

Life Insurer Financial Analysis

Company	Pacific Life
Ratings	
A.M. Best Company (Best's Rating, 15 ratings)	A+
Standard & Poor's (Financial Strength, 20 ratings)	A+
Moody's (Financial Strength, 21 ratings)	A1
Fitch Ratings (Financial Strength, 21 ratings)	A+
Asset Analysis	
Total Admitted Assets	94,738,487
Total Liabilities	89,732,545
Separate Accounts	51,226,559
Total Surplus & AVR	5,113,036
As % of General Account Assets	11.8%
Invested Assets	42,068,514
Bonds (%)	58.8%
Stocks (%)	2.9%
Mortgages (%)	15.6%
Real Estate (%)	0.5%
Policy Loans (%)	15.5%
Cash & Short-Term (%)	3.8%
Other Invested Assets (%)	<u>2.8%</u>
	100.0%
Net Yield on Mean Invested Assets	
2009 (Industry Average 4.63%)	5.30%
2008 (Industry Average 5.40%)	7.96%
2007 (Industry Average 5.63%)	6.05%
2006 (Industry Average 5.54%)	5.97%
2005 (Industry Average 5.52%)	6.04%
5 Year Average (Industry Average 5.34%)	6.26%
Total Investment Return	
2009 (Industry Average 4.72%)	-0.92%
2008 (Industry Average 3.36%)	9.04%
2007 (Industry Average 5.74%)	6.36%
2006 (Industry Average 6.06%)	6.00%
2005 (Industry Average 5.80%)	6.28%
5 Year Average (Industry Average 5.14%)	5.35%
Asset Growth	
2009 Total Admitted Assets	94,738,487
1-Year Growth	13.3%
3-Year Compound Growth	3.2%
2009 Total Surplus & AVR	5,113,036
1-Year Growth	44.8%
3-Year Compound Growth	12.7%

Data for Year-End 2009 from the life insurance companies' statutory annual statements. All dollar amounts are in thousands. All ratings shown are current as of June 15, 2010.

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Asset Quality Analysis

Non-Investment Grade Bonds (Class 3 - 6)	
Non-Investment Grade Bonds/Total Bonds	10.0%
Non-Investment Grade Bonds/Surplus & AVR	51.9%
Non-Performing Bonds (Class 6)	
Non-Performing Bonds/Total Bonds	0.3%
Non-Performing Bonds/Surplus & AVR	1.6%
Non-Performing Mortgages & Real Estate	
Non-Performing Mort & R.E./ Total Mort & R.E.	0.0%
Non-Performing Mort & R.E./Surplus & AVR	0.1%
Non-Performing Assets/Surplus & AVR	
Bonds In or Near Default	1.6%
Problem Mortgages	0.0%
Real Estate Acquired by Foreclosure	<u>0.1%</u>
Total Non-Performing Assets/Surplus & AVR	1.7%
As a Percent of Invested Assets	0.2%

Bond Portfolio Analysis

Total Bonds Book Value	24,752,972
Total Bonds Market Value	24,403,168
Bonds Market Value/BookValue	98.6%
Quality	
Class 1: Highest Quality	51.6%
Class 2: Higher Quality	38.4%
Class 3: Medium Quality	5.8%
Class 4: Low Quality	3.0%
Class 5: Lower Quality	0.9%
Class 6: In or Near Default	0.3%
Weighted Bond Class	1.6
Maturity	
1 Year or Less	12.4%
1 to 5 Years	30.5%
5 to 10 Years	33.3%
10 to 20 Years	13.8%
Over 20 Years	9.9%
Weighted Bond Maturity (Years)	8.0

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Operating Income Analysis

Total Income	10,253,441
Total General Expenses	593,209
Total General Expenses/Total Income	5.8%
Earnings Before Policy Dividends & Taxes	645,424
Policy Dividends	22,414
Policy Dividends/Earnings	<u>3.5%</u>
Pretax Earnings from Operations	623,010
Federal Income Taxes	-6,001
Income Taxes/Pretax Earnings	<u>-1.0%</u>
Net Earnings from Operations	629,010
Net Realized Capital Gains	<u>22,819</u>
Net Income	651,829
As % of Admitted Assets	0.7%
Unrealized Capital Gains	-1,111,702

Premium Growth

2009 Total Premium Income	8,579,269
1-Year Growth	9.2%
3-Year Compound Growth	-5.9%
2009 Ordinary Life Premium	1,252,947
1-Year Growth	-35.2%
3-Year Compound Growth	-11.4%

Profitability

Return on Assets	0.8%
Return on Equity	20.1%
2009 Lapse Ratio	11.5%
3-Year Average Lapse Ratio	8.0%
Net Investment Income	674,413
Required Interest	1,410,266
Interest Margin	-52.2%
Ordinary Life Expenses/Premiums	10.0%
General Expenses/Total Income	5.8%
Commissions & General Expenses/Total Income	11.2%

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Analysis of Face Amount of Insurance

Total Insurance In Force	214,883,625
Ordinary Life	100.0%
Group Life	0.0%
Other	0.0%
 Total Reinsurance Ceded	 153,407,473
% of In Force Ceded	
Ordinary Life	71.4%
Group Life	55.4%
Other	0.0%
 Ordinary Life Policies In Force	 469,546
Average Policy Size (in dollars)	457,602
Ordinary Life Policies Issued in 2009	14,447
Average Policy Size (in dollars)	1,259,166

Analysis by Line of Business

Net Premiums Written	8,579,269
Individual	
Life	14.6%
Annuities	72.0%
Health	0.0%
Group	
Life	0.0%
Annuities	13.4%
Health	0.0%
Credit Life & Health	0.0%
Other Lines	0.0%
 Net Earnings from Operations	 629,010
Individual	
Life	23.1%
Annuities	118.2%
Health	0.0%
Group	
Life	0.0%
Annuities	-3.4%
Health	0.0%
Credit Life & Health	0.0%
Other Lines	-37.9%

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