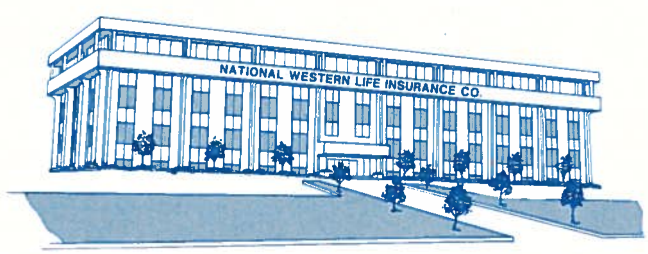

1984 Annual Report
National Western Life Insurance Company
Austin, Texas

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EXECUTIVE OFFICES
National Western Life Insurance Company, 850 East Anderson Lane, Austin, Texas 78776

ACCOUNTANTS
Touche Ross & Co., 919 Congress—Suite 700, Austin, Texas 78701

GENERAL COUNSEL
Will D. Davis, Heath, Davis & McCalla, Attorneys at Law, Austin, Texas

TRANSFER AGENTS/REGISTRARS
Manufacturers Hanover Trust Company, Box 24935, Church Street Station, New York, New York 10249
First City National Bank, Post Office Box 2127, Austin, Texas 78768

SUBSIDIARIES
Commercial Adjusters, Inc., Austin, Texas
Principal activity: Premium Financing
Inactive
The Westcap Corporation, Houston, Texas
Principal activity: U.S. Government and Municipal Securities Dealer

10-K Report Available

National Western Life Insurance Company's operations and financial position for the year ended December 31, 1984 have been presented in your Annual Report as well as in the Form 10-K report filed with the Securities and Exchange Commission. If you wish a copy of the 10-K report, one will be furnished upon request to the Treasurer, National Western Life Insurance Company, 850 East Anderson Lane, Austin, Texas 78776.

To Our Stockholders:

National Western Life has surpassed $3 billion of life insurance-in-force. Early in February, 1985, this significant milestone in the Company's progress was reached as the Company pressed toward the long term goal of taking its place among the major life insurance companies of America.

The sharp increase in life insurance-in-force at the end of 1984 over 1983, resulted from a 47% increase in face amount of new life insurance sales. For the first time in the Company's history, new sales of life insurance exceeded $1 billion during 1984.

1984 also produced another first. First-year annuity premiums increased 112% over 1983 to $59.2 million. The Company has enjoyed a dramatic increase in the sale of Tax Sheltered Annuities, purchased primarily by teachers, and is becoming a major marketer of Tax Sheltered Annuities.

In total for 1984, first-year life premiums increased 95% over 1983 to $15.7 million. Premium income, including first year and renewal premiums, increased 53% over 1983 to $121.8 million. Assets increased 20% over 1983 to $467,349,352. Stockholder Equity received a one-time benefit of $19,984,000 as a result of the 1984 Life Insurance Company Tax Act, which provided for a "fresh start" for policyowner reserve increases. The benefit amounted to $5.75 per share. This one-time permanent benefit, plus 1984 gains of $1.22 per share, resulted in Stockholder Equity as of December 31, 1984, of $17.94 per share—a 63% increase over 1983. Earnings From Insurance Operations, excluding the "fresh start" adjustment for 1984, were $1.81 per share compared to $1.39 per share in 1983—up 30%. Including the one-time "fresh start" benefit, Total Earnings From Operations amounted to $7.68 per share. Excluding the benefit, Total Earnings From Operations would amount to $1.93 per share compared to $2.11 per share last year, indicating better earnings from the Company's subsidiary, The Westcap Corporation, in 1983 than in 1984. In all respects, 1984 was an excellent year.

But the Company cannot reflect too long on 1984 successes. We face 1985, and successive years, and meeting the challenges of a rapidly changing life insurance market place if we are to maintain the sales pace and profitability of overall operations attained in 1984. A number of years ago, management committed to a marketing strategy that emphasized developing diversified markets, the obvious advantage being if a particular market was lost because of economic, competitive, or profitability conditions beyond the Company's control, while it might hurt, it would not be crippling. This marketing strategy has served the Company's marketing position well and will be projected into future years. It emphasizes our belief that if we make our plans of insurance "easy to buy and easy to pay for" we will continue to attract tens of thousands of new customers from all walks of life.

The Company's operating results earned it a position on the coveted *Forbes Magazine's* 300 "Up and Comer" companies listing for 1984.

Effective April 16, 1985, the Company's publicly traded shares will be included on the NASDAQ National Market System. Inclusion of our stock in this expanded over-the-counter market should result in higher public visibility and assist in securing more market makers. There are currently twelve national and regional firms making a market in National Western Life's publicly traded shares. This added visibility, coupled with the excellent 1984 operating results, current financial strength, and the prospects of continuing growth, should have a favorable influence on the market price per share in future months. The stock reached a 1984 high of 13 3/8. The 1984 low was 6 3/4.

You will note the accompanying Consolidated Statements of Operations are presented so that Income and Earnings From Insurance Operations and Income and Earnings from the Company's brokerage subsidiary, The Westcap Corporation, are identified separately. Operating results of a brokerage operation can and do fluctuate widely in response to prevailing market conditions. These fluctuations tend to distort, either favorably or unfavorably, the results of the Company's principal line of business, life insurance. Identifying them separately should help you better understand the overall results presented in the Consolidated Statement of Operations.

Presented as part of this Annual Report are Statutory Accounting Financial Statements. You will note the Statutory Statements of Operations indicate a net loss from operations of $11.4 million. This results from the Company's decision to recapture 100% of some policyowner reserves that were reinsured in 1980. That Reinsurance Arrangement created a Statutory Net Gain From Operations of approximately $28 million in 1980. Under terms of the Reinsurance Arrangement, the Company has been recapturing these reserves under a schedule specified in the Arrangement. Because of the Company's financial strength, it was decided to recapture 100% of the remaining policyowner reserves at the end of 1984. The recapture was made at the earliest time permitted under the Arrangement and resulted in the reverse of the accounting done in 1980—a statutory loss of $11.4 million. If the recapture had not been made, the Statutory Gain From Operations would have been in excess of $7 million.

Management is pleased with the operating results obtained in 1984 and anticipates 1985 will be another excellent year. We acknowledge with gratitude the loyalty and abilities of our marketing organization, our capable employees, Officers and Directors, and the part each had in producing the excellent 1984 operating results.

Robert L. Moody
Chairman of the Board
and Chief Executive Officer

Harry L. Edwards
President and
Chief Operating Officer

Consolidated Balance Sheets

ASSETS	December 31, 1984	1983
Investments:		
Fixed maturities, primarily bonds, at amortized cost (market value $216,843,474 in 1984; $160,527,901 in 1983)	$233,036,904	184,806,441
Preferred stocks, at market value (cost $5,550,702 in 1984; $5,359,179 in 1983)	4,367,281	3,938,463
Common stocks, at market value (cost $2,710,734 in 1984; $2,342,410 in 1983)	3,016,443	2,504,473
Investment in subsidiary, at equity (note 2)	8,740,321	8,315,865
Mortgage loans on real estate, net of unearned discount of $1,061,238 in 1984 and $1,298,514 in 1983, and allowance for uncollectible loans of $200,000 in 1984 and 1983	66,802,279	61,811,836
Policy loans	60,845,346	54,796,960
Life interest in Libbie Shearn Moody Trust (note 3)	8,149,834	8,402,433
Other invested assets	18,892,433	6,265,193
Total investments	403,850,841	330,841,664
Cash	3,066,320	913,630
Accounts receivable, net	2,568,785	2,323,523
Accrued investment income	7,367,539	5,171,144
Deferred policy acquisition costs	47,129,705	46,228,083
Property and equipment, net	1,589,935	2,608,346
Other assets	1,776,227	2,713,468
	$467,349,352	390,799,858

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1984	1983
LIABILITIES:		
Future policy benefits	$361,706,711	297,612,186
Policy and contract claims	1,576,666	2,141,731
Policyholder's dividends, coupons and endowment accumulations	13,287,515	14,503,463
Other policyholders' funds	6,273,491	4,591,048
Deferred Federal income taxes payable (note 4)	7,862,000	26,135,000
Other liabilities	14,241,042	7,644,222
Total liabilities	404,947,425	352,627,650
STOCKHOLDERS' EQUITY (Notes 3, 4, 5, 10 and 12):		
Common stock:		
Class A of $1 par value, authorized 7,500,000 shares; issued 3,277,819 in 1984 and 3,277,950 in 1983	3,277,819	3,277,950
Class B of $1 par value, authorized and issued 200,000 shares	200,000	200,000
Additional paid-in capital	24,065,352	24,066,498
Net unrealized losses on investments in equity securities (note 8)	(877,712)	(1,258,653)
Retained earnings	35,736,468	11,886,413
Total stockholders' equity	62,401,927	38,172,208
	$467,349,352	390,799,858

Commitments and contingencies (notes 9, 10, 12, 13 and 14)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

	Years Ended December 31,		
	1984	1983	1982
Premiums and other revenue:			
Premiums (notes 9, 10 and 14):			
Life	$ 46,704,082	38,715,499	42,035,822
Annuities	75,163,740	40,812,012	36,218,819
	121,867,822	79,527,511	78,254,641
Investment income, net (note 7)	35,510,437	27,205,917	20,920,342
Other income	700,546	1,196,694	257,590
Total premiums and other revenue	158,078,805	107,930,122	99,432,573
Benefits and expenses:			
Life	30,772,035	30,031,751	27,355,970
Other	19,099,441	13,385,214	7,023,783
Increase in liabilities for future policy benefits	64,094,525	31,763,177	33,746,567
Amortization of deferred policy acquisition costs	20,841,225	15,307,256	15,648,763
Other operating expenses:	13,641,533	9,720,167	9,854,836
Total benefits and expenses	148,448,759	100,207,565	93,629,919
Earnings before provision for Federal income taxes and other items	9,630,046	7,722,557	5,802,654
Deferred Federal income tax adjustment (note 4)	19,984,000	—	—
Provision for deferred Federal income taxes (note 4)	(3,341,000)	(2,900,000)	(1,888,000)
Earnings from insurance operations	26,273,046	4,822,557	3,914,654
Equity in net earnings of subsidiary (note 2)	424,456	2,504,780	3,086,540
Net realized losses on investments, less deferred income taxes in 1984 (note 8)	(2,847,447)	(220,834)	(554,482)
Net earnings	$ 23,850,055	7,106,503	6,446,712
Earnings per share of common stock (note 6):			
Earnings from insurance operations	$ 7.56	1.39	1.14
Equity in net earnings of subsidiary	.12	.72	.90
Net realized losses on investments	(.82)	(.07)	(.16)
Net earnings	$ 6.86	2.04	1.88

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

	Years Ended December 31,		
	1984	1983	1982
Common stock (note 3):			
Balance at beginning of year	$ 3,477,950	3,477,950	3,413,231
Par value of 131 and 64,719 shares issued (cancelled) in in 1984 and 1982, respectively	(131)	—	64,719
Balance at end of year	3,477,819	3,477,950	3,477,950
Additional paid-in capital (note 5):			
Balance at beginning of year	24,066,948	24,066,498	23,500,216
Value in excess of par on 131 and 64,719 shares issued (cancelled) in 1984 and 1982, respectively	(1,596)	—	566,282
Balance at end of year	24,065,352	24,066,498	24,066,498
Net unrealized losses on investments in equity securities:			
Balance at beginning of year	(1,258,653)	(1,448,398)	(2,122,519)
Decrease in unrealized losses on investments in equity securities during the year	380,941	189,745	674,121
Balance at end of year	(877,712)	(1,258,653)	(1,448,398)
Retained earnings (notes 3, 4, 5 and 10):			
Balance at beginning of year	11,886,413	4,779,910	(1,666,802)
Net earnings	23,850,055	7,106,503	6,446,712
Balance at end of year	35,736,468	11,886,413	4,779,910
Total stockholders' equity	$ 62,401,927	38,172,208	30,875,960

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

	Years Ended December 31,		
	1984	1983	1982
Funds provided:			
From operations:			
Net earnings	$ 23,850,055	7,106,503	6,446,712
Charges (credits) not affecting funds:			
Deferred Federal income tax adjustment (note 4)	(19,984,000)	—	—
Provision for deferred Federal income taxes	3,341,000	2,900,000	1,888,000
Amortization of deferred policy acquisition costs	20,841,225	15,307,256	15,648,763
Increase in liability for future policy benefits	64,094,525	31,763,177	33,746,567
Amortization of bond discount	(2,420,059)	(2,056,464)	(737,467)
Other	2,502,371	303,442	(283,000)
	92,225,117	55,323,914	56,709,575
Cost of investments sold and loans matured:			
Bonds and notes	144,022,499	46,923,059	67,686,938
Mortgage loans	10,047,608	5,491,731	4,326,336
Other	1,175,458	557,251	1,922,560
	155,245,565	52,972,041	73,935,834
Decrease (increase) in cash	(2,152,690)	1,290,229	(829,508)
Other, net	(4,626,585)	(692,397)	—
Total funds provided	$240,691,407	108,893,787	129,815,901
Funds used:			
Increase (decrease) in policy loans	$ 6,048,386	(398,048)	3,591,072
Cost of investments purchased or loans disbursed:			
Bonds and notes	189,832,903	75,144,261	106,880,272
Stocks	1,312,996	3,812,103	359,340
Mortgage loans	14,792,738	14,200,984	2,754,067
Real estate held for investment	1,057,255	346,772	856
Collateral loans and other	4,717,032	4,042,996	1,404,030
	217,761,310	97,158,068	114,989,637
Additions to deferred policy acquisition costs	21,742,847	14,557,524	13,340,391
Other, net	1,187,250	(2,821,805)	1,485,873
Total funds used	$240,691,407	108,893,787	129,815,901

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended December 31, 1984, 1983, and 1982

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of National Western Life Insurance Company and its wholly-owned subsidiary. The Company has a controlling interest in The Westcap Corporation (formerly Hibbard, O'Connor, & Weeks, Inc.) and subsidiaries. The investment in this subsidiary is recorded on the equity basis in the accompanying consolidated financial statements (see note 2). All significant intercompany transactions and accounts have been eliminated in consolidation.

(A) Basis of Presentation—The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which vary in certain respects from reporting practices prescribed or permitted by insurance regulatory authorities. The following are major differences between generally accepted accounting principles and accounting principles prescribed by insurance regulatory authorities:

1. Commissions and certain expenses related to policy issuance and underwriting, all of which generally vary with and are related to the production of new business, have been deferred. These costs are being amortized over the premium paying period of the related policies in proportion to the ratio of the premium earned to the total premium revenue anticipated, using the same assumptions as to interest, mortality, and withdrawals as were used in calculating the liability for future policy benefits.

   A summary of information relative to deferred acquisition costs and premiums follows:

	1984	1983	1982
Costs deferred:			
Agents' commissions	$18,491,667	12,077,419	11,030,892
Other	3,251,180	2,480,105	2,309,499
	$21,742,847	14,557,524	13,340,391
Amounts amortized	$20,841,225	15,307,256	15,648,763
First-year and single premiums	$79,073,370	40,858,292	40,801,775
Renewal premiums	$42,794,452	38,669,219	37,452,866

2. The liability for future policy benefits has been calculated by the net level method using assumptions as to future mortality, interest, and withdrawals which were used or which were being experienced at the time that policies were issued.

3. Deferred Federal income taxes are provided for income and deductions which are recognized in the financial statements in a different period than for Federal income tax purposes. Investment tax credits are being accounted for by the flow-through method (see note 4).

4. Investments in subsidiaries are recorded at admitted asset value for statutory purposes, whereas the financial statements of the wholly-owned subsidiary have been consolidated with those of the Company under generally accepted accounting principles. The Company has an investment in a non-insurance subsidiary which is recorded on the equity basis in the accompanying consolidated financial statements (see note 2).

5. Realized investment gains or losses from the sale or write-down of investments, less the related Federal income tax effect, if any, have been included in net earnings rather than being credited or charged directly to statutory retained earnings (see notes 7 and 8).

6. The Mandatory Securities Valuation Reserve, a contingency reserve required by insurance regulatory authorities, has been eliminated, as it is not required under generally accepted accounting principles.

7. The recorded value of the life interest in the Libbie Shearn Moody Trust (the Trust) is reported at its initial valuation, net of accumulated amortization. The initial valuation was based on the assumption that the Trust would provide certain income to the Company at an assumed interest rate and is being amortized over 53 years, the life expectancy of Mr. Robert L. Moody at the date he contributed the life interest to the Company. In the Company's annual statements to insurance departments, the life interest is reflected at an amount based on existing insurance in force on the life of Robert L. Moody net of the cash surrender value of the life insurance policies on Mr. Moody's life (see note 3). The statutory amount is not being amortized.

8. Certain reinsurance transactions effected in 1980, which caused direct credits to surplus for statutory reporting purposes, have been treated differently under generally accepted accounting principles. The net effect of these transactions is reflected in the risk and expense charges to other operating expenses in the accompanying consolidated statements of operations. (See note 9).

Reconciliations of net gain from operations and stockholders' equity (determined pursuant to statutory accounting requirements), as included in the annual statements filed with the Colorado Insurance Commission, to the respective amounts as reported in the accompanying consolidated financial statements are as follows:

	Net Earnings for Year Ended December 31,		
	1984	1983	1982
Per annual statement to insurance department	$(11,434,921)	5,900,155	5,801,831
Statutory net earnings of subsidiaries	2,056	1,612	18,792
Consolidated statutory net gain (loss) from operations	(11,432,865)	5,901,767	5,820,623
Adjustments:			
Deferral of policy acquisition costs	901,622	(749,732)	(2,308,372)
Adjustment of future policy benefits	(128,595)	719,618	1,391,168
Adjustment for portfolio reinsurance (note 9)	20,477,850	2,000,000	2,000,000
Amortization of investment in Trust	(252,599)	(250,194)	(247,810)
Deferred Federal income taxes	(3,341,000)	(2,900,000)	(1,888,000)
Deferred Federal income tax adjustment (note 4)	19,984,000	—	—
Other net realized losses on investments	(2,847,447)	(220,834)	(554,482)
Other, net	489,089	2,605,878	2,233,585
Amounts per consolidated financial statements	$23,850,055	7,106,503	6,446,712

	Stockholders' Equity as of December 31,		
	1984	1983	1982
Per annual statement to insurance department	$32,847,856	40,621,469	37,106,181
Adjustments:			
Difference in initial valuation of investment in Libbie Shearn Moody Trust, net of amortization	(3,492,196)	(3,234,722)	(3,049,416)
Deferral of policy acquisition costs, net of amortization	47,129,705	46,228,083	46,977,815
Adjustment of future policy benefits	(7,640,824)	(7,381,325)	(7,827,876)
Adjustment for portfolio reinsurance (note 9)	—	(20,477,850)	(22,477,850)
Deferred Federal income taxes	(7,862,000)	(26,135,000)	(23,235,000)
Adjustment to report preferred stocks at market value	(1,042,649)	(1,323,826)	(1,338,559)
Transfer of Mandatory Securities Valuation Reserve to appropriated retained earnings	2,007,396	6,152,511	1,892,149
Reinstatement of non-admitted assets	3,270,211	3,035,604	1,727,258
Other, net	(2,815,572)	687,264	1,101,258
Amounts per consolidated financial statements	$62,401,927	38,172,208	30,875,960

(B) Investments—Investments in bonds are stated principally at amortized cost, and investments in preferred and common stocks are stated at market values. Investments in specific securities having a permanent loss in value have been written down to their estimated realizable value, and losses thereon have been included in realized investment losses. Net unrealized investment gains and losses on marketable equity securities are accounted for as direct increases or decreases in stockholders' equity. At December 31, 1984, gross unrealized investment gains and losses on marketable equity securities were $885,026 and $1,762,738, respectively.

The amortized cost of bonds is in excess of market value. The Company has the intent and ability to hold these investments to maturity or until cost is recoverable. Therefore, the Company does not anticipate realizing any significant losses thereon, and no provision has been made for possible losses on these investments.

Mortgage loans and other investments are stated at cost, less unamortized discounts and allowances for uncollectible loans. Discounts on mortgage loans are amortized using the "interest" method over the lives of the respective loans.

(C) Matching of Revenue and Expense—Premiums are recognized as revenues as they become due or, for short duration contracts, over the contract periods. Benefits and expenses are matched with premiums in arriving at profits by providing for policy benefits over the lives of the policies and by amortizing acquisition costs over the premium-paying periods of the policies.

(D) Depreciation of Fixed Assets—Depreciation is based on the estimated useful lives of the assets, which range from 3 to 40 years, and is calculated on the straight-line basis.

(E) Classification—Certain reclassifications have been made to the prior years to conform to the reporting categories used in 1984.

(2) INVESTMENT IN SUBSIDIARY, AT EQUITY

The investment in Westcap Corporation is reflected at equity in the accompanying consolidated balance sheets. The accompanying consolidated statements of operations for the years ended December 31, 1984, 1983, and 1982 include approximately $424,000, $2,504,000, and $3,086,000, respectively, of equity in earnings of the subsidiary. As of December 31, 1984, the Company owned approximately 83% of the outstanding common stock and 100% of the voting convertible 8% noncumulative preferred stock of the subsidiary. The total equity ownership of the Company is approximately 100%.

The Westcap Corporation, a brokerage firm, is subject to the net capital rules adopted and administered by the Securities and Exchange Commission. These capital rules may restrict retained earnings as to the payment of dividends if certain financial ratios are not met.

Summary balance sheets, revenue, and net income are as follows:

	September 30,		
	1984	1983	1982
Assets:			
Cash	$ 1,717,895	2,934,290	1,366,306
Receivables	17,330,428	15,712,254	31,196,237
Trading inventory	8,532,551	9,655,353	13,575,757
Other assets	41,775,035	12,458,690	5,268,801
	$ 69,355,909	40,760,587	51,407,101
Liabilities:			
Notes payable	$ 6,241,007	2,460,047	10,992,540
Payables to customers and brokers	10,964,414	12,952,381	26,246,723
Other liabilities	43,776,700	17,272,000	8,912,836
	60,982,121	32,684,428	46,152,099
Stockholders' equity	8,373,788	8,076,159	5,255,002
	$ 69,355,909	40,760,587	51,407,101
Revenues	$ 14,021,051	26,365,455	15,981,074
Income before extraordinary items	$ 297,629	3,300,843	1,574,443
Extraordinary items	—	396,089	1,245,712
Net income	$ 297,629	3,696,932	2,820,155

(3) TRANSACTIONS WITH CONTROLLING STOCKHOLDER AND AFFILIATES

(A) Life Interest in Libbie Shearn Moody Trust—The Company is the beneficial owner of a life interest (1/8 share), previously owned by Mr. Robert L. Moody, Chairman of the Board of Directors of the Company, in the trust estate of Libbie Shearn Moody.

The recorded amount of the Company's life interest in the Trust is summarized below:

	December 31,	
	1984	1983
Original valuation of life interest at February 26, 1960	$13,793,149	13,793,149
Less accumulated amortization	5,643,315	5,390,716
Net asset value of life interest in Trust	$ 8,149,834	8,402,433

The Company has been provided, or has provided itself, with the following protection against the loss of asset value and income in the event of Mr. Moody's untimely death and consequent termination of the life interest in the Trust:

1. The Company is the beneficiary of insurance on Mr. Moody's life in the amount of $12,775,000, all of which was issued by the Company and is reinsured through agreements with unaffiliated insurance companies.

2. Approximately 168,000 shares of the Company's Class A common stock, owned by Mr. Moody, are held in trust by a bank pursuant to a trust agreement dated December 29, 1964. The trust agreement provides for the release of approximately 7,000 shares to Mr. Moody as of December 31 of each year for so long as Mr. Moody lives. This agreement also provides that any shares remaining in trust at Mr. Moody's death are to be assigned to and become the property of the Company, unless the shares are purchased for $45 per share by Mr. Moody's estate within one year of his death, with proceeds of such purchases to be paid to the Company. The Company's Class A common stock had an approximate market value of $10.25 per share at December 31, 1984.

   Income from the Trust and related expenses reflected in the accompanying consolidated statements of operations are summarized as follows:

	Year Ended December 31,		
	1984	1983	1982
Income distributions received	$ 1,308,000	1,167,000	1,088,000
Add (deduct):			
Amortization of initial valuation	(252,000)	(250,000)	(248,000)
Reinsurance premiums charged to operations	(89,000)	(83,000)	(78,000)
Increase in cash surrender value of company-owned life insurance policies	(4,000)	65,000	85,000
Net income from life interest in the Trust	$ 963,000	899,000	847,000

The accompanying statements also reflect an increase in the liability for future policy benefits related to Company-issued policies on Mr. Moody's life in the amount of $34,000 in 1984, $40,000 in 1983, and $46,000 in 1982, and liabilities for future policy benefits related to these policies in the amounts of $1,192,000, $1,158,000, and $1,118,000 at December 31, 1984, 1983, and 1982, respectively.

(B) Common Stock—Mr. Robert L. Moody, Chairman of the Board of Directors, owns 198,074 of the total outstanding shares of the Company's Class B common stock and 1,161,760 of the Class A common stock.

Holders of the Company's Class A common stock elect one-third of the Board of Directors of the Company, and holders of the Company's Class B common stock elect the remainder of the Company's Board of Directors. Any cash or in-kind dividends paid on each share of Class B common stock shall be only one-half of the cash or in-kind dividends paid on each share of Class A common stock. In addition, upon liquidation of the Company, the Class A stockholders shall first receive the par value of their shares; then the Class B stockholders shall receive the par value of their shares; and the remaining net assets of the Company shall be divided between the shareholders of both Class A and Class B common stock, based on the number of shares held.

(4) FEDERAL INCOME TAXES

On July 18, 1984, the Tax Reform Act of 1984 (1984 Act), which significantly changed the Federal income tax provisions that govern the taxation of life insurance companies, was signed into law. The 1984 Act is applicable for taxable years beginning after December 31, 1983. The 1984 Act eliminated certain specific deductions applicable to insurance companies in lieu of a single special life insurance company deduction equal to 20% of life insurance company taxable income. Also, an additional deduction is available to small life insurance companies to the extent taxable income is less than $15,000,000.

The 1984 Act also requires life insurance companies to recompute policy reserves for tax purposes as of the beginning of the first taxable year beginning after December 31, 1983, and provides that taxes on income arising from that recomputation is referred to as "the fresh start adjustment." At December 31, 1984, the Company determined the effect of the fresh start provision and recognized the reduction of deferred taxes previously provided as a reduction of income tax expenses in the fourth quarter.

For Federal income tax purposes during the years ended December 31, 1983 and 1982, the Company was taxed on the lesser of taxable investment income or gain from operations, plus one-half of any excess of gain from operations over taxable investment income. The one-half of any excess of gain from operations over taxable investment income not currently taxed, plus certain special deducations allowed in computing the gain from operations, is accumulated in a special memorandum tax account entitled policyholders' surplus.

At December 31, 1984, the Company had accumulated approximately $2,446,000 in its policyholders' surplus account. Under the provisions of the 1984 act, the policyholders' surplus account is frozen at its December 31, 1983 balance. In general, amounts accumulated in the policyholders' surplus account are subject to Federal income taxation (a) to the extent that policyholders' surplus exceeds a specified maximum; (b) if distributions to stockholders are made in excess of the shareholders' surplus account; or (c) if a company ceases to be a life insurance company as defined by the Internal Revenue Code. Deferred Federal income taxes have not been provided on the amounts accumulated in the policyholders' surplus account, since the Company does not anticipate any other transactions that would cause any part of this amount to become taxable. Should the balance in the policyholders' surplus account at December 31, 1984, become taxable, the Federal income tax computed at present rates would be approximately $1,125,000.

The Company and its subsidiary file separate income tax returns for Federal income tax purposes.

Deferred Federal income taxes result from timing differences in the recognition of certain items for tax and financial statement purposes. The sources of these differences and the approximate tax effect of each are as follows:

	December 31, 1984	1983	1982
Policy acquisition costs expensed for tax purposes and deferred for financial accounting purposes	$ 410,000	(350,000)	(1,067,000)
Excess of the increase in the liability for future policy benefits for tax purposes over the increase for financial accounting purposes	9,360,000	1,251,000	1,560,000
Net level premium election	—	(514,000)	(12,736,000)
Use of tax operating loss deduction	(7,053,000)	1,896,000	13,695,000
Other	624,000	617,000	436,000
	$ 3,341,000	2,900,000	1,888,000

For financial reporting purposes, the Company deferred approximately $3,251,000 of the gain on the sale of its office building under a sale-leaseback agreement. Deferred Federal income taxes of approximately $911,000 have been provided on the deferred gain.

The provisions for Federal income taxes vary from amounts computed by applying the statutory income tax rate to earnings before Federal income taxes and realized investment gains and losses. The reasons for the differences, and the tax effects thereof, are as follows:

Description	December 31, 1984	1983	1982
Income taxes at the statutory rate	$ 4,624,000	3,795,000	2,994,000
Special life insurance company deductions	(706,000)	(370,000)	(323,000)
Dividends received deduction	(118,000)	(407,000)	(338,000)
Amortization of life interest in Libbie Shearn Moody Trust	116,000	115,000	114,000
Other	(575,000)	(233,000)	(559,000)
Federal income tax provision	$ 3,341,000	2,900,000	1,888,000

At December 31, 1984 the Company had loss carryforwards of approximately $25,000,000 which the Company has treated on its Federal income tax return as expiring 1995 through 1999. The Company also has unused tax credits of approximately $260,000.

(5) STOCKHOLDERS' EQUITY

Dividends to stockholders can be paid only from the Company's statutory unassigned surplus as determined by accounting principles prescribed by insurance regulatory authorities. Statutory unassigned surplus amounted to approximately $16,619,000, $24,391,000, and $20,876,000 at December 31, 1984, 1983, and 1982, respectively, and stockholders' equity in that amount was available for dividends subject to the tax effects of distributions from "policyholders' surplus account" described in note 4, note 10, and the contingencies described in note 12. The rights of the respective classes of common stock to share in dividends of the Company are described in note 3.

(6) EARNINGS PER SHARE

Earnings per share of common stock are based on the weighted average number of such shares outstanding during each year. The weighted average shares outstanding were 3,477,900, 3,477,950, and 3,423,188 for the years ended December 31, 1984, 1983, and 1982, respectively.

(7) NET INVESTMENT INCOME AND CONCENTRATION OF INVESTMENTS

The major components of net investment income are as follows:

	Year Ended December 31,		
	1984	1983	1982
Investment income:			
Interest on bonds	$23,091,699	17,535,742	12,470,505
Interest on mortgage loans	7,359,655	5,779,645	5,391,556
Interest on policy loans	3,424,135	2,979,137	2,897,967
Other investment income	3,623,334	3,044,920	2,408,838
Total investment income	37,498,823	29,339,444	23,168,866
Investment expenses	2,183,386	2,133,527	2,248,524
Net investment income	$35,315,437	27,205,917	20,920,342

Investments of the following amounts were non-income producing:

Type of Investment	December 31, 1984	1983
Bonds	$ 92,000	1,067,000
Common stock	$ 143,818	—
Real estate	$ 2,569,739	815,715

Listed below is a summary of investments other than real estate amounting to 10% or more of total stockholders' equity. In the case of real estate, no investments in excess of 10% were acquired within the previous five years.

	December 31, 1984	1983
Life interest in Libbie Shearn Moody Trust	$ 8,149,834	8,402,433

(8) ANALYSIS OF INVESTMENT GAINS AND LOSSES

The table below presents an analysis of realized investment gains and losses and the increase or decrease in unrealized losses on bonds and investments in marketable equity securities:

	Net Realized Investment (Gains) Losses Net of Tax	Increase (Decrease) in Unrealized Losses on Investments	Total Investment Gains (Losses)
Year Ended December 31, 1984			
Bonds	$ 4,584,672	(8,085,110)	(3,500,438)
Stocks	236,610	(380,941)	(144,331)
Other	(1,973,835)	—	(1,973,835)
Total	$ 2,847,447	(8,466,051)	(5,618,604)

	Net Realized Investment (Gains) Losses Net of Tax	Increase (Decrease) in Unrealized Losses on Investments	Total Investment Gains (Losses)
Year Ended December 31, 1983			
Bonds	$ 211,539	1,921,211	2,132,750
Stocks	(13,953)	(189,745)	(203,698)
Other	23,248	—	23,248
Total	$ 220,834	1,731,466	1,952,300
Year Ended December 31, 1982			
Bonds	$ 608,269	(10,031,883)	(9,423,614)
Stocks	(31,566)	(674,121)	(705,687)
Other	(22,221)	—	(22,221)
Total	$ 554,482	(10,706,004)	(10,151,522)

(9) REINSURANCE

The Company is party to several reinsurance agreements. The Company's general policy is to reinsure that portion of any risk in excess of $150,000 on the life of any one individual. Life insurance in force in the amounts of $270,000,000 and $245,000,000 is ceded on a yearly renewable term basis, $1,400,000 and $1,500,000 is ceded on a modified coinsurance basis, and $73,000,000 and $46,000,000 is ceded on a coinsurance basis at December 31, 1984, and 1983, respectively. In accordance with the reinsurance contracts, credits in the amounts of approximately $1,400,000 and $1,600,000 were taken against the liability for future policy benefits at December 31, 1984, and 1983, respectively. A contingent liability exists with respect to such reinsurance which could become a liability of the Company in the event such reinsurance companies are unable to meet their obligations under existing reinsurance agreements. In December, 1982, the Company reinsured approximately 98% of its accident and health business with another insurance carrier under an assumption reinsurance agreement.

On May 22, 1980, the Company entered into a portfolio reinsurance agreement. The agreement consisted of both coinsurance and modified coinsurance and was effective April 1, 1980. The coinsurance portion of the agreement increased statutory unassigned surplus by approximately $27,941,000. Under the terms of the agreement, in the event of a default, the reinsurers would assume by bulk reinsurance all of the policies reinsured under the agreement. To secure the reinsurers in the event of default and the necessity to bulk reinsure such policies, the Company had transferred to and deposited with a bank, as custodian, approximately $75,000,000 of its assets. Under the provisions of this agreement, risk and expense charges of approximately $1,002,000, and $1,120,000 and $1,230,000 were paid during the years ended December 31, 1984, 1983, and 1982, respectively. These amounts were charged to other expense (note 1). This ageeement was terminated on December 31, 1984.

(10) PARTICIPATING POLICIES

The Company, or its predecessors, has in the past issued participating policies which entitle the policyholders to participate in cash and, in certain instances, in stock dividends paid to stockholders. The participating preferences of these special policy plans are as follows:

(A) Certain participating policies require payment of dividends to policyholders of not less than a specified percentage of dividends paid to stockholders. Holders of such policies at December 31, 1984 are entitled to dividends equal to an aggregate maximum of approximately 1% of dividends paid to holders of the Company's common stock.

(B) Certain participating policies are entitled to receive policyholder dividends at least equivalent to stockholders' dividends paid on a designated number of shares of common stock of the Company. Holders of such policies at December 31, 1984, are entitled to receive dividends equivalent to less than 1% of dividends paid to holders of the Company's common stock.

All other policyholders' dividends are apportioned for payment by the Company's Board of Directors at the beginning of certain periods of time on participating policies having anniversary dates during such designated periods. These policyholders' dividends are at various rates based upon factors such as the policy plan, loading factor of the plan, and issue date of policies, and the provision for policyholders' dividend liability is included in the future policy benefit liabilities.

Retained earnings are allocable to participating policies only when dividends thereon are specifically declared by the Company's Board of Directors except as noted above. At December 31, 1984, no retained earnings were so allocated.

Participating business constitutes approximately 9% and 13% of the Company's life insurance in force, 22% and 23% of the policies in force, and 9% and 13% of the premium income for the years ended December 31, 1984 and 1983, respectively.

(11) DEPOSITS WITH REGULATORY AUTHORITIES

The following assets were on deposit with state and other regulatory authorities as required by law:

	December 31,	
	1984	1983
Bonds, at amortized cost	$56,785,025	48,651,240
Mortgage loans on real estate	$ 2,956,589	3,865,114
Certificates of deposit	$ 282,474	284,144

(12) CONTINGENCIES

The Company and certain of its past and present directors are involved in a lawsuit seeking certain claims. The lawsuit is primarily in the nature of a derivative stockholder claim against the defendant directors and seeks alleged damages in excess of $50,000,000. The complaint alleges that the directors were negligent and grossly negligent in discharging their duties to the Company. The directors will be indemnified under the Company's Bylaws for costs and expenses in this lawsuit unless it is determined that they were liable for gross negligence or willful misconduct in performance of their duties. No provision has been made in the accompanying financial statements for damages, if any, that may result from the lawsuit.

The Company is a defendant in several other lawsuits, substantially all of which are in the normal course of the insurance business. In the opinion of management of the Company, the liability, if any, which may arise from these lawsuits would not be material.

As a result of an examination of the Federal income tax returns of the Company for the years 1971, 1972, 1973, 1974, and 1975, the Internal Revenue Service has assessed the Company for tax deficiencies aggregating approximately $1,300,000, plus interest. The Company has filed a protest with the Internal Revenue Service contesting the material proposed deficiencies, and in the opinion of management of the Company, additional taxes, if any, which may arise from the assessment will not be material to the financial position and results of operations determined in accordance with generally accepted accounting principles. However, if the assessment for any material additional taxes is sustained, it will result primarily from timing differences which have already been provided for in the deferred Federal income tax liability included in the accompanying consolidated balance sheets. Also, the tax effect of disallowed deductions which arose as a result of the quasi-reorganization will be charged to paid-in capital. For statutory accounting purposes, any assessments for additional taxes and interest related thereto would be charged directly to statutory stockholders' equity. Such charges could materially affect the amount of statutory surplus available to pay dividends to stockholders.

The Company sold investment property during 1977 which was subject to a first mortgage lien. The mortgage loan payments were assumed by the purchaser under a "wrap around agreement". However, the Company remains contingently liable for the loan payments. The mortgage loan balance amounted to $3,251,806 at December 31, 1984.

(13) PENSION AND POSTRETIREMENT BENEFITS

Effective January 1, 1973, the Company adopted a noncontributory pension plan which covers substantially all permanent employees. The Company's policy related to the pension plan is to fund pension costs accrued. The initial past service liability of the pension plan was approximately $300,000 and is being amortized over a thirty-year period. As of December 31, 1984, the unfunded past service cost of the pension plan was $97,492. The actuarially computed value of vested benefits of the pension plan did not exceed the net assets of the plan at December 31, 1984. The assumed interest rate used by the plan was 4.5%. Pension expense for the years ended December 31, 1984, 1983, and 1982 amounted to $279,000, $246,000, and $239,000, respectively.

The Company provides health care and life insurance benefits for retired employees. These benefits are provided through an insurance company which bases its premium charges on the experience of the group. Costs of providing these benefits are expensed during the year premiums are billed. During 1984, the Company's total cost for providing health care and life insurance for retired employees was aproximately $18,000.

(14) FOREIGN SALES

Total premium income related to life insurance written in foreign countries, primarily Central and South America, was approximately $17,500,000, $17,000,000, and $17,000,000 for the years ended December 31, 1984, 1983, and 1982, respectively.

(15) UNAUDITED QUARTERLY FINANCIAL DATA

Quarterly results of operations are summarized as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(000's omitted except for per share amounts)			
1984				
Revenues	$ 33,551	38,131	42,755	43,642
Earnings from insurance operations	1,712	1,071	1,711	21,779
Earnings from brokerage subsidiary	140	(195)	44	435
Net earnings	1,825	998	1,573	19,454
Per share:				
Earnings from insurance operations	.49	.31	.50	6.26
Earning from brokerage subsidiary	.04	(.06)	.01	.13
Net earnings	.52	.29	.45	5.60
1983				
Revenues	$ 24,572	26,768	27,959	28,631
Earnings from insurance operations	1,155	829	1,610	1,228
Earnings from brokerage subsidiary	1,341	868	(92)	388
Net earnings	2,564	1,947	1,585	1,010
Per share:				
Earnings from insurance operations	.33	.24	.47	.35
Earning from brokerage subsidiary	.39	.25	(.03)	.11
Net earnings	.74	.55	.46	.29
1982				
Revenues	$ 21,772	23,718	25,891	28,052
Earnings from insurance operations	1,352	579	1,340	644
Earnings from brokerage subsidiary	110	319	1,387	1,270
Net earnings	1,472	754	2,387	1,834
Per share:				
Earnings from insurance operations	.40	.17	.39	.18
Earning from brokerage subsidiary	.03	.09	.41	.37
Net earnings	.43	.22	.70	.53

Report of Independent Certified Public Accountants

The Board of Directors and Stockholders
National Western Life Insurance Company
Austin, Texas

We have examined the consolidated balance sheets of National Western Life Insurance Company and subsidiaries as of December 31, 1984 and 1983, and the related statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of National Western Life Insurance Company and subsidiaries as of December 31, 1984 and 1983, and the consolidated results of their operations and the changes in their financial position for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

March 20, 1985
Austin, Texas

Touche Ross & Co.

Summary of Operations

	Years Ended December 31,				
	1984	1983	1982	1981	1980
Premium income	$ 121,867,822	79,527,511	78,254,641	47,374,317	46,912,884
Net investment income	35,510,437	27,205,917	20,920,342	16,741,471	12,824,117
Other income	700,546	1,196,694	257,590	429,604	258,968
Total income	158,078,805	107,930,122	99,432,573	64,545,392	59,995,969
Policyowner benefits	113,966,001	75,180,142	68,126,320	40,877,577	40,272,556
Commissions and other expenses	34,482,758	25,027,423	25,503,599	18,213,893	15,813,047
Total expenses	148,448,759	100,207,565	93,629,919	59,091,470	56,085,603
Deferred Federal income tax adjustment	19,984,000	—	—	—	—
Provision for deferred Federal income taxes	(3,341,000)	(2,900,000)	(1,888,000)	(1,730,000)	(1,270,000)
Earnings from insurance operations	26,273,046	4,822,557	3,914,654	3,723,922	2,640,366
Equity in earnings of brokerage subsidiary	424,456	2,504,780	3,086,540	1,060,459	393,203
Realized losses on investments	(2,847,447)	(220,834)	(554,482)	(117,131)	(14,182,680)
Net earnings (loss)	$ 23,850,055	7,106,503	6,446,712	4,667,250	(11,149,111)
Per Share:					
Earnings from insurance operations	$ 7.56	1.39	1.14	1.09	.77
Equity in earnings of brokerage subsidiary	.12	.72	.90	.31	.12
Realized losses on investments	(.82)	(.07)	(.16)	(.03)	(4.16)
Net earnings (loss)	$ 6.86	2.04	1.88	1.37	(3.27)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary

The following table sets forth for the periods indicated (1) percentages which certain items reflected in the financial data bear to total revenues of the Company and (2) the percentage increase or decrease of such items as compared to the indicated prior period:

	Relationship to Total Revenues Year Ended December 31,			Period to Period Increase (Decrease) Years Ended	
	1982	1983	1984	1982-83	1983-84
Premiums	78.7%	73.7%	77.0%	1.6%	53.2%
Investment income	21.0	25.2	22.5	30.1	30.5
Other income	0.3	1.1	0.5	364.6	(41.5)
Total revenues	100.0	100.0	100.0	8.5	46.5
Policyowner benefits	(68.5)	(69.7)	(72.1)	10.4	51.6
Commissions and other expenses	(25.7)	(23.1)	(21.8)	(1.9)	37.8
Deferred Federal income tax adjustment	—	—	12.6	—	100.0
Provision for deferred Federal income taxes	(1.9)	(2.7)	(2.1)	53.6	15.2
Equity earnings of brokerage subsidiary	3.1	2.3	0.3	(18.9)	(83.1)
Realized losses on investments	(0.5)	(0.2)	(1.8)	(60.2)	1,189.4
Net earnings	6.5%	6.6%	15.1%	10.2	235.6

Results of Operations

Premium Income: Total premium income increased to $121.8 million in 1984 from $79.5 million in 1983 and $78.2 million in 1982. Annuity considerations provided the major part of the growth, from $36.2 million in 1982 to $40.8 million in 1983 to $75.1 million in 1984. Tax sheltered annuities were the major source of increase in annuity production.

Life premiums for 1984 increased by 16% over the average of the previous two years. The Company entered the Universal Life market in 1983, with a minimal amount of production. In 1984, new Universal Life premiums exceeded $3.7 million on face amount exceeding $307 million.

Investment Income: Increased cash flow from substantially increased production resulted in total invested assets exceeding $403 million at year end 1984. This was up from $330.8 million in 1983. The increase in invested assets produced net investment income of $35.5 million in 1984, compared to $27.2 million in 1983 and $20.9 million in 1982. As production continues to increase, the growth trend in net investment income should follow.

Income From Subsidiary: The Company's equity interest in the earnings of the Westcap Corporation, a brokerage company located in Houston, Texas, amounted to approximately $424,000 in 1984 as compared to $2,504,000 in 1983 and $3,086,000 in 1982. The Westcap earnings are directly related to trading volume in government securities, which has decreased from record levels in 1982. Following a near break-even level for the first three quarters of 1984, the quarter ending December 31 accounted for substantially all of the earnings for Westcap for 1984.

Policyowner Benefits: Policyowner benefits totaled $113.9 million for 1984. This was up from $75.2 million in 1983 and $68.1 million in 1982. Most of this increase is directly related to the increase in annuity reserves. Reserves increased proportionately to annuity premiums. Annuity premiums increased $34.4 million from 1983 to 1984 and $4.6 million from 1982 to 1983.

Commission and Other Expenses: From 1982 to 1983, commissions and other operating expenses remained relatively flat. There was a 40% increase from 1983 to 1984. This increase relates primarily to the increased production of flexible premium annuities on which commissions are not deferred, but are recognized currently.

Provision for Federal Income Tax: The provision for deferred Federal income tax remained relatively constant as a percentage of pre-tax income from insurance operations. During the fourth quarter, the Company recognized the adjustment to the deferred tax liability that was permitted under the Deficit Reduction Act of 1984 as it pertains to taxation of life insurance companies. This adjustment increased net earnings by $19,984,000 or $5.75 per share.

Realized Losses on Investments: During the fourth quarter of 1984, the Company reviewed its investment portfolio and sold a substantial amount of investments that were in an unrealized loss position in order to offset a taxable capital gain realized on the sale of its home office building. For reporting purposes, approximately $2,340,000 of this gain (net of tax) has been deferred and will be amortized over a ten-year period, resulting in a substantial realized loss in this financial statement.

Liquidity and Capital Resources

The Company is continuing to maintain a strong financial posture as indicated by a 63% growth in stockholders' equity from 1983 to 1984 and by 24% from 1982 to 1983. The "fresh start" adjustment to the deferred Federal income tax liability in 1984 accounted for approximately 84% of the 1984 increase in stockholders' equity.

At the end of 1984, the Company recaptured remaining statutory reserves exceeding $18 million and terminated the surplus relief reinsurance arrangement which originated in 1980, following losses in certain government securities. The recapture was accomplished on the first date permissible under the terms of the arrangement. Terminating the arrangement will provide annual savings in expense and risk charges which exceed $1 million.

In a cash sale of its Home Office building during October, 1984, the Company realized a capital gain which exceeded $4 million. In a simultaneous transaction, it entered into a lease arrangement with the purchaser which provides for a ten-year lease with a renewal option of three years. The annual lease cost will approximate $565,000 plus taxes, insurance, maintenance, and other operational costs, less amortization of the deferred gain which approximates $320,000.

Policy loan demand decreased from 1982 to 1983. It has increased somewhat during 1984, despite improving economic conditions and decreasing interest rates. The Company foresees no difficulty in meeting this increased loan demand from current cash flow.

The Company has not incurred material short-term debt during 1983 or 1984 and had none outstanding at either year-end. There are no present material commitments for capital expenditures in 1985, and the Company does not anticipate incurring any such commitments through the balance of 1985.

Common Stock Prices

Quarter Ending		High Bid	Low Asked
3-31	1984	13-3/8	9-1/2
6-30	1984	9-3/8	7-7/8
9-30	1984	10-3/8	7
12-31	1984	12-1/2	9-3/4
3-31	1985	15-5/8	10-7/8

Statutory Balance Sheets

	(Unaudited) December 31, 1984	1983
ASSETS		
Bonds	$ 234,215,755	185,216,118
Preferred stocks	13,777,038	13,332,204
Common stocks	3,049,584	2,535,553
Mortgage loans	69,997,097	65,005,564
Real estate	3,311,490	4,502,799
Policy loans	60,845,345	54,796,960
Collateral loans	2,246,708	1,313,076
Income interest in Libbie Shearn Moody Trust	11,642,030	11,637,155
Cash on hand and in banks	3,355,748	1,201,543
Short-term investments	11,962,495	2,229,435
Premiums deferred and uncollected	10,897,165	10,835,603
Investment income due and accrued	7,366,982	5,170,769
Other assets	2,530,637	2,423,455
	$ 435,198,074	360,200,234
LIABILITIES, SURPLUS AND OTHER FUNDS		
Aggregate reserve for life policies	$ 364,061,021	279,577,014
Aggregate reserve for accident and health policies	308,286	348,513
Supplementary contracts without life contingencies	561,882	457,511
Life claims	1,576,666	2,136,731
Accident and health claims	—	5,000
Policyholders' dividend, coupon, and endowment accumulations	13,130,951	14,301,499
Policyholders' dividend liability	372,350	391,600
Other liabilities to policyholders	6,560,522	5,015,606
Commissions, expenses, and taxes due or accrued	1,699,820	1,444,532
Borrowed money	3,251,806	3,298,578
Other liabilities	8,819,518	6,449,671
Mandatory Securities Valuation Reserve	2,007,396	6,152,511
Total liabilities	402,350,218	319,578,766
Capital paid up	3,477,819	3,477,950
Paid-in and contributed surplus	12,750,763	12,751,909
Unassigned surplus	16,619,274	24,391,609
Total capital and surplus	32,847,856	40,621,468
	$ 435,198,074	360,200,234

Statutory Statements of Operations

	(Unaudited) Years Ended December 31,	
	1984	1983
Premiums and annuity considerations	$ 75,491,557	61,973,763
Annuity and other fund deposits	35,687,485	6,650,291
Considerations for supplementary contracts, dividend, coupon, and endowment accumulations	1,469,828	1,459,644
Reserve adjustment on reinsurance ceded	92,772,415	(7,436,593)
Commission and expense allowances on reinsurance ceded	1,687,439	2,002,711
Net investment income	35,041,026	28,201,626
Other income	640,419	327,406
Total income	242,790,169	93,178,848
Death claims	5,975,569	6,068,971
Accident and health claims	148,912	(100,045)
Surrender benefits	10,474,218	8,340,116
Coupons and endowments to policyholders	1,147,179	1,388,171
Payments on supplementary contracts, dividend, coupon, and endowment accumulations	3,035,103	2,836,915
Other policy benefits	16,895,697	10,874,614
Increase in life and accident and health reserves	84,443,780	34,482,797
Decrease in other reserves	(1,067,490)	(741,214)
Reserves transferred and adjustments on reinsurance	100,011,527	—
Commissions	23,498,787	13,233,175
General expenses, taxes, and other expenses	10,420,891	10,235,185
Increase (decrease) in loading	(1,127,766)	278,443
Total benefits and expenses	253,856,407	86,897,128
Net gain (loss) before dividends and Federal income taxes	(11,066,238)	6,281,720
Dividends to policyholders	368,683	381,565
Net gain (loss) before Federal income taxes	(11,434,921)	5,900,155
Federal income taxes	—	—
Net gain (loss) from operations	$ (11,434,921)	5,900,155

Statutory Statements of Capital and Surplus

	(Unaudited) Years Ended December 31,	
	1984	1983
Balance at beginning of year	$ 40,621,468	37,106,181
Additions (deductions):		
Net gain (loss) from operations	(11,434,921)	5,900,155
Net capital gains	93,560	2,409,755
Net loss from non-admitted assets	(283,009)	(1,197,416)
Decrease (increase) in Mandatory Securities Valuation Reserve	4,145,115	(4,260,362)
Other increases (decreases)	(294,357)	663,155
Balance at end of year	$ 32,847,856	40,621,468

Directors

Robert L. Moody
Chairman of the Board, Chief Executive Officer, National Western Life Insurance Company
Investments, Galveston, Texas
NWL Director—1964 to present

Harry L. Edwards
President and Chief Operating Officer, National Western Life Insurance Company
NWL Director—1969 to present

Arthur O. Dummer
Senior Vice President, Beneficial Life Insurance Company
Salt Lake City, Utah
NWL Director—1980 to present

Gerald A. Levy
Vice President, North American Reassurance Company
New York, New York
NWL Director—1980 to present

E. Douglas McLeod
Director of Development
Moody Foundation
Galveston, Texas
NWL Director—1979 to present

Charles D. Milos, Jr.
Vice President and Investment Analyst, National Western Life Insurance Company
NWL Director—1981 to present

Ross R. Moody
Credit Analyst,
First City National Bank
Houston, Texas
NWL Director—1981 to Present

Louis Pauls, Jr.
President, Louis Pauls & Company
Investments, Galveston, Texas
NWL Director—1971 to present

Officers

Robert L. Moody
Chairman of the Board and Chief Executive Officer

Harry L. Edwards
President and Chief Operating Officer

Robert R. Johnson, FLMI, CLU
Executive Vice President
Administration
Assistant Secretary

Richard C. Andrews, CLU
Vice President
Employee Benefits

Charles P. Baley, FLMI, CLU
Vice President
Data Processing

Richard L. Boswell, FSA, MAAA
Vice President
Actuary

Robert L. Busby, III, CPA, FLMI, CLU, ChFC
Vice President
Controller

Richard M. Edwards
Vice President
International Marketing Department

Dr. Jose M. Galano
Vice President
Latin American Operations

Andrew M. Hansen
Vice President
Domestic Marketing Department

John R. Howard, CPA
Vice President—Finance
Treasurer
Assistant Secretary

Weldon K. Huffman
Vice President
Systems Management
Assistant Secretary

James A. Kincl
Vice President
Market Development

Bob Laughlin
Vice President
Special Markets

Charles D. Milos, Jr.
Vice President
Investment Analyst

James R. Naiser, FLMI
Vice President
Systems Development

Harold L. Ponder
Vice President
Risk Selection

James V. Robinson
Vice President
Secretary

Larry D. White, FLMI
Vice President
Policyowner Services

David G. Caldwell
Assistant Vice President
Legal Counsel

Robert J. Dicks, FLMI
Assistant Vice President
Underwriting

Doris Kruse
Assistant Vice President
Policy Benefits

Lee E. Posey, FLMI
Assistant Vice President
Administrative Services

B. Ben Taylor, ASA, MAAA
Assistant Vice President
Assistant Actuary

Agnes B. Connolly
Assistant Secretary

Mary L. Smith
Assistant Secretary

Hans W. Weber
Assistant Treasurer

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