STATEMENT OF ADDITIONAL INFORMATION

For The
PROTECTION VUL

a flexible premium adjustable variable life insurance policy issued by
THE PENN INSURANCE AND ANNUITY COMPANY

and funded through
PIA VARIABLE LIFE ACCOUNT I

The Penn Insurance and Annuity Company
PO Box 178, Philadelphia, PA 19105
800-523-0650

May 1, 2023

This Statement of Additional Information (the “SAI”) is not a prospectus. It should be read in conjunction with our Protection VUL prospectus dated May 1, 2023. A copy of the prospectus for the Policy is available, without charge, by writing to The Penn Insurance and Annuity Company (“PIA” or “the Company”), Customer Service Group – C3P, PO Box 178, Philadelphia, Pennsylvania, 19105. Or, you may call, toll free, 1-800-523-0650, or access our website at www.pennmutual.com.

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THE PENN INSURANCE AND ANNUITY COMPANY

The Penn Insurance and Annuity Company is a Delaware stock life insurance company. We are a wholly-owned subsidiary of Penn Mutual Life Insurance Company. We were chartered in 1982 and have been continuously engaged in the life insurance business since that date. We are licensed to sell insurance in 49 states and the District of Columbia. Our corporate headquarters are located at 600 Dresher Road, Horsham, Pennsylvania, 19044, a suburb of Philadelphia. Our mailing address is The Penn Insurance and Annuity Company, PO Box 178, Philadelphia, Pennsylvania, 19105.

PIA Variable Life Account I

We established PIA Variable Life Account I (the “Separate Account”) as a separate investment account under Delaware law on March 10, 2021. The Separate Account is registered with the Securities and Exchange Commission (the “SEC”) as a unit investment trust under the Investment Company Act of 1940 (the “1940 Act”) and qualifies as a “separate account” within the meaning of the federal securities laws.

The value of accumulation units in the Variable Investment Options is determined by multiplying the accumulation unit value for the prior valuation period by the net investment factor for the current valuation period.

The net investment factor is an index used to measure the investment performance of each Variable Investment Option from one valuation period to the next. The net investment factor is determined by dividing (a) by (b), where

(a) is the net asset value per share of the Fund held in the subaccount, as of the end of the current valuation period, plus the per share amount of any dividend or capital gain distributions by the fund if the ex-dividend date occurs in the valuation period; and

(b) is the net asset value per share of the Fund held in the subaccount as of the end of the last prior valuation period.

ADDITIONAL INFORMATION

Assignment

You may assign the Policy while it is in force during the life of either Insured. Your rights, and the rights of any beneficiary, will be subject to the rights of an assignee under the terms of an assignment. We will not be bound by any assignment until you provide a signed form, that we have either provided or find acceptable, and the form has been filed at the home office. Unless you specify otherwise, the assignment will take effect as of the date you signed the form, subject to any action we have taken prior to the time that the assignment is received at the home office. We are not responsible for the effect or the validity of any assignment.

Misstatement of Age or Gender

If the insured’s age or gender (if the policy is issued on a sex-distinct basis) has been misstated, we will adjust the proceeds payable under the Policy based on what the last monthly charges would have purchased at the correct age or gender (if the policy is issued on a sex-distinct basis).

Incontestability

After a Policy has been in force during the insured’s lifetime for two years from the original Policy date, we may not contest the Policy, except in the case of fraud. However, if there has been a Policy change or reinstatement for which we required evidence of insurability, we may contest that Policy change or reinstatement for two years with respect to information provided at that time, during the lifetime of the insured, from the effective date of the Policy change or reinstatement.
**Suicide**

If the insured, whether sane or insane, dies by suicide, within two years of the original Policy date, our liability will be limited to an amount equal to the premiums paid for the Policy less any Policy loan partial withdrawals. If there has been a Policy change or reinstatement for which we required evidence of insurability, and if the insured dies by suicide within two years from the effective date of the Policy change or reinstatement, our liability with respect to the Policy change or reinstatement will be limited to an amount equal to the portion of the monthly charges associated with that Policy change or reinstatement.

**No-Lapse Guarantee Rider**

This rider is automatically included with your Policy at no additional cost. This rider prevents the lapse of the Policy when the Net Cash Surrender Value is insufficient to cover the Monthly Deduction for the following month as long as the No-Lapse Guarantee Requirement is satisfied. The Rider may last until the Maturity Date of the Policy.

We will continue to deduct Monthly Deductions from the Policy Value while the Policy is in force under the Rider. The Policy will remain in force with a negative Policy Value if the No-Lapse Guarantee Requirement is satisfied. We will not credit interest to the negative Policy Value. The Net Amount at Risk used to calculate Monthly Deductions will not exceed the Basic Death Benefit divided by the Death Benefit Discount Factor despite a negative Policy Value. The Death Benefit will not be reduced due to a negative Policy Value. Loan interest will continue to accrue and will be added to your Policy Debt.

**No-Lapse Guarantee Requirement ("NLG Requirement")**. On each Monthly Anniversary while this Policy is in force, the NLG Requirement is satisfied if the No-Lapse Guarantee Account, less any Policy Debt, exceeds zero.

A change in the Specified Amount, the addition, deletion or change of any supplemental riders to this Policy, or a change in the rate class of the insured may result in a change in the No-Lapse Percent of Premium Charge, No-Lapse Monthly Deductions, and No-Lapse Interest Rate. As a result, additional premiums may be required on the date of change in order to satisfy the NLG Requirement.

**No-Lapse Guarantee Account ("NLGA")**. The NLGA is only used to determine whether or not the NLG Requirement is satisfied. The rates and charges used to determine the NLGA are guaranteed for the life of the Policy and are different from the rates and charges used to determine the value of your Policy.

On the Policy Date, the NLGA is the initial premium paid less the sum of:

(a) the applicable No-Lapse Percent of Premium Charge shown in the Policy Specifications; and
(b) the applicable No-Lapse Monthly Deduction for the first Policy month.

On each Monthly Anniversary until the No-Lapse Guarantee End Date while this Policy is in force, the NLGA equals the sum of:

(a) the NLGA on the preceding Monthly Anniversary;
(b) one month’s interest on (a) using the applicable No-Lapse Interest Rate;
(c) any premium paid since the preceding Monthly Anniversary reduced by the applicable No-Lapse Percent of Premium Charge; and
(d) interest on (c) using the applicable No-Lapse Interest Rate from the date of receipt in the Home Office to the Monthly Anniversary;

less the sum of:

(a) any partial withdrawal since the preceding Monthly Anniversary;
(b) interest on (a) using the applicable No-Lapse Interest Rate from the date of withdrawal to the Monthly Anniversary; and
(c) the applicable No-Lapse Monthly Deduction for the following Policy month.
No-Lapse Percent of Premium Charge. The No-Lapse Percent of Premium Charge is deducted each time a premium is paid in the calculation of the NLGA.

No-Lapse Monthly Deduction. The No-Lapse Monthly Deduction is the sum of:
(a) the No-Lapse COI Charge for the Policy month;
(b) the No-Lapse Per Policy Expense Charge;
(c) the No-Lapse Expense Charge Per $1,000 of Specified Amount; and
(d) the Monthly Deduction for the Policy month for any benefits provided by a supplemental rider made a part of this Policy determined as described in the rider section but using any applicable NLGA value and the applicable No-Lapse rates shown in the Policy Specifications.

No-Lapse COI Charge. The No-Lapse COI Charge is determined on a monthly basis. The No-Lapse COI Charge for a Policy month is calculated as the sum of (a) multiplied by (b) where:
(a) is the applicable No-Lapse COI Rate divided by 1,000; and
(b) is the No-Lapse Net Amount at Risk.

No-Lapse Net Amount at Risk. The No-Lapse Net Amount at Risk is equal to (a) divided by (b) minus (c) where
(a) is the Specified Amount at the beginning of the Policy month;
(b) is the Death Benefit Discount Factor as shown in the Policy Specifications; and
(c) is the NLGA at the beginning of the Policy month before the No-Lapse Monthly Deduction.

If the calculation above causes the No-Lapse Net Amount at Risk to be negative, then the No-Lapse Net Amount at Risk will be set equal to zero.

No-Lapse COI Rate. The No-Lapse COI Rate is shown in the Policy Specifications and is based on Policy year and on the issue age, sex (if the Policy is issued on a sex-distinct basis), and rate class of both of the insured. A change in the Specified Amount may result in a change in the No-Lapse COI Rate.

No-Lapse Per Policy Expense Charge. The No-Lapse Per Policy Expense Charge is a monthly expense charge and is shown in the Policy Specifications.

No-Lapse Expense Charge Per $1,000 of Specified Amount. The No-Lapse Expense Charge Per $1,000 of Specified Amount is a monthly expense charge and is shown in the Policy Specifications.

No-Lapse Interest Rate. The No-Lapse Interest Rate is described in the Policy Specifications. A change in the Specified Amount may result in a change in the No-Lapse Interest Rate.

Allocation Requirements. In order to keep this Rider in force, we reserve the right to establish:
• a maximum percentage of the Policy Value to be permitted in certain subaccounts and/or the Fixed Account; and/or
• a minimum percentage of the Policy Value to be required in certain subaccounts.

Should we choose to enforce these restrictions, we will provide advance notice to you. Such notice will identify the restriction percentages to be applied and the subaccounts and/or Fixed Account impacted. We will evaluate the imposition of these restrictions on an annual basis.
Non-Principal Risks

In addition to the section of the prospectus on the principal risks of investing in the Policy, risks are disclosed separately in each of the appropriate sections of the prospectus.

FEDERAL INCOME TAX CONSIDERATIONS

The following summary provides a general description of the federal income tax considerations associated with the Policy and does not purport to be complete or to cover all situations. This discussion is not intended as tax advice. Counsel or other competent tax advisers should be consulted for more complete information. This discussion is based on our understanding of the present federal income tax laws as they are currently interpreted by the Internal Revenue Service (the “IRS”). No representation is made as to the likelihood of continuation of the present Federal income tax laws or of the current interpretations by the IRS.

Tax Status of the Policy

Death benefits paid under contracts that qualify as life insurance policies under federal income tax law are not subject to federal income tax. Investment gains credited to such policies are not subject to income tax as long as they remain in the Policy. Assuming your Policy is not treated as a “modified endowment contract” under federal income tax law, distributions from the Policy are generally treated as first the return of investment in the Policy and then, only after the return of all investment in the Policy, as distributions of taxable income. Amounts borrowed under the Policy also are not generally subject to federal income tax at the time of the borrowing. An exception to this general rule occurs in the case of a decrease in the Policy’s death benefit or any other change that reduces benefits under the Policy in the first 15 years after the Policy is issued and that results in a cash distribution to the owner in order for the Policy to continue qualifying as life insurance. The application of these rules may vary depending on whether the change occurs in the first five years after the Policy is issued. Such a cash distribution may be taxed in whole or in part as ordinary income (to the extent of any gain in the Policy) under rules prescribed in Section 7702 of the Code.

To qualify as a life insurance contract for federal income tax purposes, the Policy must meet the definition of a life insurance contract which is set forth in Section 7702 of the Internal Revenue Code of 1986, as amended (the “Code”). Guidance as to how these requirements are to be applied is limited. Section 7702 was amended by U.S. federal tax legislation that was enacted on December 22, 2017 and on December 27, 2020. Certain aspects of the legislation are currently uncertain and future administrative guidance or legislation may result in additional changes. The manner in which Section 7702 should be applied to certain features of the Policy offered in its prospectus is not directly addressed by Section 7702 or any guidance issued to date under Section 7702. Nevertheless, the Company believes it is reasonable to conclude that the Policy will meet the Section 7702 definition of a life insurance contract. In the absence of final regulations or other pertinent interpretations of Section 7702, however, there is necessarily some uncertainty as to whether the Policy will meet the statutory life insurance contract definition, particularly if it insures a substandard risk. If the Policy were determined not to be a life insurance contract for purposes of Section 7702, such contract would not provide most of the tax advantages normally provided by a life insurance contract.

If it is subsequently determined that the Policy does not satisfy Section 7702, we may take whatever steps are appropriate and reasonable to comply with Section 7702. For these reasons, we reserve the right to restrict Policy transactions as necessary to attempt to qualify it as a life insurance contract under Section 7702.

Section 817(h) of the Code requires that the investments of each subaccount of the Separate Account must be “adequately diversified” in accordance with Treasury regulations in order for the Policy to qualify as a life insurance contract under Section 7702 of the Code (discussed above). The funds in which each subaccount of the Separate Account may invest are owned exclusively by the Separate Account and certain other qualified investors. As a result, the Separate Account expects to be able to look through to the funds’ investments in order to establish that each subaccount is “adequately diversified”. It is expected that each underlying fund will comply with the diversification requirement applicable to the subaccounts as though the requirement applied to that underlying fund. Penn Mutual believes that the Separate Account will meet the diversification requirement, and Penn Mutual will monitor continued compliance with this requirement.
The Treasury Department has stated in published rulings that a variable contract owner will be considered the owner of the related separate account assets if the contract owner possesses incidents of ownership in those assets, such as the ability to exercise investment control over the assets. In circumstances where the variable contract owner is considered the owner of separate account assets, income and gain from the assets would be currently includable in the variable contract owner’s gross income. The Treasury Department has indicated that in regulations or revenue rulings under Section 817(d), (relating to the definition of a variable contract), it will provide guidance on the extent to which contract owners may direct their investments to particular subaccounts without being treated as owners of the underlying shares. The Internal Revenue Service (“IRS”) has issued Revenue Ruling 2003-91 in which it ruled that the ability to choose among as many as 20 subaccounts and make not more than one transfer per 30-day period without charge did not result in the owner of the Policy being treated as the owner of the assets in the subaccount under the investment control doctrine.

The ownership rights under the Policy are similar to, but different in certain respects from, those described by the IRS in Revenue Ruling 2003-91 and other rulings in which it was determined that Policy owners were not owners of the subaccount assets. It is possible that these differences could result in Policy owners being treated as the owners of the assets of the subaccounts under the Policy. We, therefore, reserve the right to modify the Policy as necessary to attempt to prevent the owners of the Policy from being considered the owners of a pro rata share of the assets of the subaccounts under the Policy. In addition, it is possible that if regulations or additional rulings are issued, the contract may need to be modified to comply with them.

**Tax Qualification Test**

For the Survivorship Protection VUL Policy to be treated as a life insurance contract under the Code, it must pass one of two tests — a cash value accumulation test or a guideline premium/cash value corridor test. We currently offer only the cash value accumulation test. Guidance as to how these requirements are to be applied is limited. Nevertheless, we believe that the Policy should satisfy the applicable requirements.

The following discussion assumes that the Policy qualifies as a life insurance contract for federal income tax purposes.

We believe that the proceeds and cash value increases of the Policy should be treated in a manner consistent with a fixed-benefit life insurance policy for federal income tax purposes. Thus, the death benefit under the Policy should be excludable from the gross income of the beneficiary under Section 101(a)(1) of the Code.

**Modified Endowment Contracts**

The Code establishes a class of life insurance contracts designated as “modified endowment contracts,” which applies to policies entered into or materially changed after June 20, 1988.

Due to the Policy’s flexibility, classification as a modified endowment contract will depend on the individual circumstances of the Policy. Guidance as to how these requirements are to be applied is limited. In general, the Policy will be a modified endowment contract if the accumulated premiums paid at any time during the first seven Policy years exceeds the sum of the net level premiums which would have been paid on or before such time if the Policy provided for paid-up future benefits after the payment of seven level annual premiums. The determination of whether the Policy will be a modified endowment contract after a material change generally depends upon the relationship of the death benefit and Policy value at the time of such change and the additional premiums paid in the seven years following the material change. We will endeavor to notify you on a timely basis if we believe you have exceeded this limit and the Policy has become a modified endowment contract under the Code.

All policies that we or our affiliate issue to the same owner during any calendar year, which are treated as modified endowment contracts, are treated as one modified endowment contract for purposes of determining the amount includable in gross income under Section 72(e) of the Code.
If there is a reduction in the benefits under the Policy during the first seven Policy years, for example, as a result of a partial withdrawal or surrender, the seven-pay test will have to be reapplied as if the Policy had originally been issued at the reduced Specified Amount. If there is a “material change” in the Policy’s benefits or other terms, the Policy may have to be retested as if it were a newly issued Policy. A material change may occur, for example, when there is an increase in the death benefit which is due to the payment of an unnecessary premium. Unnecessary premiums are premiums paid into the Policy which are not needed in order to provide a death benefit equal to the lowest death benefit that was payable in the first seven Policy years. To prevent your Policy from becoming a modified endowment contract, it may be necessary to limit premium payments or to limit reductions in benefits. A current or prospective Policy owner should consult a competent tax adviser to determine whether a Policy transaction will cause the Policy to be classified as a modified endowment contract.

The rules relating to whether the Policy will be treated as a modified endowment contract are complex and make it impracticable to adequately describe in full in the limited confines of this summary. Therefore, you should consult with a competent adviser to determine whether the Policy transaction will cause the Policy to be treated as a modified endowment contract.

**Distributions from Policies Classified as Modified Endowment Contracts**

Policies classified as a modified endowment contract will be subject to the following tax rules. First, all distributions, including distributions upon surrender and partial withdrawals from the Policy are treated as ordinary income subject to tax up to the amount equal to the excess (if any) of the Policy value immediately before the distribution over the investment in the Policy (described below) at such time. Second, loans taken from, or secured by, such a Policy are treated as distributions from the Policy and taxed accordingly. Past due loan interest that is added to the loan amount will be treated as a loan. Third, a 10 percent additional income tax is imposed on the portion of any distribution from, or loan taken from or secured by, the Policy that is included in income except where the distribution or loan is made on or after the owner attains age 59 1/2, is attributable to the owner becoming disabled (as determined under the Code), or is part of a series of substantially equal periodic payments for the life (or life expectancy) of the owner or the joint lives (or joint life expectancies) of the owner and the owner’s beneficiary.

If a Policy becomes a modified endowment contract, distributions that occur during the Policy year will be taxed as distributions from a modified endowment contract. In addition, distributions from a Policy within two years before it becomes a modified endowment contract may be taxed in this manner. This means that a distribution made from a Policy that is not a modified endowment contract could later become taxable as a distribution from a modified endowment contract.

**Distributions from Policies Not Classified as Modified Endowment Contracts**

Distributions from a Policy that is not classified as a modified endowment contract, are generally treated as first recovering the investment in the Policy (described below) and then, only after the return of all such investment in the Policy, as distributions of taxable income. Amounts borrowed under the Policy also are not generally subject to federal income tax at the time of the borrowing. An exception to this general rule occurs in the case of a decrease in the Policy’s death benefit or any other change that reduces benefits under the Policy in the first 15 years after the Policy is issued and that results in a cash distribution to the owner in order for the Policy to continue complying with the Section 7702 definitional limits. The application of these rules may vary depending on whether the change occurs in the first five years after the Policy is issued. Such a cash distribution may be taxed in whole or in part as ordinary income (to the extent of any gain in the Policy) under rules prescribed in Section 7702.

Finally, neither distributions (including distributions upon surrender) nor loans from, or secured by, the Policy that is not classified as a modified endowment contract are subject to the 10 percent additional tax.
Policy Loan Interest

Generally, personal interest paid on a loan under the Policy which is owned by an individual is not deductible. In addition, interest on any loan under the Policy owned by a taxpayer and covering the life of any individual will generally not be tax deductible. The deduction of interest on Policy loans may also be subject to the restrictions of Section 264 of the Code. An owner should consult a competent tax adviser before deducting any interest paid in respect of a Policy loan.

Investment in the Policy

Investment in the Policy means: (i) the aggregate amount of any premiums or other consideration paid for the Policy, minus (ii) the aggregate amount received under the Policy which is excluded from gross income of the owner (except that the amount of any loan from, or secured by, the Policy that is a modified endowment contract, to the extent such amount is excluded from gross income, will be disregarded), plus (iii) the amount of any loan from, or secured by, the Policy that is a modified endowment contract to the extent that such amount is included in the gross income of the owner.

Withholding

To the extent that Policy distributions are taxable, they are generally subject to withholding for the recipient’s federal income tax liability. Recipients can generally elect, however, not to have tax withheld from distributions.

Business Uses of Policy

Businesses can use the Policies in various arrangements, including nonqualified deferred compensation or salary continuation plans, split dollar insurance plans, executive bonus plans, tax exempt and nonexempt welfare benefit plans, retiree medical benefit plans and others. The tax consequences of such plans may vary depending on the particular facts and circumstances. If you are purchasing the Policy for any arrangement the value of which depends in part on its tax consequences, you should consult a competent tax adviser.

Non-Individual Owners and Business Beneficiaries of Policies

If a Policy is owned or held by a corporation, trust or other entity that is not a natural person, this could jeopardize some or all of such entity’s interest deduction under Code Section 264, even where such entity’s indebtedness is in no way connected to the Policy. In addition, under Section 264(f)(5), if a business (other than a sole proprietorship) is directly or indirectly a beneficiary of a Policy, the Policy could be treated as held by the business for purposes of the Section 264(f) entity-holder rules. A competent tax adviser should be consulted before any non-natural person is made an owner or holder of a Policy, or before a business (other than a sole proprietorship) is made a beneficiary of a Policy.

Employer-Owned Life Insurance Policies

Pursuant to section 101(j) of the Code, unless certain eligibility, notice and consent requirements are satisfied, the amount excludible as a death benefit payment under an employer-owned life insurance policy will generally be limited to the premiums paid for such policy (although certain exceptions may apply in specific circumstances). An employer-owned life insurance policy is a life insurance policy owned by an employer that insures an employee of the employer and where the employer is a direct or indirect beneficiary under such policy. It is the employer’s responsibility to verify the eligibility of the intended Insured under employer-owned life insurance policies and to provide the notices and obtain the consents required by section 101(j). These requirements generally apply to employer-owned life insurance policies issued or materially modified after August 17, 2006. A competent tax adviser should be consulted by anyone considering the purchase of an employer-owned life insurance policy.
**Split-Dollar Arrangements**

The IRS and the Treasury Department have issued guidance that substantially affects split-dollar arrangements. Consult a competent tax adviser before entering into or paying additional premiums with respect to such arrangements.

Additionally, the Sarbanes-Oxley Act of 2002 prohibits, with limited exceptions, publicly-traded companies, including non-U.S. companies that have securities listed on exchanges in the United States, from extending, directly or through a subsidiary, many types of personal loans to their directors or executive officers. It is possible that this prohibition may be interpreted as applying to split-dollar life insurance policies for directors and executive officers of such companies, since such insurance arguably can be viewed as involving a loan from the employer for at least some purposes.

The prohibition on loans is generally effective as of July 30, 2002. Any affected business contemplating the payment of a premium on an existing Policy, or the purchase of a new Policy, in connection with a split-dollar life insurance arrangement should consult legal counsel.

**Tax Shelter Regulations**

Prospective owners that are corporations should consult a competent tax adviser about the treatment of the Policy under the Treasury Regulations applicable to corporate tax shelters.

**Tax Consequences of the Option to Extend the Maturity Date**

The option to extend the Maturity Date that we offer allows the Policy owner to extend the original maturity date by 20 years. An extension of maturity could have adverse tax consequences. Before you exercise your rights under this option, you should consult with a competent tax adviser regarding the possible tax consequences of an extension of maturity.

**Disposition of the Policy**

The disposition of your Policy will likely have federal income tax consequences. The amount and character of any gain or income recognized in connection with a disposition may vary, depending on the nature of the disposition, your investment in the contract, premiums paid, and other factors. You should consult a competent tax adviser prior to any disposition.

**Income payments from Net Cash Surrender Value or Death Benefit Proceeds**

Your Policy contains provisions that allow for all or a portion of the net cash surrender value or death benefit to be paid in a series of installments. In addition, certain policies may have optional Riders that provide for installment benefits. These installments may be for a certain period of time, or may be payable based upon the life of one or more individuals.

Under the rules of Section 72 of the Code, each payment made will be comprised of two portions: A portion representing a return of the investment in the contract, and the remainder representing interest. The Exclusion Ratio as defined in Section 72(b) is used to determine what amount of each payment is excluded from tax reporting.

The calculation of the Exclusion ratio is based upon these two Policy values as of the date the amount of the installment payment is being determined:

- The portion of the net cash surrender value or death benefit proceeds being applied to the installment benefit
- The investment in the contract.
The portion of each payment that is treated as a return of the investment in the contract is equal to the Exclusion Ratio multiplied by the payment amount. For installment payments that are based upon the life of one or more individuals, once the investment in the contract has been depleted any subsequent payment(s) would be treated as a return of interest and thus fully taxable.

**Certain Information Reporting**

Code section 6050Y requires information reporting for certain life insurance policy transactions. A return must be filed by every person who acquires a life insurance contract or any interest in a life insurance contract in a reportable policy sale. A reportable policy sale is generally the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has no substantial family, business, or financial relationship with the insured. The buyer must file the return required under Section 6050Y with the IRS and furnish copies of the return to the insurance company that issued the contract and the seller.

**Other Tax Considerations**

The transfer of the Policy or the designation of a beneficiary may have federal, state, and/or local transfer and inheritance tax consequences, including the imposition of gift, estate and generation-skipping transfer taxes. For example, the transfer of the Policy to, or the designation as beneficiary of, or the payment of proceeds to, a person who is assigned to a generation which is two or more generations below the generation of the owner, may have generation skipping transfer tax considerations under Section 2601 of the Code.

A 3.8% Medicare contribution tax generally applies to all or a portion of the net investment income of a taxpayer who is an individual and not a nonresident alien for federal income tax purposes and who has adjusted gross income (subject to certain adjustments) that exceeds a threshold amount ($250,000 if married filing jointly or if considered a “surviving spouse” for federal income tax purposes, $125,000 if married filing separately, and $200,000 in other cases). For these purposes, amounts received under annuities or life insurance contracts that are includable in gross income are generally considered net investment income.

The individual situation of each owner or beneficiary will determine the extent, if any, to which federal, state and local transfer taxes may be imposed. Consult with a competent tax adviser for specific information in connection with these taxes.

**Life Insurance Purchases by Residents of Puerto Rico**

In Rev. Rul. 2004-75, 2004-31 I.R.B. 109, the Internal Revenue Service announced that income received by residents of Puerto Rico under life insurance contracts issued by a Puerto Rico branch of a United States life insurance company is U.S.-source income that is generally subject to United States Federal income tax.

**Life Insurance Purchases by Nonresident Aliens and Foreign Corporations**

Purchasers that are not U.S. citizens or residents will generally be subject to U.S. federal withholding tax on taxable distributions from life insurance policies at a 30% rate, unless a lower treaty rate applies. In addition, purchasers may be subject to state and/or municipal taxes and taxes that may be imposed by the purchaser’s country of citizenship or residence. Prospective purchasers that are not U.S. citizens or residents are advised to consult with a competent tax adviser regarding U.S. and foreign taxation with respect to a life insurance policy purchase.

**Possible Tax Law Changes**

The foregoing is a summary of the federal income (and, where noted, non-income) tax considerations associated with the Policy and does not purport to cover all possible situations. The summary is based on our understanding of the present federal income tax laws as they are currently interpreted by the IRS. The summary is not intended as tax advice. No representation is made as to the likelihood of
continuation of the present federal income tax laws or of the current interpretations by the IRS. Although the likelihood of legislative changes is uncertain, there is always the possibility that the tax treatment of the Policy could change by legislation or otherwise. Consult a competent tax adviser with respect to legislative developments and their effect on the Policy.

Our Income Taxes

We currently make no charge against Policy values to pay federal income taxes on investment gains.

However, we reserve the right to do so in the event there is a change in the tax laws. We currently do not expect that any such charge will be necessary.

Under current laws, we may incur state and local taxes (in addition to premium taxes) in several states. At present, these taxes are not significant. If there is a material change in applicable state or local tax laws, we reserve the right to make such deductions for such taxes.

SALE OF THE POLICY

Hornor, Townsend & Kent, LLC (“HTK”), a wholly-owned subsidiary of Penn Mutual Life Insurance Company, acts as a principal underwriter of the Policies on a continuous basis. HTK, located at 600 Dresher Road, Horsham, Pennsylvania 19044, was organized as a Pennsylvania corporation on March 13, 1969. The offering is on a continuous basis. HTK also acts as principal underwriter for (1) Penn Mutual Variable Annuity Account III, a separate account established by Penn Mutual Life Insurance Company; for (2) Penn Mutual Variable Life Account I, also a separate account established by Penn Mutual Life Insurance Company; and for (3) PIA Variable Annuity Account I, a separate account established by The Penn Insurance and Annuity Company. HTK is a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority.

HTK received and retained $14.96 and $949 in underwriting commissions for its services during the fiscal year ended December 31, 2022 and 2021, respectively. The Protection VUL Policy was first offered in 2021 and therefore HTK did not receive any compensation for its services related to the Policy during the fiscal year ended December 31, 2020.

PERFORMANCE INFORMATION

We may provide performance information for the investment funds offered as investment options under the Policy. The performance information for the funds does not reflect expenses that apply to the Separate Account or the Policy. Inclusion of these charges would reduce the performance information.

EXPERTS

The financial statements of the Company (i) as of December 31, 2022 and for each of the two years in the period ended December 31, 2022 and (ii) as of December 31, 2020 and for each of the two years in the period ended December 31, 2020; and the financial statements of the Separate Account as of December 31, 2022 and for the periods indicated, included in this SAI constituting part of this Registration Statement, have been so included in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. PricewaterhouseCoopers LLP’s principal business address is at 2001 Market Street, Suite 1800, Philadelphia, Pennsylvania 19103.

FINANCIAL STATEMENTS

The financial statements of the Company and the Separate Account are incorporated by reference to the financial statements included in the Form N-VPF5 filed on April 25, 2023. The financial statements of the Company should be distinguished from any financial statements of the Separate Account and should be considered only as bearing upon the Company’s ability to meet its obligations under the Policy.