



To Our Stockholders, Policyholders, Producers and Other Stakeholders

Around sports fans this time of year, one will frequently hear the expression “March Madness” in reference to college basketball’s national championship tournament which includes games of high emotion, wild swings in momentum, and unexpected outcomes. These days, this term could equally apply to the financial markets and the life insurance industry given a similar range of events and sentiments. As companies, including ours, have announced their year-end results, completed the annual SEC financial statement filing, and are in process of preparing the 2008 Annual Report, we thought that an interim communication regarding National Western may be in order to provide you with our thoughts on the Company’s current state in today’s economic climate.

We have witnessed unprecedented interventions into capital markets by regulators and policymakers to stave off financial market disaster, an unraveling of poor practices in the housing and lending industry, a near credit market meltdown, and an overall loss of confidence in the U.S. economic infrastructure, both here and abroad. It seems there are daily reports of additional bailout funds needed, misappropriation of government funds already approved, rating downgrades, and speculation as to where the next bubble to burst will be. The troubles surrounding AIG, although not emanating from their insurance operations, seemed to serve as an impetus drawing the life insurance industry squarely into the middle of the financial crisis spotlight.

Although we have fared far better than most, we have not been immune to the gyrations in our industry. As recently as two weeks ago, prior to announcing our fourth quarter and year-end financial results, National Western’s Class A Common Shares listed on the NASDAQ exchange (“NWLI”) had traded as low as \$52 to \$53 per share despite our consistently published book value per share amount in excess of \$270. Since that time our share price has more than doubled to over \$100 per share demonstrating that market sentiment rather than company fundamentals was the driver behind the drop in value.

The primary area of perceived concern involving the life insurance industry was centered on the value, or lack thereof, of an insurer’s investment portfolio holdings since the industry is a major participant in the fixed income security market. The illiquidity in the credit markets arising from the housing industry calamity caused severe devaluations in insurer holdings in many of these securities. Exasperating the situation were generally accepted accounting principles (GAAP) that require stringent accounting and reporting guidelines for securities with fair values appreciably below their cost. In these situations, companies are required to impair the security down to its fair value even if the holder has the ability and intent to retain the security until its maturity. With a credit market that reflected many fixed income securities at distressed values, insurers were obligated to report sizable investment losses on their portfolios, in some cases in excess of \$1 billion.

National Western was fortunate compared to other companies in that our investment philosophy, which emphasizes diversification, minimizing concentration of risk, and careful credit analysis, resulted in a relatively low level of investment losses. As reported in our Form 10-K filing, we incurred impairment losses of approximately \$27 million on a portfolio of \$5.6 billion, or less than 0.5%. While we are ever diligent in monitoring our investment holdings, we are confident that our investment guidelines, philosophy, and Board of Directors oversight have positioned us solidly for the market challenges ahead. In a time when numerous insurers were reporting capital and surplus decreases and concerns due to their investment losses, National Western's statutory adjusted capital and surplus actually increased modestly in 2008 over the prior year level.

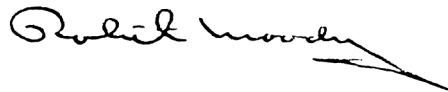
Another area of perceived concern involved life insurers with equity exposure from the sale of variable life and annuity products. This equity exposure combined with certain guarantees contained in these products precipitated additional losses for carriers in these markets. National Western does not offer variable products and consequently does not have this risk exposure in its business operations. We do offer life and annuity products which contain interest crediting mechanisms which may be linked, in part, to the performance of specified indices. Unlike variable products, we do not take on the investment risk with our products but instead hedge this product feature by purchasing call options to support any obligation we may have to our policyholders. In essence, we reinsure the equity feature in these products and prudently price into our products the cost of purchasing the call options.

In addition to our public company reporting requirements to the SEC, we are also required to produce financial statements for regulatory purposes under statutory accounting principles. These statements are filed with every state insurance department in which we do business (49 states excluding New York) and serve as the basis for the regulators in monitoring our financial solvency. At the end of calendar 2008, the Company's adjusted capital and surplus exceeded \$750 million. This amount represents retained earnings of the Company in excess of the prescribed policy benefit reserves we are required to hold. Regulators have specified formulas that are applied to an insurer's financial statements based upon the quality of assets and types of product and business risks undertaken in order to gauge an adequate level of capital and surplus, referred to as risk-based capital (RBC). As disclosed in the Company's filings with state insurers, the initial level of risk-based capital below which regulators would begin to take notice of National Western, referred to as the company action RBC level, was approximately \$85 million at the end of 2008. In other words, the Company's adjusted capital and surplus was nearly nine times the level regulators would consider appropriate given our assets and lines of business.

It is also worth noting that neither rating agency who independently assigns financial strength ratings to National Western, specifically A.M. Best and Standard and Poor's, have altered their view of the Company in the midst of this financial crisis. Even more significantly, A.M. Best has maintained its "positive" outlook for National Western while the Standard and Poor's outlook continues as "stable". In an environment in which financial strength ratings have been dropping regularly through weekly announcements from the rating agencies, it is very telling that National Western's ratings remain status quo.

For the benefit of those interested in the Company's financial well-being, a complete set of audited financial statements as filed with the SEC in our annual Form 10-K filing is available on our website (www.nationalwesternlife.com). In this filing we discuss our financial results and business operations in the most straightforward manner possible to facilitate an understanding of the Company. As in prior years, National Western's external auditors, KPMG LLP, again rendered unqualified or "clean" opinions both on our financial statements as well as on our system of internal controls over financial reporting illustrating our commitment to conservative and well-managed practices.

In our report to be included in the 2008 Annual Report, we will comment further on the well-being of National Western and why we believe the Company is financially positioned for security and stability. In the mean time, we hope that this communication helps to alleviate any concerns or misconceptions that may have arisen with the recent activity in the Company's share price. We remain committed to maintaining National Western as a solid financial entity and believe that the numbers back up that commitment. Thank you again for your confidence in and support of our endeavors.



Robert L. Moody
Chairman of the Board and
Chief Executive Officer



Ross R. Moody
President and
Chief Operating Officer

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