The ICC18 P18ISL policy from Pacific Life Insurance Company is an interest-sensitive whole life insurance contract that provides a death benefit to the insured, John Doe, if he dies while the policy is active. The policy remains in force until certain events occur, such as surrender, lapse, the end of the maturity date extension period, or the death of the insured. The death benefit is contingent on the policy's status—premium paying, reduced paid-up, or extended insurance—and is adjusted to comply with tax regulations, with a minimum death benefit determined by a qualification test under the Internal Revenue Code. A 20-day free look period allows the policy owner to cancel the policy for a full refund of premiums. Premiums must be paid before the maturity date, with an initial guaranteed interest rate for a limited time. The policy is non-participating, meaning it does not pay dividends, and the maturity date is automatically extended unless maturity proceeds are elected.

Key obligations of the policyholder include timely premium payments and providing necessary documentation for claims. The policy outlines termination conditions, including options for reduced paid-up insurance or extended insurance if premiums cease. Death benefit proceeds are payable upon receipt of proof of death and other required documentation, with interest accruing from the date of death until payment. If payment is delayed beyond 31 days, additional interest will be added. Changes to the face amount must be requested in writing after the required period. The policy allows for a decrease in the Face Amount, which must not fall below the Minimum Basic Face Amount specified. Required premiums must be paid to keep the policy in force during the Premium Paying Status, and if not paid, the policy enters a 61-day Grace Period. If premiums are not received by the end of this period, the policy may lapse due to insufficient payment, policy debt, or inadequate accumulated value. Premiums can be adjusted based on changes in payment modes, and unscheduled premiums can be paid during Extended Insurance Status, subject to limits. The policy includes a Premium Load applied to the Standard Portion of the billed premium, with the Net Standard Premium calculated after this deduction. A Modified Endowment Contract Premium Limit is also specified to avoid unfavorable tax classification, with excess payments refunded unless a written request is made to accept the classification.

The Accumulated Value is calculated based on net premiums received and deductions, with daily interest credited at a guaranteed rate. Monthly deductions include various charges, such as the Cost of Insurance Charge, based on the death benefit and net amount at risk. Notifications will be sent if the policy enters the Grace Period, and an Automatic Premium Loan may be initiated if requested. If the policy lapses, options include surrendering for cash or continuing under Reduced Paid-Up Insurance or Extended Insurance, depending on the policyholder's requests. Acceptance of the Modified Endowment Contract is allowed within 60 days of notice, after which the Premium Cessation Option will convert to Reduced Paid-Up Insurance. If there is an outstanding loan, it will be repaid using the policy values equal to the policy debt as of the day before the grace period. The face amount of the Reduced Paid-Up Insurance will be calculated based on the Net Cash Surrender Value and the RPU Cash Value Factor as of the day before the grace period. Once in Reduced Paid-Up Status, no premiums can be paid, and the policy will no longer have an Accumulated Value, although it can be surrendered for cash value.

The Extended Insurance Option allows the policy to remain in force at the same face amount as long as the Guaranteed Cash Value remains positive or the Accumulated Value less policy debt is sufficient to cover monthly deductions. While in Extended Insurance Status, premiums are not required, but unscheduled premium payments can be made, and withdrawals or policy loans can be requested. The policy's Accumulated Value continues to apply, and surrender charges remain in effect. Reinstatement to Premium Paying Status is possible within a specified period if the policy has not been surrendered or had any face amount decrease or withdrawal, requiring a written application, evidence of insurability, and payment of all unpaid premiums and policy debt with interest. The effective date of reinstatement will be the next monthly payment date after approval, but reinstatement to Extended Insurance is not permitted.

Surrendering the policy is allowed at any time for its Net Cash Surrender Value, calculated based on the policy's status. For policies in Premium Paying Status, the Cash Surrender Value is the greater of the Guaranteed Cash Value or the Accumulated Value minus any surrender charge. For Extended Insurance Status, it is similarly calculated, while in Reduced Paid-Up Status, it equals the Guaranteed Cash Value. The Net Cash Surrender Value is the Cash Surrender Value minus any policy debt, and surrender charges may apply. Guaranteed Cash Values vary based on policy status and are calculated according to specified rates. Withdrawals are permitted under certain conditions while in Extended Insurance Status, reducing the Guaranteed Cash Value without incurring a surrender charge, but may affect the policy's face amount and death benefit.

Policy loans can be obtained while in Premium Paying or Extended Insurance Status, with the loan amount based on the Guaranteed Cash Value and existing policy debt. Interest on loans accrues daily and is due at each policy anniversary, with provisions for loan repayments prior to policy lapse. Payments made while the policy is in premium paying status will be considered premium payments unless specified otherwise in writing. Conversely, if the policy is in extended insurance status, payments will be treated as loan repayments unless indicated otherwise. Any payments received after the monthly deduction end date will be considered loan repayments if there is an outstanding loan; otherwise, they will be refunded. The policy debt, which includes the loan account and accrued interest, reduces the amount payable under the policy. If the policy lapses or is surrendered with an outstanding loan, the policy debt will be repaid from the cash surrender value, potentially resulting in taxable income.

Death benefit proceeds can be paid in a lump sum or distributed over time, with the beneficiary having the option to select an income benefit plan if one is not chosen prior to the insured's death. On the maturity date, if the insured is alive and the policy is in premium paying or reduced paid-up status, the maturity value can be elected for payment. If no election is made, the maturity date will be extended, and the death benefit payable after this date will be the greater of 101% of the accumulated value or the minimum required for tax qualification. The policy owner is designated in the policy specifications and can be changed via written request. Assignments of the policy must be recorded at the administrative office and will take effect as of the signing date unless specified otherwise. Beneficiaries can be primary or contingent, and changes can be made while the policy is in force. If no primary beneficiaries survive the insured, the death benefit will pass to contingent beneficiaries or the owner’s estate.

The policy is considered the entire contract, and only authorized personnel can make changes. It includes an incontestability clause, stating that the policy cannot be contested after two years unless there is a material misrepresentation or fraud. The policy is non-participating, meaning it does not share in surplus earnings, and a suicide exclusion limits death benefits if the insured dies by suicide within a specified period. Monthly deductions will cease after the monthly deduction end date, but coverage continues with certain exceptions. Payments may be deferred for up to six months, and an annual report will be provided detailing the policy's status. Policy illustrations can be requested, but actual values may differ from those shown. Cash values are based on specified mortality tables and interest rates, ensuring compliance with regulatory requirements. The policy is intended to qualify as a life insurance contract for federal tax purposes, with death benefits aimed at being tax-exempt.

This insurance policy is designed to maintain tax qualification, ensuring that the Death Benefit will never fall below the minimum required for such qualification. If necessary, the Death Benefit may be increased retroactively and prospectively to meet this minimum, with corresponding adjustments to the Accumulated Value to account for increased Monthly Deductions. The insurer reserves the right to amend the policy to comply with tax qualification requirements without the policyholder's consent, providing notice of such amendments. Premium payments that would jeopardize the policy's tax qualification will not be accepted, and any excess premiums will be removed from the policy, with adjustments made to the Death Benefit and Accumulated Value. Refunds for excess amounts will occur within 60 days after the end of the contract year. If refunds are not processed in time, the Death Benefit will be adjusted to ensure compliance with tax qualification standards. Requests to decrease policy benefits may also lead to necessary distributions to maintain tax qualification limits.

The policy aims to avoid Modified Endowment Contract (MEC) status, which would result in unfavorable tax treatment. The insurer will not accept payments that could cause MEC classification unless a written request is provided. If payments exceed MEC limits, adjustments will be made similarly to excess premium payments, with refunds issued within the specified timeframe. Changes to the Death Benefit or other benefits that could result in MEC classification will not be processed.

The policy's tax status, whether Qualified or Non-Qualified, is specified in the Policy Specifications. If the policy enters Extended Insurance Status and the Net Amount at Risk exceeds three times the original Total Face Amount, the insurer may distribute Accumulated Value to maintain this ratio, treating the distribution as a premium refund for certain purposes, though normal tax rules will apply.

Additional services may be offered while the policy is in force, and the insurer may provide new benefits through riders or endorsements upon written request, which may require new underwriting. Policyholders can request a change in Risk Class, subject to approval and potential fees. Any changes to the policy to comply with federal or state regulations will be communicated to the policyholder, who may refuse such changes where permitted by law. The policy conforms to Interstate Insurance Product Regulation Commission (IIPRC) standards, with any conflicting provisions amended accordingly.