

BULLETIN

A Communication from the Life Insurance Division



DATE: December 18, 2012
TO: Life Insurance Producers, Management, Office Administrators, and Technical Staff
SUBJECT: **Limited Scope of Changes to Current Growth Cap Rates and Interest Crediting Rates, Plus the Extension of Liberalized Transfer Limits Out of Variable Universal Life (VUL) Fixed Options**

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

As part of a mutual holding company, Pacific Life operates with a long-term perspective and a focus on the best interests of its policyowners. After careful consideration, we are making the following changes due to this persistent historically low interest rate environment:

- **Effective 2/15/2013: Reduction of Current Growth Caps in Some 1-Year Indexed Accounts**—See below and page 2 for new rates in affected indexed accounts.
- **Effective 2/1/2013: Reduction of Interest Crediting Rates**—Affects some of the general account products and the private placement variable universal life (VUL) products' Fixed Options. See pages 3–4.
- **Extended to 6/30/2013: Liberalized Transfer Limits Out of VUL Fixed Options**—Transfer limits from the Fixed Account and Fixed LT Account are temporarily removed, subject to the policy's other standard transfer rules. This program was previously set to expire on 12/28/2012 and was communicated in the bulletin dated July 17, 2012 ([New Premium Limits and Liberalized Rules on Transfers Out of the Fixed Options Effective August 1, 2012](#)). The liberalized limits will now extend to 6/30/2013. Reminder: No more than \$1 million may be allocated among the Fixed Options in registered VUL products, per any 12 month period, per policyowner.

Current Growth Cap Changes, Effective Feb. 15, 2013

Last Date to Create an Indexed Segment at Higher Current Growth Cap Rates: Jan. 11, 2013 (1/11/2013)

Transfers into the Indexed Accounts may occur as frequently as on the 15th of each month on a current basis (once per quarter guaranteed). Funds must be available in the Fixed Account and transfer instructions must be on file with us at least two business days prior to the intended transfer date. To take advantage of the higher current cap rates, the last transfer cut-off date is 1/11/2013. Indexed Segments created after 1/15/2013 would receive the new growth cap rate. See page 2 for Pennsylvania.

Indexed Universal Life Insurance (IUL) Products¹—Pacific Indexed Accumulator, Pacific Indexed Accumulator NY, Pacific Indexed Accumulator II, Pacific Indexed Accumulator II NY, Pacific Indexed Accumulator III, Pacific Indexed Accumulator III-NY, Pacific Indexed Accumulator 4, Pacific Indexed Performer LT, Indexed Pacific Estate Preserver, and Pacific PRIME IUL

Indexed Account ²	Today's Growth Cap	NEW Growth Cap (as of 2/15/2013)	NEW Default Illustrated Rate*	NEW Maximum Illustrated Rate*
1-Year	13%	12%	7.50%	8.00%
1-Year International [‡]	13%	12%	7.00%	7.50%
1-Year High Par [‡]	11%	No Change	No Change	No Change
2-Year ^{†,‡}	32% over 2 years	No Change	No Change	No Change
High Par 5-Year ^{†,‡}	No Cap	No Change	No Change	No Change
Private Placement Variable Universal Life Insurance (VUL)³—Custom COLI VIII and Custom COLI IX				
1-Year	9.5%	9%	6.00%	6.50%
Variable Universal Life Insurance (VUL)⁴—Pacific Select Exec V				
1-Year	11%	No Change	No Change	No Change

* The default and maximum illustrated rate is 6.25% for policies electing the Return the Premium Rider.⁵

† Not available with Pacific Indexed Accumulator III-NY or Pacific PRIME IUL.

‡ Not available with Pacific Indexed Accumulator, Pacific Indexed Accumulator NY, Pacific Indexed Accumulator II, or Pacific Indexed Accumulator II NY.

Endnotes on page 5.

Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company.

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Current Growth Caps in Pennsylvania (for Applicable Products)

Indexed Account	Today's Growth Cap	NEW Growth Cap (as of 2/15/2013)	NEW Default Illustrated Rate	NEW Maximum Illustrated Rate
Indexed Universal Life				
Pacific Indexed Accumulator III, and Indexed Pacific Estate Preserver				
1-Year	12%	11%	7.25%	7.75%
1-Year International	12%	11%	6.75%	7.25%
1-Year High Par	10.5%	No Change	No Change	No Change
2-Year	28% over 2 years	No Change	No Change	No Change
5-Year (High Par 5-Year is not available in PA)	No Cap	No Change	No Change	No Change
Private Placement VUL				
Custom COLI VIII and Custom COLI IX				
1-Year	8.5%	8%	5.75%	6.00%

In Pennsylvania for these products, the Indexed Account guaranteed elements are as follows: Minimum interest crediting rate of 1% annually (5.1% over 5 years in the 5-Year Indexed Account and 2.01% over 2 years in the 2-Year Indexed Account), guaranteed participation rate of 100% in all indexed accounts, and guaranteed minimum growth caps of 3% in the 1-Year and 1-Year International Indexed Accounts, 2% in the 1-Year High Par Indexed Account, 6% over 2 years in the 2-Year Indexed Account, and 15% over 5 years in the 5-Year Indexed Account.

Navigator Illustration Software will be updated to reflect the new default and maximum allowable illustrated rates for the affected indexed accounts on 2/4/2013.

Interest Rate Changes, Effective Feb. 1, 2013

The following interest rate changes affect the following general account life insurance products and the accumulated value allocated to the Fixed Options of the private placement VUL products listed below.

Private Placement VUL, ⁶ Fixed Options 1 st Year Crediting Interest Rate—New Policies					
Product Name	Policy Form	Fixed Option	Current 1 st Year Crediting Rate	New 1 st Year Crediting Rate	Rate Change
Custom COLI VI & Custom COLI VII	P08CC6, P08CC7	Fixed Account	3.75%	3.65%	-0.10%
Custom COLI VI & Custom COLI VII	P08CC6, P08CC7	Fixed LT Account	4.40%	4.30%	-0.10%
Custom COLI VIII & Custom COLI IX	P10CC8, P10CC9	Fixed Account	3.75%	3.65%	-0.10%
Custom COLI VIII & Custom COLI IX	P10CC8, P10CC9	Fixed LT Account	4.40%	4.30%	-0.10%

Private Placement VUL, ⁶ Fixed Options Renewal Interest Rate—In Force Policies					
Product Name	Policy Form	Fixed Option	Current Renewal Rate	New Renewal Rate	Rate Change
Custom COLI II & Custom COLI III [‡]	98-42, 98-43	Fixed Account	3.75%	3.65%	-0.10%
Custom COLI II & Custom COLI III [‡]	98-42, 98-43	Fixed LT Account	4.40%	4.30%	-0.10%
Custom COLI IV & Custom COLI V [‡]	P07CC4, P07CC5	Fixed Account	3.75%	3.65%	-0.10%
Custom COLI IV & Custom COLI V [‡]	P07CC4, P07CC5	Fixed LT Account	4.40%	4.30%	-0.10%
Custom COLI VI & Custom COLI VII	P08CC6, P08CC7	Fixed Account	3.75%	3.65%	-0.10%
Custom COLI VI & Custom COLI VII	P08CC6, P08CC7	Fixed LT Account	4.40%	4.30%	-0.10%
Custom COLI VIII & Custom COLI IX	P10CC8, P10CC9	Fixed Account	3.75%	3.65%	-0.10%
Custom COLI VIII & Custom COLI IX	P10CC8, P10CC9	Fixed LT Account	4.40%	4.30%	-0.10%

General Account Life Insurance Products Renewal Interest Rate—In Force Policies				
Whole Life Product Name	Policy Form	Current Renewal Rate	New Renewal Rate	Rate Change
Flex IV B [‡]	85-24	4.45%	4.25%	-0.20%
Flex V B [‡]	85-25	4.45%	4.25%	-0.20%
Flex VI PA [‡]	88-7P	4.25%	4.05%	-0.20%
Flex VII Non-Experience Rated [‡]	87-27	4.45%	4.25%	-0.20%
Flex X [‡]	87-14	4.10%	4.00%	-0.10%

The following products will have a reduction in the non-guaranteed interest bonus:

General Account Life Insurance Products Interest Bonus Rate Changes (Non-Guaranteed)			
Whole Life Product Name	Policy Form	Policy Year	Bonus Rate Change
Flex VI [‡]	88-7P	11+	-0.20%
Flex XI [‡]	84-14	11+	-0.20%
Survivor Life [‡]	89-15	21+	-0.15%

[‡]Products no longer sold.

Transition Guidelines for Interest Rate Changes

Newly Issued Policies:

The new interest crediting rates apply to all policies paid on or after February 1, 2013. To qualify for the interest crediting rates in effect prior to February 1, 2013, a completed, signed application or Tele-App Life Ticket, with binding premium, the Temporary Insurance Agreement (TIA) or Multilife Temporary Insurance Agreement (MLTIA), and applicable consent-to-insure forms must be in proper form and received by New Business Services, Life Insurance Division on or before 1:00 pm (PT) **Thursday, January 31, 2013.**

The following requirements must be met to retain the interest crediting rate in effect prior to February 1, 2013 when using a TIA or MLTIA:

Individual Application with TIA

1. Original application or Tele-App Life Ticket, TIA, and a minimum binding premium must be received on or before 1:00 p.m. (PT) January 31, 2013.
2. TIA is valid for 90 days from the date the form is signed.
3. The policy must be approved, issued, and paid within the 90-day binding period.

Guaranteed Issue and Simplified Issue Cases with MLTIA

1. MLTIA, census, all individual applications or consent-to-insure forms, and temporary insurance premiums must be received on or before 1:00 p.m. (PT) January 31, 2013.
2. The policies under a MLTIA must be issued and paid no later than April 30, 2013 to be eligible for the pre-February 1, 2013 interest crediting rates.

Additional Reminders

Policies that cannot be approved, issued, or paid during the binding period will not be eligible for the pre-February 1, 2013 interest crediting rates and will receive the interest rate in effect at the time of final approval.

Submission of papers only, Informal Inquiries, or Trial Applications are not eligible to secure the current crediting rate. Binding premium cannot be remitted when using any of these submission types.

Roll-in funds for an Internal Replacement and/or Internal 1035 exchange⁷ are not considered Cash With App (CWA) and therefore do not secure the current interest crediting rate. However, if the roll-in funds from the Internal Replacement and/or Internal 1035 exchange case will be used to fund the new policy and the case can be approved and issued with all critical requirements received before 1:00 p.m. (PT) on January 31, 2013 then the current interest crediting rate can be secured.

For external replacements and/or external 1035 exchanges,⁷ funds from the external carrier(s) must be received on or before 1:00 p.m. (PT) January 31, 2013 to secure the current interest crediting rate.

In Force Policies:

For policies beyond their first policy year, the 02/01/2013 interest crediting rates are effective on the monthiversary on or following 02/01/2013. You should use the new rates for renewal years in the illustrations until you have received updated software reflecting those rates.

Endnotes:

1. Indexed universal life insurance products do not directly participate in any stock or equity investments. Pacific Life Insurance Company's flexible premium, indexed adjustable life insurance products are Pacific Indexed Accumulator (Policy Form #P05PIA), Pacific Indexed Accumulator II (Policy Form #P05PIA), Pacific Indexed Accumulator III (Policy Form #P08PI3), Pacific Indexed Accumulator 4 (Policy Form #P11PI4 or ICC11 P11PI4), Pacific Indexed Performer LT (Policy Form #P11PIP or ICC11 P11PIP), Pacific PRIME IUL (Policy Form #P11P1I or ICC11 P11P1I), and Indexed Pacific Estate Preserver (Policy Form #P09IEP) last survivor IUL. Where multiple policy numbers are shown, the policy form # is based on the state in which the policy is issued. In New York, Pacific Life & Annuity Company's flexible premium indexed adjustable life insurance products are Pacific Indexed Accumulator NY (Policy Form #P05PIA-NY), Pacific Indexed Accumulator II NY (Policy Form #P07PI2-NY), and Pacific Indexed Accumulator III-NY (Policy Form #P08PI3).
2. Guaranteed elements of indexed account (in all states except Pennsylvania): Minimum interest crediting rate of 0% in all indexed accounts; 100% participation rate and 3% minimum growth cap in the 1-Year and 1-Year International Indexed Accounts; 140% participation rate (150% current participation rate) and minimum growth cap of 2% in 1-Year High Par Indexed Account; 100% participation rate and 6% minimum growth cap over 2 years in the 2-Year Indexed Account; 105% participation rate (115% current participation rate) and 15% minimum growth cap over 5 years in the High Par 5-Year Indexed Account. Contract names as follows: 1-Year International Indexed Account (1 Year Indexed Account 2), 1-Year High Par Indexed Account (1 Year Indexed Account 3), and High Par 5-Year Indexed Account (5 Year Indexed Account 2).
3. Custom COLI VIII (Policy Form #P10CC8) and Custom COLI IX (Policy Form #P10CC9) are private placement variable universal life insurance products issued by Pacific Life Insurance Company. Applicants must meet the financial qualifications and be pre-qualified by Pacific Life's Life Insurance Division Compliance Department. An offering memorandum and current fund(s) prospectus must precede or accompany any illustration or sales material when presented to the client.
4. Pacific Select Exec V (Policy Form #P09SE5) is flexible premium, variable universal life insurance product issued by Pacific Life Insurance Company. Its 1-Year Indexed Account is referred to in the prospectus as the Indexed Fixed Account Rider (Form #R09IAR or ICC11 R11IAR—form # based on state in which policy is issued). The rider charges 0.30% annually (0.025% monthly) of the accumulated value allocated to the 1-Year Indexed Account. Riders will likely incur additional charges and are subject to availability, restrictions, and limitations. Clients should be shown policy illustrations with and without riders to help show the rider's impact on the policy's values.
5. Return of Premium-2 Rider (Form #R09ROP, R11ROP, or ICC11 R11ROP—form # based on product and state in which policy is issued) is referred to as the Term Insurance with Limited Return of Premium Rider in the contract and is available only with: Pacific Indexed Accumulator III and Pacific Indexed Accumulator 4. Riders will likely incur additional charges and are subject to availability, restrictions, and limitations. Clients should be shown policy illustrations with and without a rider to show the rider's impact on policy values.
6. Applicants must meet the financial qualifications and be pre-qualified by Pacific Life's Life Insurance Division Compliance Department. An offering memorandum and current fund(s) prospectus must precede or accompany any illustration or sales material when presented to the client. In Florida, this product may only be sold to corporate owners or corporate trusts. The Florida Department of Insurance has not approved the product for sale to individual purchasers.
7. There are circumstances in which replacing your client's existing life insurance or annuity can benefit your client. As a general rule, however, replacement is not in your client's best interest. You should make a careful comparison of the costs and benefits including any applicable surrender charges of your client's existing policy and the proposed policy to analyze how a replacement may affect your client's plan of insurance. You should provide this detailed information to your client and discuss whether replacement is in your client's best interest.



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Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company.

Product availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues. Insurance products and their guarantees, including optional benefits and any fixed subaccount crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. 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. Variable insurance products are distributed by **Pacific Select Distributors, Inc.** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company.

Clients should carefully consider a variable life insurance product's risks, charges, limitations and expenses, as well as the risks, charges, expenses, and investment objectives of the underlying investment options. This and other information about Pacific Life are provided in the applicable product prospectuses. These prospectuses should be read carefully by clients before investing.

Non-guaranteed elements are not guaranteed by definition. As such, Pacific Life reserves the right to change or modify any non-guaranteed element. This right to change non-guaranteed elements is not limited to a specific time or reason.

Pacific Life'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 based on their client's age and other factors. Your broker-dealer or firm can help you determine which optional riders are available and appropriate for your clients.

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