

2014

Pacific Mutual

Report to Members





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 of Pacific Life Insurance Company are members of Pacific Mutual and, as such, are invited 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 Insurance Company
Offering insurance since 1868, Pacific Life 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 counts more than half of the 100 largest U.S. companies as its clients.



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.

"Pacific Life" refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company. Client count as of June 2014 is compiled by Pacific Life using the 2014 FORTUNE 500® list. 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, LLC** (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. In order to sell life insurance products, a financial professional must be a properly licensed and appointed life insurance producer. For current ratings, visit us online at www.PacificLife.com/ratings.

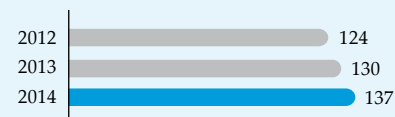
2014 Financial Summary

Pacific Mutual Holding Company

Dollars in Millions	December 31,	2014	2013	% Change
Company Assets		\$137,048	\$129,921	5%
Policyholder & Other Liabilities		\$126,817	\$120,948	5%
Equity¹		\$ 8,672	\$ 8,132	7%
Operating Revenues²		\$ 7,712	\$ 7,521	3%
Operating Income³		\$ 597	\$ 541	10%

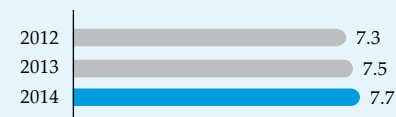
Company Assets

In Billions of Dollars



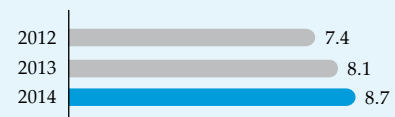
Operating Revenues

In Billions of Dollars



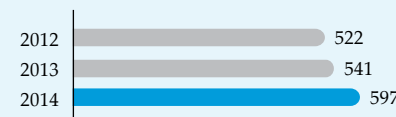
Equity

In Billions of Dollars



Operating Income

In Millions of Dollars



1 Excludes accumulated other comprehensive income and noncontrolling interest.

2 Excludes net realized investment gain (loss) (NRIGL) and other than temporary impairments (OTTI).

3 Excludes NRIGL (net of an estimate of related amortization of deferred policy acquisition costs (DAC) for variable annuity products), adjustments to variable annuity DAC resulting from true-ups, assumption unlockings and modeling refinements, OTTI, and discontinued operations, net of taxes.

Pacific Mutual Holding Company's 2014 audited GAAP consolidated financial statements are online at www.PacificLife.com/financials and at our online voting site, www.webvotedirect.com/pal. You may also request a paper copy of the financial statements by contacting us at AnnualMeeting@PacificMutual.com or at (800) 800-7646, ext. 3200.



OUR MISSION

We provide financial security through products and services that stand the test of time.

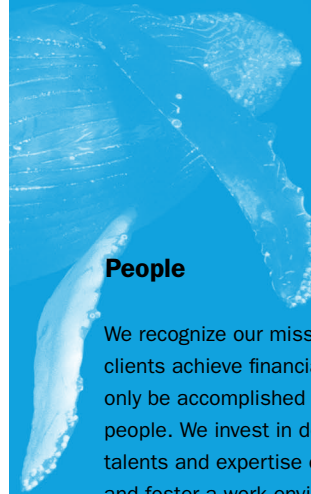
OUR VISION

To be the company of choice for clients who seek asset protection and growth.

OUR CORE VALUES

We live our core values each and every day. They define us and guide us.

Our Core Values



People

We recognize our mission of helping clients achieve financial security can only be accomplished through our people. We invest in developing the talents and expertise of our employees and foster a work environment that is challenging, inclusive, collaborative, and results-oriented.

Accountability

We hold ourselves accountable by honoring our commitments, taking personal responsibility for our actions, and focusing on solutions.

Customer Focus

We meet the needs of our clients by developing carefully designed products, services, and solutions, and treat each request from customers as an opportunity to meet or exceed their expectations.

Integrity

We do the right thing in all aspects of our business, demonstrating honesty, fairness, and respect.

Financial Strength

We believe financial strength is essential to fulfilling the needs of our clients. We manage our businesses with a long-term view, focusing on consistent growth, profitability, and effective capital management.

Innovation

We actively seek out opportunities for new products, services, and creative solutions. We believe that innovation requires rigorous analysis, open-mindedness, and a clear understanding of the needs of our clients.

Community

We are active in our communities through involvement, volunteerism, and charitable giving.

To Our Policyholders & Clients

In 2014, we remained firmly committed to our focus on long-term strategies, our financial strength, and making decisions that benefit our policyholders and clients. Today, Pacific Life operates in an industry that is going through significant change brought on by economic, demographic, and regulatory forces. Our approach to this change is to embrace it and be innovative in seeking new opportunities to grow our businesses. This approach has positioned us well to achieve our vision of being the company of choice for those who seek asset protection and growth.

At the core of this vision is building a relationship with and having an understanding of our customers — the financial professionals who sell our products and the individuals who purchase them. Our company's organization is designed to make decisions that are based on customer needs. Product development, customer service, and technology innovation teams are integrated within each of our divisions and subsidiaries, enabling faster feedback and implementation. I'm particularly proud that Pacific Life excels at developing innovative products and services that evolve with our customers' needs, offering a variety of financial strategies that help provide a lifetime of financial security.

2014 Financial Review

Pacific Life continued to achieve financial success during 2014, reporting strong financial results and growth within all areas of the company. Company assets grew 5 percent to our highest level ever at \$137 billion, and our net income was \$540 million. We accomplished this by broadening the life insurance, annuity, and mutual fund products we offer, while preserving our strong financial, investment, and risk profiles. Our investment areas reported continued strong investment returns in a rather difficult low interest rate environment.

Our Life Insurance Division continued to lead the industry in our chosen product lines, ranking first in sales of indexed universal life and universal life insurance for 2014, and finishing the year ranked fourth in overall life insurance sales. We completed a full year of sales with our new term life insurance product, increasing sales by 117 percent with a simpler application process and a competitively priced product. We also introduced a program called *Producer Experience*, an effort to optimize the financial professional experience with Pacific Life and tailor the experience to individual needs.

Life insurance rankings are from the 2014 Confidential Annual Sales Survey of Participating Companies by LIMRA International. Pacific Life Insurance Company sales are based on planned recurring premiums as measured against 83 participating companies. DALBAR Service Awards awarded 1997–2014. DALBAR, Inc. is a Boston-based financial services market research company. Pacific Life Re ranking by NMG Consulting, Life & Health Reinsurance Programme 2014.

For the 17th year in a row, the Retirement Solutions Division received the DALBAR Service Award for customer-focused dedication to providing best-in-class products and services. We continued to help individuals with new retirement income solutions by introducing an innovative deferred income annuity that can provide a pension-like stream of guaranteed income. We introduced several new variable annuity features, including 14 new investment options for greater investment diversification, a new optional death benefit rider, and an innovative online tool to help showcase the impact of tax deferral on accumulating assets.

I'm particularly proud that Pacific Life excels at developing innovative products and services that evolve with our customers' needs . . .

Aviation Capital Group (ACG), one of the premier aircraft lessors in the world, has consistently produced attractive earnings and provides our company global diversification with over 90 airline customers in over 40 countries. ACG is prepared to remain competitive far into the future, with 108 new aircraft on order from Airbus and Boeing.

Headquartered in London, Pacific Life Re is our reinsurance company that provides a range of life insurance risk management products and services in the United Kingdom, Ireland, Asia, and North America. In 2014, Pacific Life Re achieved a 17 percent market share of new protection business, making it the second-largest reinsurer by new business in the U.K. and Ireland.

Transactions

In the fourth quarter of 2014, we assumed from RGA Reinsurance Company approximately \$200 billion of individual life reinsurance in force, increasing Pacific Life's total life insurance in force to over \$750 billion. This transaction furthers Pacific Life's strategy of diversification through reinsurance growth and improves our overall risk profile.

Acknowledgments

Scott D. Stowell was elected to the board of Pacific Mutual Holding Company in May 2014. Scott is the chief executive officer of luxury homebuilder Standard Pacific Homes, which has homebuilding operations in 25 of the country's top housing markets. He brings strong leadership experience and business acumen to our board.

Bringing Your Vision to Life

Families can best meet their financial needs by using our industry's products and services and, in many instances, can meet these needs by relying on the lifetime income that life insurers alone provide. We know that you have a choice when looking for financial solutions. It gives me tremendous satisfaction to know that in choosing Pacific Life as a provider, you, our policyholders and clients, chose a company you can trust and people to work with who care about your financial success. Thank you for letting us help bring your vision of your future to life.

James T. Morris

Chairman and Chief Executive Officer



NOTICE OF ANNUAL MEETING OF MEMBERS OF PACIFIC MUTUAL HOLDING COMPANY

The Pacific Mutual Holding Company Annual Meeting of Members (Annual Meeting) will be held on

Wednesday, May 20, 2015, at 11:30 a.m., Pacific time, at
700 Newport Center Drive, Newport Beach, California 92660

and is open to Pacific Life Insurance Company policyholders and contract holders as members of Pacific Mutual Holding Company. The purpose of the Annual Meeting is the election of directors to the Pacific Mutual Holding Company Board of Directors and such other business as may properly come before the meeting.

Jane M. Guon, *Secretary*

Business Highlights

\$137 billion

company assets

\$1.4 billion

paid in insurance and
annuity benefits

\$540 million

net income

147 years

founded in 1868

1st

indexed universal
life and universal life
insurance sales

10th

variable annuity sales

4th

total life insurance
sales

333rd

FORTUNE 500®
company

Life insurance rankings are from the 2014 Confidential Annual Sales Survey of Participating Companies by LIMRA International. Pacific Life Insurance Company sales are based on planned recurring premiums as measured against 83 participating companies. Annuity ranking is from the Variable Annuity Sales and Asset Survey by Morningstar, Inc., as of December 31, 2014. Fortune ranking as of June 2014 is of the top 500 U.S. firms by gross revenue.

Life Insurance Division

We offer solutions to individuals, families, and businesses to help them reach their goals for financial protection, wealth accumulation, and wealth preservation through life insurance coverage. We work with leading financial and insurance professionals to provide high-quality products and services for the diverse and evolving needs of their clients.



- Grow and lead in our chosen product lines.
- Be the most desirable carrier of choice for distributors.
- Continue to diversify into new markets.

Our Expertise

- Financial protection
- Wealth accumulation
- Wealth preservation
- Supplemental retirement income
- Estate planning tools
- Family protection
- Business planning and continuation strategies

Our Solutions

- Term life insurance
- Universal life insurance
- Variable universal life insurance
- Indexed universal life insurance
- Universal life insurance with long-term care benefits

Our Markets

- Individuals and families
- Small businesses
- Corporations

Our Results

Individual Life Insurance in Force

In Billions of Dollars



Direct Premium

In Billions of Dollars



2014 Achievements

1st indexed universal life and universal life insurance sales

Generated **\$317 million** in life insurance sales, a **9 percent increase** over 2013.

2nd variable universal life insurance sales

Achieved a **117 percent increase in term life insurance sales** over 2013 sales, with a simpler application process and a competitively priced product.

4th total life insurance sales

Launched a survivorship variable universal life insurance product with optional indexed accounts, chronic illness coverage, and a lifetime no-lapse guarantee.

Enhanced service to indexed universal life insurance policyowners to include streamlined periodic statements, increased online capabilities, and new communication experiences.

Life insurance rankings are from the 2014 Confidential Annual Sales Survey of Participating Companies by LIMRA International, as restated on April 9, 2015. Pacific Life Insurance Company sales are based on planned recurring premiums as measured against 83 participating companies.

Retirement Solutions Division

We offer a broad and diversified range of products and solutions designed to help individuals and families achieve asset growth, sustainable retirement income, and long-term financial independence. We also help businesses manage and fulfill their long-term retirement plan commitments to employees.

Our Aspirations

Provide the finest service experience to our clients and financial advisors.

Manage capital risk for sustainable growth while delivering value to our customers.

Our Expertise

- Retirement savings
- Retirement income
- Asset allocation strategies
- Investment strategies

Our Solutions

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

Our Markets

- Individuals
- Small businesses
- Retirement plans

Our Results

Individual/Group Annuity Sales

In Billions of Dollars



Mutual Fund Sales

In Billions of Dollars



2014 Achievements

10th largest seller of variable annuities

17 years of award-winning customer service to financial professionals and contract owners.

16th largest seller of fixed annuities

Introduced an innovative deferred income annuity to provide the security of a pension-like stream of future retirement income.

3rd largest seller of structured settlement annuities

Designed the award-winning interactive Pacific Life Tax Deferral Analyzer, which demonstrates in an innovative way the tax deferral advantages of retirement savings.

DALBAR Service Awards awarded 1997–2014. DALBAR, Inc. is a Boston-based financial services market research company. Tax Deferral Analyzer awarded in 2014 for excellence in online marketing by Internet Advertising Competition (IAC). Rankings from Morningstar, Inc. *Variable Annuity Sales and Assets Survey* and from Beacon Research *Fixed Annuity Premium Study*, as of December 31, 2014. Structured settlement annuity rankings from LIMRA U.S. *Individual Annuities Sales Survey* as of December 31, 2014.

Investments

Positioning the Company for the Long Term

Pacific Life’s investment teams support the Pacific Life family of companies by focusing on investment strategies that stand the test of time and provide attractive risk-adjusted returns. A disciplined investment philosophy and a long-term perspective enable us to deliver products and services that help protect the financial future of our customers. As an independent company with no publicly traded stock, we are focused on long-term investment strategies that benefit our policyholders and clients.

Highlights

Grew our portfolio of fixed maturity securities to

\$37B

and reported **no net credit losses**.

Maintained our focus on credit quality and highly competitive yields to support the attractive crediting rates offered by our product divisions.

Continued **strong performance** of our

\$12B

commercial mortgage and real estate securities portfolios with aggregate net credit losses totaling less than \$6 million over the last ten years.

Originated

\$2.1B

of new commercial mortgage loan and real estate securities investments at **very favorable yields**.

Distribution of Investments

Pacific Life invests in carefully selected securities and mortgage loans. Pacific Life has a seasoned management team with experience in both positive and negative market environments. Our disciplined underwriting and diligent monitoring ensure we maintain portfolio quality over the long horizon.

\$57B

Dollars in Millions

December 31, 2014



■ **\$37,398**
Fixed Maturity Securities

■ **\$555**
Other Investments

■ **\$9,327**
Mortgage Loans

■ **\$336**
Real Estate

■ **\$7,234**
Policy Loans

■ **\$239**
Trading Securities

■ **\$863**
Private Equity

■ **\$193**
Equity Securities

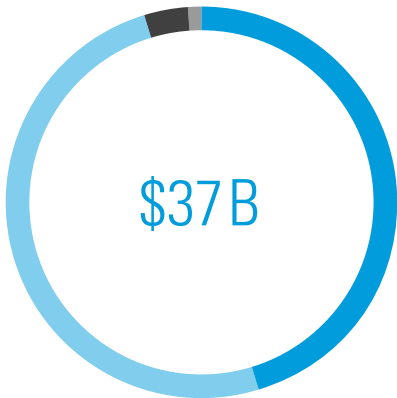
■ **\$563**
Fair Value Option Securities

Investments (continued)

Positioning the Company for the Long Term

Quality of Fixed Maturity Securities

Our bond and real estate securities holdings are very strong, with over 95 percent of our fixed maturity securities rated as investment-grade by the Securities Valuation Office of the National Association of Insurance Commissioners (NAIC).



Dollars in Millions December 31, 2014

\$35,707

Investment-Grade

- **NAIC 1** \$17,016
Highest Quality
- **NAIC 2** \$18,691
High Quality

\$1,691

Non-Investment-Grade

- **NAIC 3** \$1,302
Medium Quality
- **NAIC 4–6** \$389
Low Quality and below

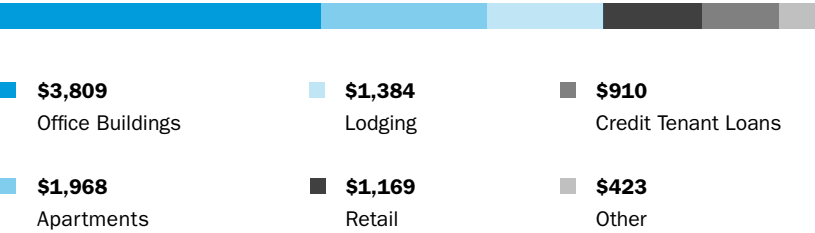
Distribution of Real Estate Investments

Pacific Life emphasizes high-quality properties in select major metropolitan areas that exhibit strong demographic and economic trends.

Mortgage Loans & Real Estate by Property Type

\$9.7 B

Dollars in Millions December 31, 2014

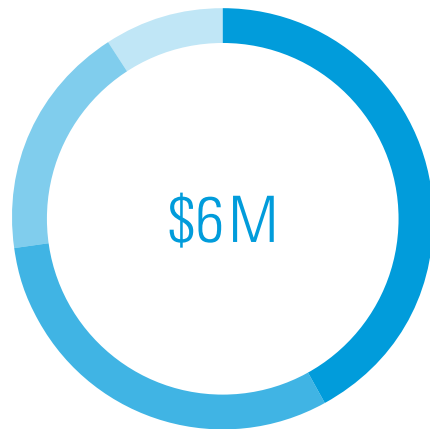


These featured properties represent two of the high-quality mortgage loans included in Pacific Life's real estate investment portfolio.

Pictured left to right:
Weslayan Street
Apartments
Houston, TX
450 Lexington Avenue
New York, NY

Corporate Social Responsibility

\$6 million in cash contributions from the Pacific Life Foundation to 707 nonprofit agencies during 2014.



- 42% Health & Human Services
- 31% Civic, Community & Environment
- 18% Education
- 9% Arts & Culture

Beyond our business commitments, we strive to improve our communities and environment through philanthropy and volunteerism.

\$820,000

in employee and Foundation contributions to the 2014 United Way Campaign, earning Pacific Life the 2014 *Dimensions in Giving Partner Award* from Orange County United Way.

Over \$84 million

given to community nonprofits in the past 30 years.

Over \$600,000

in focus grants supporting the health and welfare of the senior population in our local communities.

\$5M

Improving ocean health with a \$5 million pledge toward the Ocean Health Index, an initiative managed by Conservation International, an internationally recognized nonprofit.

\$3.4B

Pacific Life has invested \$3.4 billion in assets related to socially responsible efforts in underserved and low-income communities, as well as environmentally green efforts. We have also made commitments of an additional \$1.6 billion toward future investments.

Built two community playgrounds from the ground up in partnership with KaBOOM!



7,200

total volunteer hours at 106 different community projects through our Pacific Life Good Guys Program.

Statement of Management's Responsibility

Pacific Mutual Holding Company and Subsidiaries

The management of Pacific Mutual Holding Company and Subsidiaries (the Company) assumes responsibility for the preparation of the Company's financial information. This responsibility includes maintaining the integrity and objectivity of all such information. The financial information includes amounts that are based on management's best estimates and judgments.

The Company is committed to maintaining internal controls that provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded in accordance with management's authorization. Internal controls are supported by appropriate divisions of responsibilities and separation of duties, specified delegations of authority, established policies and procedures that are clearly communicated, including a code of business conduct to foster a strong ethical climate, and the careful selection, training, and development of employees. A telephone line is available to all employees to anonymously report suspected violations of the code of business conduct. An internal audit department independently assesses the adequacy and effectiveness of internal controls and recommends possible improvements thereto. Management considers the recommendations of the internal auditors concerning internal controls and takes appropriate actions to respond to these recommendations.

The Board of Directors of Pacific Mutual Holding Company has an audit committee composed entirely of external, independent directors who meet regularly with management, the internal auditors, and the independent auditors. Both the internal auditors and the independent auditors have direct access to and meet with the audit committee on a regular basis, without management representatives present, to discuss the scope and results of their audits, their views on the adequacy of internal controls, and the quality of financial reporting.

Finally, management also maintains policies to encourage a climate in which the Company's affairs are conducted in accordance with the highest standards of personal and professional conduct.

James T. Morris
*Chairman and
Chief Executive Officer*

Khanh T. Tran
President

Adrian S. Griggs
*Executive Vice President and
Chief Financial Officer*

Directors

Douglas D. Abbey^{1, 2}
Chairman
Swift Real Estate Partners

Mariann Byerwalter^{1, 2}
Chairman
SRI International

Sharon A. Cheever³
*Senior Vice President and
General Counsel*
Pacific Life Insurance Company

Dwight W. Decker¹
*Retired Chairman and
Chief Executive Officer*
Conexant Systems, Inc.

Christopher D. Furman²
President and Chief Executive Officer
Ventura Foods, LLC

John Gottschalk¹
Retired Chairman
Omaha World-Herald Company

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

Jane M. Guon³
Vice President and Secretary
Pacific Life Insurance Company

Lawrence F. Harr³
Partner
Lamson, Dugan & Murray, LLP

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

Susan Westerberg Prager¹
Dean and Chief Executive Officer
Southwestern Law School

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

Scott D. Stowell¹
*Chief Executive Officer and
President*
Standard Pacific Homes

William S. Thompson²
Retired Chief Executive Officer
PIMCO

Khanh T. Tran^{1, 2, 3}
President
Pacific Life Insurance Company

Dean A. Yoost²
Retired Partner
PricewaterhouseCoopers

1 Director of Pacific Mutual Holding Company
2 Director of Pacific LifeCorp
3 Director of Pacific Life Insurance Company

Senior Management

James T. Morris, FSA

Chairman and
Chief Executive Officer

Khanh T. Tran

President

Mary Ann Brown, FSA

Executive Vice President
Corporate Risk
Management,
Technology, Fund Advisory
& Reinsurance

Dewey P. Bushaw

Executive Vice President
Retirement Solutions
Division

Adrian S. Griggs

Executive Vice President
and Chief Financial Officer

**Richard J. Schindler,
CLU, FLMI**

Executive Vice President
Life Insurance Division

Edward R. Byrd

Senior Vice President and
Chief Accounting Officer

Kevin R. Byrne

Senior Vice President
Finance & Risk
Management
Retirement Solutions
Division

Joseph E. Celentano

Senior Vice President and
Chief Risk Officer

Sharon A. Cheever

Senior Vice President and
General Counsel

Thomas Gibbons

Senior Vice President
Corporate Treasury, Tax
& Enterprise Consulting

Lorene C. Gordon

Senior Vice President
Operations & Program
Management Office
Retirement Solutions
Division

Howard T. Hirakawa

Senior Vice President
Investment Advisor
Operations

Tod Nasser

Senior Vice President
Investment Management

Andrew Oleksiw

Senior Vice President
Corporate Development

T. Anthony Premer

Senior Vice President
Real Estate Investments

Kevin M. Roddy

Senior Vice President
Finance
Life Insurance Division

Carol R. Sudbeck

Senior Vice President
Human Resources
& Public Affairs

Phillip A. Teeter

Senior Vice President
Technology & Operations
Retirement Solutions
Division

Dawn M. Trautman

Senior Vice President
Product & Strategy
Management
Life Insurance Division

Chris van Mierlo

Senior Vice President, Sales
& Chief Marketing Officer
Retirement Solutions
Division

Richard A. Vrieling

Senior Vice President
Corporate Information
Technology

Brian T. Woolfolk

Senior Vice President
Product Design & Pricing
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Division

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PACIFIC MUTUAL



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