

BULLETIN

A Communication from
the Life Insurance Division



PACIFIC LIFE

Pacific Life Insurance Company

DATE: July 7, 2022

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

SUBJECT: Updated Financial Underwriting Guidelines: Revised Gross Estate Preservation Formula Allows Higher Death Benefit Amounts

| Category | |
|-------------------------------------|----------------|
| <input type="checkbox"/> | Administration |
| <input type="checkbox"/> | Compliance |
| <input type="checkbox"/> | Marketing |
| <input type="checkbox"/> | Product |
| <input checked="" type="checkbox"/> | Underwriting |
| <input type="checkbox"/> | Miscellaneous |

UPDATED FINANCIAL UNDERWRITING GUIDELINES FOR ESTATE PRESERVATION CASES

Revised gross estate preservation formula allows higher death benefit amounts

Good news! Pacific Life's financial underwriting guidelines now allow for most estates to forecast growth over a maximum of 20 years to determine the highest death benefit amount allowable.

- Our improved philosophy allows estate valuations without a minimum
- The new formula allows for growth of the estate for the lesser of 20 years or $\frac{3}{4}$ of life expectancy using a 6% annual growth rate

How It Works

The maximum death benefit amount is calculated by compounding the client's current net worth using a reasonable growth rate over 20 years or $\frac{3}{4}$ of life expectancy, whichever is less. The compounded amount is then multiplied by the expected estate tax rate to determine the allowable death benefit amount.

- Net Worth x 3.21 (Compound factor of 6% growth rate over 20 years) = **A**
- **A** x 55% (expected estate tax rate, which considers the potential for both state and federal estate taxes) = **Maximum Death Benefit**

Examples

New calculation (assumes estate growth for the lesser of 20 years or $\frac{3}{4}$ of the insured's life expectancy; the new formula applies across all estate sizes):

| Hypothetical Case Study for Smaller Estates | Hypothetical Case Study for Larger Estates |
|---|---|
| John, 50-year old male \$3 Million Estate <ul style="list-style-type: none">• \$3M x 3.21 = \$9.63M• \$9.63M x .55 = \$5.30M Death Benefit | Charlotte, 58-year old female \$6 Million Estate <ul style="list-style-type: none">• \$6M x 3.21 = \$19.26M• \$19.26M x .55 = \$10.59M Death Benefit |

Limitations

- Older Ages – the formula limits the growth to $\frac{3}{4}$ of life expectancy
- Substandard/Rated Cases – the formula may be limited by any reduced life expectancy associated with substandard or rated cases
- Liquidation of Assets to Pay Premiums – if estate assets are used to pay premiums, no growth will be applied to those assets

About Pacific Life

For more than 150 years, Pacific Life has helped millions of individuals and families with their financial needs through a wide range of [life insurance products](#), [annuities](#), and [mutual funds](#), and offers a variety of investment products and services to individuals, businesses, and pension plans. Whether your goal is to protect loved ones or grow your assets for retirement, Pacific Life offers innovative products and services that provide value and financial security for current and future generations. Pacific Life counts more than half of the 100 largest U.S. companies as its clients and has been named one of the 2022 World's Most Ethical Companies® by the Ethisphere Institute. For additional company information, including current financial strength ratings, visit www.PacificLife.com.

Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Client count as of June 2022 is compiled by Pacific Life using the 2022 FORTUNE 500® list.

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

(800) 800-7681 • www.PacificLife.com

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.

The primary purpose of life insurance is to protect the policy beneficiaries from the adverse financial consequences of the insured's death.

Life insurance is subject to underwriting and approval of the application and may incur monthly policy charges.

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 |