



National Life
Group®



connections

2020 annual report

Do **Good**. Be **Good**. Make **Good**.

At the heart of most successful companies is a vibrant culture in which energized employees exude passion and excitement around a common vision and mission. At the heart of the company's culture are its core values.

At National Life our values are simple yet incredibly powerful:
Do Good. Be Good. Make Good.

Only six words. But they truly define who we are. They reflect the principles that guide us in all that we do.

It might be doing good things through our charitable foundation, being good at what we do so we can provide comprehensive solutions for our clients, or simply making good on our promises. It's what we strive to do.

Our values are more than just words on paper. They are etched in marble in our headquarters. They are our North Star.

Our need to connect is as fundamental as our need for food and water. At too many levels in 2020, our personal and professional connections were severed or frayed, and we all suffered.

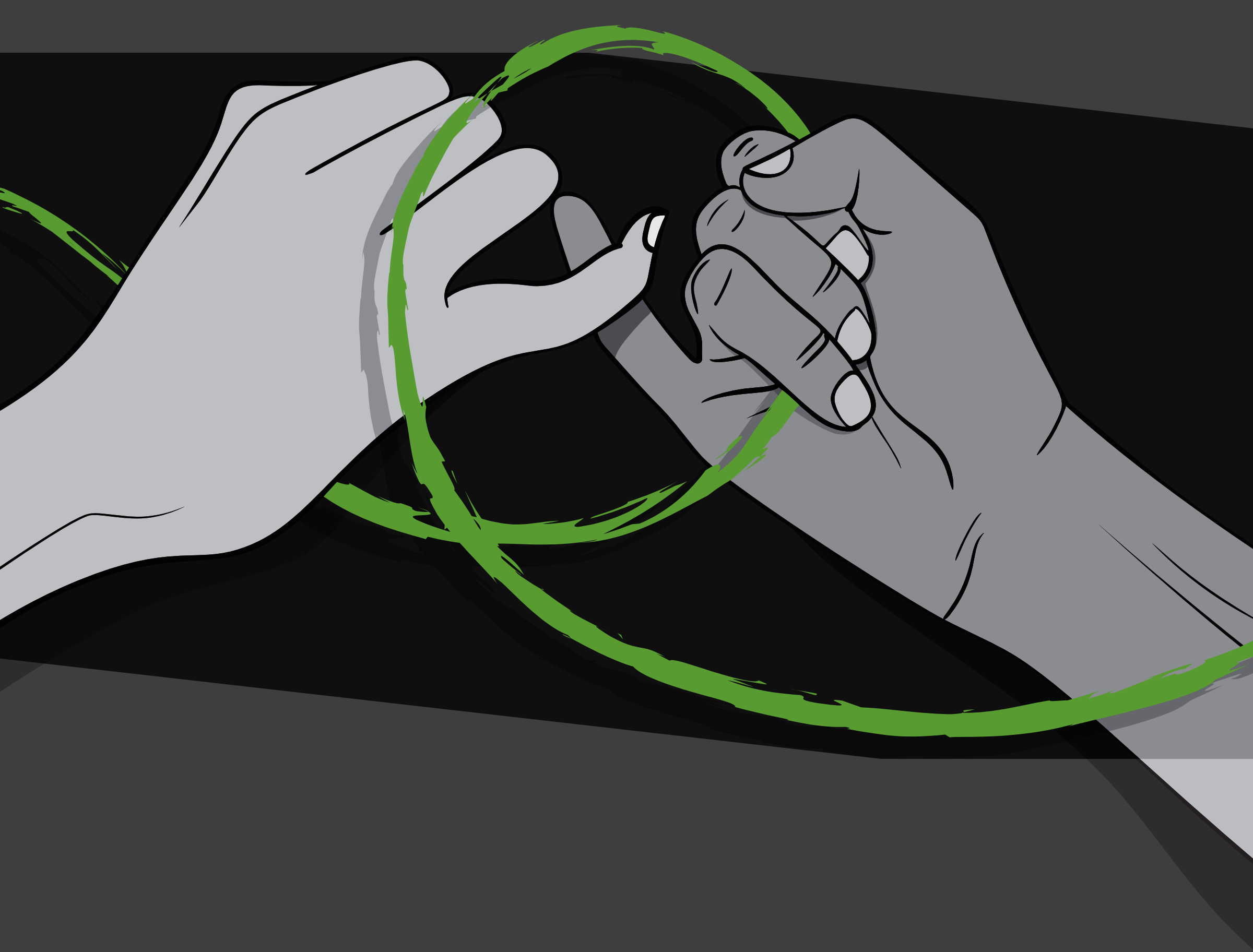
We connect for joy, for information, for help, for affirmation, for reassurance, for love.

At National Life **connections** are at the core of who we are.

We are connected to our heritage, dating back to 1848. We are connected to our clients, now one million strong. We are connected to our employees, who were thrown into virtual home offices in 2020. We are connected to our communities, which needed our assistance more than ever.

For us, connections are relationships, and relationships are all about people. In 2020 we learned how essential it is for us to come together to accomplish what we couldn't do on our own.





2020

year in review

Chairman, Chief Executive Officer and President Mehran Assadi recognized by CEO Forum as “**Transformative CEO of Customer Experience**”

\$1.99 million donated through the National Life Group Foundation

Gold Worksite Wellness Award recipient from the Vermont Governor’s Council on Physical Fitness & Sports

Chairman Mehran Assadi joins more than 1,000 other CEOs to sign on to the **CEO Action for Diversity and Inclusion**



april

Do Good Cupboard built and installed to provide emergency supplies

december

\$570,038 donated to nonprofits through **Share the Good**, our employee donation matching campaign



may

Five agents recognized with an **Agent Do Good Award** for their exemplary work with nonprofits

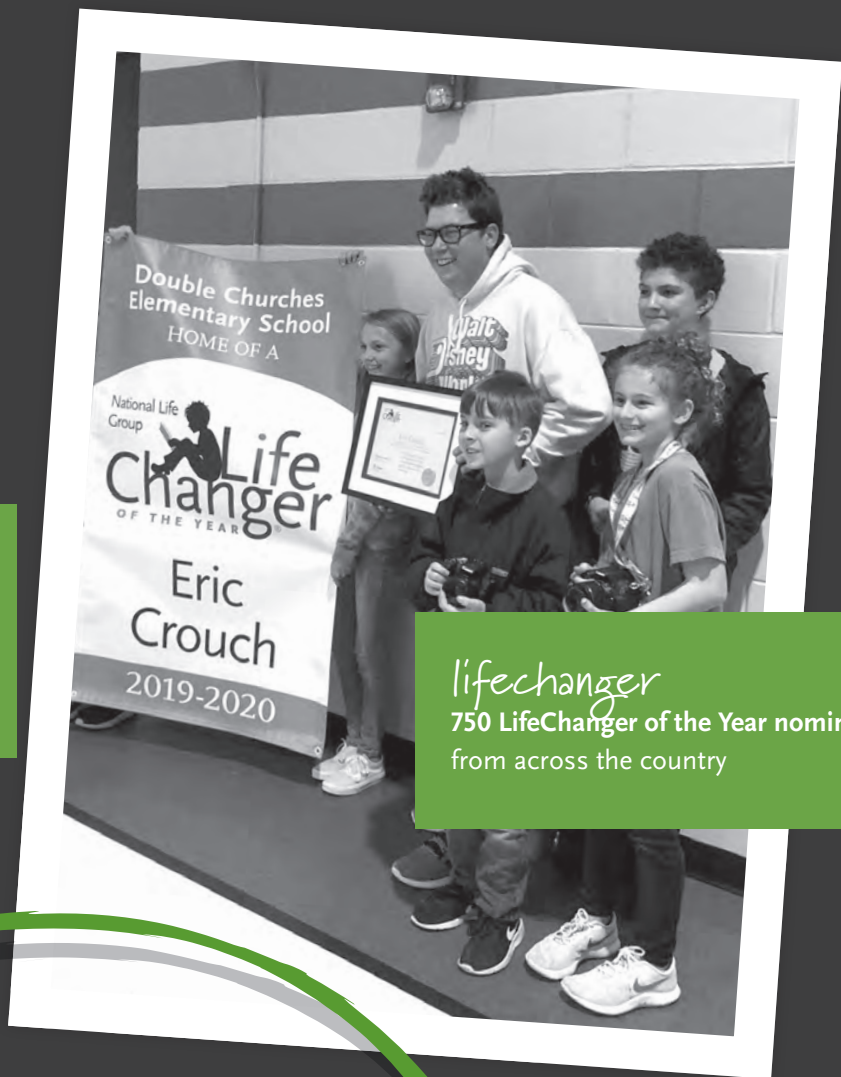


november

820 free Thanksgiving meals safely distributed in collaboration with community partners

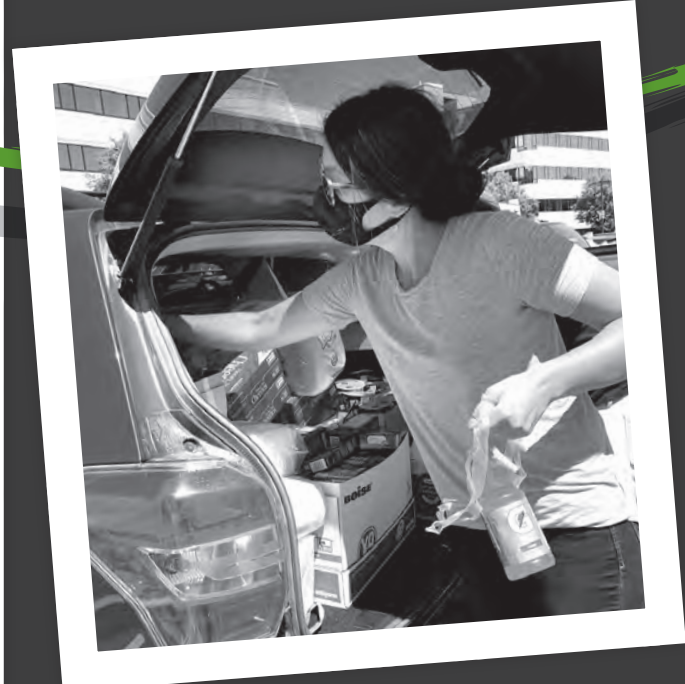


IT for good
171 laptops, tablets or monitors donated to nonprofits for telehealth appointments



lifechanger
750 LifeChanger of the Year nominees from across the country

"We are a very human organization."
– Nate Walters
AVP Digital Platforms



fearless
Fearless Fridays, an hour meeting every week, offered to employees as a safe space to talk to others about topics including systemic racism, staying motivated during the pandemic, and refocusing in 2021



connecting with...

Our Chairman

One of National Life's greatest strengths is that the company has witnessed so much in our 172-year history. We have weathered two world wars, the Great Depression, the 1918 pandemic, and the recession of 2008-2009. And we have grown stronger every year.

But never had we experienced anything quite like what we faced in 2020: A global pandemic leading to a global lock-down triggering an instant global recession.

I am proud to say that we were prepared and we did not miss a beat: We served our clients in their time of critical need, we accomplished some extraordinary things, and we emerged stronger as a company.

That's the way it has always been.

When the pandemic struck and the world locked down I set three priorities:

- Protect the health and well-being of our associates;
- Ensure that we met the immediate needs of our existing clients while maximizing our ability to provide peace of mind to as many others as possible;
- Provide emergency relief through our charitable foundation to those suffering from the lock-down.

We accomplished all three.

What was reassuring to me – and should be to you, our policyholders – is how well positioned we were to confront the challenge posed by the coronavirus. We transformed overnight into a virtual company operating from 1,400 home offices and more than 25,000 field offices. Years of planning, walkthroughs, and live drills by our Corporate Emergency Response Team, our Business Continuity Planning Team, our technology division, and the yeoman efforts of my teammates made it all possible.

Our response to the coronavirus was aided by inspiring examples of innovation and collaboration. Teams across the company came together to solve countless operational, legal and regulatory hurdles to serve our clients quickly and electronically.

I missed being physically together in our workplaces but I marveled about how much I learned and how much we grew as colleagues by our virtual peeks into people's homes and lives. We grew accustomed to – and actually looked forward to – having spouses, children, and pets wander in and out of our meetings.



For me, 2020 was all about the connections.

I am pleased to report that we ended 2020 stronger than we began the year. Our revenue totaled \$2.57 billion¹, our core earnings of \$289 million¹ set a record for the company, while the face value of our life insurance increased \$45 billion in 2020 to \$215 billion², double what it was in 2016.

I drew strength in this crisis from the knowledge that our company had faced an influenza pandemic a century ago and had emerged stronger from that crisis than other life insurers. Many life insurance companies were forced to liquidate valuable investments to cover claims during the “Spanish flu” of 1918. Not National Life. Our 69th annual report, issued January 21, 1919, said, “the National’s substantial surplus has enabled the Company to easily meet this unprecedented strain.”

In truth there was nothing easy then or now. But we met the challenges of 1918 and 2020. In 172 years there has not been a single crisis we have faced that we have not been able to overcome.

After each challenge we move on, stronger, and more committed than ever to our mission of delivering on our promises.

Mehran Assadi
Chairman

business highlights

A (Excellent) A.M. Best Financial strength rating³
Third highest of 16

A+ (Strong) Standard & Poor's Financial strength rating³
Fifth highest of 21

A2 (Good) Moody's Financial strength rating³
Sixth highest of 21

more good news

#1

for Fixed Indexed Annuities
in Employer Sponsored Plans⁴

#2

for Indexed Universal Life
Insurance Sales⁵

#11

for individual life insurance
sales among U.S. life
insurance companies⁶

\$38 billion in total assets¹

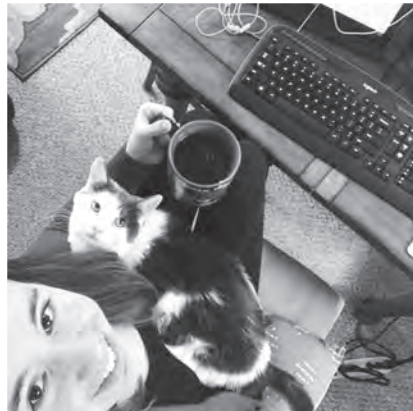
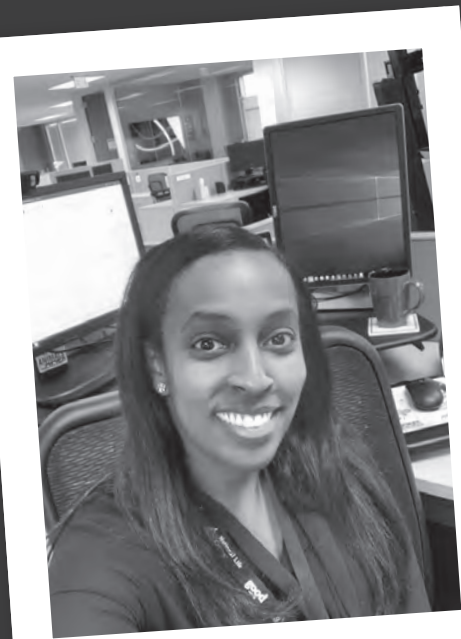
\$36 billion in total liabilities¹

\$3.1 billion in total benefits equals promises kept⁷

\$354 million in life insurance sales⁸

\$151 million in flow annuity deposits⁸

\$786 million in single premium deferred annuity
deposits⁸



connecting with...

Our Customers

This past year we received 940,505 calls, processed 11,431 claims, and added 159,000 new policies. **Each interaction represents more than a piece of paper or problem to solve; they are a connection to a person, a family, a business.**

One connection made in 2020 was with Darcy, a front-line worker who purchased a life insurance policy in 2017. She never thought she would file a claim under the chronic illness rider due to a worldwide pandemic outbreak only three short years later.

After being in the Intensive Care Unit for 32 days following a very complicated hospital course for COVID-19, Darcy was admitted to a skilled nursing facility. Her complications from COVID were brutal, requiring both physical and occupational therapy.

After learning of her situation, her agent opened a chronic illness claim. And after a full review and evaluation, National Life Group was able to approve her claim, accelerate her policy's death benefit and allow Darcy to withdraw money for her recovery.

"I had a number of things to worry about when I was in the hospital and recovering. What a relief when I learned money wouldn't be one of them."

– Darcy



Our Agents

We consider our agents an extension of National Life's values: Do good. Be good. Make good.

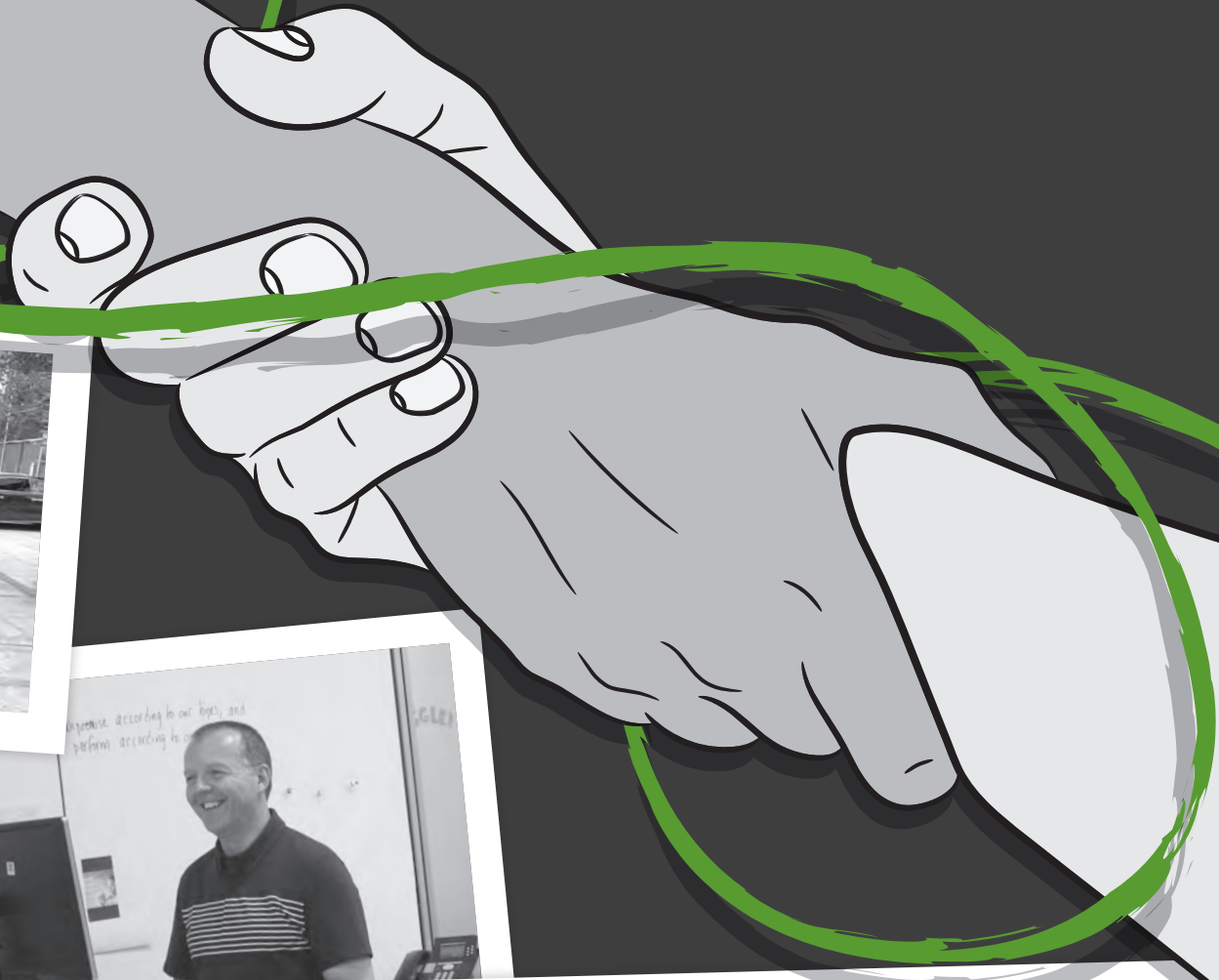
In 2020, we offered new ways to help them better connect with their clients, including the expanded use of the e-application and the launch of the Policy Promise delivery option. Although face-to-face interactions have become virtual, they are just as important as they always have been. These programs allow our agents to continue to make sure their clients get the protection they need while keeping everyone's safety top of mind.

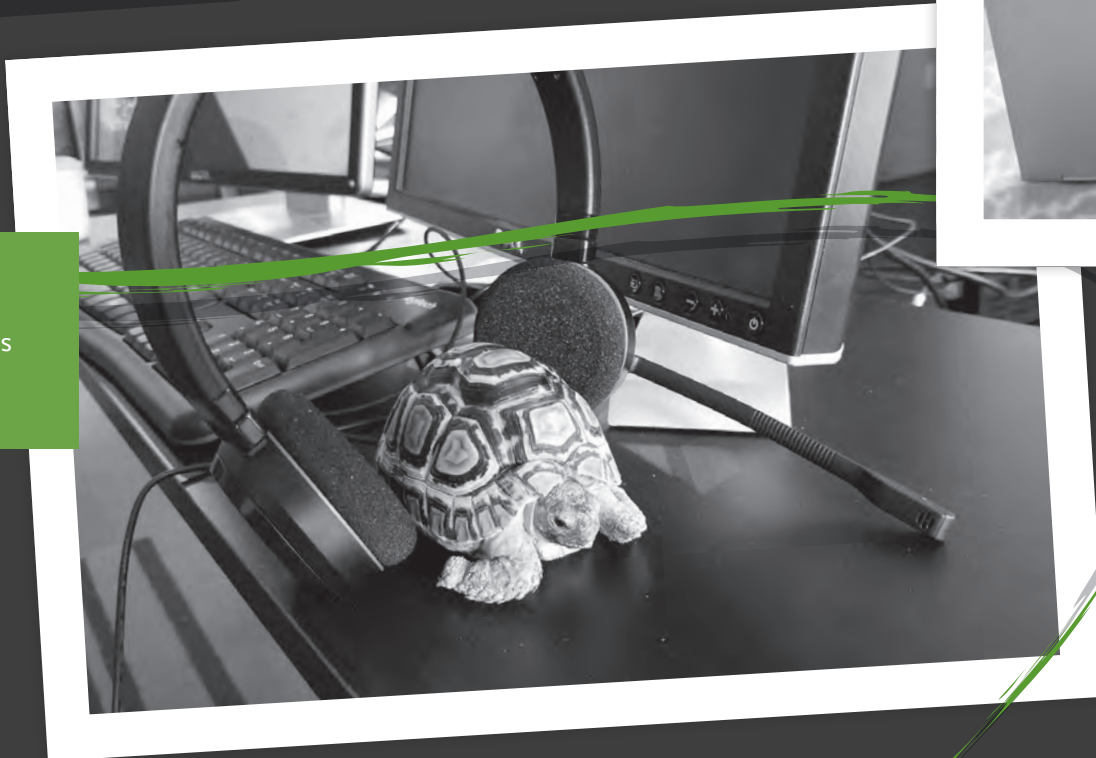
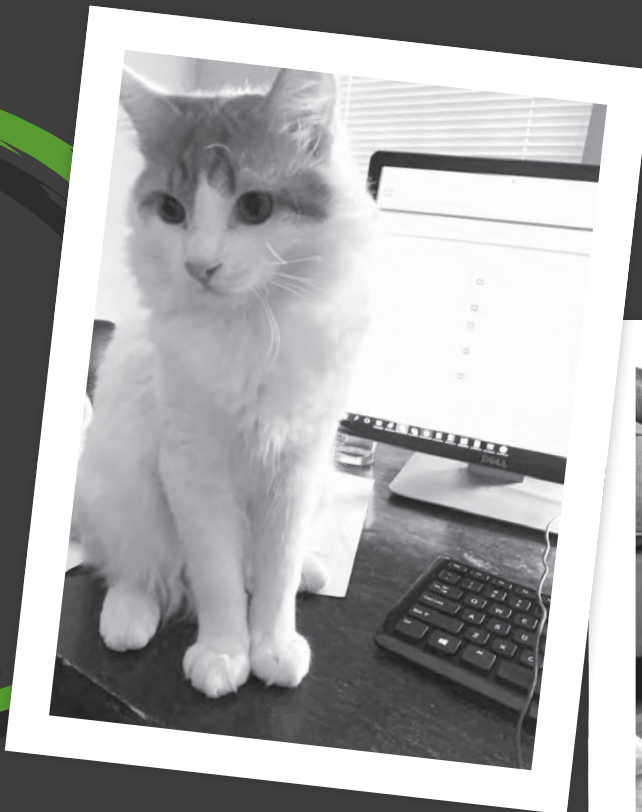
We also supported our agents' connections to their communities through the virtual presentation of our annual Agent Do Good Awards. Five National Life agents across the country were honored with donations to their nonprofits and causes. Their work ranges from actively supporting groups working with mental health resources to peer-to-peer veteran support.

In our ongoing efforts to embrace diversity, equity, inclusion and justice, we listened to and learned from our Black employees and agents. They took the time to share their stories so we can all better understand and move forward together.

"You asked me how does it feel to be a Black man in America. . . I've lived most of my life as the invisible man, not as a Black man. I haven't been Black because I've been on airplanes, the only Black person on the airplane, I've been at conferences and the only Black person at the conferences. I've been at all these places where I've had to adapt to everything but being Black."

– Ellis Liddell





new coworkers

Many of our employees shared their screens with their kids and pets.

connecting with...

Our Employees

Our Chairman, Mehran Assadi, has said it for years: **our teammates are National Life's secret sauce.** They strengthen our connections to our policyowners, agents, and to our mission every day. It was critical we made sure they felt connected to each other, too.

As we went from sitting side-by-side to speaking screen-to-screen, we got to know each other in a more meaningful way. As our colleague, Justin Tease, shared,

"for me, seeing my unadorned colleagues' faces brushed by a cat's tail while presenting, or a child on hip during a team check-in, or hearing someone's dog secure the premises during a virtual happy hour has been invaluable. Each of these raw, real interactions drew us closer."

We provided flexibility to help meet the demands of working from home and encouraged them to continue to use their paid 40 hours of volunteer time when opportunities safely presented themselves. And, as a small token of our immense appreciation, we sent everyone a care package of granola, fudge, and of course, our own *secret* hot sauce.



Our Communities

National Life has always had a strong connection to the communities we call home. In 2020, as many nonprofits struggled to meet incredible demands, we made sure to reach out to help in as many ways as possible.

It started by providing \$948,000 in COVID-19 relief to organizations in Vermont and Texas, where the company has its campuses. This support was targeted to help nonprofits dedicated to hunger relief, homelessness, mental health, domestic violence victim support and economic recovery. Our charitable Foundation also matched more than \$270,000 in employee donations to their personal causes. By the end of the year, we granted \$1.99 million.

In addition to committing financial resources, we looked for other ways to give back.

This included donating almost 200 refurbished laptops, tablets, and monitors to help nonprofits' clients with telehealth appointments. One of our talented facilities team members built and helped install our first Do Good Cupboard in Montpelier, which we keep stocked with nonperishable food and toiletries for those in need. And when a local organization thought it would have to cancel their annual Thanksgiving dinner we took up the mantle and safely distributed 820 free Thanksgiving meals with all the trimmings.

"We can't thank you enough for helping feed people in need and for keeping the spirit of community and Thanksgiving alive during a most difficult time in our communities. Yet another example of National Life doing good and living its values."

– Kreig Pinkham, Executive Director
Washington County Youth Service Bureau

financials

NLV Financial Corporation and Subsidiaries¹

Consolidated Balance Sheets⁹

As of December 31, (in thousands)

	2020	2019
Assets:		
Cash and investments:		
Available-for-sale debt securities	\$ 26,310,762	\$ 23,700,099
Equity securities	59,613	62,882
Trading debt securities	199,551	136,630
Mortgage loans	3,977,987	3,718,391
Policy loans	952,664	959,969
Real estate investments	11,185	11,806
Derivative assets	2,932,583	1,409,070
Other invested assets	1,193,307	1,236,434
Short term investments	211,950	161,450
Cash and restricted cash	648,476	453,075
Total cash and investments	36,498,078	31,849,806
Deferred policy acquisition costs	1,648,380	1,856,701
Accrued investment income	250,172	248,668
Premiums and fees receivable	18,129	22,109
Amounts recoverable from reinsurers	120,646	108,588
Property and equipment, net	173,483	173,100
Corporate owned life insurance	521,126	507,237
Federal income tax recoverable	11,805	—
Other assets	137,805	118,108
Separate account assets	972,069	881,791
Total assets	\$ 40,351,693	\$ 35,766,108

	2020	2019
Liabilities:		
Policy liabilities:		
Policy benefit liabilities	\$ 4,281,938	\$ 4,255,302
Policyholder account liabilities	25,379,924	23,565,407
Policyholders' deposits	97,555	99,692
Policy claims payable	128,760	76,447
Policyholders' dividends and dividend obligations	365,605	233,491
Total policy liabilities	30,253,782	28,230,339
Amounts payable to reinsurers	36,376	36,509
Derivative liabilities	2,294,713	881,670
Other liabilities and accrued expenses	853,218	715,966
Pension and other post-retirement benefit obligations	196,846	165,753
Deferred income taxes	401,130	257,671
Federal income tax payable	—	35,362
Debt	915,225	914,680
Separate account liabilities	972,069	881,791
Total liabilities	\$ 35,923,359	\$ 32,119,741
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	3,204,917	3,011,282
Accumulated other comprehensive income	1,223,417	635,085
Total stockholder's equity	\$ 4,428,334	\$ 3,646,367
Total liabilities and stockholder's equity	\$ 40,351,693	\$ 35,766,108

NLV Financial Corporation and Subsidiaries¹

Consolidated Statement of Operations⁹

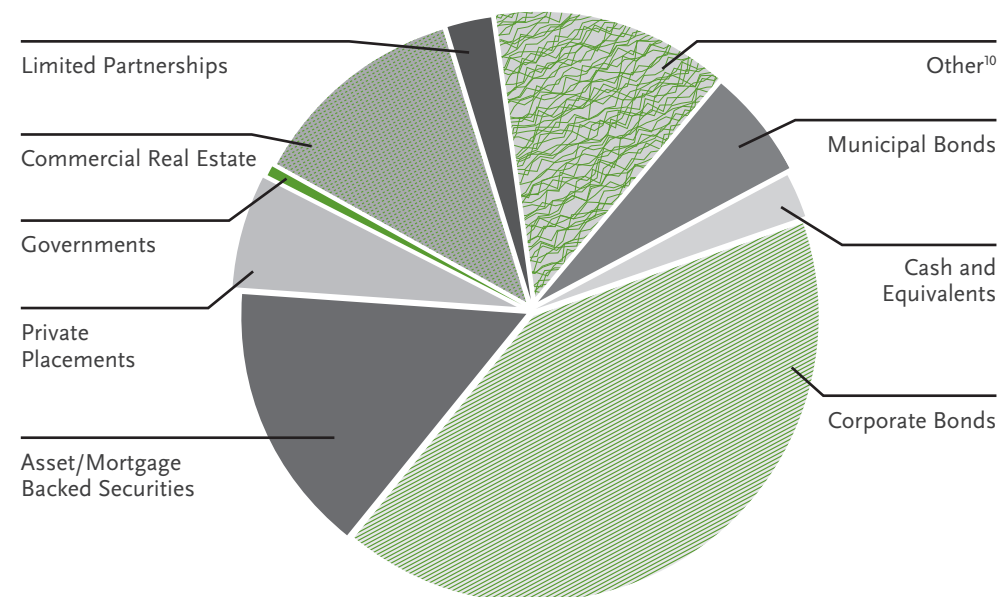
For the Years Ended December 31, (in thousands)

	2020	2019
Revenues:		
Insurance premiums	\$ 263,500	\$ 233,256
Policy and contract charges	847,675	759,027
Commissions and fee income	54,362	53,230
Net investment income	1,415,018	1,740,859
Net investment losses	(20,362)	(38,858)
Other income	13,194	24,586
Total revenues	2,573,387	2,772,100
Benefits and Expenses:		
Decrease in policy liabilities	(47,960)	(12,695)
Policy benefits	639,004	486,941
Policyholders' dividends and dividend obligations	21,888	46,499
Interest credited to policyholder account liabilities	873,937	1,082,820
Operating expenses	352,085	359,056
Interest expense	65,701	63,360
Policy acquisition expenses	459,853	466,075
Total benefits and expenses	2,364,508	2,492,056
Income before income taxes	208,879	280,044
Income tax expense	15,244	56,501
Net income	\$ 193,635	\$ 223,543

NLV Financial Corporation and Subsidiaries¹

Asset Allocation

As of December 31, 2020



"We were well prepared [in 2020] with a strong business continuity plan and a strong balance sheet. That together with resilience, grit and scrappiness helped us persevere and meet our financial goals."

– Sarah VanBeck
Chief Financial Officer

board of directors

**This photo was taken pre-pandemic.*



Roger B. Porter

IBM Professor
of Business
and Government,
Harvard University
Cambridge, MA

Carol Carlson

Retired Partner,
Ernst & Young, LLP
Needham, MA

Harris H. Simmons

Chairman, Chief
Executive Officer
and President,
Zions
Bancorporation
and Chairman,
Zions First
National Bank
Salt Lake City, UT

Thomas H. MacLeay

Former CEO,
National Life Group
Montpelier, VT

Mehran Assadi

Chairman, Chief
Executive Officer
and President,
National Life Group
Montpelier, VT

David R. Coates

Retired Partner,
KPMG
Colchester, VT

Bruce M. Lisman

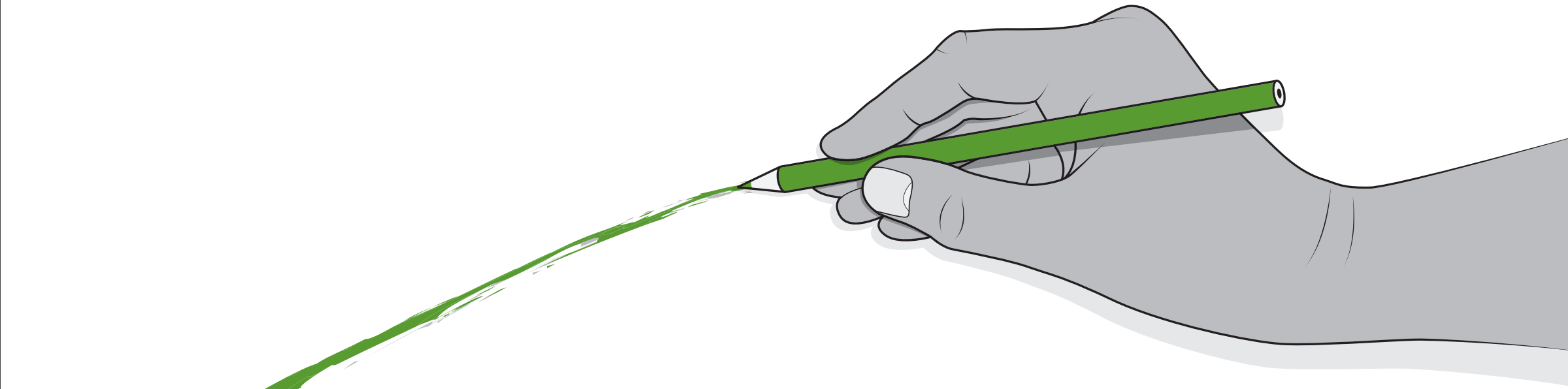
Retired, JP
Morgan Chase
New York, NY

James H. Douglas

Former Governor
of Vermont
Middlebury, VT

Yvette D. Bright

Retired COO,
Independence
Blue Cross
Philadelphia, PA



For more detail on the information provided in this Annual Report, please visit www.nationallife.com

1. Based on the consolidated results as of and for the year ended December 31, 2020 stated on the basis of U.S. Generally Accepting Accounting Principles (GAAP) of NLV Financial Corporation (NLVF) and its subsidiaries and affiliates, including National Life Insurance Company (NLIC) and Life Insurance Company of the Southwest (LSW). NLVF and its subsidiaries and affiliates operate as a unified organization under the trade name of National Life Group (NLG). Total assets exclude bond unrealized gains and losses. The measurement of core earnings only exists on a consolidated GAAP basis. Statutory basis financial figures as of December 31, 2020: NLG consolidated admitted assets were \$38.9B, liabilities were \$36.2B and total revenues were \$4.6B. See disclosure 9 for separate financial information pertaining to NLIC.
2. Life insurance in force as of December 31, 2020 for NLIC and LSW. NLIC life insurance in force was \$54M.
3. Financial strength ratings for NLIC and LSW as of March 15, 2021. Ratings are subject to change.
4. LIMRA US Individual Annuity Industry Sales Report, 4Q2020 .
5. Wink's Sales and Market Report, 4Q2020.
6. LIMRA Sales Rankings, 4Q2020.
7. Statutory basis benefits based on consolidated results of NLIC and LSW for 2020. NLIC statutory basis benefits were \$401M.
8. Life sales include total weighted new annualized premium for NLIC and LSW. Flow annuity and single premium deferred annuity sales include total deposits for NLIC and LSW. For the year ended December 31, 2020 NLIC life insurance WNAP were \$52M, flow annuity total deposits were \$7M, and SPDA total deposits were \$2M.
9. Statutory basis financial figures as of and for the year ended December 31, 2020 for NLIC: Admitted assets \$10.5B, cash & invested assets \$9.0B, liabilities & reserves \$8.0B, policyholder reserves \$3.7B, surplus to policyholders \$2.6B, total revenues \$690M, benefits & expenses \$664M and net income \$26M.
10. Other includes policy loans, derivatives, unaffiliated common stock, real estate, and housing tax credits.

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 (www.finra.org)/SIPC (www.sipc.org), is a Broker/Dealer and Registered Investment Adviser affiliate of National Life Insurance Company. In CO, MO, NH and WI, Equity Services, Inc. operates as Vermont Equity Services, Inc.

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.

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 upon the claims-paying ability of the issuing company.

