



PACIFIC LIFE
Writing the Business -
Compliance Guide
Retirement Solutions Division

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The Retirement Solutions Division of Pacific Life makes this Writing the Business Compliance Guide available to independent insurance producers who wish to write Pacific Life annuity business. It is a resource for what we believe to be important issues and market conduct information, and it provides our expectations regarding these issues when you are selling Pacific Life annuity products. The information in this guide is applicable to both Pacific Life Insurance Company and Pacific Life & Annuity Company unless otherwise specified. The purpose of this guide is not intended to replace, supersede, or contradict any compliance manual or guidelines provided to you by your broker/dealer. Nor is it necessarily intended to give you all the information you need to know in order to conduct your affairs ethically and in compliance with all the laws and regulations that impact the sale of annuity products. As you use and refer to this guide, be aware that the insurance industry is constantly changing. Pacific Life sends bulletins, administrative updates, and communicates information via our producer Web site to supplement information contained in this guide. From time to time, this guide will be updated in its entirety and made available to you.

Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York and in New York by Pacific Life & Annuity Company. Product availability and features may vary by state. Each company is solely responsible for the financial obligations accruing under the products it issues. Insurance product and rider guarantees are backed by the financial strength and claims-paying ability of the issuing company and do not protect the value of the variable investment options.

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REQUIRED LICENSES AND INSURANCE APPOINTMENTS

To sell variable annuity contracts offered by Pacific Life Insurance Company and Pacific Life & Annuity Company, you need securities registration (Series 6 or 7), state licensing (securities, and life insurance with variable contract authority) for variable annuity business, and appointment with the issuing company (or companies) with which you will be conducting business.

Pacific Life generally sells its fixed annuities through registered representatives who are securities licensed and state licensed and appointed with the company. Subject to certain requirements, fixed annuities may also be sold by insurance producers who are not registered representatives, but are state licensed to sell life insurance and appointed by Pacific Life Insurance Company and/or Pacific Life & Annuity Company.

Check with your broker/dealer for any additional licensing requirements. To become appointed, consult your broker/dealer to ensure it has an agreement in place to sell Pacific Life's products and complete and submit to your broker/dealer an Appointment Data Sheet.

Insurance producers who wish to write fixed annuities and who are not associated with a FINRA member broker/dealer are subject to Pacific Life's Non-Variable Producer Agreement and appointment requirements, including submission of an Appointment Data Sheet.

All insurance producers who wish to write fixed or variable annuity business must also complete and satisfy any applicable state annuity product training requirements.

Your appointment will be effective when approved by Pacific Life Insurance Company or Pacific Life & Annuity Company and acknowledged by the state and confirmation of such is received by us. Processing time may vary by state; check with them before submitting business.

State Licenses and

Appointments Definitions:

- "Sales activity" —includes the solicitation, application for, and delivery of a life insurance policy or annuity contract.
- "Solicitation" —refers to any activity that leads to, or is intended to lead to, the sale of a life insurance policy or annuity contract, including face-to-face conversations, mailings, seminars, telephone calls, e- mail, etc.
- "Delivery" —refers to the transfer of the policy or contract from the producer to the owner and includes transfers by any means, whether accomplished face-to-face or by the mail, directly by the producer or through an intermediary such as the owner's employer or attorney.

Each state prohibits producers from transacting the business of life insurance within its territory without first obtaining a license from that state. As such, you must be licensed to sell life insurance by each of the states in which sales activity takes place. Further, you must be appointed by the insurer issuing the product to be sold in that state. For example, you must be appointed by, and contracted to do business with, a carrier in order to sell that carrier's life insurance policies and annuity contracts in

the state or states in which the policy will be solicited, applied for and delivered. Additionally, each life insurance or annuity product must be approved for sale in that state.

Where sales activities will take place in a number of states, you must be licensed and appointed to sell in all states concerned. In order to avoid being subject to the laws of multiple states, thus requiring multiple licenses and appointments, it is recommended that all sales activity takes place within one state. Once you begin the application process, you should complete all remaining parts of the transaction in that state. For example, even where solicitation has taken place in a number of states (in each of which you were duly licensed and appointed), when you and your client finally sit down to execute the application in California, all future new business related forms should be signed and the policy or contract should be delivered in California.

Trustee Purchases: In the sale of an annuity contract to a trustee of a trust, the location of the trustee (and not the situs of the trust) when the contract is solicited, where the application is executed and where the contract is delivered will determine where you must be licensed. The fact that a trustee is involved in the transaction does not alter the rule that you must be appropriately licensed and appointed in all jurisdictions in which sales activity occurs. The trust situs—that is, the place where the trust is executed or is to be performed—is not necessarily a jurisdiction in which you must be licensed.

State Specific Rules: Because state laws and regulations are the primary authority regulating life insurance sales, it is important to become familiar with the specific requirements of those states in which you transact business. Because this guide is intended to reference information for both Pacific Life Insurance Company and Pacific Life & Annuity Company, please be sure to reference the appropriate section below depending on which company you are appointed with and are representing during a solicitation.

Pacific Life Insurance Company:

New York: Pacific Life Insurance Company (PL) does not transact business within New York. Accordingly, if you are a PL producer, you **may not** engage in sales activity with respect to a PL product in New York. When you solicit an annuity contract on a New York resident, the contract may be placed only where all sales activity including contract delivery takes place outside of the state of New York.

U.S. Possessions, Territories and Military Bases: PL has not been admitted to engage in the business of insurance in any U.S. possession or territory, including Puerto Rico, Guam, and the U.S. Virgin Islands, nor has it received permission to solicit or sell insurance on any military base or embassy abroad. Thus, neither PL nor you may engage in sales activity with respect to a PL product in these locations.

Pacific Life & Annuity Company:

New York: Pacific Life & Annuity Company (PL&A) individual annuity products are approved for sale in New York State only. PL&A and you **may not**:

- Solicit the PL&A annuity contract by mail, telephone, or by any other means *outside* of New York State.
- Issue or deliver by mail or by any other means the PL&A annuity contract *outside* of New York State.
- Collect any initial premium or other consideration, by mail or by any other means, in connection with the PL&A annuity contract *outside* of New York State.

However, PL&A may issue an annuity contract for a non-New York resident, if, at a minimum, each of the following conditions is met:

- Neither PL&A nor you contact the non-New York resident by mail, telephone or by any other means in any state but New York regarding the sale of PL&A contracts.
- The prospective applicant/annuitant/contract owner must be physically in New York in order to negotiate the annuity contract. That is, the **solicitation** and **execution** of the application must actually take place **in** New York. This means that you cannot provide sales materials or illustrations to, or have discussions about PL&A annuity products with someone located outside of New York, nor can the application be completed outside of New York.
- The annuity contract must be physically **delivered** to the prospective contract owner **in** New York. This means that you cannot personally deliver or mail the policy into a jurisdiction other than the state of New York.
- The initial premium for the annuity contract must be delivered by the prospective contract owner to PL&A or you from a New York location. That is to say, the initial premium cannot be delivered by mail or other means from another jurisdiction to PL&A or you.
- You, representing PL&A, must be licensed to do business in New York and appointed by PL&A prior to solicitation.
- You, however, may need to be registered to sell securities in the applicant's state of residence. Please consult your Broker/dealer with respect to this requirement.

Any aspect of the transaction that actually occurs outside of New York may trigger a violation of state insurance law, and subject both PL&A and you to fines and/or sanctions by one or more state departments of insurance. It also may establish grounds for rescission of the annuity contract, chargeback of commissions, and a revocation of your license and appointment with Pacific Life & Annuity Company.

U.S. Possessions, Territories and Military Bases: Pacific Life & Annuity Company has not been admitted to engage in the business of insurance in any U.S. possession or territory, including Puerto Rico, Guam, and the U.S. Virgin Islands, nor has it received permission to solicit or sell

insurance on any military base or embassy abroad. Thus, neither Pacific Life & Annuity Company nor its producers may engage in sales activity with respect to a Pacific Life & Annuity Company product in these locations.

Variable Insurance Products

In addition to state licensing requirements, if you want to sell a variable annuity contract or variable life insurance policy, you must also satisfy federal securities laws. In order to sell variable insurance products, you must pass appropriate qualifying exams through the Financial Industry Regulatory Authority (FINRA), which operates subject to Securities and Exchange Commission (SEC) oversight. Also, you must be a registered representative of a broker/dealer that has a selling agreement with Pacific Select Distributors, LLC (PSD) and the appropriate insurer. Further, you may need to be registered to sell securities in the applicant's state of residence. Please consult your broker/dealer with respect to this requirement.

Other Licensing Considerations—Replacement of Variable Insurance Products

If you are not licensed to sell variable products, it is your responsibility to ensure you comply with the requirements of state insurance law if you recommend the replacement of a variable life insurance policy or a variable annuity contract. Producers who are not licensed to sell variable products in Arkansas, Iowa, Tennessee, Utah, and Vermont are prohibited from recommending the replacement of a variable annuity or variable life insurance policy. Other states may adopt a similar prohibition -- producers are encouraged to review state insurance regulator Web sites for specific information, and our producer Web site for our communication(s) of such prohibitions.

Although not intended to be a comprehensive state listing of all applicable state bulletins and requirements, producers may refer to the following bulletins which are posted on each state's Insurance Department's websites:

- Arkansas Bulletin No. 14-2009
- Iowa Insurance Bulletin 11-4
- Tennessee Bulletin dated 05-22-13
- Utah Administrative Rule 590-133-7
- Vermont Insurance Division Bulletin 161

Annuity/Life Insurance Sales and the Laws of Foreign Nations

Each sovereign country has the right to enact laws governing the sale of annuities and life insurance in order to protect the wellbeing of its residents. As discussed, Pacific Life Insurance Company (PL) and Pacific Life & Annuity Company (PL&A) may not (nor may you with respect to PL or PL&A business respectively) transact the business of annuities and life insurance anywhere other than in the individual states in which PL and PL&A are licensed, their products have been approved, and in which you have been state licensed and appointed by either PL or PL&A. If you violate these rules, you expose both yourself and the company to large monetary fines, even when this violation is merely negligent.

Accordingly, you must be careful to avoid engaging in any activity that might place you in contact with foreign law.

To this end, the following general rule has been developed:

- All annuity and life insurance sales activity—including solicitation, completion and execution of the application, medical and paramedical examinations, as well as contract or policy delivery— must be performed by the pertinent parties while each is physically present within the United States.

Physical presence within the United States requires all parties to be present in one of the states in which PL or PL&A is licensed to transact business, the product being solicited has been approved and in which you are licensed and appointed. For these purposes, the United States does not mean U.S. territories and possessions, such as Puerto Rico, Guam, and the U.S. Virgin Islands; nor does it mean U.S. embassies or military bases abroad.

Accordingly, for example, you are prohibited from sending a letter into Canada in order to set up a meeting to discuss annuities or life insurance with a potential client, even if that meeting will be in the U.S. If the applicant is outside of the United States, you may not contact him/her with regard to the sale by any means whatsoever at any point in the sales process. Also, neither you nor the contract or policy may enter a non U.S. jurisdiction for the purpose of contract or policy delivery.

These rules apply equally to all applicants, whether U.S. citizens or aliens, whether U.S. resident or nonresident. Remember, your representatives and employees are prohibited from any activity that is prohibited to you directly.

SUITABILITY AND BEST INTEREST STANDARD OF CARE

As an insurance producer, you must comply with state laws, rules, and regulations regarding the suitability of fixed and variable product recommendations and sales.

If you are a registered representative associated with a broker/dealer firm, you must follow your broker/dealer's procedures related to determining and documenting the suitability of any annuity product recommended to your client, along with FINRA conduct rules for variable annuities.

Suitability generally includes the following criteria:

- You must have reasonable grounds for believing the recommendation of a fixed or variable annuity product, optional benefit, and any investment option within the product is suitable for the applicant.
- When making a recommendation, you have informed the applicant of the various features of the annuity, such as the applicable surrender periods and charges, potential tax penalties that apply to early withdrawals (e.g., if withdrawals and other distributions are taken prior to age 59½, a 10% federal tax penalty may apply), mortality and expense fees, potential

charges for and features of riders, the insurance and investment components of the product.

- Your recommendation should be based on facts disclosed to you by the applicant after reasonable inquiry as to their age; annual income; liquid net worth; tax status; financial situation and needs, including the financial resources used for the funding of the annuity; intended use of the annuity; financial objectives; financial experience; liquidity needs; financial time horizon; risk tolerance; existing assets, including investment and life insurance holdings; investment sophistication and ability to understand the complexity of fixed or variable annuity products, generally, and their ability to monitor the investment options chosen; and any other information known, used, or considered to be reasonable by you or the broker/dealer making the recommendation.
- In regards to senior investors, typically investors age 60 and older, or who are at or nearing retirement, please refer to FINRA Regulatory Notice 07-43 and follow your broker/dealer's guidelines for considerations regarding senior investors and suitability.
- When you recommend the purchase of a fixed or variable annuity for any tax-qualified retirement account [e.g., 401(k) plan, IRA], you should disclose to the customer that tax deferral is already provided by the tax-qualified retirement plan. Therefore, the recommendation should be made only when the annuity's other benefits, such as lifetime income payments and family protection through the death benefit, support the recommendation. Please refer to FINRA Notice to Members 99-35.
- In addition to the above, there may be state specific requirements that apply. For instance, in the State of California, it is prohibited to recommend that an insured 65 years of age or older purchase an unnecessary replacement annuity. An unnecessary replacement means the sale of an annuity to replace an existing annuity that requires that the insured will pay a surrender charge for the annuity that is being replaced and that does not confer a substantial financial benefit over the life of the policy to the purchaser so that a reasonable person would believe that the purchase is unnecessary.
- Additionally, some states, such as California and Minnesota, require consideration of whether or not the consumer has a reverse mortgage.

The information above is intended to be general in nature. Please refer to state laws, rules, and regulations and, if applicable, your broker/dealer's procedures relating to the recommendation and sale of fixed and variable products, as well as FINRA rules for variable products.

The National Association of Insurance Commissioners Suitability in Annuity Transactions Model Regulation (the "NAIC Model") as updated in February, 2020 requires producers to act in the best interest of the consumer when making a recommendation of an annuity so that the insurance needs and financial objectives of consumers at the time of the transaction are effectively addressed. A number of states have begun to adopt the NAIC Model best interest standard for annuity sales and it is expected that an increasing number of states will also adopt the NAIC Model. It is therefore

important for you to be aware of the standard of care for annuity sales in the state or states where you sell annuities. While the NAIC Model provides an excellent guide for the best interest standard of care, you should always refer to the specific law in the state or states where you sell annuities.

The NAIC Model defines the “consumer profile information” that you are required to gather and evaluate as follows:

“Consumer profile information” means information that is reasonably appropriate to determine whether a recommendation addresses the consumer’s financial situation, insurance needs and financial objectives, including, at a minimum, the following: (1) Age; (2) Annual income; (3) Financial situation and needs, including debts and other obligations; (4) Financial experience; (5) Insurance needs; (6) Financial objectives; (7) Intended use of the annuity; (8) Financial time horizon; (9) Existing assets or financial products, including investment, annuity and insurance holdings; (10) Liquidity needs; (11) Liquid net worth; (12) Risk tolerance, including but not limited to, willingness to accept non-guaranteed elements in the annuity; (13) Financial resources used to fund the annuity; and (14) Tax status.

The NAIC Model defines “recommendation” as advice provided by a producer to an individual consumer that was intended to result or does result in a purchase, an exchange or a replacement of an annuity in accordance with that advice.

A Producer, when making a recommendation of an annuity, shall act in the best interest of the consumer under the circumstances known at the time the recommendation is made, without placing the producer’s or the insurer’s financial interest ahead of the consumer’s interest. A producer has acted in the best interest of the consumer if they have satisfied the following obligations regarding care, disclosure, conflict of interest and documentation:

Care Obligation

- The producer, in making a recommendation shall exercise reasonable diligence, care and skill to:
 - Know the consumer’s financial situation, insurance needs and financial objectives;
 - Understand the available recommendation options after making a reasonable inquiry into options available to the producer;
 - Have a reasonable basis to believe the recommended option effectively addresses the consumer’s financial situation, insurance needs and financial objectives over the life of the product, as evaluated in light of the consumer profile information; and
 - Communicate the basis or bases of the recommendation.
- The producer is required to make reasonable efforts to obtain consumer profile information from the consumer prior to the recommendation of an annuity.
- The producer is required to consider the types of products the producer is authorized and licensed to recommend or sell that address the consumer’s financial situation, insurance needs and financial objectives. This does not require analysis or consideration of any products outside

the authority and license of the producer or other possible alternative products or strategies available in the market at the time of the recommendation. Producers shall be held to standards applicable to producers with similar authority and licensure.

- The requirements do not create a fiduciary obligation or relationship and only create a regulatory obligation.
- The consumer profile information, characteristics of the insurer, and product costs, rates, benefits and features are those factors generally relevant in making a determination whether an annuity effectively addresses the consumer's financial situation, insurance needs and financial objectives, but the level of importance of each factor under the care obligation of this paragraph may vary depending on the facts and circumstances of a particular case. However, each factor may not be considered in isolation.
- This includes having a reasonable basis to believe the consumer would benefit from certain features of the annuity, such as annuitization, death or living benefit or other insurance related features.
- The requirements apply to the particular annuity as a whole and the underlying subaccounts to which funds are allocated at the time of purchase or exchange of an annuity, and riders and similar producer enhancements, if any.
- The requirements do not mean the annuity with the lowest one-time or multiple occurrence compensation structure shall necessarily be recommended.
- The requirements do not mean the producer has ongoing monitoring obligations under the care obligation under this paragraph, although such an obligation may be separately owed under the terms of a fiduciary, consulting, investment advising or financial planning agreement between the consumer and the producer.
- In the case of an exchange or replacement of an annuity, the producer shall consider the whole transaction, which includes taking into consideration whether:
 - The consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits, such as death, living or other contractual benefits, or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements;
 - The replacing product would substantially benefit the consumer in comparison to the replaced product over the life of the product; and
 - The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding 60 months.
- Nothing in this regulation should be construed to require a producer to obtain any license other than a producer license with the appropriate line of authority to sell, solicit or negotiate insurance in this state, including but not limited to any securities license, in order to fulfill the

duties and obligations contained in this regulation; provided the producer does not give advice or provide services that are otherwise subject to securities laws or engage in any other activity requiring other professional licenses.

Disclosure Obligation

Prior to the recommendation or sale of an annuity, the producer shall prominently disclose to the consumer on a form substantially similar to Appendix A:

- A description of the scope and terms of the relationship with the consumer and the role of the producer in the transaction;
- An affirmative statement on whether the producer is licensed and authorized to sell the following products:
 - Fixed annuities;
 - Fixed indexed annuities;
 - Variable annuities;
 - Life insurance;
 - Mutual funds;
 - Stocks and bonds; and
 - Certificates of deposit;
- An affirmative statement describing the insurers the producer is authorized, contracted (or appointed), or otherwise able to sell insurance products for, using the following descriptions:
 - One insurer;
 - From two or more insurers; or
 - From two or more insurers although primarily contracted with one insurer.
- A description of the sources and types of cash compensation and non-cash compensation to be received by the producer, including whether the producer is to be compensated for the sale of a recommended annuity by commission as part of premium or other remuneration received from the insurer, intermediary or other producer or by fee as a result of a contract for advice or consulting services; and
- A notice of the consumer's right to request additional information regarding cash compensation described in above.

Upon request of the consumer or the consumer's designated representative, the producer shall disclose:

- A reasonable estimate of the amount of cash compensation to be received by the producer, which may be stated as a range of amounts or percentages; and

- Whether the cash compensation is a one-time or multiple occurrence amount, and if a multiple occurrence amount, the frequency and amount of the occurrence, which may be stated as a range of amounts or percentages; and

Prior to the time of the recommendation or sale of an annuity, the producer shall have a reasonable basis to believe the consumer has been informed of various features of the annuity, such as the potential surrender period and surrender charge, potential tax penalty if the consumer sells, exchanges, surrenders or annuitizes the annuity, mortality and expense fees, investment advisory fees, any annual fees, potential charges for and features of riders or other options of the annuity, limitations on interest returns, potential changes in non-guaranteed elements of the annuity, insurance and investment components and market risk.

Conflict of Interest Obligation

A producer shall identify and avoid or reasonably manage and disclose material conflicts of interest, including material conflicts of interest related to an ownership interest.

Documentation Obligation

A producer shall at the time of the recommendation or sale:

- Make a written record of any recommendation and the basis for the recommendation subject to this regulation;
- Obtain a consumer signed statement on a form substantially similar to Appendix B documenting:
 - A customer's refusal to provide the consumer profile information, if any; and
 - A customer's understanding of the ramifications of not providing his or her consumer profile information or providing insufficient consumer profile information; and
- Obtain a consumer signed statement on a form substantially similar to Appendix C acknowledging the annuity transaction is not recommended if a customer decides to enter into an annuity transaction that is not based on the producer's recommendation.

Application of the Best Interest Obligation

Any requirement applicable to a producer under this subsection shall apply to every producer who has exercised material control or influence in the making of a recommendation and has received direct compensation as a result of the recommendation or sale, regardless of whether the producer has had any direct contact with the consumer. Activities such as providing or delivering marketing or educational materials, product wholesaling or other back office product support, and general supervision of a producer do not, in and of themselves, constitute material control or influence.

Transactions not Based on a Recommendation

Except as provided above, a producer shall have no obligation to a consumer related to any annuity transaction if:

- No recommendation is made;
- A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;
- A consumer refuses to provide relevant consumer profile information and the annuity transaction is not recommended; or
- A consumer decides to enter into an annuity transaction that is not based on a recommendation of the producer.

You may also be required by Pacific Life to complete a Pacific Life Fixed Annuity Suitability Form, or other applicable Pacific Life state suitability forms, for sales of fixed annuities issued by Pacific Life Insurance Company. Insurance producers who must follow Pacific Life suitability form requirements with each fixed annuity application are:

- Insurance producers who are not FINRA registered and who write fixed annuity business pursuant to a Non-Variable Producer Agreement with PacificLife.
- Insurance producers who are FINRA registered and whose broker/dealer firm has authorized its insurance producers to write fixed annuity business pursuant to a Non-Variable Producer Agreement with PacificLife.
- Insurance producers who are FINRA registered and whose broker/dealer firm has authorized Pacific Life to perform a suitability review of fixed annuity business written pursuant to the broker/dealer firm's Selling Agreement with PacificLife.

The Pacific Life Fixed Annuity Suitability Form or other applicable Pacific Life state suitability forms for use by the above referenced insurance producers who write fixed annuity business are made available to you on our producer Web site, and in our fixed annuity product sales kits. Insurance producers who have questions about our fixed annuity suitability review and form requirements may contact our Compliance Department, Business Evaluation Unit, at (800) 722-2333, extension 4095.

Virginia (inclusion of term “surrender”) – Effective September 1, 2021

As mentioned previously, the NAIC Model defines recommendation as advice provided by a producer to an individual consumer that was intended to result or does result in a purchase, an exchange or a replacement of an annuity in accordance with that advice.

Along with purchase, exchange and replacement, Virginia also included “surrender” in their definition of a recommendation when adopting their version of the NAIC model. As such, any recommendation a producer makes to a Virginia client to surrender their existing contract must be in the client's best interest.

If producers do recommend a surrender, they should be sure to communicate the basis of that recommendation to the client and why it's in their best interest, document the recommendation and retain a copy, and disclose/mitigate any potential conflicts of interest. Producers should also continue

to consult with their broker-dealer, if applicable, and follow their procedures.

Please note that if a client elects to surrender or withdraw value from their existing contract on their own, without acting on a recommendation, producers would not be expected to make a best interest determination.

ADVERTISING AND SALES MATERIAL REVIEW

We are committed to providing advertising and sales materials that are clear as to purpose and honest and fair as to content. We are further committed to helping ensure that sales materials used to sell Pacific Life's annuity products accurately represent our products and are in compliance with applicable laws and regulations. Materials used in the sales process must be comprehensible in light of the complexity of the product, and illustrations must be accurate, fair, and must appropriately disclose guaranteed and non- guaranteed elements.

Pacific Life considers all sales material to be an advertisement, which is defined by the National Association of Insurance Commissioners (NAIC) *Advertisements of Life Insurance and Annuities Model Regulation* (the "NAIC Model") as any material designed to create public interest in life insurance, annuities, an insurer, or an insurance producer; or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain a policy. Most states have adopted the NAIC Model definition or a similar version.

Examples of sales materials include, but are not limited to:

- Printed and published material, audiovisual material and descriptive literature of an insurer or insurance producer used in direct mail, newspapers, magazines, radio and television scripts, telemarketing scripts, billboards and similar displays, and the Internet or any other mass communication media.
- Descriptive literature and sales aids of all kinds, including but not limited to circulars, leaflets, booklets, web pages, depictions, illustrations and form letters.
- Material used for the recruitment, training and education of an insurer's insurance producers which is designed to be used or is used to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain a policy.
- Prepared sales talks, presentations and materials for use by insurance producers.

We encourage the use of advertising and sales materials created and designed by the Pacific Life home office. We make these available to you on our producer Web site and in our product sales kits. All such materials are clearly identified as Pacific Life's materials. They have been assigned a form number by Pacific Life, and have been reviewed and approved for your use by Pacific Life. Any advertising and sales material that has been marked by Pacific Life as "For Broker/Dealer Use Only. Not For Use With the Public" or "For Producer Use Only. Not For Use With the Public" has been prepared for your educational and informational use and may not be used with or given to a client, prospect, customer, or Pacific Life contract owner.

Only approved advertising, sales, and marketing materials can be used to sell a Pacific Life Insurance Company or Pacific Life & Annuity Company annuity. You must submit all advertising, sales, and marketing materials that can be used to sell a Pacific Life annuity to Pacific Life for review and approval prior to use, regardless of by whom written, created, designed, or presented. Requests can be sent to Retirement Solutions Division, Marketing Communications at rsdmbcompliancereview@pacificlife.com. This requirement encompasses any advertising, sales, and marketing materials used in connection with senior seminars or any other seminars held by you, including seminar presentation materials and any newspaper or mailer advertisements that entice consumers to attend the seminar and/or generate interest in Pacific Life's annuity products.

Registered representatives must submit each such advertisement, sales and marketing material piece to your broker/dealer's compliance department in accordance with your broker/dealer's compliance procedures. You must also ensure that each such piece is forwarded to Pacific Life Insurance Company or Pacific Life & Annuity Company (Attention: Retirement Solutions Division, Marketing Communications at rsdmbcompliancereview@pacificlife.com) for our review and written approval prior to use. The item may not be used by you without Pacific Life's written approval and the approval of your broker/dealer firm in accordance with your broker/dealer's procedures. If your broker/dealer requires any changes after Pacific Life's written approval, you are required to resubmit the changed piece to Pacific Life for Pacific Life's approval.

Failure to comply with Pacific Life's Advertising and Sales Material Review procedures may result in disciplinary action up to and including termination of your appointment and, if applicable, your Non-Variable Producer Agreement with Pacific Life. If you have any questions regarding Pacific Life's advertising and sales material review requirements or process, please contact our Marketing Communications Department at (800) 722-2333, extension 6916, or in New York (800) 748-6907, extension 6916.

FAIR COMPETITION

Pacific Life is committed to fair competition as the most effective and efficient means of providing products and services to consumers. We believe fair competition is also the most effective regulator of market activities. To that end, you must be careful not to disparage a competitor, its products, its representatives, or its sales methods. Making any written or oral statement that is untruthful, deceptive, misleading, or otherwise unlawful (i.e., "company bashing") with regard to your competitors is "disparaging" a competitor. Such statements are usually intended to dissuade a customer from doing business with a competitor. Misleading statements might be those statements that do not provide accurate or complete information on which a customer may rely for decisions. Disparaging statements do not include statements that are factually correct, presented in the appropriate context, and clearly and prominently referenced as to their sources.

State laws prohibit any form of "company bashing." Company bashing occurs if you (1) focus primarily on the negative attributes of a competitor's financial condition or its products, or the integrity of its representatives, rather than on the positive attributes of Pacific Life or its products or services, or (2) make false, deceptive, or malicious statements critical of or derogatory to the financial condition of any

insurance company. If you have any questions about fair competition, please contact our Compliance Department at (800) 722-2333 extension 7307 or in New York at (800) 748-6907, extension 7307.

REPLACEMENTS

A "replacement" means any transaction in which a new life insurance policy or a new annuity contract is to be purchased and it is known (or should be known) to the insurance producer that, as a result of such transaction, an existing life insurance policy or annuity contract has been or is to be terminated, converted, or otherwise changed in value. A replacement occurs not only when a policy is surrendered and the cash value is used to buy a new policy, but also when part of the cash value or a policy loan is used to finance the purchase of a new policy. When the policies or contracts affected are all within the same underwriting company, the process is referred to as "internal replacements." When the policies or contracts affected are underwritten by nonaffiliated companies, the process is referred to as "external replacements." In some states, replacements between affiliated operations may be deemed to be internal replacements.

Replacements are a high-profile subject with both federal securities and state insurance regulators. Because of the increased attention, it is important that you understand the position of Pacific Life regarding replacements.

We believe that the entire issue is one of acting in the best interests of the client and making sure that the client is in a position to make an informed decision based on a thorough disclosure of all relevant information. The information may include, but is not limited to, any product features, death benefits, living benefits, annuity payout options and amounts, existing and new surrender charges and periods, investment risk, new or higher charges and fees, and possible taxation. As to variable annuity sales, disclosure of all relevant information so your client can make an informed decision is consistent with current FINRA rules on suitability and fair dealing with clients. Be sure to follow any state replacement requirements and your broker/dealer firm's procedures regarding replacements, exchanges, and suitability.

In the case of a deferred annuity to immediate annuity replacement, acting in the best interest of your client and making sure your client is in a position to make an informed decision based on a thorough disclosure of all relevant information, means in addition to the above considerations, you should not recommend replacement of an existing deferred annuity contract with an immediate annuity contract unless you consider and disclose the income options and income payout comparisons of the existing deferred annuity and the proposed replacement annuity: (1) the income options available under the existing deferred annuity contract and the proposed immediate annuity contract; and (2) the monthly (or other frequency) income available if the existing deferred annuity contract were to be annuitized as compared to the selected income option of the proposed immediate annuity contract. In instances where the exact income option selected by the proposed immediate annuity consumer is not available under the existing deferred annuity contract, or where there are additional income or withdrawal options that have been purchased (i.e. an optional income rider for variable or fixed deferred annuities), you should make a good faith effort to highlight the closest available income options.

If you and your client determine that the replacement is appropriate, you must follow our procedures and any applicable state regulations. Specifically, you will need to:

- Follow all applicable state replacement requirements. Ensure that you provide the correct state- required notice to the client prior to taking the application. Be sure to complete the required notice and if the state required notice provides a space to fill in the reason for the replacement, be sure to fill in your client's reason for the replacement. Have your client sign the notice and send a copy to Pacific Life Insurance Company, or for New York business to Pacific Life & Annuity Company, with the application. Note that some states may require a notice form when the applicant owns an existing life insurance policy or annuity contract, even when no replacement is involved. New York has specific replacement forms and Disclosure Statement requirements pursuant to New York Insurance Regulation 60, see below. For more information, call our toll-free number (800) 722-2333, or in New York (800) 748-6907.
- Disclose any transaction that is known to you to be a replacement on the application.
- Maintain documentation of the sale in your client's file consisting of your notes, discussions, and sales material used during your presentation that supports your recommendation for the replacement. We strongly recommend that you document why the applicant is replacing his or her coverage and that both you and the applicant sign such documentation. Good documentation will help you demonstrate your compliance with applicable state, FINRA, and federal requirements. It will also prove invaluable to you in supporting the sale in the resolution of any misunderstandings that might occur after the sale.

FINRA and state rules require that you document why the applicant is replacing his or her coverage and that both you and the applicant sign such documentation. Such documentation should include how the exchange is suitable for your client. Specifically, in addition to the regular suitability considerations, you should consider and document whether your client would incur a surrender charge, become subject to a new surrender charge period, lose any existing benefits, be subject to higher fees, or in the case of a deferred annuity to immediate annuity replacement, the income payout comparison of the existing deferred annuity and the proposed immediate annuity. You should consider and document how the client would benefit from product enhancements and improvements and whether your client has had another annuity exchange within the preceding 36 months (the preceding period may be up to 60 months depending upon applicable state law, for example California and Minnesota). We appreciate your support of our replacement guidelines for the replacement of existing life insurance policies and annuity contracts. If you have any questions about replacements, please contact our Compliance Department at (800) 722-2333 extension 7307 or in New York at (800) 748-6907, extension 7307.

REGULATION 60 (NEW YORK ONLY)

New York's State Insurance Department Regulation 60 applies to Pacific Life & Annuity Company. It is designed to protect consumers by establishing minimum standards of conduct that must be followed for replacements, or proposed replacements, of life insurance policies and annuity contracts. Regulation 60 requires a set process and criteria for every annuity application signed in New York.

- It applies to any annuity contract or life insurance policy sold in New York.
- Certain requirements must be completed on every sale in New York, even when there is no replacement.
- If a transaction involves a replacement (as defined by New York), additional disclosure is required on a Regulation 60 Disclosure Statement so that the applicant is provided with full and clear information on which to make a decision in the applicant's best interest.
- For all annuity replacements, producers must act in their clients' best interest and follow the requirements of Insurance Regulations 60 and 187, including consideration as to whether a consumer will lose existing contractual benefits, such as living and death benefits, as well as having a reasonable basis to believe that the proposed annuity contract is suitable based on the consumer's suitability information. When a recommendation is made to replace an existing annuity contract (or life insurance policy) with a new annuity contract, you are required to explain the primary reason or reasons for recommending the new annuity contract, why the existing annuity contract (or life insurance policy) cannot meet the applicant's objectives, and the advantages of continuing the existing annuity contract (or life insurance policy) without changes, and document in the applicable Regulation 60 Disclosure Statement these explanations along with the comparisons of the proposed annuity and existing annuity (or life insurance policy).
 - In addition to the above, in the case of a deferred annuity to immediate annuity replacement recommendation, Regulation 60 requires you to consider and disclose to the applicant in the Reg 60 Disclosure Statement the way or ways in which the new proposed immediate annuity is superior to the option of annuitization or other income payout options that may exist under the existing annuity contract. This disclosure includes the following income options and income payout comparisons: (1) the income options available under the existing deferred annuity contract and the proposed income annuity contract; and (2) the monthly (or other frequency) income available if the existing deferred annuity contract were to be annuitized as compared to the selected income option of the proposed immediate annuity contract. In instances where the exact income option selected by the proposed immediate annuity consumer is not available under the existing deferred annuity contract, or where there are additional income or withdrawal options that have been purchased (i.e. and optional income rider for variable or fixed deferred annuities), you should make a good faith effort to highlight the closest available income options.
 - Failing to consider and disclose to a client in the Regulation 60 Disclosure Statement the comparison of an existing deferred annuity's available annuitized income payout or guaranteed withdrawal benefit payout with the client's selected income payout option of the proposed immediate annuity would not be acting in the best interest of the client.
- **For fixed annuities:** The client has a 60-calendar-day (instead of a 20-calendar-day) return-of-premium free-look on fixed annuity contracts issued as a result of a replacement.

- **For variable annuities:** The client has a 60-calendar-day (instead of a 10-calendar-day) return-of- contract-value free-look on variable contracts issued as a result of a replacement.

Note: Free-look refund amounts can be a source of much customer confusion for variable annuities. Because the client bears the market risk during the free-look period, the amount returned may be less (or more) than the purchase payment.

Regulation 60 requires that a form (Definition of Replacement) must be completed with each client at the time the client fills out an application. It determines if a replacement is taking place through a number of "yes" or "no" questions.

- If the client answers "no" to all the questions, then the usual annuity application process applies and the Definition of Replacement form must be submitted along with the application.
- If the client answers "yes" to any of the questions, the application is considered a replacement and a different annuity application process is set in motion, as fully explained in our easy [Step-by-Step Guide to Selling Annuities in New York](#). There are seven steps that provide for the completion of a Disclosure Statement that you, Pacific Life & Annuity Company, and the surrendering insurance company must take under Regulation 60.

Regulation 60 specifically prohibits the following activities:

- Providing any deceptive or misleading information in the Disclosure Statement or in any proposal, including the sales material used in the replacement sale.
- Failing to ask the applicant the pertinent questions relating to the probability of replacement when completing the application.
- Incorrectly recording an answer.
- Counseling an applicant to answer the required replacement questions negatively in order to prevent notice to the insurer being replaced.
- Otherwise counseling or suggesting to a client to circumvent the procedures or controls established under Regulation 60.

Although policy/contract owners have the right to replace existing policies or contracts after stating they did not intend to, Regulation 60 provides that patterns of such action by multiple owners having the same insurance producer shall be deemed evidence of the insurance producer's knowledge that replacement was intended.

REGULATION 187 (NEW YORK ONLY)

Effective August 1, 2019, the New York Department of Financial Services has amended and renamed New York Insurance Regulation 187 (“NY 187”), which will now be called “Suitability and Best Interests in Life Insurance and Annuity Transactions.” NY 187 applies to Pacific Life & Annuity Company and covers new sales and in-force annuity transactions. It is designed to protect consumers by requiring financial professionals to consider recommendations that are suitable based on applicable facts disclosed by the consumer and acting in the consumer’s best interest.

NY 187 describes duties of producers with respect to sales transactions as follows:

(a) In recommending a sales transaction to a consumer, the purchase or replacement of an annuity contract, the producer, shall have reasonable grounds for believing that the recommendation is suitable for the consumer on the basis of the facts disclosed by the consumer as to the consumer’s investments and other insurance policies or contracts and as to the consumer’s financial situation and needs, including the consumer’s suitability information, and that shall act in the best interest of the consumer.

(b) The producer acts in the best interest of the consumer when:

- (1) the producer’s recommendation to the consumer is based on an evaluation of the relevant suitability information of the consumer and reflects the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing. Only the interests of the consumer shall be considered in making the recommendation. The producer’s receipt of compensation or other incentives permitted by the Insurance Law and the Insurance Regulations is permitted by this requirement provided that the amount of the compensation or the receipt of an incentive does not influence the recommendation;
- (2) the sales transaction is suitable; and
- (3) there is a reasonable basis to believe all of the following:
 - (i) the consumer has been reasonably informed of various features of the annuity contract and potential consequences of the sales transaction, both favorable and unfavorable, such as the potential surrender period and surrender charge, any secondary guarantee period, equity-index features, availability of cash value, potential tax implications if the consumer sells, modifies, surrenders, lapses or annuitizes the annuity contract, death benefit, mortality and expense fees, cost of insurance charges, investment advisory fees, policy exclusions or restrictions, potential charges for and features of riders, limitations on interest returns, guaranteed interest rates, insurance and investment components, and market risk, any differences in features among fee-based and commission-based versions of the policy, and the manner in which the producer is compensated for the sale and servicing of the policy in accordance with Part 30 of this Title (Insurance Regulation 194) and Insurance Law section 2119;

- (ii) the consumer would benefit from certain features of the annuity contract, such as tax deferred growth of any cash values, annuitization, or death or living benefit;
- (iii) the particular annuity contract as a whole, the underlying subaccounts to which funds are allocated at the time of purchase or replacement of the annuity contract the sales transaction, and riders and similar product enhancements, if any, are suitable and in the case of a replacement, the transaction as a whole is suitable for the particular consumer based on the consumer's suitability information; and
- (iv) in the case of a replacement of an annuity contract, the replacement is suitable including taking into consideration whether:
 - (a) the consumer will incur a surrender charge, increased premium or fees, decreased coverage duration, decreased death benefit or income amount, adverse change in health rating, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), be subject to tax implications if the consumer surrenders or borrows from the annuity contract, or be subject to increased fees, investment advisory fees, premium loads or charges for riders and similar product enhancements;
 - (b) the consumer would benefit from annuity contract enhancements and improvements, such as a decreased premium or fees, increased coverage duration, increased death benefit or income amount; and
 - (c) the consumer has had another annuity contract replacement, in particular, a replacement within the preceding 36 months.

(c) In making a recommendation, a producer may weigh multiple factors that are relevant to the best interests of the consumer including, but not limited to, the benefits provided by the policy, the price of the policy, the financial strength of the insurer, and other factors that differentiate products or insurers.

(d) Prior to the recommendation of a sales transaction, purchase or replacement of an annuity contract, a producer shall make reasonable efforts to obtain the consumer's suitability information.

Suitability information means information that is reasonably appropriate to determine the suitability of a recommendation commensurate with the materiality of the transaction to a consumer's financial situation at the time of the recommendation and the complexity of the transaction recommended, including some or all of the following, as relevant to the consumer:

- (i) age;
- (ii) annual income;

- (iii) financial situation and needs, including the financial resources used for the funding of the policy;
- (iv) financial experience;
- (v) financial objectives;
- (vi) intended use of the policy, including any riders attached thereto;
- (vii) financial time horizon, including the duration of existing liabilities and obligations;
- (viii) existing assets, including investment and insurance holdings;
- (ix) liquidity needs;
- (x) liquid net worth;
- (xi) risk tolerance;
- (xii) willingness to accept non-guaranteed elements in the policy, including variability in premium, cash value, death benefit, or fees;
- (xiii) tax status; and
- (xiv) any other information provided by the consumer which in the reasonable judgment of the producer is relevant to the suitability of the transaction.

Furthermore, NY 187 describes acting in the customer's best interest includes the following:

- Having reasonable grounds for believing that the recommendation is suitable and is in the best interests of the customers.
 - *A recommendation to replace an existing deferred annuity contract with an immediate annuity would not be suitable or acting in the best interest of the client without considering and disclosing to your client in the Regulation 60 Disclosure Statement the comparison of the existing deferred annuity's available annuitized income payout or guaranteed withdrawal benefit payout with your client's selected income payout option of the proposed immediate annuity.*
- Evaluating the relevant information and reflecting the care, skill, prudence and diligence of a prudent person acting in a like capacity.
- Not allowing the amount of compensation or receipt of incentive influence the recommendation.
- Informing the customer about the contract features and possible consequences (both favorable and unfavorable) and how the customer will benefit from the specific features of the contract and the in-force transaction.

In addition, in-force transactions will now require a best interest review by the financial professional. This means any recommended annuity transactions should be properly documented. The documentation should include the basis for the recommendation and reason the recommendation is in the customer's best interest and retained in your file. In addition, if a customer refuses to provide suitability information and/or does not accept your recommendation, document the reasons why the recommendation was not accepted.

In addition to the current product training requirements, training on NY 187 is also required.

CUSTOMER COMPLAINTS

A customer complaint occurs whenever a client primarily expresses a grievance in writing relating to a fixed or variable annuity contract from Pacific Life Insurance Company or Pacific Life & Annuity Company or its sale. The communication may come from the client, his or her attorney, or any federal or state regulatory agency.

Service Issues That Are Not Complaints

When a client requests clarification regarding their contract or asks a question that can be answered with factual or procedural information, and you feel an issue can be resolved quickly and easily to the satisfaction of the person inquiring, such matters can be handled by you as service issues. Be cautious that what can begin as a service issue can at any time elevate to a complaint.

Complaints—Immediately Notify Us

If you receive a complaint, contact our Home Office Compliance Department at the applicable toll free line provided below. A client who submits a complaint must be taken seriously. Regulators require insurers to maintain a complete record or log of all complaints received and each state has guidelines as to the time permitted to respond to a customer complaint.

Registered representatives associated with FINRA member broker/dealer firms are also reminded to follow their broker/dealer's complaint-handling procedures. Broker/Dealers and their registered representatives are reminded of the importance of **immediately notifying Pacific Life** whenever you receive a customer complaint.

Communications by the insurance producer with the Department of Insurance (DOI): When the DOI receives an annuity contract owner complaint, they may contact you directly and ask that you respond to the complaint without informing our Home Office of the inquiry. **Please advise our Home Office of all correspondence sent to and from the DOI.** Unless directed otherwise by the State DOI, please forward a draft copy of any communications to a DOI to our Compliance Department, **prior to forwarding the response to the DOI.**

If you have any questions regarding customer complaints, please contact our Compliance Department, Complaint Coordinator at (800) 722-2333, extension 1663, or in New York at (800) 748-6907, extension 1663.

SENIOR INVESTOR CONSIDERATIONS AND THE USE OF PROFESSIONAL DESIGNATIONS

The needs of senior investors (typically investors who are age 60 or older), or investors who are at or nearing retirement, require special consideration and attention on your part in connection with the selling and servicing of annuity contracts from Pacific Life. You are reminded that states may have

specific laws regarding elder abuse as well as specific laws and/or regulations governing the sale of annuity contracts, and might impose specific obligations on you as the annuity producer in your conduct with seniors. When selling and servicing Pacific Life annuities, you must know and always follow your broker/dealer firm's suitability and related procedures as applicable, including any such procedures specific to seniors, and all state and federal laws and self-regulatory organization (SRO) rules, such as FINRA rules, governing the sale and servicing of annuities. Your broker/dealer's procedures will address important senior investor requirements with respect to, but not limited to, advertising, communications with the public, use of professional designations, and suitability. In addition, your broker/dealer may provide you with guidance in the sensitive areas of investors who exhibit signs of diminished mental capacity, or suspected financial, mental, or physical abuse of senior clients by their family members or caregivers. For additional information about the obligations of member broker/dealer firms and their registered representatives to senior investors, please refer to FINRA *Regulatory Notice 07-43* on FINRA's Web site (www.finra.org).

Given the increased regulatory attention with respect to seniors, you should pay close attention to your broker/dealer's compliance procedure announcements, and in particular any broker/dealer announcements of guideline changes that address registered representative conduct with senior investors. You must follow your broker/dealer's advertising and sales material review procedures. In addition, all insurance producers, whether or not FINRA registered, must also follow Pacific Life's advertising and sales material review procedures to obtain our written approval prior to your use of any advertising, sales, and marketing materials used to sell Pacific Life's annuity contracts. Pacific Life's requirements include all such materials used in senior seminars and any newspaper or mailer advertisements that entice consumers to attend the seminar and/or generate interest in Pacific Life's annuity products.

You are reminded that professional designations are proliferating, and regulators have begun taking notice of their use and the potential for misuse in light of the aging U.S. population and the ever-growing number of Americans who are at or near retirement. Pacific Life reminds you that you must always follow your broker/dealer's compliance procedures with respect to the use of professional designations and that you must obtain your broker/dealer's approval before using any professional designation with the public. You must follow all state laws and regulations, federal securities laws, and FINRA rules that address the use of professional designations with the public. Registered representatives are prohibited by FINRA rules from making false, exaggerated, unwarranted, or misleading statements or claims in communications with the public. This FINRA prohibition includes referencing nonexistent or self-conferred degrees or designations or referencing legitimate degrees or designations in a misleading manner. You may not use any title or designation that conveys an expertise in senior investments or retirement planning where such expertise does not exist, as such use may violate applicable state laws and regulations, FINRA rules, and possibly the antifraud provisions of the federal securities laws.

The North American Securities Administrators Association (NASAA) has adopted its *Model Rule on the Use of Senior-Specific Certifications and Professional Designations* (NASAA Model).

The National Association of Insurance Commissioners (NAIC) has adopted the *Model Regulation on the*

Use of Senior-Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities (NAIC Model). Since the NAIC Model was adopted, various states have enacted or introduced laws aimed at producers who misrepresent their level of expertise in marketing and sales activities that involve senior citizens or retirees.

The NAIC Model establishes a standard for the sale or solicitation of life insurance and annuities, and whether the use of a particular designation indicates or implies, in a way that misleads the consumer, the producer has special training or knowledge in advising seniors. Generally, it prohibits the use of senior-specific certifications or professional designations (1) by a producer who has not actually earned or is ineligible to use same; (2) that are nonexistent or self-conferred; (3) that imply a level of qualification the producer does not have; (4) that are issued by organizations that are primarily engaged in marketing or sales instruction and do not have procedures for monitoring or disciplining their designees for improper conduct or that do not have reasonable continuing education requirements.

All insurance producers, whether or not FINRA registered, need to be aware of state and federal laws relating to the use of senior or retirement specific designations, certifications and titles, and the standards imposed by these laws. Producers must understand and comply with the state and federal laws that apply in the jurisdictions where they do business. In states that have not yet adopted a model law, it is prudent for producers doing business in those states to adhere to the standards set forth in model laws. Producers are encouraged to review state insurance regulator Web sites for specific information.

HELPING PROTECT SENIORS AND OTHER VULNERABLE ADULTS FROM FINANCIAL EXPLOITATION AND FRAUD

Financial exploitation of senior and other vulnerable persons is a type of fraud and abuse that is a growing concern through the financial services industry. As insurance producers you can have the most access to these types of individuals in their professional capacity. Pacific Life is sharing the following information in the effort to help combat and respond to this growing concern.

Who Are Senior and Vulnerable Persons?

- **Seniors:** The legal and regulatory definitions of terms like “senior” and “elder” differ slightly, but for purposes of preventing financial exploitation, we consider seniors to be individuals who are sixty years of age or older.
- **Vulnerable Persons:** Again, definitions vary, but we consider a “vulnerable person” to be an individual eighteen years of age or older who has a temporary or permanent mental or physical impairment (such as persons suffering from diminished capacity caused by trauma, disease or the influence of drugs/alcohol) which renders the individual unable to protect his or her own interests.

What is Financial Exploitation?

There is currently no uniform definition of financial exploitation. The Elder Justice Act defines financial exploitation as “the fraudulent or otherwise illegal, unauthorized, or improper act or process of an individual, including a caregiver or fiduciary, that uses the resources of an elder for monetary or personal benefit, profit, or gain, or that results in depriving an elder of rightful access to, or use of, benefits, resources, belongings or assets.” In plain terms, financial exploitation results in the theft of money or property. It is commonly committed by a family member, caregiver, or other trusted acquaintance who lies, manipulates or coerces the senior or vulnerable person for financial gain.

Recognized Red Flags

As an insurance producer, you have a good idea of the behavior and transactions that you expect from your clients. When you see activity that varies from those expectations, it may be suspicious. This activity is known as a “red flag”. Financial exploitation red flags can relate to a client’s behavior and financial activity. Decreased cognitive awareness (as in the case of dementia and Alzheimer’s disease) can result in seniors or other vulnerable persons becoming reliant on others to make financial decisions on their behalf.

Behavioral Red Flags

- The inability of the client to hold a prolonged conversation; it becomes challenging for the client to follow directions and/or complete paperwork.
- The client exhibits potential signs of diminished capacity such as confusion, forgetfulness, unexplainable disorientation, depression, communication impediments or unresponsiveness.
- When asked questions about financial information, the client shows uncommon memory gaps, confusion, or lacks knowledge about personal financial status.
- The client is making repetitive phone calls and asking the same questions.
- The client shows uncharacteristic stress regarding life and relationships.
- The client shows unexplained or unusual excitement over a financial windfall or prize check.
- There is a sudden appearance of newly formed friendships or previously uninvolved relatives.
- Trusted others show an excessive interest in the client’s finances and products.
- The client appears to be unduly influenced or manipulated by another party.
- There is an appearance of insufficient care or neglect despite the client having adequate resources.

Financial Activity Red Flags

- The client seems dazed, nervous, or fearful when discussing financial matters.
- There is confusion as to remembering requesting transactions.
- Explanations for transactions are contradictory or questionable.
- There is a significant change in the client’s financial habits (such as more frequent or larger

withdrawals or activity).

- There is another individual such as a family member or caregiver insistently requesting information or attempting to make changes with respect to the client's products.
- An alleged guardian or individual with alleged Power of Attorney (POA) for the client refuses to provide legal documentation of their authority.
- There is more than one person claiming legal authority for the client.
- Abrupt changes in wills, trusts or POAs are occurring.
- A family member, attorney-in-fact, guardian, or caregiver refuses to allow you to speak to the client, or only allows communication with them controlling the client's responses.
- There are questionable signatures on documents, or it appears that numbers have been forged or changed.
- There are sudden or unexplained address changes or changes in beneficiaries.
- The client is showing disregard to penalties (e.g., surrender charges).
- Significant funds (for that client) are at stake.

The existence of red flags does not necessarily mean that a client is the victim of financial exploitation; however, such activities raise concerns and warrant further consideration.

Helping Protect Senior and Other Vulnerable Persons From Harm

Insurance producers are in a unique position to identify Seniors and other Vulnerable Persons as well as help prevent and report abuse. If you notice or become aware of financial exploitation red flags, raise your concerns in accordance with your broker dealer firm's escalation process. By doing so, you help protect your client's financial security.

Insurance producers are also reminded that certain state statutes concerning the protection of Seniors and Vulnerable Persons have recently been amended. Under these statutes, persons working in the financial services industries, including insurance producers, who are aware of the mistreatment of a Senior or Vulnerable Person may be urged to report such information to a law enforcement agency not more than twenty-four hours after making the observation or discovery. You should check a specific state's statute for details.

Finally, keep in mind that some states have specific senior-related disclosures that must be made prior to the sale, solicitation or negotiation of, among other things, insurance products. Again, you should check your state's specific statute for details.

If you have any questions regarding Unfair Trade Practices, please contact our Compliance Department (800) 722-2333 extension 7307, or in New York at (800) 748-6907, extension 7307.

SALES TO THE MILITARY

The solicitation and sale of annuities to active duty members of the United States Armed Forces require your compliance with all applicable state, federal, and military laws and regulations. Be aware that state laws based on the National Association of Insurance Commissioners' Military Sales Practices Model Regulation declare certain practices in relation to the solicitation and sale of annuities to be false, misleading, deceptive, or unfair. You are encouraged to familiarize yourself with these laws to ensure compliance.

Pacific Life does not permit the solicitation and sale of its annuities on a military installation. A "military installation" is any federally owned, leased, or operated base, reservation, post, camp, building, or other facility where service members are assigned for duty, including barracks, transient housing, off-base family quarters, recruiting offices, and the Pentagon. It is important that you first determine for each and every solicitation whether an applicant for an annuity through Pacific Life Insurance Company or Pacific Life & Annuity Company is an active duty member of the U.S. Armed Forces ("service member"). "U.S. Armed Forces" includes the Army, Navy, Air Force, Marine Corps, and Coast Guard. "Active duty" means full-time duty in the active military service of the United States, including the National Guard and Reserve, while serving under published orders for active duty or full-time training for a period of 31 calendar days or more.

If the applicant is an active duty service member, a disclosure is required to be provided to the applicant at the time of sale. This disclosure, entitled Important Notice for Active Duty Members of the United States Armed Forces, is available in our sales kits and online in the Forms Library section.

The state laws referred to above restrict how an annuity can be funded and financed. Some of these restrictions state that you may not do any of the following:

- Use any allotment form or similar device used by the military to direct a service member's pay to a third party for the purchase of an annuity.
- Where there is no formal banking relationship between the service member and a depository institution, such as a bank, you may not
 - Knowingly receive funds for purchase payments for the annuity.
 - Employ any device whereby the funds received for purchase payments are identified on the service member's Leave and Earnings Statement as "Savings" or "Checking."
 - Enter into any agreement with a depository institution to accept funds from a service member.

Pacific Life reminds you to: (1) follow your broker/dealer's procedures, if applicable, regarding the offer and sale of fixed and variable annuity products to active duty members of the U.S. Armed Forces, (2) provide the required disclosure entitled Important Notice for Active Duty Members of the United States Armed Forces to Pacific Life applicants who are active duty military members, and (3) never solicit Pacific Life annuities on a military installation.

RELATIONSHIP AND COMPENSATION DISCLOSURE

In order for a client to make an informed decision, it is important for you to provide complete disclosure regarding your role as an insurance producer, relationships with third parties, sources of compensation and fees, and anything else that could be deemed to create a conflict of interest between you and your client.

Must Disclose You Are an Insurance Sales Person

As a producer, it is necessary that you disclose that you are acting as an insurance salesperson. This is particularly important when you are providing insurance services along with other services, such as financial, executive compensation, estate, or retirement planning services.

In soliciting insurance, you cannot utilize trade names that are misleading or deceptive as to both the transaction that is taking place and the true identity of yourself as the producer or agency engaged in selling insurance products. An advertisement or representation, whether written or oral, should not use a trade name, an insurance group designation, or the name of an agency that has the capacity or tendency to mislead or deceive as to the identity of you or your agency and the products you sell.

Must Disclose Other Relationships

As a producer, it is your responsibility to disclose all relevant business relationships to your clients prior to their purchase of insurance products. For example, you should disclose your relationships to parties that will directly or indirectly profit from the sale. Similarly, you should disclose your relationships to parties that will directly or indirectly compensate you for the sale. Such arrangements can be deemed to create conflicts of interest between you and your client, and must be disclosed.

Must Disclose Basis for Compensation

Insurance commissions, overrides, producer loans, reinsurance arrangements, and other compensation arrangements may be perceived as powerful incentives for you to promote and sell a given insurance product in lieu of possibly a more suitable investment or insurance alternative. Such compensation may be the basis for claims that you are acting in your own best interest, to the detriment of your client.

Disclosing how you will be compensated in an insurance transaction provides your client with the opportunity to engage in whatever additional due diligence he or she deems necessary concerning the product you recommend versus others available from your competitors. It may also trigger a more detailed analysis of the mechanics, costs and feasibility of the proposed sales concepts and products, which will help ensure a stronger and more lasting sale. In all insurance sales situations, it is recommended that you provide a disclosure document to your clients that accurately states and identifies:

- a. the basis for their fees, commissions or, compensation;
- b. the company or firm supplying the products you offer or sell;
- c. the company or firm paying the fee, commission or, compensation, or that is otherwise

- profiting from the sale;
- d. licenses you hold; and
- e. other financial products you are authorized to sell.

Certain states have adopted the Compensation Disclosure Amendment to the NAIC Producer Licensing Model Act, which generally requires that you disclose the amount of compensation where you receive compensation from the client for the placement of insurance, or where you “represent the client with respect to that placement.”

Additional Duties of Financial Planners/Consultants

If you indicate on advertisements, business cards, signs, circulars, Web sites, letterheads, or in any other manner that you are a "financial planner," "financial counselor," "financial adviser," "investment counselor," "estate planner," "investment adviser," "financial consultant," "executive benefits consultant" or any other similar designation or title or combination thereof, or any other specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax, or trust and estate matters, you are considered to be representing yourself as engaged in the business of financial planning. You should clearly disclose that you are also engaged in the sale of insurance products.

In the case that you are only engaged in the sale of insurance products, you cannot represent yourself to the public as a financial planner or consultant. This is not intended to preclude you, if you hold some form of formal recognized financial planning or consultant designation, from using this designation when you are only selling insurance. At the same time, this does not permit you to charge an additional fee for services that are customarily associated with the solicitation, negotiation or servicing of insurance products.

If you hold yourself out to the public as a financial planner or consultant, you have a fiduciary duty to persons for whom services were performed for compensation, and are subject to specific state laws and regulations.

If you are a producer that is also engaged in the business of financial planning as described above, you are required to provide a written disclosure document to each of your clients. The document should be signed by each client in advance of the performance of the services to be provided, and a copy should be left with your client. The disclosure document should include the following:

1. That you are also an insurance salesperson, and that a commission for the sale of an insurance product will be received in addition to any fee charged for financial planning, if such is the case; and
2. If you charge a fee for financial planning or consulting services other than commissions, the disclosure document should specifically include:
 - a) a description of the services for which the fee is to be charged;

- b) the name and address of any company or firm that supplies the financial services or products that you offer or sell;
- c) the basis for, amount, and source of any fees, contingent compensation, or other compensation you receive in connection with the rendering of financial planning services or financial counseling or advice;
- d) the license(s) you hold and the specific identity of any financial products or services (by category, for example life insurance, annuities, mutual funds, stocks, or limited partnerships) you are authorized to offer or sell; and
- e) statement that your client is under no obligation to purchase any insurance product through you.

The disclosure requirement under this paragraph may be met by including it in any disclosure required by other federal or state securities or insurance law. You must retain a copy of the agreement for not less than three (3) years after completion of services. It is recommended that the agreement is maintained thereafter as long as the client remains a client.

Sample language to include in the disclosure document **(required in**

Minnesota): "My Compensation may be based on the following:

- a) commissions generated from the products I sell you,
- b) fees, or
- c) a combination of (a) and (b)"

"I am authorized to offer or sell products and/or services issued by or through the following

firm(s): [List]"

"The products will be traded, distributed, or placed through the clearing/trading

firm(s) of: [List]"

"I am licensed in [name of state] as a(n):

- a) insurance producer,
- b) securities professional or broker/dealer,
- c) real estate broker or salesperson,
- d) investment advisor"

"The license(s) entitles me to offer and sell the following products and/or services:

- a) securities, specifically the following:
- b) [List],

- c) real property,
- d) insurance,
- e) other: [List].”

PRODUCER AS TRUSTEE

Clients who use trusts to purchase annuity contracts occasionally request their financial professional, an insurance licensed annuity producer, to serve as trustee of the trust. Clients do this at the time of application, or as in force requests after the contract is delivered. This raises the question of whether you (the annuity producer) or your associates or affiliates, can serve as trustee.

Fiduciary Duty

All trustees, regardless of their relationship to the client or their sophistication in trust administration, are fiduciaries. As such, they owe fiduciary duties to the trust beneficiaries. A fiduciary duty is the highest standard of care imposed under the law, and a trustee is expected to have undivided loyalty to the trust beneficiaries. The trustee is prohibited from placing himself/herself in a “conflict of interest,” which exists when the trustee might personally benefit from carrying out his/her official trustee duties (whether or not he/she actually benefits). The trustee is also prohibited from “self-dealing,” which occurs when the trustee actually benefits from a trust transaction. In the case of an annuity producer serving as trustee, self-dealing includes the receipt of commissions on the sale of an annuity contract to the trust.

The trustee is required to avoid conflicts of interest because, even if he or she is acting in good faith, the trustee’s personal interests could cloud his or her judgment in carrying out his trustee duties. When the trustee self-deals, the beneficiaries need not prove fraud or bad faith in order to establish trustee liability, and no excuse can be offered by the trustee to justify the transaction. Even the consent or approval of the client who created the trust would not excuse the trustee from self-dealing, since the trustee’s duty is to the trust beneficiaries (who, incidentally, might not share the client’s relationship with and loyalty to the annuity producer).

A producer’s special expertise: Aside from such conflict of interest and self-dealing issues, you, as an annuity producer who serves as trustee, have particular liability exposure even if you do not profit from commissions. Generally, producers are not trained in trust administration, and they are typically unfamiliar with the language used in trust documents and state statutes that govern trusts (such as the “Uniform Prudent Investor Act”). Despite this disadvantage, you may actually be held to a higher standard of care than typical trustees. This is because any trustee possessing special expertise that is not generally held by ordinary trustees has a duty to use that expertise and is usually held liable for any loss resulting from failure to do so.

For example, your expertise may be financial planning—which is the principal purpose of some trusts. Accordingly, by assuming the additional role as trustee, you unwittingly heighten the scrutiny by which your actions as an annuity producer will be judged.

PACIFIC LIFE'S LIABILITY

Your liability described above may extend to Pacific Life if it is deemed to have enabled you to serve as trustee. Accordingly, Pacific Life will only allow you to serve as trustee in the following scenarios:

- For producers affiliated with a Broker Dealer firm: You have provided written approval from your Broker Dealer firm. FINRA Rule 3241, which became effective February 15, 2021, details the requirements placed upon the registered person and the registered person's firm that must be met for that registered person to hold a position of trust, including serving as trustee. Therefore, Pacific Life will allow you to hold this position if your firm confirms, in writing, that you have met the necessary requirements.
- For producers not affiliated with a broker-dealer firm: You self-certify (in writing or over a recorded line) that you are a close family member of the client.

Producers who don't qualify to serve for the reasons above occasionally request that some third person affiliated to the producer be allowed to serve as trustee (such as another producer in his or her office, or a staff member of the producer). This will not likely reduce Pacific Life's liability exposure since that person will generally be viewed as a mere straw man or front for you. Accordingly, Pacific Life will only allow an affiliated third person to serve as trustee if that person is also an attorney or CPA. Pacific Life will also accept a bank or trust company as trustee provided you are not one of its officers, managers, or principals. These exceptions are allowed because attorneys and CPAs are subject to ethical rules and oversight imposed by their professional licensing organizations (such as a state bar), and banks and trusts are subject to regulatory oversight under state bank or trust laws.

In conclusion, the responsibilities of a trustee are complicated and technical. No person should serve as trustee without first thoroughly considering the responsibility and liability involved. In no case, other than the limited situation described above, will Pacific Life allow you to serve as the trustee.

CONTRACT STRUCTURING

Contract structuring is largely about naming contract owners, annuitants, and beneficiaries in order to maximize a product's features while meeting the client's objectives. The way a contract is structured can affect when or to whom a death benefit is paid. It is important, therefore, to understand the consequences of contract structuring. For example, the death of an owner/annuitant may have different consequences than the death of an owner who is not also the annuitant. When structuring nonqualified contracts, generally the owner and the annuitant are the same person. However, there may be situations when the contract is structured with more than one owner or annuitant. In these situations, it's important to remember that death benefits will be payable at the death of the last remaining annuitant or the death of the first owner who is also an annuitant.

- For individual-owned, qualified contracts, name the individual as the sole owner and annuitant.
- For qualified plans, name the plan as owner and beneficiary and the participant as the annuitant.

- For trust-owned contracts, name the trust as the owner and beneficiary and specify individual(s) as annuitant(s) so that the death benefit pays out in a manner consistent with the objectives of the trust.

To avoid payment of a death benefit to an unintended individual or entity, always be certain to specify beneficiaries (primary and contingent). For additional information regarding contract structuring, please call our Advanced Marketing Group at (800) 722-2333, extension 3939, or in New York (800) 748-6907, extension 3939.

POINT OF SALE ANNUITY DISCLOSURE REQUIREMENTS

In addition to federal law requirements that a prospectus be provided to a variable annuity applicant prior to or at the time of sale, some states have laws that require you to provide your client with certain disclosures before or at the time the application is taken. Requirements vary by state. Fixed annuities generally require disclosures such as Buyers Guides, Contract Summaries, Deferred Annuity Disclosures, and other miscellaneous notices. For certain disclosures, both you and your client may be required to sign the disclosure and attach it to the application for transmission to us. A copy should be given to your client. We make insurer disclosures, notices, and requirements available on our Web sites in the Forms Library section, and in our product sales kits. If you have questions, please call Pacific Life at (800) 722- 2333 or in New York at (800) 748-6907.

TELEPHONE AND ELECTRONIC REQUESTS

Contract owners are automatically entitled to make certain transactions (including account transfers, allocation changes, change of address, changes to withdrawal or preauthorized investing, and set up systematic withdrawals and partial withdrawals) by telephone or, to the extent available, electronically. Contract owners may also authorize other people to make transaction requests (including account transfers, allocation changes, change of address, changes to withdrawal or preauthorized investing, and set up systematic withdrawals and partial withdrawals) by telephone or electronically by so indicating on the contract application (not available in New York), or by sending us instructions in writing in a form acceptable to us. This authorization DOES NOT give a registered representative discretionary authority to enter trades without the contract owner's prior instructions and consent. It merely enables the communication of trade instructions by the owner's registered representative to Pacific Life by telephone or electronically for trades that the contract owner authorizes their registered representative to make. Registered representatives are reminded of the importance of following their broker/dealer's policies and procedures and contacting your broker/dealer compliance department if you have any question about whether a contract owner has authorized you to make a trade on the owner's behalf.

Telephone or electronic requests must be received at Pacific Life Insurance Company or Pacific Life & Annuity Company's designated processing location prior to the close of the New York Stock Exchange (usually 1:00 p.m. Pacific time) in order to receive same-day pricing of the transaction. Requests

received after that time will be subject to next-business-day pricing. Pricing in either case reflects the value at market close.

We have established procedures reasonably designed to confirm that instructions communicated by telephone or electronically are genuine. These procedures may require any person requesting a telephone or electronic transaction to provide certain personal identification upon our request. We may also record all or part of any telephone conversation with respect to transaction instructions. Pacific Life and its affiliates and their directors, trustees, officers, employees, representatives, and/or agents will not be held liable for any loss, liability, damages, cost, or expense for relying on any oral or electronic instruction pursuant to this authorization, so long as we comply with our procedures. All transfers and investment allocations are subject to the limitations set forth in the most recent Pacific Life variable annuity prospectus. Pacific Life reserves the right to deny telephone or electronic requests.

ACCEPTABLE FORMS OF PAYMENT

The following are acceptable forms of payment, all of which must originate from a U.S. bank and be in dollars:

- Personal checks or cashier's checks drawn on a U.S. bank,
- Money orders and traveler's checks in single denominations of more than \$10,000 if they originate in a U.S. bank,
- Third-party payments when there is a clear connection of the third party to the underlying transaction, and
- Wire transfers that originate in U.S. banks.

We will not accept purchase payments in the following forms:

- Cash,
- Credit cards or checks drawn against a credit card account,
- Money orders or traveler's checks in single denominations of \$10,000 or less,
- Starter checks,
- Home equity checks,
- eChecks,
- Cashier's checks, money orders, traveler's checks, or personal checks drawn on non-U.S. banks, even if the payment may be effected through a U.S. bank,
- Third-party payments if there is not a clear connection of the third party to the underlying transaction, and
- Wire transfers that originate from foreign bank accounts.

Checks should be made payable to the issuing company: Pacific Life Insurance Company or Pacific Life & Annuity Company. Payments will be credited to the annuity contract as of the date the issuing

company receives the payment in good order. If available, the contract number should be referenced. All annuity purchase payments submitted in an unacceptable form of payment will be returned to the payer, along with a letter of explanation. Please note that this policy is subject to change. Visit our producer Web site for up-to-date information regarding acceptable forms of payment. Pacific Life reserves the right to reject any form of payment.

ANTI-MONEY LAUNDERING (AML)

You may be requested to provide additional information about your client if Pacific Life becomes aware of suspicious activity that indicates possible money laundering activity on your client's annuity contract application or in-force contract. If requested, your cooperation and prompt responses are required to ensure Pacific Life meets its reporting obligations to the federal government. Our requests and your responses will be treated confidentially, and cannot be shared with your client or any other involved person (such as the contract owner, applicant, etc.).

You are required to report to Pacific Life any suspicious activity you observe that indicates possible money laundering in connection with the sale and administration of an annuity product through Pacific Life Insurance Company or Pacific Life & Annuity Company. If you observe any suspicious activity, you must immediately report it via email to VAAMLCompliance@PacificLife.com or by calling (800) 800-7646, Extension 7507. Examples of suspicious activities are listed below.

Suspicious Activities

Some examples of "red flags" include, but are not limited to, the following:

1. The purchase of an insurance product inconsistent with the customer's needs.
2. Unusual payment methods, such as cash, cash equivalents (e.g., money orders, travelers' checks), or structured money (i.e., multiple payments made to avoid transaction reporting thresholds).
3. Early termination of a product (including during the "free-look" period).
4. Termination of a product at a cost to the customer, or where payment is made by, or the refund check is directed to, an unrelated third party.
5. The transfer of the benefit of a product to an unrelated third party.
6. A customer who shows little concern about the investment performance of a product.
7. A customer who is reluctant to provide identifying information when purchasing a product or who provides minimal or seemingly fictitious information.
8. A customer who borrows the maximum amount available or takes a significant withdrawal soon after purchasing the product.

Medical marijuana is legal in 33 states and the District of Columbia. A growing number of states have also legalized its recreational use. Despite these changing state laws, the Federal Controlled Substances

Act has not been amended. Marijuana continues to be illegal to manufacture, import, possess, or distribute under U.S. federal law. Because it is illegal under federal law to manufacture, import, possess, and/or distribute marijuana, any proceeds from a marijuana-related business are subject to anti-money laundering laws. Pacific Life will not knowingly issue policies or contracts or open accounts for an individual or business involved in the manufacturing, sale or distribution of marijuana. Financial professionals must notify Pacific Life if a customer who has submitted an application for a policy, contract, or account to Pacific Life is involved in marijuana-related businesses (whether for medicinal or recreational purposes). If, after a policy, contract, or account is issued or opened, you discover that a customer is involved in marijuana-related businesses, please contact us at (866) 384-4679.

You must also comply with your broker/dealer's AML requirements, as applicable. You are also required to complete training on how to recognize and deal with money laundering issues. In accordance with FINRA rules, your broker/dealer has implemented a training program to assist you in the fulfillment of this training requirement. Producers who are not registered representatives associated with a FINRA member broker/dealer must complete AML training every two years and provide Pacific Life with documentation of AML training completion.

For additional information about AML and suspicious activity, access the Financial Crimes Enforcement Network at www.fincen.gov.

ANNUITY CONTRACT ISSUE REQUIREMENTS

You must be state-insurance licensed and appointed with Pacific Life in the state where the annuity contract application is solicited, signed, and delivered. For variable annuities, in general, your state insurance license must have variable contract authority and you must be securities registered. You must also complete and satisfy any applicable state annuity product training requirements. To ensure that you receive the quickest turnaround possible, complete the contract application and all forms completely and correctly. Incorrect or incomplete forms lengthen processing time and delay commission payments.

For assistance with completing the forms and any business processing questions, call Pacific Life at (800) 722-2333 or in New York at (800) 748-6907. All forms are available online under the Forms Library section.

PROSPECTUS DELIVERY REQUIREMENTS FOR VARIABLE ANNUITIES

Both the variable annuity product prospectus and the applicable underlying fund prospectus(es) must be delivered to an applicant prior to the time the application is completed or the ticket is dropped. Prospectuses are included in the product kits, and are available at www.pacificlife.com.

ANNUITY CONTRACT DELIVERY REQUIREMENTS

Unless your broker/dealer's selling agreement, or if applicable, your Non-Variable Producer

Agreement, specifies that Pacific Life shall mail the contract directly to the contract owner upon issuance of the contract, the contract will be mailed to you. Upon receipt of the contract from Pacific Life, it is your responsibility to promptly deliver the contract to the contract owner in the state where you solicited the application. A Pacific Life delivery receipt, indicating the date the contract was received by the contract owner, should be signed and returned to Pacific Life. A copy of the delivery receipt should be kept with your records. Such documentation is important when dealing with disputes over when or whether the contract was delivered. Check with your broker/dealer, if applicable, for your firm's requirements.

RECORD KEEPING

Why Bother Keeping Good Records?

A perception exists that documentation can be used against you in determining liability—that you are better off defending yourself on the basis of what is remembered, rather than what is written. You may be tempted to discard all documentation developed during a sale as a way to save on storage space. But it should be noted that half of all professional liability claims center around the conversations between the professional and his or her client. Read the newspapers, scan the environment and you will see that the client's version of the story is more commonly accepted by the regulators and juries across the country. Documenting client interactions, and keeping your files well organized and complete, will be your best defense when responding to a client complaint, a regulatory investigation, or worse, a lawsuit stemming from how a case was sold.

The paper trail: Typically, the first step in a complaint investigation by a regulator or opposing counsel is a reconstruction of the paper trail. It may be difficult to recall or prove years later what was discussed with your client at the time of the sale (and your recollection will differ from your client's). Something as simple as an informal contemporaneous note in your file documenting a brief telephone conversation with your client can sway a regulator, judge or jury in your favor; even better is a letter sent to the client documenting the substance of that conversation. You will be better served by being able to produce a complete, well documented file that can literally "walk in" to the court or regulator's office and make your case, than trying to "wing it" from memory. Your files will save you time, money, and the mental anguish of going through protracted legal proceedings. Having this information in your files and available for review is not only required by various state insurance laws and regulations, but is a sound business practice.

What Should I Keep?

You should keep in your files copies of:

- Client data or fact finding sheets, what you used to determine the insurable needs and financial objectives of your client including all relevant suitability documentation (see SUITABILITY);
- Sales material of any kind including any "generic" sales material. (Most state regulations are

explicit for record keeping requirements for sales material. Your files as well as our files may be the subject of an examination by a state insurance department. We want to make sure they are complete.);

- Contemporaneous telephone or meeting notes (jot down what options were discussed with your client, what decision was made and why, and what are the next steps to be done; do a new “memo to file” after each meeting or when a decision is made);
- Any correspondence;
- All written solicitations, illustrations, product comparisons and proposals (keep rejected proposals and make a note as to why they were rejected);
- Replacement or other state required forms;
- Best interest documentation as required by New York Regulation 187 (see REGULATION 187 - NEW YORK ONLY);
- Illustration or other special disclosure forms; and signed and dated delivery receipts.

Create Your Own Checklist

To get started, you could develop your own standard forms to document meetings and telephone conversations, or keep a detailed diary, or create a checklist of documents that must be included in a client’s file. Running out of space? Look into storing some records off site if necessary, it may not be as expensive as you think. Some offices are considering computer based optical storage systems. Whatever works for you and can be routinely adhered to by your entire staff.

How Long Should I Keep My Records?

We recommend keeping client files and related information on file for seven (7) years after the policy is no longer in force. When confronted by producers with the enormity of the task and the cost involved, we ask them: “Which is the better alternative, developing and adopting a documentation process and maintaining organized client files, or the cost to you of rescinded policies, recouped commissions, fines, E&O claims, bad publicity and the cost of defending yourself against a false claim which you can’t disprove?”

Record Keeping for Variable Products

All books and records are to be maintained in accordance with Conduct Rule 3110 of the FINRA Manual, SEC Rule 17a-3, and according to the procedures of your broker/dealer. Check with your broker/dealer’s compliance department for clarification of their policies. Record keeping procedures for variable products include maintaining required client files and logs, such as:

- **Client Account Files:** Separate files for each client which include new account forms, confirmations and statements, correspondence to and from the client and any other documents pertinent to the client such as prospectus receipts, copies of checks, etc.

- **Daily Trade Log:** As required by your broker/dealer, this log reflects in a chronological order all securities orders placed through your office including whether the securities were bought or sold, dollar or share amount, name of the product, execution price and name of registered representative.
- **Customer Complaint File:** File must include copies of all written complaints and action taken to resolve the complaint. A complaint file must be maintained in your office even if the file is empty.
- **Advertising File:** The advertising file should include copies of all business cards and stationery, yellow page ads, newsletters, seminar invitations, mass mailing and direct mail, advertisements published in local newspapers, etc. All advertising and sales literature must be approved in writing by Pacific Life and your broker/dealer's registered principal prior to use.
- **Correspondence File:** Copies of any securities-related client correspondence, solicitations or recommendation letters must be reviewed by the registered principal of your office and initialed. The initialed copy of the correspondence should be maintained in a central correspondence file. Business cards and stationery (which are considered sales literature by FINRA) must reflect the affiliation with your broker/dealer.
- **Speaking Engagements:** This file should include copies of all public speaking forms which have been approved by a registered principal.
- **Office Examination File:** The file should include copies of any audits conducted by your broker/dealer, FINRA, SEC, state or any other regulatory agency.

FORGERY

Missing Information: It happens. After working diligently to complete an annuity application to submit to the insurer, someone on your staff notices that information is missing, or a question is inadvertently left unanswered on the application or a new business form. What should you do?

What To Do? We all know there are obvious bad choices, such as completing the application or new business form yourself and "windowing" the client's signature or initials. What if you call the applicant and ask him/her to tell you the information so you can insert it into the application or new business form, with his/her permission of course, and then you add the applicant's initials (again, with his/her permission). This sounds good at the time and appears to be a reasonable approach. But, in a year or two if the applicant files a complaint, he or she may not recall that conversation with you and may claim that the answers on the application or new business form and his or her initials were forged by you or your office. Forgery is a crime punishable by fines and possible imprisonment. It is not something to take lightly.

What Should You Do?

Things Not To Do! To start, it may be easier to list the things you should not do:

- Never have applicants or insureds sign blankforms;
- The application must be completed before the applicant and insured sign the application (do not leave questions blank to fill in when you return to the office, or instruct your staff to fill in the blanks later);
- Do not, for any reason, sign an applicant's name or insert his or her initials on anyform;
- Do not enter false information on an application; and
- Do not alter or modify an application or policy document.

The Answer: The application must be returned to the applicant to provide the missing information and the applicant or insured must initial any changes he or she makes to the application. Everyone involved in the completion of the application must record answers with complete detail, and every line on the application should be completed unless the question is not applicable. Use ink and avoid dashes, blanks, and ditto marks which are considered unacceptable answers. If changes to the application are required, do not white out information. Have the change initialed by the applicant as appropriate. If you make seven or more changes, even if properly initialed, complete a new application.

If you realize an application is not completed correctly, you must not mark or alter the application in any way outside the presence of the applicant once it has been signed by them. Think of the consequences— possible justifiable forgery claims, potential contract rescissions, commission chargebacks, state insurance department investigations, litigation, and overall adverse publicity and loss of trust for you in your community.

Forgery:

Forgery is committed whenever a producer, field office or home office employee fills in the blanks or changes information on an application, new business form, or contract service form, after it has been signed by the applicant or owner, without having it initialed by the original signing party. Even if the applicant or owner wants to authorize you to sign on his behalf, you cannot. It is beyond your authority to do so, even with permission and even if that permission is in writing.

If you have any questions regarding the correct way to complete an application, new business form, or contract service form, please contact us at (800) 722-2333, or in New York (800) 748-6907.

Forgery questions should be directed to the Compliance Department at (800) 722-2333, extension

7307, or in New York (800) 748-6907, extension 7307.

UNAUTHORIZED PRACTICE OF LAW

You do not often hear or read about insurance producers getting fined or sanctioned for the unauthorized practice of law, and you may question why it is often discussed in trade journals or compliance manuals. Here's a good reason. Understanding your role in the sales process and in your relationship with your client and his or her legal advisors, and staying within your professional boundaries, may improve your position in a negligence or malpractice claim when the court is determining your liability and/or the amount of damages. (Your E&O carrier may opt not to defend you if you are found to have acted outside of your covered profession).

Our clients' financial affairs are becoming more complicated every day. Providing the proper insurance products to meet your clients' estate and tax planning, business continuation or employee benefits needs has never been more challenging. The complexities of current laws and regulations require all of us to be well informed about the legal matters that involve our products and the advice we give; in any insurance transaction, we tip-toe on the borderline of the professional territory of the attorney. The line is hard to spot sometimes, and it is difficult to determine your professional boundaries. Who determines when you've crossed the line? Neither the state insurance department nor insurance companies (in fact, we face the same issues), but in most states this determination falls within the jurisdiction of the courts or state bar associations.

The best advice we can give is to work closely with your client's attorney at the earliest possible opportunity. By having the attorney on board when you begin to discuss your client's options, you can avoid situations where your client acts on your legal recommendations, without the advice of counsel.

What makes this determination more problematic is that what exactly constitutes the unauthorized practice of law is difficult to define and varies from state to state. It is usually determined on a case-by-case basis, taking into consideration what is reasonable given the facts and circumstances of the particular situation. As insurance professionals, we know that insurance transactions are so intertwined with legal concepts that we often cannot address one without discussing the other. Knowing that the number of insurance producer malpractice suits continues to grow, and that the courts are asking you to conduct yourself at a higher standard of knowledge and expertise, where do you draw the line? If you say too much, you may be practicing law without a license, if you say too little, you may be liable for not advising your client correctly (by the way, some courts are not allowing producers to use the fear of unauthorized practice of law as a defense). The following are some guidelines that may help:

Advice on the Law

Textbook Definition. A non-attorney providing advice regarding the application of general rules of law to specific facts as they relate to particular persons or legal entities is the unauthorized practice of law; unless they are so obvious to the common knowledge of everyone involved in the discussion (e.g., if you cheat on your taxes you are committing a crime). Most professionals deal with this issue every day

without realizing it. The architect who advises a builder that a proposed structure does not conform to the building code, the accountant who gives tax advice, or the travel agent who discusses passport requirements, are applying general rules of law to specific facts as it relates to a specific person. Perhaps it is because these professionals are staying within the bounds of their own expertise that we do not read about their difficulties with the unauthorized practice of law.

Practical Application. What are your boundaries? We believe you can collect information, and analyze facts in relation to your client's insurance and economic needs, both immediate and future, as in an estate or needs analysis. General principles of law can be discussed with clients and their representatives (e.g., the existence of the estate and gift tax exemption credit). If you expand your discussions to describe the application of those principles to a specific factual situation, are you doing so to further analyze the need for, or amount of, an insurance product? For example, you may be able to discuss the pros and cons of the use of an irrevocable life insurance trust, but if you describe how it will specifically impact your client's overall estate plan outside of the economic and insurance aspects, you may have crossed the line into the realm of the attorney.

Use of Specimen Forms

Textbook Definition. Supplying legal forms to others, coupled with instructions/advice and/or representations as to how the form should be filled out, or making changes in legal forms to fit the specific factual needs of others does constitute the rendition of legal services and the practice of law. The fact that the supplier/advisor urges another to consult an attorney does not make the advice any less "legal advice" or the services any less "legal services."

Practical Application. Here's where working with your client's attorney is especially important. If called to evaluate the legal effect of a document, as it would apply to a specific individual or legal entity, or to provide advice as to the legal consequences of such legal document, make sure you are limiting your comments only to those matters that impact the use of the insurance product, and make them directly to or in the presence of the attorney. Otherwise, your advice does constitute legal advice and the unauthorized practice of law. For example, reviewing and commenting on the definition of "disability" in a buy-sell agreement to make sure it matches the definition in the disability insurance product is a valuable service to both your client and his attorney, but tell the attorney directly as he or she knows best what to do with that information. This is particularly important whenever a specimen agreement is provided. We recommend, whenever possible, to provide specimen documents directly to the attorney.

Producer as Attorney

If you are a duly licensed attorney, whenever you are acting as a producer, representative or employee of Pacific Life Insurance Company or Pacific Life & Annuity Company, you cannot practice law (and vice versa). Please keep the unauthorized practice of law in mind, and always work closely with your client's attorney.

If you have any questions regarding the Unauthorized Practice of Law, please contact the Compliance

Department at (800) 722-2333, extension 7307, or in New York (800) 748-6907.

PRIVACY

Federal privacy law known as Graham-Leach-Bliley and individual state laws impose certain legal obligations on producers and life insurance companies with regard to their collection, use and protection of clients' private information. This chapter summarizes Pacific Life's position as to your obligations under the privacy laws, and Pacific Life's requirements as to your handling of private information acquired in connection with their sale of Pacific Life products. Please understand that this chapter does not relieve you of your independent responsibility to determine that you are in compliance with applicable privacy laws.

Producer's General Obligations

The following should be viewed as an introduction to, and an outline of, your general obligations. You have the sole responsibility to confirm that you are in compliance with applicable federal and state law.

Covered Persons

Persons covered under the privacy laws include individuals who purchase, seek to purchase, or in the past have purchased a product or service from an insurance company, and who provide their personal information to the producer and the insurance company. Such covered persons also include past or present applicants, policy owners, insureds, beneficiaries and claimants. These persons are protected as to any private information they provide whether or not the product or service is ultimately purchased.

Personal, Family and Household Purposes Only

The privacy rules and regulations only apply to private information obtained in connection with policies acquired by a policy owner primarily for personal, family or household purposes. The privacy rules and regulations do not apply to information obtained in connection with policies purchased primarily for business, commercial or agricultural purposes.

Type of Personal Information Protected

Information protected under the law (called "non-public information" or "NPI") is private information about the covered person that is acquired in connection with the solicitation or sale. NPI includes the person's name, address or occupation, financial information or Social Security number, medical or health information, and other personal characteristics such as general reputation, character, habits or hobbies. It also includes information that indicates that the person is or has been a Pacific Life client. NPI does not include information that is generally available to the public (such as through public records or telephone books).

General Requirements for Producers

You will generally be in compliance if you do the following three things:

1. Provide "privacy notices" to policy owners at the time of sale and at least annually thereafter (captive agents may be exempt from this requirement under the "agency exemption");
2. Refrain from sharing private information with anyone other than the insurer (i.e. Pacific Life)

or its affiliates; and

3. Institute mechanisms for protecting the security and integrity of the private information.

Note: in a few states you may not share private information with anyone for marketing purposes (including Pacific Life or its affiliates).

Below are a few things to consider when dealing with personal information.

- Physical Security. Whether at home, the office, or in the car—documents or computers containing personal information should be kept in a secure and locked area.
- Transmission. The safest and most secure method possible should be used when sending or receiving personal information. Personal information should be e-mailed only if encrypted. If encrypted e-mail is not available, fax or mail the information.
- Disposal of Personal Information. Documents containing personal information should be disposed of in a secure manner, such as shredding.

Security Breach: If you suspect that personal information has been lost, stolen, or accessed by an unauthorized party, you should immediately notify your broker/dealer or Pacific Life.

PL and PL&A Notices

The privacy laws require that the policy owner be provided with a special privacy notice at “the time of establishing a client relationship,” and not less than annually thereafter for as long as the policy remains in force. The PL and PL&A annual notices to policy owners are mailed in spring of each year. The privacy notice must, among other things, explain how NPI is used and protected. Pacific Life has created its own privacy notice (the “Privacy Promise”), which we include in our variable annuity prospectuses, and which we mail with our fixed annuity contracts.

You can access a copy of our Privacy Promise on our producer Web site.

Pacific Life strongly urges you to consult with an attorney who is competent in privacy rules to determine if you must provide your own privacy notices to clients.

Additional Resources

National Association of Insurance and Financial Advisors (“NAIFA”) publishes an “Insurance Producer Privacy Guide” which summarizes the law and contains a sample privacy policy disclosure form. You may obtain the guide at www.naifa.org/advocacy/privacy_guide.

COLD CALLING AND TELEMARKETING PRACTICES

Background

The Federal Trade Commission (FTC) created the National Do-Not-Call (DNC) registry in 2003. Several

individual states maintain their own state-specific DNC lists. The databases allow US customers to register their landline and cell phone numbers to restrict calls from telemarketers. Telemarketers are generally prohibited from placing calls to any residence listed on the DNC registries.

Policy

This section applies to financial professionals engaging in telemarketing activities and to make clear Pacific Life's expectations when placing Telemarketing calls. Financial professionals are expected to adhere to the requirements of this section. This section does not apply to telephone calls placed between a Telemarketer and any business phone number. Agencies employing financial professionals approved to engage in Telemarketing are responsible for maintaining contact information on all current and former employees directly involved in telephone sales or solicitations, and for ensuring proper procedures and training are communicated. Further information on the Federal Telemarketing regulations and DNC registries can be found at: www.ftc.gov and <https://www.telemarketing.donotcall.gov>. Pacific Life makes no representations or warranties as to the accuracy of these government websites.

Definitions

Telemarketing – The use of one or more telephones to induce the purchase of goods or services. This definition further includes fax machine transmissions.

Telemarketer – Any person who, in connection with Telemarketing, initiates or receives telephone calls to or from an existing or prospective customer.

Guidelines

Financial professionals are prohibited from:

- Identifying yourself or office as representatives of Pacific Life when placing a Telemarketing call.
- Placing any Telemarketing call to any residence listed on the federal, state, or entity-specific DNC registry without prior written consent.
- Placing any Telemarketing call without maintaining proper access to the federal or state DNC and paying the appropriate fees. Check with your office to confirm your obligations in subscribing to any registry.
- Placing any Telemarketing call without maintaining a sufficient bond, letter of credit, or certificate of deposit in any amount for any time period required by state or federal law.
- Using any DNC database for any reason other than preventing Telemarketing calls.
- Failing to transmit caller identification information when placing a call.
- Abandoning a call after a customer answers the phone.
- Initiating any outbound telephone call that delivers a prerecorded message.
- Sending unsolicited fax machine communications.
- Engaging in misleading communications or otherwise abusive or harassing conduct.

Financial professionals are responsible:

- To register as a telemarketer in states required, and to maintain appropriate certificates of registration.
- For verifying whether telephone numbers are listed on the federal, state, or entity-specific DNC registry.

- For obtaining prior written consent before calling any customer whose number is on the federal, state, or entity-specific DNC registry.
- For updating call list(s) against the DNC registries at least once every 31 days, and as otherwise described in state and federal law and applicable office procedures.
- Maintaining an individual and/or office DNC list of consumers who have asked not to receive calls placed by, or on behalf of, a particular individual and/or office.
- To ensure all telephone calls placed to a residence are placed between 8:00am and 9:00pm local time at the called person's location.
- To identify your name, office, and that the purpose of your call is to promote financial/insurance products or services.
- For maintaining the following required records for a period of 2 years from the date the record is created:
 - All verifiable authorizations or records of express informed consent, where applicable
 - Contact information of all current and former employees directly involved in telephone sales or solicitations
- To read and understand your office's available policies and procedures governing telemarketing.
- To take any required training on your office's policies and procedures.
- To the extent available, follow your office's prescribed process to prevent telemarketing to any telephone number on federal, state or entity-specific DNC registry.
- To oversee the conduct and licensing status of any person engaging in telemarketing activity on your behalf, including the retention of any records maintained on your behalf by any third-party vendor.

Financial professionals associated with FINRA member broker/dealer firms are reminded of the importance in following their broker/dealer's policies and procedures regarding telemarketing when conducting business on behalf of their broker/dealer.

UNFAIR TRADE PRACTICES

The Unfair Trade Practices Act, adopted by most states, prohibits certain insurance practices committed in conscious disregard of the applicable laws and regulations, or committed with such frequency to indicate a general business practice to engage in that type of conduct. These rules apply to insurers and their employees, as well as you, as a producer.

Any of the following practices would be considered an unfair trade practice:

Misrepresentation and False Advertising of Insurance Policies

The making or using of any estimate, illustration, statement, sales presentation, or comparison that:

1. Misrepresents the benefits, advantages, conditions or terms of any policy;
2. Misrepresents the dividends or share of the surplus previously paid or to be received on any policy;

3. Is misleading or is a misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates;
4. Uses any name or title of any policy or class of policies misrepresenting the true nature thereof;
5. Is a misrepresentation, including any intentional misquote of premium rate, for the purpose of inducing or tending to induce the purchase, lapse, forfeiture, exchange, conversion or surrender of any policy;
6. Is a misrepresentation for the purpose of effecting an assignment of or a loan against any policy;
or
7. Misrepresents any policy as being shares of stock.

False Information and Advertising

Making, publishing, disseminating, circulating, or placing before the public in any form (including radio, television, or the Internet) an advertisement, announcement or statement containing any assertion or representation with respect to the business of insurance or any insurer which is untrue, deceptive or misleading.

Defamation

Making, publishing, disseminating, or circulating, directly or indirectly, any oral or written statement which is false, or maliciously critical of or derogatory to the financial condition of any insurer, and which is calculated to injure such insurer.

Boycott, Coercion and Intimidation

Entering into any agreement to commit, or by any concerted action committing any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance.

False Statements and Entries

1. Knowingly making, in any form and to any person (including public officials), any false material statement of fact as to the financial condition of an insurer.
2. Knowingly making any false entry of a material fact in any book, report or statement of any insurer or knowingly omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report or statement of such insurer, or knowingly making any false material statement to any insurance department official.

Stock Operations and Advisory Board Contracts

Issuing or delivering agency company stock or other capital stock, or benefit certificates or shares in any corporation, or securities or any other contracts of any kind promising returns and profits as an inducement to purchase insurance.

Unfair Discrimination

1. Making or permitting any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any life insurance policy or annuity or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of such policy.
2. Refusing to insure, refusing to continue to insure, or limiting the amount of coverage available to an individual because of the sex, marital status, race, religion or national origin of the individual; however, this rule does not prohibit an insurer from taking marital status into account for the purpose of defining persons eligible for dependent benefits.

Rebates

Except as otherwise expressly provided by law:

1. Knowingly issuing any life insurance policy or annuity contract other than as plainly expressed in the policy or contract issued thereon;
2. Paying or giving any valuable consideration as an inducement to acquire a policy or contract, including any refund of premiums, commissions or consulting fees; or
3. Giving, selling or purchasing as inducement to acquiring such policy or annuity or in connection therewith, any stocks, bonds or other securities, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the policy.

Twisting or Churning

1. Twisting. Knowingly making any misleading representations or incomplete or fraudulent comparisons or fraudulent material omissions of or with respect to any insurance policies or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, or convert any insurance policy or to take out a policy of insurance in another insurer.
2. Churning. The practice whereby policy values in an existing life insurance policy or annuity contract, including, but not limited to, cash, loan values, or dividend values, and in any riders to that policy or contract, are directly or indirectly used to purchase another insurance policy or annuity contract with that same insurer for the purpose of earning additional premiums, fees, commissions, or other compensation: (i) without an objectively reasonable basis for believing that the replacement or extraction will result in an actual and demonstrable benefit to the policyholder; or (ii) in a fashion that is fraudulent, deceptive, or otherwise misleading or that involves a deceptive omission; or (iii) when the applicant is not informed that the policy values, including cash values, dividends, and other assets of the existing policy or contract will be reduced, forfeited, or used in the purchase of the replacing or additional policy or contract, if this is the case; or (iv) without informing the applicant that the replacing or additional policy or contract will not be a paid-up policy or that additional premiums will be due or that a new contestable period will apply and explaining the impact of these differences, if this is the case.

Failure to Maintain Marketing and Performance Records

Failure to maintain books, records, documents and other business records in such an order that data regarding complaints, claims, rating, underwriting and marketing are accessible and retrievable for examination by the insurance commissioner.

Failure to Maintain Complaint Handling Procedures

Failure to maintain a complete record of all the complaints received. This record must indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

Misrepresentation in Insurance Applications

Making false or fraudulent statements or representations on or relative to an application for a policy, for the purpose of obtaining a fee, commission, money or other benefit from any provider or individual person.

Unfair Financial Planning Practices

The act of an insurance producer in:

1. Holding himself or herself out to the public as a "financial planner," "investment adviser," "consultant," "financial counselor," or any other specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax matters or trust and estate matters when such person is in fact engaged only in the sale of insurance policies.

This is not intended to preclude persons who hold some form of formal recognized financial planning or consultant designation from using this designation when they are only selling insurance. This does not permit persons to charge an additional fee for services that are customarily associated with the solicitation, negotiation or servicing of insurance policies.

2. Engaging in the business of financial planning without disclosing to the client prior to the execution of the agreement provided for in Paragraph 3 below, or solicitation of the sale of a product or service that:

(a) he/she is also an insurance salesperson; and

(b) that a commission for the sale of an insurance product will be received in addition to a fee for financial planning, if such is the case.

The disclosure requirement under this paragraph may be met by including it in any disclosure required by federal or state securities law.

3. Charging fees other than commissions for financial planning by an insurance producer, unless such fees are based upon a written agreement, signed by the party to be charged in advance of the performance of the services under the agreement. A copy of the agreement must be provided to the party to be charged at the time the agreement is signed by the party:

- (a) The services for which the fee is to be charged must be specifically stated in the agreement.
- (b) The amount of the fee to be charged or how it will be determined or calculated must be specifically stated in the agreement.
- (c) The agreement must state that the client is under no obligation to purchase any insurance product through the insurance producer, broker or consultant.

The insurance producer must retain a copy of the agreement for not less than three (3) years after completion of services.

Long-Term Care Coverage Marketing Procedures

Each insurance company marketing long-term care coverage must establish marketing procedures to ensure that all marketing activities by its life insurance producers are fair and accurate. Accordingly, in addition to those topics discussed within this Compliance Reference Guide, Pacific Life prohibits the following:

1. Comparing any insurance policies in a manner that is unfair or inaccurate;
2. Selling excessive insurance, which is any insurance that the applicant does not need or cannot afford;
3. Knowingly making any misleading representation or incomplete or fraudulent comparison of any insurance policies or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on or convert any insurance policy or to take out a policy of insurance with another insurer (“Twisting”);
4. Employing any method of marketing having the effect of or tending to induce the purchase of insurance through force, fright, threat, whether explicit or implied, or undue pressure to purchase or recommend the purchase of insurance (“High pressure tactics”); and
5. Making use directly or indirectly of any method of marketing which fails to disclose in a conspicuous manner that a purpose of the method of marketing is of insurance and that contact will be made by a life insurance producer or insurance company (“Cold lead advertising”).

ANTITRUST CONCERNS

Whenever you are meeting or communicating with competitors or representatives of competitors, it is important to consider the antitrust implications of your communications. Generally, you should not

make, or have any discussions of, any agreements in regard to the pricing or the design of products except within a legislative or regulatory context.

Prohibited Activities:

Price Fixing

Price fixing is any type of agreement (express or implied, formal or informal) between two or more competitors which inhibits price competition.

Arrangements which in any way interfere with the operation of the free market process of arriving at product price are illegal, even if the product price is lowered as a result. Among the types of agreements which have been determined to constitute price-fixing are arrangements between competitors to maintain existing prices even though the prices differ, arrangements to increase or decrease prices, or even the use of common sales agents where the agent is permitted to determine the price at which products of two or more competitors are sold.

In the context of insurance, the term "prices" may include premiums or any basic part of a premium formula, dividends, classifications and other ratings; commission rates; surrender charges; also interest rates on reserves, policy loans, prepaid premiums and settlement options. In the context of investment operations, included in "prices" may be interest rates; finder's fees; amortization terms; rental charges; periods of maturity; commissions; and appraisal values.

While price uniformity or approximate uniformity is not proof of a price-fixing arrangement and may, indeed, be the product of pure competition, it is clearly suspect if it emerges after price discussions between competitors at a trade association meeting or informal meeting. This is so largely because conspiracies (by which is meant an agreement, "tacit or express") are seldom capable of being proved by direct testimony, but may be and usually are inferred from circumstantial evidence. Proof that competitors changed prices or otherwise set them at uniform or approximately uniform rates, after a meeting at which future prices or their components were discussed, may be sufficient to demonstrate a conspiracy to set prices.

For these reasons, discussions of premiums or rates, discussions of pricing or rating uniformity or stability, discussions of product costs of individual insurers from which rating conclusions may be made, and discussions of profit levels of individual insurers which may suggest pricing decisions should be avoided.

Market Allocation

Market Allocation is the division of clients or markets and limitations on volume of production. The courts have consistently condemned arrangements between two or more competitors to divide clients, allocate territories or markets, restrict sales volume, or in any way agree to control their respective output of goods or services.

Boycotts or Concerted Refusals to Deal

An agreement or understanding among competitors to boycott or refuse to deal with any third party is

unlawful. The third party may be a client or a competitor. Moreover, one seller may not agree, directly or indirectly, with one or more of its independent distributors that the seller or distributor will refuse to deal with others desiring to purchase the product for sale. Boycotts are to be avoided regardless of whether the third party may be regarded as unethical, a troublemaker or even a law violator.

Any time two or more competitors decide to take joint action with regard to a third party, the possibility of a boycott violation exists. Some examples of illegal boycotts might be agreements between several companies not to accept business from a certain producer, applicant or class of applicants, or securities from a particular dealer or type of dealer, or to discontinue a certain type of policy.

Discriminatory Pricing

Discriminatory Pricing occurs when a buyer pays a price that is different than the price paid by another buyer for an identical product or service. This is prohibited if the effect of the discrimination is to substantially lessen or injure competition (except where it is done because of differences in costs incurred or in good faith to meet an equally low price of a competitor).

Unreasonable Restraint of Trade

Contracts or combinations which tend or are designed to eliminate or stifle competition, effect a monopoly, artificially maintain prices, or otherwise hamper or obstruct the course of trade and commerce as it would be carried on if left to the control of natural economic forces are prohibited as Unreasonable Restraint of Trade. These are illegal restraints, interfering with free competition between business or commercial transactions which tend to restrict production, affect prices, or otherwise control the market to the detriment of purchasers or consumers of goods and services.

Typing and Bundling

Typing or bundling is a prohibited practice in which a person agrees to sell one product only on the condition that the buyer also purchases another product.

Exclusive Dealing

Agreements to deal exclusively with one seller or buyer are generally illegal.

Checklist of prohibited agreements

The following is by no means an exhaustive list, but is illustrative of the areas which should not be limited or restricted subject to any understanding or agreement between competitors (whether expressed or implied, formal or informal, written or oral):

- _ Marketing strategy
- _ Actuarial assumptions or policy design features
- _ Premium rates
- _ Interest rates
- _ Loss or expense ratios
- _ Claims settlement practices

- _ Costs or profits
- _ Policyholder dividends or excess interest level
- _ Policy forms, limits, coverages, deductibles, etc.
- _ Sales volume
- _ Prepayment or installment premium practices
- _ Market share
- _ Decisions to quote or not to quote
- _ Client or supplier classification or selection
- _ Sales territory or distribution methods
- _ Terms of producers' agreements, commissions, profit-sharing, or expense allowances
- _ Blacklisting of producers

If you have any questions regarding Antitrust Practices, please contact our Compliance Department (800) 722-2333, extension 7307, or in New York at (800) 748-6907, extension 7307.



PACIFIC LIFE

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