



Believe in tomorrow



Letter from Our Chairman — 2018

In 2018 we celebrated the 170th anniversary of National Life. We also enjoyed our most successful year ever.

That's not a coincidence.

We remain one of the fastest growing life insurance companies in America.¹ Our life sales have grown 351 percent in the past decade – from \$88 million in 2008 to \$309 million in 2018.

In 2018, we ranked number 12 in an industry-wide survey of life sales. A decade ago we were number 33.²

That's extraordinary but no accident.

Our founders were visionaries: In 1848, when our country was still so young, they had a vision to create a life insurance company in the United States with a national mission. They established the company under a mutual structure, which meant it was owned by its policyholders, and thus focused entirely on helping people protect their families and their futures.

We remain today what our founders created: Visionary, independent, responsible, and focused on the needs of our policyholders. We serve the nation. Year after year and decade after decade – for 170 years – those decisions made in 1848 have stood the test of time.

In 2018:

- We paid \$2.5 billion in policyholder benefits;¹⁰
- Our total adjusted capital, which is an indicator of our future ability to keep our promises—reached a record \$2.35 billion, up 6 percent over 2017;
- Our total assets were \$31 billion, up 4 percent over 2017, against total liabilities of \$28 billion;⁹
- Our total life insurance in force hit a record \$139 billion, a number that has more than doubled since 2012.³

In 2019, we remain focused on ensuring strong discipline across product pricing, in-force management, expense management, and risk management. We have faced numerous challenges over the last 170 years, and going forward we will continue to focus on diligent planning and execution.

It was especially fitting that in our 170th year we were recognized as one of “America’s Magnificent Eight Exceptional Companies” by *CEO Forum*, which highlights the innovative work of companies around the country.

Robert Reiss, the CEO of *CEO Forum*, said four criteria were used in determining which companies to include: An incredible and aligned culture; exceptional customer experience; strong financials; and a higher purpose.

In his announcement of the eight, Mr. Reiss said, “Through all my research, there are few companies who have all of these elements to the degree National Life does. I was frankly blown away by the remarkable caring and focused culture. And not just one person. Every person I met had that same passion.”

That endorsement was one of the best birthday presents possible for this 170-year-old company.

We remain, as were our founders, purpose-driven, performance-oriented and principles-led. We understand the importance of our work to individuals, families, businesses and to our nation.

We are not just a company. We are a cause.

We dream it. We plan it. We execute it.

And we're here to help you believe in tomorrow.



Mehran Assadi

Mehran Assadi
Chairman, CEO & President

Products issued by:

National Life Insurance Company Life Insurance Company of the Southwest
National Life Group® is a trade name of National Life Insurance Company, founded in Montpelier, VT in 1848, Life Insurance Company of the Southwest, Addison, TX, chartered in 1955, and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

A.M. Best

Financial strength rating⁵

A (Excellent)

Third highest of 16

Standard & Poor's

Financial strength rating⁵

A+ (Strong)

Fifth highest of 21

Moody's

Financial strength rating⁵

A2 (Good)

Sixth highest of 21

Ranked

#1

for Fixed Indexed Annuities
in Employer Sponsored Plans⁶

Ranked

#2

for Indexed Universal Life
Insurance Sales⁷

Ranked

#12

for individual life insurance
sales out of all reporting U.S.
life insurance companies⁸

**\$ 31
BILLION**

in total assets⁹

**\$ 28
BILLION**

in total liabilities⁹

**\$ 2.5
BILLION**

in promises kept¹⁰

**\$ 309
MILLION**

in life insurance weighted
net asset premium, up 28%
over 2017¹¹

**\$ 247
MILLION**

in annuity weighted net
asset premium, up 2%
over 2017¹²

**\$ 823
MILLION**

in Single Premium
Deferred Annuities,
up 11% over 2017¹³



Our strength, growth, and culture elevated us to the Fortune 1000, Ward's 50, and America's Magnificent 8. And Moody's Investors Service listed our ratings outlook as positive.

Do good in our communities to bring peace of mind to everyone we touch.



2018 was a busy year! Our Foundation's budget doubled to \$2 million. Our teammates used their 40 hours of paid volunteer time to do almost 7,200 hours of good. They donated more than \$250,000 through our Share the Good campaign in which their charitable contributions were matched, resulting in \$500,000 supporting hundreds of nonprofits. The Do Good Fest benefit concert raised \$36,000 for the Branches of Hope cancer patient fund, bringing our total to more than \$135,000 donated over the past five years. Our LifeChanger of the Year program honored 830 school employees nationwide with more than \$78,000 in awards. We also celebrated four of our agents through the Agent Do Good Award with donations to the causes they support. These are just some of the ways we live our values, every day.



Outstanding
Corporation

Be good to our customers and each other so we can all believe in tomorrow.



Every hour of 2018, our team served customers through 490 phone calls, 360 payments, 350 mailings, 120 applications, 53 underwriting cases, and 2 claims.

Every day we are building a learning organization of servant leaders ready to lean in to the possibilities of tomorrow.

Executive Management Team

from left to right

- Sarah VanBeck *Senior Vice President, Chief Financial Officer & Treasurer*
- Robert Cotton *Executive Vice President & Chief Operating Officer*
- Gregory Woodworth *Senior Vice President & General Counsel*
- Achim Schwetlick *Senior Vice President & Head of Business Innovation Group*
- Mark Benjamin *Senior Vice President & Chief People Officer*
- Jason Doiron *Chief Investment Officer*
- Dawn Minter *Executive Assistant*
- Nimesh Mehta *Chief Information Officer*
- Mehran Assadi *Chairman, Chief Executive Officer & President*
- Chris Graff *Vice President, Corporate Communications & Community Relations*
- Vesta Bovair *Executive Vice President & Head of Customer Innovation Group*
- Eric Sandberg *Senior Vice President & Chief Risk Officer*



Board of Directors

from left to right

- Roger B. Porter *IBM Professor of Business & Government, Harvard University, Cambridge, Massachusetts*
- Carol Carlson *Retired Partner, Ernst & Young, LLP, Needham, Massachusetts*
- Harris H. Simmons *Chairman, Chief Executive Officer & President, Zions Bancorporation & Chairman, Zions First National Bank, Salt Lake City, Utah*
- Thomas H. MacLeay *Former Chief Executive Officer, National Life Group, Montpelier, Vermont*
- Mehran Assadi *Chairman, Chief Executive Officer & President, National Life Group, Montpelier, Vermont*
- David R. Coates *Retired Partner, KPMG, Colchester, Vermont*
- Bruce M. Lisman *Retired, JP Morgan Chase, New York, New York*
- James H. Douglas *Former Governor of Vermont, Middlebury, Vermont*
- Yvette D. Bright *Retired, Independence Blue Cross, Philadelphia, Pennsylvania*



Make good on our promises.

For 170 years, families and businesses have trusted National Life.

Everything we do is ultimately driven by our mission of keeping our promises.

NLV Financial Corporation and Subsidiaries¹⁴

Consolidated Balance Sheet¹⁵

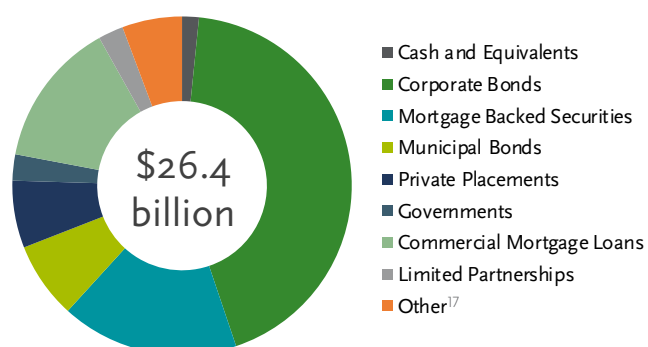
As of December 31, in thousands

Assets:	2018	2017
Cash and investments:		
Available-for-sale debt securities	\$ 20,122,717	\$ 20,048,333
Available-for-sale equity securities	30,978	35,839
Trading debt securities	19,082	—
Trading equity securities	24,382	19,812
Mortgage loans	3,674,383	3,350,570
Policy loans	921,516	877,927
Real estate investments	16,210	24,465
Derivative assets	231,174	993,249
Other invested assets	932,402	960,415
Short term investments	264,750	228,480
Cash and restricted cash	157,586	284,070
Total cash and investments	26,395,180	26,823,160
Deferred policy acquisition costs	2,093,111	1,539,129
Accrued investment income	232,368	217,982
Premiums and fees receivable	22,639	22,577
Amounts recoverable from reinsurers	132,164	122,889
Property and equipment, net	165,934	153,110
Corporate owned life insurance	493,679	420,069
Federal income tax recoverable	31,306	—
Other assets	100,784	94,611
Separate account assets	769,763	814,928
Total assets	\$ 30,436,928	\$ 30,208,455
Liabilities:		
Policy liabilities:		
Policy benefit liabilities	\$ 4,159,561	\$ 4,408,663
Policyholder account liabilities	21,115,895	19,485,437
Policyholders' deposits	90,082	97,900
Policy claims payable	95,698	68,645
Policyholders' dividends and dividend obligations	62,342	184,931
Total policy liabilities	25,523,578	24,245,576
Amounts payable to reinsurers	38,734	23,457
Derivative liabilities	102,391	566,986
Other liabilities and accrued expenses	309,911	682,703
Pension and other post-retirement benefit obligations	149,422	194,257
Deferred income taxes	91,253	181,517
Federal income tax payable	—	66,109
Debt	790,866	452,638
Separate account liabilities	769,763	814,928
Total liabilities	\$ 27,775,918	\$ 27,228,171
Stockholder's equity:		
Class A common stock, 2,000 shares authorized, no shares issued and outstanding	\$ —	\$ —
Class B common stock, par value of \$0.01, 1,001 shares authorized, 100 shares issued and outstanding	—	—
Preferred stock, 500 shares authorized, no shares issued and outstanding	—	—
Retained earnings	2,741,935	2,591,881
Accumulated other comprehensive income	(80,925)	388,403
Total stockholder's equity	2,661,010	2,980,284
Total liabilities and stockholder's equity	\$ 30,436,928	\$ 30,208,455

NLV Financial Corporation and Subsidiaries

Asset Allocation

As of December 31



At National Life Group the strength of our balance sheet is imperative. We manage \$26.4 billion in invested assets so that we may keep every promise we make. Our portfolio is diversified and comprised primarily of corporate bonds, mortgage-backed securities and commercial mortgage loans. Over 95 percent of our invested assets are rated AAA/Aaa or BBB/Baa. Performance in 2018 was strong during a time of continued market volatility and low interest rates. New money yields exceeded the portfolio book yield in 2018, while we continued to reduce risk with greater allocation to highly rated securities.

NLV Financial Corporation and Subsidiaries

Consolidated Statement of Operations¹⁸

For the years ended December 31, in thousands

	2018	2017
Revenues:		
Insurance premiums	\$ 217,241	\$ 220,629
Policy and contract charges	648,395	564,064
Mutual fund commissions and fee income	51,571	85,453
Net investment income	980,790	1,415,211
Net realized capital losses	(23,480)	(36,303)
Other income	30,882	25,844
Total revenues	\$ 1,905,399	\$ 2,274,898
Benefits and expenses:		
Decrease in policy liabilities	\$ (83,762)	\$ (21,468)
Policy benefits	536,813	474,918
Policyholders' dividends and dividend obligations	40,224	57,144
Interest credited to policyholder account liabilities	504,945	819,837
Operating expenses	322,770	316,377
Interest expense	49,286	39,620
Policy acquisition expenses and amortization of present value of future profits, net	361,509	378,714
Total benefits and expenses	1,731,785	2,065,142
Income before income taxes	173,614	209,756
Income tax expense (benefit)	23,560	(50,182)
Net income	\$ 150,054	\$ 259,938

¹⁴ Consolidated financial information on a GAAP basis for NLV Financial Corporation and its subsidiaries which include National Life Insurance Company (NLIC), Life Insurance Company of the Southwest (LSW), Equity Services, Inc., Sentinel Asset Management, Inc., Catamount Reinsurance Company, and Longhorn Reinsurance Company. See disclosures 15 and 16 for separate financial information pertaining to National Life Insurance Company.

¹⁵ Statutory basis financial information for NLIC only: Admitted assets \$9.5B, Liabilities and Reverses \$7.4B, Policyholder reserves \$3.3B and Surplus to policyholders \$2.1B.

¹⁶ Statutory basis financial information for NLIC only: Cash and Invested Assets: \$8.2B

¹⁷ Other includes Housing Credits, Policy Loans, Derivatives, Unaffiliated Corporate Stock, and Real Estate.

¹⁸ Statutory basis financial information for NLIC only: Total Income \$671M, Benefits and Expenses \$673M and Net Loss \$23M.

National Life is here to bring you peace of mind.
 We've been keeping our promises since 1848.
 Believe in tomorrow, do good today.

No bank or credit union guarantee	Not a deposit
Not FDIC/NCUA insured	May lose value
Not insured by any federal or state government agency	

Guarantees are dependent on the claims-paying ability of the issuing company.

This annual report summary of National Life Group (NLG) includes the consolidated results of NLV Financial Corporation and Subsidiaries, including National Life Insurance Company (NLIC), Life Insurance Company of the Southwest (LSW), Sentinel Asset Management, Inc., and Equity Services, Inc. Equity Services, Inc., Member [FINRA/SIPC](#), is a Broker/Dealer and Registered Investment Adviser affiliate of National Life Insurance Company.

To obtain a full version of the audited financial statements of NLV Financial Corporation and Subsidiaries, please send an e-mail to lifecustomerservice@nationallife.com or call our toll free number at (800) 732-8939. You can also visit our website and download a pdf version online at nationallife.com.

Disclosures 1, 2, 6, 7, and 8 are based on the consolidated results of NLIC and LSW for 2018.

1 LIMRA Sales Rankings, 4Q2018; Among all reporting life insurance companies from 2013–2018.

2 LIMRA US Retail Individual Life Insurance Sales Participant Report, 4Q2018.

3 Consolidated results for NLIC and LSW. NLIC life insurance in-force was \$47B.

4 Fortune 1000 ranking based on the consolidated results of all NLG companies.

5 Financial strength ratings for NLIC and LSW as of February 15, 2019.

Ratings are subject to change. Rank data as reported to LIMRA.

6 LIMRA US Individual Annuity Industry Sales Report, 4Q2018

7 Wink's Sales & Market Report, 4Q2018

8 LIMRA Sales Rankings, 4Q2018

9 Based on consolidated results of all NLG companies, and stated on a GAAP accounting basis excluding bond unrealized gains and losses. Statutory basis financial figures for NLIC only: Admitted assets \$9.5B, Liabilities and Reserves \$7.4B, Policyholder reserves \$3.3B, Surplus to policyholders \$2.1B.

10 Life insurance and annuities benefits paid. For NLIC only: \$714M.

11 Life Insurance Weighted Net Annual Premium (WNAP). For NLIC only: \$55M.

12 Annuity Weighted Net Annual Premium (WNAP). For NLIC only: \$5M.

13 Based on consolidated results of NLIC and LSW as of December 31, 2018. Total assets in Single Premium Deferred Annuities. For NLIC only: \$1M.

BEHIND EVERYONE TOMORROW