OUR MUTUAL ADVANTAGE

Putting You First

Why being a mutual company matters
What’s a mutual company?

Some companies are public and traded on stock exchanges; others are nonprofit, family owned or co-ops. Just like our name says, we are a mutual. That means we’re formed for the benefit of our policyowners, not corporate owners or shareholders.

Our mutual structure aligns client and company interests. Succeeding for our policyowners is our mission, purpose and reason to exist.

Still true today ...

“The company is a mutual organization in the strictest and best sense. This is a company operated by the policyholders and for the best interests of the policyholders.”

- Examination of the Wisconsin Insurance Department, 1905
"Clients count on us to be a long-term partner in their financial planning. They ask us, 'Can I be assured that you're going to be around if I live into my 80s, 90s or beyond?' It's a natural question. We're trusted to be here for their future, to have the staying power and the performance to live up to our commitments. That's one reason, among many, why our exceptional financial strength and reputation for honoring our commitments remain two of our fundamentals – cornerstones of our company."

- John E. Schlifske, Chairman, President and Chief Executive Officer

**Strongest in the industry**

We consistently deliver for our clients because we focus on:

1. Careful underwriting and diligent management that keeps our costs lower than the industry average.¹

2. Properly matching clients and products — so clients buy what they need and keep what they have.

3. Smart investing of assets that brings better results.

**Unsurpassed**

Northwestern Mutual continues to earn the highest financial strength ratings awarded to any U.S. life insurer by all the major ratings agencies.²

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¹ Source: 2018 Fitch Ratings report

² Northwestern Mutual continues to have the highest financial strength ratings awarded to any U.S. life insurer by all four of the major rating agencies: A.M. Best Company, A++ (highest), April 2019; Fitch Ratings, AAA (highest), December 2018; Moody’s Investors Service, Aaa (highest), May 2019; S&P Global Ratings, AA+ (second highest), June 2018. Third-party ratings are subject to change. Ratings are for The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company.
Being a mutual company drives and defines Northwestern Mutual.

Every year, millions of clients entrust us with their financial futures. That’s because we continue to do what’s right for them.

Acting in the best interest of our policyowners

“Is what we’re doing in the best long-term interest of our policyowners?”

Our mutual values are distilled into this single question. From the products we develop to how we manage our finances, the answer to that question guides our decisions.

• We are the policyowners’ company. Public companies put shareholders first. As a mutual, we put policyowners first.

• Our financial representatives earn loyalty by helping clients gain confidence today and plan for a future of financial security, providing guidance and resources along the way.

• Northwestern Mutual has been in business since 1857. Our strength is unsurpassed and we’re consistently recognized for excellent financial management. That strength means we’ll be there when you need us.
OUR MUTUAL ADVANTAGE

Clients stay with us because our long-term strategy aligns with their long-range goals.

Take a long-term view

Many companies measure success by striving to hit quarterly targets that push their stock price higher. But we’re not a public company. We don't answer to shareholders.

Instead we take a long-term view. This allows us to focus all our energy on consistently delivering excellent value to clients. All the products we produce have long time horizons, and clients commonly keep them for decades. Our long-term view also guides everything from growing the business with capabilities that may take years to develop to investing policyowner assets in markets that are often unpredictable in the short term but have a proven record of growth over time.

Lasting relationships

Northwestern Mutual financial representatives and advisors partner with each client to understand their big picture and help them navigate what can seem like an overwhelming range of choices. It's their job to consider all the “what-ifs.” Then they tailor flexible solutions to address a client’s unique risk management, wealth accumulation, wealth preservation and distribution needs over time.

Dividends paid every year since 1872

Dividends are a significant and tangible benefit for mutual company policyowners. In a stock company, profits go to shareholders. All of our profits benefit our policyowners and are often paid to them in the form of policy dividends.³

Fair treatment for all

Some insurance companies favor certain clients or products over others through promotional pricing, subsidizing one product with assets from another or transferring risk from one group of policyowners to another. We don't. At Northwestern Mutual, no one gets a “deal” at the expense of their fellow policyowners. For clients, that means peace of mind that they’re being treated fairly.

Listening to you

Each year the Policyowners’ Examining Committee, a group made up of our policyowners, produces an independent evaluation of our operations, management and strategic plans. We include this evaluation in our online annual report (nmannualreport.com) so clients get an unbiased view of the company.

³ The dividend scale and the underlying dividend 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.
Providing Product Value

Maximizing product value is essential to fulfilling our commitment to doing what’s in our policyowners’ best interests. Here are the four primary ways we do this.

Careful Underwriting

“Underwriting” is the insurance industry term for choosing whom to insure and how much to charge for taking risk. Choosing well matters because what we save in claims can be returned to policyowners.

Low Expenses

Vigilance in keeping costs down has been a hallmark at Northwestern Mutual for decades and is an important factor contributing to the value we offer clients.

Ordinary Life Expenses as Percentage of Premium

<table>
<thead>
<tr>
<th>Product</th>
<th>2018</th>
<th>5-Year Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwestern Mutual</td>
<td>20.1%</td>
<td>19.1%</td>
</tr>
<tr>
<td>John Hancock</td>
<td>22.6</td>
<td>19.7</td>
</tr>
<tr>
<td>Lincoln</td>
<td>19.8</td>
<td>21.0</td>
</tr>
<tr>
<td>AXA</td>
<td>19.9</td>
<td>21.2</td>
</tr>
<tr>
<td>Guardian</td>
<td>21.7</td>
<td>21.9</td>
</tr>
<tr>
<td>Pacific Life</td>
<td>25.9</td>
<td>23.7</td>
</tr>
<tr>
<td>Prudential</td>
<td>23.4</td>
<td>24.7</td>
</tr>
<tr>
<td>Industry Average</td>
<td>26.2</td>
<td>25.5</td>
</tr>
<tr>
<td>New York Life</td>
<td>31.8</td>
<td>29.3</td>
</tr>
<tr>
<td>MassMutual</td>
<td>30.9</td>
<td>31.3</td>
</tr>
</tbody>
</table>

Source: S&P Global Market Intelligence. Prepared and calculated by Northwestern Mutual

Thanks to careful underwriting, our life insurance policies have been in force for an average of about 40 years by the time we pay a death claim. And because we have policyowners who tend to live longer, the overall cost of our claims is lower than the industry average, which is money we can return to policyowners.

Source: Society of Actuaries Intercompany Mortality Studies – all ages, select period, using the 1975-1980 basic table.
Policyowner Loyalty

Our policyowners keep what they have (what our industry calls “high persistency”). This reflects the “fit” of the product they own and their continued satisfaction.

Northwestern Mutual is a leader in persistency. This is good for policyowners because policyowners’ incoming premiums maintain a steady cash flow that adds to our investment portfolio and gives us a larger base of policyowners over which to spread expenses.

A company’s “lapse ratio” reflects people who stop paying their premiums. Our lapse ratio is significantly lower than the industry average.

### Lapse Ratio by Individual Life Insurance in Force

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>5-Year Average</th>
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<tbody>
<tr>
<td>Northwestern Mutual</td>
<td>3.7%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Prudential</td>
<td>4.2%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Guardian</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>MassMutual</td>
<td>4.7%</td>
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Source: S&P Global Market Intelligence. Prepared and calculated by Northwestern Mutual

Smart Investing

Money not used to pay claims can be invested, with the proceeds being returned to policyowners.

How we manage our investment portfolio is another way we provide superior value. We:

- Manage the company’s $205 billion portfolio to maximize total return by sourcing public and private investment opportunities. 4

- Construct a diversified asset allocation with the aim of achieving the highest long-term total return possible while preserving our unsurpassed financial strength.

- Continuously seek attractive investment opportunities tactically to drive additional returns.

### Allocation of Managed Assets

<table>
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<tr>
<th>Asset Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWER-RISK ASSETS</td>
<td>83%</td>
</tr>
<tr>
<td>For a stable foundation and current income</td>
<td></td>
</tr>
<tr>
<td>HIGHER-RISK ASSETS</td>
<td>17%</td>
</tr>
<tr>
<td>For greater return potential and incremental diversification</td>
<td></td>
</tr>
</tbody>
</table>

- 4% Investment-grade corporate bonds
- 17% Commercial mortgage-backed securities
- 11% Residential mortgage-backed securities
- 2% U.S. government securities
- 3% Emerging-market U.S. dollar debt
- 3% Asset-backed securities
- 2% Public common stock
- 5% Real estate equities
- 7% High-yield bonds
- 1% Collateralized loan obligations

Long-term target allocations. May not add up to 100% due to rounding.

4 As of December 31, 2018.
“The ambition of the Northwestern has been less to be large than to be safe; its aim is to rank first in benefits to policyowners rather than first in size. It [is] pre-eminently the policyowner’s company.”

– Executive Committee, 1888

We carry out our mutual values by:

• Doing what’s right.

• Taking a long-term view.

• Building long-term relationships.

• Maintaining exceptional financial strength.

This allows Northwestern Mutual to:

• Help people like you plan for a lifetime of financial security.

• Enable you to pursue your goals with confidence so you can Spend Your Life Living®.