

MAY 13 2022

FILED

CERTIFICATION

May 13, 2022

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

PACIFIC LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2020

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

PACIFIC LIFE INSURANCE COMPANY

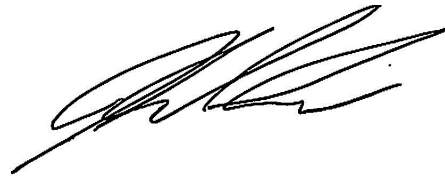
700 NEWPORT CENTER DRIVE

NEWPORT BEACH, CALIFORNIA 92660

dated as of December 31, 2020, verified under oath by the examiner-in-charge on April 28, 2022, and received by the company on May 2, 2022, has been adopted with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 3rd Day of May 2022.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', written in a cursive style.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

PACIFIC LIFE INSURANCE COMPANY

as of

December 31, 2020

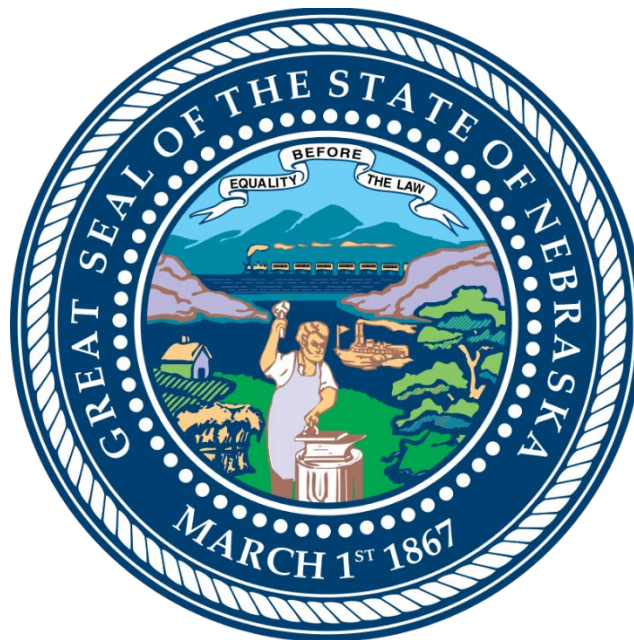


TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Introduction.....	1
Scope of Examination.....	2
Description of Company.....	4
History.....	4
Management and Control.....	5
Holding Company.....	5
Shareholder.....	6
Surplus Notes.....	6
Board of Directors.....	10
Officers.....	11
Committees.....	12
Transactions with Affiliates.....	14
Guarantees.....	14
Management Agreements, Service Contracts and Cost-sharing Arrangements.....	15
Territory and Plan of Operation.....	17
Reinsurance.....	19
Assumed.....	19
Ceded.....	20
General.....	22
Body of Report.....	22
Growth.....	22
Financial Statements.....	23
Examination Changes in Financial Statements.....	28
Compliance with Previous Recommendations.....	28
Commentary on Current Examination Findings.....	29
Subsequent Events.....	29
Directors.....	29
Officers.....	29
Guarantees.....	30
Summary of Comments and Recommendations.....	30
Acknowledgment.....	31

Newport Beach, California
April 6, 2022

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

PACIFIC LIFE INSURANCE COMPANY

which has its Statutory Home Office located at

**6750 Mercy Road
Omaha, Nebraska 68106**

with its Principal Executive Office located at

**700 Newport Center Drive
Newport Beach, California 92660**

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2016. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2020 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Arizona, and Vermont participated in this examination.

The same examination staff conducted a concurrent financial condition examination of the Company's subsidiaries, Pacific Life and Annuity Company (PL&A), Pacific Alliance Reinsurance Company of Vermont (PARVT), and Pacific Baleine Reinsurance Company (PBRC).

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance (NDOI) as the coordinating state and the Arizona Department of Insurance and Financial Institutions, and the Vermont Department of Financial Regulation, Captive Insurance Division. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures

and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The NDOI made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholders, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2020. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was originally incorporated in 1868 as a stock life insurance company under the name Pacific Mutual Life Insurance Company of California. In 1959, the Company restructured as a mutual company. Pacific Mutual Holding Company (PMHC) was formed in 1997 following a plan of conversion to a mutual holding company structure. Concurrently, the Company converted to a California-domiciled stock life insurance company, issued all of its capital stock to an intermediate stock holding company named Pacific LifeCorp (PLC), and

continued its corporate existence under the current name. PMHC is controlled by members who are the Company policyholders.

Prior to October 2006, PMHC owned 98% of PLC. The remaining 2% ownership was held by an Employee Stock Ownership Plan (ESOP) within the Company's Retirement Incentive Savings Plan. As a result of PLC's buyback of the outstanding allocated and unallocated shares from the ESOP in October 2006, PLC became a wholly-owned subsidiary of PMHC.

The Company transferred its legal domicile from the State of California to the State of Nebraska, effective September 1, 2005. PMHC transferred its state of legal domicile from the State of California to the State of Nebraska effective June 29, 2007 to reunite PMHC and the Company under one regulatory body.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person," as reported in the 2020 Annual Statement, is represented by the following abbreviated organizational chart (principal subsidiaries are denoted through the use of indentations, and all subsidiaries are 100% owned):

- Pacific Mutual Holding Company
 - Pacific LifeCorp
 - Pacific Life & Annuity Services, Inc.
 - Pacific Life Insurance Company
 - Pacific Alliance Reinsurance Company of Vermont
 - Pacific Asset Holding LLC
 - Pacific Baleine Reinsurance Company
 - Pacific Global Asset Management LLC
 - Pacific Asset Management LLC
 - Pacific Private Fund Advisors LLC
 - Pacific Life & Annuity Company
 - Pacific Life Fund Advisors LLC

Pacific Select Distributors, LLC
Pacific Life Re Holdings LLC
Pacific Life Re Global Limited
Pacific Life Re International Limited
Pacific Life Re (Australia) Pty Limited
Pacific Life Re Holdings Limited
Pacific Life Re Limited

Shareholder

According to the Articles of Incorporation, the Company "...is authorized to issue six hundred thousand shares of common stock with a par value of fifty dollars per share..." All shares were listed as outstanding as of December 31, 2020.

Cash dividends paid to PLC during the examination period were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 0
2019	650,000,000
2018	0
2017	<u>160,000,000</u>
Total	<u>\$810,000,000</u>

PLC made a capital contribution to the Company of \$650 million during 2020. During 2020, the Company made capital contributions of \$350 million to PARVT and \$90 million to PBRC, both wholly-owned subsidiaries of the Company and accredited authorized reinsurers in Nebraska.

As stated in the Company By-Laws, "the annual meetings of Shareholders shall be held at such date, on or before the 30th day of June in each and every year, and time as designated by the Board of Directors."

Surplus Notes

On December 30, 1993, the Company issued Contribution Certificates, also referred to as surplus notes (1993 Surplus Notes) in the principal amount of \$150 million for net cash proceeds

of approximately \$147.4 million at an interest rate of 7.90% maturing on December 30, 2023. Interest is payable semiannually on June 30 and December 30. The 1993 Surplus Notes may not be redeemed at the option of the Company or any holder of the 1993 Surplus Notes. The 1993 Surplus Notes are unsecured and subordinated to all present and future senior indebtedness and policy claims of the Company. Each payment of interest on, and the repayment of principal of, the 1993 Surplus Notes may be made only out of the Company's surplus and with the prior approval of the Director of the NDOI. Total interest paid during 2020 amounted to \$10,550,371.

On October 24, 2017, with the approval of the Director of the NDOI, the Company pursuant to a tender offer repurchased and retired \$16 million of the 1993 Surplus Notes. A tender offer premium payment of \$4 million was recorded in interest expense and reported through net investment income. Partially offsetting the interest expense was \$3 million from the amortization from surplus of deferred derivative gains, which were recorded following the 2011 termination of interest rate swaps and was also recorded through net investment income.

On June 15, 2009, the Company issued \$1 billion of surplus notes at a fixed interest rate of 9.25%, maturing on June 15, 2039 (2009 Surplus Notes). Interest is payable semiannually on June 15 and December 15. The Company may redeem all or a portion of the 2009 Surplus Notes at its option, subject to the approval of the Director of the NDOI for such optional redemption. The 2009 Surplus Notes are unsecured and subordinated to all present and future senior indebtedness and policy claims of the Company. Each payment of interest on, and the repayment of principal of, the 2009 Surplus Notes may be made only out of the Company's surplus and with the prior approval of the Director of the NDOI. Total interest paid during 2020 amounted to \$35,571,338.

On January 22, 2013, with the approval of the Director of the NDOI, the Company pursuant to a tender offer repurchased and retired \$323 million of the 2009 Surplus Notes. A tender offer premium payment of \$155 million was recorded in interest expense and reported through net investment income. Partially offsetting the interest expense was \$112 million from the amortization from surplus of deferred derivative gains, which were recorded following the 2011 termination of interest rate swaps and was also recorded through net investment income.

On February 11, 2016, with the approval of the Director of the NDOI, the Company repurchased and retired an additional \$56 million of principal of its 2009 Surplus Notes. A premium payment of \$24 million was recorded in interest expense and reported through net investment income. Partially offsetting the interest expense was \$18 million from the amortization from surplus of deferred derivative gains, which were recorded following the 2011 termination of interest rate swaps and was also recorded through net investment income.

On October 24, 2017, with the approval of the Director of the NDOI, the Company pursuant to a tender offer repurchased and retired \$236 million of the 2009 Surplus Notes. A tender offer premium payment of \$166 million was recorded in interest expense and reported through net investment income. Partially offsetting the interest expense was \$74 million from the amortization from surplus of deferred derivative gains, which were recorded following the 2011 termination of interest rate swaps and was also recorded through net investment income.

On March 30, 2010, the Company issued a \$450 million, 10-year surplus note to its parent, PLC, at a fixed interest rate of 6.00% with semi-annual interest payments due February 5 and August 5, maturing on February 5, 2020 (2010 Surplus Note). The 2010 Surplus Note is unsecured and subordinated to all present and future senior indebtedness and policy claims of the Company. Each payment of interest on and the repayment of principal of the 2010 Surplus Note

may be made only out of the Company's surplus and with the prior approval of the Director of the NDOI. Total interest paid during 2020 amounted to \$1,678,740.

On October 24, 2017, with the approval of the Director of the NDOI, the Company repurchased and retired \$217 million of the 2010 Surplus Note. On November 30, 2017, with the approval of the Director of the NDOI, the Company repurchased and retired \$177 million of the 2010 Surplus Note. On February 5, 2020, with the approval of the Director of the NDOI, the Company repaid the remaining \$56 million of principal of the 2010 Surplus Note.

On January 22, 2013, concurrent with the repurchase of 2009 Surplus Notes discussed above, and with the approval of the Director of the NDOI, the Company issued a \$500 million, 30-year surplus note to its parent, PLC, at a fixed interest rate of 5.125% with semi-annual interest payments due January 25 and July 25, maturing on January 25, 2043 (2013 Surplus Note). The 2013 Surplus Note is unsecured and subordinated to all present and future senior indebtedness and policy claims of the Company. Each payment of interest on the repayment of principal of the 2013 Surplus Note may be made only out of the Company's surplus and with the prior approval of the Director of the NDOI. Total interest paid during 2020 amounted to \$21,037,612.

On October 24, 2017, with the approval of the Director of the NDOI, the Company repurchased and retired \$90 million of the 2013 Surplus Note.

On October 24, 2017, with the approval of the Director of the NDOI, the Company issued \$750 million of 4.3% surplus notes maturing on October 24, 2067 (2017 Surplus Notes). The 2017 Surplus Notes accrue interest at a fixed rate of 4.3% through October 23, 2047, and thereafter until maturity at a floating rate equal to the three-month LIBOR for deposits in U.S. dollars plus 2.796%. Interest is payable semiannually on April 24 and October 24 until and

including October 24, 2047, and thereafter quarterly on January 24, April 24, July 24, and October 24 of each year, commencing on January 24, 2048. The Company may redeem all or a portion of the 2017 Surplus Notes at its option any time on or after October 24, 2047 at the redemption price described under the terms of the 2017 Surplus Notes subject to the prior approval of the Director of the NDOI for such optional redemption. Each payment of interest on and the repayment of principal of the 2017 Surplus Notes may be made only out of the Company's surplus and with the prior approval of the Director of the NDOI. The 2017 Surplus Notes are held by bank custodians for unaffiliated investors and may hold 10% or more of the outstanding notes at any time. The 2017 Surplus Notes are unsecured and subordinated to all present and future senior indebtedness and policy claims of the Company. Total interest paid during 2020 amounted to \$32,250,000.

<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issue Amount of Note</u>	<u>Carrying Value of Notes 12/31/2020</u>	<u>12/31/2020 Interest Expense Recognized</u>	<u>Maturity</u>
12/30/1993	7.900%	\$ 150,000,000	\$ 133,549,000	\$ 10,550,371	12/30/2023
6/15/2009	9.250%	1,000,000,000	384,555,000	35,571,338	6/15/2039
3/30/2010	6.000%	450,000,000	0	1,678,740	2/5/2020
1/22/2013	5.125%	500,000,000	406,791,546	21,037,612	1/25/2043
10/24/2017	4.300%*	<u>750,000,000</u>	<u>749,436,908</u>	<u>32,250,000</u>	10/24/2067
		<u>\$2,850,000,000</u>	<u>\$1,674,332,454</u>	<u>\$101,088,061</u>	

*Interest rate shown is through October 23, 2047 and thereafter until maturity at a floating rate equal to the three-month LIBOR for deposits in U.S. dollars plus 2.796%.

Board of Directors

Per Article III, Section 1 of the By-Laws, "...all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by or under the direction of, the Board of Directors." The Company's By-Laws, Article III, Section 2 states, "the number of Directors of the corporation shall be fixed from time to time exclusively

pursuant to a resolution adopted by a majority of the Board of Directors but shall consist of not less than five and one of them shall be a resident of the State of Nebraska.”

The following persons were serving as Directors at December 31, 2020:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Darryl D. Button Irvine, CA	Executive Vice President & Chief Financial Officer Pacific Life Insurance Company
Sharon A. Cheever San Juan Capistrano, CA	Senior Vice President & General Counsel Pacific Life Insurance Company
Adrian S. Griggs Corona Del Mar, CA	Executive Vice President & Chief Operating Officer Pacific Life Insurance Company
Lawrence F. Harr Omaha, NE	Director/Partner Lamson, Dugan & Murray LLP
James T. Morris San Juan Capistrano, CA	Chairman, President and Chief Executive Officer Pacific Life Insurance Company

See “Subsequent Events” section of the report for additional information.

Officers

The Company’s By-Laws, Article IV, Section 1 states, “the Officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Treasurer, and such other Officers as may be appointed... One person may hold one or more offices and perform the duties thereof. One Officer shall be designated by the Board of Directors as the Chief Financial Officer of the Corporation.”

The following is a partial listing of Senior Officers elected and serving the Company at December 31, 2020:

<u>Name</u>	<u>Office</u>
James T. Morris	Chairman, President & Chief Executive Officer
Darryl D. Button	Executive Vice President & Chief Financial Officer
Joseph E. Celentano	Executive Vice President
Adrian S. Griggs	Executive Vice President & Chief Operating Officer

<u>Name</u>	<u>Office</u>
Jay Orlandi	Executive Vice President
Carol R. Sudbeck	Executive Vice President & Chief Administrative Officer
Dawn M. Trautman	Executive Vice President
Mary J. Bahna-Nolan	Senior Vice President
Kevin R. Byrne	Senior Vice President
Sharon A. Cheever	Senior Vice President & General Counsel
Kim R. Cunningham	Senior Vice President
John T. Dieck	Senior Vice President
Robert A. Diefenbacher	Senior Vice President & Assistant Secretary
Laurie A. Fitzgerald	Senior Vice President
Thomas Gibbons	Senior Vice President
Lorene C. Gordon	Senior Vice President
Howard T. Hirakawa	Senior Vice President
Kevin M. Kennedy	Senior Vice President
Tod M. Nasser	Senior Vice President
Alessandro Papa	Senior Vice President & Chief Risk Officer
T. Anthony Premer	Senior Vice President
John G. Reber	Senior Vice President & Chief Distribution Officer
Joshua D Scott	Senior Vice President & Chief Accounting Officer
Michael A. Shadler	Senior Vice President & Chief Information Officer
Tim N. Shaheen	Senior Vice President
Brian T. Woolfolk	Senior Vice President

See “Subsequent Events” section of the report for additional information.

Committees

As of December 31, 2020, the Audit Committee, Compensation and Personnel Committee, Enterprise Risk Committee, Governance and Nominating Committee, Investment and Finance Committee, Management Committee, and Management Investment Committee were appointed by the Board of Directors, as allowed for in the Company By-Laws. These Committees have the authority of the Board, with respect to certain exceptions listed in the By-Laws.

The following persons were serving on the Audit Committee at December 31, 2020:

Mariann Byerwalter
Julia S. Gouw
Dean A. Yoost

Dwight W. Decker
Peter J. Taylor

The following persons were serving on the Compensation and Personnel Committee at
December 31, 2020:

Christopher D. Furman
J. Michael Shepherd
Kerry L. Williams

Adele L. Pentland
Scott D. Stowell

The following persons were serving on the Enterprise Risk Committee at December 31,
2020:

Mary J. Bahna-Nolan
Gary L. Falde
David L. Lautenschlager
Tod M. Nasser
Elizabeth A. Summers
Katharine B. Young

Darryl D. Button
Adrian S. Griggs
James T. Morris
Alessandro Papa
Keith C. Werschke

The following persons were serving on the Governance and Nominating Committee at
December 31, 2020:

Mariann Byerwalter
Scott D. Stowell

Adele L. Pentland
Dean A. Yoost

The following persons were serving on the Investment and Finance Committee at
December 31, 2020:

Dwight W. Decker
Julia S. Gouw
Peter J. Taylor

Christopher D. Furman
J. Michael Shepherd
Kerry L. Williams

The following persons were serving on the Management Committee at December 31,
2020:

Darryl D. Button
Sharon A. Cheever
James T. Morris
Dawn M. Trautman

Joseph E. Celentano
Adrian S. Griggs
Carol R. Sudbeck

The following persons were serving on the Management Investment Committee at
December 31, 2020:

Darryl D. Button	Kevin R. Byrne
Christopher S. Dallas	John T. Dieck
Laurie A. Fitzgerald	Adrian S. Griggs
Joseph W. Krum	James T. Morris
Tod M. Nasser	Alessandro Papa
T. Anthony Premer	

TRANSACTIONS WITH AFFILIATES

Guarantees

The Company has made commitments to provide for additional capital funding as may be required, in connection with the operations of Pacific Life Fund Advisors LLC and Pacific Select Distributors, LLC (PSD), both subsidiaries of the Company.

During 2010, the Company entered into an agreement with Pacific Life Re Limited (PLRe), a wholly-owned subsidiary of PLC, to guarantee the performance of unaffiliated reinsurance obligations of PLRe. This guarantee is secondary to a similar guarantee provided by PLC and would only be triggered in the event of nonperformance by both PLRe and PLC.

During 2015, the Company entered into an agreement with Pacific Life Re (Australia) Pty Limited (PLRA), a wholly-owned indirect subsidiary of PLC, to guarantee the performance of certain obligations of PLRA. This guarantee is secondary to a similar guarantee provided by PLC and would only be triggered in the event of nonperformance by both PLRe or PLRA and PLC.

During 2015, PLC entered into a commitment to provide capital to PLRe. The commitment is funded upon notification to PLC by PLRe's board of directors, which can demand the funds in any increment, up to the limit. In 2019, the available limit was increased

from 100 million pounds sterling to 165 million pounds sterling. This guarantee is contingent on the nonperformance of a contingent capital commitment between PLC and PLRe.

During 2020, the Company entered into an agreement with Pacific Life Re International Limited (RIBM), a wholly-owned indirect subsidiary of PLC, to guarantee the performance of reinsurance obligations of RIBM. This guarantee is secondary to a similar guarantee provided by PLC and would only be triggered in the event of nonperformance by both RIBM and PLC.

During 2020, the Company entered into an agreement with Pacific Life Re Global Limited (RGBM)(f/k/a Pacific Life Reinsurance (Barbados) Limited (PLRB)), a wholly-owned indirect subsidiary of PLC, to guarantee the performance of reinsurance obligations of RGBM under reinsurance agreements with two unaffiliated insurers. PLRB was renamed to RGBM effective March 30, 2020.

In connection with the reinsurance agreements between the Company and RGBM, PLC entered into a capital maintenance agreement and has also provided a guarantee to a bank for certain obligations under a letter of credit agreement.

No agreements outlined above resulted in an actual contingent exposure of the Company's assets to liability as of and for the year-ended December 31, 2020.

See the "Subsequent Events" section of the report for additional information.

Management Agreements, Service Contracts and Cost-sharing Arrangements

An Administrative Services Agreement, dated September 1, 1997 and as amended and restated April 6, 2011, was entered into under which the Company provides administrative services for PMHC and PLC. Services provided for the year ended December 31, 2020, amounted to \$1,189,770.

An Administrative Services Agreement, dated September 1, 1997 and as amended and restated April 6, 2011, was entered into under which the Company is providing administrative services for its subsidiaries and affiliates. Services provided for the year ended December 31, 2020, amounted to \$21,742,776.

An Investment Management Agreement, dated January 1, 1990 and as amended and restated August 22, 2011, was entered into between PL&A and the Company where PL&A retains the Company to render investment management services for PL&A. Fees incurred for the year ended December 31, 2020 were \$3,652,090.

An Administrative Services Agreement, dated July 8, 1999, was entered into between the Company and PL&A whereby the Company provides administrative services for PL&A for certain individual life, individual annuity, and institutional product contracts. Services provided for the year ended December 31, 2020 were \$13,956,435.

The Company entered into an Administration and Shareholders Services Agreement, dated June 13, 2001, and as amended July 1, 2008, December 31, 2010, and April 6, 2011, under which the Company provides administrative and support services for Pacific Funds Series Trust. For the year ended December 31, 2020, the net administration fees earned amounted to \$15,113,040 and the support services provided amounted to \$0.

The Company entered into an Administration and Support Services Agreement, dated May 1, 2007, and as amended April 6, 2011, under which the Company provides administrative and support services for Pacific Select Fund. Services provided for the year ended December 31, 2020 amounted to \$3,073,164.

The Company entered into a Support Services Agreement dated January 1, 2009, and as amended December 16, 2009, July 1, 2010, July 1, 2013, and April 15, 2015, under which the

Company provides administrative services for PLRe. Services provided for the year ended December 31, 2020 amounted to \$14,559,529.

Effective August 31, 2011, the Company, Pacific Services Canada Limited (PSCL) and RGBM entered into a Support Services Agreement whereby PSCL would provide support services to the Company and RGBM. Services provided to the Company for the year ended December 31, 2020 amounted to \$20,134,306.

An Expense Sharing Agreement, dated January 2, 2013, and as amended and restated May 1, 2016, was entered into between the Company and PSD, whereby the Company agrees to provide certain assets and services in exchange for an expense allocation. Amounts paid for these services for the year ended December 31, 2020, amounted to \$43,864,588.

Effective June 1, 2018, the Company entered into an Investment Management Agreement with Pacific Private Fund Advisors LLC (PPFA) whereby the Company appointed PPFA to provide investment management services. Fees incurred under this agreement for the year ended December 31, 2020 amounted to \$13,617,790.

In connection with multiple arrangements between the Company, PL&A and PSD, the Company paid \$397,742,693 to PSD and received \$24,744,812 from PL&A in commissions and service fees during 2020.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, with the exception of the state of New York. The Company conducts its insurance operations within four primary operating segments as well as a shared Corporate and Other function. The four operating segments are identified as the Life Insurance Division (Life), the Retirement Solutions Division (RSD), the Institutional Division (ID) and Reinsurance. The Corporate

and Other segment includes all other assets, liabilities, and activities not allocated to any other segment.

Life provides a broad range of life insurance products through multiple distribution channels operating in the affluent, broad and corporate markets. Principal products include universal life, indexed universal life, variable universal life, interest sensitive whole life, hybrid life insurance with long-term care, corporate owned life insurance, and traditional products such as whole life and term life. Products are designed to meet the needs of corporations for benefit funding and the needs of individuals and small businesses for insurance, asset accumulation and estate planning goals. Distribution channels include independent life insurance brokers, financial institutions, and M Financial (an association of independently owned and operated insurance and financial producers, wire-houses, and independent brokerage general agencies).

RSD provides a diversified range of variable annuity and fixed annuity products, as well as structured settlement annuities, through multiple distribution sources. Products are designed to assist with the long-term financial and retirement needs of individuals and small businesses. The segment utilizes independent distribution channels, regional broker-dealers, registered investment advisors, insurance marketing organizations, wire-houses, and financial institution distributors. Structured settlement annuities are marketed through independent agents.

Effective January 1, 2020, the Company formed the ID segment. The ID provides a range of pension risk transfer (PRT) and financing products to institutional customers. Principal products include PRT, stable value, and funding agreements. The PRT business was previously conducted in the RSD segment and issuances of the spread lending and stable value products were previously conducted in the Corporate and Other segment. Associated assets, liabilities and operations were transferred from the RSD and Corporate and Other segments to ID. PRT and

stable value products are offered through plan sponsors, consultants, and stable value managers. Funding agreements are offered to institutional investors.

The Reinsurance segment primarily includes the retrocession business, which assumes mortality risks from other life insurers. Retrocession agreements related to longevity reinsurance provide reinsurance to insurance and annuity providers in the United Kingdom (UK), Ireland, Canada, Australia, and select markets in Asia. Longevity reinsurance provides protection to the cedant related to the longevity risk associated with individual annuities or pension schemes where the cedant retains the associated asset risk.

The Corporate and Other segment includes all other assets, liabilities and activities not allocated to any other segment including discontinued operations. The Corporate and Other segment also provides various corporate administrative and investment management services on behalf of the other business segments, the majority of which are allocated to the segments at cost. Additionally, the Corporate and Other segment also manages the surplus assets of the Company, the Company's financing activities (including the issuance of long-term and short-term debt), securities lending, and other corporate activities.

REINSURANCE

Assumed

In 2008, the Company acquired a UK-based reinsurance company, PLRe which provides reinsurance solutions in the life, critical illness, income protection, and longevity markets in the UK, Ireland, Australia, and Asia. Since this acquisition, the Company has entered into various Longevity Swap Retrocession Agreements with this affiliate. The purpose of these agreements is to accept a retrocession from PLRe of approximately 70% of the longevity swap business written by PLRe. As of December 31, 2020, the Company received premiums in the aggregate amount

of \$71.2 million under these agreements. The recorded statutory reserve as of December 31, 2020, for the retrocession agreements was \$284.8 million.

In 2011, the Company acquired the Manulife Financial Corporation (Manulife) retrocession business. As part of this acquisition, the Company agreed to assume 100% of the reinsured liabilities under a co-insurance arrangement adding a total of approximately \$78.5 billion in life insurance in force, which had been written through John Hancock Life Insurance Company and John Hancock Life and Health Insurance Company. Concurrent to this transaction, the Company signed a treaty with RGBM to retrocede reserves related to the U.S. business from the acquisition. The non-U.S. business acquired from Manulife was directly assumed by RGBM. At December 31, 2020, reserves ceded to RGBM under this arrangement totaled \$328.6 million. As RGBM is domiciled outside the U.S. and is therefore an unauthorized reinsurer, the Company held collateral consisting of a letter of credit of \$345 million and a Trust valued to \$6 million. In addition to these collateral accounts, the Company held additional reinsurance credits totaling \$80 million to further partially offset and secure the total ceded reserves at December 31, 2020.

In October 2014, the Company reached an agreement with the Reinsurance Group of America (RGA) to assume a large block of business (face amount of approximately \$200 billion). This block represents a YRT treaty primarily covering traditional life policies issued in the late 1990's to early 2000's. As of December 31, 2020, this treaty accounted for assumed premiums of \$406.6 million and statutory reserves of \$60.9 million.

Ceded

The Company has maintained a modified coinsurance (mod-co) relationship with M-Life Insurance Company (MLIC) that dates back to 1984. Under this arrangement, the Company cedes approximately 50% of the business produced by MLIC agents to MLIC on a mod-co basis

to enable MLIC to share in the profitability of the business that was produced by their agents. This relationship includes multiple reinsurance agreements; the most recent of which was effective January, 2012. Collectively, the MLIC agreements accounted for ceded premiums of \$257.3 million and modified co-insurance reserves of \$7.1 billion as of December 31, 2020.

The Company entered into a reinsurance agreement with accredited affiliate PARVT to reinsure certain Flexible Duration No-Lapse Guarantee (FDNLG) riders issued on life insurance products written and issued from 2005 until 2010. The agreement cedes 100% of the FDNLG rider risk net of an inuring excess of loss agreement with Canada Life Assurance Company (CLAC). The transaction was structured to reinsure economic and excess reserves arising from secondary guarantees associated with the Company's FDNLG life business. As of December 31, 2020, the reinsurance placed with PARVT accounted for ceded reserves of \$1.7 billion.

Effective October 1, 2013, the Company entered into a reinsurance agreement with accredited affiliate PBRC. The agreement reinsures certain Pacific Prime Term life insurance policies issued from 2013 through 2014, and FDNLG riders on certain universal life and indexed universal life policies issued from 2009 through 2014. The FDNLG riders ceded to PBRC are on a separate group of policies that those with FDNLG riders ceded to PARVT and CLAC. The reserves ceded to PBRC under this agreement were \$333.4 million as of December 31, 2020.

Effective January 1, 2015, the Company entered into a new reinsurance agreement with PBRC. This agreement reinsures Promise Term, certain Pacific Prime Term and FDNLG riders on certain universal life issued from 2015 and later. The reserves ceded to PBRC under this agreement were \$454.1 million as of December 31, 2020.

In late 2005, the Company experienced significant growth in the sale of its variable annuity (VA) products. As a result, a portion of the new VA business was reinsured through a

series of mod-co, quota share arrangements. This reinsurance is placed with three reinsurers, RGA, Union Hamilton Reinsurance LTD, and Swiss Reinsurance Company LTD. In 2020, the Company ceded premiums totaling \$23.7 million and reserves totaling \$3.7 billion to these reinsurers.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 41,684,738,823	\$ 47,430,271,946	\$ 53,042,350,247	\$ 58,896,972,003
Separate Accounts	58,534,118,439	51,087,323,798	57,266,846,432	63,283,167,425
Admitted assets	128,652,330,890	128,996,848,875	145,661,154,773	159,293,301,109
Aggregate reserves for life contracts	54,208,100,275	59,981,191,385	67,668,847,081	71,350,439,103
Liability for deposit- type contracts	3,135,262,379	3,673,718,801	4,118,556,222	6,280,822,802
Total liabilities	119,339,448,842	119,305,414,442	135,151,553,954	147,929,107,944
Capital and surplus	9,312,882,048	9,691,434,433	10,509,600,820	11,364,193,165
Premiums earned	9,267,943,761	12,254,201,453	13,440,677,886	11,759,841,436
Net investment income	2,909,503,336	2,772,948,137	3,829,565,211	3,181,766,136
Death benefits	1,373,809,283	1,481,920,031	1,609,419,201	1,745,625,284
Annuity benefits	731,367,893	809,015,213	944,910,744	1,061,120,651
Net income	1,201,443,313	868,726,256	1,715,879,561	(98,701,335)
Life insurance in-force (000s omitted)	484,713,700	497,624,656	509,890,872	541,633,809

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2020

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 58,896,972,003		\$ 58,896,972,003
Preferred stocks	7,531,820		7,531,820
Common stocks	988,482,049	\$306,951,053	681,530,996
Mortgage loans on real estate: first liens	15,059,578,377		15,059,578,377
Properties occupied by the company	108,243,135		108,243,135
Properties held for the production of income	12,981,200		12,981,200
Properties held for sale	10,790,681		10,790,681
Cash, cash equivalents, and short-term investments	2,000,148,025		2,000,148,025
Contract loans	7,691,442,090	1,329,900	7,690,112,190
Derivatives	1,605,622,122		1,605,622,122
Other invested assets	4,080,214,773	16,088,158	4,064,126,615
Receivables for securities	41,826,232		41,826,232
Securities lending reinvested collateral assets	2,680,719,677		2,680,719,677
Derivatives collateral receivable	<u>36,963,605</u>		<u>36,963,605</u>
Subtotal, cash and invested assets	\$ 93,221,515,788	\$324,369,111	\$ 92,897,146,677
Investment income due and accrued	656,636,229		656,636,229
Uncollected premiums and agents' balances in the course of collection	185,074,741	283,588	184,791,153
Deferred premiums and agents' balances and installments booked but deferred and not yet due	89,602,697		89,602,697
Amounts recoverable from reinsurers	305,624,374	9,558,589	296,065,785
Funds held or deposited with reinsured companies	279,427,639		279,427,639
Other amounts receivable under reinsurance contracts	108,229,450		108,229,450
Current federal tax recoverable and interest thereon	661,767,631		661,767,631
Net deferred tax asset	556,522,657	145,866,326	410,656,331
Guaranty funds receivable or on deposit	1,541,011		1,541,011
Electronic data processing equipment and software	76,062,989	71,881,860	4,181,129
Furniture and equipment, including health care delivery assets	10,945,967	10,945,967	
Receivables from parent, subsidiaries and affiliates	59,058,717		59,058,717
Health care and other amounts receivable	172,264,018	14,008,326	158,255,692
Prepaid pension costs	962,276	962,276	
Cash value of life insurance policies	172,376,476		172,376,476
Accounts and notes receivable	13,333,891		13,333,891
Other assets	17,063,176		17,063,176
Prepaid expenses	25,717,786	25,717,786	
Leasehold improvements	<u>2,635,222</u>	<u>2,635,222</u>	

Total assets excluding Separate Accounts	\$ 96,616,362,734	\$606,229,050	\$ 96,010,133,684
From Separate Accounts	<u>63,283,167,425</u>	<u> </u>	<u>63,283,167,425</u>
Total Assets	<u>\$159,899,530,159</u>	<u>\$606,229,050</u>	<u>\$159,293,301,109</u>

Liabilities, Surplus, and Other Funds

Aggregate reserves for life contracts	\$ 71,350,439,103
Aggregate reserve for accident and health contracts	16,880,925
Liability for deposit-type contracts	6,280,822,802
Life contract claims	1,046,676,224
Policyholders' dividends	312,943
Dividends apportioned for payment	8,155,425
Dividends not yet apportioned	802,404
Premiums and annuity considerations for life and accident and health contracts received in advance	3,099,647
Other amounts payable on reinsurance, including assumed and ceded	398,360,756
Interest maintenance reserve	203,600,070
Commissions to agents due or accrued-life and annuity contracts and deposit-type contract funds	36,574,878
Commissions and expense allowances payable on reinsurance assumed	17,480,362
General expenses due or accrued	242,721,446
Transfers to Separate Accounts due or accrued (net)	(744,609,892)
Taxes, licenses and fees due or accrued	6,197,446
Unearned investment income	218,882,042
Amounts withheld or retained by reporting entity as agent or trustee	225,446,134
Remittances and items not allocated	27,316,850
Liability for benefits for employees and agents if not included above	223,428,274
Borrowed money and interest thereon	48,825,609
Asset valuation reserve	468,774,648
Reinsurance in unauthorized and certified companies	5,766,989
Payable to parent, subsidiaries and affiliates	2,758,108
Funds held under coinsurance	178,799,469
Derivatives	168,594,046
Payable for securities	193,181,706
Payable for securities lending	2,680,719,677
Derivatives collateral payable and income accruals	1,245,748,354
Disbursements payable	28,650,252
Unclaimed accounts and uncashed checks	15,910,787
Other liability	<u>45,623,035</u>
Total liabilities excluding Separate Accounts business	\$ 84,645,940,519
From Separate Accounts statement	<u>\$ 63,283,167,425</u>
Total liabilities	<u>\$147,929,107,944</u>
Common capital stock	\$ 30,000,000
Other surplus adjustments – derivatives	130,868,230
Surplus notes	1,674,332,454
Gross paid in and contributed surplus	1,835,788,610
Unassigned funds (surplus)	<u>7,693,203,872</u>
Total capital and surplus	<u>\$ 11,364,193,165</u>
Totals	<u>\$159,293,301,109</u>

SUMMARY OF OPERATIONS – 2020

Premiums and annuity considerations for life and accident and health contracts	\$11,759,841,436
Considerations for supplementary contracts with life contingencies	461,021
Net investment income	3,181,766,136
Amortization of Interest Maintenance Reserve	24,353,114
Separate Accounts net gain from operations excluding unrealized gains or losses	(81,887,314)
Commissions and expense allowances on reinsurance ceded	64,435,628
Reserve adjustments on reinsurance ceded	(779,298,528)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	1,218,029,261
Charges and fees for deposit-type contracts	26,310,477
Fee income	183,751,353
Miscellaneous income	<u>19,697,545</u>
Totals	\$15,617,460,130
Death benefits	\$ 1,745,625,284
Matured endowments (excluding guaranteed annual pure endowments)	672,223
Annuity benefits	1,061,120,651
Disability benefits and benefits under accident and health contracts	5,165,352
Surrender benefits and withdrawals for life contracts	6,862,325,982
Interest and adjustments on contract or deposit-type contract funds	158,480,498
Payments on supplementary contracts with life contingencies	1,322,761
Increase in aggregate reserves for life and accident and health contracts	<u>4,024,322,317</u>
Totals	\$13,859,035,068
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 966,984,041
Commissions and expense allowances on reinsurance assumed	12,062,134
General insurance expenses	945,162,771
Insurance taxes, licenses and fees, excluding federal income taxes	119,143,786
Increase in loading on deferred and uncollected premiums	13,101,479
Net transfers to or (from) Separate Accounts net of reinsurance	(95,282,240)
Net periodic benefit cost	7,549,678
Miscellaneous disbursements	12,978,831
Contingency expense	<u>92,945</u>
Totals	\$15,840,828,493
Net gain from operations before dividends, federal income taxes and net realized capital gains or (losses)	(\$ 223,368,363)
Dividends to policyholders	8,230,006
Federal income taxes incurred	(196,528,896)
Net realized capital gains (losses)	<u>(63,631,862)</u>
Net income	(<u>\$ 98,701,335</u>)

CAPITAL AND SURPLUS ACCOUNT

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, beginning	\$8,548,420,265	\$9,312,882,048	\$9,691,434,433	\$10,509,600,820
Net income	\$1,201,443,313	\$ 868,726,256	\$1,715,879,561	(\$ 98,701,335)
Change in net unrealized capital gains (losses)	(293,264,691)	252,329,715	(547,043,354)	(172,380,170)
Change in net unrealized foreign exchange capital gain (loss)	10,249,706	7,013,123	(3,395,349)	15,473,504
Change in net deferred income tax	(258,187,123)	(211,831,043)	(47,312,823)	(68,154,869)
Change in nonadmitted assets	256,116,433	(221,867,632)	23,941,716	35,456,895
Change in liability for reinsurance in unauthorized and certified companies	294,166	(241,281)	(912,684)	(1,443,371)
Change in reserve on account of change in valuation basis, (increase) or decrease			59,509,614	340,629,161
Change in asset valuation reserve	77,907,068	(341,328,942)	210,302,378	259,170,456
Surplus (contributed to) withdrawn from Separate Accounts during period				(81,887,314)
Other changes in surplus in Separate Accounts Statement				81,887,314
Change in surplus notes	14,363,092	188,477	188,477	(55,769,523)
Cumulative effect of changes in accounting principles			64,855,334	
Surplus adjustment: Paid in Dividends to stockholders	350,000			650,000,000
	(160,000,000)		(650,000,000)	
Adjustments to retirement plans	569,000	176,448	(520,717)	1,965,955
Other surplus adjustments – derivatives	(85,379,181)	(6,970,960)	(7,325,766)	(7,699,701)
Prior period adjustment	_____	32,358,224	_____	(43,954,656)
Net change for the year	<u>\$ 764,461,784</u>	<u>\$ 378,552,385</u>	<u>\$ 818,166,387</u>	<u>\$ 854,592,345</u>
Capital and surplus, ending	<u>\$9,312,882,048</u>	<u>\$9,691,434,433</u>	<u>\$10,509,600,820</u>	<u>\$11,364,193,165</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$7,693,203,872, as reported in the Company's 2020 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUBSEQUENT EVENTS

DIRECTORS

The following changes in Directors were made subsequent to the examination period:

- Effective December 31, 2020, Sharon A. Cheever retired from the Board of Directors.
- Effective January 1, 2021, Jay Orlandi was elected to the Board of Directors.
- Effective March 31, 2022, James T. Morris will retire from the Board of Directors.

OFFICERS

The following changes in Officers were made subsequent to the examination period:

- Effective December 31, 2020, Sharon A. Cheever retired as Senior Vice President and General Counsel.
- Effective January 1, 2021, Jay Orlandi was appointed as Executive Vice President and General Counsel.
- Effective March 31, 2022, James T. Morris will retire as President and CEO of PLIC. James T. Morris will continue to serve as an employee of PLIC through July 1, 2022.
- Effective August 24, 2021, Darryl D. Button was appointed as CEO-Elect and Chief Financial Officer and will be appointed as President and CEO immediately following the retirement of James T. Morris on April 1, 2022.

- Effective September 1, 2021, Tod M. Nasser was appointed as Senior Vice President and Chief Investment Officer.
- Effective November 24, 2021, Gary W. Falde retired as Chief Actuary.
- Effective January 1, 2022, Mary J. Bahna-Nolan was appointed as Senior Vice President and Chief Actuary.

GUARANTEES

The Company's guarantee to provide funds on PLC's behalf of up to 165 million pounds sterling to PLRe in the event of nonperformance of a contingent capital commitment between PLC and PLRe was terminated on January 1, 2022.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Jim Hattaway, CFE, CIA, CIE; Julie Smith, CFE, Financial Examiners; Brad Myers, CISA, CISM, CISSP, IT Specialist; Jim Ryan, CFE, CPA, ARA, ARe, Reinsurance Specialist; all with Noble Consulting Services, Inc.; and Lee Richert, FSA, MAAA; Nathan Campbell, FSA, MAAA; Tom Campbell, FSA, CERA, MAAA; all with Actuarial Resources Corporation, served as Actuarial Specialists; and Financial Examiners and Actuarial Examiner with or contracted by the Arizona Department of Insurance and Financial Institutions and the Vermont Department of Financial Regulation, Captive Insurance Division; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



W.A. O'Connell, CPA, CFE, CFE (Fraud)
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the Department of Insurance
State of Nebraska



Andrea Johnson, CFE
Assistant Chief Examiner – Field
Department of Insurance
State of Nebraska

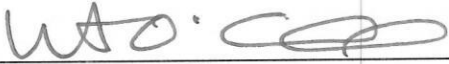
State of Georgia,

County of Cherokee,

William A. O'Connell, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of PACIFIC LIFE INSURANCE COMPANY.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of PACIFIC LIFE INSURANCE COMPANY was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

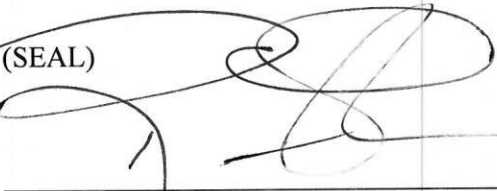
The affiant says nothing further.



Examiner-in-Charge's Signature

Subscribed and sworn before me by William A. O'Connell on this 28th day of April, 2022

(SEAL)



Notary Public



My commission expires 8-11-2023 [date].