

SPECIAL REPORT



PACIFIC LIFE

DATE: April 2, 2021

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

SUBJECT: Announcing IRC Sec. 7702 System Readiness and Policyowner Notice

Category

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Announcing IRC Sec. 7702 System Readiness and Policyowner Notice

System Readiness

Effective March 26, 2021, our administrative and illustration systems have been updated so that life insurance policies issued or paid between Jan. 1, 2021 and March 26, 2021 will now reflect the new limits per the changes outlined under IRC Section 7702, per the Consolidated Appropriations Act, 2021 (H.R. 133).

Policyowner Notice

We will begin notifying impacted policyowners of their new policy limits via a mailing ([GPT Sample](#)) ([CVAT Sample](#)) beginning the week of April 5th, 2021. There will be no policyowner communication for the following product lines: Pacific Life Insurance Company issued term life insurance, whole life insurance, whole life insurance or universal life insurance with long-term care benefits.

Transition Guidelines for Impacted Policies:

The higher premium limits will automatically be applied. For clients with very highly funded policies, two additional options may apply.

For policies issued or paid between January 1, 2021 and March 25, 2021 (inclusive):

To request a face amount reduction or any other desired policy changes, Pacific Life will allow policies to be reissued. **Note:** Reissue requests must be received no later than April 30, 2021 or 90-days from the original policy mail date and are subject to Pacific Life's customary underwriting and new business requirements.

- Contact your Pacific Life representative for any additional information. Please note that these guidelines are subject to the terms and conditions set forth in each life insurance contract.

For policies issued or paid before January 1, 2021:

For policies issued before January 1, 2021, Pacific Life will allow an internal replacement (including 1035 Exchanges). Replacements are subject to all standard replacement rules and requirements. Please note, a replacement may not be in the client's best interest as the new policy would be subject to a new surrender charge schedule, and a new coverage charge period. Furthermore, the cost of the replacement may not be offset by any future cash value gain the policy may or may not realize.

If a policyowner is considering replacing an indexed universal life (IUL) policy issued before January 1, 2021, it's important to keep in mind that IUL policies issued on or after December 14, 2020 must also comply with Actuarial Guideline XLIX-A (AG 49-A).

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.

Pacific Life, its affiliates, their distributors and respective representatives do not provide tax, accounting or legal advice. Any taxpayer should seek advice based on the taxpayer's 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

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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. 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'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.

Pacific Life Insurance Company's Home Office is located in Newport Beach, CA.

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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