Pacific Life Insurance Company responses to questions
Guaranteed Living Benefit Standards for Individual Life Insurance Policies

Please see our written responses to the questions that you sent on 8/4. Additionally, we have attached information related to a National Life 50-state filing.

There was also a request to provide a draft of the potential standards, and I would like to know if you have a preferred timeline to receive that. We are not yet ready to provide this and would like to know when you need this to be received.

Please let me know if you have any questions. Thank you.

1. The PSC asked how this request would be different from the loan provision in the policy.

The key difference is the loan provision does not allow distributions after the policy's net cash value is exhausted. A policy that qualifies for over-loan protection will not lapse due to loans; however, it will no longer make distributions either. The proposed living benefits would keep the policy in-force and continue distributions, regardless of policy cash value or loan status.

2. They also questioned if this benefit might raise concerns about the tax exempt status of the policy and whether companies had obtained private letter rulings from the IRS.

The company would be subject to IRS rules and this feature would need to comply with prevailing tax requirements. A private letter ruling is not likely to be necessary when the design clearly follows tax guidance, but may be requested at the company's discretion.

3. How is this option different than a 1035 Exchange that is offered at no cost given the fact that a life policy meets section 7702 of IRC.

A 1035 exchange from the life insurance policy into an annuity is a viable alternative. However, it has several disadvantages: gains distributed from the annuity would be taxable, it restricts the benefit base (the amount guaranteed benefits are based on) to the life insurance policy's cash value, and it incurs a new set of acquisition costs on exchange that the annuitant would have to pay for as reduced benefits.

4. How about a residual Value? Without a death benefit balance, the life policy would terminate

There must always be enough death benefit for the policy to qualify as life insurance under 7702 requirements. The company would need to decide how to maintain that requirement as part of the benefit design.

5. The Policy already complies with Universal Life Non-forfeiture Compliance requirements. How will this change in benefits affect Non-forfeiture compliance? The rider would change the structure of the policy with regards to the expense allowance.

   The company needs to demonstrate non-forfeiture compliance with the rider included in the policy. If the rider includes a rider charge or changes to the guaranteed interest rate this may reduce the expense allowance and therefore allowable surrender charges. If the rider changes surrender charges, termination charges, guaranteed expenses, or guaranteed COIs this also can impact nonforfeiture testing.

6. Is there a cost to such benefits? If yes, how is it calculated?

   This would vary by company and product and depends on the setup of the product. There may be a cost, likely assessed as a rider charge on the policy. It would be calculated in accordance with the company's pricing policy and actuarial standards.

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Lifetime Income Benefit Rider – State Filings

State	Form Number	Tracking Number	Regulatory Method	Date Legally Implemented	Document Name/Description	Comments
District of Columbia	20412(0616)	NALF-130649743	Approved	08/16/2016	Lifetime Income Benefit Rider	
Alaska	20412(0616)	NALF-130650497	Approved	01/06/2017	Lifetime Income Benefit Rider	
Alabama	20412(0616)	NALF-130650496	Approved	08/04/2016	Lifetime Income Benefit Rider	
Arkansas	20412(0616)	NALF-130650499	Approved	07/28/2016	Lifetime Income Benefit Rider	
Arizona	20412AZ(0616)	NALF-130650498	Approved	08/08/2016	Lifetime Income Benefit Rider	
Colorado	20412CO(0616)	Exempt	Exempt	Exempt	Lifetime Income Benefit Rider	
Connecticut	20412CT(0616)	NALF-130649741	Approved	09/14/2016	Lifetime Income Benefit Rider	
Georgia	20412(0616)	NALF-130650500	Approved	08/09/2016	Lifetime Income Benefit Rider	
Hawaii	20412(0616)	211870	Approved	07/12/2017	Lifetime Income Benefit Rider	
Iowa	20412(0616)	NALF-130650505	Approved	07/29/2016	Lifetime Income Benefit Rider	

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Idaho	20412(0616)	NALF-130708642	Approved	10/19/2016	Lifetime Income Benefit Rider
Illinois	20412(0616)	NALF-130650503	Approved	11/22/2016	Lifetime Income Benefit Rider
Indiana	20412(0616)	NALF-130650504	Approved	11/16/2016	Lifetime Income Benefit Rider
Kansas	20235(0414)	NALF-129395902	Approved	04/03/2014	Lifetime Income Benefit Rider
Kentucky	20412(0616)	NALF-130650507	Approved	08/05/2016	Lifetime Income Benefit Rider
Louisiana	20412(0616)	382149	Approved	10/18/2016	Lifetime Income Benefit Rider
Massachusetts	20412MA(0616)	NALF-130650510	Approved	10/17/2016	Lifetime Income Benefit Rider
Maryland	20412MD(0616)	NALF-130650509	Approved	11/17/2016	Lifetime Income Benefit Rider
Maine	20412(0616)	NALF-130649833	Approved	08/08/2016	Lifetime Income Benefit Rider
Michigan	20412MI(0616)	NALF-130650511	Approved	08/15/2016	Lifetime Income Benefit Rider
Minnesota	20412(0616)	NALF-130650512	Approved	11/01/2016	Lifetime Income Benefit Rider
Missouri	20412MO(0616)	NALF-130679022	Approved	11/10/2016	Lifetime Income Benefit Rider

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Mississippi	20412(0616)	NALF-130650513	Approved	12/27/2016	Lifetime Income Benefit Rider
Montana	20412MT(0616)	NALF-130650515	Approved	09/22/2016	Lifetime Income Benefit Rider
North Carolina	20412NC(0616)	NALF-130650521	Approved	11/07/2016	Lifetime Income Benefit Rider
Nebraska	20412(0616)	NALF-130650516	Approved	08/05/2016	Lifetime Income Benefit Rider
New Hampshire	20412(0616)	NALF-130650518	Approved	08/10/2016	Lifetime Income Benefit Rider
New Jersey	20412NJ(0616)	NALF-130650519	Approved	12/06/2016	Lifetime Income Benefit Rider
New Mexico	20412(0616)	NALF-130708641	Approved	10/12/2016	Lifetime Income Benefit Rider
Nevada	20412(0616)	111825687	Approved	08/26/2016	Lifetime Income Benefit Rider
Ohio	20412OH(0616)	NALF-130650522	Approved	05/22/2017	Lifetime Income Benefit Rider
Oklahoma	20412(0616)	NALF-130650523	Approved	10/06/2016	Lifetime Income Benefit Rider
Oregon	20412(0616)	NALF-130680908	Approved	10/12/2016	Lifetime Income Benefit Rider
Pennsylvania	20235PA(0414)	NALF-129395919	Approved	03/18/2014	Lifetime Income Benefit Rider

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Rhode Island	20412(0616)	NALF-130650526	Approved	08/19/2016	Lifetime Income Benefit Rider
South Carolina	20412(0616)	308053	Approved	08/02/2016	Lifetime Income Benefit Rider
Tennessee	20412(0616)	NALF-130650528	Approved	08/09/2016	Lifetime Income Benefit Rider
Texas	20412(0114)	NALF-130650529	Approved	08/08/2016	Lifetime Income Benefit Rider
Utah	20412(0616)	NALF-130650530	Approved	10/21/2016	Lifetime Income Benefit Rider
Virginia	20412VA(0616)	NALF-130650532	Approved	01/23/2017	Lifetime Income Benefit Rider
Vermont	20412VT(0616)	82763	Approved	09/26/2016	Lifetime Income Benefit Rider
Washington	20235WA(0414)	NALF-129395927	Approved	02/12/2014	Lifetime Income Benefit Rider
Wisconsin	20412(0616)	NALF-130650535	Approved	07/29/2016	Lifetime Income Benefit Rider
West Virginia	20412(0616)	100039675	Approved	08/01/2016	Lifetime Income Benefit Rider
Wyoming	20412(0616)	NALF-130650536	Approved	08/12/2016	Lifetime Income Benefit Rider

43 states + DC approvals
Missing States are:
Alaska, California, Delaware, Florida, New York, North Dakota, South Dakota

2027 requests for new and amended uniform standards