



Illinois Department of Insurance

JB Pritzker
Governor

Dana Popish Severinghaus
Director

VIA ELECTRONIC MAIL

May 31, 2022

Mr. James T. Morris, President
c/o Colleen Spencer
Pacific Life Insurance Company
700 Newport Center Drive
Newport Beach, CA 92660

Re: Pacific Life Insurance Company, NAIC 67466
Market Conduct Examination Report Closing Letter

Dear Mr. Morris:

The Department has received your Company's proof of compliance. Therefore, 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. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov

**Illinois Department of Insurance
Market Conduct Examination**

of

Pacific Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: November 6, 2019 through July 23, 2021

EXAMINATION OF: Pacific Life Insurance Co, NAIC Number: 67466

LOCATION: 700 Newport Center Drive, Newport Beach, CA. 92660

PERIOD COVERED: November 1, 2018 through November 30, 2019 – Claims
May 1, 2018 through November 30, 2019 – Complaints

EXAMINERS: David Bradbury MCM, Examiner-in-Charge
Patricia Hahn MCM
Jillian Weiland MCM

INDEX

I. FOREWORD	3
II. SCOPE OF THE EXAMINATION	4
III. SUMMARY	5
IV. BACKGROUND	6
V. METHODOLOGY	7
VI. SAMPLE SELECTION	8
VII. FINDINGS	9
a. Claims	9
i. Paid Life	
ii. Annuity Death Settlements	
b. Complaints	9
i. Consumer Complaints	
ii. Department of Insurance Complaints	
c. Policy Holder Services	9
i. Annuity Cash Surrenders	
ii. Annuity New Business	
iii. Life New Business	
iv. Annuity Replacements	
v. Life replacements	
vi. Annuity Declined	
vii. Life declined	
viii. ETI / RPU	
ix. Life Cash Surrenders	
d. Producer Licensing	10
e. Policy Forms	10
i. Policy Forms	

I. FOREWORD

This is a market conduct examination report of Pacific Life Insurance Company (the “Company”), NAIC Code 67466. This examination was conducted at the office of the Illinois Department of Insurance in Springfield, Illinois.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance (“IDOI” or “Department”).

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 101 et seq.), and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is November 1, 2018 through November 30, 2019 for claims, and May 1, 2018 through November 30, 2019 for complaints and appeals unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination involved the following business functions and lines of business: claims handling practices; policy forms and advertising in use; producer licensing; and the handling of consumer complaints, appeals, and Department complaints for all lines of business.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

III. SUMMARY

The following represent general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
Criticism	Crit #	Statute/Rule	Description of Violation	Files Reviewed	# of Violations	Error %
Paid Individual Life	36	50 IAC 919.70(a)(2)	Failed to provide the insured with the "Notice of Availability of the Department of Insurance" on the 45-day delay letter.	87	2	2%
Paid Individual Life	37	215 ILCS 5/224(1)(l)	Failed to provide the notice of availability of 10% interest due to late payment if delayed 31 days or more	87	2	2%
Annuity Death Settlements	20	215 ILCS 5/154.6(d)	Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear in the total amount of \$990.98.	156	2	1%
Life New Business	08	50 IAC 917.70(c)	Failed to forward a copy of the notice (Exhibit B) regarding the proposed replacement.	199	1	1%
Annuity Replacements	50	50 IAC 917.60(b)	Failure to obtain from the producer with the application completed and signed replacement Exhibit A & B as required.	84	2	2%
Life Replacements	09	215 ILCS 5/224(2)	Failure to delay the issue of a policy for not less than 20 days from the date it has transmitted a policy summary to the existing insurer or failure to transmit a policy summary to the existing insurer within 3 working days after the date the replacement policy is issued.	109	99	98%
Life Replacements	12	50 IAC 917.60(b) & 50 IAC 917.70(b)	Failed to require the insurance producers to provide, with the application for life insurance, a copy of the notices required.	109	20	18%
Life Replacements	13	50 IAC 917.70(c)	Failed to provide a Buyer's Guide to the applicant within three (3) working days after receipt of the proposed application.	109	16	15%
Life Replacements	14	50 IAC 917.70(c)	Failed to forward a copy of the notice (Exhibit B) regarding the proposed replacement.	109	25	24%
Declined Life Applications	27	215 ILCS 5/1011(A)(1)	Failed to provide applicant with a written reason for decline	79	2	3%
Declined Life Applications	28	215 ILCS 5/1011(A)(2)	Failed to provide the applicant with a summary of rights.	79	2	3%
Life Cash Surrenders	52	215 ILCS 5/229.2(2)(i) & 229.2(2)(iv)	Underpayment of the cash value	86	1	1%
Producer Licensing	53	215 ILCS 5/500-15(a)	Failure to require licenses for producers that sell, negotiate, and solicit the sale of their insurance products.	856	2	<1%

IV. BACKGROUND

Pacific Life Insurance Company (PLIC) was incorporated in 1961 under the laws of the State of Michigan.

Pacific Mutual Holding Company (Pacific Mutual) is the parent company of Pacific Life Corp, which is the parent Company of Pacific Life Insurance Company (the Company). Founded in 1868, the Company provides life insurance products, annuities, and mutual funds, and offers to individuals, businesses, and pension plans a variety of investment products and services. The Company is a Nebraska corporation.

The Company maintains two separate operating divisions, Retirement Solutions Division (RSD) and Life Insurance Division (LSD). They have their own compliance functions which have primary responsibility for matters specific to their lines of business.

Pacific Life Insurance Company 2018 - Illinois Premium

Annuity Considerations	Life Insurance	Deposit-type Contract Funds
\$478,457,658	\$168,330,376	\$5,277,806

V. METHODOLOGY

The market conduct examination covered the business for the period of November 1, 2018 through November 30, 2019 for claims, and May 1, 2018 through November 30, 2019 for the complaint/appeal file review. Specifically, the examination focused on a review of the following areas:

- a. Claims
- b. Department Complaints and Consumer Appeals

The review of the categories was accomplished through examination of appointed and terminated producer files, claim files, and complaint files. Each of the categories were examined for compliance with Department regulations and applicable state laws.

The report concerns itself with improper practices performed by the Company which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid violations were cited in the report. The following methods were used to obtain the required samples and to assure a methodical selection:

Claims

- a. Paid Claims – Payment for claims made during the examination period.
- b. Denied Claims – Denial of benefits during the examination period for losses not covered by certificate of coverage provisions.

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

The Department defines due proof of loss as medical records, investigation materials, written proofs, claim forms, authorizations, or other reasonable evidence of claim that is ordinarily required of insureds or beneficiaries. The Department's position is that the 30 days to pay (31 days for interest) starts when the last proof required from the claimant (beneficiary), medical record, or investigation documentation is received by the Company.

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment or denial to the claimant.

Department Complaints and Consumer Appeals

The Department requested the Company provide all files relating to complaints received via the Department of Insurance and those received directly from consumers. The Department also requested the Company provide files of all external independent reviews handled during the survey period.

Median periods were measured from the date of notification by the complainants to the date of response by the Company.

VI. SAMPLE SELECTION

Survey	Files Reviewed	% Reviewed
CLAIMS ANALYSIS		
Paid Life	86	100%
Annuity Death Settlements	156	16%
COMPLAINTS		
Consumer Complaints	9	100%
Department of Insurance Complaints	5	100%
POLICYHOLDER SERVICES		
Annuity Cash Surrenders	124	5%
Annuity New Business	237	7%
Life New Business	199	7%
Annuity Replacements	84	22%
Annuity Declined	3	100%
Life Declined	79	47%
ETI-RPU	7	100%
Life Cash Surrenders	86	19%
POLICY FORMS AND ADVERTISING		
Policy Forms	110	100%

VII. FINDINGS

a. Claims

i. Paid Life

1. Crit # 36 - In two (2) instances out of 87 files were reviewed for an error percentage of 2%, the Company failed to provide "Notice of Availability of the Department of insurance" on the 45-day delay letter. This is a violation of 50 IAC 919.70.
2. Crit # 37 - In two (2) instances out of 87 files reviewed for an error percentage of 2%, the company failed to provide the notice of the availability of 10% interest if the payment is delayed beyond 31 days. This is a violation of 215 ILCS 5/224(1).
3. The median for payment was seven (7) days.

ii. Annuity Death Settlements

1. Crit # 20 - In two instances out of 156 files were reviewed for an error percentage of 1%, the Company underpaid two claims totaling \$990.98. This is a violation of 215 ILCS 5/154.6(d).
2. The median for settlement was three (3) days.

b. Complaints

i. Consumer Complaints

1. Nine files were reviewed. No exceptions were noted.
2. The median for response was 17 days.

ii. Department of Insurance Complaints

1. Five files were reviewed. No exceptions were noted.
2. The median for response to the Department was 18 days.

c. Policy Holder Services

i. Annuity Cash Surrenders

1. 124 files were reviewed. No exceptions were noted.
2. The median for surrender was one (1) day.

ii. Annuity New Business

1. 237 files were reviewed. No exceptions were noted.

iii. Life New Business

1. Crit # 8 - In one (1) instance of 199 files reviewed, the Company was criticized for failure to provide Exhibit B within 3 business days of the proposed insureds application. This is a violation of 50 IAC 917.70(c).

iv. Annuity Replacements

1. Crit # 50 - In two (2) instances of 84 files were reviewed for an error percentage of 2%, the Company was criticized for failure to obtain from the producer with the application completed and signed replacement Exhibit A & B as required and in violation of 50 IAC 917.60(b).

v. Life Replacements

1. Crit # 9 - In 99 instances out of 108 files reviewed for an error percentage of 98%, the company was criticized for failure to delay the issue of a policy for not less than 20 days from the date it has transmitted a policy summary to the existing insurer or failure to transmit a policy summary to the existing insurer

within 3 working days after the date the replacement policy is issued. This is a violation of 215 ILCS 5/224(2)

2. Crit # 12 - In 20 instances out of 109 files reviewed for an error percentage of 18%, the company was criticized for failure to require the insurance producers to provide, with the application for life insurance, a copy of the notices required. This is a violation of 50 IAC 917.60(b) & 917.70(b)
3. Crit # 13 - In 16 instances out of 109 files reviewed for an error percentage of 15%, the company was criticized for failure to provide a Buyer's Guide to the applicant within three (3) working days after receipt of the proposed application. This is a violation of 50 IAC 917.70(c)
4. Crit # 14 - In 25 instances out of 109 files reviewed for an error percentage of 24%, the company was criticized for failure to forward a copy of the notice (Exhibit B) regarding the proposed replacement. This is a violation of 50 IAC 917.70(c)

vi. Annuity Applications Declined

1. No exceptions were noted.

vii. Life Applications Declined

1. Crit # 27 - In two instances out of 79 files reviewed for an error percentage of 3%, the Company was criticized for failure to provide applicant with a written reason for decline. This is a violation of 215 ILCS 5/1011(A)(1)
2. Crit # 28 - In two instances out of 79 files reviewed for an error percentage of 3%, the Company was criticized for failure to provide the applicant with the summary of rights after a declined application. This is a violation of 215 ILCS 5/1011(A)(2).

viii. ETI / RPU

1. Seven (7) non-forfeiture files were reviewed. No exceptions were noted.

ix. Life Cash Surrenders

1. Crit # 52 - In one (1) instance out of 86 files reviewed, the Company was criticized for underpayment of cash value in the amount of \$217.37. This is a violation of 215 ILCS 5/229.2(2)(i) and 229.2(2)(iv).

d. Producer Licensing

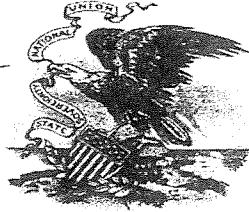
1. Crit # 53 - In two instances of 856 producer licenses reviewed, the Company was criticized for failure to require licenses for producers that sell, negotiate, and solicit the sale of their insurance products.

e. Policy Forms

1. 110 Policy Form were reviewed. No exceptions were noted.

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

PACIFIC LIFE INSURANCE COMPANY
700 NEWPORT CENTER DRIVE
NEWPORT BEACH, CA 92660

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance (“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”), NAIC 67466, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of November 1, 2018 to November 30, 2019, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which 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 their 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, they waive 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. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. 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 Department Regulations.

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

1. Institute and maintain policies and procedures whereby the Company shall delay the issue of a policy for not less than 20 days from the date it has transmitted a policy summary to the exiting insurer or transmit a policy summary to the existing insurer within 3 working days after the date the replacement policy is issued. 215 ILCS 5/224(2)
2. Institute and maintain policies and procedures whereby the Company shall require the insurance producers to provide, with the application for life insurance, a copy of the notices required. 50 Ill. Adm. Code 917.60(b) & 50 Ill. Admin. Code 917.70(b)
3. Institute and maintain policies and procedures whereby the Company shall provide a Buyer's Guide to the applicant within three (3) working days after receipt of the proposed application. 50 Ill. Admin. Code 917.70(c)
4. Institute and maintain policies and procedures whereby the Company shall forward a copy of the notice (Exhibit B) regarding the proposed replacement. 50 Ill. Admin. Code 917.70(c)
5. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within thirty (30) days of execution of this Order.
6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$37,000.00 to be paid within ten (10) days of 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

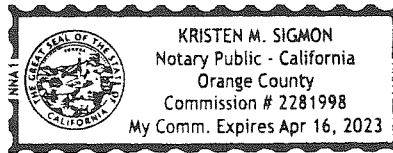
[Handwritten Signature]
Signature

Patricia Thompson
Name

Deputy Chief Compliance Officer
Title

Subscribed and sworn to before me this
25 day of April 2022.

[Handwritten Signature]
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE _____

Dana Popish-Severinghaus
Dana Popish-Severinghaus
Director

