



NATIONAL WESTERN LIFE INSURANCE COMPANY ANNUAL REPORT 1971

To Our Shareowners



Robert L. Moody
Chairman of the Board



A. A. Alexander, Jr.
Vice Chairman of the Board
Chief Executive Officer



Harry L. Edwards
President

Your Company achieved another record year in 1971. Statutory Net Gain from Operations amounted to \$2,514,735, up 41.8% over the previous year. The per share statutory Net Gain equaled 71.7 cents per share, up 21.1 cents over last year. The accompanying comparative statements detail the strong financial and operating posture of the Company.

The Company continues to place strong emphasis on the marketing of high quality persistent business with specialized product lines and a specialized marketing organization. While conventional plans of life insurance remain our mainstay, we are also alert to the changing needs of a sophisticated insurance buying public. We have the actuarial and marketing talent capable of developing life insurance plans for specific markets, and an innovative marketing attitude prevails. Late in 1971, we announced our Split-Life Plan. The Split-Life concept has been described as the only truly new concept in the life insurance industry in over one hundred years. We are proud to be among the first companies in the United States to market this new and profitable plan of life insurance.

Evidence of the Company's increasing effectiveness in sales is demonstrated by the fact that current sales of ordinary insurance to individuals is increasing sharply. We are confident our marketing ability and our product lines will enable us to report substantial gains in new business during 1972.

Ordinary insurance-in-force increased \$10 million for the year. Total insurance-in-force showed a decrease, primarily the result of losing approximately \$36 million of Servicemen's Group Life Insurance through reallocation of the Company's participation under the government's allocation formula.

Net Investment income again showed marked improvement, up a significant 24.6%, totalling \$5,833,118 compared to \$4,681,830 in 1970. The Investment Department achieved a 1971 net investment yield on mean assets of 5.67% compared to 5.32% in 1970.

Your Board of Directors, Officers, Sales Representatives and employees have made possible the achievements reflected in this report. Management looks forward with enthusiasm and confidence to the continuing growth trends and solicits your continued support.

A handwritten signature in dark ink, appearing to read "Robert L. Moody".

Robert L. Moody

A handwritten signature in dark ink, appearing to read "A. A. Alexander, Jr.".

A. A. Alexander, Jr.

A handwritten signature in dark ink, appearing to read "Harry L. Edwards".

Harry L. Edwards

Comparative Balance Sheets

National Western Life Insurance Company 1967 through 1971

Assets

	1971	1970 ⁽¹⁾	1969	1968	1967
Bonds	\$ 45,454,693	\$ 44,862,631	\$27,585,434	\$21,320,616	\$20,948,308
Stocks	5,689,705	2,118,906	5,022,168	6,478,390	4,963,299
Mortgage Loans	31,754,874	29,687,118	25,266,024	23,250,890	20,557,742
Real Estate (Net of Liens)	1,413,876	1,775,159	1,274,492	2,419,089	2,302,073
Policy Loans	9,350,914	7,988,919	5,501,995	4,652,975	4,064,100
Collateral Loans		360,869	400,805	567,319	631,347
Other Invested Assets	18,302	23,254	27,918	48,244	161,759
Cash	3,103,329	6,249,979	2,755,486	2,723,303	1,301,616
Premiums in the Course of Collection	3,531,429	3,711,556	3,276,416	3,172,948	3,309,884
Interest in Libbie Shearn Moody Trust ⁽²⁾	11,399,628	9,318,226	11,887,266	11,791,890	10,626,516
Accrued Investment Income	1,143,116	1,046,765	777,061	614,320	524,916
Other Assets	358,357	246,608	1,051,760	559,287	231,009
Total Assets	<u>\$113,218,223</u>	<u>\$107,389,990</u>	<u>\$84,826,825</u>	<u>\$77,599,271</u>	<u>\$69,622,569</u>

Liabilities

Policy Reserves	\$ 83,908,401	\$ 77,491,090	\$61,855,588	\$56,507,788	\$51,741,185
Policy and Contract Claims Payable	738,390	510,306	510,903	709,498	471,372
Premiums Paid in Advance or on Deposit	527,175	584,608	554,921	615,213	643,120
Policyowners' Funds on Deposit	9,991,432	9,410,399	7,448,272	6,973,727	6,370,781
Accrued Taxes	213,850	725,260	808,493	1,056,605	769,765
Funds Held by Company as Trustee	268,185	247,541	302,022	657,555	510,468
Accrued Expenses	559,003	786,140	1,230,100	877,583	467,008
Unearned Income	237,984	186,640	140,759	148,322	249,850
Notes Payable			10,014	10,014	249,549
Mandatory Securities Valuation Reserve		686,407	707,877	1,091,115	593,698
Other Liabilities	478,140	390,875	1,068,726	314,140	326,140
Total Liabilities	<u>\$ 96,922,560</u>	<u>\$ 91,019,266</u>	<u>\$74,637,675</u>	<u>\$68,961,560</u>	<u>\$62,392,936</u>

Capital and Surplus

Common Stock	\$ 3,508,283	\$ 3,508,319	\$ 2,955,916	\$ 2,955,916	\$ 2,955,916
Total Surplus Funds ⁽²⁾	12,787,380	12,862,405	7,233,234	5,681,795	4,273,717
Total Capital and Surplus	<u>\$ 16,295,663</u>	<u>\$ 16,370,724</u>	<u>\$10,189,150</u>	<u>\$ 8,637,711</u>	<u>\$ 7,229,633</u>
Total Liabilities, Capital and Surplus	<u>\$113,218,223</u>	<u>\$107,389,990</u>	<u>\$84,826,825</u>	<u>\$77,599,271</u>	<u>\$69,622,569</u>

NOTES TO FINANCIAL STATEMENTS:

- Effective August 31, 1970 Missouri Fidelity/Union Trust Life Insurance Company was merged into National Western Life. Missouri Fidelity had assets of \$15,887,248; liabilities of \$11,660,351; capital and surplus of \$4,226,897; insurance-in-force of \$136,956,450.
- On February 11, 1970, The Commissioner of Insurance of Colorado stipulated the value of National Western's interest in the Trust to be the amount of insurance payable to National Western upon the death of Robert L. Moody, less the unpaid balance of debentures payable from income from the Trust. Previously the value was calculated by an actuarial formula which determined the present value of future income anticipated from the Trust over the expected lifetime of Mr. Moody. The indicated values are in accordance with the Commissioner's revised formula. Total surplus funds at December 31, 1971 consist of \$4,532,737 paid-in surplus and \$8,254,643 unassigned surplus.

Comparative Operating Statements

National Western Life Insurance Company 1967 through 1971

Income

	1971	1970	1969	1968	1967
Premiums	\$18,569,597	\$17,646,700	\$16,909,846	\$17,042,155	\$16,205,520
Other Considerations	1,872,226	1,669,717	1,869,907	1,645,108	2,109,791
Investment Income (Less Investment Expenses)	5,833,118	4,681,830	3,415,467	3,152,118	2,583,552
Other Income					48,528
Total Income	<u>\$26,274,941</u>	<u>\$23,998,247</u>	<u>\$22,195,220</u>	<u>\$21,839,381</u>	<u>\$20,947,391</u>

Policyowners benefits

Death Benefits	\$ 2,910,645	\$ 2,576,232	\$ 3,072,473	\$ 2,778,617	\$ 2,342,827
Surrender Benefits	2,821,353	2,879,179	2,545,358	2,954,922	2,623,619
Accident and Health Benefits	385,004	352,737	264,519	462,410	460,181
Other Benefits	3,262,975	2,841,487	2,528,975	2,618,859	3,000,862
Increase in Policy and Benefit Reserves	<u>7,126,305</u>	<u>6,786,741</u>	<u>5,871,843</u>	<u>5,432,820</u>	<u>5,822,859</u>
Total Benefits to Policyowners and Beneficiaries	<u>\$16,506,282</u>	<u>\$15,436,376</u>	<u>\$14,283,168</u>	<u>\$14,247,628</u>	<u>\$14,250,348</u>

Expenses

Commissions	\$ 2,223,421	\$ 2,376,429	\$ 2,877,466	\$ 3,099,881	\$ 2,948,754
General Insurance Expenses	3,141,524	3,224,622	2,877,697	2,788,935	3,247,012
Insurance Taxes, Licenses and Fees	457,490	320,838	338,374	575,383	437,247
Increase in Loading on Deferred and Uncollected Premiums	190,625	(181,659)	(261,738)	(315,189)	44,605
Other Sundry Expenses					24,604
Total Expenses	<u>\$ 6,013,060</u>	<u>\$ 5,740,230</u>	<u>\$ 5,831,799</u>	<u>\$ 6,149,010</u>	<u>\$ 6,702,222</u>
Total Benefits and Expenses	<u>\$22,519,342</u>	<u>\$21,176,606</u>	<u>\$20,114,967</u>	<u>\$20,396,638</u>	<u>\$20,952,570</u>
Net Gain (Loss) Before Dividends to Policyholders	\$ 3,755,599	\$ 2,821,641	\$ 2,080,253	\$ 1,442,743	\$ (5,179)
Dividends to Policyholders	<u>1,240,864</u>	<u>1,048,061</u>	<u>937,230</u>	<u>906,670</u>	<u>1,255,194</u>
Net Gain (Loss) from Operations	<u>\$ 2,514,735</u>	<u>\$ 1,773,580</u>	<u>\$ 1,143,023</u>	<u>\$ 536,073</u>	<u>\$ (1,260,373)</u>

Reconciliation of Surplus

	PAID IN	UNASSIGNED	TOTAL
Surplus Funds – December 31, 1970	\$4,532,737	\$8,329,668	\$12,862,405
Net Gain from Operations		2,514,735	2,514,735
Decrease in Mandatory Securities Valuation Reserve		686,407	686,407
Settlement of Lawsuits		(425,500)	(425,500)
Net Capital Losses		(757,147)	(757,147)
Net Gain from Non-admitted Items		6,213	6,213
Payments on Surplus Debentures		(2,099,519)	(2,099,519)
Purchase and Cancellation of Capital Stock		(214)	(214)
Surplus Funds – December 31, 1971	<u>\$4,532,737</u>	<u>\$8,254,643</u>	<u>\$12,787,380</u>

Highlights

NET GAIN FROM OPERATIONS

1971	1970
\$2,514,735	\$1,773,580

POLICY RESERVES

1971	1970
\$83,908,401	\$77,491,090

TOTAL INCOME

1971	1970
\$26,274,941	\$23,998,247

NET INVESTMENT INCOME

1971	1970
\$5,833,118	\$4,681,830

INSURANCE IN FORCE

1971	1970
\$839,453,468	\$870,862,401

PREMIUM INCOME

1971	1970
\$18,569,597	\$17,646,700

BENEFITS TO POLICYHOLDERS

1971	1970
\$16,506,282	\$15,436,376

TOTAL ASSETS

1971	1970
\$113,218,223	\$107,389,990

CAPITAL AND SURPLUS

1971	1970
\$16,295,663	\$16,370,724

Directors

- A. A. Alexander, Jr.* . . . Vice Chairman of the Board,
Chief Executive Officer
National Western Life, Austin, Texas
- Ted Robinson Allmond . . . Attorney, Galveston, Texas
- Gene H. Bishop President,
Lomas & Nettleton, Inc., Dallas, Texas
- Harry L. Edwards* President
National Western Life, Austin, Texas
- Bryan W. Forister, Jr., M.D. Medical Director,
National Western Life, Austin, Texas
- E. Peter Garber, M.D. . . . Physician, Galveston, Texas
- B. C. Lancaster* Vice President,
Investment Officer,
National Western Life, Austin, Texas
- Ben D. Marcus President, Marcus Theatres,
Pfister Hotels, Marc's Big Boy Corp.,
Marcus CATV Corp., First American Finance,
Milwaukee, Wisconsin
- Joseph J. Marsh President,
Marsh-Wimbush, Inc., Denver, Colorado
- Robert L. Moody Chairman of the Board,
National Western Life, Austin, Texas
- Louis Pauls, Jr. Vice President,
Louis Pauls & Co., Galveston, Texas
- Sam R. Perry* Attorney,
Sneed, Vine, Wilkerson & Selman,
Austin, Texas
- Arthur J. Shadek Investments
Alpine, New Jersey
- John Ben Shepperd* Vice President
and General Counsel, Odessa Natural
Gasoline Company, Odessa, Texas

**Member of Executive Committee*

Executive Staff

- Robert L. Moody Chairman of the Board
- A. A. Alexander, Jr. . . . Vice Chairman of the Board,
Chief Executive Officer
- Harry L. Edwards President
- R. F. Varnado Senior Vice President,
Secretary-Treasurer
- Richard L. Boswell, FSA . . . Vice President, Actuary
- Weldon K. Huffman Vice President,
Systems Management
- Robert R. Johnson, CLU Vice President,
Policyowners' Services; Assistant Secretary
- Frank M. Jones, Jr. Vice President,
Manpower Development
- B. C. Lancaster Vice President, Investments
- Charles H. McCoy Vice President, Marketing
- Lewis G. Morris Vice President, Controller;
Assistant Secretary-Treasurer
- Harold L. Ponder Vice President, Risk Selection
- Robert L. Busby III, CPA Asst. Vice President,
Internal Auditor
- Robert V. Carothers, Asst. Vice President,
Premium Collection; Assistant Treasurer
- Bob Laughlin Asst. Vice President, Agency
- Robert L. Mathis Asst. Vice President,
Administrative Services
- Don Reeder Asst. Vice President, Underwriting
- M. K. Roberts, CPA Asst. Vice President,
Chief Accountant
- Irwin M. Herz, Jr. Assistant Secretary
- Frances V. Soderstrom Assistant Treasurer

Marketing

1971 was a year of laying foundations for National Western Life's Marketing Department. Time has proved the development of a completely new Life and A&H portfolio was money and effort well spent.

The need for sales aids was the next necessary step. Rate cards and sales brochures to supplement the new portfolio were designed. One of these — our sales presentation kit for the University Security Plan — received first-place award in competition with other national marketing organizations for the best sales aid presentation.

From this solid foundation, NWL continues to augment its specialized marketing expertise with the introduction of special plans designed for mobile home owners, associations, banks, and a family salary savings plan for employees of small businesses and corporations. NWL is one of the first companies to develop and enter the new Split-Life market.

Specialization necessitates the development of professional agents. The foundation of the program is the 13-week basic career training course, designed to help new

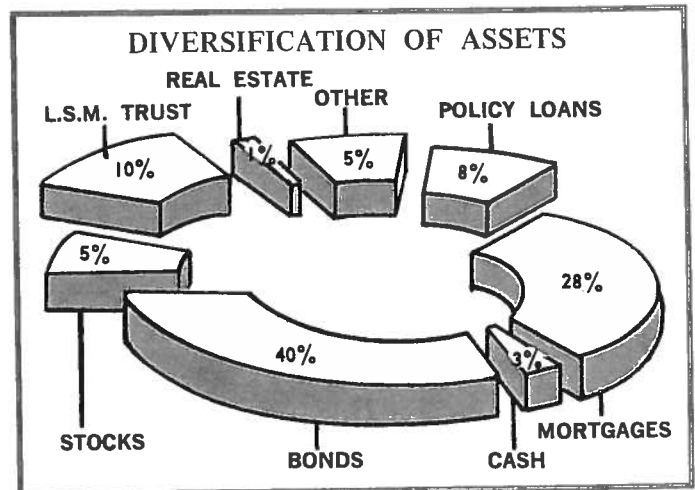
agents acquire the basic knowledge necessary to future progress and success.

With a portfolio containing complete insurance protection, including both specialized and conventional plans of Life and A&H insurance, and with competent career-minded agents, NWL anticipates continuing steady growth in sales.



Investments

During 1971, National Western Life continued its program of upgrading and diversifying its investment portfolio. Most of the NWL investment portfolio was acquired by merger and a continuing program of consolidation is being followed. Emphasis on purchases of quality bonds and stocks has produced increased yield and quality of securities. An active program of investing mortgage funds primarily in good commercial projects has resulted in high quality loans and a low delinquency and foreclosure rate. Investment expenses as related to total assets decreased during the year 1971. This reflects the increased efficiency in the administration of the Company's investment program. We look forward to a continuing program during 1972 of conservative investments and higher net yields on invested assets.



INVESTMENT INCOME

	1971	1970	1969	1968	1967
NET INVESTMENT INCOME	\$5,833,118	\$4,681,830	\$3,415,467	\$3,152,118	\$2,583,552
YIELD ON MEAN ASSETS	5.67%	5.32%	3.93%	3.91%	3.35%