

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



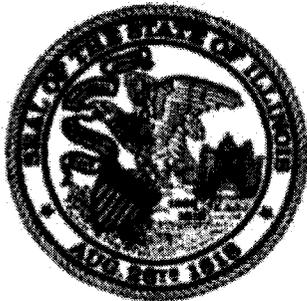
IN THE MATTER OF THE EXAMINATION OF

PACIFIC LIFE INSURANCE COMPANY
1299 FARNAM STREET, 10TH FLOOR
OMAHA, NE 68102

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Examiner-In-Charge, David Bradbury and associates as the proper persons to examine the insurance business and affairs of Pacific Life Insurance Company, NAIC #67466, and to make a full and true report to me of the examination made by them of Pacific Life Insurance Company, with a full statement of the condition and operation of the business and affairs of Pacific Life Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Pacific Life Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 21st day of August, 2017

Andrew Boron
Andrew Boron

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Russell Davis, at the hour of 700 AM.
on 9-18, A.D., 2012.


David Brodsky
Examiner

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Jim Rundblom
Staff Attorney
Illinois Department of Insurance

STATE OF FLORIDA)
) ss
COUNTY OF ESCAMBIA)

David Bradbury, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

Pacific Life Insurance Company, NAIC # 67466

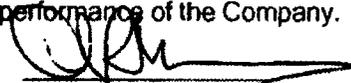
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

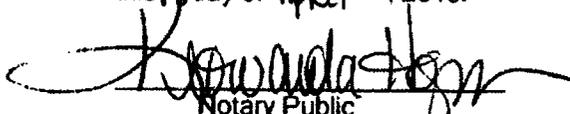
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

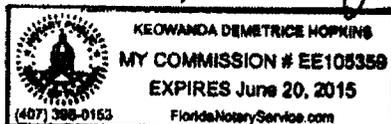
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


David Bradbury
Examiner-In-Charge

Subscribed and sworn to before me
this 9 day of April, 2013.


Notary Public



Pacific Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 17, 2012 through February 1, 2013

EXAMINATION OF: Pacific Life Insurance Company
NAIC # 67466

LOCATION: 700 Newport Center Drive,
Newport Beach, California 92660

PERIOD COVERED
BY EXAMINATION: August 1, 2011 through July 31, 2012 Claims
August 1, 2010 through September 14, 2012
Complaints

EXAMINERS: David Bradbury, Examiner-in-Charge

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I. SUMMARY

1. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failure to provide insureds "Notice of Availability of the Department of Insurance" on denied claims.
2. The Company was criticized under 50 Ill. Adm. Code 1407.20 for use of a policy form that does not meet the 24 month definition of Terminal Illness.

II. BACKGROUND

Pacific Life Insurance Company (“Company”) was established in 1868 and organized under the laws of the State of Nebraska as a stock life insurance company, conducting business in the District of Columbia and every state except New York. The Company is an indirect subsidiary of Pacific Mutual Holding Company (PMHC), a mutual insurance holding company, and a wholly owned subsidiary of Pacific LifeCorp, an intermediate stock holding company. PMHC and Pacific LifeCorp were organized pursuant to consent received from the California Department of Insurance and the implementation of a plan of conversion to form a mutual holding company structure in 1997. Under their respective charters, PMHC must always own at least 51% of the outstanding voting stock of Pacific LifeCorp, and Pacific LifeCorp must always own 100% of the voting stock of the Company. Owners of the Company’s life insurance policies and annuity contracts have certain membership interests in PMHC, consisting principally of the right to vote on the election of the Board of Directors of PMHC and on other matters, and certain rights upon liquidation or dissolution of PMHC.

The Company transferred its legal domicile from the State of California to the State of Nebraska, effective June 29, 2007, to reunite PMHC and the Company under one regulatory authority. The Company’s principal administrative offices remain in Newport Beach, California.

The Company and its subsidiaries and affiliates have primary business operations consisting of life insurance, individual annuities, mutual funds, and pension and institutional products. The Company’s primary business operations provide life insurance products, individual annuities and mutual funds. The Company offers a variety of investment products and services to individuals, businesses and pension plans.

	Life Insurance Premiums Direct	Annuity Considerations	Ordinary Deposit-Type Contract Funds	Group Annuity Considerations	Group Deposit-Type Contract Funds
2010	161,612,867	208,123,084	0	1,706,733	198,352
2011	131,495,324	211,533,801	200,000	0	3,928,438

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The Market Conduct Examination did not examine all systems and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims
4. Consumer and Insurance Department Complaints

The review of these categories is accomplished through examination of producer files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department complaint files, policy forms and advertising material. Each of these categories is examined for compliance with Department regulations and applicable State laws. The Market Conduct Examination did not examine compliance with the Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/1 *et seq.*).

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments in claim surveys or undercharges and/or overcharges in underwriting surveys. The following methods were used to obtain the required samples and to assure a methodical selection.

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from the Company's records and selected according to newly solicited insurance applications that reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

The Company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for a coverage made during the examination period.
2. Denied Claims - Denial of benefits for losses not covered by policy provisions.

3. Individual or Franchise Claims - Determine whether the contracts were issued on an individual or franchise basis.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

The examination period for the claims review was August 1, 2011 through July 31, 2012.

Consumer and Insurance Department Complaints

The Company was requested to provide all files relating to complaints that were received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response to the Department.

The examination period for complaints was August 1, 2010 through September 14, 2012.

SELECTION OF SAMPLE

Survey	Population	Reviewed	% Reviewed
CLAIMS ANALYSIS			
Paid Life	157	55	35%
Annuity Death Settlements	791	55	7%
Rejected Waiver of Premium	3	3	100%
COMPLAINTS			
Department Complaints	6	6	100%
Consumer Complaints	12	12	100%
UNDERWRITING			
Life Cash Surrenders	511	50	10%
Life Replacements	194	53	27%
Declined Life Applications	89	53	60%
Extended Term - Reduced Paid-Up	4	4	100%
Annuity Cash Surrenders	2702	55	2%
Annuity New Business	2078	55	3%
Annuity Replacements	129	62	48%
Annuity Declines	2	2	100%
POLICY FORMS & ADVERTISING			
Policy Forms	201	201	100%
Advertising	100%	100%	100%
PRODUCER ANALYSIS			
Producer Licensing	1357 Producers/ 3360 Commissions		

IV. FINDINGS

A. Claims Analysis

1. Paid Life

A review of 55 paid life claims produced no criticisms.

The median for payment was nine (9) days.

2. Annuity Death Settlements

A review of 55 annuity death settlement claim files produced no criticisms.

The median for payment was one (1) day.

3. Rejected Waiver of Premium

A review of three (3) rejected waivers of premium claim files produced one (1) general criticism. A general criticism was written under 50 Ill. Adm. Code 919.50(a)(1) for failure to provide insureds "Notice of Availability of the Department of Insurance" on denied claims.

The median could not be established.

B. COMPLAINTS

1. Department of Insurance Complaints

A review of all six (6) Department of Insurance complaints produced no criticisms.

The median for response to the Department was 22 days.

2. Consumer Complaints

A review of all 12 consumer complaints produced no criticisms.

The median for response to the consumer was 24 days.

C. UNDERWRITING

1. Life Cash Surrenders

A review of 50 Life Cash Surrenders produced no criticisms.

The median for processing was one (1) day.

2. Life Replacements

A review of 53 life replacement files produced no criticisms.

3. Declined Life Applications

A review of 53 declined life applications produced no criticisms.

The median for declination was 47 days.

4. Extended Term - Reduced Paid-Up

A review of four (4) Extended Term - Reduced Paid-Up files produced no criticisms.

5. Annuity Cash Surrenders

A review of 55 Annuity Cash Surrenders produced no criticisms.

The median for processing the surrender was one (1) day.

6. Annuity New Business

A review of 55 annuity new business files produced no criticisms.

7. Annuity Replacements

A review of 53 external and nine (9) internal annuity replacements produced no criticisms.

8. Annuity Declines

A review of two (2) annuity declinations produced no criticisms.

D. POLICY FORMS AND ADVERTISING

1. Advertising and Marketing

A review of all of the advertising and marketing materials provided produced no criticisms.

2. Policy Forms

Company provided 201 policy forms, addendums and endorsements in use. A general criticism was written under Section 1407.20 of the Ill. Adm. Code for defining Terminal Condition as a period not to exceed seven (7) or 12 months instead of the required 24 months.

E. PRODUCER ANALYSIS

1. Producer Licensing

A review of the 1,357 producer licensing files and 3,360 first year commission records produced no criticisms.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Pacific Life Insurance Company
700 Newport Center Drive
Newport Beach, California 92660

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (the "Director") of the Illinois Department of Insurance (the "Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Pacific Life Insurance Company (the "Company") is authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination ("Examination") of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Examination (the "Report"); and

WHEREAS, the Report cited two areas where the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the Examination and Report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the Report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order;

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. That the Market Conduct Examination indicated two areas where the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures to comply with 50 Ill. Adm. Code 919.50(a)(1) of the Illinois Administrative Code whereby the Company provides the insured "Notice of availability of the Department of Insurance" on denied claims.
2. Institute and maintain procedures to comply with 52 Ill. Adm. Code 1407.20 of the Illinois Administrative Code whereby the Company discontinues the use of policy forms that define terminal illness as less than 24 months and refile policy forms that use the proper 24 month definition of terminal illness.
3. Submit to the Director proof of compliance with the Order within 30 days of the execution of this Order.
4. Pay to the Director a civil forfeiture in the amount of \$14,000.00 to be paid within 30 days of the execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Pacific Life Insurance Company:

Tom C. Bilello
Signature
THOMAS C BILELLO
Name
VICE PRESIDENT
Title

State of California, County of Orange
Subscribed and sworn to (or affirmed) before me on this
25th day of June, 2013 by
Thomas C. Bilello
proved to me on the basis of satisfactory evidence to be
the person(s) who appeared before me.
Signature Janelle Nerison (seal)

~~Subscribed and sworn to before me this
____ day of _____ A.D. 2013.~~



~~_____
Notary Public~~

DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE JUNE 8, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

July 15, 2013

Russell W. Davis
Senior Compliance Analyst
Pacific Life Insurance Company
700 Newport Beach, CA 92660-6397

Re: Market Conduct Examination Proof of Compliance
Pacific Life Insurance Company NAIC #67466

Dear Mr. Davis:

Thank you for your email, dated July 1, 2013, that provided a copy of the requested Job Aid and verified that the company will be using the appropriate Notice of Availability. The Department finds these proofs to be acceptable.

Accordingly, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. A fully executed duplicate original Stipulation and Consent Order is enclosed for your records. Thank you for your assistance in resolving this matter.

Sincerely,

A handwritten signature in cursive script that reads "James C. Rundblom".

James C. Rundblom
Deputy General Counsel

Enclosure