

# Northwestern Mutual Announces 2010 Financial Results

MILWAUKEE ([BUSINESS WIRE](#)), January 27, 2011 - Northwestern Mutual today announced its 2010 financial results, which were marked by an approved dividend payout for 2011 of nearly \$4.9 billion and by record insurance sales.

As a mutual insurance company, Northwestern Mutual's financial objective is to pay the highest possible dividends to its policyowners while maintaining its financial strength. Both goals were accomplished in 2010.

The \$4.9 billion dividend payout is expected to be the second-highest in the company's history. Northwestern Mutual currently pays more in ordinary life insurance dividends than the next three highest-paying mutual insurance companies combined. The company's surplus, a key indicator of financial strength, grew \$3.4 billion to \$17.6 billion.

"I'm proud of the consistency of our performance over the past several years despite all the uncertainties in the economy," said **John Schlifske**, chairman and chief executive officer of Northwestern Mutual. "Over the past three years we've maintained positive net income each year, grown our surplus position to record levels and far and away led the industry by paying more than \$14 billion in dividends in that period."

In 2010, the company also once again had its best possible insurance financial strength ratings reaffirmed by all four major credit rating agencies.<sup>1</sup>

## Premium revenue and net investment income up

Northwestern Mutual produced exceptional top-line growth in 2010. Total revenue grew 8 percent to \$23.1 billion, reflecting 7 percent growth in net investment income and a 9 percent increase in premium revenue.

New sales of life insurance (\$827 million; +23 percent over 2009), individual disability income insurance (\$56 million; +5 percent over 2009) and long-term care insurance (\$39 million; +32 percent over 2009) all set company records in 2010.<sup>2</sup>

"New sales far exceeded what we expected at the beginning of the year," said Schlifske. "We knew we were facing a lot of consumer uncertainty, but it's a testament to our financial representatives that they kept people on track with their financial security plans."

## Value of permanent life insurance proven

Schlifske also highlighted the continued flight to the quality and security of Northwestern Mutual's traditional permanent life insurance product. Sales of Northwestern Mutual's flagship product were up 20 percent in 2010.

"People learned from the financial hardships of 2008 and 2009," he said. "They realize they can't invest their way to financial security. They like what permanent life insurance offers in terms of guaranteed growth in cash value, especially when it comes from a triple-A rated company like ours."

Northwestern Mutual's traditional permanent life insurance product, said Schlifske, has been shown through

independent analysis to be the best in the industry over the last 20 years in terms of actual growth in cash values.<sup>3</sup>

## **Details of 2010 financial results**

The \$4.9 billion estimated dividend payout for 2011<sup>4</sup> includes nearly \$123 million in dividends on term life insurance and \$233 million in dividends on individual disability insurance policies. Northwestern Long Term Care Insurance Company has approved payment of an estimated \$11 million in dividends to its participating long-term care policyowners in 2011.

Total surplus (the combination of surplus and asset valuation reserve) increased \$3.4 billion during 2010 to end the year at \$17.6 billion, a very strong position relative to industry comparisons and regulatory standards. The increase in total surplus reflected the issuance of \$1.75 billion of surplus notes in early 2010, investment capital gains and strong operating results. At year-end 2010, total surplus represented 13.3 percent of general account insurance reserves.

The company's diversified investment strategy helps protect the long-term financial security of its more than three million policyowners. This strategy includes significant allocation to investment-grade corporate bonds and U.S. agency mortgage-backed securities, as well as investments in equities and high-yield bonds. Ninety percent of the company's \$96.8 billion bond portfolio was rated as investment-grade at year-end 2010.

The company maintains a very strong liquidity position. At year-end 2010, Northwestern Mutual held \$25 billion in cash and cash equivalents, U.S. Treasuries and other highly liquid government-guaranteed investments. Due in part to the company's exceptional level of policy persistency, it enjoys substantial positive operating cash flow from its large and stable block of participating life insurance business.

Net investment income was \$8.3 billion for 2010, a 7 percent increase from 2009. Interest income on fixed income investments increased 6 percent despite the impact of the continued low market interest rates on new investments in the fixed income portfolio. In addition, income from equity-related investments increased nearly \$150 million compared to relative lows in 2009, including higher distributions from private equity and real estate investments.

Insurance benefits paid to policyowners and their beneficiaries increased 1 percent for 2010 and totaled \$6.9 billion for the year. The company's 12-month persistency rate for life insurance protection in force rose to an impressive 96 percent.

Operating gain before dividends and taxes of \$5.6 billion was up 7 percent from 2009 due primarily to higher net investment income. Operating results for 2010 also reflected favorable claims experience and the company's continued commitment to rigorous management of operating expenses. After provision for a net tax benefit of \$224 million and net realized capital losses of \$188 million, the company reported net income in 2010 of \$756 million, up from \$321 million in 2009.

The Northwestern Mutual Financial Network totaled nearly 6,200 full-time financial representatives at the end of 2010, including 2,007 new full-time financial representatives who joined the Network during 2010.

## **About Northwestern Mutual**

The Northwestern Mutual Life Insurance Company – Milwaukee, WI (Northwestern Mutual) has helped clients achieve financial security for more than 150 years. As a mutual company with \$1.2 trillion of life insurance protection in force, Northwestern Mutual shares, where possible, its gains with policyowners and delivers consistent and dependable value to clients over time.

Northwestern Mutual is an industry leader in total individual life insurance and disability insurance dividends paid to participating policyowners. Though dividends are not guaranteed, are reviewed annually and are subject to change, the company has paid life insurance dividends every year since 1872.

Northwestern Mutual and its subsidiaries offer a holistic approach to financial security solutions, including life insurance, long-term care insurance, disability insurance, annuities, investment products, and advisory products and services. Subsidiaries include Northwestern Mutual Investment Services, LLC, broker-dealer, registered investment adviser, member FINRA and SIPC; the Northwestern Mutual Wealth Management Company, limited purpose federal savings bank; Northwestern Long Term Care Insurance Company; and Russell Investments.

Financial information is based 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”).

<sup>1</sup>Northwestern Mutual has earned the best possible ratings for insurance financial strength – each with a stable rating outlook – from all four major rating agencies: A.M. Best (A++), Mar. 2010; Fitch Ratings (AAA), Jan. 2011; Moody’s Investors Service (Aaa), Mar. 2010; and Standard & Poor’s (AAA), Mar. 2010.

<sup>2</sup>Annualized new sales figures reported here count premiums for life insurance policies paid for with a single premium at 10 percent. This is a common industry convention to put sales of single premium policies on a comparable basis to annual premium policies. As reported for statutory accounting purposes, new life insurance premium in 2010 was \$1.7 billion.

<sup>3</sup>According to 20 year actual policy performance information compiled through independent analysis (Blease Research Full Disclosure 2010 Whole Life Edition), Northwestern Mutual's whole life product provided the highest internal rate of return on policy cash value compared to all other similar products offered by competitors based on a \$250,000 whole policy issued in 1990 to a male age 45 with best class underwriting.

<sup>4</sup>Dividends may be declared and credited, at the Board of Trustees’ discretion, when current experience in investment earnings, mortality, morbidity and expenses is more favorable than the original assumptions used to establish policy premiums. Northwestern Mutual has paid a dividend every year since 1872. Future dividends are not guaranteed.

## Summary of Operations

(Consolidated statutory basis, in millions)

<i>Year ended December 31:</i>	<i>2010</i>	<i>2009</i>
<b>Premiums</b>	<b>\$ 14,252</b>	<b>\$ 13,062</b>
<b>Net investment income</b>	<b>8,306</b>	<b>7,772</b>
Other income	551	532
Total revenue	23,109	21,366
<b>Policyowner benefits paid</b>	<b>6,876</b>	<b>6,807</b>
<b>Increase in benefit reserves</b>	<b>8,332</b>	<b>7,138</b>

Commissions and expenses	2,320	2,189
Total benefits and expenses	17,528	16,134
<b>Gain before dividends and taxes</b>	<b>5,581</b>	<b>5,232</b>
<b>Policyowner dividends</b>	<b>4,861</b>	<b>4,715</b>
Gain before taxes	720	517
Income tax expense (benefit)	(224 )	42
<b>Net gain from operations</b>	<b>944</b>	<b>475</b>
Net realized capital losses	(188 )	(154 )
<b>Net income</b>	<b>\$ 756</b>	<b>\$ 321</b>

### Summary of Financial Position

(Consolidated statutory basis, in millions)

<i>December 31:</i>	<i>2010</i>	<i>2009</i>
Bonds	\$ 96,829	\$ 91,004
Mortgage loans	21,291	21,024
Policy loans	14,472	13,717
Common and preferred stocks	9,170	5,918
Real estate	1,619	1,582
Other investments	9,902	8,587
Cash and short-term investments	1,928	2,610
<b>Total investments</b>	<b>155,211</b>	<b>144,442</b>
Other assets	6,164	6,394
Separate account assets	18,663	16,344
<b>Total assets</b>	<b>\$ 180,038</b>	<b>\$ 167,180</b>

Policy benefit reserves	\$ 133,066	\$ 125,025
Policyowner dividends payable	4,859	4,730
Other liabilities	5,815	6,835
Separate account liabilities	18,663	16,344

<b>Liabilities (excluding AVR)</b>	<b>162,403</b>	<b>152,934</b>
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Asset valuation reserve (AVR)	3,250	1,843
Surplus	14,385	12,403
<b>Surplus and AVR</b>	<b>17,635</b>	<b>14,246</b>

<b>Total liabilities and surplus</b>	<b>\$180,038</b>	<b>\$167,180</b>
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