

# POLICY CONVERSION FOR YOUR BUSINESS OWNER CLIENTS



How to Use PL Promise Conversion UL<sup>1</sup>

**Goal:** Secure short-term life insurance coverage for business partners while deferring the purchase of universal life insurance

## Scenario

### Meet Michael and James

Business partners Michael (age 62) and James (age 67) determined, with their financial professionals and business attorneys, that each needs a \$10 million life insurance policy to fund their buy-sell agreement. While they prefer to purchase universal life insurance that can provide protection up to their lifetimes, business planning is still in process, and funding isn't yet available. To secure insurability at a lower cost in the interim, they each decide to purchase a term life insurance policy with attractive conversion options, allowing them to lock in coverage now and convert to universal life insurance later, once business planning and funding are in place, to better meet their long-term financial goals.



## Approach

### Today

Michael qualifies for a \$10 million PL Promise Term<sup>1</sup> life insurance policy with a 10-year term at a \$33,922 annual premium. James secures the same coverage with a \$60,977 annual premium.<sup>2</sup>

### 18 Months Later

With business planning complete and funds available, Michael, now age 63, converts his \$10 million PL Promise Term policy to a \$10 million PL Promise Conversion UL policy and chooses to extend the no-lapse guarantee<sup>3,4</sup> coverage to age 100, with an annual premium of \$262,308.<sup>5</sup>

### 24 Months Later

Additional funds from the business are now available to convert James', now age 69, \$10 million PL Promise Term policy to a \$10 million PL Promise Conversion UL policy. He chooses to extend the no-lapse guarantee coverage to age 100, with an annual premium of \$383,452.<sup>5</sup>

There are circumstances in which replacing your client's existing life insurance or annuity can benefit your client. As a general rule, however, replacement is not in your client's best interest. You should make a careful comparison of the costs and benefits, including any applicable surrender charges, of your client's existing policy and the proposed policy to analyze how a replacement may affect your client's plan of insurance. You should provide this detailed information to your client and discuss whether replacement is in your client's best interest. Universal Life Insurance generally requires additional premium payments after the initial premium. If either no premiums are paid, or subsequent premiums are insufficient to continue coverage, it is possible that coverage will expire.

<sup>1</sup>PL Promise Conversion UL (Form series P17LYCUL, based on state of policy issue) and PL Promise Term (Policy Form #P16LYT or ICC16 P16LYT and S16LYT10, S16LYT15, S16LYT20, S16LYT25, or S16LYT30, based on level premium period chosen and state of policy issue).

<sup>2</sup>Assumptions: PL Promise Term, Males, age 62 and 67, Preferred Non Tobacco, \$10M death benefit.

<sup>3</sup>The Lifetime No-Lapse Guarantee Rider (Form #R17LYFNL, varies based on state of policy issue) is included in the policy. Depending on how your client structures their policy, 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 terminates. If the no-lapse feature terminates, 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 cash value.

<sup>4</sup>Riders are 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 values.

<sup>5</sup>Assumptions: PL Promise Conversion UL, Males, age 63 and 69, Preferred Non Tobacco, \$10M death benefit, solving for annual premium to guarantee coverage through age 100 with Lifetime No-Lapse Guarantee Rider.

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

**Michael's PL Promise Term  
10-Year Policy**  
\$10M Death Benefit  
\$33,922 Annual Premium



**James' PL Promise Term  
10-Year Policy**  
\$10M Death Benefit  
\$60,977 Annual Premium

**PL Promise Conversion UL with Age 100  
No-Lapse Guaranteed Coverage**  
\$10M Death Benefit  
\$262,308 Annual Premium



**PL Promise Conversion UL with Age 100  
No-Lapse Guaranteed Coverage**  
\$10M Death Benefit  
\$383,452 Annual Premium

**\$10M**  
Face Amount Conversion

## Considerations

- Michael and James chose to pay higher premiums to extend the guaranteed coverage duration from age 90 to age 100.
- By converting early, Michael and James secured lower premiums, while their financial professional received 150% of the standard compensation.<sup>6</sup>
- PL Promise Conversion UL can help address a variety of business owner needs, such as key person, business succession, and estate planning.

**Result:** Early policy conversion helped Michael and James lock in lower premiums, avoid additional underwriting, and ensure guaranteed acceptance with an equivalent risk class. They also received the Terminal Illness Rider<sup>4,7</sup> and Return of Premium feature<sup>8</sup> at no extra cost. Most importantly, both now have lasting protection to help support business continuity if either partner passes away.

<sup>6</sup>Compensation is based on the Standard Commission Schedule provided by your Broker General Agency (BGA).

<sup>7</sup>Terminal Illness Rider, (Form #R16LYTIR, varies based on state of policy issue). Referred to as the Accelerated Death Benefit Rider for Terminal Illness in the contract. Benefits paid by accelerating the policy's death benefit may or may not qualify for favorable tax treatment under Section 101(g) of the Internal Revenue Code of 1986. Tax treatment of an accelerated death benefit due to terminal illness depends on the life expectancy of the insured at the time benefits are accelerated. Receipt of accelerated death benefits may affect eligibility for public assistance programs such as Medicaid. Tax laws relating to accelerated death benefits are complex. Pacific Life cannot determine whether the benefits are taxable. Clients are advised to consult with qualified and independent legal and tax advisors for more information.

<sup>8</sup>The Return of Premium (ROP) feature varies by issue age and face amount and is not available on face amounts under \$50,000. Minimum premium requirements apply for the rider to provide a benefit. Enhanced Surrender Value Rider (Form #R17LYESV, varies based on state of policy issue) is included at no additional charge in policies with death benefits of \$50,000 or more with an elected no-lapse guarantee to at least age 100. For ages 70 and above, no-lapse guarantee duration must be at least 30 years. Referred to as "Enhanced Surrender Value" in the quote.

**For questions or more ideas about how to use PL Promise products, reach out to your PL Promise Team at (888) 900-9777 or at [LynInternalSales@PacificLife.com](mailto:LynInternalSales@PacificLife.com).**

*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**

Pacific Life Insurance Company  
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Pacific Life Insurance Company is licensed to issue insurance products in all states except New York.  
Product/material availability and features may vary by state.

Insurance products and their guarantees, including optional benefits, and any crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. Look to the strength of the insurance company with regard to such guarantees because these guarantees are not backed by the independent broker/dealers, insurance agencies, or their affiliates from which products are purchased. Neither these entities nor their representatives make any representation or assurance regarding the claims-paying ability of the issuing company.

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

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

This material reflects the Pacific Life Insurance Company policy features and benefits.

All policy features and benefits may not be available through some broker/dealers.

The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.