

NATIONAL WESTERN LIFE INSURANCE CO  
Form 10-Q/A  
October 26, 2006

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

FORM 10-Q/A  
AMENDMENT NO. 1

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

For the Quarterly Period Ended June 30, 2006

**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 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, 2006, the number of shares of Registrant's common stock outstanding was: Class A - 3,420,824 and Class B - 200,000.

Explanatory Note

The purpose of this Amendment No. 1 to the Quarterly Report on Form 10-Q of National Western Life Insurance Company for the second quarter ended June 30, 2006 is to update the disclosures under Part I, Item 4. Controls and Procedures. This amended Form 10-Q/A does not attempt to modify or update any other disclosures set forth in the original Form 10-Q filed August 9, 2006, except for the matters discussed in Part I, Part 4, and continues to reflect circumstances as of the date of the original filing.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	(Unaudited) June 30, 2006	December 31, 2005
ASSETS	<hr/>	<hr/>

## Investments:

Securities held to maturity, at amortized cost	\$	3,618,542	3,524,724
Securities available for sale, at fair value		1,721,061	1,744,727
Mortgage loans, net of allowances for possible losses (\$0 and \$368)		105,908	110,639
Policy loans		86,502	86,385
Derivatives		35,927	39,405
Other long-term investments		26,457	30,013
		<u>5,594,397</u>	<u>5,535,893</u>
Total investments			
Cash and short-term investments		28,406	31,355
Deferred policy acquisition costs		649,829	620,129
Deferred sales inducements		90,974	80,450
Accrued investment income		63,384	61,283
Federal income tax receivable		4,559	2,107
Other assets		47,662	37,791
		<u>47,662</u>	<u>37,791</u>
	\$	<u>6,479,211</u>	<u>6,369,008</u>

Note: The condensed consolidated balance sheet at December 31, 2005, has been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) June 30, 2006	December 31, 2005
	<u>2006</u>	<u>2005</u>
<b>LIABILITIES:</b>		
Future policy benefits:		
Traditional life and annuity contracts	\$ 139,536	139,309
Universal life and annuity contracts	5,254,232	5,176,610
Other policyholder liabilities	113,559	100,557
Deferred Federal income tax liability	23,401	37,735

Other liabilities	<u>60,300</u>	<u>40,789</u>
Total liabilities	<u>5,591,028</u>	<u>5,495,000</u>
COMMITMENTS AND CONTINGENCIES (Notes 5 and 8)		
STOCKHOLDERS' EQUITY:		
Common stock:		
Class A - \$1 par value; 7,500,000 shares authorized; 3,446,482 issued and 3,433,653 outstanding in 2006 and 3,412,839 issued and outstanding in 2005	3,434	3,413
Class B - \$1 par value; 200,000 shares authorized, issued, and outstanding in 2006 and 2005	200	200
Additional paid-in capital	40,624	37,923
Accumulated other comprehensive income (loss)	(11,325)	10,564
Retained earnings	858,180	821,908
Less treasury stock at cost; 12,829 shares in 2006	<u>(2,930)</u>	<u>-</u>
Total stockholders' equity	<u>888,183</u>	<u>874,008</u>
	<u>\$ 6,479,211</u>	<u>6,369,008</u>

Note: The condensed consolidated balance sheet at December 31, 2005, has been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the Three Months Ended June 30, 2006 and 2005

(Unaudited)

(In thousands, except per share amounts)

	<u>2006</u>	<u>2005</u>
Premiums and other revenue:		
Traditional life and annuity premiums	\$ 4,097	3,932
Universal life and annuity contract revenues	25,598	24,642
Net investment income	66,323	79,488

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Other income	3,009	2,319
Realized gains on investments	<u>1,616</u>	<u>7,616</u>
Total premiums and other revenue	<u>100,643</u>	<u>117,997</u>
Benefits and expenses:		
Life and other policy benefits	7,646	9,432
Amortization of deferred policy acquisition costs	22,715	22,325
Universal life and annuity contract interest	23,565	39,172
Other operating expenses	<u>13,724</u>	<u>11,098</u>
Total benefits and expenses	<u>67,650</u>	<u>82,027</u>
Earnings before Federal income taxes	32,993	35,970
Provision for Federal income taxes:		
Current	9,286	11,592
Deferred	<u>1,480</u>	<u>280</u>
Total Federal income taxes	<u>10,766</u>	<u>11,872</u>
Net earnings	<u>\$ 22,227</u>	<u>24,098</u>
Basic Earnings Per Share	<u>\$ 6.13</u>	<u>6.70</u>
Diluted Earnings Per Share	<u>\$ 6.07</u>	<u>6.64</u>

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the Six Months Ended June 30, 2006 and 2005

(Unaudited)

(In thousands, except per share amounts)

	<u>2006</u>	<u>2005</u>
Premiums and other revenue:		
Traditional life and annuity premiums	\$ 8,088	7,413
Universal life and annuity contract revenues	52,554	48,590

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Net investment income	165,010	142,234
Other income	8,207	4,552
Realized gains on investments	3,039	8,584
	<u>          </u>	<u>          </u>
Total premiums and other revenue	236,898	211,373
	<u>          </u>	<u>          </u>
Benefits and expenses:		
Life and other policy benefits	19,088	20,660
Amortization of deferred policy acquisition costs	45,013	41,399
Universal life and annuity contract interest	79,613	66,527
Other operating expenses	39,098	22,141
	<u>          </u>	<u>          </u>
Total benefits and expenses	182,812	150,727
	<u>          </u>	<u>          </u>
Earnings before Federal income taxes	54,086	60,646
	<u>          </u>	<u>          </u>
Provision (benefit) for Federal income taxes:		
Current	20,773	17,884
Deferred	(2,959)	2,462
	<u>          </u>	<u>          </u>
Total Federal income taxes	17,814	20,346
	<u>          </u>	<u>          </u>
Net earnings	\$ 36,272	40,300
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
Basic Earnings Per Share	\$ 10.01	11.21
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
Diluted Earnings Per Share	\$ 9.91	11.11
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended June 30, 2006 and 2005

(Unaudited)

(In thousands)

	2006	2005
	<u>          </u>	<u>          </u>
Net earnings	\$ 22,227	24,098
	<u>          </u>	<u>          </u>

Other comprehensive income (loss) net of effects of deferred policy acquisition costs and taxes:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period	(9,898)	11,124
Reclassification adjustment for gains included in net earnings	(806)	(276)
Amortization of net unrealized losses (gains) related to transferred securities	1	(15)
Net unrealized gains (losses) on securities	(10,703)	10,833
Foreign currency translation adjustments	100	16
Other comprehensive income (loss)	(10,603)	10,849
Comprehensive income	\$ 11,624	34,947

See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2006 and 2005

(Unaudited)

(In thousands)

	2006	2005
Net earnings	\$ 36,272	40,300
Other comprehensive income (loss), net of effects of deferred policy acquisition costs and taxes:		
Net unrealized gains (losses) on securities:		
Net unrealized holding gains (losses) arising during period	(20,260)	1,243
Reclassification adjustment for gains included in net earnings	(1,698)	(505)
Amortization of net unrealized losses (gains) related to transferred securities	(96)	12
Net unrealized gains (losses) on securities	(22,054)	750
Foreign currency translation adjustments	165	185
Other comprehensive income (loss)	(21,889)	935

Comprehensive income	\$	14,383	41,235
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See accompanying notes to condensed consolidated financial statements.

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2006 and 2005

(Unaudited)

(In thousands)

	2006	2005
Common stock:		
Balance at beginning of year	\$ 3,613	3,584
Shares exercised under stock option plan	21	21
Balance at end of period	3,634	3,605
Additional paid-in capital:		
Balance at beginning of year	37,923	33,834
Shares exercised under stock option plan, including tax benefits	1,435	1,954
Liability awards exercised, including forfeitures	1,266	-
Stock option expense	-	509
Balance at end of period	40,624	36,297
Accumulated other comprehensive income:		
Unrealized gains on securities:		
Balance at beginning of year	10,401	25,032
Change in unrealized gains (losses) during period	(22,054)	750
Balance at end of period	(11,653)	25,782
Foreign currency translation adjustments:		
Balance at beginning of year	3,300	3,170
Change in translation adjustments during period	165	185
Balance at end of period	3,465	3,355
Minimum pension liability adjustment:		
Balance at beginning of year	(3,137)	(2,783)
Change in minimum pension liability adjustment during period	-	-

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Balance at end of period	<u>(3,137)</u>	<u>(2,783)</u>
Accumulated other comprehensive income (loss) at end of period	(11,325)	26,354