

# BULLETIN

A Communication from  
the Life Insurance Division



**DATE:** May 13, 2019  
**TO:** Broker General Agencies, Office Administrators, and Technical Staff  
**SUBJECT:** Introducing – New Chronic Illness Care Rider with PL Promise GUL

Category	
<input type="checkbox"/>	Administration
<input type="checkbox"/>	Compliance
<input type="checkbox"/>	Marketing
<input checked="" type="checkbox"/>	Product
<input type="checkbox"/>	Risk Selection
<input type="checkbox"/>	Miscellaneous

## Introducing PL PROMISE CHRONIC ILLNESS CARE RIDER Accelerated Death Benefit Rider for Chronic Illness<sup>1</sup>

Beginning May 13, 2019, your clients can now include chronic illness rider protection with new issues of PL Promise GUL<sup>2</sup> guaranteed universal life insurance policies. Quotes available on Winflex.

### About PL Promise Chronic Illness Care Rider

- Eligible clients<sup>3</sup> may choose to add chronic illness protection to their life insurance policies by electing the optional rider at policy issue.
- Accelerate up to \$3 million in death benefit as annual or monthly benefit payments.<sup>4</sup>
- Monthly rider charge is deducted as part of the policy's monthly charges.
- Helps clients meet the costs of living with a chronic illness. The rider's benefit payments may be used for any reason—medical or otherwise and no receipts are required.
- Couples Discount applies for lower rider charges for insureds in a state-sanctioned marriage, civil union, or domestic partnership.
- Save time and use the [Prequalifying Questionnaire](#) to see if your client may qualify for rider coverage.
- Clients ages 50 – 69 may qualify for up to \$1 million coverage with PL Smooth Sailing fluidless underwriting.

### The primary purpose of life insurance is death benefit protection against the premature death of the insured.

1 Pacific Life Insurance Company's PL Promise Chronic Illness Care Rider is an accelerated death benefit rider for chronic illness. Policy Form #R18LYCHR or ICC18 R18LYCHR, based on state of policy issue. Rider will incur additional charges and is subject to availability, restrictions, and limitations. Clients should be shown policy quotes with and without riders to help show the rider's impact on the policy's value.

2 PL Promise GUL No-Lapse Guarantee Universal Life Insurance, policy form #P18PRUL and S18PRUL or ICC18 P18PRUL and ICC18 S18PRUL, based on state of policy issue.

3 Eligible insureds are age 18 through 75, subject to additional underwriting requirements beyond the life insurance policy's requirements and a one chronic illness rider per insured issue limit.

4 Benefit payments reduce the policy's death benefit and other values under the policy. If the entire death benefit is accelerated, the policy will terminate. Regardless of the monthly election chosen, benefit payments may not exceed 100% of the IRS per diem. Benefits paid by accelerating the policy's death benefit are intended to qualify as death benefits under section 101(g) of the Internal Revenue Code and may be excludable from your income and may not be subject to federal taxation. However, federal, state, and/or local tax rules relating to the payment of accelerated death benefits are complex, will depend on your specific facts and circumstances, and benefits may or may not be taxable. In addition, these payments may affect eligibility for other benefits provided by federal, state, or local government including public assistance programs such as Medicaid. When benefits are received from multiple policies providing long-term care or chronic illness benefits for a given insured, including policies with different owners, all of those benefits must be aggregated to determine their taxability. Consequently, advice and guidance should be obtained from a personal tax advisor for more information. Pacific Life cannot determine whether the benefits are taxable.

## How the Rider Works

### 1.) Rider Benefit Maximums

- At policy issue, the policyowner elects a 2% or 4% monthly benefit payment percentage and the lifetime maximum benefit amount (below). The maximum monthly benefit would then be 2% or 4% of the maximum lifetime benefit amount elected.
- To help keep the benefits tax-free for clients, we limit the maximum benefit amount to the equivalent of 100% of the IRS Per Diem Limit.<sup>4</sup> The IRS per diem is \$370 per day in 2019 and may change periodically.

BENEFITS PAYMENT %	ISSUE AGES	LIFETIME MAXIMUM BENEFIT AMOUNTS (LESSER OF FACE VALUE AT POLICY ISSUE OR...)
2%	18 - 75	\$3 million
4%	18 - 64	\$1.5 million
	65 - 75	\$750,000

For example, on a policy with a \$100,000 death benefit, electing the 2% option would result in a maximum monthly benefit of \$2,000; electing the 4% option would result in a maximum monthly benefit of \$4,000

### 2.) Monthly Charges

- The monthly rider charge is automatically deducted from the policy's policy value. It is based on a rider net amount at risk and includes any applicable couples discount.
- All policy charges, including the rider's monthly charges, will be waived while the rider is paying benefits.
- At any time, the policyowner may request to terminate the rider and its rider charges would cease. Once terminated, the rider cannot be reinstated if prior benefit payments have been made.

### 3.) Qualification Conditions

To request benefit payments, the insured must meet the following eligibility requirements:

- Licensed health care practitioner must annually certify the insured is unable to perform at least 2 of the 6 activities of daily living (bathing, continence, dressing, eating, toileting, and transferring) for at least 90 days or has a severe cognitive impairment.
- 90 consecutive day elimination period must be satisfied.<sup>5</sup>

### 4.) Monthly or Annual Benefit Payments

- For each annual benefit year, the insured meets the eligibility requirements, the policyowner may request annual or monthly benefit payments.
- No receipts are required. The benefit payments may be used for any reason, medical or otherwise.
- Annual payments are discounted to reflect their lump-sum payment and will be less than the annual sum of monthly payments.
- Regardless of payment election, benefit payments may not exceed 100% of the IRS per diem limit. The IRS per diem is \$370 per day in 2019 and may change periodically.
- The benefit amount paid is reduced if the policy is in a grace period or has an outstanding loan balance.

<sup>5</sup> For benefit payments to continue uninterrupted from one benefit year to the next, recertification of continuing chronic illness must be provided at least 60 days prior to the start of each benefit year. If recertification is delayed more than 90 days after the end of a current benefit year, a new 90-day elimination period must be satisfied in order for benefit payments to continue.

#### 5.) Impact of Policy Benefits and Features

- The policy's face amount, policy value, and values under the Lifetime No-Lapse Guarantee Rider<sup>6</sup>, are proportionately reduced by benefit payments. The cash surrender value of the policy after a benefit payment is calculated under the usual terms of the policy.
- If the entire death benefit is accelerated as benefit payments, the policy will terminate. The rider will terminate upon acceleration of the entire lifetime benefit amount.
- No new policy changes are permitted while the rider is paying benefits and any Enhanced Surrender Value Rider, if present, will terminate on an initial claim (no policy face amount changes, new loans, withdrawals, or any new rider elections).

#### Transition Information

For policies previously issued that would now like the rider, the normal 90-day reissue requirements would apply.

#### State Approvals

As of May 13, 2019, this rider is available in all states except CA and NY.

#### Resource and Contact Information

Pacific Life remains committed to making it easier for Brokerage General Agents (BGAs) and life insurance producers to do business with us. To ensure you and your producers have the most current information related to Marketing Materials, Producer status, Commissions, and Pending Case status, we invite you to access the ProducerBay website by clicking on the link: <http://producerbay.pacificlife.com>. If you have questions or trouble accessing the ProducerBay website, please contact us at [LynDistributorServices@PacificLife.com](mailto:LynDistributorServices@PacificLife.com) or (844) 238-4872.

*Learn more about the chronic illness rider and download your marketing toolkit at:  
<http://producerbay.pacificlife.com>.*

<sup>6</sup> The Lifetime No-Lapse Guarantee Rider (Policy Form #R17LYFNL or ICC17 R17LYFNL, based on state of policy issue) is included in the policy at no additional charge. The Lifetime Duration No-Lapse Guarantee has a maximum duration of the insured's lifetime, subject to certain limits. If your client's net no-lapse guarantee value is zero, the no-lapse feature will no longer be in effect. If the no-lapse feature is no longer in effect, additional premiums would be required to resume the no-lapse guarantee. If policy performance is such that your client's policy is being maintained solely by the no-lapse guarantee, your client's policy will not build policy value.

***Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.***



Pacific Life 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 insurance company is solely responsible for the financial obligations accruing under the products it issues.

Pacific Life's individual life insurance products are marketed exclusively through independent third-party life insurance producers, which may include bank affiliated entities. Some selling entities may limit availability of some optional riders and investment options based on their client's age and other factors. Your broker-dealer or firm can help you determine which optional riders and investment options are available and appropriate for your clients.

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

This bulletin is distributed through Pacific Life, Lynchburg, VA (844) 276-5759.

**This material may not be used in New York.**

Pacific Life's Home Office is located in Newport Beach, CA.

Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
Not FDIC Insured	No Bank Guarantee	May Lose Value