



# FINANCIAL STRENGTH

## Frequently Asked Questions

### Q. How is National Life Group affected by the market conditions?

A. The biggest impact is in the investment portfolio of National Life Insurance Company, Life Insurance Company of the Southwest and NLV Financial Corporation. They have roughly \$12.2 billion in total invested assets and the performance of those investments has been affected by the problems in the financial markets.

### Q. How much of that \$12.2 billion is in the stock market?

A. Very little, less than 1 percent of the total, and that's in preferred stocks, which generally have seniority to, and a higher yield than, common stock.

### Q. So where is NLGroup's money invested?

A. In what's generally referred to as the credit market, where investors buy and sell debt securities, usually in the form of bonds issued by governments and corporations. Our investment portfolio is broadly diversified: Roughly 40 percent is in public corporate bonds, 26 percent is in mortgage-backed securities; 13 percent is in commercial mortgages and 7 percent is in private corporate bonds.

### Q. How are these investments rated?

A. Almost all of NLGroup's bond portfolio holdings are rated investment grade, which means they have been assigned a high creditworthiness rating by independent rating agencies. Our corporate bond holdings are well diversified across a large number of corporate sectors, including electric utilities, media, cable, telecommunications, retail and energy. Among the corporate holdings are Abbott Labs, IBM, Time Warner Cable and Georgia Pacific.

### National Life Group (NLGroup)<sup>1</sup>

Fortune 1000 company

700,000 customers

2007 revenue: \$1.4 billion

2007 net income: \$109 million

2007 insurance in force: \$57.4 billion

2007 assets under management: \$20 billion

950 employees

### Financial Strength Ratings

For National Life Insurance Company and Life Insurance Company of the Southwest

**A (Excellent)**

AM Best

**A+ (Strong)**

Standard & Poor's

**A2 (Good)**

Moody's

Ratings are as of December 1, 2008 and are subject to change without notice.

<sup>1</sup> Consolidated results of National Life Group companies, which include National Life Insurance Company, Life Insurance Company of the Southwest, Equity Services, Inc., Sentinel Investments, NLV Financial Corporation and National Retirement Plan Advisors. Sentinel Investments is the unifying brand name for Sentinel Financial Services Co., Sentinel Asset Management, Inc., and Sentinel Administrative Services, Inc.

**Q. What about the mortgage-backed securities?**

A. All of our mortgage-backed securities are rated “Aaa” by Moody’s and Standard & Poor’s. All have been issued by U.S. government agencies and are guaranteed by the government.

**Q. How do the rating agencies view the situation?**

A. The ratings for National Life Insurance Company and Life Insurance Company of the Southwest by the independent agencies are strong. We have an **A+ (Strong)** rating from Standard & Poor’s, a rating of **A (Excellent)** from A.M. Best and an **A2 (Good)** rating from Moody’s.

**Q. What is NLGroup’s overall financial condition?**

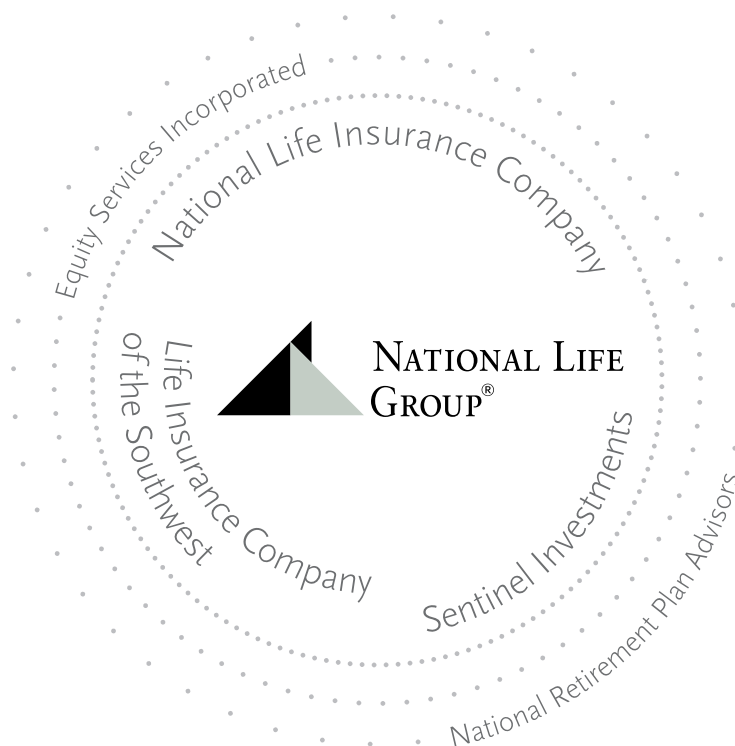
A. We remain strong. We have built substantial capital: Our total GAAP equity stands at \$1.3 billion and at the end of June our statutory surplus stood at \$831 million.

**Q. How are sales?**

A. Sales continue to do well in 2008. Sales of life insurance, annuities and mutual funds are very strong for the year.

**Q. Does it help that National Life Group is set up as a mutual corporate structure and is not a public company?**

A. One of the strengths we have touted through the years is our structure as a mutual holding company, which, as CEO Tom MacLeay has noted repeatedly, “allows us to focus on our long-term obligation to policyholders rather than the immediate demands of shareholders.”



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National Life Group® is a trade name representing various affiliates that offer a variety of financial service products. Each company is solely responsible for its own financial condition and contractual obligations. National Life Insurance Company Montpelier, VT is licensed in all 50 states and the District of Columbia. Life Insurance Company of the Southwest, Dallas, TX is licensed to do business in 49 states and the District of Columbia. It is not licensed to do business in New York. Equity Services, Inc. a broker-dealer, Member FINRA/SIPC and National Retirement Plan Advisors, is a third party administrator, which provides comprehensive retirement plans, administration and services.