

Insurer Profile

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National Western Life Insurance Co.

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Standard & Poor's

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Standard & Poor's Ratings Services' insurer financial strength rating on National Western Life Insurance Co. (NWLIC) is based on the company's very strong capital and liquidity, as well as its strong operating performance and competitive position in the international life insurance market. Offsetting these factors is NWLIC's lack of customer brand recognition in the U.S. annuity marketplace and the lack of a significant competitive position in the U.S. life insurance market.

We view NWLIC's capitalization as very strong. Despite the additional strain from the strong growth in annuity sales, the company maintains its capital strength. As per our insurance risk-based capital model as of year-end 2011, NWLIC's capital was redundant at the 'AAA' level. Capital is an important strength to the rating. We expect the company's capital to remain redundant at the 'AA' level, which will somewhat offset the rating weaknesses.

We view NWLIC's liquidity as strong, with a liquidity ratio of more than 285% (as per our liquidity model). We expect the company's high-quality bond portfolio, with less than 2% of bonds rated speculative grade, to adequately support its ongoing liquidity needs. The company has been conservative in its investment strategy and has avoided any major holdings of higher-risk structured assets.

In addition, we view NWLIC's operating performance as supportive of the rating. In 2011, the company reported generally accepted accounting principles (GAAP) pretax income (excluding realized investment gains and losses, other-than-temporary-impairments, and non-recurring charges) of \$96 million, slightly down from \$99 million in 2010. However, we believe that the level of earnings, as evidenced by a GAAP return on assets (ROA) of 104 basis points (bps) in 2011, supports the rating.

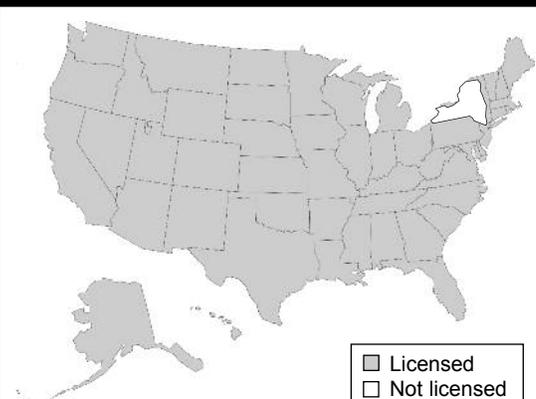
NWLIC's business profile benefits from its strong and sustainable position in U.S. dollar-denominated life insurance policies, sold to residents of many Latin and Central American nations, and the geographic diversity of its earnings (its in-force life insurance policies reach more than 32 different countries). However, lack of brand recognition in the highly commoditized domestic annuity marketplace constrain NWLIC's business profile. NWLIC has seen a couple of years of good sales performance in its annuity business. However, given the continued spread compression for the low-interest rate environment, the company has decided to change some of its annuity features and distribution incentives to manage annuity sales strategically. The company will continue to focus on growing its domestic life sales, which are currently a small component of its overall product portfolio. After several years of decline in domestic life sales, NWLIC successfully increased its domestic life sales in 2011.

Two-year financial statement (\$000)*

Summary Income Statement	2011	2010
Total Revenue	\$1,976,000	\$2,014,000
Net Income	\$54,000	\$77,000
Return on Assets (ROA)	1.0%	1.5%
Return on Revenue (ROR)	4.0%	5.3%
Expense Ratio	14.6%	13.9%
Liquidity Ratio	289.1%	283.7%
Summary Balance Sheet		
Total Assets	\$8,670,000	\$7,783,000
- Adjusted Liabilities	\$7,681,000	\$6,843,000
Total Adjusted Capital	\$989,000	\$940,000

*All statutory data provided by National Association of Insurance Commissioners, with permission.

States where the company is licensed to do business

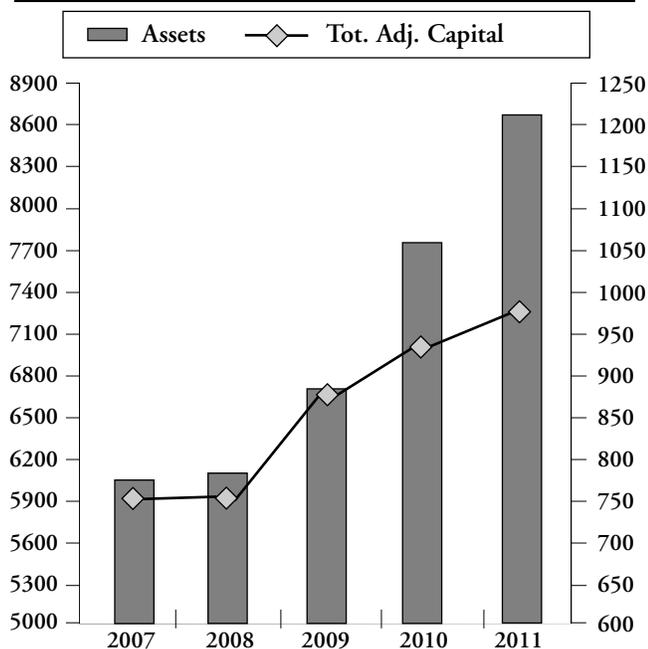


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Standard & Poor's traces its history back to 1860. Today, it is acknowledged as the global financial benchmark whose financial ratings, analysis and information help people throughout the world make well-informed financial decisions. Since 1971, Standard & Poor's has been rating the financial strength of insurers. This includes life insurers, annuity companies, property and casualty insurers, title, mortgage and bond insurers, reinsurers, as well as health-care plans like HMOs. Standard & Poor's insurance rating services employs specialized financial analysts around the world who regularly report on the financial strength of some 4,000 insurers and reinsurers worldwide.

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Five-Year History (\$ Mil)*



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Given the depth and sophistication of Standard & Poor's analyses, consumers, corporate risk managers, pension and employee benefit managers, as well as insurance brokers, agents and commercial bankers, recognize and value Standard & Poor's insurer financial strength ratings.

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Buying the right insurance products is a major challenge and an important part of your financial future. The financial strength of the insurer is often the most important part of this decision. That's why it's vital to check the insurer's Standard & Poor's financial strength rating. Naturally, you also should consider the scope and terms of coverage, the quality of customer service and, of course, the price and benefits of the policy.

The Ratings Explained

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This extensive review includes interviews by Standard & Poor's analysts with the company's management, providing a solid understanding of the insurer's current and future operational and financial condition. Further, Security Circle insurers also have agreed to cooperate with Standard & Poor's ongoing monitoring of their financial condition. A plus (+) or minus (-) shows relative standing in a rating category.

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