

NATIONAL WESTERN LIFE INSURANCE CO
Form 10-Q
August 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

REPORT QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2012
or TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 2-17039

NATIONAL WESTERN LIFE INSURANCE COMPANY
(Exact name of Registrant as specified in its charter)

COLORADO
(State of Incorporation)

84-0467208
(I.R.S. Employer Identification Number)

850 EAST ANDERSON LANE
AUSTIN, TEXAS 78752-1602
(Address of Principal Executive Offices)

(512) 836-1010
(Telephone Number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). : Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated file" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 7, 2012, the number of shares of Registrant's common stock outstanding was: Class A – 3,434,763 and Class B - 200,000.

TABLE OF CONTENTS

	Page
<u>Part I. Financial Information:</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets</u> June 30, 2012 (Unaudited) and December 31, 2011	<u>3</u>
<u>Condensed Consolidated Statements of Earnings</u> For the Three Months Ended June 30, 2012 and 2011 (Unaudited)	<u>5</u>
<u>Condensed Consolidated Statements of Earnings</u> For the Six Months Ended June 30, 2011 and 2010 (Unaudited)	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u> For the Three Months Ended June 30, 2012 and 2011 (Unaudited)	<u>7</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u> For the Six Months Ended June 30, 2011 and 2010 (Unaudited)	<u>8</u>
<u>Condensed Consolidated Statements of Stockholders' Equity</u> For the Three Months Ended June 30, 2012 and 2011 (Unaudited)	<u>9</u>
<u>Condensed Consolidated Statements of Cash Flows</u> For the Six Months Ended June 30, 2012 and 2011 (Unaudited)	<u>11</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>13</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>47</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
<u>Item 4. Controls and Procedures</u>	<u>46</u>
<u>Part II. Other Information:</u>	<u>81</u>
<u>Item 1. Legal Proceedings</u>	<u>81</u>
<u>Item 1A. Risk Factors</u>	<u>81</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>81</u>
<u>Item 4. Removed and Reserved</u>	<u>82</u>
<u>Item 6. Exhibits</u>	<u>82</u>
<u>Signatures</u>	<u>83</u>

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands)

	(Unaudited) June 30, 2012	December 31, 2011
ASSETS		
Investments:		
Securities held to maturity, at amortized cost (fair value: \$6,245,687 and \$6,082,330)	\$5,738,777	5,641,909
Securities available for sale, at fair value (cost: \$2,530,815 and \$2,422,650)	2,754,759	2,624,953
Mortgage loans, net of allowance for possible losses (\$0 and \$4,571)	132,614	157,460
Policy loans	74,369	74,967
Derivatives, index options	65,555	30,844
Other long-term investments	43,467	34,472
Total investments	8,809,541	8,564,605
Cash and short-term investments	111,264	119,290
Deferred policy acquisition costs	708,220	722,542
Deferred sales inducements	152,360	155,753
Accrued investment income	90,176	87,875
Federal income tax receivable	—	—
Other assets	83,900	77,934
Total assets	\$9,955,461	9,727,999

See accompanying notes to condensed consolidated financial statements.

Table of ContentsNATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	(Unaudited) June 30, 2012	December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Future policy benefits:		
Universal life and annuity contracts	\$8,178,279	8,023,798
Traditional life and annuity contracts	138,452	139,657
Other policyholder liabilities	154,105	151,308
Deferred Federal income tax liability	44,023	46,481
Federal income tax payable	1,462	5,962
Other liabilities	107,819	84,008
Total liabilities	8,624,140	8,451,214
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock:		
Class A - \$1 par value; 7,500,000 shares authorized; 3,434,763 and 3,434,766 issued and outstanding in 2012 and 2011	3,435	3,435
Class B - \$1 par value; 200,000 shares authorized, issued, and outstanding in 2012 and 2011	200	200
Additional paid-in capital	37,767	37,767
Accumulated other comprehensive income	64,725	53,176
Retained earnings	1,225,194	1,182,207
Total stockholders' equity	1,331,321	1,276,785
Total liabilities and stockholders' equity	\$9,955,461	9,727,999

Note: The Condensed Consolidated Balance Sheet at December 31, 2011, has been derived from the audited Consolidated Financial Statements as of that date.

See accompanying notes to condensed consolidated financial statements.

Table of Contents

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the Three Months Ended June 30, 2012 and 2011

(Unaudited)

(In thousands, except per share amounts)

	2012	2011
Premiums and other revenues:		
Universal life and annuity contract charges	\$36,653	32,632
Traditional life and annuity contract premiums	4,904	4,607
Net investment income	78,181	97,724
Other revenues	5,866	4,698
Net realized investment gains (losses):		
Total other-than-temporary impairment ("OTTI") losses	(185) —
Portion of OTTI losses recognized in other comprehensive income	(235) —
Net OTTI losses recognized in earnings	(420) —
Other net investment gains (losses)	2,425	490
Total net realized investment gains (losses)	2,005	490