

REPORT OF
MARKET CONDUCT EXAMINATION
OF
PENN INSURANCE & ANNUITY COMPANY
AS OF
FEBRUARY 6, 2006

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON MARKET CONDUCT EXAMINATION, made as of FEBRUARY 6, 2006 of the

PENN INSURANCE AND ANNUITY COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Annette Handy*

DATE: 31 JANUARY 2008



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 31ST DAY OF JANUARY 2008.

Matthew Denn
Insurance Commissioner

REPORT ON MARKET CONDUCT EXAMINATION
OF THE
PENN INSURANCE AND ANNUITY COMPANY
AS OF
FEBRUARY 6, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matt Denn", written over a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 31ST day of JANUARY 2008.

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SALUTATION

October 28, 2007

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Denn:

In compliance with the instructions contained in Certificate of Examination Authority Number 05.781, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

Penn Insurance and Annuity Company

The examination was performed as of February 6, 2006. Penn Insurance and Annuity Company, hereinafter referred to as "Company" or "Penn," is incorporated under the laws of the State of Delaware. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

- 600 Dresher Road, Horsham, PA 19044

The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI, and other suitable locations.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The basic business areas that are subject to a Delaware Market Conduct Examination vary depending on the type on insurer. For all insurers these areas include:

- Company Operations/Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims

Additional areas may be included for an insurer writing Health coverage. Each business area has standards that can be examined and measured, typically utilizing sampling methodologies.

This examination is a Delaware Baseline Market Conduct Examination. It is comprised of two components. The first is a review of the Company's countrywide complaint patterns. This is not a pass/fail test. It is aimed at determining if there is a detectable pattern to the complaints the Company receives from all sources.

The second component is an analysis of the management of the various business areas subject to a market conduct examination through a review of the written procedures of the Company. This includes an analysis of how the Company communicates its instructions and intentions to its lower echelons, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the resulting findings of the measurement and monitoring activities. The examiners also determine whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis focus is then made on those areas where review indicators suggest that the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance.

All business areas noted above are addressed to some extent by one or more of the procedures reviewed thus providing a comprehensive view of the Company and its component operations.

This examination report is a report by test rather than a report by exception. This means that all areas tested are described and results indicated. Substantial departure from the norm may result in a supplemental review focused on the area so noted.

HISTORY AND PROFILE

Penn Insurance & Annuity was incorporated in Delaware in 1980. The Company acquired Penn Assurance and Reassurance Company Ltd. in 1982 and then liquidated it in 1996.

Penn Insurance & Annuity has no subsidiaries, regional offices, branch offices, departments or employees. All operations are conducted by its parent, The Penn Mutual Life Insurance Company, in accordance with a service agreement between the two companies.

METHODOLOGY

This examination is based on the Standards and Tests for a Market Conduct Examination of a Life and Health Insurer found in Chapter XV of the Delaware Market Conduct Examiners' Handbook. This chapter is derived from applicable Delaware Statutes, Rules and Regulations as referenced herein and the *NAIC's Market Conduct Examiners' Handbook*.

Some standards are measured using a single type of review, while others use a combination of all of the types of review. The types of review used in this examination fall into three general categories: "generic," "sample" and "electronic."

A "generic" review indicates that a standard was tested through an analysis of general data gathered by the examiner or provided by the examinee in response to queries by the examiner.

A "sample" review indicates that a standard was tested through direct review of a random sample of files using a sampling methodology described in the Delaware Market Conduct Examiners' Handbook and the *NAIC's Market Conduct Examiners' Handbook*. For statistical purposes, an error tolerance level of seven percent (7%) is used for claim reviews and a ten percent (10%) tolerance level is used for other types of review. The sampling techniques used are based on a ninety-five percent (95%) confidence level. This means that there is a ninety-five percent (95%) confidence level that the error percentages shown in the various standards so tested are representative of the entire set of records from which it was drawn. Note that the statistical error tolerance is not indicative of the DDOI's tolerance for deliberate error.

An "electronic" review indicates that a standard was tested through the use of a computer program or routine applied to a download of computer records of the examinee. This type of review typically reviews 100% of the records of a particular type.

Standards are measured using tests designed to adequately determine how the examinee met the standard. Each standard applied is described and the result of the testing is provided under the appropriate standard. The standard, its statutory authority under

Delaware law, and its source in the *NAIC's Market Conduct Examiners' Handbook* are provided.

Each Standard contains a brief description of the purpose or reason for the Standard. The "Result" is indicated and the examiners' "Observations" are noted. In some cases a "Recommendation" is made. Results, Observations and Recommendations are reported with the appropriate Standard.

A. COMPANY OPERATIONS/MANAGEMENT

This examination report is not designed to be a pass/fail report with the exception of the following two standards which read as follows:

- “The Company is licensed for the lines of business that are being written.”
- “The Company cooperates on a timely basis with the examiners performing the examination.”

Standard A 07

NAIC's Market Conduct Examiners' Handbook - Chapter XV §A, Standard 7, Chapter XVII §A, Standard 7
The Company is licensed for the lines of business that are being written.
18 Del. C. §318(a), §505(b) §508(b)

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company’s operations are in conformance with the Company’s Certificate of Authority.

Results: **Pass**

Observations: The Company appears to be licensed for the lines of business being written based upon a review of premium schedules and the Company’s Delaware Certificate of Authority.

Recommendations: None

Standard A 09

NAIC's Market Conduct Examiners' Handbook-Chapter VIII §A, Standard 9
The Company cooperates on a timely basis with the examiners performing the examination.
18 Del. C. §318(a), §320(c), §508(b), §520(b)3

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is cooperating with the state in the completion of an open and cogent review of the

Company's operations. Cooperation with the examiners in the conduct of an examination is not only required by statute, it is conducive to completing the examination in a timely fashion and thereby minimizing costs.

Results: **Pass**

Observations: During the course of the examination Penn was provided with fifty-three (53) Information Requests (IR's) and all responses were returned timely. The Company's communication with the examiners was very responsive. The examiners experienced no delays during the course of the examination.

Recommendations: None

B. COMPLAINTS/GRIEVANCES

The evaluation of the standards in this business area is based on the Company's response to various information requests (IR items) and complaint files at the Company. Delaware statute 18 Del. C. §2304(17) requires the Company to "...maintain a complete record of all complaints received." The statute also requires that "this record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint." Delaware's definition of a complaint is: "...any written communication primarily expressing a grievance."

Observations: The Company provided a database with twenty nine (29) logged complaints for the period under examination. All complaints in the complaint log were reviewed to determine the accuracy of the database and to look for any complaint patterns. After the review was completed no complaint patterns were present in the master log. The review of the Complaint Process is noted in Procedure 11 below.

REVIEW OF PROCEDURES

The management of well-run companies generally has some processes that are similar in structure. These processes generally take the form of written procedures. While these procedures vary in effectiveness from company to company, the absence of them or the ineffective application of them is often reflected in the failure of the various Standards that follow this section. The processes usually include:

- a planning function wherein direction, policy, objectives and goals are formulated
- an execution or implementation of the planning function elements
- a measurement function that considers the results of the planning and execution; and
- a reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

The absence of written procedures that provide direction for company staff in its various operational areas tends to produce inconsistent application of the intended process. The same is generally true for the absence of a means to measure the results of the application of procedures and a means to determine that the process is performing as intended.

The reviews in this section are not pass/fail measurements. Rather, they are intended to reflect those management strengths and weaknesses that have a bearing on regulatory compliance issues.

Procedure 01 – Audit (Internal and External)

Observations: The Company has a written Audit Procedure that is clear and readable. No discrepancies with Delaware’s statutes or regulations are noted.

In addition to audits of Home Office processes, each of the Company’s field offices are subject to a regularly scheduled review. The reviews are cycled according to certain risk factors identified by the Company and are conducted at least every three years. The reviews focus on compliance with industry rules and regulations, and also serve as an educational tool for Field Managers and agents. At the conclusion of each review a report is issued summarizing the opportunities for improvement noted during the review.

Internal Audits are conducted based on an annual risk assessment process that categorizes the specific audits by risk level. Accordingly, audits are conducted on a one, two or three-year audit cycle based on the level of risk from highest to lowest, respectively. Additionally, the business unit for Special Projects and for New System Implementations can request audits.

All Internal Audit recommendations are loaded into a tracking database and monitored until completion. Upon notification of completion, Internal Audit verifies that the agreed upon action has been properly implemented and that the action adequately mitigated or eliminated the risk(s) identified.

External audits are performed on an annual basis by PricewaterhouseCoopers (PwC) with assistance from the Internal Audit staff.

The Company’s information systems are tested both by internal and external audit reviews. Internally, the Company examines different systems based on risk and new system development/enhancement rollouts. Externally, PwC examines critical systems and performs a General Controls audit annually, with assistance from the Internal Audit department. The Management in each of the business units will partner with Internal Audit and PwC to determine the most efficient and effective controls required to address any improvement opportunities noted during an audit.

Recommendations: None

Procedure 03 – Company Records, Central Recovery and Backup

Observations: The Company's Records, Central Recovery and Backup policy was initially adopted in February 2003. From that time through to its current form the policy has been amended nine (9) times. The Company's employees are personally responsible for arranging for the storage of, restriction of access to, and retention of documents that they create. The Company's Law Department is responsible for compliance with this procedure by engaging in periodic testing and review.

The Company uses the backup software tool FDR/ABR with a feature called *Flashcopy* that allows non-disruptive backups at specific points in time. The Company performs incremental backups daily and full volume backups weekly. The Company maintains multiple backups. Hardcopy storage of policyholder files and other paper-based records is maintained by Iron Mountain.

Recommendations: None

Procedure 05 – Anti-Fraud

Observations: The Company uses the services of its parent company to administer its Anti-Fraud plan. As such, the Company itself does not actively measure the operation and effectiveness of this procedure. The current Anti-Fraud plan used by the Company has been in effect since August 2004. According to the Company, it has undergone minor changes, mostly to update personnel as well as other procedural changes. The Company noted that its approach to fraud deterrence has not substantively changed. No conflicts with Delaware's statutes or regulations are noted.

The Company's claim forms contain a fraud warning notice and the material the Company provides its producers contains a code of conduct that indicates that failure to comply with the Company's Code of Ethics may result in disciplinary action, which may include dismissal and/or involve potential civil or criminal liability. The Company also maintains an Ethics Helpline for its employees to contact should questions of fraud arise.

The Company maintains a Special Investigative Unit (SIU) within its Internal Audit/Market Conduct and Compliance Department. This Unit investigates and reports any situation involving possible impropriety in matters pertaining to the business of the Company. Claims of a suspicious nature are referred to the SIU for further investigation. The resolution of all fraudulent acts, both suspected and confirmed, are coordinated with the SIU and the Legal Department. Reports on those acts are issued to the appropriate Company executives and to the Audit Committee of the Board of Trustees. The SIU is responsible for the organization and coordination of all fraud related data and statistics for the Company, and reports the data to the appropriate state insurance departments. Anti-Fraud education and training is also provided to the Company's employees.

Recommendations: None

Procedure 06 – Disaster Recovery

Observations: The Company has a written Disaster Recovery Procedure that is clear and readable. No conflicts with Delaware’s statutes or regulations are noted. The procedure is tested annually for effectiveness by the Company’s technology and business staffs. The Company’s business staff develops and executes test plans to validate the recovery of applications and data. The Disaster Recovery Exercise results are documented in an executive summary along with the detailed infrastructure results and detailed business application results. The procedure is revised as needed or at least annually in connection with the Disaster Recovery Exercise. The last Disaster Recovery Exercise was carried out on June 22 – 24, 2005.

The Technology Architecture and Services staff is responsible for restoring the mainframe, Unix®, Windows®, and network environments. The business area representatives are responsible for testing and validating the restored applications and data. The Company maintains off-site storage for the backup of records.

The recovery plan accommodates both a localized and an area-wide disaster. IBM, the provider of business recovery services has seventeen (17) sites located throughout the United States.

Recommendations: None

Procedure 07 – Managing General Agent (MGA) Oversight and Control

Observations: The Company does not use MGA’s.

Recommendations: N/A

Procedure 08 – Vendor Oversight and Control

Observations: The Company has a written procedure for Vendor Oversight and Control. The most recent version of the procedure provided is dated January 2005. The procedure is clear and readable. No conflicts with Delaware’s statutes or regulations are noted.

The Company uses vendors for claims investigations, telephone operations, language interpretation, reprographics (for printing, assembling and mailing policyholder bills, statements and various other notifications), and for payment processing. In its written process for oversight and control, the Company lists appropriate times for the use of vendors for these tasks.

For payment processing, payments are separated into batches. The vendor creates a report of all batches processed which is accessible to the Company online. A report of the cash received for the day is generated through the Cash Disbursement System (CDS), and discrepancies are provided to the Company’s Treasury Operations and the vendor for

resolution. On a monthly basis an operational meeting/conference call is held between the Company and the vendor to discuss general processing, problems, issues and improvements. During the meeting action plans for improvement are identified.

For its reprographic needs, the Company uses a vendor to perform the services described under contract. The Company's management periodically meets with the vendor's management to review the performance under the contract, to identify potential performance issues, and to resolve these issues. For more details please refer to Procedure 24 - Premium Billing.

Recommendations: None

Procedure 09 – Customer and Consumer Privacy Protection

Observations: The Company has a written Customer and Consumer Privacy Protection procedure. The procedure was last updated on August 18, 2004. No conflicts with Delaware's statutes or regulations are noted.

In addition to its educational programs on privacy, the Company maintains an extensive array of privacy notification forms, communications, authorizations, etc. The Company summarizes its procedure by addressing the expected behavior of Associates, Producers, Representatives and Advisors when handling personal information.

The Company also notes that representatives who violate the Company's privacy policies and procedures will be subject to disciplinary action, up to and including termination for cause. Also, leaders who identify associate misconduct and believe that disciplinary action and/or termination may be required must contact Human Resources or Market Conduct and Compliance to discuss the situation and determine the appropriate and consistent action.

Recommendations: None

Procedure 10 – Production of Business

Observations: The Company's life insurance operations are conducted throughout the United States using a Career Agency System (CAS); an independent regional system called the Independent Financial Network (IFN); and a broker-dealer channel consisting of independent financial planner broker-dealers and fixed-only brokerage houses. The product portfolio for the Company includes one traditional participating whole life product.

The Company utilizes the suitability review performed by the respective broker dealer to confirm that the sale was appropriate for the variable annuity and that any whole life product was used exclusively in the 412(i) marketplace in conjunction with qualified retirement plans. The Company has maximum age limits and minimum purchase

payments for the single premium immediate annuity. The Company notes that these guidelines, along with its normal, new business review provide a certain level of suitability review. No formal review is conducted on the fixed products.

Recommendations: None

Procedure 11 – Complaint Handling

Observations: The Company has a written Complaint Handling procedure that is clear and readable. No conflicts with Delaware’s statutes or regulations are noted. The current version is dated May 2004. The examiners also observed the procedure being used during an on-site tour. The Company maintains a Microsoft Access database designed to register and track the status of the complaint handling process.

The Company maintains a file of Customer Complaints that serve as a record of written Customer Complaints received. A copy of each original complaint is kept in a separate file with a record of the disposition of the complaint. Verbal or electronically received complaints are recorded in writing and maintained in the same manner. A centralized complaint file of all written customer complaints with the Company’s written responses is maintained for a period of at least three years. On a weekly basis, the designated principal manager reviews a listing of open complaints.

Registered representatives, upon receiving correspondence from a customer, agency, state or federal jurisdiction, or company, in which either a complaint or allegation is made, must forward the complaint and supporting documentation to the Field Manager. The Field Manager then forwards the complaint with supporting documentation to the Company’s Market Conduct and Compliance (MCC) group for review and handling.

The Company’s minimum requirements for the proper handling of the complaint investigation process are as follows:

1. Record the receipt of the complaint from customer or agency.
2. Respond promptly (within ten (10) days of receipt of the complaint) by contacting the complaining party to, at a minimum, acknowledge receipt of the complaint.
3. Obtain and review any relevant records and documentation regarding the allegations set forth in the complaint.
4. Review the matter with the registered representative and/or any contact person who may possess knowledge of the circumstances of the complaint and instruct the agent to reduce his/her position to writing and send the written response to the designated compliance staff.
5. At the appropriate time, prepare and send a “close-out” letter to the complaining party providing notice of the final disposition of the complaint.

Weekly, the designated principal reviews with the MCC staff a listing of all open complaints to verify that the Company’s records accurately reflect the receipt of the complaints and that

those investigations are taking place. Upon completion of the review, the designated principal initials and dates the document. Violations of the Company's procedures discovered in this process are reported to the Vice President of Market Conduct and Compliance.

Recommendations: None

Procedure 13 – Advertising, Sales and Marketing

The Company has a written procedure for Advertising, Sales and Marketing. The procedures and supplemental information are clear, readable, organized and available to persons affected by the procedure. The Marketing Review procedure was created in 1999 and is reviewed on an annual basis. The Business Plan was published to field and home office associates in 2002 and 2003. No Business Plan was published in 2004 and 2005. The procedures are not contained within a computerized process. The Company advertising objective is to focus on trade advertising, thus advertising is only performed by Penn Mutual, not Penn Insurance and Annuities.

Adequate measurement methodologies are in place and appear to provide meaningful feedback relating to the procedures. The procedures do not appear to conflict with Delaware's statutes or regulations. Several methods and tools are used to track and measure the effectiveness of the procedure. These include:

- quarterly reviews with marketing program teams to ensure internal functions are being accomplished and processes are being followed.
- tracking systems monitor producers and field managers ordering marketing programs and supplies.
- Relizon, an outside vendor used for order fulfillment, tracks the history of usage via warehouse reports defining utilization of printed copy.
- monitoring producer access to marketing programs, tools and materials within the "Producers Place" website.

The Company's internet marketing efforts are limited to public access of the Penn Mutual website. Penn Mutual does not utilize any form of marketing through the Internet. Various methods of communication are used with the producers including electronic media to train, inform and to communicate. All electronic mail messages are distributed through the Company's e-mail system and website.

Recommendations: None

Procedure 14 – Agent Produced Advertising

Observations: The Company has a written process for Agent Produced Advertising. The process has been in place since 2001. No conflicts with Delaware’s statutes or regulations are noted.

The Company supports advertising only through the development of producer and field office brochures, for which a template and order form are in place. Once the Company receives the order form from the producer or field office with the appropriate attachments, it designs the brochure and sends a print-out of the advertisement for approval.

Advertising and marketing materials developed by producers require a compliance review and approval prior to their use. This process is described further in Procedure 13 - Advertising, Sales and Marketing.

Recommendations: None

Procedure 15 – Producer Training

Observations: The Company has a written procedure for Producer Training. The procedure is dated August 2004. No conflicts with Delaware’s statutes or regulations are noted.

The Company relies upon its Company “University” section on its website to train its producers. This section includes continuing education opportunities, training and professional development offerings, web and teleconference schedules, information on professional industry designations, industry sites and links deemed important by the Company, and other information resources.

The Company accomplishes specialized product training through the use of training outlines and materials designed by the Company for the purpose of delivering information to producers through its field managers. The Company also produces specific materials for use by key Home Office personnel who conduct a series of “road show” visits to selected field offices to perform on-site training.

In addition, materials and product information is made available to producers via the Company’s web page “Product Information” section, “Distance Learning” training programs/modules with “live” producer training is available via eLearning tools, PowerPoint presentations, Audio teleconferences, WebEx interactive teleconferences, and special producer-prepared training items to supplement materials that support new/revised product implementation.

The Company will also provide training programs including “paper and pencil” training modules, recorded teleconference materials, one-on-one training from sales managers, periodic releases with product training items through the Company’s website and

producer educational conferences. All producers are also encouraged to contact their field manager for assistance in determining the appropriate method to acquire any training.

Recommendations: None

Procedure 16 – Replacements

Observations: The Company has a written process for Replacements. The version date is April 2005. No conflicts with Delaware's statutes or regulations are noted.

The Company uses application forms approved by specific state insurance departments to sell its products. The Company monitors the use of the appropriate state forms. The application forms require the applicant to answer whether replacement of an existing life insurance policy is occurring and the agent must answer whether a replacement is involved. In the case of a replacement, the state specific notice regarding replacement is completed and the agent provides a copy of the notice to the applicant. The completed application and notice are forwarded to the field office to which the agent is assigned. The application is reviewed for completeness before it is forwarded to the New Business department in the Home Office.

As part of the application entry process, a replacement case is identified when acknowledged by the applicant. This triggers a systematic requirement identifying the state specific replacement form that is needed. The policy cannot be issued until the requirement has been received by the New Business Associate, which indicates that the appropriate form has been received and completed. The Vice President of New Business is ultimately responsible for ensuring compliance with these procedures.

Recommendations: None

Procedure 17 – Illustrations

Observations: The Company has a written Illustration process and a flow chart that describes the process. The version dates for these documents are unknown. No conflicts with Delaware's statutes or regulations are noted.

Illustrations are distributed primarily through the Company's website. The Company states that the software is protected and cannot be modified.

Models and all supporting documents for the Illustration Actuary (Illact) testing are kept on the Company's shared drive, which is backed up daily. Hard copies of documents (as described later in this document) are also kept in a binder. Illact binders exist for each year since testing was implemented in 1996.

For its inputs/sources of information, the Company utilizes the most recent version of the ALFA actuarial pricing software for Illact modeling. These pricing models are run,

copied and changed on an as needed basis. Distribution features such as average size, face amount, gender, issue age, guaranteed period, and risk class are included. Expenses, interest rates, loans, reinsurance, and riders are also considered. The process continues with the running of self-support and the running of lapse support. If a product fails both test runs, its illustrations are not allowed in the coming year, and is not included in the certification that is signed by the Illustration Actuary and submitted to the states. Other test runs may also be performed though not necessarily required.

The Company creates a binder with the “Illustration Actuary Report” for self-support and lapse support runs, account value roll-forward, Statistical and Inventory items, summary of model inputs, hard copies of assumptions, print outs of ALFA coding assumptions, summaries of the assumptions and results for all products tested, and a copy of the Illact certification submitted to the states. After reviewing the ALFA outputs and assumptions, the Illustration Actuary signs the opinions stating that the Company’s products pass the Illact tests and are acceptable to be illustrated in the coming year.

Recommendations: None

Procedure 20 – Producer Selection, Appointment and Termination

Observations: The Company has a written procedure for Producer Selection, Appointment and Termination for its Career Agency System (CAS), Independence Financial Network (IFN) and all other registered representatives. Each of these procedures has been revised within the last two years, the most recent revision being June 13, 2005. No conflicts with Delaware’s statutes or regulations are noted.

An individual wanting to become a producer must complete the “Business & Personal History” form (B&PH) and return it to the administrative person in the field office who then orders a background report (i.e. credit and criminal), and sends a request for Pre-Hire Report from the NASD, if the producer is also applying for a securities license.

Once the background reports for credit, criminal, and Pre-Hire are received, the Field Manager reviews the reports and compares the information contained in the reports to the questions answered on the B&PH. If the candidate has been convicted of a felony in the last ten (10) years or has any open issues (e.g., regulatory, criminal, civil, financial, complaint, etc.), they are not appointed or registered.

If a candidate triggers the Exception & Approval Process through their answers on the B&PH form or any disclosures in the background check, the Field Manager will review the case with their Vice President or Senior Vice President for guidance and possible approval. The exception report is reviewed quarterly in supervisory meetings with senior management.

The Market Conduct and Compliance department coordinates investigative and disciplinary activities for agents who violate Company, statutory or regulatory

requirements. Investigations are conducted, facts are gathered and then disciplinary actions are determined. Violations of statutory or regulatory requirements may lead to disciplinary actions up to and including termination for cause. Any such actions are also reported to the appropriate state regulatory authorities.

In its contract agreements, the Company states that either the Agent or the Company may terminate their agreement, with or without cause, by giving written notice of termination to the other. Terminations may take place if the Agent makes assignment for the benefit of creditors or if bankruptcy, insolvency, arrangement, debt adjustment or receivership proceedings are instituted by or against the Agent. Termination will also occur should the Agent cease to be licensed for the Company in the Agent's state of residence or upon the death of the Agent, or if the Agent's bonding coverage terminates.

Recommendations: None

Procedure 21 – Producer Defalcation

Observations: The Company addresses the conduct of its producers through its Producer's Guide to Market Conduct. The guide includes the Company's policies regarding Producer Defalcation. Prohibited actions are listed within the guide. The most current version of this guide was published in August of 2003, and it appears that it is updated on a five-year cycle. No conflicts with Delaware's statutes or regulations are noted.

The Company does not actively measure the operation and effectiveness of its guide as related to this procedure. However, it notes that other processes in place such as the resolution of customer complaints, periodic on-site review of certain producers, and the Company's Anti-Fraud plan are means to prevent and/or identify producer defalcations.

Recommendations: None

Procedure 22 – Prevention of Use of Persons with Felony Conviction

Observations: The Company has a written Prevention of Use of Persons with Felony Conviction procedure that is clear and readable. This procedure is fully addressed in Procedure 20 - Producer Selection, Appointment and Termination.

Recommendations: None

Procedure 24 – Premium Billing

Observations: The Company's procedure for Premium Billing is automated in its CK4 system, and is then outsourced to a vendor. No conflicts with Delaware's statutes or regulations are noted.

The CK4 system generates bills based on the bill-to date on the policy. The billing is automatically performed with options to bill annually, semi-annually, quarterly, monthly, or with salary allotment. The Company also provides an automatic payment option to its policyholders. Bills are generated twenty-five (25) days prior to the bill-to date. A file of bills is transmitted to Xerox where they are printed and then mailed. After the bills have been printed, Xerox sends a spreadsheet of the counts by policy type to the Company. The Senior Service Associate reconciles the Xerox Report to the generated CK4 system Report. Verification of the number of bills inserted into the CK4 system against the number of bills sent to the Xerox Company is performed.

Xerox returns all Special Handling bills to the Company. The Senior Service Associate is responsible for processing and mailing all bills.

Recommendations: None

Procedure 25 – Correspondence Routing

Observations: The Company has a written Correspondence Routing procedure. The document is clear and readable. No conflicts with Delaware’s statutes or regulations are noted.

On a daily basis the Company reviews all work it received the previous day to ensure it has been routed to the correct area. Work received is organized into categories of either “simple correspondence” or “complex correspondence.” An items’ priority status is also reviewed. A list of work that is considered high priority is listed in the Company’s computer system. Reports are used to track the quantity of work that comes in, that has been completed and that is outstanding. The reports are run monthly to ensure that responses are made within the Company’s guidelines. The examiners observed these reports in use during a systems tour at the Company’s Home Office. The written procedure was last updated on April 1, 2004.

Recommendations: None

Procedure 26 – Policy Issuance

Observations: The Company does not have a formal written procedure for Policy Issuance. A clear and readable description of the process employed by the Company was provided. No conflicts with Delaware’s statutes or regulations are noted.

The Company indicates that applications are entered into the New Business System upon receipt by either the field office for life insurance policies or the home office for annuities. The New Business System provides staff members processing the business with a listing of outstanding requirements that must be obtained prior to issuance of the policy. If no requirements are needed or once all requirements are obtained, the policy

will then be issued. For Variable Annuity business with money, the requirements must be obtained within five (5) business days or the application is closed and the money is returned to the applicant. All other applications remain open until the requirements are obtained. Outstanding requirements are communicated to the field office for life applications via an on-line status report. This report is also provided to the Company's agents. Outstanding requirements on the annuity applications are provided directly to the agent from the Home Office via telephone, e-mail or fax. The Vice President of Underwriting and AVP of Annuity New Business obtain aged reports of pending business which allow them to monitor the timeliness of processing. Policy issuance procedures have not changed during the examination period.

The examiners observed this process during a systems tour at the Company's Home Office.

Please refer to Procedure 32 – Underwriting and Selection for additional information.

Recommendations: None

Procedure 27 – Reinstatements

Observations: The Company has a written procedure for Reinstatements. The examiners reviewed the procedures, supplementary information and a sample of a reinstatement notice that is mailed to clients.

The Reinstatement procedure provides employees instructions on how to perform policy lapses and policy reinstatements. The reinstatement procedures were most recently updated on April 1, 2004 with the implementation of an automated workflow and imaging process.

After a lapse in coverage occurs the Company mails a letter to the insured informing them of the lapse, the cost to reinstate the policy and an application for reinstatement. If the policy has an outstanding loan, or if a partial payment is needed to bring the policy current, the cost for reinstatement will not be included in the lapse letter. According to the Company, the owner has five (5) years from the lapse date to reinstate the policy.

A detailed procedure for reinstatements processed within one month after the lapse date was provided to the examiners for review. The Reinstatement Department has ten (10) business days to process the request. According to the Company, the New Business Department has not established a formal turnaround time to underwrite and process the request.

Once the evidence of insurability is approved and all reinstatement costs are received, reinstatement is approved and the policy coverage is put back in force. Traditional policies (whole life and term life) are reinstated immediately upon approval in the system. Universal life policies may only be reinstated in the system on the month anniversary date following the approval.

The insurance coverage is in force during the time period between the reinstatement approval and the actual reinstatement processing in the system on the month anniversary date. Following reinstatement processing in the system, a confirmation letter is sent to the policyowner and the agent indicating that the policy is in force and outlining the scheduled billing.

The Company reviews ten percent (10%) of all reinstatements processed for quality and accuracy. If any work items fail quality control the work item is returned to the processor for correction. Once corrected, the work item is automatically returned to the quality control queue for additional review.

Recommendations: None

Procedure 28 – Insured or Member Requested Claim History

Observations: Please refer to Procedure 43 - Claims Handling for information regarding this procedure.

Recommendations: None

Procedure 30 – Premium Determination and Quotation

Observations: The Company does not have a Premium Determination and Quotation Procedure.

All underwriting is performed manually by the New Business underwriters. The underwriter follows Company underwriting guidelines in order to determine the appropriate risk classification. The underwriting file contains sufficient documentation to allow for review and determination of adherence to the Company's guidelines.

Since the 4th quarter of 2006 monthly peer reviews with management oversight have been conducted on approximately ten percent (10%) of applications underwritten. The company's underwriting decisions are also periodically reviewed by the company's reinsurers. No issues relative to appropriate risk classification were identified during the audit. Management also obtains monthly reports showing the risk classification of applications at the field office and underwriter level to enable them to monitor any outcomes or trends.

Recommendations: None

Procedure 31 – Policyholder Disclosures

Observations: The Company has a detailed process for Policyholder Disclosures. The process does not appear to conflict with Delaware's statutes or regulations. No information regarding process adoption dates or revision history was provided to the examiners.

The Company's agents are trained to ask the applicant the questions on the application and to record the answers as directed. This includes asking the applicant if they want to utilize the Automatic Premium Loan option. Once the application is completed the applicant is asked to review it before signing. The agent also signs the application. As part of the agent's training they are told that an application cannot be altered unless the applicant initials each change. A copy of the application is provided to the consumer with the policy.

Each policyholder receives a copy of their policy which details the specifications of the contract as well as any riders and/or benefits. The specifications for accelerated benefits, nonforfeiture options, and loan provisions are all included in the policy provided to the policyholder. For life insurance policies, the policyholder also receives an annual statement that shows values, premiums paid, charges deducted, loan activity and interest credited. Information regarding pre-need funeral contracts is not applicable in regard to this Company and their products.

In addition to contact with their agents, the policyholder can contact the Home Office Customer Service Team. This team is trained to respond to client questions about their policy, statements, or other correspondence. Calls are received through a toll free number and are recorded and monitored for quality and accuracy.

The Company states that it does not make any material changes to a contract unless a written request is received from the policyholder. With this authorization, the request is processed and confirmation of the change, in the form of an endorsement, along with a copy of the request, is sent to the policyholder.

Recommendations: None

Procedure 32 – Underwriting and Selection

Observations: The Company has a written procedure for Underwriting and Selection. The examiners reviewed the procedure and supplementary information provided by the Company. These procedures are updated annually and were adopted over the course of several years, from 1997 to 2004.

State-specific packages provide producers with the basic forms and instructions needed for an applicant to apply for life insurance. The examiners were provided the Guaranteed Issue and Simplified Underwriting application forms. The guidelines for Guaranteed Issue and Simplified Underwriting are administered by the Company's Actuarial area.

The producer is responsible for obtaining the properly completed forms which are available both in paper and electronically. In addition to the application forms, the producer has access to other forms and the Producer's Underwriting Guide (PUG) on the Company's website. The PUG provides underwriting information and guidelines (routine age/amount requirements, financial underwriting guidelines, Preferred Class criteria, etc.) for all producers.

The field office is responsible for ensuring that the producer has submitted properly completed forms, ordering the underwriting requirements and developing the computer record of the new application. The field office uses the New Business Manual to ensure the process is correctly followed.

Upon receipt of the application and related information in the Home Office, the underwriter reviews all of the information, ensures that all of the underwriting requirements are complete, compares the risk factors to the underwriting manual and makes a decision regarding the proper rate classification for the risk presented. Penn Mutual uses the Transamerica Reinsurance RS Guide Underwriting Manual. This manual is found on Transamerica Reinsurance's website and was provided to the examiners for review.

If the case is declined or rated and meets premium and face amount minimums (\$100,000 face amount and \$1,000 premium), the underwriter will send the case to reinsurance outlets to see if a better underwriting offer is available. The underwriter documents the various requirements, risk factors and the final decision, policy issue and reinsurance instructions in the file. Each underwriter has approval authority based upon their experience level. Cases for amounts over their authority are referred to the Director of Underwriting for review and approval.

The case activity is captured in the processing system while an application is being underwritten. After the underwriter approves a life application, the rate, class and issue instructions are captured on the Underwriting Approval Worksheet. Upon receipt of instructions from the field office and the underwriter, the case administrator issues a policy. A case administrator checks key information during the issue process. The policy forms are automatically generated by the Policy Issue system. Copies of the application and examination forms are added to the systems-generated policy forms and a policy is assembled. The policy is mailed to either the field office or producer.

The policy forms are created and filed with the states by the Actuarial area. They coordinate the approved forms with the Information Technology Department to ensure that the policy issue system is updated.

The appropriateness of underwriting decisions is monitored through monthly reports, case reviews by managers, reinsurance reviews, Medical Director Reviews, and various audits. These documents were observed during the course of an on site tour of the Company's underwriting system. No conflicts with Delaware's statutes or regulations are noted.

The examiners reviewed the last ten (10) newly issued policies for confirmation of the Company's procedure. The policy information and documentation was complete for each file.

Recommendations: None

Procedure 33 – Rate and Form Filing

Observations: The Company provided its written procedures for Rate and Form Filings to the examiners for review. The version date is December 21, 2005 and is updated annually.

The Policy Form department receives drafts of policy forms for new products from the Product Development Actuarial Staff. The department ensures that the form complies with current state insurance department rules and regulations. For changes to existing products and other policy forms, the Policy Filing area works with the Product Manager Actuary to review the changes and to ensure that such changes comply with state laws. The Company relies upon the following sources of rules and regulations for its policy forms: state insurance department regulations used in previously approved state filings and any updates, insurance department filing checklists, and the American Council of Life Insurer's (ACLI) Surveys of Insurance Codes. The Legal Department of Penn Mutual addresses any questions that may arise or provides an interpretation and/or clarification of any statute or regulation. Changes in statutes, rules and regulations via direct notification from the insurance departments, ACLI, and internal law department are reviewed for potential impact on current products. Any changes are incorporated into the affected policies and re-filed for approval, if required.

The Manager of Policy Forms reviews the filings produced by the employees after they are prepared. The Product Manager Actuary certifies, where applicable, that the individual state filing, to the best of his/her knowledge, is compliant with the rules and regulations of that particular state.

On an annual basis, the Policy Filing Staff reviews common provisions in currently marketed policy forms (*i.e.* free look provisions) to ensure that such provisions remain in compliance with the rules and regulations of each state. A staff member creates a report that summarizes the provision that was reviewed and any changes that are required to be filed.

Approvals from the state insurance departments are logged into the tracking system indicating the date the file was approved. Communication to the Home Office regarding the approval of forms is made via the Company's intranet.

Recommendations: None

Procedure 34 – Terminations

Observations: The Company has a written procedure for Terminations. The examiners reviewed the procedure, declination procedures, surrender processing procedures, reinstatement documents, and sample declination letters provided by the Company. These procedures are updated annually and were most recently adopted April 1, 2004.

The New Business Department is responsible for handling declinations and occasionally rescissions. The Company considers rejections to be the same as declinations. Since life insurance policies are not cancellable or non-renewable by the Company, the Company does not have a formal process or procedure for cancellations.

Declinations are the direct result of the underwriting of an application. The initial underwriting procedure is described above in Procedure 32 – Underwriting and Selection. If the risk falls outside of the parameters that are acceptable to the Company, and if the application is for a policy of at least \$100,000 with an annual premium of \$1,000, the underwriter will try to obtain coverage through other reinsurers. According to the Company, declinations occur in less than five percent (5%) of its life applications.

When an application is declined the underwriter enters a message in the Company's computer system advising the field office of the declination. Any premium that was submitted with the application is refunded to the applicant and a letter explaining the reason for the declination is sent to the proposed insured within five (5) days of the message being put into the system. The declination letter also includes insured policy information and Company contact information for the proposed insured to use for any additional questions. Random reviews are performed to ensure the timeliness of the declination letters.

The appropriateness of the underwriting action is monitored through the manager's case review, reinsurance review, reinsurance audits, and the monitoring of the Company's overall declination rate by age, amount, team, underwriter and field office.

Recommendations: None

Procedure 35 – Underwriting File Documentation

Observations: The Company does not have a written procedure for Underwriting File Documentation, although an informal process is in place for the employee to follow. A specific format is used for every underwriting file. Each application file has an Underwriting Approval Worksheet and a "Topsheet" used to capture underwriting information in a consistent format, such as tracking missing items, summarizing the medical histories and other risk factors, and to sum the debits and credits associated with the risk factors to arrive at the appropriate risk classification.

Once the proper risk classification has been determined an approval worksheet is utilized to instruct the case administrator how to issue the policy. The Underwriting Approval

Worksheet contains provisions for the rate class, tobacco status, reinsurance if required, approval of policy riders and amendments. The form also captures the date of approval by the underwriter.

Underwriting files are available in either paper or imaged format, depending on where the application is in the process. During the underwriting process the files are in paper form. Management protocol is to review underwriting files on a daily basis for proper documentation before the imaging process begins. Once underwriting has been completed and the policy has been issued, the file is scanned and transferred into an imaged format. Efforts undertaken by the Company to locate missing policyholders or beneficiaries are described in Procedure 043 - Claim Handling Procedure.

Recommendations: None

Procedure 36 – Underwriting Training

Observations: The Company stated that it hires only experienced underwriters and has not hired an underwriter trainee in several years. For a less experienced underwriter, they receive one-on-one case training from the Director of Underwriting to strengthen their underwriting skills and they are required to consult with the Director of Underwriting for cases over their approval authority limits. This includes instruction on the Company's products, underwriting manual, application forms, computer systems, etc.

Ongoing education in the field of risk selection is strongly encouraged by the Company for all underwriters. The Company requires participation in the Academy of Life Underwriting Education Program, which is a national continuing education and designation process for professionals in the field of life insurance. The Company also encourages attendance at professional seminars and national and local meetings.

The Company's Medical Director provides updates to all of the underwriters on changes in the field of medicine and underwriting. Department management provides informational sessions on new products and other topics of interest. The reinsurance companies also provide some educational opportunities for the underwriters.

Recommendations: Although no problems were found with the Company's process, there are no written procedures for another employee to follow in the event that the Director of Underwriting should not be available. It is therefore recommended that the Company document its process for underwriter training in a formal document in order to ensure continuity of the process.

Procedure 40 – Staff Training

Observations: The Company has a written procedure for Staff Training. The examiners reviewed the procedure, an annuity training manual, an outline for a life insurance

training class, a quality control sheet, and a call monitoring form. Training procedures were established in April of 2000.

Employee training lasts for ten (10) weeks, with approximately six (6) weeks of classroom learning and approximately four (4) weeks of the employee handling telephone calls. A detailed training curriculum was provided to the examiners for review. The training curriculum includes a comprehensive list of daily tasks and activities for the new employees. The activities and topics include: computerized system orientation and training, key insurance terms and concept knowledge, telephone conversation protocols and information requirements, departmental overviews and testing review sessions.

Trainees are required to pass weekly tests with a minimum grade during the initial weeks of training, as well as be successful on the telephones, in order to graduate from training. One retest, per test, is allowed. A non-passing grade on a retest results in dismissal. The trainees are monitored on a daily basis during the four (4) weeks that they handle calls. An average of three calls per representative per day is reviewed.

Management continuously monitors the performance of the trainee in order to determine staffing needs and to plan training classes, cross-training sessions, or shift resources if necessary. Evidence of feedback to the trainee from management includes an Annuity Services Call Center quality control sheet which provides the employee's specific information such as, the nature of the call, the employee's call content, the compliance rating of the call, the overall rating of the call (ranging from excellent to poor), the employee's manager's comments, and whether or not any disciplinary action was required.

Recommendations: None

Procedure 43 – Claim Handling

Observations: The Company has a written procedure for Claims Handling. The examiners reviewed the Company's claims procedure, a sample claim form, the claims denial process and supplementary information provided by the Company. These procedures are updated annually and were last adopted in December 2005.

The Death Claims area is a work team comprised of five (5) examiners and two (2) telephone representatives reporting to a team leader. Training for all claims representatives includes on-the-job training as well as an education certification program from the Academy of Life Underwriting Society.

Each claims examiner has assigned control functions to support the area. The Life and Annuity Services Contact Team is responsible for opening, sorting, scanning and indexing any mail received for this area. The Contact Team representative then delivers a claims work item to a claims telephone representative for review. The telephone representative is responsible for identifying if the deceased is a client of Penn Mutual, and if so, for then gathering the necessary information to initiate the claim.

The examiners reviewed procedures for both fast track and non-fast track claims. The decision to fast track a claim or use the non-fast track option is based on the value of the policy's benefit. This value is weighted against certain pre-determined criteria coded in the transaction database to determine the claim type.

On a daily basis, a claims examiner runs a report from the transaction database listing all claims initiated the previous day. A comparison to Automatic Work Distribution System (AWD) imaged contracts/policies is performed and the resultant report is taken to the mail center where it is faxed to Iron Mountain, the storage vendor used by the Company. The application file is pulled and delivered to the mail center for imaging. Upon receipt, the mail center representative prepares, scans and indexes the application file into AWD. As part of the verification process the policy file is reviewed by the claims examiner.

The examiners' onsite tour of the Company's operations included a review of a sample claim filing through the AWD system. Daily reports are used to track the completion of claim information. Follow-up correspondence is required to be sent if there is any incomplete claim information. Complaints are assigned by date into each queue for processing. The average turnaround time for paid claims is fifteen (15) days.

Within the first two years of issue, contestable claims may be denied due to material misrepresentation of facts on the original application for coverage or for a suicide. If a policy lapses and is reinstated with an Evidence of Insurability Form, a new contestable period begins.

Contestable claims are investigated by an outside investigator who interviews the beneficiary and gathers all medical information requested by the claims examiner that is necessary to verify the information submitted. If any misrepresentation is discovered, the claims examiner documents the pertinent information and the claim is referred to the Underwriting Department for review. Based on the application file, the claim examiner's notes and the data collected from medical sources, the underwriter makes a determination whether the policy would have been issued had the information been fully disclosed. Based on an underwriting decision of 'not to issue,' the claim examiner prepares a denial letter and refers the claim to the Legal Department for final review. A formal list outlining conditions for denial was not provided to the examiners. Based on the lack of a formal denial list, the underwriter's decisions could be too subjective and/or arbitrary.

If an insured commits suicide within the first two years of issue, the claims examiner prepares a denial letter and refers the claim to the Legal Department for final review. A check for the refund of premiums paid is issued and sent with the denial letter to the beneficiary.

Recommendations: It is recommended that the Company develop a formal list of conditions for denial in order to establish objective criteria rather than subjective reasons.

Procedure 44 – Internal Claim Audit

Observations: The Company has a written procedure for Internal Claim Audit. The examiners reviewed the procedure and supplementary information provided by the Company. The internal claim audit procedure was created in December 2005 and is reviewed on an annual basis.

The claims processing system has built-in internal and external requirements which can generate correspondence automatically. If requested items are not received within twenty-five (25) days from the date of initiation, a follow-up letter is generated and every thirty (30) days thereafter, for the next two months. After the fourth and final follow-up notice, if any item is still outstanding the system moves the pending transaction to the Urgent Queue.

The Urgent Queue is monitored on a weekly basis by the claims examiners and monthly by the Team Leader. A work item is created in the Company's database for every claim. If the claim has not been settled in 120 days, the work item is delivered to a follow-up queue for handling. A Claim Receipt Document Report is run daily by the Team Leader to monitor receipt dates of all items received to ensure they are processed within established timeframes.

A Follow-Up Death Claim Report is generated weekly and reviewed by the Team Leader to monitor the notification status of pending claims. Suspense reports are reviewed daily by the claims examiners to ensure all accounting entries have cleared on claims paid the previous day. Suspense reports are reviewed monthly by the Team Leader to monitor outstanding claims beyond established guidelines. On a monthly basis a random sample of ten percent (10%) of paid claims is reviewed for accuracy by management and to ensure compliance with established procedures. All claim settlements of \$700,000 or more require written management approval (via e-mail). All claims with proceeds of \$100,000 and greater are second checked by a senior claims examiner.

Recommendations: None

Procedure 45 – Claim File Documentation

Observations: The Company does not have a Claim File Documentation procedure. The Company did, however, provide the examiners with a description of the computer database that routes documents through the Company. This description was created in December of 2005. No revision history or measurement structures were provided to the examiners.

The Automated Work Distributor System (AWD) is an object-oriented, image-enabled work management system that electronically routes documents through the system. Documents are stored in digital format. It is the responsibility of the Life and Annuity Services Contact Team to open, sort, scan and index all claims mailed into the AWD System.

Claim documents are created as Cases. Cases are work items designed to route multiple transactions or sources through the AWD System together. These items are grouped together for historical or processing purposes. The application file(s) is requested for all death claims. It is the responsibility of the Mail Room to order the application file from Iron Mountain (storage vendor) and to sort, scan and index the contents of the file.

Incoming faxes are automatically loaded into the AWD System. It is the responsibility of the Life and Annuity Services Contact Team to index claim faxes. Copies of claim letters generated by the Correspondence System are stored in a Company database.

Correspondence created by the claims examiner relevant to the claim is loaded into the AWD System by the claims examiner. Any supporting system screen prints (e.g., contract values screens) are also loaded into the system by the claims examiner.

Recommendations: None

SUMMARY

The examination was a limited scope market conduct examination of the following business areas: Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

LIST OF RECOMMENDATIONS

Recommendations have been made to address the areas of concern noted during the examination. These are summarized below.

Recommendation P-36, Underwriting Training - Although no problems were found with the Company's process, there are no written procedures for another employee to follow in the event that the Director of Underwriting should not be available. It is therefore recommended that the Company document its process for underwriter training in a formal document in order to ensure continuity of the process (p. 23).

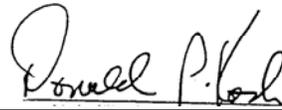
Recommendation P-43, Claims Handling – It is recommended that the Company develop a formal list of conditions for denial in order to establish objective criteria rather than subjective reasons (p. 26).

CONCLUSION

The examination was conducted by Donald P. Koch, Brian T. Tinsley, Sean Connolly, Cindy Amann and Nobu Koch, and is respectfully submitted,



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