

Insurer Profile

The Source For Informed Financial Decision-Making



National Western Life Insurance Co.

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Standard & Poor's

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The insurer financial strength rating on National Western Life Insurance Co. (NWL) reflects the company's strong business profile, extremely strong capital, extremely strong liquidity, and strong earnings. Offsetting these factors are the volatility and lack of consistent earnings growth in the past few years as well as increased competition in the annuity marketplace. NWL's business is characterized by its two main operations: U.S. and international. The global emphasis of NWL's business provides additional diversification of earnings, revenue, and insurance risk. The international business continues to be a steady contributor to NWL's bottom line. The domestic business (life insurance and annuities) is currently going through a refocusing of its strategy that is expected to produce excellent returns to the company. The company has been challenged in its ability to develop its life insurance and annuity business lines into predictable sources of revenue. Consequently, NWL's management has focused its strategic efforts toward increasing distribution capacity, expanding and enhancing life and annuity product portfolios, and upgrading technology while maintaining its profit targets.

National Western has been very successful in generating triple digit growth in its annuity sales (both fixed and equity-indexed annuities) as of 2nd quarter of 2003. However, the company has not been able to execute the strategy of increase in life insurance sales. As a result, Standard & Poor's is concerned about the shift in business mix with more concentration in annuities, which is inherently more volatile business. Life premium revenue increased 14% in 2003 to \$103.9 million from \$91.5 million in 2002. The majority of NWL's sales in the domestic market are derived from annuity products (about 98% of total premiums). Annuity sales increased to \$1.19 billion from \$429 million in 2002 partially due to an increase in demand for EIAs in the bull equity markets.

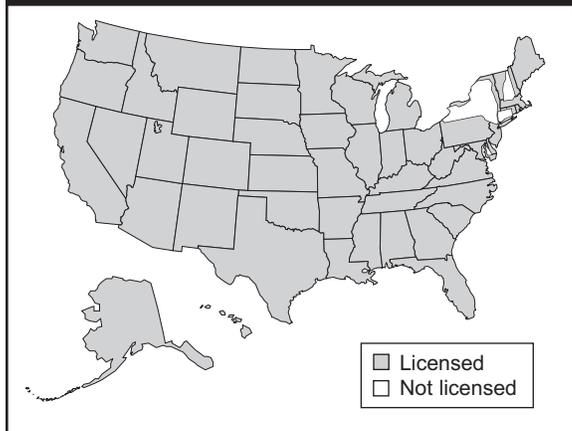
Despite very good profitability in the past few years, NWL has not been able to produce consistent and stable GAAP earnings growth. Standard and Poor's expects the company to stabilize its pretax GAAP operating earnings in the next two years by improving its domestic business performance, expanding its distribution channels, and continuing to invest in technology and service. Both life insurance and annuity revenues in the U.S. have experienced negative growth in the past three years, mainly from a decline in distribution.

Increased competition and lack of brand recognition in the U.S. markets will continue to constrain the company's growth. In order to compete effectively in the annuity market while producing adequate profit margins, the company will have to target niche markets and distribution sources, provide better service, manufacture products faster, and create more innovative products in the market place than its competitors without substantially increasing its risk.

Standard & Poor's financial strength rating of A+ is assigned to National Western Life Insurance Co.. This rating, however, is not a recommendation or an endorsement to buy or keep any insurance policy, nor does it address the suitability of an insurance product to meet your needs nor is it a guarantee of an insurer's financial strength.

Two-year financial statement (\$000)*		
Summary Income Statement	2002	2003
Net Premium Income	\$503,797	\$1,255,128
Net Investment Income	\$228,419	\$287,629
Other Income	\$21,417	\$22,301
Total Revenue	\$753,633	\$1,565,058
Claims and Benefits	\$571,456	\$1,272,238
Commission Expenses	\$91,634	\$192,987
Other Expenses	\$30,590	\$42,811
Total Claims & Expenses	\$693,679	\$1,508,036
Pre-tax Income	\$59,954	\$57,022
- Income Taxes		
Paid (refunded)	\$20,032	\$34,368
Net Income (Excl. Real Cap. Gains)	\$39,922	\$22,654
Summary Balance Sheet		
Total Assets	\$3,690,231	\$4,658,880
- Adjusted Liabilities	\$3,216,007	\$4,141,087
Total Adjusted Capital	\$474,225	\$517,793

States where the company is licensed to do business



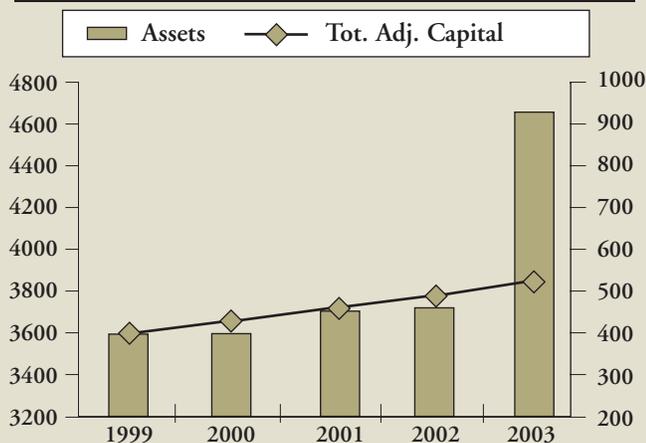
The Standard & Poor's Team: Experienced, Comprehensive, Global

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

Standard & Poor's insurance analysts have had many years of training and experience, analyzing domestic and foreign insurance companies, large and small, in many different lines of business, thus making Standard & Poor's a unique source of analytical insight. Added to these strengths in insurance financial analysis is another Standard & Poor's advantage — our Ratings Services include other specialized groups that analyze and rate banks, mutual funds, industrial corporations, municipalities and sovereign governments, as well as the complex financing instruments available in today's dynamic markets. Standard & Poor's thus can call upon these powerful resources to support its analysis of the complex organizations evolving today in the business of insurance, pensions and healthcare.

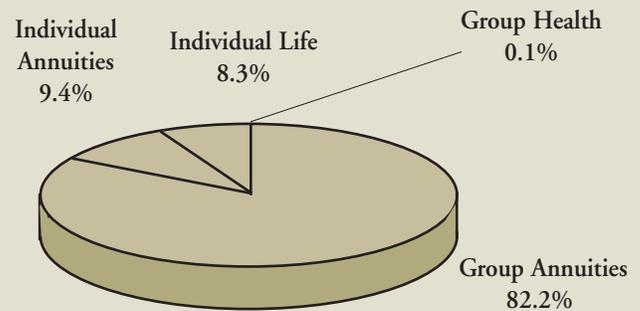
Given the depth and sophistication of Standard & Poor's analyses, consumers, corporate risk managers, pension and employee benefit managers, as well as insurance brokers, agents and commercial bankers, recognize and value Standard & Poor's insurer financial strength ratings.

Five-Year History (\$ Mil)*



DISCLAIMER: Ratings may change at any time. Because of the possibility of human or mechanical error, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information contained in this Insurer Profile and is not responsible for any errors or omissions or for the results obtained from the use of such information. Standard & Poor's receives compensation for rating the financial strength of an insurer which is based on the insurer's size. The fees generally vary from \$2,500 to \$50,000. We reserve the right to disseminate our rating but receive no payment for doing so, except for subscriptions to our publications.

Major lines of business*



Why Standard & Poor's Insurance Ratings Are Important To You

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

The Ratings Explained

Standard & Poor's ratings represent our opinions about the financial strength of 4,000 insurers around the globe. If you are a policyholder or are considering buying insurance products, these ratings help you make informed decisions about an insurer's financial strength.

The Standard & Poor's Security Circle Icons are assigned only to insurers which voluntarily submit to Standard & Poor's most rigorous review and subsequently achieve a rating in one of the top four categories for financial strength.

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

*All financial data as reported in statutory statements.