

**Announcement: [Northwestern Mutual Life Insurance Company](#)**

**Moody's affirms Northwestern Mutual's Aaa IFS rating; stable outlook**

New York, April 08, 2009 -- Moody's Investors Service affirmed the Aaa insurance financial strength (IFS) ratings of The Northwestern Mutual Life Insurance Company (Northwestern Mutual) and its subsidiary, Northwestern Long Term Care Insurance Company. The outlook on the group's ratings remains stable.

The rating agency said that the affirmation of Northwestern Mutual's ratings reflects the company's exceptional franchise in individual life insurance, which is demonstrated by its excellent persistency, mortality, and expense management, as well as its solid capitalization. Moody's Vice President and Senior Credit Officer Arthur Fliegelman commented: "Northwestern Mutual has performed well in a very difficult economic environment. The company benefits from excellent financial flexibility as it has no outstanding debt, has maintained a relatively conservative investment portfolio, has a strong liquidity profile, and its liability risk profile is conservative. These advantages have enabled the company to avoid financial stress during a period when many other life insurers have experienced considerably greater strains."

Moody's also noted that profits from the core life insurance business have enabled the company to grow over time its already solid capital base and to pay substantial policyowner dividends, which typically are among the highest in the industry. In addition, the dividend mechanism on the large block of participating life insurance policies permits management to protect the earnings and capital of the company during times of economic stress, such as is now the case. Notably, the company reduced its dividend interest rate by 100 basis points in 2008, reflecting lower investment returns due to credit related losses, a poorly performing equity market, and generally lower interest rates.

Turning to investment portfolio risk, Moody's said that Northwestern Mutual's relatively large concentration in direct commercial mortgage loans is of particular concern during the substantial secular downturn now underway in most sectors of the real estate market. While Northwestern Mutual has a strong long-term track record in commercial mortgage lending, Moody's expects that the results of this portfolio will remain increasingly challenged over the next few years and that the investment performance of this portfolio will be a key driver of the company's future financial strength. That said, the rating agency believes that potential investment losses are manageable relative to the company's excellent capital position, good earnings capacity and dividend flexibility.

Moody's said it expects higher-than-normal investment losses to continue in 2009 and 2010 from the company's real estate-related and structured holdings (i.e. direct real estate, RMBS, CMBS, and commercial mortgage loans, etc.), as well as other losses from rising corporate defaults and lower alternative investment returns. Commenting on equity exposure, Moody's added that Northwestern Mutual's financial results have moderate sensitivity to equity market declines because it is not a significant participant in the variable annuity market -- although it does have a sizable direct equity and limited partnership investment portfolio.

Moody's said a downgrade of Northwestern Mutual's ratings could result from the following: 1) pre-tax 2009 investment losses and impairments exceeding \$1.5 billion; 2) consolidated net gain from operations below \$300 million; 3) a fall of NAIC company-action level risk-based capital below 400% for more than a short time; 4) exposure to below-investment-grade bond rising above 10% of the investment portfolio; or 5) a significant decline in the percentage of individual life premiums, measured as a percentage of total premiums and deposits.

The following ratings were affirmed with a stable outlook:

- The Northwestern Mutual Life Insurance Company: long-term insurance financial strength at Aaa;
- Northwestern Long Term Care Insurance Company: long-term insurance financial strength rating at Aaa.

The last rating action was on March 27, 2006, when the insurance financial strength ratings of both companies were affirmed with a stable outlook.

The principal methodology used in rating this issuer was Moody's Global Rating Methodology for Life Insurers, which can be found at [www.moody.com](http://www.moody.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

As of December 31, 2008, Northwestern Mutual had consolidated statutory assets of approximately \$155 billion and statutory total adjusted capital of approximately \$15.7 billion. Northwestern Mutual, a mutual insurance company domiciled in Wisconsin, is based in Milwaukee.

Moody's insurance financial strength ratings are opinions of the ability of insurance companies to pay punctually senior policyholder claims and obligations. For more information, visit our website at [www.moody.com/insurance](http://www.moody.com/insurance).

New York  
Arthur Fliegelman  
VP - Senior Credit Officer  
Life Insurance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Robert Riegel  
Managing Director  
Life Insurance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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*This material describes the investment strategy for the managed assets in Northwestern Mutual's general account and the investment performance of these assets. The company's dividend scale interest rate for unborrowed funds reflects the investment performance of the managed assets net of taxes and any contribution to surplus. This rate is used for crediting interest on policy values after deducting mortality and expense charges. Because of the mortality and expense charges, the dividend scale interest rate should not be used as a measure of the policy's internal rate of return. The dividend scale and the underlying interest rates are reviewed annually and are subject to change. Future dividends are not guaranteed although Northwestern Mutual has paid a dividend every year since 1872. Third party ratings are subject to change. The Northwestern Mutual Life Insurance Company, Milwaukee, WI.*