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## FOR IMMEDIATE RELEASE

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## **A.M. Best Affirms Ratings of NLV Financial Corporation and Its Subsidiaries; Assigns Rating to New Surplus Notes**

**OLDWICK, N.J., Sept. 21, 2009**—A.M. Best Co. has affirmed the financial strength rating (FSR) of A (Excellent) and 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). These companies are the insurance subsidiaries of **NLV Financial Corporation** (NLVF) (Montpelier, VT), which is the intermediate holding company in the organization’s mutual holding company structure.

Concurrently, A.M. Best has affirmed the ICR of “bbb” and senior debt ratings of “bbb” of NLVF. A.M. Best also has assigned a debt rating of “bbb+” to NLIC’s recently issued \$200 million, 10.50% surplus notes due 2039. The outlook for all ratings is stable. (See below for a detailed listing of the debt ratings.)

The ratings reflect National Life’s profitable operations, conservative risk profile and diverse distribution channels. The company also benefits from its competitive positions in the indexed universal life (UL) insurance and 403(b) indexed annuity markets as well as its good expense management.

For the period ending June 30, 2009, the group reported GAAP and statutory earnings of \$40.6 million and \$34.1 million, respectively. For the past two years, National Life has ranked

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fourth in industry sales for indexed UL and also was a top 10 producer of indexed annuities in 2008. Mutual fund sales by National Life's investment management affiliate, Sentinel Investments, also have been quite strong, up over 100% through June 30, 2009, after reaching a record high for 2008. National Life's investment portfolio is conservatively managed with minimal exposure to structured securities backed with subprime collateral. Other than \$15.3 million of bonds in the securities lending portfolio, all residential mortgaged-backed securities held by National Life are agency-backed and rated triple-A. In addition, National Life continues to exercise discipline in product design, choosing not to compete aggressively in the universal life no-lapse guarantee market or to offer living benefit guarantees on its variable annuities.

National Life's focus on indexed products exposes its earnings to modest equity market risk. During 2008, NLVF's pre-tax GAAP operating earnings decreased over 40% from the previous year's period, primarily due to the impact of the equity market decline on earnings generated by National Life's indexed product portfolio and Sentinel's asset management business. However, A.M. Best notes that National Life fared better in 2008 from an operating and financial perspective than many of its peers and the industry in general. As with the rest of industry, National Life may experience additional asset impairments within its corporate bond and commercial mortgage portfolios given the current economic environment.

The proceeds from the surplus note offering will be utilized by National Life for general corporate purposes and will strengthen its statutory capital position. A.M. Best believes the capital will support continued business growth and enhance the organization's financial flexibility during the current recessionary environment. While the issuance increases GAAP financial leverage to approximately 24% (excluding other comprehensive income), it is within A.M. Best's

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guidelines for the company's current ratings. GAAP interest coverage, at least in the near term, will be pressured by the additional costs to service the new debt securities. However, A.M. Best notes that the group's coverage ratio is supported by over \$100 million of deployable capital at NLVF.

The following debt 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

The following debt rating has been assigned:

**National Life Insurance Company —**

- "bbb+" on \$200 million 10.50% surplus notes, due 2039

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [www.ambest.com/ratings](http://www.ambest.com/ratings).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

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