

Northwestern Mutual Posts Strong 2017 Financial Results

Company Investing in Client Experience to Help More People Achieve Financial Security

MILWAUKEE, Feb. 15, 2018 /PRNewswire/ -- Northwestern Mutual announced today that its 2017 results show another year of strong financial performance. The results were bolstered on the client side by consistently growing demand for holistic insurance and investment solutions, and on the corporate front by a diversified investment approach coupled with disciplined expense management.

"Our results make clear how we are able to do three key things: pay the benefits we promise to policyowners and their beneficiaries, provide the opportunity to share in a dividend payout that today leads the industry, and remain a company with exceptional financial strength," said Chairman and CEO John Schlifske. "We also continue to invest in a distinctive client experience that will help more people achieve financial security."

At year-end 2017, the company's results included:

Total surplus (including the asset valuation reserve) finished the year at an all-time high of \$25.2 billion, an increase of \$1.5 billion. The result is even with a one-time \$1.2 billion reduction in surplus related to net deferred tax assets due to the recent enactment of tax reform and a lower corporate federal income tax rate. The company expects the tax law changes to be a long-term positive that will benefit earnings beginning in 2018.

The highest ever new life insurance premium at \$886 million, alongside total premium revenue of \$17.9 billion for insurance and annuity products.

A record \$125.1 billion of client assets under management for investment products and services – up 25 percent from 2016.

Growth of the general account investment portfolio to \$225.5 billion, an increase of \$11.9 billion since year-end 2016.

Low life insurance unit costs, a reflection of continued, disciplined expense management.

The company expects to pay a total dividend of \$5.3 billion to policyowners in 2018, one of the highest payouts in the company's history.¹ It also maintained the highest financial strength ratings awarded to any U.S. life insurer by all four of the major rating agencies.²

Other notable 2017 business results included:

Total revenue, \$28.1 billion, and total assets, \$265.0 billion.

\$10.3 billion in benefits paid to policyowners and their beneficiaries.

Approximately 85 percent of dividends paid to traditional permanent life insurance along with expected dividends on individual disability insurance (\$377 million) and annuities (\$67 million). For more information, see the company's [2018 Dividend Announcement](#).

Schlifske noted that Northwestern Mutual is transforming to close a perceptible gap between what consumers need and what they're now getting from most of the financial industry.

"We are creating a seamless experience guided by a trusted advisor and powered by an innovative digital platform," he said. "This combination will help more people achieve the financial security they need and deserve."

About Northwestern Mutual

[Northwestern Mutual](#) has been helping families and businesses achieve financial security for more than 160 years. Through a distinctive, whole-picture planning approach, we empower our clients to make the most of every single day and plan for important moments in their future. We combine the expertise of our financial professionals with a personalized digital experience to help our clients navigate their financial lives every day. With \$265.0 billion in assets, \$28.1 billion in revenues, and \$1.8 trillion worth of life insurance protection in force, Northwestern Mutual delivers financial security to 4.5 million people who rely on us for life, disability income and long-term care insurance, annuities, brokerage and advisory services, trust services, and discretionary portfolio management solutions. The company manages more than \$125 billion of client assets through its wealth management and investment services. Northwestern Mutual ranks 97 on the 2017 FORTUNE 500 and is recognized by FORTUNE® as one of the "World's Most Admired" life insurance companies in 2018.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM),

Milwaukee, WI (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Northwestern Mutual and its subsidiaries offer a comprehensive approach to financial security solutions including: life insurance, long-term care insurance, disability income insurance, annuities, life insurance with long-term care benefits, investment products, and advisory products and services. Subsidiaries include **Northwestern Mutual Investment Services, LLC** (NMIS) (securities), broker-dealer, registered investment adviser, member FINRA and SIPC; the Northwestern Mutual Wealth Management Company® (NMWMC) (fiduciary and fee-based financial planning services), federal savings bank; and Northwestern Long Term Care Insurance Company (NLTC) (long-term care insurance).

Summary of Operations

(Statutory basis, in millions)

Years ended December 31:	2017	2016
Premiums	\$17,897	\$17,915
Net investment income	9,541	9,605
Other income	<u>649</u>	<u>632</u>
Total revenue	28,087	28,152
Policyowner benefits paid	10,332	9,798
Increase in benefit reserves	8,471	9,166
Commissions and expenses	<u>3,120</u>	<u>3,134</u>
Total benefits and expenses	<u>21,923</u>	<u>22,098</u>
Gain before dividends and taxes	6,164	6,054
Policyowner dividends	<u>5,338</u>	<u>5,205</u>
Gain before taxes	826	849
Income tax benefit	<u>(98)</u>	<u>(176)</u>
Net gain from operations	924	1,025
Net realized capital gains (losses)	<u>93</u>	<u>(215)</u>
Net income	<u>\$1,017</u>	<u>\$810</u>

The summarized financial statement above was prepared on the statutory basis of accounting. Financial statements prepared on the statutory basis of accounting differ materially from financial statements prepared in accordance with generally accepted accounting principles ("GAAP").

Summary of Financial Position

(Statutory basis, in millions)

	December 31,	December 31,
	2017	2016
Bonds	\$146,945	\$139,795
Mortgage loans	35,750	34,198
Policy loans	17,421	17,150
Common and preferred stocks	5,929	4,256
Real estate	2,356	2,468
Other investments	14,665	13,463
Cash and short-term investments	<u>2,469</u>	<u>2,300</u>
Total investments	225,535	213,630
Other assets	7,052	8,318
Separate account assets	<u>32,462</u>	<u>28,559</u>
Total assets	<u>\$265,049</u>	<u>\$250,507</u>
Policy benefit reserves	\$195,279	\$186,483
Policyowner dividends payable	5,335	5,205
Other liabilities	6,788	6,583
Separate account liabilities	<u>32,462</u>	<u>28,559</u>
Liabilities (excluding AVR)	239,864	226,830
Asset valuation reserve (AVR)	4,334	3,447
Surplus	<u>20,851</u>	<u>20,230</u>
Surplus and AVR	<u>25,185</u>	<u>23,677</u>
Total liabilities and surplus	<u>\$265,049</u>	<u>\$250,507</u>

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¹ Decisions with respect to the determination and allocation of divisible surplus as dividends each year are left to the discretion and sound business judgment of the company's Board of Trustees. There is no guaranteed specific method or formula for the determination or allocation of divisible surplus. Accordingly, the company's approach is subject to change. Neither the existence nor the amount of a dividend is guaranteed on any policy in any given policy year.

² Ratings are for The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company, as of the most recent review and report by each rating agency. Northwestern Mutual's ratings: A.M. Best Company A++ (highest), 4/2017; Fitch Ratings AAA (highest), 7/2017; Moody's Investors Service Aaa (highest), 1/2018; and S&P Global Ratings AA+ (second highest), 6/2017. Ratings are subject to change.

SOURCE Northwestern Mutual

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<https://news.northwesternmutual.com/2018-02-15-Northwestern-Mutual-Posts-Strong-2017-Financial-Results>