

T H E 1 9 9 4 A N N U A L R E P O R T



N A T I O N A L W E S T E R N L I F E
I N S U R A N C E C O M P A N Y

On the Cover
An Old Live Oak

The strength and integrity of this mighty Live Oak fittingly represent National Western Life Insurance Company.

Great roots extend deep into the earth anchoring the oak. Regal and sheltering branches stretch to reach the sky. The oak's enormous canopy of leaves offers nurturing shade and protection from intolerant weather.

This tree is like National Western Life Insurance Company—powerful, adaptable, solid and growing.

F I N A N C I A L H I G H L I G H T S

(In thousands except per share data) 1994 1993 1992 1991 1990

INCOME STATEMENT:

Insurance revenues excluding realized gains and losses	\$	275,132	268,501	262,673	243,443	217,188
Brokerage revenues		40,208	105,923	123,094	43,837	25,681
Total revenues		316,966	377,630	401,477	296,640	225,798
Net income (loss)		34,236	56,724	63,411	25,758	(4,750)

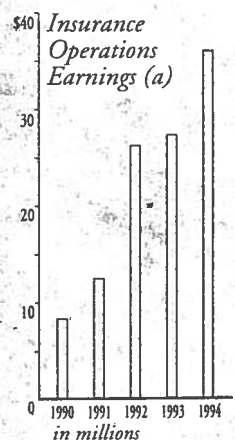
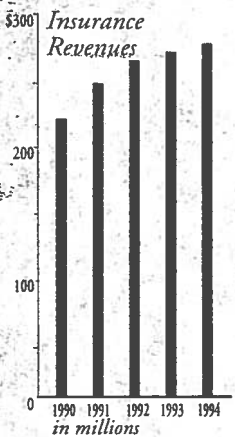
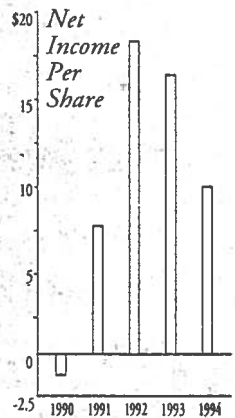
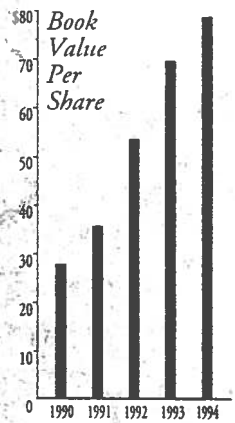
BALANCE SHEET:

Total assets	\$	2,915,054	2,941,051	2,698,497	2,581,032	2,288,281
Total stockholders' equity		275,134	242,718	186,091	122,443	96,158

Table of Contents

- 1 Financial Highlights
- 2 Letter to Stockholders
- 5 Investments
- 6 Marketing
- 7 Summary of Selected Financial Data
- 9 Directors
- 10 Officers
- 12 Corporate Information
- 13 Form 10-K

Audited financial statements and Independent Auditors' Report are found in the attached SEC Form 10-K



(a) Excludes net realized gains (losses) on investments and cumulative effect of change in accounting for income taxes.

T O U R S T O C K H O L D E R S . . .

Increased sales efforts and additions of new products and marketing organizations during 1994 resulted in an increase in premium revenues and deposits of \$69 million, a 40% increase from 1993.

National Western Life experienced another successful year of operations in 1994, and the Company is pleased to report the results to its stockholders as well as other important constituents including policyholders, agents and employees. The Company had a successful year recording significant increases in both revenues and net earnings from insurance operations. Furthermore, through conservative management of assets, the Company continued to strengthen its balance sheet, improving the financial protection of both stockholders and policyholders. While net earnings from insurance operations were at record levels for National Western Life, the unstable bond market contributed to a loss by the Company's wholly owned bond brokerage subsidiary, The Westcap Corporation.

Financial Condition

Prudent investment of premiums and deposits is a matter of vital concern to our constituents. As a part of the highly regulated life insurance industry, National Western Life exceeds many of the norms generally accepted today for soundness and safety of investment portfolios. Investment grade bonds account for all but 1.3% of the Company's bond portfolio. In another area of concern, only

0.3% of the Company's assets were in non-performing mortgage loans and foreclosed real estate at year-end 1994. National Western Life continues to follow prudent investment management practices, and this conservative handling of premiums and deposits has allowed the Company to provide stockholders and policyholders with increasing financial strength and stability.

Continued emphasis by regulators on the investment practices of companies has had the desired effect of reducing potential losses in the insurance industry. National Western Life continues to benefit from a conservative investment philosophy adopted many years ago by its Board of Directors. Retention of net earnings to further strengthen the Company's capital position provides an added measure of security. As a result, stockholders' equity grew 13.4% during 1994 to over \$275 million, reflecting a book value per share of \$78.88.

Operating Results

In 1994, National Western Life developed new life and annuity products and strengthened and diversified its distribution channels, resulting in greater market penetration. National Western Life relies on its financial strength to provide a

portfolio of attractive life and annuity products at competitive rates. These products have placed the Company among the industry's premium volume leaders in today's marketplace. Increased sales efforts and additions of new products and marketing organizations during 1994 resulted in an increase in premium revenues and deposits of \$69 million, a 40% increase from 1993. Combined with a rise in net investment income and prudent management of interest and operating expenses, earnings from insurance operations reached \$36.1 million for 1994, representing a 32% increase from 1993. Net realized gains on investments, however, were \$1.1 million, a decrease of \$1 million from 1993, but consistent with the conservative investment strategy of National Western Life.

Fluctuating interest rates caused significant problems in the bond market affecting all bond brokerage companies, including The Westcap Corporation. Adverse market conditions were the primary factor in Westcap's loss of \$2.9 million for 1994, and management has responded by taking appropriate steps to reduce administrative and operating costs.

Looking Forward

Strong competition and changing market conditions

will continue to be the main challenges for National Western Life. The expanding market in Latin America offers many opportunities, and as more companies are discovering this, National Western Life is reestablishing its infrastructure and improving products to meet the specific needs of consumers outside the United States. In the United States, investment annuity sales are strong, and it is the intention of National Western Life to continue offering new annuity products and making improvements to existing ones. The Company will also refocus attention on the ordinary life insurance market by improving distribution channels and offering more competitive products. National Western Life is seeking to increase sales of domestic and international life products and is committed to establishing a successful selection of tax sheltered and investment annuities without making sacrifices in service to customers.

This past year has illustrated that, even with fluctuating market interest rates, the Company's interest sensitive assets and liabilities have not adversely affected results from insurance operations. The cash flow stability of the bond portfolio,

investments in low-risk securities, sound asset/liability management policies, and prudent interest and operating expense management contribute significantly to the Company's cash flow and earnings stability.

National Western Life will

This year's letter is translated as a special service to our Spanish-speaking stockholders, policyholders, agents, and employees.

La carta de este año ha sido traducida como un servicio especial a nuestros accionistas, asegurados, agentes y empleados de habla hispana.

remain focused on providing excellent customer service to policyholders and agents and meeting their needs with new and improved products. Management is committed to National Western Life's long-term success and is looking forward to continued success in 1995 and into the future.

National Western Life experimentó otro exitoso año de operaciones en 1994, y está complacida en presentar los resultados a sus accionistas, así como a otros importantes constituyentes incluyendo asegurados, agentes y empleados. La Compañía tuvo un año exitoso marcando

importantes aumentos en los ingresos y ganancias obtenidas por operaciones de seguros. Más aún, a través de una prudente y conservadora administración de activos, la Compañía continúa fortaleciendo su balance general para mejorar la

protección financiera de sus accionistas y asegurados. Mientras las ganancias netas obtenidas por operaciones de seguros alcanzaron niveles record para National Western Life, el inestable mercado de valores contribuyó a que la subsidiaria de corretaje en bonos de la Compañía, The Westcap Corporation, tuviera pérdidas.

Condiciones Financieras

Prudentes inversiones de primas y depósitos es un tema de vital importancia para nuestros constituyentes. Como parte de una industria de seguros de vida altamente regulada, National Western Life excede muchas de las normas generalmente aceptadas como sólidas y

seguras para carteras de inversiones. Los bonos de grado de inversión representan la mayoría de la cartera de inversiones de la Compañía con excepción del 1.3%. Por otra parte, sólo el 0.3% de los activos de la Compañía al fin de 1994 eran préstamos hipotecarios pendientes y bienes raíces redimidos. National Western Life sigue teniendo una administración prudente de inversiones, ya que esta forma conservadora de manejar primas y depósitos ha permitido que la Compañía

propvea a sus accionistas una creciente fortaleza y estabilidad financiera.

El continuo énfasis de los reguladores sobre las inversiones de las diversas compañías ha tenido el efecto deseado de reducir pérdidas potenciales en la industria del seguro. National Western Life continúa beneficiándose de su filosofía conservadora de inversiones adaptada hace varios años por su Directiva. La retención de las ganancias netas para fortalecer la posición del capital de la Compañía provee una fuerte medida de seguridad. Como resultado, el capital contable de los accionistas aumentó en 13.4% durante 1994 a más de \$275 millones, lo cual representa un valor en libros de \$78.88 por acción.

P A R A N U E S T R O S A C C I O N I S T A S . . .

Resultados de Operación

En 1994, National Western Life desarrolló productos nuevos de vida y anualidades, fortaleció y diversificó sus canales de distribución resultando ésto en una mejor penetración en el mercado. National Western Life depende de su fuerza financiera para proveer una cartera de atractivos productos de vida y anualidades a tasas competitivas. Estos productos han colocado a la Compañía entre los líderes de la industria en volumen en primas en el mercado de hoy en día. Nuestro aumento en esfuerzos de ventas, con la adición de nuevos productos y organizaciones de mercadeo durante 1994 resultaron en un aumento en ingresos por primas y depósitos de \$69 millones, un aumento de 40% sobre 1993. Combinados con un aumento en el ingreso neto de inversión y una administración prudente de gastos sobre los intereses y gastos operativos, los ingresos de operaciones de seguro alcanzaron \$36.1 millones en 1994, representando un

aumento de 32% sobre 1993. Las ganancias realizadas netas de inversiones fueron de \$1.1 millones para 1994, una reducción de \$1 millón sobre 1993, sin embargo fueron consistentes con la conservadora estrategia de inversiones de National Western Life.

Tasas de interés fluctuantes ocasionaron problemas significantes en el mercado de valores afectando a todas las compañías de corretaje de bonos, incluyendo a The Westcap Corporation. El factor principal en la pérdida de \$2.9 millones de Westcap en 1994 fueron las condiciones adversas del mercado, pero la administración de la misma ha respondido tomando los pasos necesarios para reducir los costos administrativos y operativos.

Mirando hacia el futuro

La fuerte competencia y condiciones del mercado cambiantes continuarán siendo los principales desafíos para la National Western Life. El

mercado creciente en Latinoamérica ofrece muchas oportunidades, y como muchas compañías están descubriendo esta situación, National Western Life está reestableciendo su infraestructura y está mejorando los productos para que satisfagan las necesidades específicas de consumidores fuera de los Estados Unidos. En los Estados Unidos, las ventas de inversión en anualidades son fuertes y es la intención de National Western Life continuar ofreciendo nuevos productos de anualidades y mejorar los existentes. La Compañía también, enfocará su atención en el mercado de seguro de vida ordinario mejorando los canales de distribución y ofreciendo productos más competitivos. National Western Life espera aumentar sus ventas de productos de vida tanto domésticas como internacionales y está comprometida a establecer una amplia cartera de anualidades de inversión y de impuestos diferidos sin afectar el servicio a clientes.

El año pasado ha demostrado que aún con las fluctuantes tasas de interés sensitivo del mercado, los activos y pasivos de la Compañía no afectaron adversamente los resultados de las operaciones de seguros. La estabilidad del flujo de caja del portafolio de acciones, inversiones de bajo riesgo en bonos, planes de administración sólidos en la relación activo/pasivo, prudente administración de los gastos de intereses y operativos contribuyen significativamente al flujo de caja y a la estabilidad de las ganancias de la Compañía.

National Western Life continuará dedicada a proveer excelente servicio al cliente, asegurados y agentes, a satisfacer sus necesidades con nuevos y mejorados productos. La administración está comprometida al eterno éxito de National Western Life y continuar este éxito en 1995 y el futuro.



Robert L. Moody
Chairman of the Board and Chief Executive Officer
Presidente de la Junta Directiva y Director Ejecutivo



Ross R. Moody
President and Chief Operating Officer
Presidente y Funcionario Ejecutivo de Operaciones

I N V E S T M E N T S . . .

The primary objectives of NWL's investment philosophy are to obtain the maximum possible yield while preserving security of principal and to provide adequate liquidity to meet the current and long-term cash needs of the Company.

National Western Life's investment philosophy emphasizes the prudent handling of policyholders' and stockholders' funds. The primary objectives are to obtain the maximum possible yield while preserving security of principal and to provide adequate liquidity to meet the current and long-term cash needs of the Company. The Company's insurance operations have a conservative investment portfolio with over 82% of its investments in fixed-income securities. Mortgage loans and real estate, which are often viewed as having higher risks than fixed-income securities, comprise only 8.9% of the Company's insurance operations investments. Also, all mortgage loan and real estate investments are subject to strict underwriting guidelines which ensure that only high-quality investments with strong collateral are accepted.

National Western Life has a diversified mix of fixed-income securities consisting of U.S. government, utility, corporate, and mortgage-backed securities. In 1994, fixed-income investment purchases were primarily in U.S. corporate securities with emphasis on the finance, manufacturing, oil and gas, and transportation sectors. When purchasing corporate bonds, the credit quality and outlook are thoroughly evaluated for each

issuer. The investment decision is based on the company's credit rating, financial ratios, strength of management, expected capital requirements, and event risk from possible mergers or acquisitions.

The cash flow stability of the

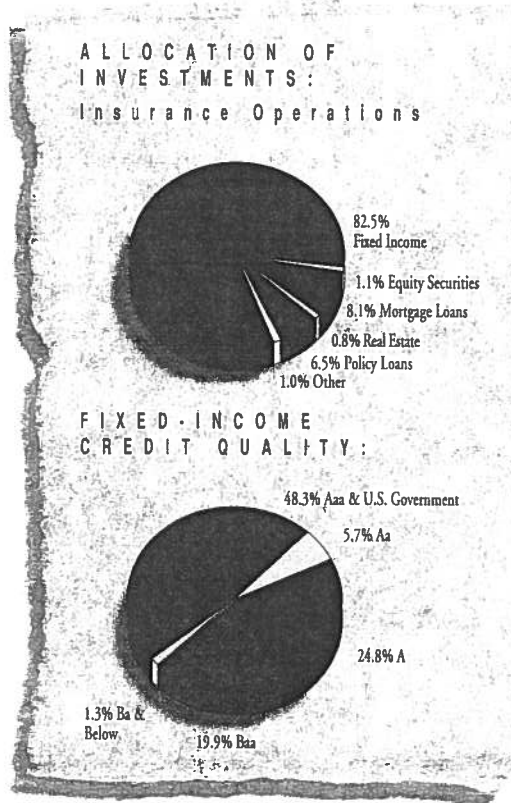
improvement is especially significant since it occurred during a period in which interest rates rose over 200 basis points.

The overall quality of the Company's fixed-income portfolio at December 31, 1994, is reflected by its average Moody's

rating of "Aa," which is "high quality." Also, below investment grade bonds represent only 1.3% of total fixed-income securities, and securities in default totaled less than \$2.5 million at year-end 1994.

The Company's prevailing fixed-income investment strategy is the intent to hold securities to maturity. However, the Company does actively manage its port-

folio, which entails monitoring and reacting to changes in the value of its securities. Certain situations, such as a deterioration in the issuer's creditworthiness, may change the Company's intent to hold a particular security. Also, maintaining appropriate matching of the Company's assets with its liability requirements is of extreme importance, which requires flexibility within the investment portfolio. The Company maintains that flexibility within its fixed-income portfolio.



mortgage-backed portfolio continued to improve in 1994. A large percentage of this portfolio consists of collateralized mortgage obligations (CMOs), with over 85% in the planned amortization class I (PAC) tranches. PACs provide more stable cash flow patterns than pass-through securities or other CMO classes. The most significant improvement in the portfolio during 1994 was the increased protection against average life extension under rising interest rate scenarios. This

M A R K E T I N G . . .

With the success of 1994, the Company remains firmly committed to its strategic plans for continued diversification of types and sources of premium revenues and deposits in both the domestic and international markets.

National Western Life's domestic and international marketing efforts were very successful in 1994. Increased marketing efforts through personnel and agent additions and new product developments produced premium revenues and universal life and annuity deposits totaling \$241 million for 1994. This represents a 40% increase over comparative 1993 amounts. With the success of 1994, the Company remains firmly committed to its strategic plans for continued diversification of types and sources of premium revenues and deposits in both the domestic and international markets.

National Western Life offers a wide variety of individual whole life and term life insurance products, endowments, and annuities including standard supplementary riders. In recent years, the majority of the business written has been flexible premium and single premium annuities and universal life products. The Company is currently licensed and doing business in forty-three states and the District of Columbia. National Western Life also accepts applications from and issues policies to residents of other countries, primarily in Central and South America. Because the Company accepts business from many countries, marketing efforts are

coordinated by separate Domestic and International divisions.

The Domestic division markets both life and annuity products, but the majority of sales in recent years have been annuities. A significant portion of premium revenues and deposits

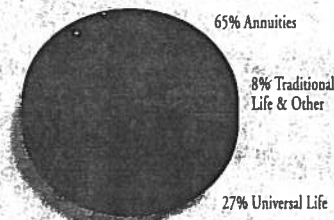
applications from foreign nationals throughout the world. Applications are submitted to the Company through a group of carefully selected broker-agents, many of whom have been associated with the Company for over fifteen years. Traditional and universal life

products are sold in the international market to individuals in upper socioeconomic classes. By marketing exclusively to this group, sales typically produce a higher average policy size, strong persistency, and claims experience similar to that in the United States.

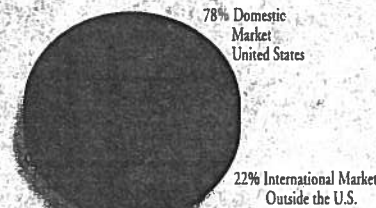
Due to the Company's long presence and experience in the international market, it benefits from a wide diversification of sales in many countries with seasoned blocks of business. New production comes not only from

the primary market in Latin America, but also from the Pacific Rim and Caribbean. The Company's strategic plan for the international market includes development of additional term life insurance products to complement the universal life portfolio. Universal life products will also continue to expand to meet the needs of the market, and significant efforts are being made to accept new broker-agents from existing agencies in Latin American cities where the Company has fewer policyholders.

1994 PREMIUMS AND DEPOSITS BY PRODUCT TYPE:



1994 PREMIUMS AND DEPOSITS BY MARKET:



are being written through independent marketing organizations (IMOs). The Company often develops products specifically for these organizations to meet the needs of a particular customer base. The Company's strategic plans stress continued diversification of types and sources of premium revenues and deposits by contracting with additional IMOs with strong, established broker-agent bases.

For almost three decades, National Western Life's International division has accepted

S U M M A R Y O F S E L E C T E D F I N A N C I A L D A T A

The following five-year financial summary includes comparative amounts taken from the audited financial statements for the years ended December 31:

(In thousands)	1994	1993	1992	1991	1990
Revenues:					
Life and annuity premiums \$	18,938	18,624	21,365	21,525	22,895
Universal life and investment annuity contract revenues	64,711	67,778	56,543	44,627	33,777
Net investment income	190,021	180,252	184,149	176,443	159,938
Brokerage revenues	40,208	105,923	123,094	43,837	25,681
Other income	1,462	1,847	616	848	578
Realized gains (losses) on investments	1,626	3,206	15,710	9,360	(17,071)
Total revenues	316,966	377,630	401,477	296,640	225,798
Expenses:					
Policyholder benefits	32,790	34,646	34,234	31,908	31,070
Amortization of deferred policy acquisition costs	32,131	33,159	25,085	16,852	9,263
Universal life and investment annuity contract interest	129,064	130,875	135,792	143,018	128,150
Other insurance operating expenses	29,394	28,959	27,870	32,897	36,455
Brokerage expenses	40,161	72,310	82,561	34,549	22,816
Total expenses	263,540	299,949	305,542	259,224	227,754
Provision for Federal income taxes	19,190	26,477	32,524	11,170	1,099
Earnings (loss) before cumulative effect of change in accounting principle and discontinued operations	34,236	51,204	63,411	26,246	(3,055)
Cumulative effect of change in accounting for income taxes	-	5,520	-	-	-
Loss from discontinued operations	-	-	-	(488)	(1,695)
Net earnings (loss)	\$ 34,236	56,724	63,411	25,758	(4,750)

(Continued on next page)

S U M M A R Y O F S E L E C T E D F I N A N C I A L D A T A

The following five-year financial summary includes comparative amounts taken from the audited financial statements for the years ended December 31:

(In thousands except per share data)	1994	1993	1992	1991	1990
Per Share:					
Earnings (loss) before cumulative effect of change in accounting principle and discontinued operations	\$ 9.82	14.71	18.23	7.55	(0.88)
Cumulative effect of change in accounting for income taxes	-	1.58	-	-	-
Loss from discontinued operations	-	-	-	(0.14)	(0.49)
Net earnings (loss)	\$ 9.82	16.29	18.23	7.41	(1.37)
Total assets	\$ 2,915,054	2,941,051	2,698,497	2,581,032	2,288,281
Total liabilities	\$ 2,639,920	2,698,333	2,512,406	2,458,589	2,192,123
Stockholders' equity	\$ 275,134	242,718	186,091	122,443	96,158

DIRECTORS

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

Ross R. Moody
President, Chief Operating
Officer, National Western Life
Insurance Company
NWL Director - 1981 to present

Arthur O. Dummer
President,
The Donner Company
Salt Lake City, Utah
NWL Director - 1980 to present

Harry L. Edwards
Retired, Former President and Chief
Operating Officer, National Western
Life Insurance Company
Austin, Texas
NWL Director - 1969 to present

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

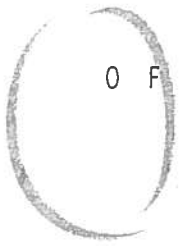
Charles D. Milos, Jr.
Senior Vice President-
Investment Analyst,
National Western Life
Insurance Company
NWL Director - 1981 to present

Frances A. Moody
Investments
Dallas, Texas
NWL Director - 1990 to present

Russell S. Moody
Investments
Austin, Texas
NWL Director - 1988 to present

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

E.J. Pederson
Executive Vice President,
The University of Texas
Medical Branch
Galveston, Texas
NWL Director - 1992 to present



O F F I C E R S

Robert L. Moody
Chairman of the Board
Chief Executive Officer

Arthur W. Pickering, CLU
Senior Vice President
Domestic Marketing

Ross R. Moody
President and Chief Operating Officer

Patricia L. Scheuer, CFA
Senior Vice President
Chief Investment Officer

**Robert L. Busby, III, CPA,
FLMI, CLU, ChFC**
Senior Vice President
Chief Administrative Officer
Chief Financial Officer
and Treasurer

Larry D. White, FLMI
Senior Vice President
Policyowner Services

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

Carol Jackson
Vice President
Human Resources

Richard M. Edwards
Senior Vice President
International Marketing

Vincent L. Kasch, CPA
Vice President
Controller and
Assistant Treasurer

**Paul D. Facey, FSA, MAAA,
FCIA, FLMI**
Senior Vice President
Chief Actuary

James A. Kincl
Vice President
Salary Savings

Charles D. Milos, Jr.
Senior Vice President
Investment Analyst

Doris Kruse, ALHC, ACS
Vice President
Policy Benefits

O F F I C E R S

James R. Naiser, FLMI
Vice President
Systems Development

James P. Payne, JD
Vice President
Secretary

Al R. Steger, FLMI, CLU, ChFC
Vice President
Risk Selection

B. Ben Taylor, ASA, MAAA
Vice President
Actuarial Services

Scott E. Arendale
Assistant Vice President
International Sales Department

Larry E. Carson, CPA, FLMI
Assistant Vice President
Assistant Controller

Robin R. Hulsey, FLMI, ACS
Assistant Vice President
Administrative Services

Helen L. Miller
Assistant Vice President
Premium Accounting

Jo Nell Morris, FLMI, ACS
Assistant Vice President
Policyowner Services

Ellen C. Otte
Assistant Secretary

Donna L. Richardson, FLMI, ACS
Assistant Vice President
Agent Contracting & Licensing

Lura L. Rogers, ACS
Assistant Vice President
Marketing

Margaret M. Simpson, ACS
Assistant Secretary

Mary L. Smith
Assistant Vice President
Marketing
Assistant Secretary

Donald G. Wotipka, JD
Assistant Vice President
Staff Attorney



C O R P O R A T E I N F O R M A T I O N

EXECUTIVE OFFICES

National Western Life Insurance Company, 850 East Anderson Lane,
Austin, Texas 78752-1602, Telephone: (512) 836-1010

ACCOUNTANTS

KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701

GENERAL COUNSEL

Will D. Davis, Heath Davis & McCalla, Attorneys at Law, Austin, Texas 78701

SUBSIDIARIES

NWL 806 Main, Inc., Austin, Texas

Principal activity: Commercial Investments

NWL Investments, Inc., Austin, Texas

Principal activity: Commercial Investments

NWL Properties, Inc., Austin, Texas

Principal activity: Commercial Investments

The Westcap Corporation, Houston, Texas

Principal activity: U.S. Government and Municipal Securities Dealer

STOCK TRANSFER AGENT

Principal Transfer Agent

The First National Bank of Boston, Shareholder Services, Mail Stop: 45-02-09,

P. O. Box 644, Boston, Massachusetts 02102-0644, Telephone: (617) 575-3170

Communications regarding stock transfer requirements, lost certificates and change of address should be directed to the principal transfer agent or to the Office of the Corporate Secretary of National Western Life Insurance Company.

STOCK INFORMATION

Shares of National Western Life Insurance Company are traded on The Nasdaq Stock Market under the symbol NWLIA.

ANNUAL STOCKHOLDERS' MEETING

The annual meeting of stockholders will be at 10:00 a.m. on June 16, 1995, at National Western Life Insurance Company's executive offices.

FORM 10-K

National Western Life Insurance Company's 1994 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is included in this annual report.

INVESTOR RELATIONS

Stockholders, security analysts, and investment professionals should direct their inquiries about financial performance to Chief Financial Officer, 850 East Anderson Lane, Austin, Texas 78752-1602, (512) 719-2230. Additional copies of the Company's Annual Report on Form 10-K are available upon request without charge.