

REPORT ON
THE MARKET CONDUCT EXAMINATION

OF

Pacific Life Insurance Company

(NAIC Company Code: 67466)

as of

June 30, 2006

State of Rhode Island
Department of Business Regulation
Insurance Division


**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

The attached Report of Examination as of June 30, 2006 of the market conduct condition and affairs of Pacific Life Insurance Company was recently completed by duly qualified examiners, pursuant to the provision of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operations of Pacific Life Insurance Company and their market conduct condition as reflected from the examination report.

It is therefore ORDERED that said Report be, and it is hereby adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION



A. Michael Marques
Director/Insurance Commissioner

ORDER NO. 07-018

DATED: 01-19-2007

TABLE OF CONTENTS

	Page Number
Salutation	3
Foreword	3
Scope of Examination	4
Profile of Company	5
Consumer or Other Related Complaints	7
Replacements	7
Individual Life Insurance	7
Claims	8
Individual Death Claims	8
Conclusion	10

Providence, Rhode Island

January 17, 2007

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner Marques:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

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

hereinafter referred to as the “Company” or “Pacific Life”.

The examination was conducted at the main office of the Company, which is located at 700 Newport Center Drive, Newport Beach, California.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our

examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R. I. Gen. Laws §27-13-1 and §27-13.1-3. This examination covered the period from January 1, 2005 through June 30, 2006, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Consumer or Other Related Complaints, Replacements of Life Insurance and Life Insurance Claims. The line of business examined was Individual Life Insurance.

The primary purpose of the examination was to evaluate the Company's compliance with Rhode Island General Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants are being treated equitably.

The test work performed during the examination satisfied this purpose, and formed the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

Pacific Life Insurance Company

History

Pacific life Insurance Company was established in 1868 and was organized under the laws of the State of Nebraska as a stock life insurance company. Pacific Life is currently conducting business in the District of Columbia, and every state except New York. Pacific Life is an indirect subsidiary of Pacific Mutual Holding Company (PMHC) and is a wholly owned subsidiary of Pacific LifeCorp, an intermediate stock holding company. Pacific Life transferred its legal domicile from the State of California to the State of Nebraska effective September 1, 2005, however, Pacific Life's principal administrative office remains at 700 Newport Center Drive, Newport Beach, California.

Pacific life and its subsidiaries and affiliates have business operations consisting of life insurance, annuities, pension and institutional products, and broker-dealer operations. Pacific Life's primary business operations provide a broad range of life insurance, asset accumulation and investment products for individuals and businesses, and the Company offers a range of investment products to institutions and pension plans. For the year ended December 31, 2005, the top geographic locations in the United States for statutory premiums, annuity considerations and other deposits were: California, Delaware, Florida, Illinois and Ohio.

The Company's Life Insurance division provides a broad range of life insurance products to individuals and businesses. Principal products include universal life, variable universal life and traditional life insurance products.

Operations

The Company's Rhode Island direct written premiums for the year 2005 were as follows:

Pacific Life Insurance Company

<u>Line of Business</u>	<u>Ordinary Written Premium</u>
Individual Life Insurance	\$19,029,066

Board of Directors

At December 31, 2005, the Directors of the Pacific Life Insurance Company were as follows: David Richard Carmichael, Lawrence Francis Harr, Audrey Lee Milfs, Thomas Cole Sutton and Khanh Thien Tran.

Management

At December 31, 2005, the Officers of the Pacific Life Insurance Company were as follows: Thomas Cole Sutton, (Chairman & CEO), James T. Morris (COO), and Khanh T. Tran, (Executive Vice President & CFO).

CONSUMER OR OTHER RELATED COMPLAINTS

A review of the Company's consumer or other related complaints was conducted to determine whether the Company was in compliance with R.I. Gen. Laws §27-29-4, Unfair Competition and Practices, and any other applicable Rhode Island General Laws and Insurance Regulations. The review was also performed to determine whether the Company adhered to its own complaint handling procedures, whether a pattern existed in the type of complaints received, whether complaints were processed and resolved in a timely manner, and whether all complaints recorded by the Department of Business Regulation, Insurance Division, were listed on the Company's complaint register.

The Company provided the examiners with a signed statement and a copy of their complaint register, which indicated that no complaints were received directly by the Company or through the Rhode Island Insurance Division during the period under examination. The examiners verified through the Insurance Division that there were no department complaints received during the period under examination.

REPLACEMENTS

Individual Life

A review of the Company's life insurance replacement practices was conducted to determine whether the Company was in compliance with Rhode Island Insurance Regulation 29, Replacement of Life Insurance, for the period under examination. Rhode Island Insurance Regulation 29 was established to protect the interests of life insurance policyholders and applicants regarding the replacement of existing life insurance, and

requires specific actions by the agent and replacing insurer, thereby reducing the opportunity for misrepresentation and incomplete disclosures. Protecting policyholder interests is accomplished by assuring that the policyholders and applicants receive information to make decisions that are in their best interests.

The Company provided the examiners with a listing of 44 individual life insurance replacement files processed by the Company during the period under examination. Due to the relatively low number of replacements processed by the Company, the examiners selected all 44 replacement files for review.

Based on the examination work performed, evidence in three of the files reviewed indicated that the Company was not in compliance with Rhode Island Insurance Regulation 29, Section 7.C.4, which requires every replacing insurer send to the existing insurer a verified Comparative Information Form within three (3) working days of the date that both the application and a substantially accurate Comparative Information Form are received at its Home or Regional Office.

In addition, evidence in two of the files reviewed indicated that the Company was not in compliance with Rhode Island Regulation 29, Section 7.C.2, which requires the replacing insurer to verify the substantial accuracy of information furnished to the applicant in the Comparative Information Form.

Recommendation #1: It is recommended that the Company monitor its replacement process to ensure compliance with Rhode Island Insurance Regulation 29, Sections 7.C.2 and 7.C.4.

CLAIMS

Individual Life

A review of the Company's individual life claim practices was conducted to determine whether actions taken by the Company were in compliance with R. I. Gen. Laws §27-4-26, §27-9.1-4, and any other applicable Rhode Island General Laws and Regulations. The review was also performed to determine whether the Company was in compliance with its claims procedures, and to verify that claim files contained proper documentation, and that claims were paid in accordance with the applicable provisions of the policy contract.

The Company provided the examiners with a listing of nine individual life insurance claims processed during the period under examination. Due to the relatively small number of claims processed, all nine individual life insurance claims were selected for review.


Based on the examination work performed, no exceptions were noted for this area of review.

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Assisting in the examination with the undersigned was Ronald R. Radtke, Senior Market Examiner.

Respectfully submitted,



Robert G. Arrow, FLMI
Senior Market Conduct Examiner
Rhode Island Insurance Division