Age or Sex - If the age or the sex of either Insured has been misstated, the Death Benefit under this policy will be the amount which would have been provided by the most recent Cost of Insurance charge at the correct ages and sexes. No adjustment in the Policy Value will be made.

Policy Payments - All payments by the Company under this policy are payable at the Home Office. The Company may require the return of this policy upon surrender for the Net Cash Surrender Value or payment of the Death Benefit.

Annual Report - Each year a report will be sent to the Owner which shows the current policy values, premiums paid and deductions made since the last report, any outstanding policy loans, and any other information required by law.

Projection of Benefits and Values - Upon request, the Company will provide a projection of illustrative future Death Benefits and Policy Values. The request for a projection must be made in writing by the Owner. The Company may charge a fee for this service, not to exceed $25.

Option to Extend Maturity Date - Upon the written request of the Owner, this policy will continue in force beyond the Maturity Date shown on Page 3. The Basic Death Benefit under the base policy will continue beyond the Maturity Date without evidence of insurability. The Basic Death Benefit and the Policy Value will continue to be calculated as defined in the base policy. The attained age Death Benefit Factors will equal 1.00 for the maturity extension period. The Basic Cost of Insurance Rate for attained ages during the maturity extension period will be equal to zero. New Policy Loans may not be made during the maturity extension period. Policy Loans taken prior to the original Maturity Date will continue to accrue interest and the Policy Loan Account will continue to operate as stated in the Policy Loans Section.

During the maturity extension period, premium payments will not be accepted unless necessary to prevent lapse. All riders and benefits attached to the base policy, except the Supplemental Term Insurance Agreement, if applicable, terminate as of the original Maturity Date, shown on Page 3.

13. Income Payment Options

Election of Income Payment Option - An income payment option may be elected in place of a one lump sum payment of any amount payable upon the death of the last Insured to die or upon surrender.

The Owner may elect an income payment option or change a previous election while this policy is in force before the death of the last Insured to die. If no election is in effect at the time of the death of the last Insured to die, the Beneficiary may elect an income payment option before any payment of the Death Benefit has been made and within one year of the date of death.

The amount applied under an income payment option must be at least $5,000. No election may provide for income payments of less than $50 each.

Option 1 - Interest Income - The Company will hold the amount applied at interest. Interest will be paid monthly, quarterly, semiannually or annually.

Option 2 - Income for a Fixed Period - The Company will pay the amount applied, with interest, in equal monthly payments for a fixed period. The fixed period may not be greater than 30 years.

Option 3 - Income of a Specified Amount -The Company will make payments of a specified amount until the total amount applied, with interest, has been paid. The payments may be made monthly, quarterly, semiannually or annually. The final payment may be less than the specified amount. The total of the payments to be made each year must be at least $75 for each $1,000 applied.

Option 4 - Life Income - The Company will pay equal monthly payments during the life of the option annuitant.

12. General Provisions (continued)

Annual Report - Each year a report will be sent to the Owner which shows the current policy values, premiums paid and deductions made since the last report, any outstanding policy loans, and any other information required by law.

Projection of Benefits and Values - Upon request, the Company will provide a projection of illustrative future Death Benefits and Policy Values. The request for a projection must be made in writing by the Owner. The Company may charge a fee for this service, not to exceed $25.

Option to Extend Maturity Date - Upon the written request of the Owner, this policy will continue in force beyond the Maturity Date shown on Page 3. The Basic Death Benefit under the base policy will continue beyond the Maturity Date without evidence of insurability. The Basic Death Benefit and the Policy Value will continue to be calculated as defined in the base policy. The attained age Death Benefit Factors will equal 1.00 for the maturity extension period. The Basic Cost of Insurance Rate for attained ages during the maturity extension period will be equal to zero. New Policy Loans may not be made during the maturity extension period. Policy Loans taken prior to the original Maturity Date will continue to accrue interest and the Policy Loan Account will continue to operate as stated in the Policy Loans Section.

During the maturity extension period, premium payments will not be accepted unless necessary to prevent lapse. All riders and benefits attached to the base policy, except the Supplemental Term Insurance Agreement, if applicable, terminate as of the original Maturity Date, shown on Page 3.

13. Income Payment Options

Election of Income Payment Option - An income payment option may be elected in place of a one lump sum payment of any amount payable upon the death of the last Insured to die or upon surrender.

The Owner may elect an income payment option or change a previous election while this policy is in force before the death of the last Insured to die. If no election is in effect at the time of the death of the last Insured to die, the Beneficiary may elect an income payment option before any payment of the Death Benefit has been made and within one year of the date of death.

The amount applied under an income payment option must be at least $5,000. No election may provide for income payments of less than $50 each.

Option 1 - Interest Income - The Company will hold the amount applied at interest. Interest will be paid monthly, quarterly, semiannually or annually.

Option 2 - Income for a Fixed Period - The Company will pay the amount applied, with interest, in equal monthly payments for a fixed period. The fixed period may not be greater than 30 years.

Option 3 - Income of a Specified Amount - The Company will make payments of a specified amount until the total amount applied, with interest, has been paid. The payments may be made monthly, quarterly, semiannually or annually. The final payment may be less than the specified amount. The total of the payments to be made each year must be at least $75 for each $1,000 applied.

Option 4 - Life Income - The Company will pay equal monthly payments during the life of the option annuitant.

Option 5 - Life Income with Guaranteed Period - The Company will pay equal monthly payments for a stated guaranteed period and thereafter during the life of the option annuitant. The guaranteed period may be 5 years, 10 years or 20 years.

Option 6 - Life Income with Refund Period - The Company will pay equal monthly payments during the life of the option annuitant. If necessary, the payments will continue after the death of the option annuitant until the total of all payments made, including a smaller final payment, if required, equals the total amount applied.

Option 7 - Joint and Survivor Life Income - The Company will pay equal monthly payments during the joint life of two option annuitants and thereafter during the life of the survivor.

Supporting Document Schedules

Item Status: **Status Date:**

Satisfied - Item: Flesch Certification
Comments:
Attachment:
Flesch Cert.pdf

Item Status: **Status Date:**

Bypassed - Item: Application
Bypass Reason: Revision to an already approved policy.
Comments:

Item Status: **Status Date:**

Bypassed - Item: Outline of Coverage
Bypass Reason: N/A. Revision being made to an already approved policy.
Comments:

Item Status: **Status Date:**

Satisfied - Item: Act Memo
Comments:
Attachments:
Act Memo ENLGJ-10(S).pdf
Act Memo ENLGJ-10(U).pdf

Item Status: **Status Date:**

Satisfied - Item: Stmt of Variability
Comments:

Attachment:

Stmt of Variability - Rider Signature.pdf

		Item Status:	Status Date:
Satisfied - Item:	Highlighted pages to show changes		

Comments:

Attachments:

Pg 6 Insert, highlighted.pdf

Pg 19(S) Insert Highlighted.pdf

Pg 19(U) Insert highlighted.pdf

The Penn Insurance and Annuity Company

CERTIFICATION

"This is to certify that the form listed below is in compliance with the requirements of Ark. Stat. Ann. 66-3251 through 66-3258, cited as the Life and Disability Insurance Policy Language Simplification Act."

Form No	Form Title	Flesch Score
PI ENLGJ-10(S)	Rider-Extended No-Lapse Guarantee Agreement	51.5
PI ENLGJ-10(U)	Rider-Extended No-Lapse Guarantee Agreement	50.5
IALJ-08(P6)	Insert Page 6	52.5
IALJ-08(P19)(S)	Insert Page 19(S)	51.5
IALJ-08(P19)(U)	Insert Page 19(U)	50.0

* Achieves a minimum score of 40 when combined with any applicable Policy Form.

Raymond G. Caucci, FSA, MAAA
Vice President, Product Management

March 16, 2010

THE PENN INSURANCE AND ANNUITY COMPANY
ACTUARIAL MEMORANDUM

Rider – Extended No-Lapse Guarantee Agreement
Form PI ENLGJ-10(S)

I. General Description

The Company agrees that this policy will not lapse as a result of a Net Cash Surrender Value insufficient to cover the Monthly Deductions for the following month if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the following conditions are satisfied:

(a) One Insured is alive;
(b) This agreement is in force;
(c) The Extended No-Lapse Requirement is satisfied.

The Extended No-Lapse Requirement is satisfied if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the Extended No-Lapse Account less any outstanding indebtedness exceeds zero.

II. Rider Costs

Cost of Insurance -- The Cost of Insurance for this agreement for each policy month is calculated as (a) multiplied by (b) where:

(a) is the Cost of Insurance Rate divided by 1,000; and
(b) is the Sum of the applicable Specified Amounts for the Basic Coverage and certain other supplemental agreements.

The Cost of Insurance Rate for this agreement is based on policy year and the issue age, sex and rate class of each Insured. Cost of Insurance Rates will be determined by the Company based on expectations as to future mortality, investment, expense, and persistency experience. In addition, Cost of Insurance Rates will be determined by the Company based on changes in statutory reserve regulations. However, these rates will not exceed those shown for the agreement in the Additional Policy Specifications. Cost of Insurance Rates will not be adjusted by the Company as a means of recovering prior losses nor as a means of distributing past profits.

III. Cash Values

None.

IV. Reserves

The reserves for this rider are calculated using Actuarial Guideline XXXVIII (AG38) methodology. The reserves on for the base policy will be the greater of the Cash Surrender Value, the reserve calculated under the Commissioner's Reserve Valuation Method (CRVM) for Indexed Flexible Premium Adjustable Life, the reserve for the No-Lapse Guarantee embedded in the policy calculated using AG38, and the reserve for this rider using AG38. Reserves for the interest-indexed option will interpret CRVM as described in AG36 using the Type 2a method. The description and demonstration of the AG38 reserve for this rider is below.

Description

Actuarial Guideline XXXVIII describes a nine step process to calculate the reserves on a universal life policy that guarantees the coverage to remain in force as long as the accumulation of premiums paid satisfy the secondary guarantee requirement.

The first step requires a calculation of the minimum premiums that will satisfy the secondary guarantee requirement. The second step states that the specified premiums used for basic and deficiency reserve calculation be the minimum gross premiums derived in the first step. Basic and deficiency reserves are then calculated as instructed in the Valuation of Life Insurance Policies Model Regulation. Additionally, for purposes of applying Sections 7B and 7C of the Model, a lapse rate as described in AGXXXVIII may be used.

Step three states that a determination should be made of the amount of actual premium payments in excess of the minimum gross premiums, which is the amount of the shadow account. Step four requires a determination of the minimum amount of the shadow account required to fully fund the guarantee. The amount determined above for this step is to then be divided by one minus a seven percent premium load allowance (0.93). A funding ratio is then calculated by dividing the amount calculated in step 3 by the amount calculated in step 4, with the resulting ratio capped at 1.

In step five the net single premium on the valuation date is computed, using any valuation table and select factors authorized in section 5A of the Valuation of Life Insurance Policies Model Regulation. A lapse rate subject to the same criteria as in step 2 above may be used. The net single premium is calculated for the coverage provided by the secondary guarantee for the remainder of the secondary guarantee period. Step six determines the "net amount of additional premiums" by multiplying the funding ratio from step four by the difference between the net single premium in step five and the basic and deficiency reserves calculated in step two.

Step seven calculates a "reduced deficiency reserve" by multiplying the deficiency reserve by one minus the funding ratio calculated in step 4, but not less than zero. Step eight calculates the actual reserve to be used as the lesser of: (1) the net single premium from step five, (2) the amount of excess from step six plus the basic and deficiency reserves calculated in step two. This amount is reduced by any applicable surrender charges. If the resulting amount is less than the sum of the basic and deficiency reserve from step two, then the basic and deficiency reserves to be used are those calculated in step two. Step nine determines an "increased basic reserve" by subtracting the "reduced deficiency reserve" in step seven from the reserve calculated in step eight.

Definitions and Notation

Secondary Guarantee Period (n) – the period for which policyholder can maintain the policy in force due to the provisions of the secondary guarantee.

Minimum Gross Premium (GP) – the minimum premium to keep the secondary guarantee in force. This amount is calculated as the minimum premium that can be paid at the beginning of the policy year to keep the guarantee in force at the end of the year.

Present Value of Future Benefits (PVFB) – Value of future benefits discounted for interest and mortality and lapses. For Basic Reserves, PVFB is determined using an interest rate of 4% and Basic mortality. For Minimum reserves, PVFB is determined using an interest rate of 4% and Minimum Mortality. The maximum lapses allowed are used in the present value calculation.

Present Value of Future Premiums (PVNP) – Value of future net premiums discounted for interest and survivorship (including lapses). For Basic reserves, PVNP is determined using the net premiums for each segment, 4% interest, and Basic Mortality. For Minimum Reserves, PVNP is determined using the lower of the secondary guarantee specified premium and the net premium for each segment, 4% interest, and Minimum Mortality. Net Premium equals GP times the K factor for the segment. The maximum lapses allowed are used.

CRVM Expense Allowance (E^{CRVM}) – Excess of net level annual premium issued one year older over the one-year term premium.

Basic Mortality - is defined as 2001 CSO Male\Female Smoker\Nonsmoker Select and Ultimate Mortality. Select factors may only be applied during the first segment.

Minimum Mortality - is defined as 2001 CSO Male\Female Smoker\Nonsmoker Select & Ultimate Mortality and company-developed X-factors. Select factors and X-factors may only be applied during the first segment.

Terminal Reserve (${}_tV_{[x]:[y]}$) - present value of all future guaranteed death benefits (PVFB) minus the present value of all future net premiums (PVNP). For basic reserves this value is calculated using valuation interest and basic mortality. For minimum reserves this value is calculated using minimum interest and minimum mortality. The maximum lapses allowed are used in the present value calculations.

Deficiency Reserve (${}_tDV_{[x]:[y]}$) – A policy is deficient if the gross specified premium is less than the net premium. Any duration where this is true, the gross premium must be substituted for the net premium in the minimum reserve calculation. Any excess of minimum reserve over the basic reserve must be held as a deficiency reserve.

Mean Basic Reserve (${}_tMV_{[x]:[y]}$) – Mean reserve in year t is equal to the weighted average of the initial and terminal reserve for year t. Initial reserve is the prior year terminal reserve plus the net premium.

Excess (EX) – The amount in the shadow account. This will be equal to the sum of any paid premiums minus the shadow account charges accumulated with interest.

Single Pay Excess (SP) – The amount in the shadow account necessary to fully fund the secondary guarantee at the valuation date.

Net Single Premium (NSP) – The net single premium on the valuation date for the coverage provided by the secondary guarantee for the remainder of the secondary guarantee period using basic mortality. The maximum lapses allowed are used in the NSP calculation.

Total AG38 Reserve ($tTV_{[x]:[y]}$) = The total reserve held, which is the lesser of: (1) the net single premium from step five, (2) the amount of excess from step six plus the basic and deficiency reserves calculated in step two. This amount is reduced by any applicable surrender charges. If the resulting amount is less than the sum of the basic and deficiency reserve from step two, then the basic and deficiency reserves to be used are those calculated in step two.

Surrender Charge (SC) = The policy surrender charge applicable to the base policy's account value.

Formulas

$PVGP^{seg}$ = Present value of gross premiums during segment as of beginning of a segment

$$= \Sigma_{t=1 \text{ to } j}\, GP_{[x]+k+t-1} * v^{t-1} * {}_{t-1}p_{[x]+k:[y]+k}$$

$PVFB^{seg}$ = Present value of death benefits during segment as of beginning of a segment

$$= \Sigma_{t=1 \text{ to } j}\, Face_{t+k} * v^{t} * q_{[x]+k+t-1:[y]+k+t-1} * {}_{t-1}p_{[x]+k:[y]+k}$$

$$E^{CRVM} = \frac{\Sigma_{t=2 \text{ to } j}\, Face_t * v^t * q_{[x]+t-1:[y]+t-1} * {}_{t-1}p_{[x]:[y]}}{\Sigma_{t=2 \text{ to } j}\, GP_{[x]+t-1} * v^{t-1} * {}_{t-1}p_{[x]:[y]}} * GP_{[x]} - Face_1 * v * q_{[x]:[y]} * i / \ln(1+i)$$

K = $(PVFB^{seg} + E^{CRVM}) / PVGP^{seg}$

PVNP = Present value of net premiums

$$= \Sigma_{t=1 \text{ to } j} K_{k+t+r} * GP_{[x]+k+t-1} * v^{t-1} * {}_{t-1}p_{[x]+k:[y]+k}$$

$${}_tV_{[x]+k:[y]+k} = \text{PVFB}(t) - \text{PVNP}(t)$$

$$= \Sigma_{r=1 \text{ to } n-k-t} Face_{k+t+r} * v^r * {}_{r-1}p_{[x]+k+t:[y]+k+t} * q_{[x]+k+t+r-1:[y]+k+t+r-1} - K_{k+t+r} * GP_{[x]+k+t+r-1:[y]+k+t+r+1} * v^{r-1} * {}_{r-1}p_{[x]+k+t:[y]+k+t}$$

where:

x = issue age of primary insured

y = issue age of secondary insured

n = secondary guarantee period

j = length of current segment

k = number of years from issue to beginning of segment

t = number of years from beginning of current segment

v = 1 / (1+i)

i = valuation interest rate

$Face_{k+t}$ = Death Benefit in year k+t

Sample Calculation

Primary Insured:	Male, age 55, Nonsmoker
Secondary Insured:	Female, age55, Nonsmoker
Specified Amount:	$200,000
Issue Date	05/01/2008
Valuation Date:	12/31/2008

Basic Reserve

I = 4.0% for basic
Since the gross premiums increase at a rate less than the increase of the mortality, there is only one segment of length 66 years.

n = 66 years

k = 0

PVFB = Present Value of future benefits at the start of the segment

= 55,760.38

PVGP = Present value of gross premiums at the start of the segment

= 43,557.48

E^{CRVM} = PVFB(t+1)/PVGP(t+1) * GP – Face * (1/(1+I)) * $q_{[55]:[55]}$ * i / ln(1+i)

= 57,990.33 / 45,291.18 * 8.41 - 200,000 * (1/(1+.04)) * .0000032 * .04 / ln(1.04)

= 10.14 in year 1 only

K = (55,760.38 + 10.14)/43,557.48

= 1.2804

NP = Net Premium = GP * K – E^{CRVM}

= 8.41*1.2804 – 10.14 = 0.63 in year 1

${}_1V_{[55]:[55]}$ = PVDB(1) – PVNP(1)

= 55,770.52 – 55,770.52 = 0

${}_1MV_{[55]:[55]}$ $= \frac{(12-m)}{12} * ({}_0V_{[55]:[55]} + NP_1) + \frac{m}{12} * {}_1V_{[55]:[55]}$

Since Valuation date is 8 months past issue date m = 8.

= .33 * (0 + 0.63) + .67*0 = 0.21

Minimum Reserve

I = 4% for minimum reserves
Since the gross premiums increase at a rate less than the increase of the mortality, there is only one segment of length 66 years.

n = 66 years

k = 0

PVFB = Present Value of future benefits at the start of the segment

= 43,996.86

PVGP = Present value of gross premiums at the start of the segment

= 56,967.46

E^{CRVM} = PVDB(t+1)/PVGP(t+1) * GP – Face * (1/(1+I)) * $q_{[55]:[55]}$ * i / ln(1+i)

= 45,756.59/ 59,237.46 * 8.41 – 200,000 * (1/(1+.04)) * .0000009 * .04 / ln(1.04)

= 6.32 in year 1 only

K = (43,996.86 + 6.32)/56,967.46

$= .7724$

NP $= \text{Net Premium} = GP * K - E^{CRVM}$

$= 8.41 * .7724 - 6.32 = 0.18$ in year 1

${}_{1}V_{[55]:[55]} = PVDB(1) - PVNP(1)$

$= 44{,}003.18 - 44{,}003.18 = 0$

${}_{1}MV_{[55]:[55]} = \frac{(12-m)}{12} * ({}_{0}V_{[55]:[55]} + NP_1) + \frac{m}{12} * {}_{1}V_{[55]:[55]}$

Since Valuation date is 8 months past issue date m = 8.

$= .33 * (0 + 0.18) + .67 * 0 = .06$

Deficiency Reserve

${}_{t}DV_{[55]:[55]} = MAX(0, 0.06 - 0.21)$

$= 0$

Actuarial Guideline XXXVIII Reserve

EX = 5,246.36

SP = 29,616.44

SC = 1,600.22

Funding ratio = EX/(SP/0.93) = 5,246.36/ (29,616.44/0.93) = .1647

NSP = 55,770.52

${}_{t}DV_{[55]:[55]} = 0 * (1 - \text{Funding ratio}) = 0 * (1 - .1647) = 0$

${}_{1}TV_{[55]:[55]} = MAX({}_{1}MV_{[55]:[55]} + {}_{t}DV_{[55]:[55]}, MIN(NSP, {}_{1}MV_{[55]:[55]} + {}_{t}DV_{[55]:[55]} + [\text{Funding ratio} * (NSP - {}_{1}MV_{[55]:[55]} - {}_{t}DV_{[55]:[55]})] - SC)) = MAX(0.21 + 0, MIN[55{,}770.52, 0.21 + .1647 * (55{,}770.52 - 0.21 - 0) - 1{,}600.22])$

$= MAX(0.21, MIN(55{,}770.52, 7{,}587.78)) = 7{,}587.78$

Andrew W. Martin, FSA, MAAA
Associate Actuary

February 23, 2010

THE PENN INSURANCE AND ANNUITY COMPANY
ACTUARIAL MEMORANDUM

Rider – Extended No-Lapse Guarantee Agreement
Form PI ENLGJ-10(U)

I. General Description

The Company agrees that this policy will not lapse as a result of a Net Cash Surrender Value insufficient to cover the Monthly Deductions for the following month if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the following conditions are satisfied:

(a) One Insured is alive;
(b) This agreement is in force;
(c) The Extended No-Lapse Requirement is satisfied.

The Extended No-Lapse Requirement is satisfied if, on a monthly anniversary prior to the Extended No-Lapse Date shown on Page 3, the Extended No-Lapse Account less any outstanding indebtedness exceeds zero.

II. Rider Costs

Cost of Insurance -- The Cost of Insurance for this agreement for each policy month is calculated as (a) multiplied by (b) where:

(a) is the Cost of Insurance Rate divided by 1,000; and
(b) is the Sum of the applicable Specified Amounts for the Basic Coverage and certain other supplemental agreements.

The Cost of Insurance Rate for this agreement is based on policy year and the issue age, sex and rate class of each Insured. Cost of Insurance Rates will be determined by the Company based on expectations as to future mortality, investment, expense, and persistency experience. In addition, Cost of Insurance Rates will be determined by the Company based on changes in statutory reserve regulations. However, these rates will not exceed those shown for the agreement in the Additional Policy Specifications. Cost of Insurance Rates will not be adjusted by the Company as a means of recovering prior losses nor as a means of distributing past profits.

III. Cash Values

None.

IV. Reserves

The reserves for this rider are calculated using Actuarial Guideline XXXVIII (AG38) methodology. The reserves on for the base policy will be the greater of the Cash Surrender Value, the reserve calculated under the Commissioner's Reserve Valuation Method (CRVM) for Indexed Flexible Premium Adjustable Life, the reserve for the No-Lapse Guarantee embedded in the policy calculated using AG38, and the reserve for this rider using AG38. Reserves for the interest-indexed option will interpret CRVM as described in AG36 using the Type 2a method. The description and demonstration of the AG38 reserve for this rider is below.

Description

Actuarial Guideline XXXVIII describes a nine step process to calculate the reserves on a universal life policy that guarantees the coverage to remain in force as long as the accumulation of premiums paid satisfy the secondary guarantee requirement.

The first step requires a calculation of the minimum premiums that will satisfy the secondary guarantee requirement. The second step states that the specified premiums used for basic and deficiency reserve calculation be the minimum gross premiums derived in the first step. Basic and deficiency reserves are then calculated as instructed in the Valuation of Life Insurance Policies Model Regulation. Additionally, for purposes of applying Sections 7B and 7C of the Model, a lapse rate as described in AGXXXVIII may be used.

Step three states that a determination should be made of the amount of actual premium payments in excess of the minimum gross premiums, which is the amount of the shadow account. Step four requires a determination of the minimum amount of the shadow account required to fully fund the guarantee. The amount determined above for this step is to then be divided by one minus a seven percent premium load allowance (0.93). A funding ratio is then calculated by dividing the amount calculated in step 3 by the amount calculated in step 4, with the resulting ratio capped at 1.

In step five the net single premium on the valuation date is computed, using any valuation table and select factors authorized in section 5A of the Valuation of Life Insurance Policies Model Regulation. A lapse rate subject to the same criteria as in step 2 above may be used. The net single premium is calculated for the coverage provided by the secondary guarantee for the remainder of the secondary guarantee period. Step six determines the "net amount of additional premiums" by multiplying the funding ratio from step four by the difference between the net single premium in step five and the basic and deficiency reserves calculated in step two.

Step seven calculates a "reduced deficiency reserve" by multiplying the deficiency reserve by one minus the funding ratio calculated in step 4, but not less than zero. Step eight calculates the actual reserve to be used as the lesser of: (1) the net single premium from step five, (2) the amount of excess from step six plus the basic and deficiency reserves calculated in step two. This amount is reduced by any applicable surrender charges. If the resulting amount is less than the sum of the basic and deficiency reserve from step two, then the basic and deficiency reserves to be used are those calculated in step two. Step nine determines an "increased basic reserve" by subtracting the "reduced deficiency reserve" in step seven from the reserve calculated in step eight.

Definitions and Notation

Secondary Guarantee Period (n) – the period for which policyholder can maintain the policy in force due to the provisions of the secondary guarantee.

Minimum Gross Premium (GP) – the minimum premium to keep the secondary guarantee in force. This amount is calculated as the minimum premium that can be paid at the beginning of the policy year to keep the guarantee in force at the end of the year.

Present Value of Future Benefits (PVFB) – Value of future benefits discounted for interest and mortality and lapses. For Basic Reserves, PVFB is determined using an interest rate of 4% and Basic mortality. For Minimum reserves, PVFB is determined using an interest rate of 4% and Minimum Mortality. The maximum lapses allowed are used in the present value calculation.

Present Value of Future Premiums (PVNP) – Value of future net premiums discounted for interest and survivorship (including lapses). For Basic reserves, PVNP is determined using the net premiums for each segment, 4% interest, and Basic Mortality. For Minimum Reserves, PVNP is determined using the lower of the secondary guarantee specified premium and the net premium for each segment, 4% interest, and Minimum Mortality. Net Premium equals GP times the K factor for the segment. The maximum lapses allowed are used.

CRVM Expense Allowance (E^{CRVM}) – Excess of net level annual premium issued one year older over the one-year term premium.

Basic Mortality - is defined as 2001 CSO Male Smoker\Nonsmoker Select and Ultimate Mortality. Select factors may only be applied during the first segment.

Minimum Mortality - is defined as 2001 CSO Male Smoker\Nonsmoker Select & Ultimate Mortality and company-developed X-factors. Select factors and X-factors may only be applied during the first segment.

Terminal Reserve (${}_tV_{[x]:[y]}$) - present value of all future guaranteed death benefits (PVFB) minus the present value of all future net premiums (PVNP). For basic reserves this value is calculated using valuation interest and basic mortality. For minimum reserves this value is calculated using minimum interest and minimum mortality. The maximum lapses allowed are used in the present value calculations.

Deficiency Reserve (${}_tDV_{[x]:[y]}$) – A policy is deficient if the gross specified premium is less than the net premium. Any duration where this is true, the gross premium must be substituted for the net premium in the minimum reserve calculation. Any excess of minimum reserve over the basic reserve must be held as a deficiency reserve.

Mean Basic Reserve (${}_tMV_{[x]:[y]}$) – Mean reserve in year t is equal to the weighted average of the initial and terminal reserve for year t. Initial reserve is the prior year terminal reserve plus the net premium.

Excess (EX) – The amount in the shadow account. This will be equal to the sum of any paid premiums minus the shadow account charges accumulated with interest.

Single Pay Excess (SP) – The amount in the shadow account necessary to fully fund the secondary guarantee at the valuation date.

Net Single Premium (NSP) – The net single premium on the valuation date for the coverage provided by the secondary guarantee for the remainder of the secondary guarantee period using basic mortality. The maximum lapses allowed are used in the NSP calculation.

Total AG38 Reserve ($tTV_{[x]:[y]}$) = The total reserve held, which is the lesser of: (1) the net single premium from step five, (2) the amount of excess from step six plus the basic and deficiency reserves calculated in step two. This amount is reduced by any applicable surrender charges. If the resulting amount is less than the sum of the basic and deficiency reserve from step two, then the basic and deficiency reserves to be used are those calculated in step two.

Surrender Charge (SC) = The policy surrender charge applicable to the base policy's account value.

Formulas

$PVGP^{seg}$ = Present value of gross premiums during segment as of beginning of a segment

$$= \Sigma_{t=1 \text{ to } j}\, GP_{[x]+k+t-1} * v^{t-1} * {}_{t-1}p_{[x]+k:[y]+k}$$

$PVFB^{seg}$ = Present value of death benefits during segment as of beginning of a segment

$$= \Sigma_{t=1 \text{ to } j}\, Face_{t+k} * v^{t} * q_{[x]+k+t-1:[y]+k+t-1} * {}_{t-1}p_{[x]+k:[y]+k}$$

$$E^{CRVM} = \frac{\Sigma_{t=2 \text{ to } j}\, Face_t * v^t * q_{[x]+t-1:[y]+t-1} * {}_{t-1}p_{[x]:[y]}}{\Sigma_{t=2 \text{ to } j}\, GP_{[x]+t-1} * v^{t-1} * {}_{t-1}p_{[x]:[y]}} * GP_{[x]} - Face_1 * v * q_{[x]:[y]} * i / \ln(1+i)$$

K $= (PVFB^{seg} + E^{CRVM}) / PVGP^{seg}$

PVNP = Present value of net premiums

$$= \Sigma_{t=1 \text{ to } j} K_{k+t+r} * GP_{[x]+k+t-1} * v^{t-1} * {}_{t-1}p_{[x]+k:[y]+k}$$

$${}_tV_{[x]+k:[y]+k} = \quad PVFB\ (t) - PVNP\ (t)$$

$$= \quad \Sigma_{r=1 \text{ to } n-k-t} Face_{k+t+r} * v^r * {}_{r-1}p_{[x]+k+t:[y]+k+t} * q_{[x]+k+t+r-1:[y]+k+t+r-1} - K_{k+t+r} * GP_{[x]+k+t+r-1:[y]+k+t+r+1} * v^{r-1} * {}_{r-1}p_{[x]+k+t:[y]+k+t}$$

where:

x = issue age of primary insured

y = issue age of secondary insured

n = secondary guarantee period

j = length of current segment

k = number of years from issue to beginning of segment

t = number of years from beginning of current segment

$v = 1 / (1+i)$

i = valuation interest rate

$Face_{k+t}$ = Death Benefit in year k+t

Sample Calculation

Primary Insured:	age 55, Nonsmoker
Secondary Insured:	age 55, Nonsmoker
Specified Amount:	$200,000
Issue Date	05/01/2008
Valuation Date:	12/31/2008

Basic Reserve

I = 4.0% for basic
Since the gross premiums increase at a rate less than the increase of the mortality, there is only one segment of length 66 years.

n = 66 years

k = 0

PVFB = Present Value of future benefits at the start of the segment

= 60,115.13

PVGP = Present value of gross premiums at the start of the segment

$= 53,356.49$

E^{CRVM} $= PVFB(t+1)/PVGP(t+1) * GP - Face * (1/(1+I)) * q_{[55]:[55]} * i / \ln(1+i)$

$= 62,519.18 / 55,480.37 * 10.19 - 200,000 * (1/(1+.04)) * .0000039 * .04 / \ln(1.04)$

$= 10.72$ in year 1 only

K $= (60,115.13 + 10.72)/53,356.49$

$= 1.1269$

NP = Net Premium $= GP * K - E^{CRVM}$

$= 10.19*1.1269 - 10.72 = 0.76$ in year 1

${}_1V_{[55]:[55]}$ $= PVDB(1) - PVNP(1)$

$= 60,125.85 - 60,125.85 = 0$

${}_1MV_{[55]:[55]}$ $= \frac{(12-m)}{12} * ({}_0V_{[55]:[55]} + NP_1) + \frac{m}{12} * {}_1V_{[55]:[55]}$

Since Valuation date is 8 months past issue date m = 8.

$= .33 * (0 + 0.76) + .67*0 = 0.25$

Minimum Reserve

I = 4% for minimum reserves

Since the gross premiums increase at a rate less than the increase of the mortality, there is only one segment of length 66 years.

n = 66 years

k = 0

PVFB = Present Value of future benefits at the start of the segment

$= 47,723.72$

PVGP = Present value of gross premiums at the start of the segment

$= 71,003.77$

E^{CRVM} $= PVDB(t+1)/PVGP(t+1) * GP - Face * (1/(1+I)) * q_{[55]:[55]} * i / \ln(1+i)$

$= 49,632.51/ 73,833.40 * 10.19 - 200,000 * (1/(1+.04)) * .0000011 * .04 / \ln(1.04)$

$= 6.64$ in year 1 only

K $= (47,723.72 + 6.64)/71,003.77$

$= .6722$

NP $= \text{Net Premium} = GP * K - E^{CRVM}$

$= 10.19 * .6722 - 6.64 = 0.21$ in year 1

${}_{1}V_{[55]:[55]} = PVDB(1) - PVNP(1)$

$= 47{,}730.36 - 47{,}730.36 = 0$

$${}_{1}MV_{[55]:[55]} = \frac{(12-m)}{12} * ({}_{0}V_{[55]:[55]} + NP_1) + \frac{m}{12} * {}_{1}V_{[55]:[55]}$$

Since Valuation date is 8 months past issue date m = 8.

$= .33 * (0 + 0.21) + .67 * 0 = .07$

Deficiency Reserve

${}_{t}DV_{[55]:[55]} = MAX(0, 0.07 - 0.25)$

$= 0$

Actuarial Guideline XXXVIII Reserve

EX = 5,510.81

SP = 39,716.07

SC = 1,725.98

Funding ratio = EX/(SP/0.93) = 5,510.81/ (39,716.07/0.93) = .1290

NSP = 60,125.85

${}_{t}DV_{[55]:[55]} = 0 * (1- \text{Funding ratio}) = 0 * (1-.1290) = 0$

${}_{1}TV_{[55]:[55]} = MAX({}_{1}MV_{[55]:[55]} + {}_{t}DV_{[55]:[55]}, MIN(NSP, {}_{1}MV_{[55]:[55]} + {}_{t}DV_{[55]:[55]} + [\text{Funding ratio} * (NSP - {}_{1}MV_{[55]:[55]} - {}_{t}DV_{[55]:[55]})] - SC)) = MAX(0.25 + 0, MIN[60{,}125.85, 0.25 + .1290 * (60{,}125.85 - 0.25 - 0) - 1{,}725.98])$

$= MAX(0.25, MIN(60{,}125.85, 6{,}033.02)) = 6{,}033.02$

Andrew W. Martin, FSA, MAAA
Associate Actuary

February 23, 2010

The Penn Insurance and Annuity Company
Statement of Variability

March 5, 2010

Form Number(s): PI ENLGJ-10(S), PI ENLGJ-10(U)

Variability is denoted by the use of brackets [ ]. Any use of variability shall be administered in a uniform and non-discriminatory manner and shall not result in unfair discrimination.

Pg 3 of 3	We placed a bracket around the Officer's title and signature. In the event the title of an officer signing the riders changes, any new title utilized will be the title of an officer of the company.

Raymond G. Caucci, FSA, MAAA
Vice President, Product Management

The Penn Insurance and Annuity Company
VIM: C3G, Philadelphia, PA 19172

4. Premiums (continued)

Each premium after the first is payable at the Company's Home Office. A receipt signed by the President or the Secretary will be given on request.

Continuation of Insurance - If insufficient premiums are paid, the insurance provided under this policy, including benefits provided by any supplemental agreements attached to this policy, will continue, subject to the grace period provision, in accordance with the provisions of this policy and any such supplemental agreements for as long as the net cash surrender value in this policy is sufficient to keep it in force, or if the No-Lapse Guarantee requirement is satisfied as described below.

No-Lapse Guarantee Requirement - The No-Lapse Premium for this policy is the amount stated on Page 3. If, on a Monthly Anniversary prior to the No-Lapse Date shown on Page 3, the sum of all premiums paid on this policy, reduced by any partial surrenders, is greater than or equal to the No-Lapse Premium multiplied by the number of months since the Policy Date, this policy will not then lapse as a result of a Net Cash Surrender Value insufficient to pay the Monthly Deduction for the following month. This provision will not prevent the termination of this policy when indebtedness exceeds the Cash Surrender Value in accordance with the indebtedness provision of the Policy Loans Section of this policy.

A change in the Specified Amount, the addition or deletion of a supplemental agreement to this policy, or a change in the rate class of either Insured prior to the No-Lapse Date shown on Page 3 may result in a change in the No-Lapse Premium.

Grace Period - If, on a Monthly Anniversary prior to the Maturity Date shown on Page 3:

(1) the Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following policy month; and

(2) the sum of all premiums paid on this policy, reduced by any partial surrenders, is less than the No-Lapse Premium shown on Page 3 multiplied by the number of elapsed months since the Policy Date,

a grace period of 61 days will be allowed for the payment of a premium sufficient to keep this policy in force. The payment should cover the lesser of: (i) the amount necessary to meet the No-Lapse Guarantee Requirement for two additional policy months, or (ii) an amount to make the Net Cash Surrender Value positive plus the monthly deductions for two additional policy months.

Notice of the amount of premium sufficient to keep this policy in force will be sent to the last known address of the Owner. The notice will be sent at least 30 days before the end of the 61day grace period. This policy will remain in force during the grace period.

12. General Provisions (continued)

Misstatement of Age or Sex - If the age or the sex of either Insured has been misstated, the Death Benefit under this policy will be the amount which would have been provided by the most recent Cost of Insurance charge at the correct ages and sexes. No adjustment in the Policy Value will be made.

Policy Payments - All payments by the Company under this policy are payable at the Home Office. The Company may require the return of this policy upon surrender for the Net Cash Surrender Value or payment of the Death Benefit.

Annual Report - Each year a report will be sent to the Owner which shows the current policy values, premiums paid and deductions made since the last report, any outstanding policy loans, and any other information required by law.

Projection of Benefits and Values - Upon request, the Company will provide a projection of illustrative future Death Benefits and Policy Values. The request for a projection must be made in writing by the Owner. The Company may charge a fee for this service, not to exceed $25.

Option to Extend Maturity Date - Upon the written request of the Owner, this policy will continue in force beyond the Maturity Date shown on Page 3. The Basic Death Benefit under the base policy will continue beyond the Maturity Date without evidence of insurability. The Basic Death Benefit and the Policy Value will continue to be calculated as defined in the base policy. The attained age Death Benefit Factors will equal 1.00 for the maturity extension period. The Basic Cost of Insurance Rate for attained ages during the maturity extension period will be equal to zero. New Policy Loans may not be made during the maturity extension period. Policy Loans taken prior to the original Maturity Date will continue to accrue interest and the Policy Loan Account will continue to operate as stated in the Policy Loans Section.

During the maturity extension period, premium payments will not be accepted unless necessary to prevent lapse. All riders and benefits attached to the base policy, except the Supplemental Term Insurance Agreement, if applicable, terminate as of the original Maturity Date, shown on Page 3.

13. Income Payment Options

Election of Income Payment Option - An income payment option may be elected in place of a one lump sum payment of any amount payable upon the death of the last Insured to die or upon surrender.

The Owner may elect an income payment option or change a previous election while this policy is in force before the death of the last Insured to die. If no election is in effect at the time of the death of the last Insured to die, the Beneficiary may elect an income payment option before any payment of the Death Benefit has been made and within one year of the date of death.

The amount applied under an income payment option must be at least $5,000. No election may provide for income payments of less than $50 each.

Option 1 - Interest Income - The Company will hold the amount applied at interest. Interest will be paid monthly, quarterly, semiannually or annually.

Option 2 - Income for a Fixed Period - The Company will pay the amount applied, with interest, in equal monthly payments for a fixed period. The fixed period may not be greater than 30 years.

Option 3 - Income of a Specified Amount -The Company will make payments of a specified amount until the total amount applied, with interest, has been paid. The payments may be made monthly, quarterly, semiannually or annually. The final payment may be less than the specified amount. The total of the payments to be made each year must be at least $75 for each $1,000 applied.

Option 4 - Life Income - The Company will pay equal monthly payments during the life of the option annuitant.

12. General Provisions (continued)

Annual Report - Each year a report will be sent to the Owner which shows the current policy values, premiums paid and deductions made since the last report, any outstanding policy loans, and any other information required by law.

Projection of Benefits and Values - Upon request, the Company will provide a projection of illustrative future Death Benefits and Policy Values. The request for a projection must be made in writing by the Owner. The Company may charge a fee for this service, not to exceed $25.

Option to Extend Maturity Date - Upon the written request of the Owner, this policy will continue in force beyond the Maturity Date shown on Page 3. The Basic Death Benefit under the base policy will continue beyond the Maturity Date without evidence of insurability. The Basic Death Benefit and the Policy Value will continue to be calculated as defined in the base policy. The attained age Death Benefit Factors will equal 1.00 for the maturity extension period. The Basic Cost of Insurance Rate for attained ages during the maturity extension period will be equal to zero. New Policy Loans may not be made during the maturity extension period. Policy Loans taken prior to the original Maturity Date will continue to accrue interest and the Policy Loan Account will continue to operate as stated in the Policy Loans Section.

During the maturity extension period, premium payments will not be accepted unless necessary to prevent lapse. All riders and benefits attached to the base policy, except the Supplemental Term Insurance Agreement, if applicable, terminate as of the original Maturity Date, shown on Page 3.

13. Income Payment Options

Election of Income Payment Option - An income payment option may be elected in place of a one lump sum payment of any amount payable upon the death of the last Insured to die or upon surrender.

The Owner may elect an income payment option or change a previous election while this policy is in force before the death of the last Insured to die. If no election is in effect at the time of the death of the last Insured to die, the Beneficiary may elect an income payment option before any payment of the Death Benefit has been made and within one year of the date of death.

The amount applied under an income payment option must be at least $5,000. No election may provide for income payments of less than $50 each.

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Option 3 - Income of a Specified Amount - The Company will make payments of a specified amount until the total amount applied, with interest, has been paid. The payments may be made monthly, quarterly, semiannually or annually. The final payment may be less than the specified amount. The total of the payments to be made each year must be at least $75 for each $1,000 applied.

Option 4 - Life Income - The Company will pay equal monthly payments during the life of the option annuitant.

Option 5 - Life Income with Guaranteed Period - The Company will pay equal monthly payments for a stated guaranteed period and thereafter during the life of the option annuitant. The guaranteed period may be 5 years, 10 years or 20 years.

Option 6 - Life Income with Refund Period - The Company will pay equal monthly payments during the life of the option annuitant. If necessary, the payments will continue after the death of the option annuitant until the total of all payments made, including a smaller final payment, if required, equals the total amount applied.

Option 7 - Joint and Survivor Life Income - The Company will pay equal monthly payments during the joint life of two option annuitants and thereafter during the life of the survivor.