



James T. Morris, FSA
Chairman, President & CEO

June 22, 2009

I am pleased to provide you with a report on our first quarter investment holdings.

Pacific Life remains strong through this period of economic stress. Pacific Mutual Holding Company's consolidated GAAP net income at the end of the first quarter 2009 was \$65 million. As shown in the attached 1st quarter 2009 Investment Quality Review, a majority of our general account investments continue to withstand the volatility of the market. In recent months, rating agencies have downgraded prime, Alt-A, and subprime residential mortgage-backed securities (RMBS). The downgrades in RMBS are not an event specific to Pacific Life, but one that affects all companies that hold these security types in their portfolio. We expect the financial earnings impact of these downgrades to be minimal as in almost all instances, our RMBS investments are in the senior tranches of the securitization's capital structure. In addition, our commercial mortgage-backed securities (CMBS) portfolio remains strong and none of our commercial mortgage loans are delinquent or in default/foreclosure. As of March 31, 2009, the weighted average debt service coverage ratio of our commercial mortgage loan portfolio was 2.33 times.

While the economic climate may still provide challenges for many individuals and businesses through the remainder of 2009, I know that Pacific Life is positioned well to meet the evolving needs of our clients as they reevaluate their retirement and insurance needs. For more information about our financial results for the first quarter of 2009, please visit www.PacificLife.com/Financials. For more information about our current financial strength ratings, you may visit www.PacificLife.com/Ratings.

Sincerely,

PACIFIC LIFE INSURANCE COMPANY

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www.PacificLife.com



Investment Quality Review

March 31, 2009

A Company Positioned for the Long-Term Pacific Life Insurance Company's organization is relatively unique among insurance companies. Because we are organized under a mutual holding company structure, our policyholders are members of the holding company. We have no publicly traded stock — we are an independent company that remains focused on long-term strategies, the strength of our company, and on making decisions that benefit our policyholders and clients. This long-term commitment, combined with Pacific Life's disciplined investment philosophy, has prepared us well to weather the course even during volatile times.

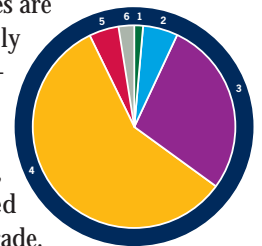
Distribution of Investments Pacific Life's distribution of investments demonstrates a high quality asset mix.

Investment Profile	Dollars In Millions	
Investment Grade Corporate Bonds	\$ 15,980	36 %
Mortgage-Backed Securities	7,672	17
Commercial Mortgage Loans	5,924	13
Cash & Cash Equivalents	3,485	8
Non-Investment Grade Corporate Bonds	977	2
Private Equity	913	2
Asset-Backed Securities	742	2
Preferred Stock	681	2
Derivatives	566	1
Real Estate	485	1
Other Invested Assets	471	1
Subtotal	37,896	85
Policy Loans	6,885	15
Total Investments	\$ 44,781	100%

Bonds and preferred stock are reflected at amortized cost. Total investments include cash & cash equivalents.

Investment Philosophy Pacific Life follows a principled investment process and employs risk management guidelines that require a diversified investment portfolio. This approach limits our exposure to any single industry, issuer, or asset type and ensures that we are prepared to fulfill our commitments to our clients. Pacific Life has consistently approached investing by seeking outstanding investment returns without compromising either asset quality or our high standards for safety and risk management.

Corporate Bond Portfolio Quality Corporate bonds are generally grouped into two major categories: investment grade and non-investment grade. Investment grade securities are regarded as higher quality and more likely to meet their payment obligations. Non-investment grade securities provide higher yields but carry a higher risk that payment obligations will not be met. Through 3/31/09, our portfolio's investment quality remained strong, with only 6% rated non-investment grade.



Investment Grade Corporate Bonds		Dollars In Millions	
1	Aaa	\$ 223	1 %
2	Aa	946	5
3	A	4,868	29
4	Baa	9,943	59
		15,980	94
Non-Investment Grade Corporate Bonds			
5	Ba	697	4
6	B and Below	280	2
		\$16,957	100%

Investment grade ratings in this report are consistent with scales from independent rating agencies.



Pacific Life has always followed a disciplined investment process that limits our exposure to risky investments. We have a diversified investment portfolio that limits exposure to any single industry, issuer, or asset type.

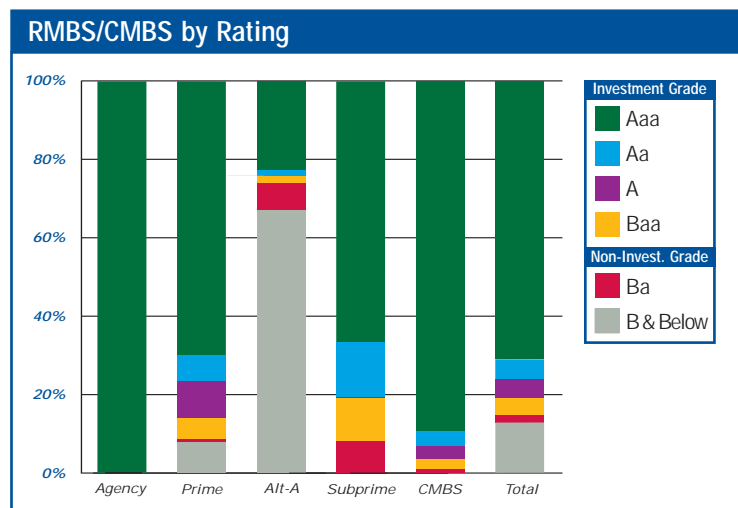
Mortgage-Backed Securities (MBS) Every mortgage-backed security goes through a rigorous underwriting of its underlying collateral and structure regardless of its rating. We utilize state-of-the-art software and databases to analyze our new purchases and existing portfolio. Each security is put through various stress scenarios, and its cash flows are analyzed to determine the principal and interest that will be paid. Cash-flow analysis is performed at both purchase and monthly thereafter.

RMBS by Tranche Type						
Dollars In Millions	Agency	Prime	Alt-A	Subprime	Total	
Gov't Guaranteed	\$1,286	\$ 0	\$ 0	\$ 0	\$1,286	20%
Super Senior	0	2,416	684	20	3,120	47
Senior	0	1,148	311	365	1,824	28
Senior Support	0	155	66	0	221	3
Mezzanine	0	18	3	85	106	2
Total	\$1,286	\$3,737	\$1,064	\$ 470	\$ 6,557	100%

Pacific Life's investments in non-investment grade bonds, subprime, and Alt-A mortgage securities, and commercial mortgage-backed securities (CMBS) are typically in the senior tranches of the securitization's capital structure.

Rating Category		
Dollars In Millions	CMBS	
Deceased Aaa	\$ 280	25%
Most Senior Aaa	622	56
Other Aaa	92	8
Aa	45	4
A	36	3
Baa	28	3
Ba	12	1
Total	\$1,115	100%

MBS Ratings During the first quarter of 2009, the rating agencies issued revised projections on the expected return from Alt-A RMBS. They downgraded most Alt-A residential mortgage-backed securities (RMBS) to non-investment grade, citing expectations of continued foreclosures, distressed sales, and a decline in home sales. This is not an event specific to Pacific Life, but one that affects all companies that hold Alt-A RMBS within their portfolios. The financial earnings impact of these downgrades has so far been minimal as most of our RMBS investments are in the senior tranches of the securitization's capital structure.

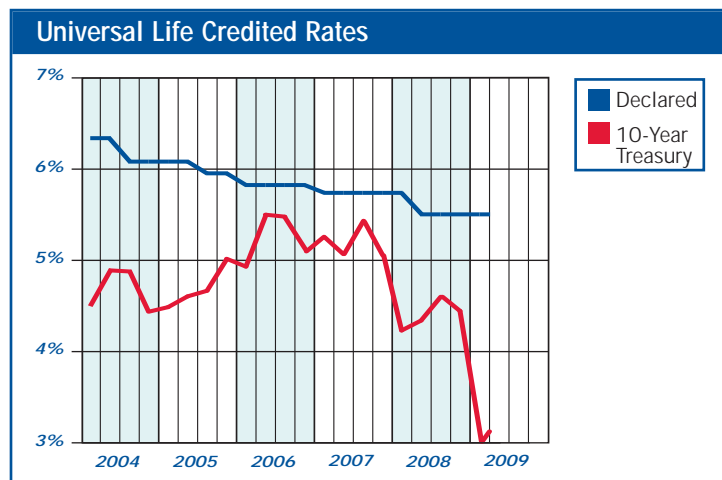


Industry Exposure and Write-Downs In the first quarter of 2009, Pacific Life's write-downs were \$109 million, which is 0.2% of our total investments of \$44.8 billion. Impairments were concentrated primarily in residential mortgage-backed and asset-backed/structured credit securities. Our exposure to hybrid capital securities, which are issued primarily by global banking institutions, is modest at \$559 million.

Industry Exposure	Dollars In Millions	2009 Pre-Tax Write-Downs
RMBS	\$ 6,557	24% (\$ 29)
Utilities	4,557	17 0
Manufacturing	3,205	12 (6)
Real Estate (including REITs)	1,781	7 (3)
Banking	1,316	5 0
Services	1,309	5 0
Oil & Gas	1,141	4 0
CMBS	1,115	4 0
Private Equity	913	3 (6)
Retail & Wholesale Trade	889	3 0
Communications	746	3 (1)
U.S. & State Governments	743	3 0
Asset-Backed	742	3 (60)
Transportation	608	2 0
Diversified Financial	493	2 0
Foreign Governments	303	1 0
Mining	274	1 0
Finance	196	1 (4)
Other	127	0 0
Total	\$27,015	100% (\$109)

Includes fixed maturity, equity, and private equity securities.

Crediting Rate for Universal Life Policies The expected return on the general account is the major factor that determines the crediting rates for Pacific Life's universal life insurance policies. As Pacific Life has controlled its realized losses during the financial downturn, we have been able to maintain credited rates that are competitive and consistent when compared to the volatility of the 10-year Treasury Notes.



"While the economic climate may still provide challenges for many individuals and businesses through the remainder of 2009, I know that Pacific Life is well positioned to meet the evolving needs of our clients as they reevaluate their retirement and insurance needs."

Jim Morris, Chairman, President and CEO

Financial Ratings Pacific Life is well capitalized. Our financial stability continues to be monitored by independent rating agencies and we have consistently achieved strong ratings from these firms. For more information about Pacific Life's ratings, please visit www.PacificLife.com/Ratings.

Other Portfolio Statistics as of March 31, 2009

- 1.0% of our investments are subprime mortgage securities and 2.4% are Alt-A mortgage securities
- 1.1% of our Alt-A securities are backed by option ARMs of \$11.7 million
- 97% of our subprime securities are backed by residential mortgages originated in 2005 or earlier
- 82% of our CMBS are backed by commercial loans originated in 2005 or earlier
- Our exposure to the auto industry is minor at \$140 million, with \$5 million of Chrysler holdings and no exposure to GM or Ford

Our Strengths

- Strong financial strength ratings
- Well capitalized
- Mutual holding company structure enables long-term view which benefits policyholders, clients, and the company
- Our investment risk management strategy limits our exposure to any single industry, issuer, or asset type
- Exposure to financial companies is low relative to others in our industry
- Strong performance in our CMBS portfolio, with no realized losses
- None of our commercial mortgage loans are delinquent or in default/foreclosure
- A talented team of employees that are among the most respected in the industry
- 142 years of experience



For questions about Pacific Life's investment portfolio, contact Pacific Life's Public Affairs Department at (949) 219-3248 or send an e-mail to PublicAffairs@PacificLife.com.

Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company, Aviation Capital Group, Pacific Asset Funding, and Pacific Life Re Limited. All Pacific Life financial data is as of March 31, 2009.