

Prospectus

Penn Mutual
Variable Annuity Account III

May 1, 2019



Diversifier II Variable Annuity

PROSPECTUS — MAY 1, 2019

Individual Annuity Contracts with Variable Benefit Provisions - Flexible Purchase Payments

DIVERSIFIER II

PENN MUTUAL VARIABLE ANNUITY ACCOUNT III

THE PENN MUTUAL LIFE INSURANCE COMPANY

PO Box 178 Philadelphia, Pennsylvania 19105 • Telephone (800) 523-0650

Internet Electronic Delivery of Shareholder Reports

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the annual and semi-annual shareholder reports for the Funds available under your variable annuity or variable life insurance contract will no longer be sent by mail unless you specifically request paper copies of the reports from The Penn Mutual Life Insurance Company or The Penn Insurance and Annuity Company, as applicable, or your financial intermediary. Instead, the reports will be made available on our website at www.pennmutual.com, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

You may elect to receive all future reports in paper and free of charge. You can contact us at (800) 523-0650 or contact your financial intermediary if you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all Funds available under your insurance contract.

Overview

This prospectus describes two annuity contracts (“Contracts”) offered by the Penn Mutual Life Insurance Company (“Penn Mutual” or the “Company”) and contains information that you should know before purchasing a Contract. Please read it carefully and save it for future reference.

Each Contract is an agreement between you and Penn Mutual. One Contract is an individual fixed and variable annuity contract. The other is a variable annuity contract that is available only if you own a companion fixed annuity contract issued by us.

Under either Contract, you agree to make one or more payments to us and we agree to pay annuity and other benefits at a future date. The Contract

- has a variable component, which means that your Variable Account Value and any variable payout will be based upon investment experience (see investment options on next page);
- is tax-deferred, which means that you will not pay taxes until we begin to make annuity payments to you or you take money out; and
- allows you to choose to receive your annuity payments over different periods of time, including your lifetime.

The Securities and Exchange Commission has not approved or disapproved these securities or determined whether this prospectus is truthful or complete. It is a crime for anyone to tell you otherwise.

The Contracts are not suitable for short-term investment. You may pay a deferred sales charge on early withdrawals. If you withdraw money before age 59½, you may pay a 10% additional income tax. Your Contract is not a bank deposit and is not federally insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal government agency.

You may return your Contract within ten days of receipt for a full refund of the greater of the Contract Value or, if required by state law, purchase payments. Longer free look periods apply in some states. To return your Contract, simply deliver or mail it to our office or to our representative who delivered the Contract to you. The date of the cancellation will be the date we receive your Contract. Your purchase payment will be allocated to the Subaccounts you have selected on the date we issue your Contract.

You may obtain a Statement of Additional Information (“SAI”), dated May 1, 2019, from us free of charge by writing to The Penn Mutual Life Insurance Company, Attn: SAI Request — CNN, PO Box 178, Philadelphia, PA 19105 or by visiting our web site at www.pennmutual.com. Or you can call us at 800-523-0650. The SAI contains more information about the Contract. The SAI is filed with the Securities and Exchange Commission (the “Commission”) and we incorporate the SAI by reference into this prospectus. The table of contents of the SAI is at the end of this prospectus.

The Commission maintains a web site (<http://www.sec.gov>) that contains this prospectus, the SAI, material incorporated by reference, and other information regarding registrants that file electronically with the Commission.

Under either Contract, you may direct us to invest your payments in one or more of the following underlying funds (the “Funds”) through Penn Mutual Variable Annuity Account III (the “Separate Account”).

Penn Series Funds, Inc.	Manager
Money Market Fund	Penn Mutual Asset Management, LLC
Limited Maturity Bond Fund	Penn Mutual Asset Management, LLC
Quality Bond Fund	Penn Mutual Asset Management, LLC
High Yield Bond Fund	Penn Mutual Asset Management, LLC
Flexibly Managed Fund	T. Rowe Price Associates, Inc.
Balanced Fund	Penn Mutual Asset Management, LLC
Large Growth Stock Fund	T. Rowe Price Associates, Inc.
Large Cap Growth Fund	Massachusetts Financial Services Company
Large Core Growth Fund	Morgan Stanley Investment Management Inc.
Large Cap Value Fund	Alliance Bernstein, L.P.
Large Core Value Fund	Eaton Vance Management
Index 500 Fund	SSGA Funds Management, Inc.
Mid Cap Growth Fund	Ivy Investment Management Company
Mid Cap Value Fund	Neuberger Berman Investment Advisers LLC
Mid Core Value Fund	American Century Investment Management, Inc.
SMID Cap Growth Fund	Goldman Sachs Asset Management, L.P.
SMID Cap Value Fund	AllianceBernstein L.P.
Small Cap Growth Fund	Janus Capital Management LLC
Small Cap Value Fund	Goldman Sachs Asset Management L.P.
Small Cap Index Fund	SSGA Funds Management, Inc.
Developed International Index Fund	SSGA Funds Management, Inc.
International Equity Fund	Vontobel Asset Management, Inc.
Emerging Markets Equity Fund	Morgan Stanley Investment Management Inc.
Real Estate Securities Fund	Cohen & Steers Capital Management, Inc.
Aggressive Allocation Fund	Penn Mutual Asset Management, LLC
Moderately Aggressive Allocation Fund	Penn Mutual Asset Management, LLC
Moderate Allocation Fund	Penn Mutual Asset Management, LLC
Moderately Conservative Allocation Fund	Penn Mutual Asset Management, LLC
Conservative Allocation Fund	Penn Mutual Asset Management, LLC

A prospectus for each of these Funds accompanies this prospectus.

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GLOSSARY

Accumulation Period: A period that begins with your first purchase payment and ends on the Annuity Date.

Accumulation Unit: If you own a Variable/Fixed Contract, this is a unit of measure used to compute the Variable Account Value under the Contract prior to the Annuity Date. If you own a Variable Contract, this is a unit of measure used to compute Contract Value prior to the Annuity Date.

Administrative Office: A reference to our administrative office means The Penn Mutual Life Insurance Company, Administrative Office, 600 Dresher Road, Horsham, Pennsylvania 19044.

Annuitant: The person during whose life annuity payments are made.

Annuity Date: The date on which annuity payments start.

Annuity Payout Period: The period of time, starting on the Annuity Date, during which we make annuity payments.

Annuity Unit: A unit of measure used to calculate the amount of each variable annuity payment.

Beneficiary: The person(s) named by the Contract Owner to receive the death benefit payable upon the death of the Contract Owner or Annuitant.

Code: The Internal Revenue Code of 1986, as amended.

Contract: The combination variable and fixed annuity contract or the variable annuity contract described in this prospectus.

Contract Owner: The person named in the Contract as the Contract Owner.

Contract Value: If you own a Variable/Fixed Contract, this is the sum of the Variable Account Value and the Fixed Interest Account Value. If you own a Variable Contract, this is the Variable Account Value.

Contract Year: Each twelve-month period following the contract date.

Fixed Interest Account Value: The value of amounts held under the Variable/Fixed Contract in the fixed interest account.

Fund: An open-end management investment company registered with the Securities and Exchange Commission (commonly known as a “mutual fund”) in which a Subaccount of a Separate Account invests all of its assets.

Separate Account: Penn Mutual Variable Annuity Account III, a separate account of The Penn Mutual Life Insurance Company that is registered with the Securities and Exchange Commission as a unit investment trust under the Investment Company Act of 1940, as amended.

Subaccount: A division of the Separate Account which holds shares of the Funds.

Valuation Period: The period from one valuation of Separate Account assets to the next. Valuation is performed on each day the New York Stock Exchange is open for trading.

Variable Account Value: The value of amounts held under the Contract in all Subaccounts of the Separate Account.

Variable Contract: The variable annuity contract described in this prospectus.

Variable/Fixed Contract: The combination variable and fixed annuity contract described in this prospectus.

We or Us: “We” or “us” means The Penn Mutual Life Insurance Company, also referred to in this prospectus as Penn Mutual or the Company.

You: “You” means the Contract Owner or prospective Contract Owner.

EXPENSES

The following tables describe the fees and expenses that you will pay when buying, owning, and surrendering the Contract. The first table describes the fees and expenses that you will pay at the time you buy the Contract, surrender the Contract, or transfer cash value between investment options. State premium taxes may also be deducted.

Contract Owner Transaction Expenses

Sales Load Imposed on Purchase Payments	None
Maximum Contingent Deferred Sales Charge	
Variable/Fixed Contract	7% ^(a)
Variable Contract	5% ^(b)
Transfer Fee	None

The next table describes the fees and expenses that you will pay periodically during the time that you own the Contract, not including Fund fees and expenses.

Maximum Annual Contract Administration Charge	\$30 ^(c)
Separate Account Annual Expenses (as a percentage of Variable Account Value)	
Mortality and Expense Risk Charge	1.25%
Account Fees and Expenses	None
Total Separate Account Annual Expenses	1.25%

The next item shows the minimum and maximum total operating expenses charged by the Funds that you may pay periodically during the time that you own the Contract. More detail concerning each Fund's fees and expenses is contained in the prospectus for each Fund.

Maximum and Minimum Total Fund Operating Expenses	Minimum:	Maximum:
(expenses that are deducted from assets of the Funds, including management fees and other expenses)	0.36%	1.33%

- a You pay this charge as a percentage of the amount that you withdraw. This charge will never be more than 8½% of the purchase payments that you allocate to the Separate Account. After your first Contract Year, you will not pay this charge on your first withdrawal in a Contract Year unless it exceeds 10% of your Contract Value. See **What Charges Do I Pay?** in this prospectus.
- b You pay this charge as a percentage of the amount that you withdraw, or as a percentage of the total purchase payments that you made within seven years of the withdrawal, whichever is less. You will not pay this charge on that portion of the first withdrawal that you make in a Contract Year that does not exceed 10% of the purchase payments that you made one year or more prior to the withdrawal. See **What Charges Do I Pay?** in this prospectus.
- c You pay \$30 or 2% of the Variable Account Value, whichever is less. See **What Charges Do I Pay?** in this prospectus.

The following table provides more specific detail about the total fund operating expenses for each fund.

Penn Series Funds, Inc.

Underlying Fund Annual Expenses (as a % of an Underlying Fund's average daily net assets)

Fund	Investment Advisory Fees	Other Expenses	Acquired Fund Fees and Expenses	Total Fund Operating Expenses	Less Expense Waivers; Plus Recapture	Total Fund Operating Expenses (After Expense Waivers/ Recapture)	Expense Limitation⁽¹⁾
Money Market	0.33%	0.26%	0.01%	0.60% ⁽²⁾	0.00%	0.60% ⁽²⁾	0.64%
Limited Maturity Bond	0.46%	0.24%	0.00%	0.70%	0.00%	0.70%	0.74%
Quality Bond	0.44%	0.22%	0.00%	0.66%	0.00%	0.66%	0.73%

Fund	Investment Advisory Fees	Other Expenses	Acquired Fund Fees and Expenses	Total Fund Operating Expenses	Less Expense Waivers; Plus Recapture	Total Fund Operating Expenses (After Expense Waivers/ Recapture)	Expense Limitation⁽¹⁾
High Yield Bond	0.46%	0.28%	0.01%	0.75% ⁽²⁾⁽³⁾	0.00%	0.75% ⁽²⁾	0.92%
Flexibly Managed	0.70%	0.19%	0.00%	0.89%	0.00%	0.89%	0.94%
Balanced	0.00%	0.20%	0.48%	0.68% ⁽²⁾	0.00%	0.68% ⁽²⁾	0.79%
Large Growth Stock	0.71%	0.24%	0.00%	0.95%	0.00%	0.95%	1.02%
Large Cap Growth	0.55%	0.32%	0.00%	0.87%	0.00%	0.87%	0.89%
Large Core Growth	0.60%	0.26%	0.00%	0.86%	0.00%	0.86%	0.90%
Large Cap Value	0.67%	0.23%	0.01%	0.91% ⁽²⁾	0.00%	0.91% ⁽²⁾	0.96%
Large Core Value	0.66%	0.24%	0.00%	0.90%	0.00%	0.90%	0.96%
Index 500	0.13%	0.23%	0.00%	0.36%	0.00%	0.36%	0.42%
Mid Cap Growth	0.70%	0.26%	0.00%	0.96%	0.00%	0.96%	1.00%
Mid Cap Value	0.55%	0.24%	0.00%	0.79%	0.00%	0.79%	0.83%
Mid Core Value	0.72%	0.34%	0.01%	1.07% ⁽²⁾	0.00%	1.07% ⁽²⁾	1.11%
SMID Cap Growth	0.75%	0.28%	0.00%	1.03%	0.00%	1.03%	1.07%
SMID Cap Value	0.84%	0.26%	0.00%	1.10%	0.00%	1.10%	1.26%
Small Cap Growth	0.74%	0.26%	0.00%	1.00%	0.00%	1.00%	1.13%
Small Cap Value	0.71%	0.26%	0.01%	0.98% ⁽²⁾	0.00%	0.98% ⁽²⁾	1.02%
Small Cap Index	0.30%	0.35%	0.00%	0.65%	0.00%	0.65%	0.74%
Developed International Index	0.30%	0.49%	0.00%	0.79%	0.00%	0.79%	0.94%
International Equity	0.80%	0.27%	0.00%	1.07% ⁽⁴⁾	0.00%	1.07%	1.20%
Emerging Markets Equity	0.92%	0.40%	0.01%	1.33% ⁽²⁾	0.00%	1.33% ⁽²⁾	1.78%
Real Estate Securities	0.70%	0.26%	0.00%	0.96%	0.00%	0.96%	1.02%
Aggressive Allocation	0.12%	0.20%	0.94%	1.26% ⁽²⁾	0.00%	1.26% ⁽²⁾	0.40%
Moderately Aggressive Allocation	0.12%	0.18%	0.90%	1.20% ⁽²⁾	0.00%	1.20% ⁽²⁾	0.34%
Moderate Allocation	0.12%	0.17%	0.84%	1.13% ⁽²⁾	0.00%	1.13% ⁽²⁾	0.34%
Moderately Conservative Allocation	0.12%	0.19%	0.78%	1.09% ⁽²⁾	0.00%	1.09% ⁽²⁾	0.35%
Conservative Allocation	0.12%	0.21%	0.72%	1.05% ⁽²⁾	0.00%	1.05% ⁽²⁾	0.38%

- (1) The Funds are subject to an expense limitation agreement under which a portion of each Fund's fees and expenses will be waived and/or reimbursed to the extent necessary to keep total operating expenses of each Fund from exceeding the amounts shown in the table. This agreement is limited to a Fund's direct operating expenses and, therefore, does not apply to nonrecurring account fees, fees on portfolio transactions, such as exchange fees, dividends and interest on securities sold short, acquired fund fees and expenses ("AFFE"), service fees, interest, taxes, brokerage commissions, other expenditures which are capitalized in accordance with generally accepted accounting principles, and other non-routine expenses or extraordinary expenses not incurred in the ordinary course of the Fund's business. Notwithstanding the foregoing, for the Balanced Fund, AFFE shall be included as a direct operating expense of the Fund for purposes of the expense limitation agreement. Further, this agreement is expected to continue through April 30, 2020. The agreement may be terminated prior to April 30, 2020 only by a majority vote of the Board of Directors of Penn Series Funds, Inc. for any reason and at any time.
- (2) The Fund's Total Annual Fund Operating Expenses may not correlate to the expense ratios in the Fund's financial statements because financial statements reflect only the operating expenses of the Fund and do not include AFFE, which are fees and expenses incurred indirectly by the Fund through its investments in certain underlying investment companies.
- (3) The Fund's expense information has been restated to reflect a reduction in the Fund's Investment Advisory Fee rate, effective May 1, 2018. As such, the Fund's Total Fund Operating Expenses may not correlate to the expense ratio in the Fund's financial statements, which reflect the prior Investment Advisory Fee rate.

- (4) The Fund's expense information has been restated to reflect a reduction in the Fund's Investment Advisory Fee rate, effective October 1, 2018. As such, the Fund's Total Fund Operating Expenses may not correlate to the expense ratio in the Fund's financial statements, which reflect the prior Investment Advisory Fee rate.

Please review these tables carefully. They show the expenses that you pay directly and indirectly when you purchase a Contract. Your expenses include Contract expenses and the expenses of the Funds that you select. See the prospectus of Penn Series Funds, Inc. for additional information on Fund expenses.

You also may pay premium taxes. These tables and the examples that follow do not show the effect of premium taxes. See **What Charges Do I Pay?** in this prospectus.

EXAMPLES OF FEES AND EXPENSES

This Example is intended to help you compare the cost of investing in the Contract with the cost of investing in other variable annuity contracts. These costs include Contract Owner transaction expenses, Contract fees, Separate Account annual expenses, and Fund fees and expenses.

The Example assumes that you invest \$10,000 in the Contract for the time periods indicated and that your investment has a 5% return each year. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

- (1) If you surrender your Variable Contract at the end of the applicable time period:

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Assuming Maximum Total Annual Fund Expenses	\$766	\$1,304	\$1,896	\$2,965
Assuming Minimum Total Annual Fund Expenses	\$669	\$1,024	\$1,403	\$1,966

- (2) If you do not surrender your Contract or if you annuitize at the end of the applicable time period:

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Assuming Maximum Total Annual Fund Expenses	\$266	\$818	\$1,396	\$2,965
Assuming Minimum Total Annual Fund Expenses	\$169	\$524	\$903	\$1,966

- (3) If you surrender your Variable/Fixed Contract at the end of the applicable time period and made purchase payments only during the first Contract Year:

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Assuming Maximum Total Annual Fund Expenses	\$913	\$1,304	\$1,703	\$2,965
Assuming Minimum Total Annual Fund Expenses	\$822	\$1,025	\$1,226	\$1,966

- (4) If you surrender your Variable/Fixed Contract at the end of the applicable time period and made purchase payments after the first Contract Year:

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Assuming Maximum Total Annual Fund Expenses	\$913	\$1,304	\$1,754	\$3,081
Assuming Minimum Total Annual Fund Expenses	\$822	\$1,025	\$1,280	\$2,095

CONDENSED FINANCIAL INFORMATION

Appendix A to this prospectus contains tables that show Accumulation Unit values and the number of Accumulation Units outstanding for each of the Subaccounts of the Separate Account. The financial data included in the tables should be read in conjunction with the financial statements and the related notes that are included in the Statement of Additional Information.

FINANCIAL STATEMENTS

The financial statements of the Separate Account and the statutory financial statements of the Company appear in the Statement of Additional Information. The statutory financial statements of the Company should be considered only as bearing upon the Company's ability to meet its obligations under the Contracts.

THE PENN MUTUAL LIFE INSURANCE COMPANY

Penn Mutual is a Pennsylvania mutual life insurance company chartered in 1847. We are located at 600 Dresher Road, Horsham, PA 19044. Our mailing address is The Penn Mutual Life Insurance Company Attn: Customer Service Group, PO Box 178, Philadelphia, PA 19105. We issue and are liable for all benefits and payments under the Contracts.

THE SEPARATE ACCOUNT

Penn Mutual established Penn Mutual Variable Annuity Account III (the "Separate Account") on April 13, 1982. The Separate Account is registered with the Securities and Exchange Commission as a unit investment trust and is a "separate account" within the meaning of the federal securities laws. The Separate Account is divided into Subaccounts that invest in shares of different mutual funds.

- The income, gains and losses, whether or not realized, of Penn Mutual do not have any effect on the income, gains or losses of the Separate Account or any Subaccount.
- The Separate Account and its Subaccounts are not responsible for the liabilities of any other business of Penn Mutual.

The financial statements of the Subaccounts of the Separate Account for the year ended December 31, 2018 are included in the Statement of Additional Information referred to on the cover page of this prospectus.

Investment Options in the Separate Account

The Separate Account currently has Subaccounts that invest in the following Funds:

Penn Series Funds, Inc.

Money Market Fund — The Fund is a government money market fund that seeks current income, while preserving capital and liquidity, and will invest no less than 99.5% of its total assets in government securities, cash or repurchase agreements that are collateralized fully by government securities or cash. The Fund may invest only in U.S. dollar-denominated securities that are determined to present minimal credit risk and meet certain other criteria, including relating to maturity, diversification, liquidity and credit quality.

Limited Maturity Bond Fund — The Fund seeks to maximize total return consistent with preservation of capital by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in short- to intermediate-term investment grade debt securities of U.S. government and corporate issuers, including mortgage-backed and asset-backed securities.

Quality Bond Fund — The Fund seeks to maximize total return over the long term consistent with the preservation of capital by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in marketable investment grade debt securities, which are those securities rated BBB- or higher by S&P, Baa3 or higher by Moody's, or the equivalent by any other nationally recognized statistical rating organization, or, if unrated, determined by the Fund's investment adviser to be of comparably quality.

High Yield Bond Fund — The Fund seeks to realize high current income by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in a widely diversified portfolio of high yield corporate bonds, commonly known as "junk bonds," income-producing convertible securities and preferred stocks that are rated below investment-grade or not rated by any major credit rating agency but deemed to be below investment-grade by the Fund's investment adviser.

Flexibly Managed Fund — The Fund seeks to maximize total return (capital appreciation and income) by normally investing at least 50% of its total assets in stocks of established U.S. companies that the Fund believes have above-average potential for capital growth.

Balanced Fund — The Fund seeks to achieve long-term growth and current income by using a "fund-of-funds" strategy and investing in a combination of other portfolios of Penn Series Funds, Inc. in accordance with the Fund's target asset allocation. Under normal circumstances, the Fund will invest 50%-70% of its assets in stock and other equity underlying funds, 30%-50% of its assets in bond and other fixed income funds, and 0%-20% of its assets in money market funds. The Fund also may invest directly in equity and fixed income securities and cash equivalents, including money market securities.

Large Growth Stock Fund — The Fund seeks to achieve long-term growth of capital and increase of future income by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in common stocks of large capitalization companies (companies with market capitalizations that fall within the market capitalization range of companies in the Russell 1000[®] Growth Index at the time of purchase). The Fund invests primarily in common stocks of well established companies the Fund's sub-adviser believes have long-term growth potential as well as companies that have the ability to pay increasing dividends through strong cash flow.

Large Cap Growth Fund — The Fund seeks to achieve long-term capital appreciation by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in common stocks of U.S. companies with large market capitalizations (companies with market capitalizations of more than \$3 billion at the time of purchase). The Fund invests in the stocks of companies its sub-adviser believes to have above average earnings growth potential compared to other companies.

Large Core Growth Fund — The Fund seeks to achieve long-term growth of capital (capital appreciation) by investing primarily in equity securities of large capitalization U.S. companies (companies that have market capitalizations that fall within the market capitalization range of companies in the Russell 1000[®] Growth Index at the time of purchase). Under normal circumstances, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities of large capitalization companies. The Fund's sub-adviser seeks to invest in companies with strong name recognition and sustainable competitive advantages and typically favors companies with rising returns on invested capital, above average business visibility, strong free cash flow generation and an attractive risk/reward.

Large Cap Value Fund — The Fund seeks to achieve long-term growth of capital by investing primarily in equity securities, of U.S. and non-U.S. incorporated entities, including, but not limited to common stock, American Depositary Receipts (ADRs), equity real estate investment trust securities (REITs), preferred securities and convertible preferred securities. Under normal circumstances, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities of large capitalization companies (companies that have market capitalizations of more than \$2 billion at the time of purchase). The Fund primarily invests in common stocks that its sub-adviser deems to be underpriced relative to long-term earnings and for cash flow potential.

Large Core Value Fund — The Fund seeks to achieve total return by investing primarily in value stocks of large capitalization companies (companies that have market capitalizations within the range of companies included in the Russell 1000® Value Index at the time of purchase); however, the Fund will generally consist of stocks with a market capitalization equal to or greater than the median market capitalization of companies included in the Russell 1000® Value Index. Under normal circumstances, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities of large capitalization companies. Value stocks are stocks that, in the opinion of the Fund’s sub-adviser, are inexpensive or undervalued relative to the intrinsic value of the company.

Index 500 Fund — The Fund seeks to achieve total return (capital appreciation and income) which corresponds to that of the S&P 500® Index by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities listed in the S&P 500® Index. Under normal circumstances, however, the Fund intends to invest substantially all of its assets in securities of companies included in the S&P 500® Index and close substitutes (such as index futures contracts) that are designed to track the S&P 500® Index.

Mid Cap Growth Fund — The Fund seeks to maximize capital appreciation by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities of mid-cap companies (companies that have market capitalizations that fall within the market capitalization range of companies in the Russell MidCap® Growth Index at the time of purchase). The Fund invests in equity securities of companies that the Fund’s sub-adviser believes have the potential for strong growth, increasing profitability, attractive valuations and sound capital structures.

Mid Cap Value Fund — The Fund seeks to achieve growth of capital by investing, under normal market circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities of mid-cap companies (companies that have market capitalizations that fall within the market capitalization range of companies in the Russell MidCap® Index at the time of purchase). The Fund seeks to invest in the equity securities of high quality companies that the Fund’s sub-adviser believes are trading at a substantial discount to their intrinsic value where there is a strategic plan or event that is expected to both enhance value and narrow the value/price gap.

Mid Core Value Fund — The Fund seeks to achieve capital appreciation by investing, under normal conditions, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities of medium capitalization companies (companies whose market capitalization at the time of purchase is within the capitalization range of the Russell 3000® Index, excluding the largest 100 such companies). The Fund seeks to invest in undervalued companies and hold each stock until the price has increased to, or is higher than, a level the Fund’s sub-adviser believes more accurately reflects the fair value of the company.

SMID Cap Growth Fund — The Fund seeks to achieve long-term growth of capital (capital appreciation) by investing primarily in common stocks of small and medium capitalization U.S. companies (companies that have market capitalizations that fall within the outside range of the market capitalizations of companies in the Russell 2000® Growth Index and the Russell Midcap® Growth Index at the time of purchase) that the Fund’s sub-adviser believes have specific characteristics indicating high quality and sustainable growth, including strong business franchises, favorable long-term prospects, and excellent management. Under normal circumstances, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities of small and medium capitalization companies.

SMID Cap Value Fund — The Fund seeks to achieve long-term growth of capital by investing primarily in a diversified portfolio of equity securities of small and medium capitalization U.S. companies (companies that, at the time of investment, fall within the capitalization range between the smallest company in the Russell 2500™ Value Index and the greater of \$5 billion or the market capitalization of the largest company in the Russell 2500™ Value Index), generally representing 60 to 125 companies. Under normal circumstances, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities of small and medium capitalization companies. The Fund invests in companies that are determined by the Fund’s sub-adviser to be undervalued using its fundamental value approach.

Small Cap Growth Fund — The Fund seeks to achieve capital appreciation by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities of small capitalization companies with public stock market capitalizations (based upon shares available for trading on an unrestricted basis) within the range of the market capitalization of companies constituting the Russell 2000® Growth Index at the time of investment. The small capitalization companies in which the Fund invests are selected for their growth potential.

Small Cap Value Fund — The Fund seeks to achieve capital appreciation by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in a diversified portfolio of equity investments in small-cap issuers with public stock market capitalizations (measured at the time of purchase) within the range of the market capitalization of companies constituting the Russell 2000® Value Index at the time of investment. The Fund invests in equity securities that the Fund's sub-adviser believes to be underpriced relative to a combination of such companies' long term earnings prospects, growth rate, free cash flow and/or dividend-paying ability.

Small Cap Index Fund — The Fund seeks to replicate the returns and characteristics of a small cap index by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities listed in the Russell 2000® Index. Under normal circumstances, however, the Fund intends to invest substantially all of its assets in securities of companies included in the Russell 2000® Index and close substitutes (such as index futures contracts or other investment companies) that are designed to track the Russell 2000® Index.

Developed International Index Fund — The Fund seeks to replicate the returns and characteristics of an international index composed of securities from developed countries by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in securities listed in the Morgan Stanley Capital International® Europe, Australasia, Far East (MSCI EAFE) Index. Under normal circumstances, however, the Fund intends to invest substantially all of its assets in securities of companies included in the MSCI EAFE Index (including American Depositary Receipts and Global Depositary Receipts) and close substitutes (such as index futures contracts) that are designed to track the MSCI EAFE Index.

International Equity Fund — The Fund seeks to achieve capital appreciation by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities, such as common stocks, preferred stocks, convertible bonds, and warrants. The Fund will invest primarily in companies operating in the countries in Europe and the Pacific Basin. The Fund's sub-adviser seeks to identify high-quality growth companies for inclusion in the Fund's portfolio.

Emerging Markets Equity Fund — The Fund seeks to achieve capital appreciation by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities located in emerging market countries. For the Fund, an issuer is considered to be located in an emerging market country if, at the time of investment: (i) its principal securities trading market is in an emerging market country, (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from goods produced, sales made or services performed in emerging market countries or it has at least 50% of its assets in emerging markets countries, or (iii) it is organized under the laws of, or has a principal office in, an emerging market country.

Real Estate Securities Fund — The Fund seeks to achieve a high total return consistent with reasonable investment risks by investing, under normal circumstances, at least 80%, and normally substantially all, of its net assets, plus the amount of any borrowings for investment purposes, in common stocks and other equity securities issued by real estate companies, including real estate investment trusts.

Aggressive Allocation Fund — The Fund seeks to achieve long-term capital growth consistent with its asset allocation strategy by using a "fund-of-funds" strategy and investing in a combination of other portfolios of Penn Series Funds, Inc. in accordance with its target asset allocations (85%-100% of its assets in equity funds and 0%-15% of its assets in fixed income and money market funds). The portfolio of the Fund is more heavily allocated to stocks, and reflects an aggressive approach.

Moderately Aggressive Allocation Fund — The Fund seeks to achieve long-term capital growth and current income consistent with its asset allocation strategy by using a “fund-of-funds” strategy and investing in a combination of other portfolios of Penn Series Funds, Inc. in accordance with its target asset allocations (70%-100% of its assets in equity funds and 0%-30% of its assets in fixed income and money market funds). The portfolio of the Fund is more heavily allocated to stocks, and reflects a moderately aggressive approach.

Moderate Allocation Fund — The Fund seeks to achieve long-term capital growth and current income consistent with its asset allocation strategy by using a “fund-of-funds” strategy and investing in a combination of other portfolios of Penn Series Funds, Inc. in accordance with its target asset allocations (50%-70% of its assets in equity funds and 30%-50% of its assets in fixed income and money market funds). The portfolio of the Fund is allocated among stock, bond and cash investments with a majority of its assets allocated to stocks, and is designed to offer investors an investment option that is less aggressive than the Penn Series Aggressive Allocation and Moderately Aggressive Allocation Funds, but more aggressive than the Penn Series Moderately Conservative Allocation and Conservative Allocation Funds.

Moderately Conservative Allocation Fund — The Fund seeks to achieve long-term capital growth and current income consistent with its asset allocation strategy by using a “fund-of-funds” strategy and investing in a combination of other portfolios of Penn Series Funds, Inc. in accordance with its target asset allocations (30%-50% of its assets in equity funds and 50%-70% of its assets in fixed income and money market funds). The portfolio of the Fund is more heavily allocated to bonds and cash investments, and reflects a moderately conservative approach.

Conservative Allocation Fund — The Fund seeks to achieve long-term capital growth and current income consistent with its asset allocation strategy by using a “fund-of-funds” strategy and investing in a combination of other portfolios of Penn Series Funds, Inc. in accordance with its target asset allocations (20%-40% of its assets in equity funds and 60%-80% of its assets in fixed income and money market funds). The portfolio of the Fund is more heavily allocated to bonds and cash investments, and reflects a conservative approach.

Penn Mutual Asset Management, LLC, Horsham, Pennsylvania is investment adviser to each of the Funds and a wholly owned subsidiary of Penn Mutual. T. Rowe Price Associates, Inc., Baltimore, Maryland, is investment sub-adviser to the Flexibly Managed and Large Growth Stock Funds. Ivy Investment Management Company, Shawnee Mission, Kansas, is investment sub-adviser to the Mid Cap Growth Fund. Massachusetts Financial Services Company, Boston, Massachusetts, is investment sub-adviser to the Large Cap Growth Fund. Neuberger Berman Investment Advisers LLC, New York, New York, is investment sub-adviser to the Mid Cap Value Fund. American Century Investment Management, Inc., Kansas City, Missouri, is investment sub-adviser to the Mid Core Value Fund. Goldman Sachs Asset Management, L.P., New York, New York, is investment sub-adviser to the Small Cap Value Fund and SMID Cap Growth Fund. Vontobel Asset Management, Inc., New York, New York, is investment sub-adviser to the International Equity Fund. Cohen & Steers Capital Management, Inc., New York, New York, is investment sub-adviser to the Real Estate Securities Fund. Janus Capital Management LLC, Denver, Colorado, is investment sub-adviser to the Small Cap Growth Fund. Eaton Vance Management, Boston, Massachusetts, is investment sub-adviser to the Large Core Value Fund. AllianceBernstein L.P., New York, New York, is investment sub-adviser to the Large Cap Value Fund and the SMID Cap Value Fund. Morgan Stanley Investment Management Inc., New York, New York, is investment sub-adviser to the Emerging Markets Equity Fund and Large Core Growth Fund. SSGA Funds Management, Inc., Boston, Massachusetts, is investment sub-adviser to the Index 500, Small Cap Index and Developed International Index Funds.

Shares of Penn Series are sold to other variable life and variable annuity separate accounts of Penn Mutual and its subsidiary, The Penn Insurance and Annuity Company. For more information on the possible conflicts involved when the Separate Account invests in Funds offered to other separate accounts, see the Fund prospectuses and statements of additional information.

Read the prospectuses of these Funds carefully before investing. You may obtain copies of the prospectuses which contain additional information about the Funds including their investment objectives and policies and

expenses, without charge, by writing to The Penn Mutual Life Insurance Company, Customer Service Group — C3R, PO Box 178, Philadelphia, PA 19105. Or, you may call, toll free, 800-523-0650.

Voting Instructions

You have the right to tell us how to vote proxies for the Fund shares in which your purchase payments are invested. If the law changes and permits us to vote the Fund shares, we may do so.

If you are a Contract Owner, we determine the number of Fund shares that you may vote by dividing your interest in a Subaccount by the net asset value per share of the Fund. If you are receiving annuity payments, we determine the number of Fund shares that you may vote by dividing the reserve allocated to the Subaccount by the net asset value per share of the Fund. We change these procedures whenever we are required to do so by law.

Shares for which no timely instructions are received will be voted by Penn Mutual in the same proportion as those shares for which voting instructions are received.

Accumulation Units — Valuation

Your allocations and transfers to the Separate Account are held as Accumulation Units of the Subaccounts that you select. We value Accumulation Units as of the close of regular trading on the New York Stock Exchange (“NYSE”) (generally, 4:00 p.m. ET). When you invest in, withdraw from or transfer money to a Subaccount, you receive the Accumulation Unit price next computed after we receive and accept your purchase payment or your withdrawal or transfer request at our Administrative Office. Allocation, withdrawal and transfer instructions received from you or the agent of record (pursuant to your instructions) at our Administrative Office after the close of regular trading on the NYSE will be valued based on the Accumulation Unit price computed as of the close of regular trading on the next NYSE business day. In the case of your first purchase payment, you receive the price next computed after we accept your application to purchase a Contract.

The value of an Accumulation Unit varies, and is determined by multiplying its last computed value by the net investment factor for the Subaccount for the current Valuation Period. The net investment factor measures (1) investment performance of Fund shares held in the Subaccount, (2) any taxes on income or gains from investments held in the Subaccount, and (3) the mortality and expense risk charge at an annual rate of 1.25%.

THE FIXED INTEREST ACCOUNT

The fixed interest account is part of the Company’s general investment account. Interests in the fixed interest account are not registered under the Securities Act of 1933 and the general account is not registered as an investment company under the Investment Company Act of 1940. This prospectus generally discusses only the variable portion of the Contract. The staff of the Commission has not reviewed the disclosure in this prospectus relating to the fixed interest account. Disclosure regarding the fixed interest account, however, may be subject to generally applicable provisions of the federal securities laws relating to the accuracy and completeness of statements made in this prospectus. See **MORE INFORMATION ABOUT THE FIXED INTEREST ACCOUNT** in this prospectus.

THE CONTRACTS

The Contracts may be an attractive long-term investment vehicle for many people. They allow you to allocate your purchase payment(s) and transfer amounts to the Separate Account, and direct investment in one or more of the available Funds of Penn Series Funds, Inc.

In addition, the Variable/Fixed Contract allows you to allocate your purchase payment(s) and transfer amounts to a fixed interest account. The Variable Contract allows you to transfer amounts from your Contract to a fixed interest account in a separate fixed annuity contract issued by Penn Mutual. The fixed interest account is funded and guaranteed by Penn Mutual through its general account. See **THE FIXED INTEREST ACCOUNT** and **MORE INFORMATION ABOUT THE FIXED INTEREST ACCOUNT** in this prospectus.

You decide, within Contract limits,

- how often you make a purchase payment and how much you invest;
- the Funds and/or fixed interest account in which your purchase payments are invested;
- whether or not to transfer money among the available Funds and fixed interest account;
- the type of annuity that we pay and who receives it;
- the Beneficiary or Beneficiaries to whom we pay death benefits; and
- the amount and frequency of withdrawals from the Contract Value.

Your Contract has

- an Accumulation Period, during which you make one or more purchase payments and we invest your payments as you tell us; and
- an Annuity Payout Period, during which we make annuity payments to you. Your Annuity Payout Period begins on your Annuity Date.

We may amend your Contract at any time to comply with legal requirements. State law may require us to obtain your approval for any Contract amendment. We may, with any necessary approval of the Commission and the governing state insurance department, substitute another mutual fund for any of the Funds currently available. We will notify you of any material contract amendment and mutual fund substitutions.

You may contact us by writing The Penn Mutual Life Insurance Company, Customer Service Group, PO Box 178, Philadelphia, PA 19105; or you may call (800) 523-0650.

How Do I Purchase a Contract?

Our representative will assist you in completing an application and sending it, together with a check for your first purchase payment, to our Administrative Office. All subsequent purchase payments should be sent as follows: 1) checks sent by mail: The Penn Mutual Life Insurance Company, Payment Processing Center, P.O. Box 9773, Providence, RI 02940-9773, and 2) checks sent by overnight delivery: The Penn Mutual Life Insurance Company, Payment Processing Center, 4400 Computer Drive, Westborough, MA 01581. We accept a complete application to purchase a Contract within two business days after we receive it at our Administrative Office. If you send us an incomplete application, we will return your purchase payment to you within five business days unless you ask us to keep it while you complete the application.

For Variable/Fixed Contracts issued in connection with qualified retirement plans, the minimum first purchase payment is \$250 and the minimum for each subsequent purchase payment is \$50. The minimum first purchase payment for Variable/Fixed Contracts which are not issued in connection with qualified retirement plans is \$2,500 and the minimum for each subsequent purchase payment is \$300. The total purchase payments that you make on a Variable/Fixed Contract may not exceed \$1,000,000 in any calendar year without our consent.

For Variable Contracts issued in connection with retirement plans qualifying for special tax treatment under the Code, the minimum first purchase payment is \$250 and the minimum for each subsequent purchase payment is \$40. The minimum first purchase payment for Variable Contracts that are not issued in connection with qualified retirement plans is \$1,500 and the minimum for each subsequent purchase payment is \$300.

We may, at our discretion, reduce the minimum requirements for initial and subsequent purchase payments under the Contracts.

What Types of Annuity Payments May I Choose?

You may choose from the following options:

- **An annuity for a set number of years** (5 to 25 years for a Variable/Fixed Contract; 5 to 30 years for a Variable Contract) — Annuity payments will continue for a specified number of years, which may not be for less than 5 nor more than 30;
- **A life annuity** — Annuity payments will continue until the Annuitant's death;
- **A life annuity with payments guaranteed for 10 or 20 years** — Annuity payments will continue until the Annuitant's death with payments for 10 or 20 years guaranteed regardless of when the Annuitant dies;
- **A joint and survivor life annuity** — Annuity payments will continue until the death of the surviving joint Annuitant; or
- Any other form of annuity that we may agree upon.

You may choose a person other than yourself to be the Annuitant. The shorter the expected length of the Annuity Payout Period, the larger each payment will be.

Variable Annuity Payments. The size of your variable annuity payments will vary depending upon the performance of the investment options that you choose for the Annuity Payout Period. Your payments also will depend on factors such as the size of your investment, the type of annuity you choose, the expected length of the annuity period, the frequency with which you receive payments, and the annuity purchase rates and charges in your Contract.

The variable annuity purchase rate assumes an annual net investment return of 4%. If the annual net investment return during the Annuity Payout Period is greater than 4%, the amount of your payments will increase. If the annual net investment return is less, the amount of your payments will decrease.

You will pay a mortality and expense risk charge during both the Accumulation Period and the Annuity Payout Period under your Contract. We charge this fee while you receive a variable annuity even though we may no longer bear a mortality risk.

Fixed Annuity Payments Under a Variable/Fixed Contract. The size of your fixed annuity payments will not change. The size of these payments is determined by a number of factors, including the size of your investment, the form of annuity chosen, and the expected length of the annuity period.

Other Information. If your Contract is not issued under a qualified retirement plan, annuity payments must commence not later than the first day of the next month after the Annuitant's 85th birthday. If your Contract is issued under a qualified retirement plan, annuity payments must commence not later than the first day of April following the year in which the Annuitant turns 70½.

You or your surviving Beneficiary may change the Annuity Date or your annuity option by giving us written notice at our Administrative Office at least 30 days prior to the current Annuity Date. The Annuity Date under a Variable/Fixed Contract may not be earlier than the first contract anniversary.

If your Contract Value is less than \$5,000, we may pay you in a lump sum. We usually make annuity payments on the first day of each month, starting with the Annuity Date, but we will pay you quarterly, semiannually or annually, if you prefer. To the extent you choose to receive payments less frequently, the larger each payment amount will generally be. If necessary, we will adjust the frequency of your payments so that payments are at least \$50 each.

For information on the tax treatment of annuity payments, see **FEDERAL INCOME TAX CONSIDERATIONS** in this prospectus.

What Are the Death Benefits Under My Contract?

You may designate a Beneficiary in your application. If you fail to designate a Beneficiary, your Beneficiary will be your estate. You may change your Beneficiary at any time before the death of the Annuitant.

If you die before the Annuity Date and you are not the Annuitant, we will pay your Beneficiary the Contract Value as of the date our Administrative Office receives proof of death, *i.e.*, a death certificate or other official document establishing death, and other information required to process the payment. If you are the Annuitant, we will pay your Beneficiary the death benefit described in the following paragraphs.

Variable/Fixed Contracts sold in most states provide that if the Annuitant dies prior to the Annuity Date, we will pay your Beneficiary the greatest of

- the sum of all purchase payments, adjusted for withdrawals and contract transfers,
- the Contract Value for the Valuation Period in which proof of death, *i.e.*, a death certificate or other official document establishing death, and any other required information needed to make payment is received in our Administrative Office, or
- the Variable Account Value, as of the contract date or, if later, as of the end of the most recent seven-year contract period occurring prior to the Contract Owner's 81st birthday, adjusted for subsequent purchase payments and adjusted for withdrawals and contract transfers, plus the value of the Fixed Interest Account under your Contract.

Similarly, Variable Contracts sold in most states provide that if the Annuitant dies prior to the Annuity Date, we will pay your Beneficiary the greatest of

- the sum of all purchase payments, adjusted for withdrawals and contract transfers,
- the Contract Value for the Valuation Period in which proof of death and any other required information needed to make payment is received in our Administrative Office, or
- the Contract Value, as of the contract date or, if later, as of the end of the most recent seven-year contract period occurring prior to the Contract Owner's 81st birthday, adjusted for subsequent purchase payments and adjusted for withdrawals and contract transfers.

With respect to Contracts sold in Texas, if the Annuitant dies prior to the Annuity Date, we will pay the greater of

- the sum of all purchase payments, adjusted for withdrawals and contract transfers, or
- the Contract Value for the Valuation Period in which proof of death and any other required information needed to make payment is received at Penn Mutual's service office.

The death benefit may be paid in a lump sum or in the form of annuity payments. We normally will pay the death benefit in a lump sum within seven days after we receive proof of the date of death and all required information. We will delay payment upon request; however, the death benefit payment amount will be invested in the variable subaccounts, as allocated by the previous owner, and must be paid out by 12/31 of the 5th year following death.

If the Beneficiary is not the spouse of the decedent, he or she may choose an annuity option rather than a lump sum payment. If he or she selects an annuity option, payments must begin within one year of the decedent's death. Payments may not be made over a period longer than the Beneficiary's life or life expectancy (whichever is longer).

If the Beneficiary is the spouse of the decedent, he or she may select any annuity option that was available to the decedent or apply to become the Contract Owner.

If the Annuitant dies on or after the Annuity Date and the annuity is for a specified number of years or for life with payments guaranteed for 10 or 20 years, the Beneficiary may elect to have the payments continue for the specified or guaranteed period or to receive in a lump sum the present value of the remaining payments.

Same sex marriages that are recognized as marriages under the law of the jurisdiction in which the marriage occurred are so recognized under federal law and will be afforded the same tax treatment and spousal annuity provisions. However, the IRS currently takes the position that relationships such as civil unions and domestic partnerships that are not recognized as marriages under applicable state (or foreign) law are not recognized as marriages for federal tax purposes. Please consult a tax or legal advisor for details and up-to-date information.

For further information on the tax treatment of death benefits, see **FEDERAL INCOME TAX CONSIDERATIONS** in this prospectus.

May I Transfer Money Among Investment Options?

Variable/Fixed Contracts. You may transfer amounts from one Subaccount of the Separate Account to another Subaccount of the Separate Account. Within Contract limits, you also may transfer from the Subaccounts of the Separate Account to the fixed interest account. You may transfer from the fixed interest account to Subaccounts of the Separate Account. You may make no more than two transfers per calendar month and no more than twelve per calendar year. The minimum amount that you may transfer is \$250 or the total amount held in the investment account, if less. After the transfer, there must be \$250 remaining in the Subaccounts and fixed interest accounts in which you are invested.

Variable Contract. You may transfer amounts from one Subaccount of the Separate Account to another. You may make no more than two transfers per calendar month and no more than twelve per calendar year. The minimum amount that you may transfer is \$250 or the total amount held in the investment account, if less. After the transfer, there must be \$250 remaining in the Subaccounts in which you are invested.

General Rules. Transfers will be based on values at the end of the Valuation Period in which the transfer request is received at our Administrative Office. A transfer request must be received at our Administrative Office from you or the agent of record (pursuant to your instruction), and all other administrative requirements must be met to make the transfer. In certain circumstances, such as periods of market volatility, severe weather, and emergencies, you may experience difficulty providing transaction instructions by telephone. We do not guarantee that we will be able to accept transaction instructions via telephone at all times. We also reserve the right to suspend or terminate telephone transaction privileges altogether at any time. We require certain personal identifying information to process a request for transfer made over the telephone. We will not be liable for following instructions, including instructions from the agent of record, communicated by telephone that we reasonably believe to be genuine.

For transfers other than dollar cost averaging and automatic rebalancing, we reserve the right to charge a fee, although we have no present intention of doing so. The Contract is not designed for individuals and professional market timing organizations that use programmed and frequent transfers among investment options. We therefore reserve the right to change our telephone transaction policies and procedures at any time to restrict the use of telephone transfers for market timing and to otherwise restrict market timing, up to and including rejecting transactions we reasonably believe are market timing transactions, when we believe it is in the interest of all of our Contract Owners to do so. However, we may not be able to detect all market timing and may not be able to prevent frequent transfers, and any possible harm caused, by those we do detect.

Frequent Trading Risks. We did not design this variable annuity and the available Subaccounts to accommodate market timing or frequent transfers between the Subaccounts. Frequent exchanges among Subaccounts and market timing by Contract Owners can reduce the long-term returns of the underlying mutual funds. The reduced returns could adversely affect the Contract Owners, Annuitants, insureds or Beneficiaries of any variable annuity or variable life insurance contract issued by any insurance company with respect to values allocated to the underlying fund. Frequent exchanges may reduce the mutual fund's performance by increasing costs paid by the fund (such as brokerage commissions); they can disrupt portfolio management strategies; and they can have the effect of diluting the value of the shares of long term shareholders in cases in which fluctuations in markets are not fully priced into the fund's net asset value.

The insurance-dedicated mutual funds available through the Subaccounts generally cannot detect individual contract owner exchange activity because they are owned primarily by insurance company separate accounts that aggregate exchange orders from owners of individual contracts. Accordingly, the funds are dependent in large part on the rights, ability and willingness of the participating insurance companies to detect and deter short-term trading by contract owners.

As outlined below, we have adopted policies regarding frequent trading, but there is the risk that these policies and procedures concerning frequent trading will prove ineffective in whole or in part in detecting or preventing frequent trading. As a result of these limitations, some Contract Owners may be able to engage in frequent trading, while other Contract Owners will bear the effects of such frequent trading. Please review the mutual funds' prospectuses for specific information about the funds' short-term trading policies and risks.

Frequent Trading Policies. We have adopted policies and procedures designed to discourage frequent trading as described below. We intend to monitor on an ongoing basis the operation of these policies and procedures and may, at any time without notice to Contract Owners, revise them in any manner not inconsistent with the terms of the Contract. If requested by the investment adviser and/or sub-adviser of a Fund, we will consider additional steps to discourage frequent trading. In addition, we reserve the right to reject any purchase payment or exchange request at any time for any reason.

We have adopted certain procedures to detect frequent trading. If it appears that market timing activity is occurring or the transfer frequency would be expected to have a detrimental impact on the affected Funds, the following steps will be taken on a uniform basis:

- (1) A letter is sent to the Contract Owner and to the registered representative/insurance agent associated with the Contract reiterating the policy with respect to frequent transfers and urging a cessation of any market timing or frequent transfer activity.
- (2) If market timing or frequent transfer activity continues after the initial letter, a second letter is sent requiring that all subsequent transfer requests be submitted in writing via standard U.S. mail containing the Contract Owner's original signature. Thereafter, any attempt to make a transfer request through overnight deliveries, electronically, telephonically or by facsimile will be rejected.
- (3) Any Contracts which have been the subject of a letter referred to in paragraph 1 or 2 will be subject to special monitoring to determine whether the potentially detrimental frequent trading has ceased.

Dollar Cost Averaging. Dollar cost averaging is a way to invest in which securities are purchased at regular intervals in fixed dollar amounts so that the cost of the securities gets averaged over time and possibly over market cycles. If your Contract Value is at least \$10,000, you can have a fixed percentage of your purchase payments transferred monthly from one account to other accounts to achieve dollar cost averaging (\$50 minimum per account). These transfers may be made only from one of the following accounts: Money Market Subaccount, Limited Maturity Bond Subaccount, Quality Bond Subaccount, or the Fixed Holding Account. You may do this for 12 to 60 months, or until you change your allocations or tell us to stop dollar cost averaging.

Automatic Rebalancing. Automatic rebalancing is a way to maintain your desired asset allocation percentages. Because the value of your Subaccounts will fluctuate in response to investment performance, your asset allocation percentages may become out of balance over time. If you elect automatic rebalancing, we will transfer funds under your Contract on a quarterly (calendar) basis among the Subaccounts to maintain a specified percentage allocation among your selected variable investment options.

Dollar cost averaging and automatic rebalancing may not be in effect at the same time and are not available after annuitization. There is no charge for either of these programs.

Additional Information. Transfers will be based on values at the end of the Valuation Period in which the transfer request is received at our Administrative Office.

A transfer request must be received at our Administrative Office from you or the agent of record (pursuant to your instructions) and all other administrative requirements for transfer must be met to make the transfer. We reserve the right to lower the minimum transfer amount. Neither we nor the Separate Account will be liable for following instructions communicated by telephone that we reasonably believe to be genuine. We require certain personal identifying information to process a request for transfer made over the telephone.

May I Withdraw Any of My Money?

Prior to the earlier of the Annuity Date or the death of the Contract Owner or Annuitant, you may withdraw all or part of your Contract Value. We base your withdrawal request on your Contract Value next determined after we receive a proper written request for withdrawal at our Administrative Office. We will pay you within seven days, except in limited circumstances. Please see “Deferment of Payment and Transfers” for more information on these limited circumstances. You may pay a contingent deferred sales charge when you withdraw Contract Value. See **What Charges Do I Pay — Contingent Deferred Sales Charge**. You may pay tax when you make a withdrawal, including an additional 10% tax under certain circumstances. See **FEDERAL INCOME TAX CONSIDERATIONS** in this prospectus.

- A partial withdrawal must be at least \$250 and the remaining Contract Value must be at least \$250.
- If you do not tell us otherwise, the withdrawal will be taken pro rata from the Subaccounts if you own a Variable Contract. If you own a Variable/Fixed Contract, and you do not tell us otherwise, the withdrawal will be taken first from the Fixed Holding Account. If the withdrawal exhausts your Fixed Holding Account value, any remaining withdrawal will be taken pro rata from the Subaccounts. If the withdrawal exhausts your Variable Account Value, then any remaining withdrawal will be taken from a fixed interest account beginning with the fixed interest account with the shortest interest period.

Systematic Withdrawals. If you have not taken a lump sum free withdrawal in the current contract year, you can make systematic withdrawals. These are regular payments that we make to you on a monthly, quarterly, semiannual or annual basis. It is a convenient way for you to withdraw a limited percentage of Contract Value without incurring a contingent deferred sales charge. The total amount that you withdraw in a contract year cannot exceed your free withdrawal amount, and the minimum monthly amount of each

withdrawal payment is \$50. Your payments will begin on the next withdrawal date after we receive your request. See **Free Withdrawals** below. For information on the tax treatment of withdrawals, see **FEDERAL INCOME TAX CONSIDERATIONS** in this prospectus.

403(b) Withdrawals. There are restrictions on withdrawals from Contracts qualifying under Section 403(b) of the Code. Generally, withdrawals attributable to purchase payments made after December 31, 1988, pursuant to a salary reduction plan may be made only if the Contract Owner is over the age of 59½, leaves the employment of the employer, dies, or becomes disabled as defined in the Code. Withdrawals (other than withdrawals attributable to income earned on purchase payments) may also be possible in the case of hardship as defined in the Code. The restrictions do not apply to transfers among Subaccounts and may also not apply to transfers to other investments qualifying under Section 403(b). For information on the tax treatment of withdrawals under Section 403(b) Contracts, see **FEDERAL INCOME TAX CONSIDERATIONS** in this prospectus.

Deferment of Payments and Transfers

We reserve the right to defer a withdrawal, a transfer of Contract Value, or annuity payments funded by the Separate Account if (a) the NYSE is closed (other than customary weekend and holiday closings); (b) trading on the NYSE is restricted; (c) an emergency exists that makes it impractical for us to dispose of securities held in the Separate Account or to determine the value of its assets; or (d) the Commission by order so permits for the protection of investors. Conditions described in (b) and (c) will be decided by, or in accordance with rules of, the Commission.

What Charges Do I Pay?

The following discussion explains the Contract charges that you pay. You also indirectly pay expenses of the Funds that you select as investment options in the Separate Account. See the Funds' Prospectus for information on Fund expenses.

Administration Charges. These charges reimburse us for administering the Contracts and the Separate Account.

- We deduct from your Variable Account Value an annual contract administration charge that is the lesser of \$30 or 2% of your Variable Account Value. We deduct this charge each year on the date specified in the Contract (and on the date the Variable Account Value or Contract Value is withdrawn in full if other than the date specified). To pay this charge, we cancel Accumulation Units credited to your Contract, pro rata among the Subaccounts in which you invest.

Mortality and Expense Risk Charge

- We deduct from the net asset value of the Separate Account a daily expense risk charge equal to an annual rate of 0.50% of the daily net asset value of the Separate Account. You pay this charge to compensate us for the risk of guaranteeing not to increase the annual contract administration charge to more than \$30 regardless of actual administrative costs.
- We deduct a daily mortality risk charge equal to an annual rate of 0.75% of the daily net asset value of the Separate Account (prior to September 1, 1990 the charge was 0.80%). This charge is to compensate us for the mortality-related guarantees (e.g., guarantees that the annuity factors will never be decreased even if mortality experience is substantially different than originally assumed) we make under your Contract.

You pay the mortality and expense risk charges during both the accumulation and variable annuity payout phases of your Contract.

Contingent Deferred Sales Charge. This charge pays for our sales expenses. Sales expenses that are not covered by the deferred sales charge are paid from our surplus, which may include proceeds from the expense and mortality risk charges. You may pay this charge if you make a full or partial withdrawal of the Contract Value or if you withdraw the present value of your annuity payments. Purchase payments will be treated as withdrawn on a first-in, first-out basis.

Variable/Fixed Contract. The following tables show the schedule of the contingent deferred sales charge that will apply to the withdrawal of a purchase payment, after allowing for the free withdrawals described below.

First, if no purchase payments have been made after the first Contract Year, the deferred sales charge will equal:

Withdrawal During Contract Year	Deferred Sales Charge as a Percentage of Amount Withdrawn
1	7.0%
2	6.0%
3	5.0%
4	4.0%
5	3.0%
6	2.0%
7	1.0%
8 and later	No Charge

Second, if purchase payments have been made in any Contract Year after the first, the deferred sales charge will equal:

Withdrawal During Contract Year	Deferred Sales Charge as a Percentage of Amount Withdrawn
1	7.0%
2	6.0%
3	5.0%
4	4.0%
5	3.5%
6	3.0%
7	2.5%
8	2.0%
9	1.5%
10	1.0%
11 and later	No Charge

Free Withdrawals. Once in each Contract Year on or after the last day of the first Contract Year, you may withdraw 10% of the Contract Value (determined as of the date of withdrawal) free of the contingent deferred sales charge. The 10% free withdrawal may be taken either in one sum or, subject to meeting certain minimum amounts, in a series of scheduled amounts during the Contract Year. The total sum of the contingent deferred sales charges deducted from amounts withdrawn from the Separate Account will never exceed 8½% of the total of all purchase payments credited to the Separate Account.

Variable Contract. If the contingent deferred sales charge applies, it will equal the lesser of (a) 5% of the sum of purchase payments made within seven years prior to the date of withdrawal, or (b) 5% of the amount withdrawn. Under no circumstances will the cumulative charges ever exceed 5% of total purchase payments.

You will not pay a charge on that portion of the first withdrawal in a Contract Year that does not exceed 10% of total purchase payments made one year or more prior to the withdrawal. This 10% free withdrawal may be taken either in one sum or, subject to certain minimum amounts, in a series of scheduled amounts during the Contract Year. Further, no charge will be made under the Variable Contract on that portion of the first withdrawal in the eighth, ninth and tenth Contract Years that does not exceed the following percentages of the Contract Value:

Contract Year	Percentage
Eighth	25%
Ninth	50%
Tenth	75%

No charge will be made on any withdrawal in any Contract Year after the tenth Contract Year.

Other Information. You may at any time withdraw all or any part of the Contract Value free from the contingent deferred sales charge if (i) you (or the Annuitant under a qualified retirement plan) are disabled as defined in Section 72 (m) (7) of the Code and as applied under the Social Security Act, (ii) the disability began after the Contract Date, and (iii) the disability has continued without interruption for four months.

The contingent deferred sales charge may be reduced on Contracts sold to a trustee, employer or similar party pursuant to a retirement plan or to a group of individuals, if such sales are expected to involve reduced sales expenses. The amount of reduction will depend upon such factors as the size of the group, any prior or existing relationship with the purchaser or group, the total amount of purchase payments and other relevant factors that might tend to reduce expenses incurred in connection with such sales. The reduction will not be unfairly discriminatory to any Contract Owners.

Underlying Fund Charges. The Funds assess fees and charges that you pay indirectly through your investment in subaccounts. For more information about these fees see **EXPENSES** in this prospectus and the fee table in a Fund's prospectus.

Premium Taxes. Some states and municipalities impose premium taxes on purchase payments received by insurance companies. Generally, any premium taxes payable will be deducted upon annuitization, although we reserve the right to deduct such taxes when due in jurisdictions that impose such taxes on purchase payments. Currently, state premium taxes on purchase payments range from 0% to 3.5%.

The Company or an affiliate may receive asset-based compensation from the Funds' advisors or their affiliates for, among other things, customer service and recordkeeping services with respect to those assets. These payments are not charges under your Contract and do not increase the Underlying Fund or Contract charges described in this section or in the fee table.

MORE INFORMATION ABOUT THE FIXED INTEREST ACCOUNT

General Information

If you own a Variable/Fixed Contract you may allocate or transfer all or part of the amount credited to your Contract to one or more of the following fixed interest options in the Fixed Interest Account: (1) the Fixed Holding Account; (2) the One Year Guaranteed Account; (3) the Three Year Guaranteed Account; (4) the Five Year Guaranteed Account; and (5) the Seven Year Guaranteed Account. The minimum amount for an allocation to the Fixed Holding Account, the One Year Guaranteed Account, the Three Year Guaranteed

Account, the Five Year Guaranteed Account, or the Seven Year Guaranteed Account is \$250. We periodically declare an effective annual interest rate applicable to allocations to the various fixed interest options. For each amount allocated to the Fixed Holding Account, interest will be credited at an effective annual interest rate declared by us on the first day of each calendar year. The declared rate of interest will apply through the end of the calendar year in which an allocation is made to the Fixed Holding Account, at which time a new rate will be declared by Penn Mutual. For each amount allocated to the One Year Guaranteed Account, the Three Year Guaranteed Account, the Five Year Guaranteed Account or the Seven Year Guaranteed Account, interest will be credited at an annual effective interest rate declared by us each month. The declared rate of interest will apply through the end of the twelve month, thirty-six month, sixty month or eighty-four month period, as applicable, which begins on the first day of the calendar month in which the allocation is made. We guarantee an effective annual rate of interest on allocations to all fixed interest options of not less than 4%. In addition, the Contract provides that the rates declared during the first seven Contract Years for the One Year Guaranteed Account will not be less than an average of the 3 month and 2 Year U.S. Treasury Bill discount rate from the most recent regularly scheduled auction held before the beginning of the calendar month. If the auction program is discontinued, Penn Mutual will substitute an index which in its opinion is comparable and which is approved by state insurance regulatory authorities. We reserve the right to reduce our guaranteed minimum interest rate if permitted by your state. If required by law, we will notify you in advance of any such change.

If you own a Variable/Fixed Contract you may transfer Fixed Account funds to Subaccounts or to another fixed interest option within the Fixed Account, subject to the conditions and limitations in the fixed account provisions of the Contract. A premature withdrawal charge may be deducted from the interest earned on any amount that is withdrawn from the Three Year Guaranteed Account, the Five Year Guaranteed Account or the Seven Year Guaranteed Account during the period for which an interest rate is guaranteed. The premature withdrawal charge will be determined by multiplying the premature withdrawal rate by the premature withdrawal amount. The premature withdrawal rate for the Three Year Guaranteed Account and the Five and Seven Year Guaranteed Accounts equals one quarter and one-half, respectively, of the most recent effective annual interest rate then applicable to the fixed interest account from which the withdrawal is being made (*i.e.*, 3 months' interest and 6 months' interest, respectively). The premature withdrawal amount equals (a) minus the greater of (b) or (c) where: (a) is the total amount withdrawn from the fixed interest account, excluding the One Year Fixed Guaranteed; (b) is the amount for which the declared effective annual interest rate has expired in the immediately preceding 25 days (which reflects that you may make withdrawals up to 25 days after the maturity of a fixed interest account without application of the premature withdrawal charge); and (c) is 10% of purchase payments. In no event will the premature withdrawal charge exceed 10% of the amount withdrawn. In accordance with state law, we may defer a withdrawal or transfer from the Fixed Account for up to six months if we reasonably determine that investment conditions are such that an orderly sale of assets in our general account is not feasible.

Loans Under Section 403(b) Contracts

If your Contract qualifies under Section 403(b) of the Code, and if state law permits, you may be able to borrow against money that you have invested in a Fixed Interest Account. Review your Contract loan endorsement or consult our representative for a complete description of the terms of the loan privilege, including minimum and maximum loan amounts, repayment terms, and restrictions on prepayments.

When you borrow, an amount equal to your loan will be transferred as collateral from your Subaccounts to an account in our general account called the "Restricted Account." Amounts transferred to the Restricted Account currently earn interest at a rate of 2½ percentage points less than the rate of interest that we charge you on the loan. On your contract anniversary, the accrued interest in the Restricted Account will be transferred to your Subaccounts in accordance with your current payment allocation instructions.

Loan repayments are due quarterly. When you repay part of your loan, we transfer an amount equal to the principal portion of the repayment from the Restricted Account to the Fixed Holding Account subaccount. You may then transfer amounts from the Fixed Holding Account subaccount to the other investment options offered under the Contract.

If you are in default, we must report the default to the Internal Revenue Service as a taxable distribution and, if you are then under age 59 $\frac{1}{2}$, as a premature distribution that may be subject to a 10% penalty. We will repay the loan by withdrawing the amount in default, plus interest and any applicable contingent deferred sales charge, from your Subaccounts in accordance with your loan request and agreement. If Section 403(b) prevents us from doing this, your outstanding loan balance will continue to accrue interest and the amount due will be withdrawn when a withdrawal becomes permissible. While a loan balance is outstanding, any withdrawal or death benefit proceeds must first be used to pay the loan.

Loans are subject to the terms of your Contract, your Section 403(b) plan and the Code, and, in the case of plans subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), the ERISA regulations on plan loans, all of which may impose restrictions. We reserve the right to suspend, modify or terminate the availability of loans. Where there is a plan fiduciary, it is the responsibility of the fiduciary to ensure that any Contract loans comply with plan qualification requirements, including ERISA.

FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of some federal income tax considerations generally applicable to Contracts owned by natural persons. This general summary of federal income tax does not address every issue that may affect you. It is based on the law in effect on the date of this prospectus, which may change, and does not address state or local tax laws. For further information, you should consult qualified tax counsel.

You pay no federal income tax on increases in the value of your Contract until money is distributed to you or your Beneficiary as a withdrawal, death benefit or an annuity payment.

Same sex marriages that are recognized as marriages under the law of the jurisdiction in which the marriage occurred are so recognized under federal law and will be afforded the same tax treatment and spousal annuity provisions. However, the IRS currently takes the position that relationships such as civil unions and domestic partnerships that are not recognized as marriages under applicable state (or foreign) law are not recognized as marriages for federal tax purposes. Please consult a tax or legal advisor for details and up-to-date information.

Withdrawals and Death Benefits. You may pay tax on a withdrawal, and your Beneficiary may pay tax on a death benefit. These payments generally will be taxable to the extent the cash value of your Contract exceeds your investment in the Contract. Ordinary income tax rates apply. If you designate a Beneficiary who is either your grandchild or more than 37 $\frac{1}{2}$ years younger than you, you may be subject to the Generation Skipping Transfer Tax under Section 2601 of the Code.

In the case of a nonqualified Contract and death of an Annuitant who was not the Contract Owner, an election to receive the death benefit in the form of annuity payment must be made within 60 days. If such election is not made, the gain from the Contract will generally be taxed as a lump sum payment, as described in the preceding paragraph.

Annuity Payments. The non-taxable portion of an annuity payment generally is determined by multiplying the payment by the ratio of the investment in the Contract (as adjusted for any refund feature) to the expected return under the Contract. The remaining portion is taxed at ordinary income tax rates. Once you have recovered the investment in the Contract, further annuity payments are taxable at ordinary income tax rates.

Subject to certain exceptions, a Contract must be held by or on behalf of a natural person in order to be treated as an annuity contract under federal income tax law and to be accorded the tax treatment described in the preceding paragraphs. If a Contract is not treated as an annuity contract for federal income tax purposes, the income on the Contract is treated as ordinary income received or accrued by the Contract Owner during the taxable year.

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 that are includable in gross income are considered net investment income. Income from annuities that are part of a qualified retirement plan are not treated as investment income for the purpose of this tax but may be includable for purposes of determining whether the applicable income limits are exceeded for purposes of this tax.

Early Withdrawals. An additional income tax of 10% may be imposed on the taxable portion of an early withdrawal or distribution unless one of several exceptions apply. Generally, there will be no additional income tax on:

- early withdrawals that are part of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the taxpayer or the joint lives (or joint life expectancies) of the taxpayer and a Beneficiary;
- withdrawals made on or after age 59 ½;
- distributions made on or after death; or
- withdrawals attributable to disability, as determined under the Code.

If you receive systematic payments that you intend to qualify for the “substantial equal periodic payments” exception described above, any modification (except due to death or disability) to your systematic payments before the age of 59 ½ or within five years after the beginning of those payments, whichever is later, will result in the retroactive imposition of the 10% additional income tax and an interest charge.

Multiple Contracts. All nonqualified Contracts that are issued by Penn Mutual to the same Contract Owner during any calendar year are treated as one annuity for purposes of determining the amount includable in such Contract Owner’s taxable income when a taxable distribution (other than an annuity payment) occurs. A Nonqualified Contract is generally a Contract that does not qualify for favorable tax treatment as a qualified plan (described in more detail below), individual retirement annuity (“IRA”), Roth IRA, Simplified Employee Pension IRA, or tax-sheltered annuity.

Transfers. You may pay tax if you transfer your Contract to someone else. If the transfer is for less than adequate consideration, the taxable portion would be the Contract Value at the time of transfer over the investment in the Contract at such time. This rule does not apply to transfers between spouses or to transfers incident to a divorce.

Separate Account Diversification. Section 817(h) of the Code provides that the investments of a separate account in which a Contract invests (underlying a variable annuity contract which is not purchased under a qualified retirement plan or certain other types of plans or the investments of a mutual fund, the shares of which are owned by the variable annuity separate account) must be “adequately diversified” in order for the Contract to be treated as an annuity contract for tax purposes. The Treasury Department has issued regulations prescribing such diversification requirements. 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 each Separate Account will meet the diversification requirement, and Penn Mutual will monitor continued compliance with this requirement. The requirements are briefly discussed in the accompanying prospectuses for the underlying funds.

The Treasury Department has stated in published rulings that a variable contract owner will be considered the owner of 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. If a variable contract owner is treated as owner of separate account assets, income and gain from the assets would be 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 would 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. No such regulations have been issued to date. The Internal Revenue Service 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 a contract being treated as the owner of the assets in the subaccount under the investment control doctrine.

The ownership rights under your Contract 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 contract owners were not owners of the subaccount assets. Although we do not believe this to be the case, these differences could result in Contract owners being treated as the owners of the assets of the Subaccounts under the Contract. We, therefore, reserve the right to modify the Contract as necessary to attempt to prevent the owners of the Contract from being considered the owners of a pro rata share of the assets of the Subaccounts under the Contract. It is possible that if regulations or additional rulings are issued, the Contracts may need to be modified to comply with them.

Qualified Plans. The Contracts may be used in connection with certain retirement plans that qualify for special tax treatment under the Code. The plans include individual retirement annuities qualified under Section 408(b) of the Code (referred to as IRAs), simplified employee pension plans qualified under Section 408(k) of the Code, tax-deferred annuities qualified under Section 403(b) of the Code, state and local government deferred compensation plans qualified under Section 457 of the Code, pension or profit sharing plans for self-employed individuals qualified under Section 401 of the Code (referred to as H.R. 10 or Keogh plans) and corporate pension or profit sharing plans qualified under Section 401 of the Code or annuity plans qualified under Section 403(a) of the Code. Special provisions are required in some Contracts for qualification under the Code.

For some types of qualified retirement plans, there may be no cost basis in the Contract. In this case, the total payments received may be taxable. Before purchasing a Contract under a qualified retirement plan, the tax consequences of purchasing such a Contract should be considered.

Distribution must generally commence from individual retirement annuities and from Contracts qualified under Section 403(b) no later than the April 1 following the calendar year in which the Contract Owner attains age 70½. Failure to make such required minimum distributions may result in a 50% tax on the amount of the required distribution.

Withholding. Generally, for purposes of a nonqualified annuity or rollover IRA qualified under Section 408(b), unless the Contract Owner elects to the contrary, and properly notifies the Company of that election, any amounts that are received under the Contract that the Company believes are includable in gross income for tax purposes will be subject to mandatory withholding to meet federal income tax obligations. The same treatment will apply to distributions from a Section 403(b) annuity that are payable as an annuity for the life or life expectancy of one or more individuals, or for a period of at least 10 years, or are required minimum distributions. Other distributions from a qualified plan or a Section 403(b) annuity are subject to mandatory withholding, unless an election is made to receive the distribution as a direct rollover to another eligible retirement plan. Distributions from a Section 457 eligible deferred compensation plan are wages subject to general income tax withholding requirements.

This general summary of federal income tax considerations does not address every issue that may affect you. You should consult qualified tax counsel.

OTHER INFORMATION

Cyber Security. We rely heavily on interconnected computer systems and digital data to conduct our variable product business activities. Because our variable product business is highly dependent upon the effective operation of our computer systems and those of our business partners, our business is potentially vulnerable to disruptions from utility outages and other problems, and susceptible to operational and information security risks resulting from information systems failure, including hardware and software malfunctions and cyber-attacks. These risks include, among other things, the theft, misuse, corruption and destruction of data maintained online or digitally, interference with or denial of service attacks on websites and other operational disruption and unauthorized release of confidential customer or business information. Such systems failures and cyber-attacks affecting us, the underlying funds, the principal underwriter and other affiliated or third-party service providers may adversely affect us and your Contract Value. For instance, cyber-attacks may interfere with our processing of policy transactions, including the processing of orders with the underlying funds; cause the release and possible destruction of confidential customer or business information; subject us and/or our service providers and intermediaries to regulatory fines and financial losses; and/or cause reputational damage. Cyber security risks may also affect the issuers of securities in which the underlying funds invest, which may cause the underlying funds to lose value. There can be no assurance that we, the underlying funds or our service providers will avoid losses affecting your Contract that result from cyber-attacks or information security breaches in the future. These risks also apply to other insurance and financial services companies and businesses.

Abandoned Property. Every state has unclaimed property laws that generally provide for escheatment to the state of unclaimed property (including escheatment of annuity, life, and other insurance policies) under various circumstances. In addition to the state unclaimed property law, we may be required to escheat property pursuant to regulatory demand, finding, agreement or settlement. To help prevent such escheatment it is important that you keep your contract and other information on file with us up to date, including the names, contact and identifying information for owners, insureds, annuitants, beneficiaries and other payees.

Anti-Money Laundering. Federal laws designed to counter terrorism and prevent money laundering by criminals might in certain circumstances require us to reject a premium payment and/or “freeze” an owner’s account. If these laws apply in a particular situation, we would not be allowed to pay any request for surrenders (either full or partial), or death benefits, make transfers, or continue making annuity payments absent instructions from the appropriate federal regulator. We may also be required to provide information about you and your Contract to government agencies or departments.

Legal Proceedings. We, like other life insurance companies, are subject to regulatory and legal proceedings, including lawsuits, in the ordinary course of our business. Such legal and regulatory matters include proceedings specific to us and other proceedings generally applicable to business practices in the industry in which we operate. In some lawsuits and regulatory proceedings involving insurers, substantial damages have been sought and/or material settlement payments have been made. Although the outcome of any litigation or regulatory proceeding cannot be predicted with certainty, at the present time, we believe that there are no pending or threatened proceedings or lawsuits that are likely to have a material adverse impact on the separate account, on the principal underwriter’s ability to perform under its principal underwriting agreement, or on our ability to meet our obligations under the policy.

DISTRIBUTION ARRANGEMENTS

Penn Mutual has a distribution agreement with Hornor, Townsend & Kent, LLC (“HTK”) to act as principal underwriter for the distribution and sale of the Contracts. HTK is a wholly owned subsidiary of Penn Mutual and is located at 600 Dresher Road, Suite C1C, in Horsham, Pennsylvania, 19044. HTK sells the Contracts through its sales representatives. HTK has also entered into selling agreements with other broker-dealers who in turn sell the Contracts through their sales representatives. HTK is registered as a broker-dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as well as with the securities commissions in the states in which it operates, and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

Penn Mutual enters into selling agreements with HTK and other broker-dealers whose registered representatives are authorized by state insurance and securities departments to solicit applications for the Contracts. Sales and renewal compensation are paid to these broker-dealers for soliciting applications as premium-based commission, asset-based commission (sometimes referred to as “trails” or “residuals”), or a combination of the two. Premium-based commissions on purchase payments made under the Contract will not exceed 6.7%.

In addition to or partially in lieu of commission, Penn Mutual may also make override payments and pay expense allowances and reimbursements, bonuses, wholesaler fees, and training and marketing allowances. Such payments may offset broker-dealer expenses in connection with activities they are required to perform, such as educating personnel and maintaining records. Registered representatives may also receive non-cash compensation such as expense-paid educational or training seminars involving travel within and outside the U.S. or promotional merchandise.

Such additional compensation may give Penn Mutual greater access to registered representatives of the broker-dealers that receive such compensation. While this greater access provides the opportunity for training and other educational programs so that your registered representative may serve you better, this additional compensation also may afford Penn Mutual a “preferred” status at the recipient broker-dealer (along with other product vendors that provide similar support) and offer some other marketing benefit such as web site placement, access to registered representative lists, extra marketing assistance, or other heightened visibility and access to the broker-dealer’s sales force that otherwise influences the way that the broker-dealer and the registered representative market the contracts.

Finally, within certain limits imposed by FINRA, registered representatives who are associated with HTK, as a Penn Mutual broker-dealer affiliate, may qualify for sales incentive programs and other benefits sponsored by Penn Mutual. These HTK registered representatives are also agents of Penn Mutual and upon achievement of specified annual sales goals may be eligible for compensation in addition to the amounts stated above, including bonuses, fringe benefits, financing arrangements, conferences, trips, prizes and awards.

All of the compensation described in this section, and other compensation or benefits provided by Penn Mutual or its affiliates, may be more or less than the overall compensation on similar or other products and may influence your registered representative or broker-dealer to present this Contract rather than other investment options.

Individual registered representatives typically receive a portion of the compensation that is paid to the broker-dealer in connection with the Contract, depending on the agreement between the registered representative and their broker-dealer firm. Penn Mutual is not involved in determining that compensation arrangement, which may present its own incentives or conflicts. You may ask your registered representative how he/she will be compensated for the transaction.

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APPENDIX A

This Appendix contains tables that show Accumulation Unit values and the number of Accumulation Units outstanding for each of the Subaccounts of the Separate Account. The financial data included in the tables should be read in conjunction with the financial statements and the related notes that are included in the Statement of Additional Information.

PENN SERIES MONEY MARKET FUND SUBACCOUNT

Values of an Accumulation Unit Outstanding Throughout Each Period

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$22.254	\$22.531	\$22.811	\$23.096	\$23.384
Accumulation Unit Value, end of period	\$22.097	\$22.254	\$22.531	\$22.811	\$23.096
Number of Accumulation Units outstanding, end of period	101,574	108,230	127,009	139,347	138,988

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$23.676	\$23.972	\$24.270	\$24.573	\$24.774
Accumulation Unit Value, end of period	\$23.384	\$23.676	\$23.972	\$24.270	\$24.573
Number of Accumulation Units outstanding, end of period	213,004	210,983	238,144	240,231	315,122

PENN SERIES LIMITED MATURITY BOND FUND SUBACCOUNT

Values of an Accumulation Unit Outstanding Throughout Each Period

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$17.078	\$17.006	\$16.785	\$16.864	\$17.047
Accumulation Unit Value, end of period	\$17.102	\$17.078	\$17.006	\$16.785	\$16.864
Number of Accumulation Units outstanding, end of period	87,375	93,971	105,748	116,153	146,736

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$17.276	\$17.387	\$17.220	\$16.812	\$16.708
Accumulation Unit Value, end of period	\$17.047	\$17.276	\$17.387	\$17.220	\$16.812
Number of Accumulation Units outstanding, end of period	157,772	175,285	180,706	207,432	206,504

PENN SERIES QUALITY BOND FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$42.651	\$41.302	\$40.091	\$40.445	\$38.967
Accumulation Unit Value, end of period	\$42.090	\$42.651	\$41.302	\$40.091	\$40.445
Number of Accumulation Units outstanding, end of period	165,975	231,266	245,645	272,517	305,369

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$40.664	\$39.892	\$36.680	\$35.020	\$33.448
Accumulation Unit Value, end of period	\$38.967	\$40.664	\$39.892	\$36.680	\$35.020
Number of Accumulation Units outstanding, end of period	324,876	378,894	420,961	506,045	528,281

PENN SERIES HIGH YIELD BOND FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$96.138	\$90.622	\$79.345	\$83.145	\$82.657
Accumulation Unit Value, end of period	\$92.776	\$96.138	\$90.622	\$79.345	\$83.145
Number of Accumulation Units outstanding, end of period	76,106	92,213	102,193	112,423	121,181

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$77.563	\$68.556	\$67.346	\$59.729	\$41.229
Accumulation Unit Value, end of period	\$82.657	\$77.563	\$68.556	\$67.346	\$59.729
Number of Accumulation Units outstanding, end of period	133,053	152,829	171,745	208,225	231,719

PENN SERIES FLEXIBLY MANAGED FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$314.017	\$276.500	\$258.796	\$249.588	\$225.403
Accumulation Unit Value, end of period	\$311.576	\$314.017	\$276.500	\$258.796	\$249.588
Number of Accumulation Units outstanding, end of period	493,301	564,689	629,972	678,183	742,784

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$186.641	\$164.730	\$161.884	\$143.884	\$109.608
Accumulation Unit Value, end of period	\$225.403	\$186.641	\$164.730	\$161.884	\$143.884
Number of Accumulation Units outstanding, end of period	806,707	871,485	970,011	1,125,670	1,267,975

PENN SERIES BALANCED FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$18.626	\$16.505	\$15.421	\$15.509	\$14.322
Accumulation Unit Value, end of period	\$17.863	\$18.626	\$16.505	\$15.421	\$15.509
Number of Accumulation Units outstanding, end of period	382,850	443,410	471,272	534,896	576,819

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$12.422	\$11.380	\$10.917	\$9.897	\$8.488
Accumulation Unit Value, end of period	\$14.322	\$12.422	\$11.380	\$10.917	\$9.897
Number of Accumulation Units outstanding, end of period	635,820	771,220	875,714	977,336	1,119,158

PENN SERIES LARGE GROWTH STOCK FUND SUBACCOUNT
Values of an Accumulation Unit Outstanding Throughout Each Period

Qualified

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$107.410	\$81.675	\$81.801	\$74.952	\$70.038
Accumulation Unit Value, end of period	\$104.679	\$107.410	\$81.675	\$81.801	\$74.952
Number of Accumulation Units outstanding, end of period	159,532	192,648	220,322	244,296	259,028

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$50.978	\$43.470	\$44.711	\$38.763	\$27.461
Accumulation Unit Value, end of period	\$70.038	\$50.978	\$43.470	\$44.711	\$38.763
Number of Accumulation Units outstanding, end of period	279,140	301,929	330,608	364,620	407,452

Non-Qualified

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$106.525	\$81.002	\$81.127	\$74.334	\$69.460
Accumulation Unit Value, end of period	\$103.817	\$106.525	\$81.002	\$81.127	\$74.334
Number of Accumulation Units outstanding, end of period	64,982	70,435	74,465	84,193	84,880

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$50.558	\$43.112	\$44.342	\$38.444	\$27.235
Accumulation Unit Value, end of period	\$69.460	\$50.558	\$43.112	\$44.342	\$38.444
Number of Accumulation Units outstanding, end of period	87,902	95,643	109,442	115,704	128,767

PENN SERIES LARGE CAP GROWTH FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$17.267	\$13.639	\$13.033	\$13.218	\$12.026
Accumulation Unit Value, end of period	\$17.167	\$17.267	\$13.639	\$13.033	\$13.218
Number of Accumulation Units outstanding, end of period	69,715	63,485	71,389	83,277	96,279

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$9.893	\$9.086	\$9.868	\$8.886	\$6.542
Accumulation Unit Value, end of period	\$12.026	\$9.893	\$9.086	\$9.868	\$8.886
Number of Accumulation Units outstanding, end of period	109,163	115,782	149,732	189,915	194,766

PENN SERIES LARGE CORE GROWTH FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$19.335	\$14.744	\$14.910	\$14.848	\$13.956
Accumulation Unit Value, end of period	\$19.745	\$19.335	\$14.744	\$14.910	\$14.848
Number of Accumulation Units outstanding, end of period	963,174	1,096,408	1,272,118	1,430,602	1,626,570

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$10.247	\$8.934	\$9.523	\$8.222	\$6.127
Accumulation Unit Value, end of period	\$13.956	\$10.247	\$8.934	\$9.523	\$8.222
Number of Accumulation Units outstanding, end of period	1,791,460	1,992,389	2,238,611	2,570,586	2,990,016

PENN SERIES LARGE CAP VALUE FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$91.531	\$80.869	\$73.362	\$77.663	\$70.647
Accumulation Unit Value, end of period	\$83.419	\$91.531	\$80.869	\$73.362	\$77.663
Number of Accumulation Units outstanding, end of period	250,071	289,704	337,637	384,689	430,234

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$53.703	\$48.025	\$50.878	\$44.860	\$33.996
Accumulation Unit Value, end of period	\$70.647	\$53.703	\$48.025	\$50.878	\$44.860
Number of Accumulation Units outstanding, end of period	472,361	532,423	596,619	681,939	777,187

PENN SERIES LARGE CORE VALUE FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$16.755	\$14.726	\$13.611	\$13.894	\$12.642
Accumulation Unit Value, end of period	\$15.454	\$16.755	\$14.726	\$13.611	\$13.894
Number of Accumulation Units outstanding, end of period	552,262	651,428	736,117	834,075	956,181

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$9.864	\$8.642	\$9.133	\$8.373	\$7.262
Accumulation Unit Value, end of period	\$12.642	\$9.864	\$8.642	\$9.133	\$8.373
Number of Accumulation Units outstanding, end of period	1,045,066	1,272,165	1,423,077	1,780,458	2,126,264

PENN SERIES INDEX 500 FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$36.382	\$30.320	\$27.528	\$27.598	\$24.674
Accumulation Unit Value, end of period	\$34.219	\$36.382	\$30.320	\$27.528	\$27.598
Number of Accumulation Units outstanding, end of period	470,037	539,117	563,168	677,463	706,009

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$18.947	\$16.585	\$16.503	\$14.559	\$11.960
Accumulation Unit Value, end of period	\$24.674	\$18.947	\$16.585	\$16.503	\$14.559
Number of Accumulation Units outstanding, end of period	779,045	860,272	988,104	1,099,666	1,298,802

PENN SERIES MID CAP GROWTH FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$32.555	\$25.939	\$24.680	\$26.524	\$24.529
Accumulation Unit Value, end of period	\$32.233	\$32.555	\$25.939	\$24.680	\$26.524
Number of Accumulation Units outstanding, end of period	209,204	242,528	268,340	304,801	324,293

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$18.167	\$17.341	\$19.039	\$15.198	\$10.414
Accumulation Unit Value, end of period	\$24.529	\$18.167	\$17.341	\$19.039	\$15.198
Number of Accumulation Units outstanding, end of period	350,348	396,648	443,195	497,414	576,717

PENN SERIES MID CAP VALUE FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$52.114	\$44.926	\$38.813	\$42.712	\$38.049
Accumulation Unit Value, end of period	\$43.641	\$52.114	\$44.926	\$38.813	\$42.712
Number of Accumulation Units outstanding, end of period	185,538	225,477	250,096	286,839	315,529

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$28.287	\$24.870	\$26.869	\$21.631	\$14.901
Accumulation Unit Value, end of period	\$38.049	\$28.287	\$24.870	\$26.869	\$21.631
Number of Accumulation Units outstanding, end of period	346,646	383,882	446,653	499,707	581,760

PENN SERIES MID CORE VALUE FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$29.026	\$26.348	\$21.731	\$22.343	\$19.441
Accumulation Unit Value, end of period	\$24.923	\$29.026	\$26.348	\$21.731	\$22.343
Number of Accumulation Units outstanding, end of period	59,128	66,173	76,730	82,249	102,742

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$15.242	\$13.484	\$14.154	\$11.425	\$9.180
Accumulation Unit Value, end of period	\$19.441	\$15.242	\$13.484	\$14.154	\$11.425
Number of Accumulation Units outstanding, end of period	113,289	120,093	154,740	161,693	178,156

PENN SERIES SMID CAP GROWTH FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$23.469	\$18.629	\$17.750	\$18.250	\$18.368
Accumulation Unit Value, end of period	\$21.902	\$23.469	\$18.629	\$17.750	\$18.250
Number of Accumulation Units outstanding, end of period	24,741	37,612	39,350	48,534	49,878

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$13.021	\$11.430	\$12.147	\$9.851	\$6.471
Accumulation Unit Value, end of period	\$18.368	\$13.021	\$11.430	\$12.147	\$9.851
Number of Accumulation Units outstanding, end of period	52,181	41,834	43,079	68,404	64,803

PENN SERIES SMID CAP VALUE FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$24.953	\$22.359	\$18.082	\$19.414	\$17.994
Accumulation Unit Value, end of period	\$20.905	\$24.953	\$22.359	\$18.082	\$19.414
Number of Accumulation Units outstanding, end of period	51,126	60,503	60,011	55,208	68,177

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$13.204	\$11.240	\$12.259	\$9.784	\$6.805
Accumulation Unit Value, end of period	\$17.994	\$13.204	\$11.240	\$12.259	\$9.784
Number of Accumulation Units outstanding, end of period	70,014	56,837	72,173	70,440	42,555

PENN SERIES SMALL CAP GROWTH FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$47.434	\$38.473	\$35.834	\$36.158	\$33.953
Accumulation Unit Value, end of period	\$44.668	\$47.434	\$38.473	\$35.834	\$36.158
Number of Accumulation Units outstanding, end of period	169,242	187,747	222,349	246,432	278,548

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$24.984	\$23.929	\$27.259	\$23.169	\$14.778
Accumulation Unit Value, end of period	\$33.953	\$24.984	\$23.929	\$27.259	\$23.169
Number of Accumulation Units outstanding, end of period	301,527	349,458	403,189	434,963	493,955

PENN SERIES SMALL CAP VALUE FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$77.605	\$70.002	\$56.815	\$60.852	\$57.507
Accumulation Unit Value, end of period	\$65.999	\$77.605	\$70.002	\$56.815	\$60.852
Number of Accumulation Units outstanding, end of period	176,281	201,197	225,913	256,156	287,331

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$41.914	\$36.536	\$36.676	\$29.302	\$23.377
Accumulation Unit Value, end of period	\$57.507	\$41.914	\$36.536	\$36.676	\$29.302
Number of Accumulation Units outstanding, end of period	315,071	352,428	409,776	467,605	542,836

PENN SERIES SMALL CAP INDEX FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$20.466	\$18.212	\$15.319	\$16.348	\$15.886
Accumulation Unit Value, end of period	\$17.912	\$20.466	\$18.212	\$15.319	\$16.348
Number of Accumulation Units outstanding, end of period	32,123	34,756	26,628	31,162	42,467

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$11.645	\$10.209	\$10.826	\$8.686	\$6.972
Accumulation Unit Value, end of period	\$15.886	\$11.645	\$10.209	\$10.826	\$8.686
Number of Accumulation Units outstanding, end of period	41,329	36,399	53,040	19,662	6,846

PENN SERIES DEVELOPED INTERNATIONAL INDEX FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$12.706	\$10.332	\$10.425	\$10.704	\$11.543
Accumulation Unit Value, end of period	\$10.782	\$12.706	\$10.332	\$10.425	\$10.704
Number of Accumulation Units outstanding, end of period	59,040	55,862	54,403	59,751	62,407

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$9.653	\$8.273	\$9.586	\$9.034	\$7.118
Accumulation Unit Value, end of period	\$11.543	\$9.653	\$8.273	\$9.586	\$9.034
Number of Accumulation Units outstanding, end of period	54,192	53,530	63,760	33,185	25,031

PENN SERIES INTERNATIONAL EQUITY FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$55.724	\$42.848	\$45.746	\$44.715	\$43.981
Accumulation Unit Value, end of period	\$48.208	\$55.724	\$42.848	\$45.746	\$44.715
Number of Accumulation Units outstanding, end of period	344,126	388,664	454,639	510,287	565,925

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$42.025	\$35.151	\$35.271	\$32.153	\$26.744
Accumulation Unit Value, end of period	\$43.981	\$42.025	\$35.151	\$35.271	\$32.153
Number of Accumulation Units outstanding, end of period	616,580	673,004	765,768	892,580	1,004,512

PENN SERIES EMERGING MARKETS EQUITY FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$12.329	\$9.245	\$8.848	\$10.053	\$10.706
Accumulation Unit Value, end of period	\$10.048	\$12.329	\$9.245	\$8.848	\$10.053
Number of Accumulation Units outstanding, end of period	293,093	325,726	388,155	462,552	515,997

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$10.964	\$9.283	\$11.525	\$9.793	\$5.987
Accumulation Unit Value, end of period	\$10.706	\$10.964	\$9.283	\$11.525	\$9.793
Number of Accumulation Units outstanding, end of period	567,077	620,659	708,715	859,404	1,038,690

PENN SERIES REAL ESTATE SECURITIES FUND SUBACCOUNT(a)
Values of an Accumulation Unit Outstanding Throughout Each Period

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$32.717	\$30.844	\$29.605	\$28.491	\$22.153
Accumulation Unit Value, end of period	\$30.954	\$32.717	\$30.844	\$29.605	\$28.491
Number of Accumulation Units outstanding, end of period	88,933	114,580	132,524	139,490	145,434

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$21.751	\$18.986	\$17.961	\$14.531	\$11.629
Accumulation Unit Value, end of period	\$22.153	\$21.751	\$18.986	\$17.961	\$14.531
Number of Accumulation Units outstanding, end of period	149,228	175,444	178,782	176,542	201,257

(a) Penn Series REIT Fund Subaccount prior to May 1, 2011.

PENN SERIES AGGRESSIVE ALLOCATION FUND SUBACCOUNT
Values of an Accumulation Unit Outstanding Throughout Each Period

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$17.358	\$14.637	\$13.792	\$14.191	\$13.457
Accumulation Unit Value, end of period	\$15.507	\$17.358	\$14.637	\$13.792	\$14.191
Number of Accumulation Units outstanding, end of period	33,885	41,916	49,189	45,435	46,752

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$11.124	\$9.754	\$10.251	\$8.951	\$7.030
Accumulation Unit Value, end of period	\$13.457	\$11.124	\$9.754	\$10.251	\$8.951
Number of Accumulation Units outstanding, end of period	51,122	35,059	37,282	28,198	14,167

PENN SERIES MODERATELY AGGRESSIVE ALLOCATION FUND SUBACCOUNT
Values of an Accumulation Unit Outstanding Throughout Each Period

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$17.848	\$15.369	\$14.473	\$14.825	\$14.124
Accumulation Unit Value, end of period	\$16.244	\$17.848	\$15.369	\$14.473	\$14.825
Number of Accumulation Units outstanding, end of period	75,590	106,149	103,578	82,073	90,426

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$12.002	\$10.695	\$11.027	\$9.751	\$7.759
Accumulation Unit Value, end of period	\$14.124	\$12.002	\$10.695	\$11.027	\$9.751
Number of Accumulation Units outstanding, end of period	126,238	92,450	82,825	72,750	94,004

PENN SERIES MODERATE ALLOCATION FUND SUBACCOUNT
Values of an Accumulation Unit Outstanding Throughout Each Period

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$15.960	\$14.176	\$13.419	\$13.663	\$13.097
Accumulation Unit Value, end of period	\$14.833	\$15.960	\$14.176	\$13.419	\$13.663
Number of Accumulation Units outstanding, end of period	162,764	141,760	211,492	203,309	236,068

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$11.623	\$10.610	\$10.673	\$9.629	\$8.086
Accumulation Unit Value, end of period	\$13.097	\$11.623	\$10.610	\$10.673	\$9.629
Number of Accumulation Units outstanding, end of period	236,973	295,329	259,248	187,965	133,711

PENN SERIES MODERATELY CONSERVATIVE ALLOCATION FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$14.534	\$13.380	\$12.778	\$12.967	\$12.504
Accumulation Unit Value, end of period	\$13.855	\$14.534	\$13.380	\$12.778	\$12.967
Number of Accumulation Units outstanding, end of period	140,632	148,305	158,247	161,587	162,633

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$11.579	\$10.826	\$10.671	\$9.844	\$8.614
Accumulation Unit Value, end of period	\$12.504	\$11.579	\$10.826	\$10.671	\$9.884
Number of Accumulation Units outstanding, end of period	168,315	173,815	176,546	200,560	194,661

PENN SERIES CONSERVATIVE ALLOCATION FUND SUBACCOUNT**Values of an Accumulation Unit Outstanding Throughout Each Period**

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Accumulation Unit Value, beginning of period	\$13.024	\$12.396	\$11.987	\$12.128	\$11.837
Accumulation Unit Value, end of period	\$12.689	\$13.024	\$12.396	\$11.987	\$12.128
Number of Accumulation Units outstanding, end of period	38,795	43,543	24,679	22,526	41,347

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Accumulation Unit Value, beginning of period	\$11.477	\$11.018	\$10.735	\$10.169	\$9.264
Accumulation Unit Value, end of period	\$11.837	\$11.477	\$11.018	\$10.735	\$10.169
Number of Accumulation Units outstanding, end of period	38,434	38,432	63,551	29,753	36,532

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Our Noble Purpose

Since 1847, Penn Mutual has been driven by our noble purpose – to create a world of possibilities, one individual, one family and one small business at a time. As an original pioneer of mutual life insurance in America, we believe that purchasing life insurance is the most protective, responsible and rewarding action a person can take to build a solid foundation today and create a brighter future for generations to come.

Diversifier II is issued by The Penn Mutual Life Insurance Company on Policy Form DV-790 and state variations thereof.