

Pacific Life

2010 Annual Report



The Pacific Life Experience



PACIFIC MUTUAL

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PACIFIC MUTUAL HOLDING COMPANY Pacific Mutual Holding Company (Pacific Mutual) is the parent company of Pacific LifeCorp, which is the parent company of Pacific Life Insurance Company. Policyholders and contract holders of Pacific Life Insurance Company are members of Pacific Mutual and, as such, are able to attend an annual meeting of Pacific Mutual and to elect its board of directors. Through its direct and indirect subsidiaries, Pacific Mutual is engaged in a wide variety of insurance, financial services, and other investment-related businesses.



PACIFIC LIFE

PACIFIC LIFE INSURANCE COMPANY Offering insurance since 1868, Pacific Life¹ provides a wide range of life insurance products, annuities, and mutual funds, and offers a variety of investment products and services to individuals, businesses, and pension plans. Pacific Life also counts more than half of the 100 largest U.S. companies as its clients.²



PACIFIC LIFE & ANNUITY COMPANY

PACIFIC LIFE & ANNUITY COMPANY Pacific Life & Annuity Company offers a wide range of products, including life insurance, annuities, structured settlement annuities, and other investment products and services for individuals and businesses.

For current ratings, visit us online at www.PacificLife.com/ratings and www.PacificLifeandAnnuity.com/ratings.

Pacific Life Insurance Company, a subsidiary of Pacific Mutual Holding Company, is licensed in all states except New York. In New York, individual life insurance and annuity products are available through Pacific Life & Annuity Company, a subsidiary of Pacific Life Insurance Company.

Product availability and features vary by state. Insurance product and rider guarantees are backed by the financial strength and claims-paying ability of the issuing company and do not protect the value of the variable investment options. Each company is solely responsible for the financial obligations accruing under the policies it issues.

Variable products are issued by Pacific Life Insurance Company and Pacific Life & Annuity Company. These products and mutual funds are distributed by **Pacific Select Distributors, Inc.** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company and an affiliate of Pacific Life & Annuity Company, and are available through licensed third-party broker-dealers.

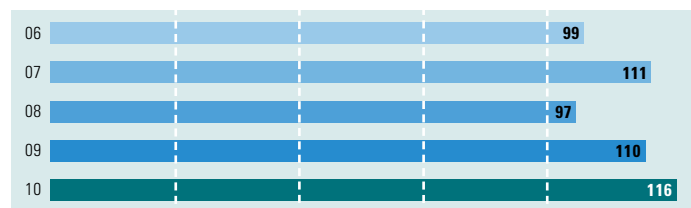
1 "Pacific Life" refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company.
2 Client count as of April 2010 is compiled by Pacific Life using the 2010 FORTUNE 500® list.



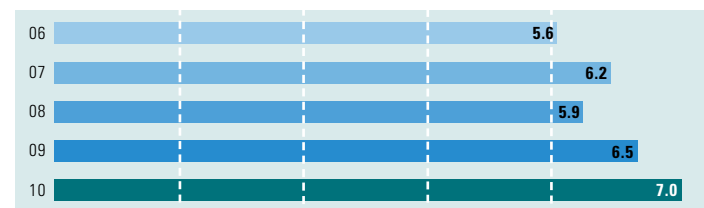
Pacific Mutual Holding Company 2010 Financial Summary

DOLLARS IN MILLIONS	December 31,	2010	2009	% Change
Company Assets		\$ 115,992	\$ 109,954	5%
Policyholder & Other Liabilities		\$ 108,448	\$ 103,575	5%
Equity ¹		\$ 7,017	\$ 6,537	7%
Operating Revenues ²		\$ 5,800	\$ 5,359	8%
Operating Income ³		\$ 587	\$ 520	13%
Deposits ⁴		\$ 6,896	\$ 10,687	(35%)

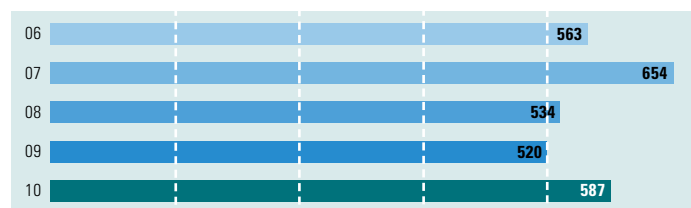
Company Assets IN BILLIONS OF DOLLARS



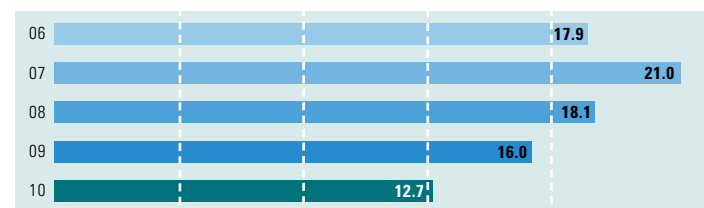
Equity IN BILLIONS OF DOLLARS



Operating Income IN MILLIONS OF DOLLARS



Deposits & Operating Revenues IN BILLIONS OF DOLLARS



1 Excludes accumulated other comprehensive income/loss and noncontrolling interest.

2 Excludes net realized investment gains/losses and other than temporary impairments.

3 Excludes net realized investment gains/losses, other than temporary impairments, and discontinued operations, net of taxes.

4 Includes receipts from the following liabilities: universal life contracts, fixed and variable annuities, funding agreements, guaranteed interest contracts, and other deposits.

To Our Policyholders and Clients

*W*hile many financial institutions have faltered in recent years, Pacific Life remains an industry leader anchored by its strength and stability. Our competitive advantages range from our diverse array of products to our services that respond to the individual needs of our clients. These advantages are all created and produced by our dedicated employees. We call it *The Pacific Life Experience*: our promise to make every encounter with us an exceptional one.

We fulfill this promise by focusing on how to best accomplish the goals of our customers. We conduct business with the highest standards of integrity, and as a mutual company with no publicly traded stock, we make decisions based on what is best for our policyholders, unhindered by a need to maximize returns for shareholders.

As you know, a promise is only as good as the people who stand behind it. This is why, at Pacific Life, we choose to do business through the industry's most professional sales organizations and why we focus on attracting and retaining top talent. Our employees are passionate about our business and believe in what we do. This translates into the exceptional service that has helped us deliver security and peace of mind to millions of customers for 143 years.

As you read through the pages of this report, you will see that *The Pacific Life Experience* means something different to everyone. While each story is unique, we hope you recognize a common thread: when customers choose Pacific Life, they choose a company they can trust and people who truly care about them and their financial futures.

2010 FINANCIAL REVIEW The year 2010 was a very successful one for our company. Given the current economic climate and the desire of customers to focus on financial security, we broadened the array of life insurance, annuity, and mutual fund products we offer, while maintaining our conservative investment and financial profile. Our focus on doing a few things very well produced solid results once again.

In 2010, our net income improved to \$480 million, an 11 percent increase over the prior year. All areas of the company, including the insurance and annuity businesses, the investment management and real estate areas, and our subsidiaries, contributed significantly to these results. Company assets grew to \$116 billion as we continued to provide value to existing and new clients. Company equity, the value of the company based on GAAP,

reached the \$7 billion mark, the highest level in the company's history. Additionally, the regulatory capital level in our flagship, Pacific Life Insurance Company, grew 19 percent to its highest level ever at \$6.1 billion.

Our Life Insurance Division had a very strong operating year in spite of a volatile economic and sales environment. We are proud to be one of the top four¹ companies in the industry in sales by independent advisors of current assumption universal life, indexed universal life, and variable universal life products, each of which provides a combination of protection, certainty, and performance.

Our Retirement Solutions Division produced a solid bottom line and continued remarkable progress toward broadening its array of retirement offerings. While just two years ago, sales through this division were highly concentrated in the variable annuity product line, we now also achieve significant sales in fixed annuities. We had our best year ever in sales of mutual funds, where assets under management exceeded \$2 billion.

The results of the Life Insurance Division and the Retirement Solutions Division were considerably improved by the attractive yields and net returns delivered by our investment management professionals. We achieved significant gains in the diversified portfolio of assets managed within our Investment Management area. And for the fifth consecutive year, our mortgage loan portfolio, which is managed by the Real Estate Division, had no losses—a remarkable record in any environment, but especially during these turbulent economic conditions.

2010 Highlights

- Total consolidated assets of Pacific Mutual Holding Company reached \$116 billion, up 5 percent from 2009.
- Equity of Pacific Mutual Holding Company reached \$7.0 billion, compared with \$6.5 billion from the previous year.
- Life Insurance Division sales were \$232 million, compared with \$282 million in 2009.
- Retirement Solutions Division sales were \$5.4 billion, compared with \$8.0 billion in 2009.
- Revenues in Aviation Capital Group were \$648 million, compared with \$592 million in 2009.
- Generated earned premium income of \$232 million in our Pacific Life Re subsidiary.

¹ LIMRA International, 2010 Confidential Sales Survey of Participating Life Insurance Companies. Sales rankings for Pacific Life Insurance Company are based on planned recurring premium as measured against 83 participating companies. Percentage increases are based on recurring premium vs. 2009 year-end results.

We're proud that our subsidiaries also achieved excellent results. Aviation Capital Group and Pacific Life Re both have customer bases that are almost entirely global, providing our company with participation in the growth that exists in international markets. These companies help make us a stronger financial company by providing attractive earnings and diversification.

Aviation Capital Group is one of the premier aircraft lessors in the world and has consistently produced bottom-line increases year after year. Its earnings in 2010 were an impressive 40 percent increase over 2009.

Pacific Life Re, an international reinsurance company, once again delivered results that exceeded its very successful prior year by more than 17 percent. We are proud of the innovative and customized life reinsurance solutions that Pacific Life Re provides to its clients.

A C K N O W L E D G E M E N T S A longtime member of the board of directors, Jim Ukropina, retired in 2010 following 21 years of service, the last four as lead director. Jim is currently the chief executive officer of Directions, LLC, after a career that included roles as chairman and chief executive officer of a public company and as a partner at a prestigious



Pacific Life Management Committee (from left to right): **Michael A. Bell**, Executive Vice President, Life Insurance Division; **Sharon A. Cheever**, Senior Vice President and General Counsel; **Michael S. Robb, CRF, CRA**, Executive Vice President, Real Estate Division; **Mary Ann Brown, FSA**, Executive Vice President, Corporate Development, Risk Management and Technology; **James T. Morris, FSA**, Chairman, President and Chief Executive Officer; **Khanh T. Tran**, Executive Vice President, Chief Financial Officer and Chief Investment Officer; **Dewey P. Bushaw**, Executive Vice President, Retirement Solutions Division; **Carol R. Sudbeck**, Senior Vice President, Human Resources and Facilities; **Robert G. Haskell**, Senior Vice President, Brand Management and Public Affairs

law firm. During his tenure on our board, he provided valuable insights through some remarkable periods of change and growth. We thank him for his wisdom and dedication.

Jacqueline Morby also retired from the board of directors in 2010 after 14 years of service. Jacqui is now a senior advisor of TA Associates after semiretiring from her 25-year career at the private equity firm. Her extensive business expertise, calm presence, and sound judgment helped make us a better company. We thank her for her guidance and contributions.

Julia Gouw was elected to the boards of Pacific Mutual Holding Company and Pacific LifeCorp in early 2011. As the president and chief operating officer of East West Bank, Julia brings a breadth of knowledge and experience to our boards. We look forward to her input on important business matters.

In late 2010, Mark Holmlund, executive vice president, Investment Management, left the company. Mark made significant contributions during his 17 years with us. He took an interest in people and was instrumental in the development of many Pacific Life employees. We are grateful to Mark and thank him for his years of service.

Audrey Milfs, vice president, retired after 38 years with the company, the last 27 serving as corporate secretary. Audrey was a very dedicated employee and demonstrated the highest of standards in all of her work. We thank her for her exemplary service to our company and our boards.

LOOKING FORWARD Financial security and certainty remain of paramount importance to clients today. At the same time, people are seeking to participate in the growth potential provided by improving economic conditions. Our products and services provide an array of choices for individuals and businesses and are well-positioned to accomplish these often conflicting goals. We thank you for your confidence in Pacific Life. Our goal is to make the experience you have with us a rewarding one.

James T. Morris
Chairman, President and Chief Executive Officer

Life Insurance Division

*W*e work with financial and insurance professionals to give families and businesses the life insurance coverage needed to help meet important financial protection, wealth accumulation, and wealth preservation goals. The financial future of our customers is important to us and we will continue to provide the diverse products, financial security, and outstanding service that have made us a trusted name in life insurance.

T H E P A C I F I C L I F E E X P E R I E N C E



When Pacific Life policyholder Steve S. was first diagnosed with stage IV lung cancer three years ago, he wondered how his family might be affected financially. A call to his life insurance professional soon provided some relief. Steve's term policy had an Accelerated Living Benefit Rider,¹ which, because of his terminally ill condition, enabled him to access a

portion of the death benefit.² He wasted little time putting the lump-sum payment he received from Pacific Life to good use.

"It gave us financial relief," says Steve, who is beating the odds for survival and recently celebrated his 66th birthday. "We travelled to see family and friends. It gave us the freedom to enjoy some activities that we would not

T H E P A C I F I C L I F E E X P E R I E N C E



When insurance professional Gregory H. Liss first heard from Steve S. regarding his lung cancer diagnosis, Greg immediately went to work to review his client's term life insurance policy.

A principal at Valley Forge Financial Group in King of Prussia, Pennsylvania, Greg confirmed that Steve had the Accelerated Living Benefit Rider and could receive a lump-sum payment from Pacific Life.

"At first, Steve was very quiet when I told him," Greg recalls. "I think he was a bit shocked that he and his family were going to be able to have some financial security—and right away too. He was able to enjoy more time with his family and friends during this challenging point in their lives."

Greg believes that Pacific Life's fast response to policyholders such as Steve is among the carrier's top

Senior Management

Michael A. Bell

Executive Vice President

Martha Gates, ACS

Senior Vice President
Operations

Richard J. Schindler, CLU, FLMI

Senior Vice President and
Chief Marketing Officer

Dawn M. Trautman

Senior Vice President
Information Technology and
Strategic Planning



otherwise have been able to do. It has taken away financial stress in the short term, and that has been very helpful. Our heartfelt thanks to Pacific Life for being there when needed.”

A resident of Coral Gables, Florida, Steve and his wife have children and grandchildren who will carry on his family’s legacy.

When considering the benefits of life insurance, Steve

has a philosophical take on it: “Life insurance is peace of mind only if you believe your insurance company will perform. The speed with which Pacific Life responded comforted both of us. When I die, my wife can depend on Pacific Life to come through.”

¹ Rider Form #R92-ABR. Rider is not available on term products in PA. In WA, the rider allows accelerated payments if life expectancy is 24 months or less.

² Benefits are subject to state requirements, may be subject to taxation, and may impact Medicaid benefits.

attributes. He also welcomes the way Pacific Life treats its insurance professionals.

“We are treated very fairly, very honestly by Pacific Life,” Greg says. “There’s a strong attention to detail in working with the company and its employees, especially in response time, communication, and compassion with our clients. Pacific Life cares about the people who represent their products.”

In addition to his own experience, Greg says he consistently hears this type of feedback in the field. “Even though I am one of many insurance professionals contracted with Pacific Life,” he surmises, “I feel as if I am a priority, as if I am being treated special.”³

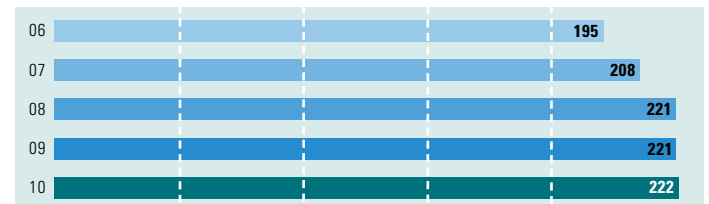
³ Gregory H. Liss’s testimonial about his experience with Pacific Life may not be representative of the experience of other clients and is no guarantee of future performance or success.

Life Insurance Division

DOLLARS IN MILLIONS	December 31,	2010	2009
Assets		\$ 30,341	\$ 28,646
Operating Revenues ⁴		\$ 2,011	\$ 2,007

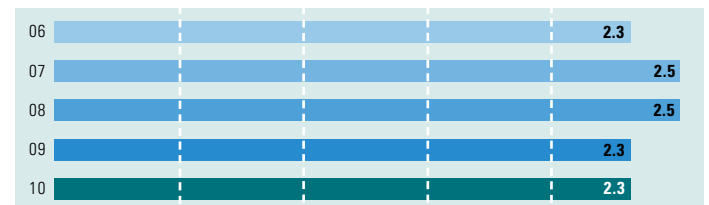
Individual Life Insurance in Force

Life Insurance Division IN BILLIONS OF DOLLARS



Direct Premium⁵

Life Insurance Division IN BILLIONS OF DOLLARS



Principal Products

Universal life
Variable universal life
Indexed universal life
Interest-sensitive whole life
Joint and last survivor life
Term life

Distribution Systems

Divisional sales and regional offices – 32
M Financial Group offices – 128
Marketing organizations – 15
Broker-dealer firms – 823
Regional wirehouses – 46
National wirehouses – 4
Financial institutions – 84

Primary Markets

Individuals
Small businesses
Corporations

⁴ Excludes net realized investment gains/losses and other than temporary impairments.

⁵ Statutory basis.

Retirement Solutions Division

Our strategy is to leverage our strengths in product development, technology, service, and risk management to create retirement solutions for individuals, families, and businesses. With the guidance of financial professionals, our customers have access to an array of annuities and mutual funds designed to help grow assets and to provide retirement income for financial independence.

T H E P A C I F I C L I F E E X P E R I E N C E



Ray Noel

Denise R. and her husband Andrew R. were thrilled when he was offered an early retirement package from his employer of 35 years. “He never thought that at age 53 he would be financially secure enough to retire, but after working on a detailed financial plan with our private wealth advisor, Ray Noel of LPL Financial, we decided to accept the offer, which

included taking all of Andrew’s pension benefits in a lump sum,” explained Denise.

The comprehensive investment plan that Ray presented to the couple included the use of a variable annuity from Pacific Life. He carefully explained the reasons for his recommendation, the benefits provided under such a contract, and the strength of Pacific Life and its ability to

T H E P A C I F I C L I F E E X P E R I E N C E



Rick Tonkinson

For more than 20 years, financial advisor Rick Tonkinson has been helping his clients improve their lives. By not requiring account minimums, Rick has built an impressive client base of hardworking families. To successfully serve their diverse needs, Rick concentrates on helping his clients achieve financial security through practical and comprehensive

personalized financial plans. He says Pacific Life plays an important role in helping him accomplish this.

“Pacific Life helps me guide my clients through all aspects of their lives—from early retirement, job loss, divorce and disasters, to sickness, and even death. Their diverse mix of financial products gives me the opportunity to select the right solution for each individual.”

Senior Management

Dewey P. Bushaw

Executive Vice President

Adrian S. Griggs

Senior Vice President
Finance and Risk Management

Philip A. Teeter

Senior Vice President
Technology and Operations

Chris van Mierlo

Senior Vice President, Sales and
Chief Marketing Officer



make good on product guarantees.¹

Denise never imagined having to count on those guarantees so soon. “Andrew unexpectedly passed away in early 2009 at the age of 55. When Denise met with Ray to discuss her financial future, the only thing she could think of was that the markets had been down since 2008 and that her balances were

showing the results of the decline. “Ray explained that the death benefit provided an amount that was unaffected by market losses,” remembers Denise. “My sense of relief was overwhelming. I’m forever grateful for his recommendation of this product and remain a client to this day.”

¹ Guarantees are backed by the financial strength and claims-paying ability of the issuing company.

Rick says *The Pacific Life Experience* is outstanding. “Pacific Life employees are reliable, loyal, smart, and honest. This goes a long way when I’m selling guarantees that will help protect my clients’ retirement. I can’t work with people or companies I don’t trust. I also appreciate that Pacific Life communicates clearly about the company’s direction and

its focus on long-term goals and financial strength.”

Rick says he appreciates the uniform experience with everyone from customer service to the field and internal wholesalers. “I’d say that my most successful venture with Pacific Life is the relationship itself.”²

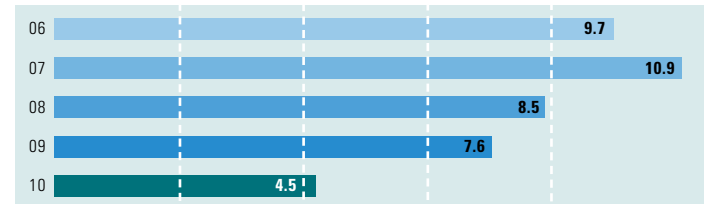
² Rick Tonkinson’s testimonial about his experience with Pacific Life may not be representative of the experience of other clients and is no guarantee of future performance or success.

Retirement Solutions Division

DOLLARS IN MILLIONS	December 31, 2010	2009
Assets	\$ 67,415	\$ 63,277
Operating Revenues ³	\$ 2,378	\$ 2,121

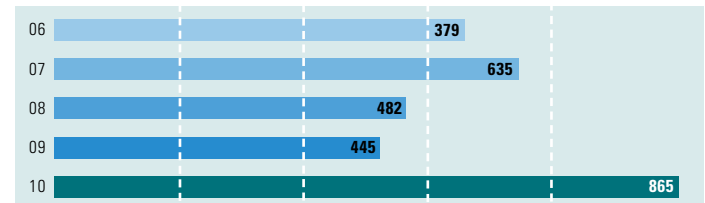
Annuity Sales

Retirement Solutions Division IN BILLIONS OF DOLLARS



Mutual Fund Sales

Retirement Solutions Division IN MILLIONS OF DOLLARS



Principal Products

Fixed annuities
Variable annuities
Mutual funds
Small business 401(k) programs
Individual(k) programs
Structured settlement annuities
Single premium group annuity contracts

Distribution Systems

Broker-dealer firms – 823
Regional wirehouses – 46
National wirehouses – 4
Financial institutions – 84
Structured settlement brokers – 528

Primary Markets

Individuals
Small businesses
Retirement plans

³ Excludes net realized investment gains/losses and other than temporary impairments.

Aviation Capital Group

Aviation Capital Group (ACG), a wholly owned subsidiary of Pacific Life, is engaged in the acquisition and leasing of new narrow-body commercial jet aircraft to airlines around the world. Our owned or managed portfolios include 240 aircraft leased to 97 airline customers in 38 countries. We also provide fee-based aircraft asset management services to third-party investors, and investment opportunities for institutions in the global aviation industry. We are one of the top-tier aircraft operating leasing companies in the world.

T H E P A C I F I C L I F E E X P E R I E N C E



Recently, a startup airline needed two aircraft to fulfill an important contract for transporting passengers and freight for a large international oil and gas company. Despite exploring numerous avenues, it could not find the funding it needed to acquire the aircraft and was

in jeopardy of losing the contract. That's when the startup airline contacted ACG for assistance.

"ACG reviewed our operating plan and requirements and made suggestions on which type of aircraft would be most suitable," said Mike C.,

T H E P A C I F I C L I F E E X P E R I E N C E



One of ACG's longstanding international airline customers decided to purchase a failing freight airline to enter the lucrative interregional freight market. However, the failing freight airline had recently entered bankruptcy proceedings. As such, this was a significant and complicated undertaking.

"Because the freight airline did not have access to capital,

we had to complete the disposition from bankruptcy," explained G.E., owner and CEO of the international airline. The company then completed a management agreement and airline purchase option with the bankrupt company's estate. "In addition, they had no available freight aircraft in their existing fleet suitable



Senior Management

R. Stephen Hannahs

Group Managing Director and
Chief Executive Officer

CEO of the startup airline. “While they didn’t have aircraft in their portfolio that met our requirements, they offered to assist us.”

The ACG Portfolio Management team identified two suitable aircraft with another airline operator that had excess capacity. ACG

negotiated the purchase of the two aircraft and made the necessary technical changes so the aircraft could be profitably operated. “ACG then leased us the aircraft, which allowed us to provide the contracted service to our client,” said Mike C.

for our operations, and the freight airline’s bankruptcy filing made it very difficult to access the needed aircraft.”

After extensive review of the rehabilitation plan, which included a comprehensive review of the restructured company, and upon completion of the sale of the freight airline, ACG committed three aircraft from its

portfolio for lease to the newly rehabilitated freight airline.

“ACG negotiated the conversion contract, managed the conversion process, and delivered aircraft that met our needs,” said G.E. “Because of our partnership with ACG, we have now commenced freight operations and are looking to expand throughout our region.”

Aviation Capital Group

DOLLARS IN MILLIONS	December 31,	2010	2009
Assets		\$ 6,893	\$ 6,091
Operating Revenues ¹		\$ 648	\$ 592

ACG was awarded the prestigious Airfinance Journal’s 2010 North American Deal of the Year award for the strong execution of ACG’s \$600 million Rule 144a 10-year bond issuance. This award is presented annually to a company for extraordinary accomplishments in aviation finance.

Principal Products and Services

Commercial jet aircraft for lease to airlines worldwide

Aircraft asset management for third-party financial institutions

Aircraft and aviation-related joint venture investments

Commercial aircraft jet trading

Distribution System

In-house marketing and technical team provides global coverage for all aspects of our business

Primary Markets

Commercial airlines

Aircraft manufacturers

Financial institutions

Other aircraft and aviation-related companies

¹ Excludes net realized investment gains/losses.

Pacific Life Re

A wholly owned subsidiary of Pacific LifeCorp, Pacific Life Re is a specialist life reinsurer. Headquartered in London, we also have a branch office in Singapore and a representative office in Tokyo. We specialize in risk and capital management of life assurance, critical illness, income protection, and longevity business, offering a comprehensive range of reinsurance products and services to insurance companies in the United Kingdom, Ireland, and selected markets in Asia.

T H E P A C I F I C L I F E E X P E R I E N C E



Brian Grimes

Traditionally, many U.K. employers have operated in-house retirement plans, enabling employees to accumulate guaranteed pensions based on years of service and final salary. Increasing life expectancy and lower investment returns have resulted in employers choosing alternative arrangements. However, this leaves large accrued liabilities on their balance sheets and, increasingly, companies are seeking

insurance to help manage this financial uncertainty.

Pacific Life Re has become a market leader in longevity reinsurance and has worked with Rothesay Life, a U.K. subsidiary of Goldman Sachs Group, on several transactions, including one of the largest and most sophisticated yet undertaken in the U.K. market. Addy Loudiadis, Chief Executive Officer of Rothesay Life, commented, “We value the

T H E P A C I F I C L I F E E X P E R I E N C E



Khun Sara Lamsam

Insurers in Asia frequently turn to their reinsurers for services that will help them better manage their business. This is often a key motivator when purchasing reinsurance. Two of the most valued services are experience analysis and product development support. Through experience analysis, Pacific Life Re offers its clients an independent view of their

claims experience, thus providing them with more in-depth understanding of their business’s performance. Through product development support, Pacific Life Re helps to create opportunities that enable its clients to grow their businesses.

Muang Thai Life Assurance Company Limited was one of Pacific Life Re’s first clients in Asia, and they have expressed



Senior Management

David R. Howell, FSA
Chief Executive Officer

Duncan L. Hayward, ACA
Chief Financial Officer

ongoing association with Pacific Life Re highly and this transaction is a further example of how we can work together successfully to complete an important milestone transaction for the industry.”

Insurers in the U.K. and Ireland are also seeking to improve their income protection products, which provide insurance against being unable to work due to long-term illness. Pacific Life Re worked closely

with Bank of Ireland Life to help them develop a new income protection product that offers their customers easier access and greater certainty. Brian Grimes, Head of Protection Business at Bank of Ireland Life, said the team at Pacific Life Re was fantastic. “At all stages they were innovative, flexible, and engaging. They took the time to understand our goals and channelled their skills to help us achieve them.”

appreciation both for the insight provided through experience analysis and for product development support. The multiple critical illness product developed in 2010 has established them as a pre-eminent provider in the Thai life insurance market.

Khun Sara Lamsam, President of Muang Thai Life Assurance, says Pacific Life Re

has been working with them to develop new products since 2007. “Last year, we jointly developed a multiple critical illness product that pays out up to four times the sum insured, providing policyholders with protection against multiple critical illnesses. Pacific Life Re helped us grow our business through their product development capability.”

Pacific Life Re

DOLLARS IN MILLIONS	December 31,	2010	2009
Assets		\$ 668	\$ 570
Operating Revenues ¹		\$ 252	\$ 171

Client Focus: Pacific Life Re participates in the NMG Consulting Life & Health Reinsurance Programme survey, which provides an objective assessment of the performance of life reinsurers. The 2010 survey involved 100 in-depth interviews with 39 companies.

Pacific Life Re received first-place rankings in the subcategories of relationship management, terms of engagement, and responsiveness.

Principal Products and Services

Reinsurance of life, critical illness, and income protection business

Reinsurance of annuity and longevity risk

Associated reinsurance services and technical support

Distribution System

In-house marketing to insurance companies

Primary Markets

United Kingdom

Ireland

Selected markets in Asia

¹ Excludes net realized investment gains/losses.

College Savings Bank

College Savings Bank, a wholly owned subsidiary of Pacific LifeCorp, is a New Jersey-chartered savings bank and member of the FDIC. Our primary products are certificates of deposit (CDs) designed to help families save for future college costs through accounts eligible under section 529 of the Internal Revenue Code,¹ Coverdell Education Savings accounts, and IRAs. Each product has a principal-protection focus. Deposits with College Savings Bank are insured by the FDIC.²

Senior Management

Gilbert S. Johnson
President and
Chief Executive Officer

Daniel J. Davenport
Chief Marketing Officer

Cheyenne Li
Chief Financial Officer and
Chief Compliance Officer

2010 Highlights

- Entered into a 5-year contract with the Indiana Education Savings Authority to provide management services to its CollegeChoice CD 529 Savings Plan.
- Extended our contract with the Montana Board of Regents through May 2013 to continue to be the sole provider of the 529 plan management services for the Montana Family Education Savings Program (MFESP).
- Launched the MFESP Investment Plan featuring a lineup of investments using mutual funds from The Vanguard Group.
- Increased online deposits by 280 percent and online account origination deposits by 500 percent compared with 2009.

Principal Products and Services

529 college savings plans
Variable- and fixed-rate
certificates of deposit

Distribution Systems

In-house marketing, sales,
and service teams
National broker-dealers
Financial planners
Employers
Not-for-profit organizations
Trade associations
Retail financial institutions

Primary Market

Individuals

¹ The 529 plans are approved and issued by the applicable state and are offered by state-sponsored vehicles. The program, the principal, and the returns of the 529 plans are not insured by the states or by Pacific LifeCorp or any of its affiliates.

² Up to \$250,000 for each depositor, subject to FDIC regulations.

Investment Management

Our securities investments provide attractive risk-adjusted returns that support our Life Insurance and Retirement Solutions divisions and other businesses. We have demonstrated expertise in investment-grade and high-yield public bonds, private placements, and residential mortgage-backed securities.

Senior Management

Tod Nasser
Senior Vice President
Portfolio Management

2010 Highlights

- Made new investments of \$5.4 billion with continued emphasis on credit quality and highly competitive yields.
- Maintained a high-quality, well-diversified portfolio of \$28.9 billion in fixed maturity securities, which provides our operating divisions with the competitive advantage of attractive crediting rates.
- Preserved portfolio yields in the face of a declining rate environment without sacrificing credit quality.
- Our corporate bond portfolio has experienced losses well below industry average for the past four years.

Principal Investments and Services

Public corporate bonds
Private placements
Residential mortgage-backed securities
Hedging strategies



Real Estate Division

*W*e provide high-quality commercial real estate investments through direct mortgage loan originations, commercial mortgage-backed securities (CMBS), and real estate investment trust (REIT) debt purchases. Clients are offered speed, certainty of execution, and flexibility, along with competitive fixed and variable rates, on both construction and permanent mortgage financing. Direct property development and ownership, as well as partnership and fund investments, round out the equity portfolio. Additionally, we offer primary and special servicing to third-party CMBS and private investors.

Senior Management

Michael S. Robb, CRF, CRA
Executive Vice President

2010 Highlights

- Originated \$2.1 billion of new commercial mortgage loan and real estate securities investments at very favorable spreads.
- Continued strong commercial mortgage portfolio performance with no losses for the fifth consecutive year.
- Experienced very strong performance in CMBS and REIT portfolios, with 97 percent of CMBS and REIT debt holdings rated investment-grade.
- Retained Standard & Poor's highest primary servicing rating of "Strong" and Fitch's high rating of "Commercial Primary Servicer 1."



Principal Investments and Services

Fixed- and variable-rate construction and permanent mortgage loans
Commercial mortgage-backed securities
REIT debt
Real estate properties and funds
Commercial mortgage primary and special servicing

Distribution Systems

Home office staff
Regional field office system
Mortgage bankers and brokers
Investment and commercial bankers

Pacific Asset Management

*P*acific Asset Management¹ specializes in institutional fixed income asset management. Our investment team manages floating-rate loans, high-yield bonds, investment-grade bonds, and short-term securities. We offer portfolio management services with a focus and expertise in credit research. We provide our clients the ability to invest with an entrepreneurial investment group focused on fundamental analysis and supported by the scale and infrastructure of Pacific Life.

Senior Management

Rex A. Olson, CFA
Senior Managing Director

2010 Highlights

- Managed \$2.5 billion in assets under management as of December 31, 2010.
- Outperformed industry benchmark in each investment strategy.²
- Managed four distinct investment strategies covering the spectrum of corporate credit:
 - Cash management
 - Investment-grade credit
 - High-yield bonds
 - Leveraged loans
- Launched our fifth investment strategy, Core Plus, on December 31, 2010.

Principal Products and Services

Institutional separate accounts
Subadvisory investment management services
Cash management

Distribution System

In-house marketing team

Primary Markets

Government pension plans
Corporations
Foundations and endowments
Taft-Hartley pension plans
Investment consultants

¹ Pacific Asset Management (PAM) is a division of Pacific Life Fund Advisors LLC, an SEC registered investment advisor and wholly owned subsidiary of Pacific Life Insurance Company (PLIC). Investment professionals at PAM also have investment responsibilities at PLIC and manage assets within PLIC as well as within PAM.

² Performance versus the applicable industry benchmark index was measured before the deduction of any fees and expenses.



Investment Review



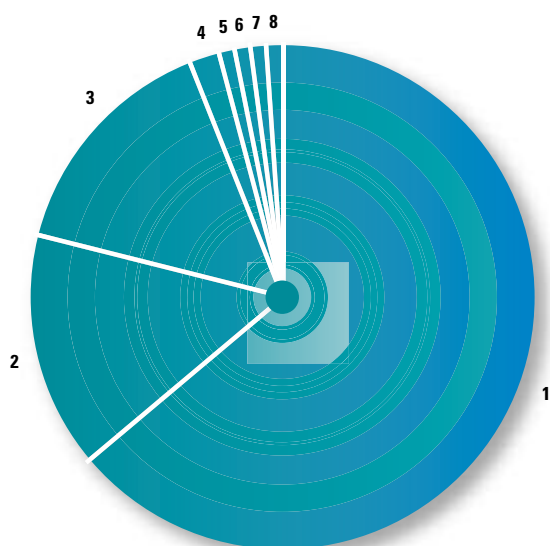
Distribution of Investments

To maintain the quality of Pacific Life's underlying assets, we primarily invest in high-quality securities and commercial mortgage loans, and we closely monitor these investments. Pacific Life has a seasoned management team with experience in both positive and negative markets.

Distribution of Investments

December 31, 2010 DOLLARS IN MILLIONS

1	Fixed Maturity Securities	\$ 28,911	64%
2	Mortgage Loans	6,693	15
3	Policy Loans	6,690	15
4	Private Equity	999	2
5	Real Estate	555	1
6	Other Investments	381	1
7	Equity Securities	355	1
8	Trading Securities	349	1
		\$ 44,933	100%



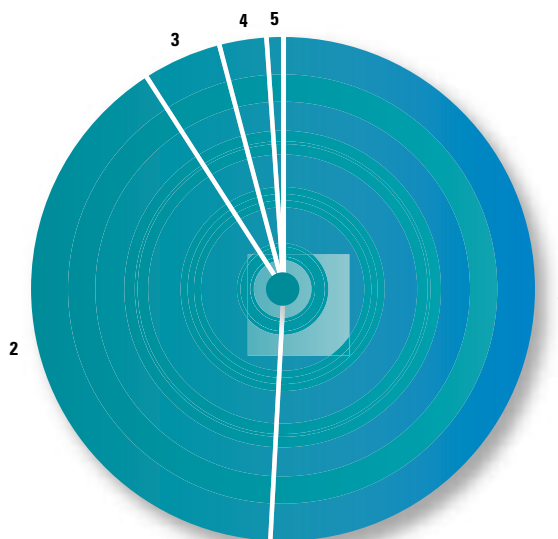
Quality of Investments

FIXED MATURITY SECURITIES The Securities Valuation Office of the National Association of Insurance Commissioners (NAIC) assigns quality ratings to fixed maturity securities held by insurance companies. Using the NAIC's designations for investment-grade fixed maturity securities (NAIC 1-2) and non-investment-grade fixed maturity securities (NAIC 3-6), Pacific Life's ratio of non-investment-grade fixed maturity securities to total investments was 6 percent at December 31, 2010.

Quality of Fixed Maturity Securities

December 31, 2010 DOLLARS IN MILLIONS

1	NAIC 1 - Highest Quality	\$ 14,870	51%
2	NAIC 2 - High Quality	11,557	40
<i>Investment-Grade</i>		26,427	91
3	NAIC 3 - Medium Quality	1,546	5
4	NAIC 4 - Low Quality	720	3
5	NAIC 5 - Lower Quality	174	1
6	NAIC 6 - In or Near Default	44	0
<i>Non-Investment-Grade</i>		2,484	9
		\$ 28,911	100%



Investment Review *continued*

MORTGAGE LOANS Pacific Life's mortgage loan portfolio continues to have excellent performance.

Quality of Mortgage Loans

December 31, 2010 DOLLARS IN MILLIONS

Performing Mortgage Loans	\$ 6,693
Non-Performing Mortgage Loans	0
	\$ 6,693

REAL ESTATE Pacific Life's exposure to real estate is minimal, representing 1 percent of total investments. As of December 31, 2010, the total value of all real estate owned and actively managed by Pacific Life was \$555 million. Pacific Life owns \$167 million in company-occupied properties.

Diversification of Investments

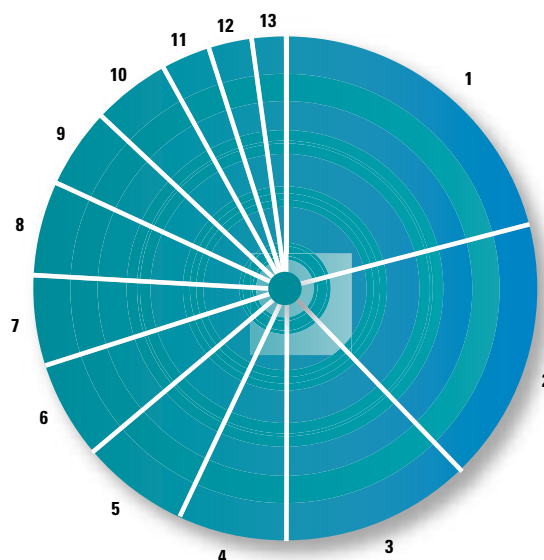
FIXED MATURITY SECURITIES Pacific Life has a diversified investment portfolio that limits exposure to any single industry, issuer, or asset type. As a result, the risk of adverse events with any one credit having a material negative impact on the portfolio is small. Exposure limits are reviewed on a regular basis and modified as necessary by the Management Investment and Credit Committee. The committee is composed of Pacific Life senior management whose responsibilities include reviewing and monitoring investments to reflect changing market and economic conditions.

Diversification of Fixed Maturity Securities

December 31, 2010 DOLLARS IN MILLIONS

1 Mortgage-Backed:		
Residential ¹	\$ 4,917	17%
Commercial	1,016	4
<i>Total Mortgage-Backed</i>	<i>5,933</i>	<i>21</i>
2 Utilities	4,866	17
3 Consumer Non-Cyclicals	3,364	12
4 Industrials	2,112	7
5 Energy	1,983	7
6 U.S. and Domestic Governments	1,869	6
7 Financials	1,769	6
8 Real Estate Investment Trusts	1,756	6
9 Telecommunications	1,724	6
10 Transportation	1,446	5
11 Consumer Cyclicals	777	3
12 Asset-Backed	667	2
13 Other	645	2
	\$ 28,911	100%

¹ Includes U.S. Government agency issues of \$1,246 million.

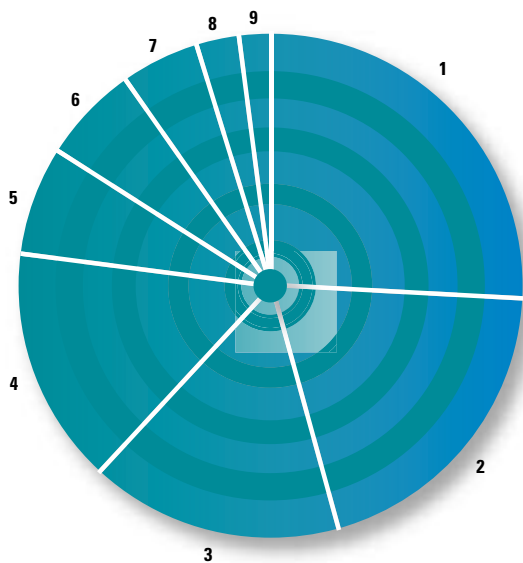


MORTGAGE LOANS AND REAL ESTATE BY PROPERTY TYPE Pacific Life’s mortgage loan and real estate emphasis is on properties in high “barrier to entry” locations and regions exhibiting strong demographic and economic trends.

Mortgage Loans and Real Estate by Property Type

December 31, 2010 DOLLARS IN MILLIONS

1	Office Buildings	\$ 1,854	26%
2	Apartments	1,468	20
3	Resorts	1,149	16
4	Hotels	1,107	15
5	Retail	474	7
6	Industrial	404	6
7	Golf Courses	386	5
8	Mixed Use	253	3
9	Mobile Home Communities	153	2
		\$ 7,248	100%

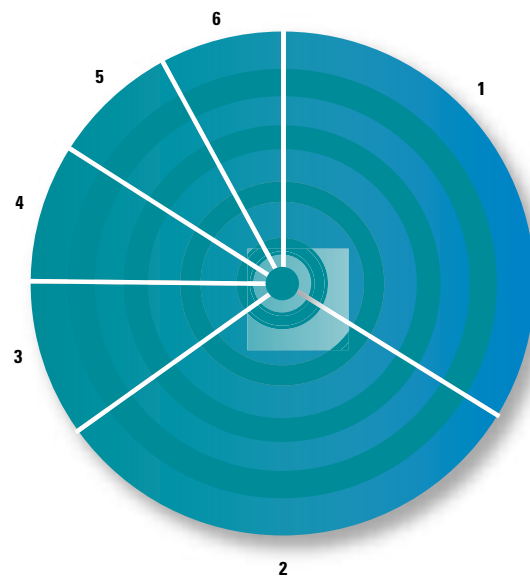


MORTGAGE LOANS AND REAL ESTATE BY GEOGRAPHIC REGION A major part of Pacific Life’s mortgage loan and real estate strategy is to focus on certain types of properties and to diversify holdings across different geographic regions. When looking at a particular region, high priority is given to the effects of demographic trends on the property types selected.

Mortgage Loans and Real Estate by Geographic Region

December 31, 2010 DOLLARS IN MILLIONS

1	Atlantic	\$ 2,481	34%
2	Pacific	2,231	31
3	North Central	697	10
4	South Central	625	9
5	Mountain	618	8
6	Other	596	8
		\$ 7,248	100%



Investment Review *continued*

Investment Performance

Through effective asset management, Pacific Life has consistently generated strong returns that have not been earned at the expense of asset quality. Pacific Life has continued to maintain below-industry-average exposure to non-investment corporate-grade bonds. By maintaining our disciplined approach to investing, even in tumultuous times, we have been able to add value and security for our clients.

Enterprise Risk Management

Our enterprisewide risk management framework defines objectives; establishes risk appetites, tolerances, and limits; and specifies practices for risk management. The framework provides oversight to risk management activities in the operating divisions, ensuring that a disciplined, consistent approach is applied to the practice of risk management. The risk management program is designed to avoid excessive risks that could endanger our survival. Additionally, it is designed to modify the risk profile to support sustainable earnings, encourage the taking of risks that are manageable, increase risk-adjusted returns, and provide transparency of risks in internal and external reporting. Our risk management policies provide a consistent approach to measurement, mitigation, control, and monitoring of risk exposures. Key risks managed via the risk management framework include interest rate risk, equity market risk, credit risk, mortality risk, and operational risk.

We have a dedicated enterprise risk management (ERM) group that is responsible for the aggregation and coordination of risk measurement and management on an enterprisewide basis. In addition, ERM provides securities and derivatives modeling and reporting, and develops strategies for risk and portfolio

management decisions, as well as product development. ERM works with our operating businesses to ensure comparability and compatibility of risk measurement results.

There is a formal risk management program in each business segment. This program includes a process that applies qualitative and quantitative analysis of the risk exposures, with appropriate reporting to senior management. The analysis is used to develop enterprisewide views of the most significant risks, which are reported to our boards of directors. There are also formal risk identification programs whereby each business segment annually identifies the current key risks that may affect its business. Exposures to these risks are assessed on a qualitative and quantitative basis. Risk control programs are documented, and action plans are established for mitigating the exposure. Management also identifies the key risks that may materially affect us as a whole. The key risks are monitored by senior management and reported to the boards of directors on an annual basis, or more frequently if necessary.

Asset/Liability Management

Asset/liability management is the process by which Pacific Life ensures that cash flows produced by its assets are sufficient to meet payments to clients and policyholders. Asset/liability management is an important tool used to increase returns and reduce earnings volatility.

The asset/liability management process is implemented by structuring specific asset portfolios that possess characteristics suitable for each principal line of business. Through the use of sophisticated modeling

techniques, we are able to project both asset and liability cash flows under a wide variety of scenarios and confirm that our portfolios are appropriately constructed. The results of this modeling process enable us to make strategic shifts in the portfolio to dynamically manage the risk and return profile.

We also use our asset/liability management to maintain satisfactory capital in a wide variety of economic environments. On a regular basis, various interest rate scenarios are examined to ensure that the value of capital is not materially affected by changes in interest rates or other factors.

The methods and procedures used in performing asset/liability management are discussed in detail with the major rating agencies during their review of our financial strength. The models are constructed with state-of-the-art commercial analytic applications, supplemented with internal proprietary processes. We continue to monitor developments in the field to maintain methods and systems that are leading-edge, thereby enabling our participation in strategic market opportunities.

Liquidity

Pacific Life's principal sources of funds come from new premiums, investment income, regular investment sales, maturities, and dividends or distributions from its subsidiaries. These funds are used primarily for payment of policyholder benefits, maturities of investment-type products, asset purchases, policy acquisition costs, income taxes, and operating expenses. Remaining funds not used as noted above are generally used to increase the capital base, meet the need for future policy benefit payments, and write new business.

Pacific Life closely monitors its liquidity profile. Pacific Life's principal source of liquidity to meet unexpected cash outflows is its portfolio of liquid assets, which include U.S. Treasury securities, short-term money market investments, and public bonds. These assets, with a market value of approximately \$21 billion, provide ample liquidity. As a matter of policy, Pacific Life includes provisions in many of its products that reduce the likelihood of withdrawal. A substantial portion of its liabilities is not subject to surrender, or can be surrendered only after deduction of a charge or market value adjustment. Additionally, Pacific Life maintains a \$700 million commercial paper program, a \$400 million revolving credit facility to meet working capital requirements, a secured line of credit with the Federal Home Loan Bank of Topeka for Pacific Life Insurance Company, and a \$750 million revolving credit facility for Pacific LifeCorp. Management believes that these sources of liquidity are more than adequate to meet Pacific Life's cash obligations.

Directors

Douglas D. Abbey ^{1,2}
Founder
AMB Property Corporation

Mariann Byerwalter ^{1,2}
Chairman
JDN Corporate Advisory LLC

Sharon A. Cheever ³
Senior Vice President and
General Counsel
Pacific Life Insurance Company

Dwight W. Decker ¹
Retired Chairman and
Chief Executive Officer
Conexant Systems, Inc.

John Gottschalk ¹
Chairman
Omaha World-Herald Company

Julia S. Gouw ^{1,2}
President and Chief Operating Officer
East West Bank

Jane M. Guon ³
Vice President and Secretary
Pacific Life Insurance Company

Lawrence F. Harr ³
Partner
Lamson, Dugan and Murray, LLP

James T. Morris ^{1,2,3}
Chairman, President and
Chief Executive Officer
Pacific Life Insurance Company

J. Fernando Niebla ²
Managing Partner
International Technology Partners, LLC

Susan Westerberg Prager ¹
Executive Director
Chief Executive Officer
Association of American Law Schools
Professor of Law and Dean, Emeritus
UCLA School of Law

J. Michael Shepherd ^{1,2}
Chairman and Chief Executive Officer
BancWest Corporation

Thomas C. Sutton ^{1,2}
Retired Chairman and
Chief Executive Officer
Pacific Life Insurance Company

William S. Thompson ²
Retired Chief Executive Officer
PIMCO

Khanh T. Tran ³
Executive Vice President,
Chief Financial Officer and
Chief Investment Officer
Pacific Life Insurance Company

Dean A. Yoost ²
Financial Advisor

¹ Director of Pacific Mutual Holding Company

² Director of Pacific LifeCorp

³ Director of Pacific Life Insurance Company

Corporate Senior Management

James T. Morris, FSA
Chairman, President and
Chief Executive Officer

Mary Ann Brown, FSA
Executive Vice President
Corporate Development,
Risk Management and Technology

Khanh T. Tran
Executive Vice President,
Chief Financial Officer and
Chief Investment Officer

Edward R. Byrd
Senior Vice President and
Chief Accounting Officer

Joseph E. Celentano
Senior Vice President
Enterprise Risk Management

Sharon A. Cheever
Senior Vice President and
General Counsel

Thomas Gibbons
Senior Vice President
Tax and Enterprise Consulting

Robert G. Haskell
Senior Vice President
Brand Management and Public Affairs

Denis P. Kalscheur
Senior Vice President and Treasurer

Henry M. McMillan, PhD, FSA
Senior Vice President and
Chief Risk Officer

Andrew Oleksiw
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To request a copy of the Pacific Mutual Holding Company condensed consolidated financial statements, please send an email to PublicAffairs@PacificLife.com or call (800) 800-7646, ext. 5002. The financial statements are also available on our website at www.PacificLife.com/financials.

