

National Life Group®

Experience **Life**

2009 Annual Report

Experience... life, growth, community —
all aspects of life that we value at National Life Group.



Our commitment to integrity is the bedrock value on which our company was founded; our commitment to our customers is our steadfast and primary responsibility, while our joint commitment to financial strength and profitable growth helps to ensure we can deliver on our promises to our customers.

*Cover Photo: Vermont is a spectacular spot to Experience Life.
Here a skier enjoys the snow at Sugarbush Resort against a backdrop of clouds.
When Sugarbush opened in Warren, Vermont, in 1958 one writer called it
“a white gem set in the Green Mountains of Northern Vermont.”
Photo by Jeb Wallace-Brodeur.*

FINANCIAL HIGHLIGHTS

<i>(\$ in thousands)</i>	2009	2008
Assets Under Management	\$ 25,683,800	\$ 19,528,800
Insurance In Force	\$ 60,545,100	\$ 59,932,000
Net Income	\$ 72,270	\$ 15,360

Financial Strength Ratings

For National Life Insurance Company and Life Insurance Company of the Southwest as of March 1, 2010

A (Excellent)

By A.M. Best
Third highest of 16 rankings

A+ (Strong)

By Standard & Poor's
Fifth highest of 21 rankings

A2 (Good)

By Moody's
Sixth highest of 21 rankings

Experience **Growth**

National Life Group® is a trade name representing various affiliates that offer a variety of financial service products. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations.

Consolidated results of the 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.

Life Insurance Company of the Southwest is licensed to do business in 49 states and the District of Columbia. It is not licensed to do business in New York.



TOSHIBA

Aquilion

Experience Community

From Our Chief Executive Officer

“A key to our identity is our commitment to be an outstanding corporate citizen.”

Most of us in the financial services industry aged 10 years in 2009. We faced economic challenges that none of us had ever experienced or even thought possible.

It is worth remembering that at the start of 2009 we had not yet seen the bottom of the economic collapse, and no one had a clue when that would come.

Against that backdrop I am incredibly proud to report that 2009 turned out to be a strong year for National Life Group.

Through extraordinary efforts we ended the year with our core earnings power improved, our capital refreshed, our ratings unchanged, and with outstanding overall sales results.

We saw our earnings improve each quarter. Our 2009 net income of \$72 million was up dramatically over 2008's \$15 million. We ended 2009 with a statutory surplus of \$1.1 billion, a significant improvement over the \$792 million that we held at the beginning of the year. Our capital position was strengthened by the successful issuance of \$200 million in surplus notes.

Total assets under management, including outside assets managed by Sentinel Asset Management, stood at \$25.7 billion at the end of the year. Our insurance in force climbed to \$60.5 billion.

We enjoyed exceptional sales growth in 2009. Overall sales rose 65 percent, with sales of mutual funds up 155 percent and sales of annuities up 32 percent, while life sales, reflecting restrained consumer spending, fell 16 percent.

Such a strong overall performance in a challenging economy should not come as a surprise: We offer what people need in good times and bad.

Since the chartering of National Life Insurance Company in 1848, the company has touted its stability and its long-range, responsible and conservative approach. We stick to what we know best and that strategy has served us well.

In 2009 our financial professionals carried that comforting and reassuring message to unsettled and troubled consumers.

As you will see in Tom Brownell's investment report (page 5), National Life Group's investment portfolio performed very well in 2009. Its success in hard times reflected the wisdom of our long-term strategy to maintain a portfolio designed to weather the ups and downs of economic cycles.

Our mutual structure also was something to trumpet: It allowed us to remind people that we have always been about Main Street, not Wall Street, and that we have always focused on what's best for policyholders, rather than having to worry, as public companies do, about how to meet quarterly street expectations.

◀ *National Life Group CEO Mehran Assadi at the National Life Cancer Treatment Center.*

This past year was my first as National Life Group's president and chief executive officer. I am deeply honored to be entrusted with this responsibility. Ours is a great company. Our sole mission is to serve our policyholders with integrity, hard work and our 161 years of experience. We operate with a keen understanding that every decision we make must be designed to ensure that we have the financial strength to deliver on our promises.

A key to our identity is our commitment to be an outstanding corporate citizen. Through our charitable foundation we donate annually to more than 100 nonprofit organizations that provide people with homes, heat, health, education, the arts and recreation.

In 2009 I was proud to attend the opening of an \$11 million radiation therapy center that will ease the lives of those fighting cancer in Central Vermont by bringing treatment closer to home. In recognition of our contributions to the community, the facility has been named the National Life Cancer Treatment Center.

Our unwavering commitment to the environment reached an exciting milestone in 2009, when the U.S. Green Building Council awarded National Life's headquarters silver certification under the Council's Leadership in Energy and Environmental Design (LEED) rating

system. The LEED certification recognized our ambitious multi-faceted project to transform our 50-year-old building into a green campus that includes one of the largest solar electricity projects in Vermont.

Our environmental initiatives are built for the future — and that's where we have always set our sights. Little has changed in our mission in 161 years. At its core National Life Group remains committed to helping to protect families and businesses.

We weathered the storms of 2008 and 2009, just as we did the Great Depression, two World Wars, and many other challenges throughout our history.

Now we move on, continuing to offer strength, stability and solutions.



Mehran Assadi
President and Chief Executive Officer
National Life Group

From Our Chief Investment Officer



Thomas Brownell

In 2008 the financial markets experienced one of their worst years since the Great Depression. In 2009 they recorded one of their best years. In fact, in many respects 2009 turned out to be a mirror image of 2008. Not only did the equity market turn around and generate a strong positive return last year (the Standard & Poor's index increased over 23 percent in 2009 after dropping 38 percent in 2008*), but the corporate bond market also rebounded strongly in 2009 after suffering through the credit crisis in 2008.

National Life Group's investment portfolio, which is invested almost entirely in fixed-income securities, performed very well in 2009. On a total return basis the Group's marketable fixed-income securities produced a very strong return of over 19 percent for the year. This return was generated without subjecting the Group to an undue level of risk, as the Group's bond portfolio maintained a weighted average credit quality of A1 throughout the year.

As of December 31, 2009, National Life Group had total cash and invested assets of approximately \$15.6 billion. Fixed income securities accounted for approximately 93 percent of this total, and the portfolio is invested primarily in corporate bonds (\$7.7 billion, or 50 percent), mortgage-backed securities (\$3.4 billion, or 22 percent), and commercial real estate mortgages (\$1.6 billion, or 10 percent). These investments, with their relatively stable market values and long durations, are an excellent match for the Group's

life insurance and annuity liabilities that share these same characteristics.

The Group's mortgage-backed securities portfolio is comprised entirely of AAA-rated "agency backed" mortgage-backed securities. The Group did not own any securities backed by sub-prime or Alt-A mortgages in its long-term bond portfolio, and accordingly the Group's mortgage-backed security portfolio performed very well in both 2008 and again in 2009. This asset class remains a key component of the Group's investment strategy as the AAA rating (based on the implied support of the U.S. government) serves as an effective balance to the credit risk embedded in the corporate bond portfolio.

The Group's corporate bond portfolio also performed very well in 2009. The portfolio remains broadly diversified by sector, with its largest exposures to the electric utility, energy, industrial, media and telecommunications industries. In addition, the Group owns securities issued by over 750 corporate issuers with an average exposure to any single corporation equal to approximately \$8.5 million, or just .05 percent of total invested assets. The portfolio is heavily concentrated in investment grade-rated securities, as only 5.4 percent of the portfolio was rated non-investment grade as of December 31, 2009.

** Source: Bloomberg*

The Group's \$1.6 billion commercial real estate portfolio is comprised entirely of first lien mortgages on 354 commercial properties. This portfolio is very well diversified by property type and includes loans backed by industrial, retail, office and apartment buildings. Additionally, the portfolio is also diversified geographically, as it includes loans located in 40 states in all regions of the country. Although we anticipate further stresses to unfold in the commercial real estate market going forward, the Group's conservative underwriting standards and relatively small average loan size of \$4.5 million should enable the portfolio to continue to perform well despite relatively soft market conditions.

National Life Group's long-standing philosophy of maintaining a broadly diversified and conservatively managed investment portfolio enabled the Group both to weather the storm of the credit crisis in 2008 and participate in the rebound experienced in 2009. As a result, we remain more committed than ever to our conservative strategy and approach. Our goal will be to continue to maintain an investment portfolio that is designed to weather both the ups and downs of economic cycles.

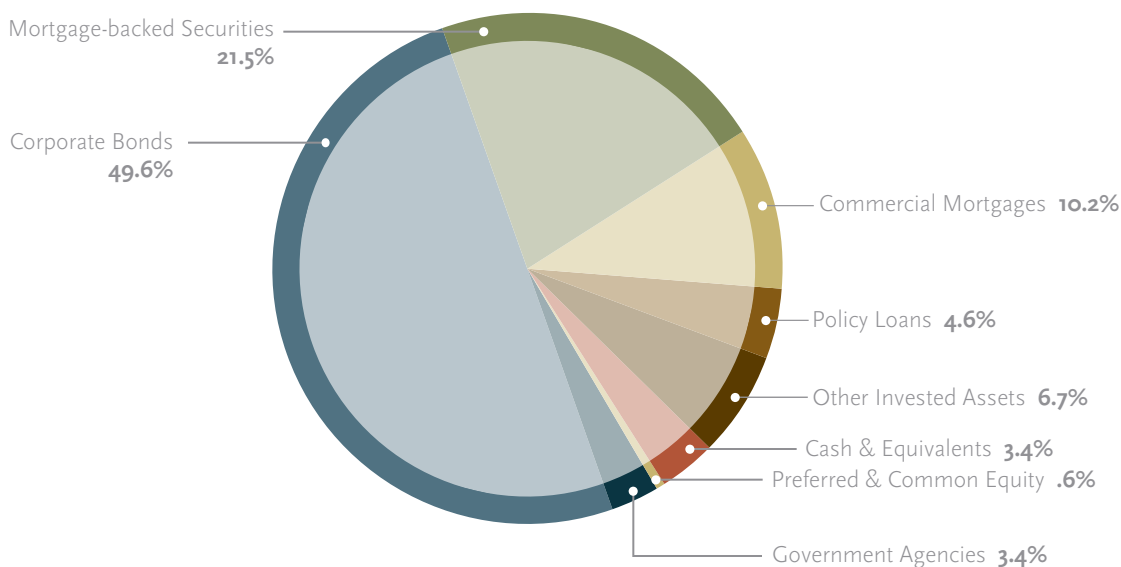


Thomas Brownell
 Chief Investment Officer
 National Life Group

U.S. government guarantees only apply to the timely payment of principal and interest. Mortgage-backed securities are subject to market and interest rate risk.


Investment Portfolio Asset Allocation

as of December 31, 2009



Protection and Retirement

National Life Insurance Company Life Insurance Company of the Southwest

 In January 17, 1850, Daniel Baldwin bought the first policy issued by National Life Insurance Company.

The policy insured Baldwin's life for \$1,000, provided he did not travel west of the Mississippi River or die "in consequence of a duel."

In 2010, as we celebrate the 160th anniversary of that first policy, we are proud of how our products have evolved to help meet the needs of a changing and ever-more complex world.

In addition to the core protection of life insurance, today's products offer a range of features,* such as cash value accumulation and optional riders that can accelerate the death benefit during a lifetime in case of terminal, chronic or critical illness.

Our Protection Division works with financial professionals to help provide individuals, families and businesses with products and services to assist with their financial protection, wealth accumulation and wealth preservation needs. Our Retirement Division offers a range of annuities to help provide retirement income.

Our diversified product offering serves us well by strengthening our overall financial stability. It also serves our customers well: In 2009 our annuity sales jumped 29 percent as consumers, shocked by the effect of the market losses on their retirement dreams, sought out more secure financial products.

The world has changed dramatically since 1850, but our values have not. We still have the drive, sense of purpose and sense of responsibility that prompted our founders to create one of the first mutual life insurance companies in the United States, and the first with a national vision.

When Policy No. 1 was sold 160 years ago, the company's first president, William C. Kittredge, knew the company's success would depend on keeping Daniel Baldwin's trust and the trust of every policyholder to come.

That's still the way we do business, one customer at a time.

** Some riders may not be available in all states and may require additional premium. The receipt of benefits may reduce other benefits.*

We are proud of how our products have evolved
to help meet the needs of a changing world.



Christian Thwaites

Twelve months ago the world economy looked over a precipice and took fright. After a short period of confusion during administration changes, governments unleashed the largest-ever-seen fiscal and monetary stimulus on world economies.

Some ideas were good, some bad, and some disastrous. But we came through, and capital markets nearly everywhere had a good year: domestic equities, international and emerging market equities, U.S. corporate and high yield bonds, and commodities. The only place where investors fared less well was in assets that performed well in 2008, namely money market, U.S. treasuries, agencies and OECD sovereign bonds.

So, we made it.

But the bad news is that today's stability is fragile. Much of it is highly dependent on government support. The economic signals remain irritatingly ambiguous. In the U.S. every major economic statistic seems to have its corollary: manufacturing and productivity up, store and housing sales declining, and jobless, unemployment and hours-worked numbers deteriorating.

Going forward employment will be the only statistic that matters. Companies will be slow to hire, and government can only take up part of the slack. Confidence is stable. It could improve markedly in 2010 if uncertainties like health care, taxes, savings and housing ease.

On the whole we prefer to be optimistic and with good reason. The U.S. economy is remarkably resilient. The engines of entrepreneurialism are just below the surface, and companies have done a remarkable job in inducing productivity gains.

There is much talk of the "lost decade" of investing. Indeed the 10-year returns on the S&P 500¹ look pretty awful when taken on a point-to-point measure. But this hides gains that can be made by judicious asset allocation and by investing with a fund company that takes risk and the management of downside risk very seriously.

We would also caution that "buy and hold" does not mean "buy and forget." We believe in active management and moving to where we think returns will come. We continue to believe in our investment style. We have practiced it for many years with some of the most seasoned and successful portfolio managers in the business.

A handwritten signature in black ink that reads "Christian Thwaites".

Christian Thwaites
CEO, Sentinel Investments

1. The S&P 500 Index is an unmanaged index considered representative of the U.S. stock market. An investment cannot be made directly into an index.

Asset allocation will not protect you from a loss or ensure a profit.

Giving Back — The National Life Group Commitment



Our employees and board members are passionate and tireless volunteers, committed to always doing the right thing. This is part of National Life Group's legacy.

For 161 years, our people have been driven by a sense of purpose, service and responsibility. They are enthusiastic participants in a variety of good causes that enrich our company and engender community pride. We believe our commitment to building strong relationships, fostering teamwork and enriching the lives of people around us is mirrored in the character of our business.

Our deep commitment to service is reflected in our new policy allowing National Life Group employees 40 hours a year to volunteer at qualified nonprofits on company time. In 2009,

over 120 National Life volunteers logged more than 1,000 hours feeding the hungry, mentoring, helping the sick and cleaning up the environment, just to name a few of the causes in which our people are active.

These partnerships are among many community relationships being forged within our company. On the following pages you'll meet two employees and one board member whose volunteer contributions have served many individuals and strengthened local communities. For each story highlighted here, we acknowledge many more stories of National Life Group's volunteers donating their time and energy to worthy causes. Their efforts reflect National Life Group's enduring legacy of service.

Our employees and board members
are passionate and tireless volunteers.



Experience Accomplishment

Mike Ward

*Vice President, Actuarial
Life Insurance Company of the Southwest*

“We all need to give something back for what we’ve been given.”

High above the clouds, over his home state of Texas, expertly operating the controls of his small single-engine Cessna 172, Mike Ward, vice president actuarial, finds peace and enjoyment. Piloting has long been a passion of Mike’s. So he found a way to combine his love of flying with his desire to help others.

Mike volunteers his plane and piloting skills for Grace Flight, an organization that provides free air transportation for medical or humanitarian purposes. Many of the people Grace Flight serves do not have access to conventional transportation or are too ill to drive or fly commercially.

“Grace Flight,” Mike says, “eases some of the stress that accompanies a serious illness.” He knows firsthand just how stressful. Although he became involved with the organization through his wife, Lisa, also an avid pilot, the draw for him was also personal. “As a cancer survivor myself, I understand how anxious people are feeling. I’ve been there. It is scary, but with support you can make it through.” Mike points out that Grace Flight removes “the transportation burden from patients so they can get to specialized medical treatment not available locally and really focus on getting well.”

Grace Flight pilots carry passengers of all shapes and sizes from infants to the elderly. The organization has special programs that target veterans who are living on disability pay and

need treatment at VA hospitals. Some pilots who are looking for a challenge serve on stand-by for people who are waiting for organ transplants. They are also willing to be called up on short notice in case of a disaster or emergency. Missions are limited to 1,000 nautical miles.

When Mike flies he likes to put his passengers at ease. “I sit and talk with the patient before we take off and go over the safety briefing. I try to bring things that will make them more comfortable, like blankets, water or a pillow.” If his wife Lisa isn’t flying with him, Mike invites the patient to sit in front as “co-pilot.” And if the patient feels up to it, Mike provides an aviation map to follow as they fly over the route. “I’ll point out where we are,” he explains, “and how to use the chart. It’s fun and it takes their mind off things.”

The Grace Flight missions give Mike a sense of accomplishment. The mother and her sixth-grade son, the young girl who was suffering from a rare type of cancer — all are missions that he says obviously helped the people involved, but “by doing it, it helped me too.” Mike is grateful for National Life Group’s supportive volunteer policy. “It means that I can arrange my work to fly more missions — up to 5 days a year. I think this sends a message that we all can be doing something within our communities and that we all need to give something back for what we’ve been given.”



Experience **Passion**

Deborah Ellinger

Former President, Restoration Hardware

Member of National Life Group Board of Directors

“Be passionate about everything you do.”

Kliptown, Soweto, South Africa, is crowded and squalid. Its homes have no electricity or running water. Many children are orphans, having lost parents to AIDS. Deborah Ellinger, a member of National Life Group’s Board of Directors, visited Kliptown with her family in 2007 and is involved in helping raise awareness and money to help the children there.

Deborah recalls, “The people in Kliptown have almost nothing — their homes are one room shacks, they cook on kerosene stoves under lights powered by car batteries, and the whole family often shares one bed. We were welcomed into their homes and experienced it firsthand.” Although the children have nothing, Deborah says they are “some of the happiest, brightest, most optimistic kids I’ve ever met, who could achieve great things if they had a chance.” Founded in 1987, the Kliptown Youth Program (KYP) helps turn the children’s potential into reality with programs that promote literacy and teach leadership skills through sports, performance arts and empowerment courses for girls.

In the same country but a world away from Kliptown, the African Leadership Academy in Johannesburg also benefits from Deborah’s family’s support. Founded in 2004, the Academy brings high-potential children from across Africa to Johannesburg for a first class education — the

aim is to foster ethical leaders who will go back to their own countries and help transform Africa over time. These are just two examples of many leadership organizations that Deborah and her family support.

Deborah has had a lifelong passion for helping to build strong leaders. She knows what it takes to lead businesses, having been a senior executive at Staples and CVS, the CEO of Wellness Pet Food, and the president of Restoration Hardware. She continues to mentor many people who have worked for her, and gets satisfaction helping them achieve their goals. She particularly enjoys mentoring women.

Deborah is passionate about helping place women in corporate boardrooms. She says, “It amazes me how many companies serve women and yet don’t have any women on their boards. They are missing the unique insights that women can bring.” As a result, she is actively involved with several organizations that identify well-qualified women for board roles and has helped place several women on corporate boards.

Deborah brings a simple philosophy to both her career and her volunteer activities. “I only get involved if two elements are in place: It must be clear that I can help ‘raise the bar’ to another level, and I must be able to do it with passion!”

Experience **Duty**



Brian Lindner

Director, Conservation Strategies
National Life Group

“The Company’s philosophy encourages employees to volunteer in their community.”

Camel’s Hump, Vermont’s fourth-highest mountain, is home to beautiful and rare alpine tundra vegetation, a vast array of wildlife and some of Vermont’s most treacherous, but scenic hiking trails. The panoramic views from the summit make it a popular attraction for thousands of hikers.

Last summer, one such hiker slipped, fell and was unable to move. As she lay waiting for help, Brian Lindner, National Life’s director of conservation strategies, and his team of volunteer first responders from the Waterbury Backcountry Rescue Team (WBRT) worked tirelessly through the long, chilly night to reach her and bring her safely down the mountain.

“She couldn’t have picked a worse location,” explains Brian. “There was no easy way to get to where she was.” The team used seven or eight rope belays to lower her down the steeper sections. The woman was brought to safety and fortunately had only bruised her back.

WBRT is a first responder for people injured on mountains. Injuries range in severity from broken backs to sprained ankles. Brian notes that “the calls almost always come in after dark, and rescues take anywhere from 4 to 12 hours.” The team provides first aid and then transports the individual off the mountain. Transporting involves putting a person on a litter that has one large wheel underneath it with three rescuers on each side, and someone in back. If the trail is narrow it means that rescuers walk on the edge. “The danger of a rescuer falling and getting injured

is high,” he adds. It requires a minimum of 20-25 people to bring a single person down off a mountain, and it can cost anywhere from a few hundred dollars to several thousand.

Since 1973 Brian has been a ski instructor and patrolman at Stowe Mountain Resort. In 1986, he became an Emergency Medical Technician (EMT) and joined Waterbury Ambulance. Forming the WBRT was a natural evolution for this man who loves to hike, ski, and help injured people off mountains.

Before WBRT was formed, ambulance and fire department personnel were the first responders to calls from the mountains. But ambulance jumpsuits or heavy bunker pants and firefighters’ boots were not the best gear for hiking in rugged terrain. In 1992, as part of a group of EMTs, Brian helped form an informal team of people who responded to mountain rescues. By 2001, more than 25 volunteers were part of a formal organization dedicated to mountain rescue. As chief of the WBRT, Brian oversees a group of volunteers. “It’s a cross section,” Brian explains. “Some are EMTs, firefighters, and some are people who have no certification but are avid hikers and are there to carry gear up the mountain and to carry people out.”

“National Life has always been understanding when I’ve got to go on a rescue mission. The Company’s philosophy,” he adds, “encourages employees to volunteer in their communities.”

NLV Financial Corporation and Subsidiaries

Consolidated Balance Sheets

as of December 31,

(In Thousands)	2009	2008
Assets:		
Cash and investments:		
Available-for-sale debt securities	\$ 11,503,503	\$ 9,036,202
Available-for-sale debt securities on loan	132,644	119,254
Total available-for-sale debt securities	11,636,147	9,155,456
Available-for-sale equity securities	92,170	86,908
Trading equity securities	18,908	15,714
Mortgage loans on real estate	1,591,438	1,676,877
Policy loans	718,756	719,251
Real estate investments	24,698	15,653
Securities lending invested collateral	46,838	81,440
Derivatives	701,249	112,059
Other invested assets	254,577	255,841
Short term investments	243,055	96,327
Cash	272,488	51,660
Total cash and investments	15,600,324	12,267,186
Deferred policy acquisition costs	1,055,829	1,414,078
Accrued investment income	162,647	147,640
Premiums and fees receivable	23,672	23,774
Deferred income taxes	16,594	229,216
Amounts recoverable from reinsurers	160,219	142,775
Present value of future profits of insurance acquired	35,321	37,775
Property and equipment, net	52,728	50,912
Federal income tax recoverable	-	31,324
Other assets	212,000	199,715
Goodwill and intangibles	53,411	56,178
Separate account assets	697,809	609,236
Total assets	\$ 18,070,554	\$ 15,209,809
Liabilities:		
Policy liabilities:		
Policy benefit liabilities	\$ 4,648,474	\$ 4,670,993
Policyholder account liabilities	9,222,206	7,817,806
Policyholders' deposits	74,144	65,321
Policy claims payable	52,907	47,269
Policyholders' dividends	141,505	51,352
Total policy liabilities	14,139,236	12,652,741
Amounts payable to reinsurers	21,492	17,419
Securities lending payable	135,325	121,695
Derivatives	462,543	71,652
Other liabilities and accrued expenses	360,082	164,350
Pension and other post-retirement benefit obligations	200,776	217,421
Federal income tax payable	381	-
Debt	487,838	294,747
Separate account liabilities	697,809	609,236
Total liabilities	\$ 16,505,482	\$ 14,149,261
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	1,556,153	1,483,880
Accumulated other comprehensive income	8,919	(423,332)
Total stockholder's equity	1,565,072	1,060,548
Total liabilities and stockholder's equity	\$ 18,070,554	\$ 15,209,809

NLV Financial Corporation and Subsidiaries

Consolidated Statements of Operations

For the years ended December 31,

(In Thousands)	2009	2008	2007
Revenues:			
Insurance premiums	\$ 308,993	\$ 322,470	\$ 322,328
Policy and contract charges	228,493	210,113	178,770
Net investment income	929,356	575,766	758,058
Net realized investment losses	(24,128)	(105,994)	(4,953)
Change in value of trading equity securities	3,592	(7,650)	847
Mutual fund commissions and fee income	92,688	98,837	104,017
Other income	18,328	19,659	21,800
Total revenues	1,557,322	1,113,201	1,380,867
Benefits and Expenses:			
Increase in policy liabilities	12,268	45,105	29,717
Policy benefits	427,218	406,068	411,267
Policyholders' dividends and dividend obligations	122,282	113,798	111,097
Interest credited to policyholder account liabilities	443,476	108,679	274,928
Operating expenses	185,026	168,655	169,600
Interest expense on debt	26,814	21,666	21,944
Policy acquisition expenses and amortization of present value of future profits, net	238,603	241,710	198,994
Total benefits and expenses	1,455,687	1,105,681	1,217,547
Income before income taxes	101,635	7,520	163,320
Income tax expense (benefit)	29,362	(7,840)	48,101
Net Income	\$ 72,273	\$ 15,360	\$ 115,219



Board of Directors

Mehran Assadi

President and Chief Executive Officer
National Life Group
Montpelier, Vermont

Thomas H. MacLeay

Chairman
National Life Group
Montpelier, Vermont

David R. Coates

Retired Partner, KPMG
Colchester, Vermont

Deborah G. Ellinger

Former President
Restoration Hardware
Eureka, California

Bruce M. Lisman

Retired, JP Morgan Chase
New York, New York

V. Louise McCarren

Chief Executive Officer
Western Electricity Coordinating Council
Salt Lake City, Utah

Roger B. Porter

IBM Professor of Business and Government
Harvard University
Cambridge, Massachusetts

E. Miles Prentice, III

Partner, Eaton & Van Winkle
New York, New York

Harris H. Simmons

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

The Annual Meeting of National Life Holding Company, which will include the election of members of the Board of Directors, will be held May 7, 2010, at 9:00 A.M. at the company's offices in Montpelier, Vermont. To obtain a proxy or for more information, please call 1-800-732-8939 or you can e-mail orderforms@nationallife.com. Proxies must be received by the Corporate Secretary no later than May 5, 2010.

Left to right: Louise McCarren, Miles Prentice, Thomas MacLeay, Roger Porter, Mehran Assadi, Harris Simmons, David Coates, Bruce Lisman. Not pictured is Deborah Ellinger.

Privacy Notice To Our Customers

National Life Insurance Company Privacy Policy

We feel it is crucial that we protect the privacy of information you share with us. When you purchased a product from National Life Insurance Company, you entered into a relationship that is built upon – and largely dependent upon – mutual trust. We strive to always be worthy of that trust. Maintenance of our privacy practices and policies is a critical component of that resolve.

Why and How We Collect Information

In the conduct of our business with you, we often need to collect what is known as “non-public personal information.” This is information about you that we obtain in connection with providing a financial product or service to you. We may need this in order to:

1. consider a request for insurance or other products or services;
2. evaluate claims;
3. administer our products or services; or
4. process transactions you have asked for.

We get most non-public personal information about our customers directly from them. The information you give us when you apply for a product or service from National Life Insurance Company generally provides what we need to transact the business you have authorized.

We may collect non-public personal information about you from the following:

1. Applications or other forms (name, address, Social Security number, assets and income, job status, date of birth);
2. Your transactions with us, our affiliates, or with others, such as:
 - ~ account activity;
 - ~ payment history; and
 - ~ products and services bought;
3. Consumer reporting agencies and verification services;
4. Visits to our Web sites, including data from online forms and collection devices known as “cookies”;
5. With respect to life insurance policies, we may also collect medical, health, avocation and other personal information from:
 - ~ applications;
 - ~ doctors and other health care providers;
 - ~ the Medical Information Bureau; and
 - ~ hospitals and other third parties.

We may also ask you for additional financial data in order to help determine how to best meet your financial goals.

How We Protect Information

We have strong safeguards to protect what you have shared with us. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information. All employees are required to comply with our privacy procedures and policies.

We hold as completely confidential any non-public personal information provided to any associate of National Life Insurance Company in the course of a business transaction.

We may disclose information described above to our affiliates as needed in order to provide services to our customers or administer our business. Affiliated companies within the National Life Group are committed to protecting the privacy of our customers' non-public personal information. In addition, we may disclose parts of this information to third parties with whom we contract for administrative support and services, as permitted by law. We will contractually require these service providers to protect your information under the same high standards we follow.

We also may disclose information at times to government agencies and law enforcement officials (for example, to help prevent fraud or as may be required by law).

Our Commitment to Confidentiality

Except as otherwise authorized by you or permitted by law:

- ~ We will not sell non-public personal information about you, our customers or former customers, nor will we disclose it to anyone, unless we obtained your permission through disclosures or agreements.
- ~ We restrict access to non-public personal information to those on our staff who need to know in order to provide products or services to you.
- ~ We will disclose your consumer report information only if its disclosure is required in connection with a product or service you asked for.
- ~ We will use or share medical information we have received about you only for underwriting reasons.

If you decide to close your accounts or become an inactive customer, we will continue to adhere to the policies and practices described in this notice.

National Life Insurance Company has a long history of appropriately handling confidential information. We are committed to ensuring your privacy by maintaining the highest standards for protecting the information you share with us.

This Privacy Notice applies to all of the policies and contracts held or serviced by National Life Insurance Company.

Each member company of National Life Group has an established Privacy Policy.

This annual report summary of National Life Group includes the consolidated results of NLV Financial Corporation and Subsidiaries, including National Life Insurance Company, Life Insurance Company of the Southwest, Sentinel Investments, Equity Services, Inc., and National Retirement Plan Advisors. To obtain a full version of the audited financial statements of NLV Financial Corporation and Subsidiaries, please send an e-mail to orderforms@nationallife.com or call our toll-free number at 1-800-732-8939. You can also visit our website and download a PDF version online at www.nationallife.com.



In our continuing effort to operate an environmentally friendly company, we have printed this report on a 30% post-consumer paper. In doing so, we saved:

58,827 lbs of wood.

(A total of 188 trees that supply enough oxygen for 94 people annually)

85,904 gallons of water.

(Enough water to take 4,994 eight-minute showers)

59mln BTUs of energy.

(Enough energy to power an average American household for 238 days)

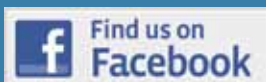
17,836 lbs of emissions.

(Carbon sequestered by 207 tree seedlings grown for 10 years)

5,216 lbs of solid waste.

(Trash thrown away by 1,134 people in a single day)

Become a fan!



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*Report photography: Richard Howard, Jeb Wallace-Brodeur, Lisa Ward, Ethan Backer,
Kurt Budliger, NLGroup staff*

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1-800-732-8939, Customer Service



**Cat. No. 60034
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