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Press Release - JANUARY 13, 2016

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A.M. Best Affirms Ratings of NLV Financial Corporation and Its Affiliates

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AMB#	Company Name
006647	Life Insurance Company of the Southwest
051127	NLV Financial Corporation
069953	National Life Group
006790	National Life Insurance Company

FOR IMMEDIATE RELEASE

OLDWICK - JANUARY 13, 2016

A.M. Best has affirmed the financial strength rating of A (Excellent) and the issuer credit ratings (ICR) of "a+" of **National Life Insurance Company (NLIC)** (Montpelier, VT) and its wholly owned subsidiary, **Life Insurance Company of the Southwest** (Dallas, TX) (together known as National Life). Both companies are life insurance subsidiaries of **NLV Financial Corporation (NLVF)** (Montpelier, VT), which is the intermediate holding company in the organization's mutual holding company structure. NLVF and its subsidiaries are collectively known as the National Life Group.

Concurrently, A.M. Best has affirmed the ICR and senior issue ratings of "bbb+" of NLVF. A.M. Best also has affirmed the issue rating of "a-" on \$200 million 10.50% surplus notes due 2039 of NLIC. The outlook for all ratings is stable. (See below for a detailed listing of the issue ratings.)

National Life Group's ratings recognize its consistent operating performance, conservative risk profile and favorable sales growth complemented by diverse distribution sources. Moreover, the company benefits from its competitive position in the indexed universal life (IUL) insurance and 403(b) indexed annuity markets. The rating affirmations also reflect National Life Group's strong risk-adjusted capitalization, which was enhanced by an earlier surplus note issuance and continued profitable operations. Additionally, National Life Group continues to grow its capital base with 2014 total adjusted capital at approximately \$1.7 billion, which is 9.3% above its 2013 level. Total adjusted capital has reached \$1.8 billion as of Sept. 30, 2015.

National Life Group's investment portfolio was in a net unrealized gain position of approximately \$1.2 billion at the end of 2014. The investment portfolio is conservatively managed with limited exposure to structured securities, including commercial mortgage-backed securities, and is well-matched to its liabilities. Approximately 96% of residential mortgaged-backed securities held by National Life Group are highly rated, agency backed and without any exposure to Alt-A or subprime collateral. In addition, National Life Group exercises discipline in product design while maintaining competitive positions within its mainstream products (indexed UL and indexed annuities).

The insurance operations are consistently profitable. In addition, overall GAAP earnings benefit from diversification afforded by its mutual fund operations—Sentinel Investments—which has shown a positive operating earnings for the past three years. Total assets under management increased slightly to approximately \$31.4 billion for 2014, compared with \$30.0 billion for 2013.

Offsetting these positive rating factors is National Life Group's dependence on interest-sensitive products through strong sales of indexed annuities and higher NAIC Class 2 bonds than industry average, which in an economic downturn are likely to be impacted more than higher rated bonds.

In 2014, there was capital and surplus growth and a pay-off of \$20.6 million in trust preferred securities that resulted in an improved GAAP financial leverage of 18.5%. As of June 30, 2015, financial leverage continues to improve at 17.5%. These ratios remain within A.M. Best's guidelines for the company's current ratings. At the same time, National Life Group's GAAP interest coverage at more than five times has improved in 2014. A.M. Best notes that the organization's debt service capabilities are supported by a strong cash and invested asset position, along with favorable service capabilities at its primary insurance subsidiaries.

The following issue ratings have been affirmed:

NLV Financial Corporation—

- “bbb+” on \$75 million 6.50% senior unsecured notes, due 2035
- “bbb+” on \$200 million 7.50% senior unsecured notes, due 2033

National Life Insurance Company—

- “a-” on \$200 million 10.50% surplus notes, due 2039

This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please visit A.M. Best's [Ratings & Criteria Center](#).

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