

Hypothetical Annual Crediting Rates by Indexed Account

Illustrating Indexed Universal Life Insurance with Confidence

The indexed accounts in Pacific Life indexed universal life (IUL) insurance products¹ credit current interest rates based in part on the performance of major stock market indexes, excluding dividends, up to current growth caps, if any, but not below guaranteed minimum annual interest rates (floors).

What Rates Might Your Clients Expect?

Below are the hypothetical average annual crediting rates for each indexed account, when current crediting assumptions² are applied to a 40-year (for S&P 500[®] index³) and 24-year (for international indexed account's indexes) index performance, excluding dividends.⁴

Underlying Index	Composite (1/3 each) of Hang Seng ⁵ , MSCI Emerging Markets ⁶ , and EURO STOXX 50 ^{®7} Indexes, all excluding dividends	S&P 500 [®] index, excluding dividends			
		1-Year International	1-Year High Par ⁸	1-Year ⁹	2-Year ¹⁰
Hypothetical Average Annual Crediting Rate	7.16%	7.66%	7.63%	8.87%	10.10%
	<i>24-Year Period 1988–2012</i>	<i>40-Year Period 1972–2012</i>			

Confidence Factors—Likelihood of achieving various annual crediting rates over any given period.

For example, 90% of the hypothetical 1-Year International Indexed Account Segments created over the sample period above earned an average annual crediting rate of 6.58% or higher, whereas only 10% earned a rate of 7.71% or higher. Half earned a rate of 7.13% or higher.

	Confidence Factors	1-Year International	1-Year High Par	1-Year	2-Year	High Par 5-Year
<i>Most Likely</i>	90%	6.58%	7.01%	6.93%	7.44%	7.36%
	75%	6.86%	7.22%	7.21%	8.06%	8.28%
	50%	7.13%	7.65%	7.60%	8.71%	10.14%
	25%	7.51%	8.03%	7.99%	9.77%	11.55%
<i>Least Likely</i>	10%	7.71%	8.30%	8.38%	10.60%	13.14%

Try It Out for Yourself—IUL Rate Calculator

To help you determine an appropriate crediting rate for use in your clients' illustrations, use the **IUL Rate Calculator** to select a period of historical index performance, excluding dividends, and apply it to your own set of variables. You may select:

- Any historical period of index performance from 1928 for the S&P 500[®] index and from 1988 for the international indexed account indexes, all excluding dividends;
- Annual or monthly Segment creation cycles;
- A range of accumulation (reinvestment) periods;
- Your choice of participation rate, growth cap, and guaranteed minimum annual (floor) rate.

To see the Confidence Factors for the scenario you create, go to the last page of the IUL Rate Calculator's output. It will be near the middle of the page, in a section labeled "Range of Indexed Segment Hypothetical Annual Growth Rates." The IUL Rate Calculator is available on Lifeline → Product Information → Indexed Universal Life.

Endnotes on back.



PACIFIC LIFE

- 1 Pacific Life Indexed Universal Life insurance single life products (Pacific Indexed Accumulator 4 (Policy form #P11PI4), and Pacific Indexed Performer LT (Policy Form #P11PIP), and second-to-die products and Indexed Pacific Estate Preserver (Policy Form #PO9IEP), do not directly participate in any stock or equity investments.
- 2 Current crediting assumptions: 1-Year and 1-Year International Indexed Account (1 Year Indexed Account 2 in the contract) use 12% current growth caps (3% guaranteed), 100% guaranteed participation rates, and 0% guaranteed floor. 1-Year High Par Indexed Account (1 Year Indexed Account 3 in the contract) uses 11% current growth cap (2% guaranteed), 150% current participation rate (140% guaranteed), and 0% guaranteed floor; 2-Year Indexed Account uses 32% current growth cap over 2 years (6% over 2 years guaranteed), 100% guaranteed participation rate, and 0% guaranteed floor; and High Par 5-Year Indexed Account (5 Year Indexed Account 2 in the contract) uses no current growth cap (15% over 5 years guaranteed), 115% current participation rate (105% guaranteed), and 0% guaranteed floor. In PA, for IPEP only, the guaranteed floor is 1% and all caps are 1% lower, except for the 2 Year Indexed Account, which has a 28% current growth cap over 2 years, and the 5 Year Indexed Account replaces the High Par 5-Year Indexed Account and features no current growth cap (15% over 5 years, guaranteed minimum growth cap), a 100% guaranteed participation rate, and a 1% guaranteed minimum crediting rate (5.1% cumulative).
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- 4 S&P 500[®] Index-Based Indexed Accounts — The 40-year hypothetical average annualized crediting rates were determined using the average annualized return of 252 individual Segments, each created monthly from 1/15/1971 to 12/15/1991 and held and reinvested in each respective Indexed Account for 20 years with the last Segment maturing 12/15/2011. 1-Year International Indexed Account — The international indexes are newer and have a shorter collective history than the S&P 500[®] Index. Accordingly, the international 24-year hypothetical average annual crediting rate was determined using the average annual return of 60 individual Segments, each created monthly from 1/15/1988 to 12/15/1992 and held and reinvested in each international index, excluding dividends, for 20 years, with the last Segment maturing on 12/15/2012. Historical returns are no guarantee of future performance. The first Pacific Life IUL product was not offered until September 2005, so the returns shown are not representative of actual product performance. The actual historical growth cap, participation rate and floor of Pacific Life's IUL products, had they been available, over the period analyzed might have been higher or lower than assumed, and likely would have fluctuated with market conditions, subject to product guarantees.
- 5 Hang Seng Indexes Company Limited ("HSIL") and Hang Seng Data Services Limited ("HSDS") have licensed Pacific Life Insurance Company to use the Hang Seng Index in connection with this life insurance product. This product and its 1-Year International Indexed Account are not sponsored, endorsed, sold or promoted by HSIL or HSDS. HSIL and HSDS make no representation regarding the advisability of purchasing a life insurance product. Please read the disclaimer in relation to the Hang Seng Index in the policy illustration. For more information about the Hang Seng Index, please visit www.hsi.com.hk.
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