



**STATE OF RHODE ISLAND
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

**REPORT on the TARGETED MARKET CONDUCT EXAMINATION
OF
PACIFIC LIFE INSURANCE COMPANY**

NAIC Company Code: #67466

FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2010

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION
1511 Pontiac Ave. - Bldg. 69-2
Cranston, RI 02920

_____))
IN THE MATTER OF:))
PACIFIC LIFE INSURANCE COMPANY)) DBR No.

Respondent.)
_____)

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation ("Department") and the Pacific Life Insurance Company ("Respondent") as follows:

1. Pursuant to R.I. Gen. Laws § 27-71-7, the Department initiated a Market Conduct Target Examination ("Examination") in order to evaluate Respondent's compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations.
2. The Examination was completed and a report was issued on ^{July 19, 2011} ~~August~~, 2011.
3. On August ⁵, 2011, pursuant to R. I. Gen. Laws §27-13.1-5(b), Respondent submitted written comments to the report.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

1. The Examination concluded that Respondent failed to fully comply with Rhode Island Insurance Regulation 29 Section 5D in 8 of the 50 items reviewed in the area of

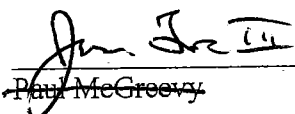
replacements of life policies and annuity contracts, by not disclosing a reason for the replacement on the replacement forms. For the 8 violations detailed herein, Respondent is ordered to pay an administrative penalty of eight thousand dollars (\$8,000).

2. For one of the files reviewed, the Respondent failed to comply with Rhode Island Insurance Regulation 29 Section 4B, due to the Company's failure to complete the "Notice of Replacement" form as to whether the policy or contract will be replaced or whether a policy will be used as a source of financing for the new policy or contract. The Department and Respondent agree that Respondent will pay an administrative penalty of one thousand dollars (\$1,000) as a result of this violation.

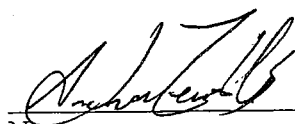
For all of the violations detailed herein, Respondent is ordered to pay an administrative penalty of nine thousand dollars (\$9,000).

Department and Respondent hereby consent and agree to the foregoing on this ____ day of August, 2011.

Department of Business Regulation
By its Director,


Paul McGreevy
Joseph Tosti III
Deputy Director and
Superintendent of Insurance

Respondent,


Name
ANDREW ZEMBLETS
Print Name
AVP CORPORATE COMPLIANCE
Title



PACIFIC LIFE

RUSSELL W. DAVIS
FLMI, ACS, AIAA, AIRC, AAPA, FFSI
Senior Compliance Analyst
Corporate Compliance
(949) 219-3043;
(949) 718-5594 Fax
Email: Russell.Davis@PacificLife.com

August 5, 2011

VIA FedEx Overnight

State of Rhode Island and Providence Plantations
Department of Business Regulation
Attn: Sharon K. Gordon, CPA, CFE
Chief Insurance Examiner
1511 Pontiac Ave, Bldg 69-2
Cranston, RI 02920
(401) 462-9614

Re: Examination Report and Consent Order
Pacific Life Insurance Company NAIC# 67466

RECEIVED

AUG 09 2011 CC

STATE OF RHODE ISLAND
INSURANCE DIVISION

Dear Ms. Gordon:

As requested in your letter dated July 19, 2011, enclosed is Pacific Life Insurance Company's response to the recommendation #1 contained in the examination report. The response is separated by operating division within Pacific Life Insurance Company.

- The Retirement Solutions Division has updated its procedures as of July 29, 2011 to require that replacement forms received contain a reason for replacement. If no reason is provided the replacement form will be treated as not in good order.
- The Life Insurance Division is in the process of updating its procedures to require that all replacement forms received contain a reason for replacement. If no reason is provided, the updated procedures will be followed to ensure that the information is obtained. The replacement form is being updated as well. The target completion date for all updates is September 1, 2011.

Enclosed is the signed Consent Order. Please note payment for the administrative penalty will be sent under separate cover.

Sincerely,

Russell W. Davis

enclosure:

PACIFIC LIFE INSURANCE COMPANY

700 Newport Center Drive, Newport Beach, California 92660-6397 Tel (949) 219-3972, Fax (949) 219-3500

TABLE OF CONTENTS

	Page Number
Salutation	3
Foreword	4
Scope of Examination	4
Profile of Company	
History	5
Operations	6
Management	6
Replacements – Life and Annuities	7
Recommendation	7
Conclusion	8

Providence, Rhode Island

July 19, 2011

Honorable Paul McGreevy
Director, Department of Business Regulation
State of Rhode Island

Commissioner:

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". The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Ave., Bldg. 69-2, Cranston, Rhode Island.

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 §27-71-7 and §27-71-15. The examination covered the period from July 1, 2008 through June 30, 2010, 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, Compliance with Rhode Island Insurance Regulation 12, Suitability in Annuity Transactions and Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacements. The lines of business reviewed were Individual Annuities and Individual Life Insurance.

The test work performed during the examination satisfied this purpose, and forms 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

History

Pacific Life Insurance Company was established in 1868 and is organized under the laws of the State of Nebraska as a stock life insurance company, 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 a wholly owned subsidiary of Pacific LifeCorp, an intermediate stock holding company. PMHC and Pacific LifeCorp were organized under the State of California and formed a mutual holding company structure in 1997. Pacific Life policy and annuity contract holders have membership interests in PMHC, consisting of voting on the elections Board of Directors and liquidation or dissolution of the holding company.

Pacific Life transferred its legal domicile from the State of California to the State of Nebraska on September 1, 2005, and PMHC followed on June 29, 2007, to reunite under one regulatory authority. Pacific Life's principal administrative offices remain at 700 Newport Center Drive, Newport Beach, California.

Pacific Life and its subsidiaries and affiliates have primary business operations consisting of life insurance, individual annuities, mutual funds, and pension and institutional products, which are distributed through independent producers and third-party broker/dealer firms, including national wire houses and financial institutions. The top geographic locations in the United States for statutory premiums, annuity considerations and other deposits were California, Florida, Illinois, Minnesota, Ohio, Pennsylvania and Texas, at year-end 2009.

Operations

The Company's Rhode Island direct written premium for the year 2009 was as follows:

<u>Line of Business</u>	<u>Written Premium</u>
Annuity Considerations	\$ 28,202,149
Individual Life	\$ 17,434,450

Management

At December 31, 2009, the Officers of the Pacific Life Insurance Company were as follows:

James T. Morris	Chairman, President & Chief Executive Officer
Khanh T. Tran	Executive Vice President & Chief Financial Officer
Edward R. Byrd	Senior Vice President & Chief Accounting Officer
Denis P. Kalscheur	Vice President & Treasurer
Audrey L. Milfs	Vice President & Secretary

At December 31, 2009, the Directors of the Pacific Life Insurance Company were as follows:

Sharon A. Cheever	Lawrence F. Harr
Audrey L. Milfs	James T. Morris
Khanh T. Tran	

REPLACEMENTS

Life and Annuities

A review of the Company's replacement of life insurance and annuity contract practices was conducted to determine whether the company was in compliance with Rhode Island Insurance Regulation 29, Replacement of Life Insurance and Annuities, for the period under examination.

The Company provided the examiner with a listing of 130 replacements of life policies and annuity contracts, which were processed during the period under examination. From this listing, a sample of 50 files was selected for review, based on established NAIC sampling criteria.

Of the 50 replacement files reviewed in the sample, 9 files (18%) were found to be in violation of R. I. Insurance Regulation 29. The producer did not disclose a reason for replacement on 8 of the replacement forms, as required by R. I. Insurance Regulation 29, Section 5 D. One violation was found when the replacement question was not completed on the replacement form, as required by R. I. Insurance Regulation 29, Section 4 B.

Recommendation #1: It is recommended that the company revise its procedures for processing replacement applications for life insurance and annuity contracts to include a review of all documents submitted by third-party broker/dealer firms and financial institutions for completeness, prior to issuing the policy or contract, in accordance with Rhode Island Insurance Regulation 29.

CONCLUSION

I 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. I was 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.

Respectfully submitted,



Dorothy E. Wendoloski, CFE, MCM
Senior Insurance Examiner
Rhode Island Insurance Division