CREDIT OPINION
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Update

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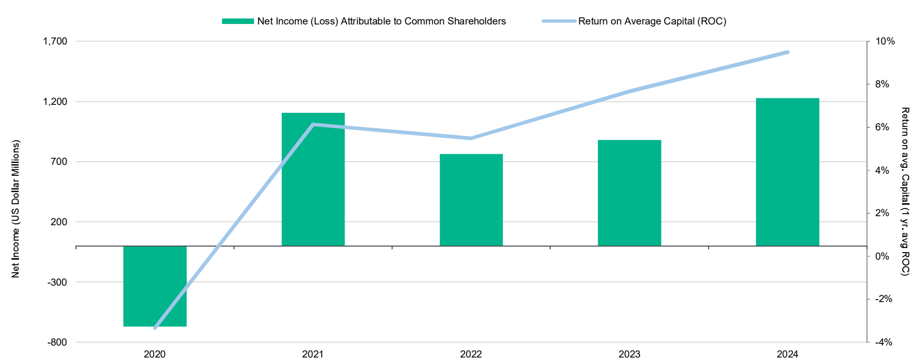
Pacific Mutual Holding Company

Strong market position and diverse businesses generate good profitability and capital

Our credit view of Pacific Mutual Holding Company (unrated), Pacific LifeCorp (A3 senior debt, stable) and its US affiliated subsidiaries, Pacific Life Insurance Company and Pacific Life & Annuity Company (collectively Pacific Life, Aa3 IFS, stable), reflects the group's solid market position, strong capitalization, good risk management and diverse distribution of products and earnings both in the US and internationally. In the US, Pacific Life's market share reflects top-tier position in sale of life insurance, annuities and structured settlement products. Internationally, the company has established a strong presence in key markets, particularly in the UK, Ireland, and Australia, while also building a growing foothold in Asia. Overall, for Pacific Life, these strengths are partially offset by risks arising from businesses that are sensitive to capital market movements, such as variable annuity (VA). While we view Pacific Life's investment portfolio as diverse and generally high-quality, the company could face elevated losses in a stress scenario from an above industry concentration in lower quality investment-grade fixed income securities (i.e. Baa-rated bonds currently represent 48% of total bonds) and commercial mortgage loans (13% of investments), particularly to those with a greater exposure to office and select retail (e.g. malls).

Exhibit 1
Net income should benefit from higher net investment income although equity market volatility could pressure fee income



Source: Company filings and Moody's Ratings

Credit strengths

» Established market positions in the high-end life insurance markets;

» Broad and balanced independent distribution;

» Good capitalization with a NAIC company action level (CAL) Risk-Based Capital (RBC) ratio of 503% as of year-end 2024.

Credit challenges

» Managing volatility in capital and earnings from capital market movements;

» Strong competition in core affluent business and professional life insurance markets;

» Above-average exposure to Baa-rated bonds (48% of total bonds as of YE 2024).

Outlook

The outlook on Pacific Life is stable, reflecting strong market position, very good statutory capitalization and a commitment to its mutual philosophy (i.e., focus on policyholder value). Going forward, items to watch for include new business sales as well as the uncertainty in the commercial real estate assets, especially tied to office sub-sector.

Factors that could lead to an upgrade

» Reduced capital and earnings sensitivity to capital market movements;

» GAAP return on capital consistently greater than 8%;

» Financial leverage below 15% (excluding AOCI); and

» Earnings coverage consistently above 8x.

Factors that could lead to a downgrade

» NAIC company action level RBC ratio falls below 400% (adjusting for captives) and/or lack of organic statutory capital generation;

» GAAP return on capital less than 6%;

» Financial leverage greater than 20% (excluding AOCI); or

» Earnings coverage below 6x.

Key indicators

Exhibit 2

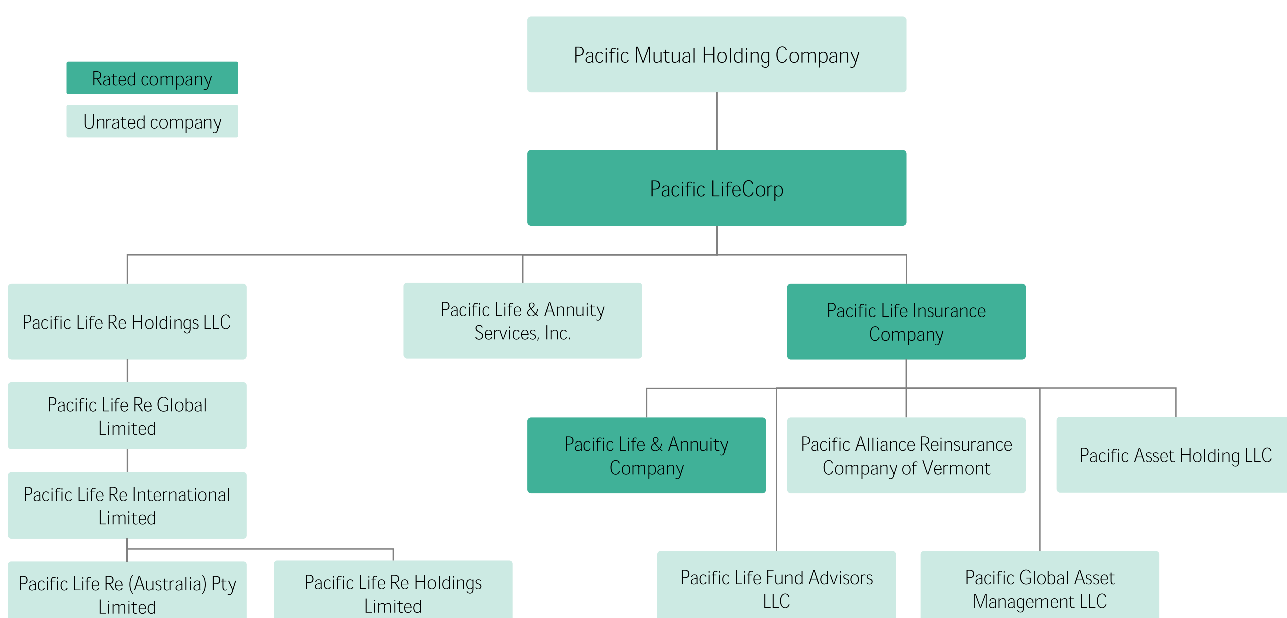
Pacific Mutual Holding Company [1][2]	2024	2023	2022	2021	2020
As Reported (US Dollar Millions)					
Total Assets	238,905	220,043	199,324	209,486	190,672
Total Shareholders' Equity	10,154	9,767	6,728	17,005	17,452
Net Income (Loss) Attributable to Common Shareholders	1,227	875	763	1,102	(671)
Total Revenue	15,827	14,802	13,360	13,936	10,062
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity (ex AOCI)	126.8%	124.3%	102.8%	96.1%	86.0%
Goodwill & Intangibles % Shareholders' Equity (ex AOCI)	51.9%	51.9%	55.9%	46.0%	44.2%
Shareholders' Equity % Total Assets	3.4%	3.6%	2.5%	7.5%	8.6%
Return on Average Capital (ROC) (ex AOCI)	6.6%	4.9%	4.8%	7.6%	-4.1%
Sharpe Ratio of ROC (5 yr.) (ex AOCI)	84.7%	82.2%	85.9%	87.6%	86.8%
Financial Leverage (ex AOCI)	15.5%	16.5%	19.2%	17.1%	18.8%
Total Leverage (ex AOCI)	18.1%	19.3%	20.6%	18.8%	20.6%
Earnings Coverage	9.5x	7.0x	8.1x	11.3x	-6.3x
Cash Flow Coverage	7.3x	7.2x	18.0x	12.0x	19.7x
Net Unrealized Gain(Loss) % Shareholders' Equity (ex AOCI)	-33.2%	-31.8%	-	-	-

[1] Information based on US GAAP financial statements as of the fiscal year ended 31 December. [2] Certain items may have been relabeled and/or reclassified for global consistency.
Source: Company filings and Moody's Ratings

Profile

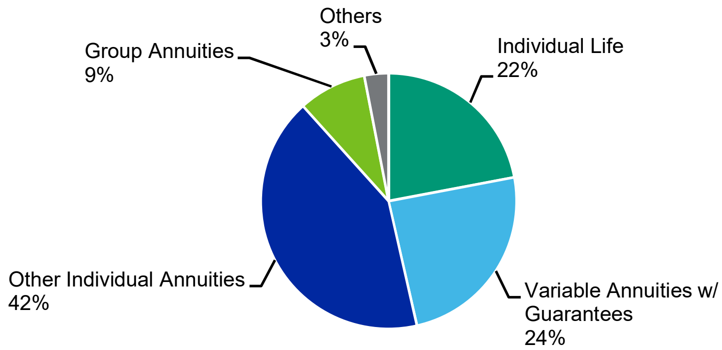
Pacific Life Insurance Company and Pacific Life & Annuity Company are the primary operating subsidiaries of Pacific LifeCorp. Pacific Life Re Global Ltd. is also a subsidiary of Pacific LifeCorp. These insurance subsidiaries provide life insurance, individual annuities, pension risk transfer, structured settlements, mutual funds, life reinsurance and retrocession products. They serve individuals, businesses, and pension plans with a variety of investment products and services.

Exhibit 3
Corporate structure as of December 31, 2024



Source: Company filings and Moody's Ratings

Exhibit 4
Statutory revenues by segment shows a diversified business profile
for full-year 2024



Source: Company filings

Detailed credit considerations

Moody's rates Pacific Life Aa3 for insurance financial strength, which is in line with the adjusted scorecard-indicated outcome.

Insurance financial strength

The key factors currently influencing the rating and outlook are:

Market position and brand: Focus on the high-end life insurance and recent product expansions to grow market share

Moody's views Pacific Life's market position and brand as being very strong. The Aa-adjusted score for the company's market position, which is adjusted upward from the unadjusted scorecard score of A, is supported by a strong, focused position in the high-end life insurance market serving the very affluent and businesses. The company holds an often-leading market share in most of the products it sells, including individual life insurance, structured settlements, and annuities. Within its US individual life business, Pacific Life is a top 5 provider of universal life insurance, which includes indexed universal life and variable universal life. Within annuities, it holds a top 15 ranking, according to LIMRA. The company, like many of its peers, has benefited from higher interest rates which has driven its annuity sales growth, especially retail fixed annuities. The adjusted score for this factor also reflects Pacific Life's market position internationally, including the UK and Ireland, where it sells life protection and longevity type products and in Australia and Asia, where they market protection and critical illness products.

Distribution: Primarily independent distribution network, but strong relationships with core partners

Pacific Life relies primarily upon a wide variety of third parties such as independent agents, financial advisors, banks and registered representatives for its insurance product distribution. As a result, the company maintains less direct control over its distribution and could see relatively lower persistency and more volatile sales for its third-party sold products than those companies with more control over their distribution systems. However, it benefits from a strong market breadth in most major channels other than career agents, resulting in an A score for diversity of distribution. The company has had long-standing relationships with many key independent distributors, and a reputation for excellent customer service that benefits the company in the market, increasing its sustainability in the independent channels. We have therefore left this factor unchanged, which is the same as the unadjusted scorecard result of A.

Product focus and diversification: Measured approach to diversification reduces overall product risk

Pacific Life has a very diverse set of product offerings in life and annuity markets, including fixed and variable products, as well as institutionally oriented products. The product diversification also benefits from Pacific Life Re, its international, reinsurance and life retrocession operations. In the US, Pacific Life is particularly strong in serving the high net worth life insurance market and benefits from very strong persistency on its products. The middle-market segment helps improve the overall product risk profile (primarily term life insurance products) and creates opportunities to expands its customer base and cross-sell other insurance products, especially through other channels, such as BGAs and direct marketers. Additionally, the company is focussed on growing its presence in group business, although it will take many years for it to achieve scale.

We also believe Pacific Life benefits from a good balance between fixed and variable products, a partial result of its emphasis on risk management and diversification - including growing its institutional business, which has very little sensitivity to equity markets. Since virtually all of the life insurance business is of the nonparticipating variety, which limits its ability to share adverse experience with its policyholders and restricts upward movement for this rating factor, Moody's views Pacific Life's product focus and diversification score to be in-line with the unadjusted score and hence left this factor score unchanged at A.

Asset Quality: Good quality investment portfolio, although high exposure to certain assets, such as mortgage loans and Baa-rated bonds

Pacific Life's general account investment portfolio is diversified and consists primarily of fixed-income securities and commercial mortgages (13% of cash and invested assets). As of the end of 2024, Pacific Life's ratio of high-risk assets as a percentage of shareholders' equity (ex AOCI) was 127%, consistent with a Baa sub-factor score, which primarily emanates from its holdings in below-investment grade bonds, alternative investments, and real estate. We do note that included in high-risk assets are investments related to working capital finance that are primarily investment grade and amounted to $1.1 billion as of year-end 2024. We also note that nearly half of Pacific Life's total bonds are rated in the Baa range, which is higher than its peers and could be a source of additional losses in a downturn. In fact, under the baseline scenario, Moody's projects a global speculative grade default rate of 3.0% by May 2026. Under a moderate pessimistic scenario, it reaches 4.9% and under a severe pessimistic scenario it reaches 7.0%.

The company does hold about 13% of total investments in commercial mortgages, with 19% invested in the office sub-sector. While the commercial real estate sector has begun to stabilize, we expect continued pressures on office-related real estate over the next 12-18 months, though we believe the potential losses will be manageable for the company in terms of earnings and capital. Although continued deterioration in their holdings can result in a reduction in RBC ratio, its RBC ratio remains strong as of Q1 2025. At year-end 2024, goodwill and other intangibles amounted to 52% of shareholders' equity (ex AOCI), consistent with a Baa score. Looking at the numerator of the metric - we view deferred acquisition costs (DAC), which represents all of the intangibles, as higher quality than goodwill, largely because of the greater likelihood that DAC will eventually be converted into tangible equity, as profits net of DAC amortization flow through income, given the generally consistent policyholder persistency. Despite some of the pressure on asset quality, overall, we view the asset quality to be thus better than the unadjusted score and hence raise the adjusted score for this factor to the A-level.

Capital Adequacy: Very good RBC ratio, but can exhibit volatility from interest rate moves

Pacific Life has very good capital adequacy despite a modest score of 3.4% for shareholders' equity as a percentage of total assets as of year-end 2024, which is impacted by its negative AOCI balance resulting from the rise in interest rates. To assess the capital adequacy of US life insurers' we consider the RBC ratio to be a more reliable measure of capital adequacy. Pacific Life's RBC ratio is strong at 503% as of year-end 2024. It is our expectation that the company will continue to maintain strong RBC ratios going forward, including generating organic capital, which provides a cushion against tail risk events and is a key factor supporting Pacific Life current ratings. We do note that although Pacific Life has taken prudent risk management steps to protect capital in times of stress, its RBC ratio may exhibit some volatility in response to capital market movements, especially from interest rates movements and elevated volatility - although the company has added incremental hedges to protect against this volatility in recent years. As a result, we believe that Pacific Life is best positioned in the Aa range on this factor, given its very good level of reported capital and RBC ratio, somewhat offset by its sensitivity to capital market changes.

Profitability: Diversified earnings, but sensitivity to capital market movements

Moody's views Pacific Life's profitability to be good and benefits from increasing diversification. As of year-end 2024, the company reported very good profitability with a return on average capital (ex AOCI) ratio of 6.6%, which benefitted from a higher net profit in the year. Net income rose in 2024 compared to 2023 as a result of a decrease in ceded premiums and increase in IUL products due to a reserve credit, both related to a reinsurance agreement under which Pacific Life started ceding certain IUL premiums to a reinsurer in 2023. Earnings still remain sensitive to equity market movement, particularly in the annuity business, but they are incrementally less so than in the past, particularly as the company implemented newer hedging strategies in recent years and as the older block of guarantees shrinks as newer, more diversified business comes onto the balance sheet. Although we expect the mortality impact to continue to improve in 2025 (as the pandemic is now endemic), the elevated market volatility can lower fee income and impact certain businesses, such as annuities, whose earnings are sensitive to capital markets. Despite that, we have adjusted the score on this factor up to A from the unadjusted scorecard result of Baa, because we believe Pacific Life is well positioned to navigate the market volatility from a risk management and capital perspective.

Liquidity and Asset/Liability Management (ALM): Generally stable liability profile, but VA adds ALM risk

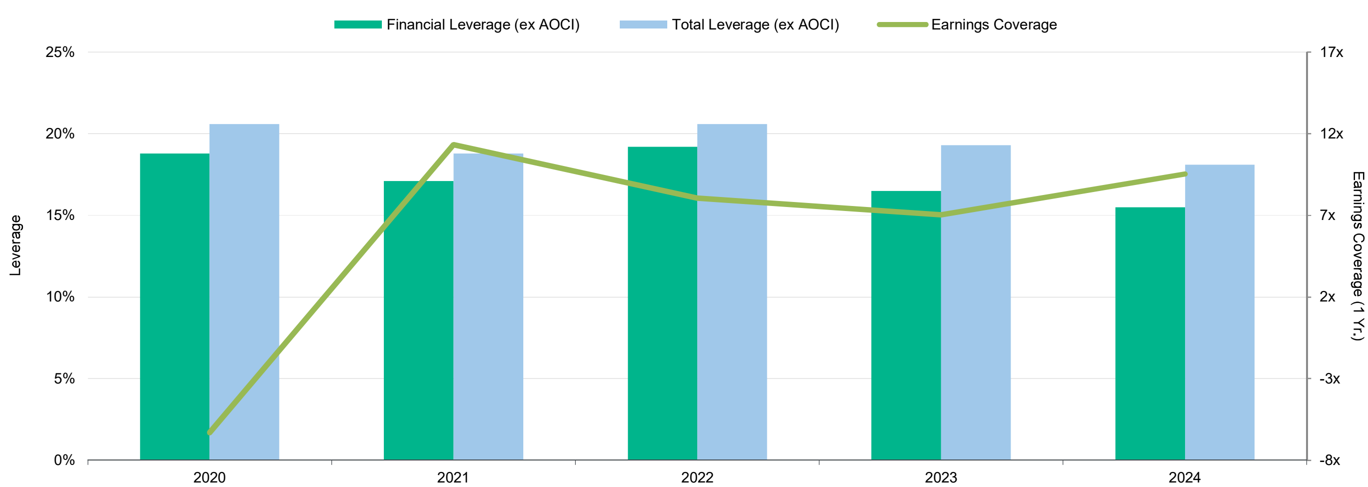
Moody's believes that Pacific Life has excellent liquidity to meet its near-term policyholder obligations based on the unadjusted scorecard metric, and this is supported by a stable liability profile of life insurance business. While the company historically has faced some challenges from the low interest rate environment, especially in long duration lines such as structured settlements, newer structured settlement sales have been focused on shorter duration products which somewhat minimizes these challenges. Moody's believes the company has ample liquidity to manage through a stressful liquidity scenario.

On ALM, appropriately managing the risks from a book of VAs containing embedded guarantees is a challenging task at best and requires the company to employ a hedging program to mitigate any market disruptions. These factors make interest rate and equity hedging more relevant, and make the company's ALM more challenging, and support a downward adjustment for the factor score to A from the unadjusted result of Aa.

Financial Flexibility: Good financial flexibility driven by strong cash flow coverage

Exhibit 5

Leverage improves as a result of rising shareholders' equity; coverage metrics remain healthy



Source: Company filings and Moody's Ratings

Pacific Life's adjusted financial leverage (ex AOCI) and total leverage (ex AOCI) at year-end 2024 were 15.5% and 18.1%, respectively, which is in-line with our expectations of a Aa company. Earnings coverage remained in line with 2023 at 9.5x in 2024. We expect Pacific Life to continue to remain under 20% adjusted financial leverage in the future and continue to report strong coverage metrics. Given the company is organized in a mutual holding company structure, we believe that raising external equity is not a realistic alternative for the company. However, we still believe that an Aa rating for this factor is appropriate given the modest financial leverage and generally strong cash flow coverage ratios as discussed above. As a result, we have left the adjusted score to be at the same level as the unadjusted score.

Liquidity analysis

Pacific Life Insurance Company has a $1 billion commercial paper program with no commercial paper outstanding as of December 31, 2024.

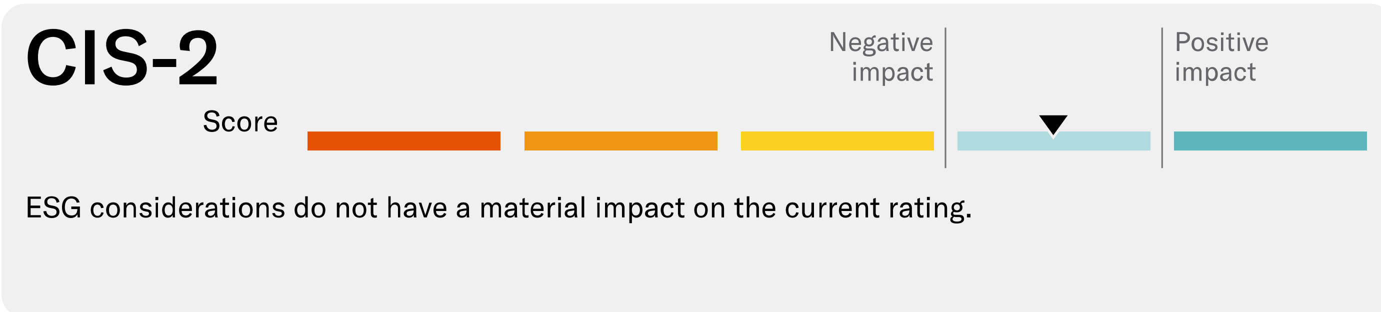
In May 2025, Pacific Life amended and extended its co-borrowed revolving credit facility (RCF) maturing June 2026. The RCF amount was increased to $1.5 billion from $1.0 billion, Pacific Life Re International Ltd. was added as a co-borrower with Pacific LifeCorp and Pacific Life Insurance Company, and the maturity date extended to May 2030. There were no amounts outstanding as of June 30, 2025.

As of December 31, 2024, the company held approximately $703 million in cash and liquid investments at the holding company. Pacific Life's statutory dividend capacity in 2024 is $756 million without requiring special regulatory approval. Total cash needs at the holding company in 2024 include $103 million of interest expense. The company has $567 million in senior notes coming due in 2033 and then no further maturities until 2039.

ESG considerations

Pacific Mutual Holding Company's ESG credit impact score is CIS-2

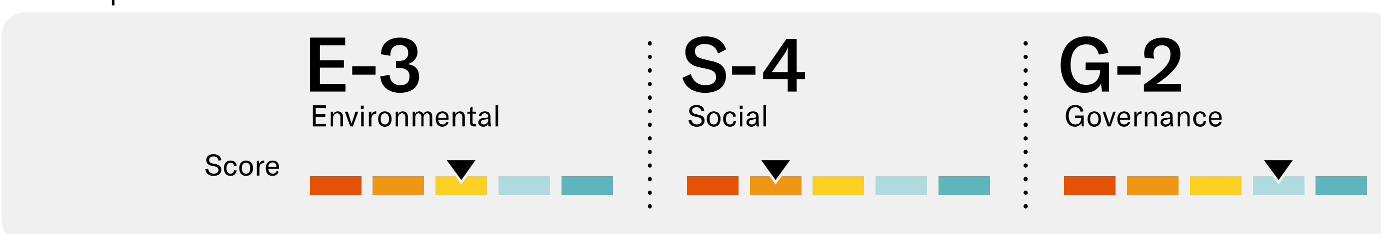
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Pacific Mutual's ESG Credit Impact Score indicates that ESG considerations do not have a material impact on the credit rating.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Pacific Mutual has moderate exposure to carbon transition risk through the long-duration assets held in its investment portfolio and inherent asset leverage, while emerging stakeholder focus on environmental stewardship in its investment portfolio gives rise to strategic and reputational risk. This risk is mitigated by Pacific Life's strong governance and risk management practices, along with its developing focus on managing climate risk.

Social

Pacific Mutual faces high industrywide customer relations risk in relation to its sale of products and significant interaction with retail customers against a background of regulatory focus on the fair treatment of customers, which is mitigated by well-developed policies and procedures. High cyber and personal data risks, amplified by increasing digital product distribution, are mitigated by a strong technology framework. High exposure to demographic and societal risks can make the operating environment more difficult; however, an aging population supports the demand for the firm's longevity products.

Governance

As a mutual holding company, Pacific Mutual's interests are strongly aligned with those of policyholder/owners as the management team does not deviate from its core policyowner-oriented principles. The insurer has strong governance practices, risk management and internal controls. It also benefits from a seasoned and stable management team with a successful track record.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

The notching between Pacific LifeCorp's A3 senior unsecured debt rating and the Aa3 insurance financial strength rating of its operating subsidiaries is three notches, which is typical notching practice for US insurance holding company structures.

Rating methodology and scorecard factors

Exhibit 8
Rating Factors

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								A	A
Market Position and Brand (15%)								A	Aa
-Relative Market Share Ratio			X						
Distribution (10%)								A	A
-Distribution Control			X						
-Diversity of Distribution			X						
Product Focus and Diversification (10%)								A	A
-Product Risk			X						
-Life Insurance Product Diversification			X						
Financial Profile								Baa	Aa
Asset Quality (10%)								Baa	A
-High Risk Assets % Shareholders' Equity ex AOCI				126.8%					
-Goodwill & Intangibles % Shareholders' Equity ex AOCI				51.9%					
Capital Adequacy (15%)								Ba	Aa
-Shareholders' Equity % Total Assets					3.4%				
Profitability (15%)								Baa	A
-Return on Capital (5 yr. avg.) ex AOCI				4.0%					
-Sharpe Ratio of ROC (5 yr.) ex AOCI					84.7%				
Liquidity and Asset/Liability Management (10%)								Aa	A
-Liquid Assets % Liquid Liabilities		X							
Financial Flexibility (15%)								Aa	Aa
-Financial Leverage ex AOCI		15.5%							
-Total Leverage ex AOCI		18.1%							
-Earnings Coverage (5 yr. avg.)			5.9x						
-Cash Flow Coverage (5 yr. avg.)	12.9x								
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								A3	Aa3
Other Considerations									
Management, Governance and Risk Management									
Accounting Policy & Disclosures									
Sovereign & Regulatory Environment									
Standalone Scorecard-indicated Outcome									Aa3
Support									
Nature and Terms of Explicit Support									
Nature and Terms of Implicit Support									
Scorecard-indicated Outcome									Aa3

[1] Information based on US GAAP financial statements as of fiscal year ended December 31, 2024. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.
Source: Moody's Ratings

Ratings

Exhibit 9

Category	Moody's Rating
PACIFIC LIFECORP	
Rating Outlook	STA
Senior Unsecured	A3
PACIFIC LIFE INSURANCE COMPANY	
Rating Outlook	STA
Insurance Financial Strength	Aa3
ST Insurance Financial Strength	P-1
Surplus Notes	A2 (hyb)
Commercial Paper	P-1
PACIFIC LIFE & ANNUITY COMPANY	
Rating Outlook	STA

Insurance Financial Strength	Aa3
PACIFIC LIFE GLOBAL FUNDING II	
Rating Outlook	STA
Senior Secured	Aa3

Source: Moody's Ratings

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