

## Northwestern Mutual Remains Strong Despite Markets

With the turmoil in the financial markets after this weekend's events – the bankruptcy filing of Lehman Brothers, the sale of Merrill Lynch to Bank of America, and the difficulties of AIG – many clients may seek reassurance that Northwestern Mutual remains financially sound.

It is. Northwestern Mutual is in a very strong financial position.

Any company operating in capital markets will feel some effects of this unprecedented market downturn, and Northwestern Mutual is not immune. However, our collective exposure to Lehman, Merrill, and AIG is limited, at less than 0.37% of invested assets of our general account portfolio. Northwestern Mutual is also providing a guaranty for the value of Lehman credit held in its subsidiary Russell's money market funds which total approximately \$764 million.

The general account is comprised of the invested assets that back the company's traditional portfolio-based life and disability insurance policies and annuities. Actively managed by the company's team of investment professionals, the objective of the general account is to produce superior returns that support consistent product value, high dividends and a strong surplus position.

We continue to manage our position during this debt liquidation crisis to ensure the long-term strength of our portfolio.

It's important to note that Northwestern Mutual's surplus was \$15.3 billion on June 30, 2008, with a surplus-to-reserves ratio of 13.5%. Our strong

surplus situation, combined with strong monthly cash flow, gives us exceptional positioning to take advantage of opportunities these turbulent markets may present. Asset diversification, active portfolio management, and a long-term investment perspective for the general account also contribute to the company's ability to weather market turbulence and limit our risk exposure.

The company's mutual structure has enabled us to take a longer term approach to asset management, with a singular focus on what is in the best long-term interests of our policyowners. Being a mutual company gives us an advantage because we are not attempting to achieve short-term objectives or trying to maximize earnings over one quarter, which could have compelled a higher risk investment strategy.

The portfolio's stable outlook is reflected in Northwestern Mutual's best possible insurance financial strength ratings from Fitch, Standard & Poor's, Moody's, and A.M. Best Company. In its November 2007 report, for example, Standard & Poor's noted that the company's "substantial surplus position and its long-term liability profile (predominantly participating whole-life policies) enable it to absorb short term volatility while maximizing long-term returns for the benefit of policyholders."

For more information about the Northwestern Mutual General Account, please refer to the *2007 Northwestern Mutual Life Insurance Company Investment Report* or to *The Power of the Portfolio: Northwestern Mutual's Investment Strategy for the General Account*.