



## Indexed Historical Growth Rate Table

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Interest earned on a Segment is called an Index Credit. Index Credits are calculated once a year at the Segment Anniversary based on:

1. Index Growth Rate
2. Participation Rate
3. Segment Value prior to the application of the Index Credits

Past performance is not a guarantee of future results. Historical Segment Growth Rates are based on Pacific Indexed Accumulator (PIA, Policy Form #P05PIA) and Pacific Indexed Accumulator II (PIA II, Policy Form #P05PIA), which are no longer available for sale. New sales are only available with Pacific Indexed Accumulator III (PIA III, Policy Form #P08PI3) and Indexed Pacific Estate Preserver (IPEP, Policy Form #P09IEP).

### [Client Approved Historical Indexed Rated Table](#)

Segment Year	Actual S&P 500® Return	One Year Segment Growth Rate
March 12 - March 13	12.12%	12.12%
February 12 - February 13	12.65%	12.65%
January 12 - January 13	13.68%	13.00%
December 11 - December 12	16.65%	13.00%
November 11 - November 12	8.29%	8.29%
October 11 - October 12	17.60%	13.00%
September 11 - September 12	23.31%	13.00%
August 11 - August 12	16.56%	13.00%
July 11 - July 12	3.42%	3.42%
June 11 - June 12	3.20%	3.20%
May 11 - May 12	0.67%	0.67%
Apr 11 - Apr 12	4.19%	4.19%
Mar 11 - Mar 12	7.55%	7.55%
Feb 11 - Feb 12	1.36%	1.36%
Jan 11 - Jan 12	0.03%	0.03%
Dec 10 - Dec 11	-2.40%	0.00%
Nov 10 - Nov 11	4.51%	4.51%
Oct 10 - Oct 11	4.33%	4.33%
Sep 10 - Sep 11	6.03%	6.03%
Aug 10 - Aug 11	11.59%	11.59%
Jul 10 - Jul 11	19.51%	12.00%
Jun 10 - Jun 11	18.19%	12.00%
May 10 - May 11	17.06%	12.00%
Apr 10 - Apr 11	8.58%	8.58%

Mar 10 - Mar 11	12.68%	12.00%
Feb 10 - Feb 11	21.69%	12.00%
Jan 10 - Jan 11	12.61%	12.00%
Dec 09 - Dec 10	11.44%	11.44%
Nov 09 - Nov 10	7.97%	7.97%
Oct 09 - Oct 10	7.49%	7.49%
Sep 09 - Sep 10	6.84%	6.84%
Aug 09 - Aug 10	7.50%	7.50%
Jul 09 - Jul 10	20.90%	12.00%
Jun 09 - Jun 10	17.96%	12.00%
May 09 - May 10	27.17%	12.00%
Apr 09 - Apr 10	43.87%	12.00%
Mar 09 - Mar 10	52.61%	12.00%
Feb 09 - Feb 10	38.74%	12.00%
Jan 09 - Jan 10	36.30%	12.00%
Dec 08 - Dec 09	28.27%	12.00%
Nov 08 - Nov 09	27.03%	12.00%
Oct 08 - Oct 09	9.42%	9.42%
Sep 08 - Sep 09	-12.02%	0.00%
Aug 08 - Aug 09	-22.34%	0.00%
Jul 08 - Jul 09	-26.29%	0.00%
Jun 08 - Jun 09	-32.09%	0.00%
May 08 - May 09	-36.60%	0.00%
Apr 08 - Apr 09	-36.65%	0.00%
Mar 08 - Mar 09	-41.47%	0.00%
Feb 08 - Feb 09	-41.49%	0.00%
Jan 08 - Jan 09	-40.50%	0.00%
Dec 07 - Dec 08	-40.83%	0.00%
Nov 07 - Nov 08	-40.62%	0.00%
Oct 07 - Oct 08	-35.56%	0.00%
Sep 07 - Sep 08	-19.64%	0.00%
Aug 07 - Aug 08	-9.37%	0.00%
Jul 07 - Jul 08	-20.73%	0.00%
Jun 07 - Jun 08	-10.69%	0.00%
May 07 - May 08	-6.29%	0.00%
Apr 07 - Apr 08	-9.54%	0.00%
Mar 07 - Mar 08	-7.14%	0.00%
Feb 07 - Feb 08	-7.31%	0.00%
Jan 07 - Jan 08	-1.09%	0.00%
Dec 06 - Dec 07	2.98%	2.98%
Nov 06 - Nov 07	5.55%	5.55%
Oct 06 - Oct 07	13.12%	12.00%
Sep 06 - Sep 07	12.76%	12.00%
Aug 06 - Aug 07	12.48%	12.00%
Jul 06 - Jul 07	25.35%	12.00%
Jun 06 - Jun 07	23.81%	12.00%

May 06 - May 07	16.12%	12.00%
Apr 06 - Apr 07	14.25%	12.00%
Mar 06 - Mar 07	6.91%	6.91%
Feb 06 - Feb 07	14.09%	12.00%
Jan 06 - Jan 07	11.61%	11.61%
Dec 05 - Dec 06	12.00%	12.00%
Nov 05 - Nov 06	12.92%	12.00%
Oct 05 - Oct 06	15.28%	12.00%
Sep 05 - Sep 06	7.26%	7.26%

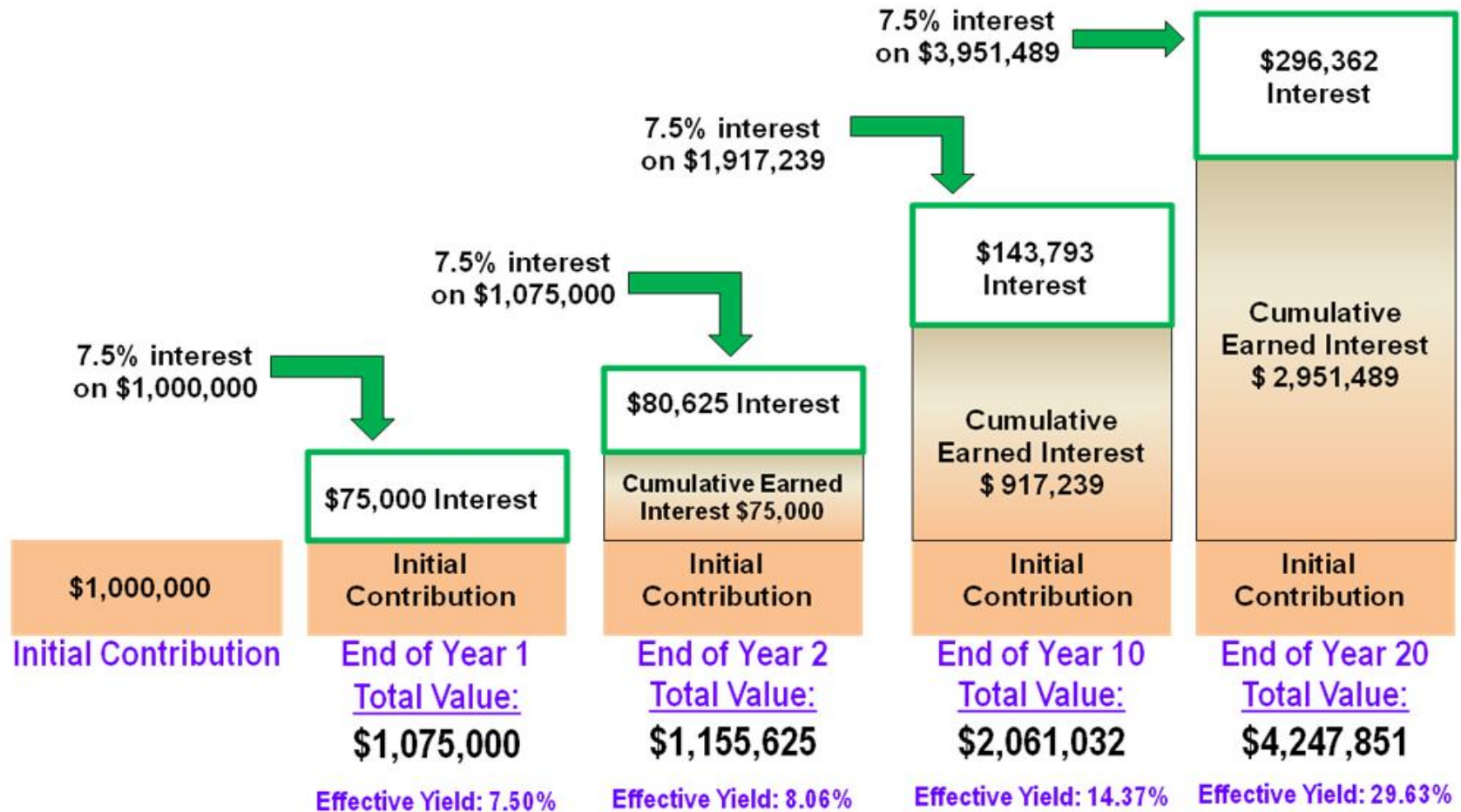
**Index Growth Rate** – In calculating the Segment Indexed Interest, the Index Growth Rate for the Segment Term is calculated first. For the 1- and 2-Year Indexed Accounts, the Index Growth Rate is based in part on the S&P 500 Index (excluding dividends) return measured as of the beginning of a Segment term to the day before the end of the Segment term. For the 5-Year Indexed Account<sup>1</sup> and High Par 5-Year Indexed Account<sup>2</sup>, the Index Growth Rate the Index Growth Rate is based in part on the S&P 500 Index (excluding dividends) return measured as of the beginning of a Segment term to the average closing value of the Index for the last 12 months of the 5-Year Segment term. For the 1-Year International Option, the Index Growth Rate is based in part on the Hang Seng, Euro Stoxx and MSCI Index returns (excluding dividends) measured as of the beginning of a Segment term to the day before the end of the Segment term.

**Growth Cap** – The growth rate of each Indexed Account may have a current upper limit (the Growth Cap); always has a guaranteed Minimum Growth Cap; and also has a lower limit (the Segment Guaranteed Interest Rate) – all shown in the Policy Specifications. Currently, the 1-Year S&P Indexed Account and the International Account have a 12% current Growth Cap. The 2-Year Indexed Account has a 32% current Growth Cap and the 5-Year Indexed Account and High Par 5-Year Indexed Account have no current Growth Cap. On a guaranteed basis, the 1-Year Indexed Accounts have a 3% minimum Growth Cap and the 5-Year Indexed Account and High Par 5-Year Indexed Account have a 15% minimum cumulative Growth Cap. The 2-Year Account has a 6% minimum Growth Cap. The Growth Cap is the maximum total interest rate that will be credited for a segment over a particular Segment Term. The Growth Cap is declared at the beginning of each Segment, and is guaranteed not to change for the entire Segment Term.

	<b>Growth Cap (current)</b>	<b>Growth Cap (minimum guaranteed)</b>	<b>Participation Rate (guaranteed)</b>	<b>Annual Guaranteed Rate</b>
1-Year Indexed Account <sup>3</sup>	12%	3%	100%	0% <sup>5</sup> ; even if the Index return is negative, the Segment will not lose value (before policy charges)
5-Year Indexed Account	No Cap	15% (on a five-year cumulative basis)	100%	1% <sup>5</sup> ; even if the Index return is negative, the Segment will receive the guarantee (before policy charges).
High Par 5-Year Indexed Account <sup>4</sup>	No Cap	15% (on a five-year cumulative basis)	105% (Guaranteed) 115% (Current)	0% <sup>5</sup> ; even if the Index return is negative, the Segment will not lose value (before policy charges)
Fixed Account	No Cap	N/A	N/A	2% (current rates may be higher depending on the interest rate environment)
2-Year Indexed Account	32%	6%	100%	0%
International				

## Compound Interest

Compound interest plays an integral part in your retirement strategy. You don't need to focus on high annual crediting rates. Instead, use the power of compound interest and focus on consistent, attainable crediting rates over time. Below is an example assuming a \$1,000,000 investment earning a steady 7.50% interest. By the end of year 20, the effective yield is almost 30%.



No particular investment is shown in the example. Results are based on a hypothetical rate of return compounding tax deferred. The effective yield assumes that you reinvest interest payments once you receive them.

## Put the Power of Zero to Work...

Clients today are concerned about preserving wealth. They are scared to start investing. With an Indexed Universal Life contract they can stop worrying over interest credit losses.

### Growth potential

When the index percentage change is positive for the specified indexed term: Money in the indexed accounts will be credited a positive interest rate.

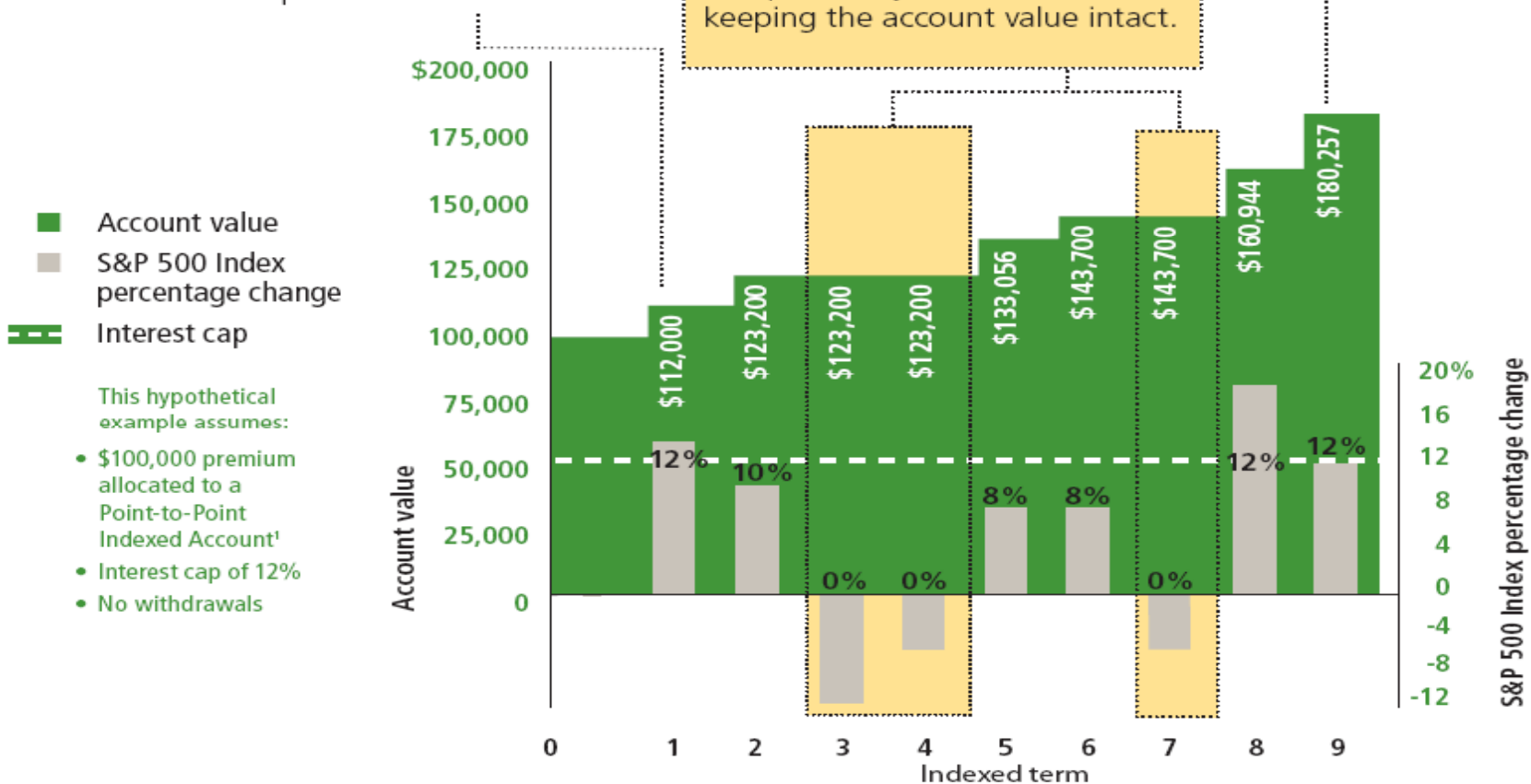
### Power of Zero

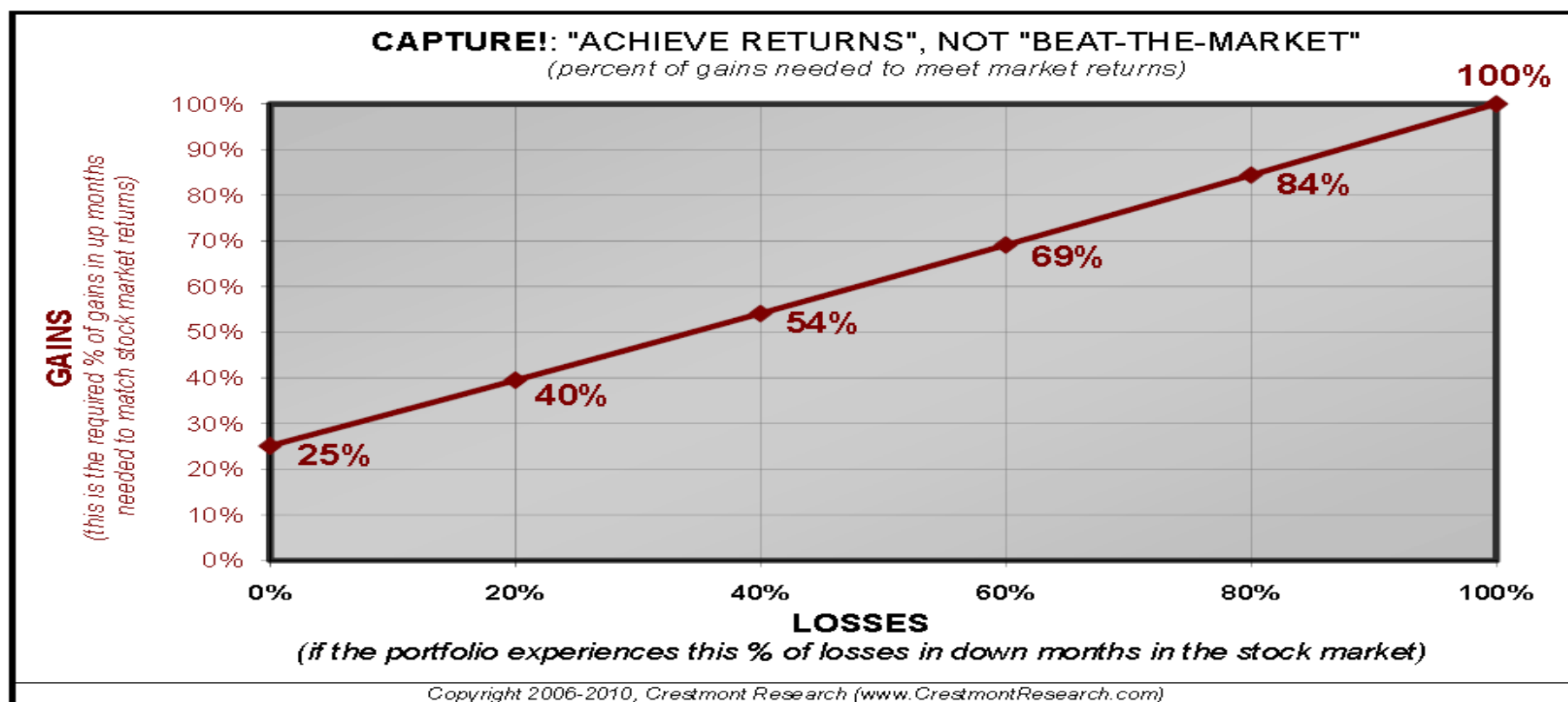
When the index percentage change is negative for the specified indexed term: The indexed account is credited 0% rather than a negative rate. This prevents loss of principal and previously earned interest, keeping the account value intact.

### Added benefit

No need to recover from negative returns:

Since the indexed accounts never earn a negative interest rate, you never have to recover from losses before you can benefit from a positive index percentage change.





The stock market is much more volatile than most investors realize. Two volatility gremlins--the disproportionate impact of losses and the friction loss from the dispersion of returns--significantly reduce the compounding of returns. Many absolute return-oriented investment strategies recognize this dynamic and seek to enhance investors' compounded returns by providing a more risk-managed and consistent return profile. "Capture" is one way to measure and illustrate the effectiveness and benefit of this approach. Whereas the 'relative return' investor (tracking stock market indexes) will generally experience 100% of the downside and 100% of the upside to achieve market returns, the 'absolute return' investor only needs a fraction of the upside when downside losses are limited. The graph above illustrates just how little of the upside is needed to match stock market returns over time and it demonstrates the way that many absolute return strategies exceed stock market returns without having to "beat-the-market" each year...

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Crestmont Research ([www.crestmontresearch.com](http://www.crestmontresearch.com))- Dr. Easterly research comparing Hedge Funds to S&P 500

Article: Rowing the Roller Coaster: Hedge funds captured 30% of down markets (-10% = -3%); 55% of up markets.

If you eliminate 40% loss's and capture 69% of the up markets you are getting 100% of the S+P 500

With IUL that has a zero floor you only need 25% of the gains to beat the S+P 500

# S&P 500 Index Yearly Returns

Note: Positive Return in 28 of last 37 Years


Year	Beginning Price	Ending Price	Gain or Loss	Percent Gain or Loss
1975	68.56	90.19	21.63	31.55%
1976	90.19	107.46	19.15	19.15%
1977	107.46	95.10	-12.36	-11.50%
1978	95.10	96.73	1.63	1.71%
1979	96.73	107.94	11.21	11.59%
1980	107.94	135.76	27.82	25.77%
1981	135.76	122.55	-13.21	-9.73%
1982	122.55	140.64	18.09	14.76%
1983	140.64	164.93	24.29	17.27%
1984	164.93	167.24	2.31	1.40%
1985	167.24	211.28	44.04	26.33%
1986	211.28	242.17	30.89	14.62%
1987	242.17	247.08	4.91	2.03%
1988	247.08	277.72	30.64	12.40%
1989	277.72	353.40	75.68	27.25%
1990	353.40	330.22	-23.18	-6.56%
1991	330.22	417.09	86.87	26.31%
1992	417.09	435.71	18.62	4.46%
1993	435.71	466.45	30.74	7.06%
1994	466.45	459.27	-7.18	-1.54%
1995	459.27	615.93	156.66	34.11%
1996	615.93	740.74	124.81	20.26%
1997	740.74	970.43	229.69	31.01%
1998	970.43	1229.23	258.80	26.67%
1999	1229.23	1469.25	240.02	19.53%
2000	1469.25	1320.28	-148.97	-10.14%
2001	1320.28	1148.08	-172.20	-13.04%
2002	1148.08	879.82	-268.26	-23.37%
2003	879.82	1111.92	232.10	26.38%
2004	1111.92	1211.92	100.00	8.99%
2005	1211.92	1248.29	36.37	3.00%
2006	1248.29	1418.30	170.01	13.62%
2007	1418.30	1468.36	50.06	3.53%
2008	1468.36	903.25	-565.11	-38.49%
2009	903.25	1115.10	211.85	23.45%
2010	1115.10	1257.64	142.54	12.78%
2011	1257.64	1257.60	-0.04	-0.00%
2012	1257.60	1426.19	168.59	13.41%

Investors pulled money from stock mutual funds in 2012 for the sixth consecutive year, despite the stock market's strong performance!


## S&P 500 End of Year Index (no dividends) vs. Pacific Life's Index Returns (December 15th)

Year	Beginning Price	Ending Price	Gain or Loss	Percent Gain or Loss	PL's 1 Year Return
2006	1248.29	1418.30	170.01	13.62%	12.00%
2007	1418.30	1468.36	50..06	3.53%	2.98%
2008	1468.36	903.25	-565.11	-38.49%	0.00%
2009	903.25	1115.10	211.85	23.45%	12.00%
2010	1115.10	1257.64	142.54	12.78%	11.44%
2011	1257.64	1257.60	-0.04	-0.00%	0.00%
2012	1257.60	1426.19	168.59	13.41%	13.00%

7 Year Average



4.04%



7.35%

S&P 500 End of Year vs.  
S&P 500 End of Year Index (no dividends) vs.  
Pacific Life's Index Returns (December 15th)

Year	S+P 500 Percent Gain or Loss	S&P 500 Index Percent Gain or Loss	Pacific Life's 1 Year Index Account Percent Gain
2006	15.74%	13.62%	12.00%
2007	5.46%	3.53%	2.98%
2008	-37.22%	-38.49%	0.00%
2009	27.11%	23.45%	12.00%
2010	14.87%	12.78%	11.44%
2011	2.07%	-0.00%	0.00%
2012	15.88%	13.41%	13.00%

6.27%

4.04%

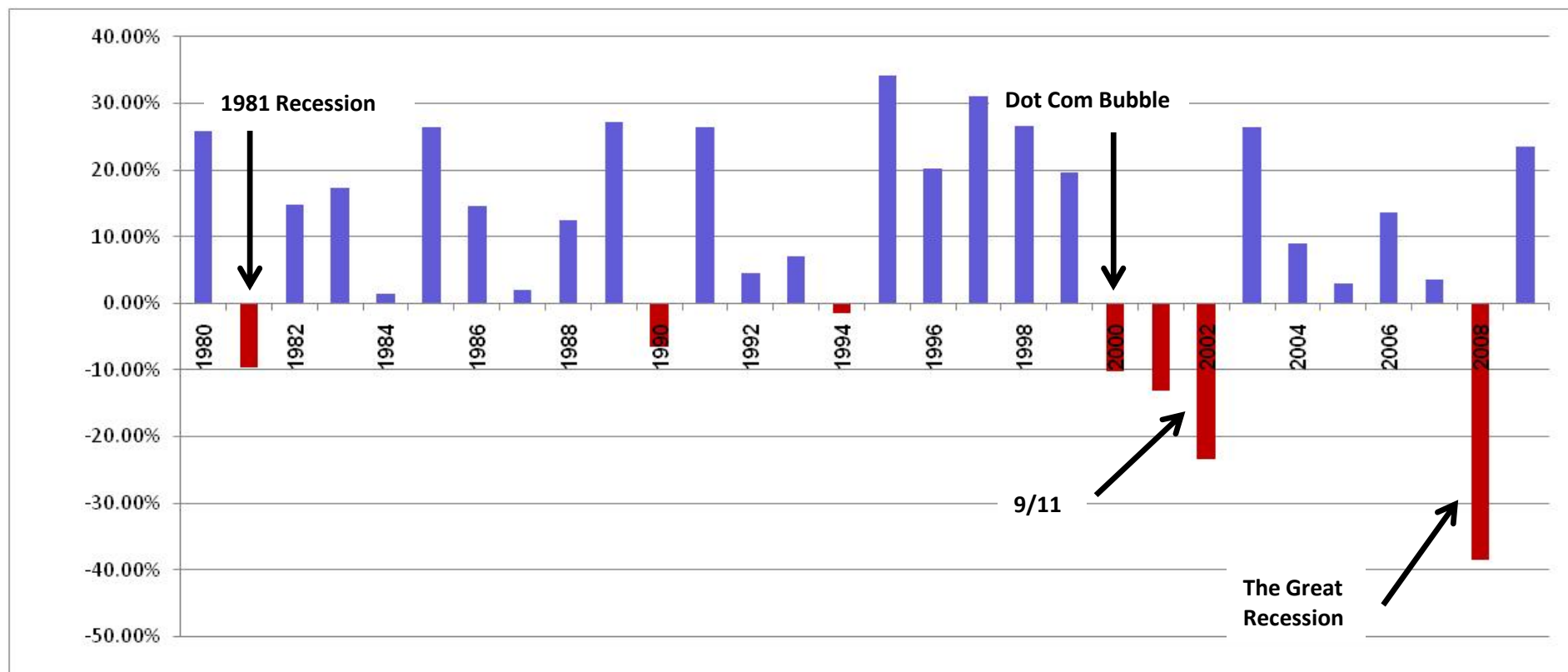
7.35%

7 Year Average

# Growth and the S&P 500


## *Taking the Long View, Far More Ups Than Downs*

The chart below shows how the S&P 500®, excluding dividends, has performed over the last 30 years. You can see that only seven years have had negative growth. Does investing in the S&P 500, excluding dividends, provide consistent, attainable growth rates?



S&P 500 Without Dividends	Average Annual Return (12/31/2009)
20-year Return	7.77%
30-year Return	9.58%

Source: Yahoo Finance GSPC Historical Prices,  
data gathered as of 1/4/10.



## S&P 500\* (2000 – 2003)


**Beginning Value on Jan. 1, 2000**

**\$1,000,000**

	<b>S&amp;P Return</b>	<b>Change in Value</b>	<b>Year End Value</b>
<b>2000</b>	<b>-10.14%</b>	<b>(\$101,400)</b>	<b>\$898,600</b>
<b>2001</b>	<b>-13.04%</b>	<b>(\$117,177)</b>	<b>\$781,423</b>
<b>2002</b>	<b>-23.37%</b>	<b>(\$182,618)</b>	<b>\$598,804</b>
<b>Loss:</b>		<b>(\$401,196)</b>	
		<b>40.12%</b>	

\*S & P 500 without dividends;

Assumptions only for discussion purposes;  
do not rely upon as a forecast of expected results



# Prevent Losses

Beginning Value on Jan. 1, 2000

\$1,000,000

	S&P Return	Change in Value	End of Year Value	Annual Gain	Change in Value	End of Year Value
2000	-10.14%	(\$101,400)	\$898,600	0.00%	\$0	\$1,000,000
2001	-13.04%	(\$117,177)	\$781,423	0.00%	\$0	\$1,000,000
2002	-23.37%	(\$182,618)	\$598,804	0.00%	\$0	\$1,000,000
Loss:		(\$401,196) 40.12%		Gain:	\$0 0.00%	

## Loss Prevention

*\*S & P 500 without dividends;*

*Assumptions only for discussion purposes;  
do not rely upon as a forecast of expected results*

## 6 Choices for Growth Potential

Whether your clients think growth may occur in the U.S. or abroad, modestly or robustly, Pacific Life's indexed universal life insurance products<sup>2</sup> have accounts for a range of conditions.

Indexed Account	Currently Credits...	Credit Applied at End of...	Good for...	Watch out for...
<b>1-Year International**</b>	Average of 3 international indexes' 1-year change after each is applied to 100% participation rate, 13% growth cap, and 0% guaranteed minimum rate (floor).  Hang Seng <sup>3</sup> • EURO STOXX 50 <sup>®4</sup> • MSCI Emerging Markets <sup>™5</sup>	12 months	Balancing policy's crediting potential with an international option	Robust periods of U.S. growth, which may not affect international returns
<b>1-Year High Par<sup>††</sup></b>	150% of S&P 500 <sup>®</sup> index's <sup>6</sup> gains, applied up to 11% growth cap (cap); 0% guaranteed floor	12 months	Achieving higher crediting rates from modest S&P 500 <sup>®</sup> gains	Robust S&P 500 <sup>®</sup> growth will be limited by current 11% Cap
<b>1-Year<sup>‡‡</sup></b>	100% of S&P 500 <sup>®</sup> index's gains up to 13% cap; 0% guaranteed floor	12 months	Simplicity and relatively high cap	Robust S&P 500 <sup>®</sup> growth will be limited by current 13% Cap
<b>2-Year<sup>†††</sup></b>	100% of S&P 500 <sup>®</sup> index's gains over 2 years up to 32% cap; 0% guaranteed floor	24 months	Capturing more of S&P 500 <sup>®</sup> gains than 1-Years and crediting more frequently than High Par 5-Year	Income needs within 2 years; may not capture frequent gains of extremely volatile markets
<b>High Par 5-Year<sup>‡‡‡</sup></b>	115% of S&P 500 <sup>®</sup> index's gains over 5 years (no cap); 0% guaranteed floor	60 months	Making the most of extended, robust S&P 500 <sup>®</sup> gains	Income needs within 5 years; extremely volatile markets may result in extended periods of 0% crediting

Possible Allocation Strategy	
<b>High Par 5 Year</b>	<b>30%</b>
<b>2 Year Indexed Account</b>	<b>10%</b>
<b>1 Year High Par Indexed Account</b>	<b>20%</b>
<b>1 Year International Account</b>	<b>10%</b>
<b>1 Year Indexed Account</b>	<b>20%</b>
<b>Fixed Account</b>	<b>10%</b>

# Illustrating Indexed Universal Life Insurance with Confidence

The Power of the Market, the Security of Guarantees — In Your Hands.

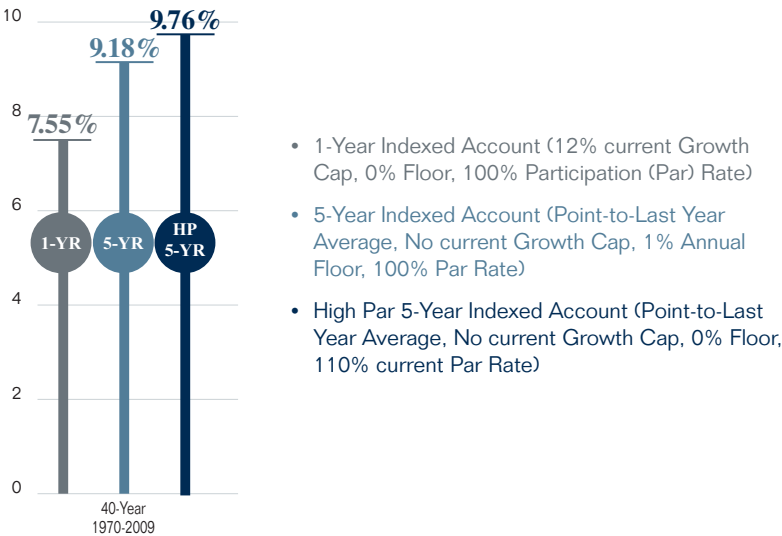
When markets fluctuate, clients may flee to safety. However, in doing so, they can miss out on significant market recoveries. Consider that the S&P 500® Index regained an impressive 17.03% from December 31, 2008 to September 30, 2009 after being down a significant -35.8% overall in 2008.

## How can you help clients capture market recoveries while sidestepping market crashes?

Pacific Life Indexed Universal Life (IUL) insurance policies let clients capture the S&P 500's performance (excluding dividends)<sup>1</sup> up to the Indexed Accounts' Growth Caps and limit losses to the Guaranteed Minimum Interest Rates.<sup>2</sup> Doing so provides competitive upside potential with downside guarantees. See the chart below for average hypothetical crediting rates in each Indexed Account available in Pacific Indexed Accumulator III (Policy Form #P08PI3) and Indexed Pacific Estate Preserver (Policy Form #P09IEP).

## What rates can your clients expect?

Below is a hypothetical example of each Pacific Life Indexed Account's 40-year hypothetical average crediting rate from 1/15/1970 through 12/15/2009. These rates were determined using an average of annual returns from 240 individual annual Segments, each created monthly from 1/15/1970 through 12/15/1989 and held and reinvested in each respective Indexed Account for 20 years with the last Segment maturing on 12/15/2009.<sup>3</sup>



## How Confident Are We in Those Rates?

For many clients, averages alone might not provide enough confidence in the illustrated rates. Using the same assumptions outlined above, we can determine the likelihood of various interest crediting rates occurring. We refer to this likelihood as a Confidence Factor. Consider the Confidence Factors in the table below:

90% of the 240 segments sampled would produce at least the annual crediting rates shown or higher.

Confidence Factors	1-Yr Account	5-Yr Account	Hi-Par 5 Account
90%	6.64%	7.03%	7.19%
75%	7.13%	7.58%	8.05%
50%	7.56%	9.20%	9.78%
25%	7.99%	10.52%	11.17%
10%	8.38%	11.78%	12.70%



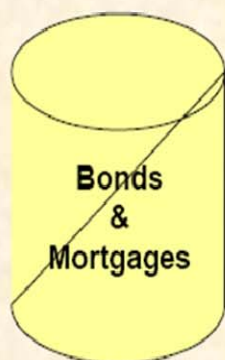
PACIFIC LIFE

# Hypothetical Investment Strategy for Indexed UL Products

\$ 1,000

\$ 948

\$ 52



6.0% Average Rate  
- .5% Expense Charge  
5.5% Credit Rate

## Options Market

Notional Value = \$1,000

**BUY Call Option**      \$ 72  
Strike Price = 100%

**SELL Call Option**      \$ 20  
Strike Price = 112%

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**Net Cost**      \$ 52

\$1,000

# The Mechanics of EIUL: The Insurers' Hedge Strategy

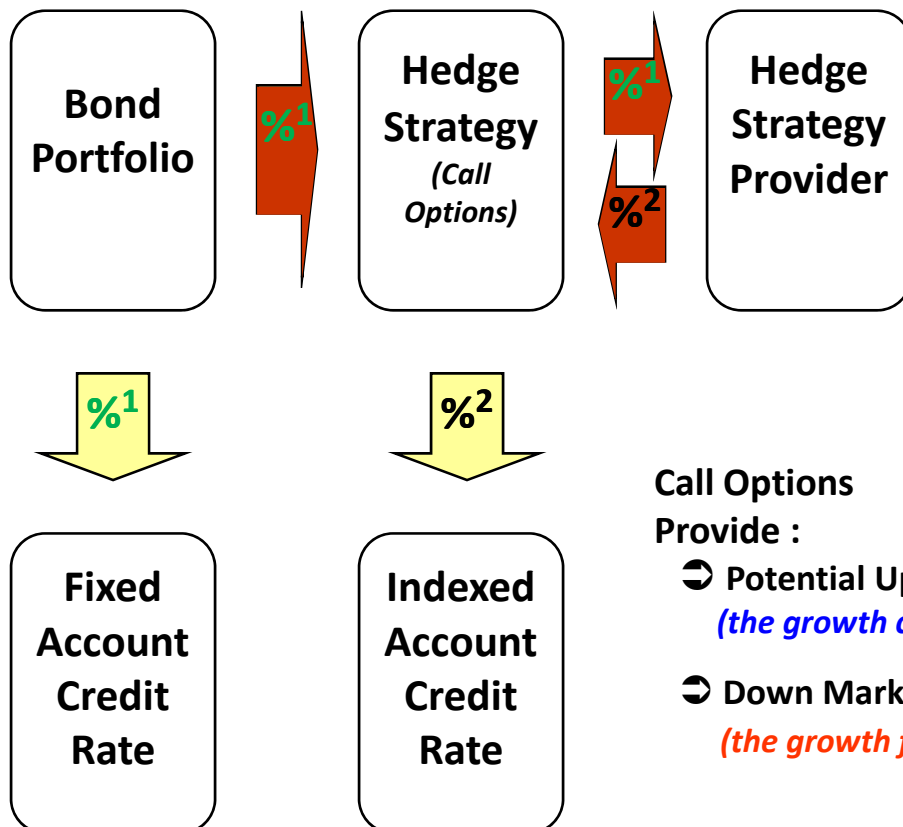
$\%^1$  = Bond Investment Return  
(2-3% of the total portfolio)

$\%^2$  = Hedge Strategy Return

Premium



Factors Determining Growth Cap Rate



Call Options

Provide :

- ➡ Potential Up Market Gain  
*(the growth cap)*
- ➡ Down Market Protection  
*(the growth floor)*