

# BULLETIN

A Communication from  
the Life Insurance Division



PACIFIC LIFE

Pacific Life Insurance Company

**DATE:** April 3, 2020

**TO:** Life Insurance Producers, Management, Office Administrators,  
and Technical Staff

**SUBJECT:** Changes to the 1-Year No Cap Indexed Account Transfer Date, Surplus Premium  
Load, and Premium Deposit Fund

Category	
<input type="checkbox"/>	Administration
<input type="checkbox"/>	Compliance
<input type="checkbox"/>	Marketing
<input checked="" type="checkbox"/>	Product
<input type="checkbox"/>	Risk Selection
<input type="checkbox"/>	Miscellaneous

The economic impact of the COVID-19 pandemic has increased market volatility levels and after very careful consideration, Pacific Life Insurance Company is announcing the following changes to some of our life insurance products. We are committed to managing our products to stand the test of time and believe these changes will better position us to deliver long-term value to our policyowners.

**Please reach out to your clients to help them proactively manage their life insurance policies considering the following changes. See pages 2–3 for details.**

1-Year No Cap Indexed Account	Surplus Premium Load	Premium Deposit Fund
No new transfers into the 1-Year No Cap Indexed Account will take place in April or May. The next transfer date into the 1-Year No Cap Indexed Account is June 15. This applies to certain indexed universal life (IUL) and variable universal life (VUL) insurance products. <sup>1</sup>	Increasing Surplus Premium Load from 6% to 13% for certain IUL products, effective May 1.	Decreasing the Premium Deposit Fund discount rate from 3% to 1%, effective May 1.

#### Important Dates:

- **April 1 to June 15, 2020** – No transfers into the 1-Year No Cap Indexed Account will take place in either the months of April or May. Any new payment, scheduled transfer, or maturing segment proceeds that your clients may have allocated to the 1-Year No Cap Indexed Account will instead remain in the policy's Fixed Account unless we receive alternate transfer instructions. This change does not impact any of the other available indexed accounts.
- **April 3, 2020** – Inforce policyowner letters will begin being mailed out, informing policyowners of a postponement of transfers into the 1-Year No Cap Indexed Account. See sample letter at the end of this bulletin.
- **April 13 and May 13, 2020** – Due dates for transfer instructions and fund availability in the fixed account for the next available transfer dates to other indexed accounts (excluding the 1-Year No Cap Indexed Account).
- **May 1, 2020** – For certain IUL policies issued on or after this date, first year premiums exceeding 10x target premium or \$3 million (whichever is less) will be assessed the higher surplus premium load.
- **May 1, 2020** – Premium Deposit Fund established on or after this date will receive the new discount rate. A new signed illustration is required for non-variable life insurance products.
- **June 15, 2020** – Next available transfer date into the 1-Year No Cap Indexed Account.

1. This action only impacts the 1-Year No Cap Indexed Account; it does not affect any of the other Indexed Account(s).

## No New Allocations to the 1-Year No Cap Indexed Account Until June 15, 2020

### About the 1-Year No Cap Indexed Account

The 1-Year No Cap Indexed Account credits 100% (guaranteed participation rate) of the S&P 500 index gains, excluding dividends, on a point-to-point basis over each segment's one-year term. The gains are reduced by the current Threshold Rate. There is no growth cap on a guaranteed basis. The guaranteed minimum annual interest crediting (floor) rate is 0% in IUL products and 1% in VUL products. The current Threshold Rate is subject to frequent change, but is guaranteed to be no higher than 20%.

### Life Insurance Products Impacted

#### Single Life IUL Products:<sup>1</sup>

Pacific Discovery Xelerator IUL, Pacific Discovery Xelerator IUL 2, Pacific Indexed Accumulator III, Pacific Indexed Accumulator 4, Pacific Indexed Accumulator 4 2015, Pacific Indexed Accumulator 5, Pacific Indexed Accumulator 6, Pacific Indexed Performer LT, Pacific Indexed Performer LT 2, and Pacific Indexed Protector 2

#### Survivorship IUL Products:<sup>1</sup>

Indexed Pacific Estate Preserver, Pacific Indexed Estate Preserver 2, Pacific Indexed Estate Preserver 3

#### Single Life VUL Products:<sup>2</sup>

Pacific Select VUL 2

## Higher Surplus Premium Load, Effective May 1, 2020

### About the Surplus Premium Load

If applicable (see products below), the current surplus premium load applies only in the first policy year and only to the amount of premium received that is over 10x target premium or \$3 million, whichever is less. On a guaranteed basis, the maximum surplus premium load is 20% and may apply up to age 121. If applicable, the surplus premium load is in addition to the policy's current premium load.

This change applies only to the products listed below that are issued on or after May 1, 2020.

IUL Products Impacted	Today's Current Surplus Premium Load	NEW Current Surplus Premium Load (as of 5/1/2020)
<b>Single Life IUL Products:</b> Pacific Discovery Xelerator IUL, Pacific Discovery Xelerator IUL 2, Pacific Discovery Protector IUL, Pacific Indexed Accumulator 5, Pacific Indexed Accumulator 6, Pacific Indexed Performer LT 2, and Pacific Indexed Protector 2	6%	13%
<b>Survivorship IUL Products:</b> Pacific Indexed Estate Preserver 2, Pacific Indexed Estate Preserver 3		

## Lower Premium Deposit Fund Discount Rate, Effective May 1, 2020

For all life insurance products, new money into the Premium Deposit Fund received on or after May 1, 2020 will receive a 1% discount rate (decrease from 3%). A new signed illustration is required for non-variable life insurance products.

### **About the Premium Deposit Fund**

*The premium deposit fund (PDF) requires a lump sum payment to prepay a minimum of four to a maximum of 10 years of future premiums. The first premium is not discounted, but the future prepaid premiums are discounted by the current discount rate in effect at the time of deposit. The maximum deposit is \$10 million, regardless of the number of life insurance policies owned by the individual. The premium deposit fund is only available at policy issue and no additional future premiums may be added after the account has been established. Policyowners may choose to liquidate the fund at any time and any premium deposit fund interest will be forfeited.*

Variable and Indexed Universal Life Insurance generally requires additional premium payments after the initial premium. If either no premiums are paid, or subsequent premiums are insufficient to continue coverage, it is possible that coverage will expire.

### **Endnotes:**

<sup>1</sup> Indexed universal life insurance does not directly participate in any stock or equity investments. Pacific Life Insurance Company's flexible premium, indexed adjustable life insurance products are: Pacific Discovery Xelerator IUL (Policy Form # P15IUL, S16PDX or ICC15 P15IUL, ICC16 S16PDX), Pacific Discovery Xelerator IUL 2 (Policy form P15IUL and S18PDX2, or ICC15 P15IUL and ICC18 S18PDX2), Pacific Indexed Accumulator III (Policy Form #P08PI3), Pacific Indexed Accumulator 4 (Policy Form #P11PI4 or ICC11 P11PI4), Pacific Indexed Accumulator 4 2015 (Policy Form #P14PPR, P14PPR P4 or ICC14 P14PPR, ICC14 P14PPR P4), Pacific Indexed Accumulator 5 (Policy Form #P15IUL, S15PIA5 or ICC15 P15IUL, ICC15 S15PIA5), Pacific Indexed Accumulator 6 (Policy form # P15IUL and S18PIA6, or ICC15 P15IUL and ICC18 S18PIA6), Pacific Indexed Performer LT (Policy Form #P11PIP or ICC11 P11PIP), Pacific Indexed Performer LT 2 (Policy Form #P15IUL, S15PIAP or ICC15 P15IUL, ICC15 S15PIAP), Pacific Indexed Protector 2 (Policy Form #P15IUL, S15PIAPR or ICC15 P15IUL, ICC15 S15PIAPR), and Indexed Pacific Estate Preserver (Policy Form #P09IEP) and Pacific Indexed Estate Preserver 2 (Policy Form #P15SIL, S15IEP2 or ICC15 P15SIL, ICC15 S15IEP2), Pacific Indexed Estate Preserver 3 (Policy form #P15SIL and S19IEP3, or ICC15 P15SIL and ICC19 S19IEP3 last survivor IUL products.

<sup>2</sup> Pacific Life Insurance Company's flexible premium, variable universal life insurance products are: Pacific Select VUL 2 (Policy form #P19VUL, S19VUL, or ICC19 P19VUL, ICC19 S19VUL. Indexed Accounts offered through variable universal life insurance products do not directly participate in any stock or equity investments.

In any instance where there are more than one form numbers shown, form number is based on product and state of policy issue.

**Pacific Life, its affiliates, their distributors and respective representatives do not provide tax, accounting, or legal advice and any information contained in this material may not be relied upon by any taxpayer for the purpose of avoiding any tax penalties. Taxpayers should seek advice based on their own particular circumstances from an independent tax advisor or attorney.**

***Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.***



## **PACIFIC LIFE**

**Pacific Life Insurance Company  
Newport Beach, CA  
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Pacific Life Insurance Company is licensed to issue insurance products in all states except New York. Product/material availability and features may vary by state. Insurance products and their guarantees, including optional benefits and any crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company but they do not protect the value of the variable investment options. Look to the strength of the life insurance company with regard to such guarantees as these guarantees are not backed by the broker-dealer, insurance agency, or their affiliates from which products are purchased. Neither these entities nor their representatives make any representation or assurance regarding the claims-paying ability of the life insurance company.

Pacific Life Insurance Company reserves the right to change or modify any non-guaranteed or current elements. The right to modify these elements is not limited to a specific time or reason.

Pacific Life Insurance Company's individual life insurance products are marketed exclusively through independent third-party life insurance producers, which may include bank affiliated entities. Some selling entities may limit availability of some optional riders and investment options based on their client's age and other factors. Your broker-dealer or firm can help you determine which optional riders and investment options are available and appropriate for your clients.

Variable insurance products are distributed by **Pacific Select Distributors, LLC** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company and are available through licensed third-party broker-dealers.

Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
Not FDIC Insured	No Bank Guarantee	May Lose Value



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April 3, 2020

Servicing Producer: <pr\_phone>

<owner\_first> <owner\_last>  
<owner\_street1>  
<owner\_street2>  
<owner\_city>, <owner\_state> <owner\_zip>

<pr\_name>  
<pr\_street1>  
<pr\_street2>  
<pr\_city>, <pr\_state> <pr\_zip>

Insured: <insured\_first> <insured\_last>  
Policy #: <policynumber>  
List Bill #: <listbill\_no>

**Reason for Contacting You:**

As part of a mutual holding company, Pacific Life operates with a long-term perspective, and a focus on ensuring that we fulfill our promises to policy owners. As a result of recent market volatility, we are postponing the next Transfer Date for the **1 Year No Cap Indexed Account** ("1 Year No Cap Acct") to June 15, 2020.

**What this means to you:**

No transfers into the 1 Year No Cap Acct will take place in either the months of April or May. Any new payment, scheduled transfer or maturing segment proceeds that you may have allocated to, or instructed us to transfer into, the 1 Year No Cap Acct will instead remain in the policy's Fixed Account until June 2020. We will later notify you if there are any further changes to the 1 Year No Cap Acct.

It's important to understand that this action only impacts the 1 Year No Cap Acct; it does not affect any of the other Indexed Account(s), or other investment options offered on your policy.

Also, if your policy is not currently allocated to the 1 Year No Cap Acct, and you have no plans to utilize this account in the near future, you may disregard this letter.

**Below are your options if you have allocation or transfer instructions on file with us that include the 1 Year No Cap Acct:**

- **Do nothing:** This means that your payments, scheduled transfers or maturing segment proceeds will not be transferred into the 1 Year No Cap Acct, and will remain in the policy's Fixed Account until June 15<sup>th</sup>.
- **Change your indexed account allocations/instructions:** If you prefer that your payments, scheduled transfers or maturing segment proceeds **not remain** in the policy's Fixed Account until June 15th, you may submit new instructions to us directing these amounts to an alternate account.
  - **We must receive your transfer instructions no later than the next Indexed Transfer Cut-Off date of April 13, 2020** to be effective for the April Transfer Date (which remains in effect for all other Indexed Accounts).

To determine if you have allocations to the 1 Year No Cap Acct, refer to page 4 of your most recent policy statement or visit our policy owner website, My Life Insurance Account, at <https://life.myaccount.pacificlife.com> to access policy values and to view your policy's transfer instructions. You may also contact us or your life insurance producer.

As a valued client, we thank you for choosing Pacific Life for your life insurance needs. If you have any questions, please consult with your Servicing Producer or a Life Insurance Division Service Representative at the phone number listed above.