



PACIFIC LIFE

# Pacific Life Update

December 16, 2011

## Response to S&P's Rating Affirmation with a Negative Outlook

Standard & Poor's (S&P) announced today that the agency has reaffirmed Pacific Life Insurance Company, Pacific Life & Annuity Company, and Pacific life Re Limited's financial strength ratings of A+. The A+ rating is the fifth highest rating out of 21 rating categories. S&P noted that the affirmation is based primarily on Pacific Life's "strong competitive position in the U.S. individual life and individual annuity marketplace, strong capital strength, and stable liquidity." In addition, S&P noted that Pacific Life "can generate strong earnings from its diversified product offerings, sound underwriting, and good expense management."

Concurrently with the rating affirmation, S&P revised its outlook on all three companies from "stable" to "negative." This change in outlook reflects S&P's concern about Pacific Life's volatility in GAAP net earnings in light of ongoing unfavorable market conditions. "One of S&P's metrics when evaluating Pacific Life is the volatility of GAAP net income," said James T. Morris, Pacific Life's chairman, president and chief executive officer. "One advantage our organization has as part of a mutual holding company structure is the ability to focus on the Company's long-term and ongoing financial strength instead of trying to manage quarterly earnings fluctuations. We are disappointed by S&P's decision to focus on one quarter's results."

Morris continued, "Our prudent hedging programs have protected our statutory capital during a difficult market environment and we continue to see strength in our investments.<sup>1</sup> Even with the ongoing equity market volatility and decreasing interest rates, Pacific Life's capital and surplus are at strong levels and are well positioned for long-term growth."

<sup>1</sup>Pacific Life's Investment Quality Review as of June 30, 2011 can be found at [www.PacificLife.com/Investments](http://www.PacificLife.com/Investments).

*Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company.*

*Ratings do not apply to the safety or performance of any separate accounts or mutual funds.*