

EXHIBIT A

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8 Attorneys for Plaintiffs,
9 BRUCE M. KRALL, on behalf of themselves
10 and all others similarly situated

FILED
2010 OCT 25 PM 3:11
CLERK OF DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
SANTA ANA

11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA
13 CENTRAL DIVISION

14 BRUCE M. KRALL, on behalf of himself and all
15 others similarly situated,

16 Plaintiffs,

17 vs.

18 LIFE INSURANCE COMPANY OF THE
19 SOUTHWEST, and DOES 1 through 10,
20 inclusive,

21 Defendant.

Case No.: SACV 09-1043-JVS(RNBx)

Assigned for all purposes to the Honorable James V. Selna

**FOURTH AMENDED CLASS ACTION
COMPLAINT FOR FRAUD, NEGLIGENT
MISREPRESENTATION, AND
VIOLATION OF THE UNFAIR
COMPETITION LAW; DEMAND FOR
JURY TRIAL**

22 Plaintiff, BRUCE M. KRALL ("MR. KRALL"), by his attorneys, brings the action against
23 LIFE INSURANCE COMPANY OF THE SOUTHWEST ("LSW"), on behalf of himself and all
24 others similarly situated, and for this complaint allege, pursuant to his own investigation and
25 knowledge, and otherwise upon information and belief, as follows:

SYNOPSIS OF CASE

- 26 1. This class action is brought on behalf of all persons who, beginning in 2005, purchased a
27 Revolutionary Life Policy, California Policy Form number 8212CA in the state of California,
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and who have been damaged by LSW’s deceptive misrepresentations concerning performance of these contracts and the likelihood that benefits illustrated prior to purchase of the contracts could ever be achieved.

2. The LSW Revolutionary Policy is a life insurance contract where the interest credits to the contract’s investment portion referred to as the “Accumulated Value”. The “Accumulated Value” is based on LSW determined factors applied to a contractual formula using the performance of an external index such as the Standard & Poor’s 500 index without dividends.
3. To entice purchasers of these high-cost insurance contracts, LSW used printed illustrations touting the benefits of the “historical performance” of the Standard & Poor’s 500 index in an amount far greater than the Standard & Poor’s 500 index actually returned. LSW deliberately misrepresented the actual rates of return of the Standard & Poor’s 500 index in the printed LSW Revolutionary Life Policy Illustrations to achieve millions of dollars of sales from unsuspecting policyholders and to maximize its sales and profits.
4. Plaintiffs allege that LSW’s conduct was fraudulent, negligent, in violation of California Insurance Code Sections 10509.950 et seq. and in violation of the Unfair Competition Law. Plaintiffs also allege that LSW committed fraud at the point of sale of these insurance contracts with Plaintiff and class members.

JURISDICTION AND VENUE

5. MR. KRALL purchased his LSW Revolutionary Life insurance policy from Defendant while living in Orange County, California and he paid his premiums were paid from Orange County, California. Defendant is incorporated and organized under the laws of the State of Texas and has its corporate headquarters at 1300 West Mockingbird Lane, Dallas, Texas 75247-4921.
6. Upon information and belief, the amount in controversy exceeds \$5,000,000 for representative Plaintiffs and class members collectively, exclusive of interest and costs, by virtue of the combined increase of premium to all class members nationwide, and the revenue and profit reaped by Defendant from its transactions with Plaintiff and the Class, as a direct

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1 and proximate result of the wrongful conduct alleged herein, and by virtue of the statutory
2 damages alleged herein and equitable relief sought.

3 7. Venue is proper within the State of California. Defendant maintains offices, has agents,
4 transacts business, and is found within this state. Moreover, a substantial part of the events
5 and omissions giving rise to the claims alleged herein arose in part within this state.

6 **PARTIES**

7 8. Plaintiff, BRUCE M. KRALL, is a former policyholder of a Revolutionary Life insurance
8 policy issued by the LIFE INSURANCE COMPANY OF THE SOUTHWEST with Policy
9 Number LS0136686 and under policy form 8212CA(0305). Plaintiff purchased his policy on
10 March 27, 2007 from an LSW appointed agent (Gerald Wolfe). MR. KRALL currently
11 resides in Ladera Ranch, CA. See Exhibit "A", BRUCE M. KRALL's LSW Revolutionary
12 Life policy.

13 9. Defendant LIFE INSURANCE COMPANY OF THE SOUTHWEST is a stock life insurer
14 that is wholly owned by National Life Insurance Company of Montpelier, Vermont, a
15 member of a mutual holding company. LSW's life insurance revenue for 2008 was \$174
16 million and annuity revenue was slightly over \$1 billion. The company is licensed in all
17 states of the United States of America except for New York State as well as the District of
18 Columbia. LSW is a Texas domiciled life insurer with its main administrative office in
19 Dallas, Texas with an additional administrative office in Montpelier, Vermont. National Life
20 Insurance Company is wholly owned by its policyholders. See Exhibit "B", Life Insurance
21 Company of the Southwest's 2009 Annual Statement.

22 10. The true names or capacities, whether individual, corporate, associate, or otherwise, of
23 Defendants, DOES 1 through 10, are unknown to plaintiff who therefore sues said
24 Defendants by such fictitious names. Plaintiff is informed and believes and on such
25 information and belief alleges that each of the Defendants sued herein as a DOE is legally
26 responsible in some manner for the events and happenings referred to herein, and will ask
27 leave of this court to amend this complaint to insert their true names and capacities in place
28 and instead of the fictitious names when the same become known to plaintiff.

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PLAINTIFF BRUCE M. KRALL

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11. Plaintiff MR. KRALL purchased policy number LS0136686 from LSW through its then appointed insurance agent Gerald Wolfe of Juris Wealth Management of 8001 Irvine Center Drive, 4th floor, Irvine, CA 92618. Mr. Wolfe used the title when signing letters “Attorney at Law & Wealth Coach.” Mr. Wolfe represented to MR. KRALL at all times that he was a California licensed insurance agent representing LSW. Plaintiff MR. KRALL relied on the special knowledge, training and skill of LSW’s appointed and licensed insurance agent Wolfe and the representations made in the written illustrations dated November 29, 2006 and insurance policy materials when he purchased the LSW Policy. MR. KRALL also relied on Wolfe’s written promises and specialized training and knowledge based on his representations that he was a licensed California insurance agent in purchasing this LSW policy.

12. On November 29, 2006, KRALL was presented a Life Insurance Illustration by Wolfe on LSW letterhead and clearly marked as a document from LSW. *See Exhibit “C.”* In the Life Insurance Illustration, LSW represented the following notable facts about the LSW Revolutionary Life insurance policy form 8212CA(0305):

- On Page 10, LSW stated that the “assumed interest rate” for Equity Indexed Strategy I based upon the historical performance, from 1984 to the present, of the S&P 500 Index with a Participation Rate of 140.00% and an Index Earnings Cap of 10.00% was 8.40%.

13. Based on the affirmative representations in the LSW Illustration of November 29, 2006 and the expectations set forth about its performance, MR. KRALL purchased LSW Revolutionary Life insurance form number 8212CA(0305) with an effective date of March 27, 2007 when he was age 47. The Face Amount was \$5,175,000. The planned premium was \$180,000 payable annually. The contract had a Percent of Premium Expense Charge of 5%, Monthly Administrative Charge of \$2,462.42 and a Monthly Policy Fee of \$5. The surrender charge for accessing the accumulated value was \$98,635.50 in the first year, \$143,709.75 in the second year then reducing

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1 annually from there to zero in contract years 11 and later.

2 14. After consideration of the suggestions from LSW and Wolfe, MR. KRALL agreed to
3 Equity Indexed Strategy 1 – Point to Point Index with an Initial Participation Rate of
4 140% and an initial Earnings Cap of 10%.

5 15. MR. KRALL paid two annual premiums or a total of \$360,000 as of October 1, 2009.

6 16. After seeing the Policy value diminish rapidly, on October 8, 2009, MR. KRALL
7 surrendered the LSW Policy (*See* Exhibit “D”). At the time of surrender, the
8 Accumulated Cash Value in MR. KRALL’s LSW Policy was \$273,041.59. MR.
9 KRALL then paid a \$127,719 “Surrender Penalty” and was sent a check for
10 \$145,322.59. As a result of the misleading representations made to him by LSW in
11 its Illustration of November 29, 2006, MR. KRALL paid \$360,000 in premium
12 dollars and subsequently received only \$145,322.59. MR. KRALL lost \$214,677.41
13 while owning this LSW Policy from March 27, 2007 to October 8, 2009.

14 17. MR. KRALL relied on the November 29, 2006 LSW Illustration to his detriment.
15 LSW falsely represented on Page 10 of the Illustration that the Assumed Interest Rate
16 for Equity Index Strategy 1 based upon historical performance, from 1984 to the
17 present, of the S & P 500 Index with a Participation Rate of 140.00% and Index
18 Earnings Cap of 10.00% was 8.4%. The subsequent pages in the Illustration (i.e.
19 pages 12 to 15) used a current weighted average interest rate of 7.69% in the first year
20 and then rates greater than 8.01% after policy year two. The Illustration culminates
21 with a rate of 8.39% in policy year fifty five (55) by estimating a projected
22 Accumulated Policy Value of greater than 80 million dollars (\$80,093,928 on page
23 13).

24 18. LSW knew the representation of the 8.4% rate was false when it authorized ad
25 ratified the presentation of this November 29, 2006 Illustration to KRALL as part of
26 the sales process. LSW knew and expected consumers like MR. KRALL would rely
27 on the Illustration in purchasing the LSW Revolutionary Life Insurance Policy.

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19. Attached as Exhibit "E" is the Declaration of David N. Fuller CFA, ASA. Mr. Fuller is an expert in financial valuation consulting services with more than twenty years experience in this field. Mr. Fuller recreated the historical performance as represented by the LSW November 29, 2006 Illustration using the same parameters- notably from Page 10 of the Illustration "from 1984 to the present, of the S & P 500 Index with a Participation Rate of 140.00% and Index Earnings Cap of 10.00%" and found that "...8.4% was not historically achievable over any 10-year period or longer." According to Mr. Fuller, "...since 1926 to 2006, there were only two five-year periods when this level of return could have been achieved or exceeded. The first was 1984-1989 and the second was 1994-1999. Historically, the highest 10-year and 20-year periods for Index Strategy 1 were 7.5%." See Paragraph 11 of the Declaration of David N. Fuller CFA, ASA, attached hereto as Exhibit "E".

20. Based on the LSW Illustration dated November 29, 2006, MR. KRALL purchased the LSW Policy and paid \$360,000 in premiums. He justifiably and reasonably relied on the Policy values based on the specialized nature of the product as it was presented by LSW and its appointed agent Gerald Wolfe. As a result, MR. KRALL lost more than \$200,000 when he surrendered the Policy on October 8, 2009.

LSW VIOLATED CALIFORNIA INSURANCE CODE SECTION 10509-955 (b) BY MISLEADING KRALL AS TO THE "NONGUARANTEED" ELEMENTS IN THE REVOLUTIONARY LIFE POLICY

21. At Page 10 of the November 29, 2006 Illustration presented to Mr. Krall by Wolfe and titled "Non-Guaranteed Assumed Interest Rate Disclosure", LSW represented that there were nonguaranteed Participation Rates and Index Earnings Cap for the Equity Indexed Strategies. However, LSW never identified the Participation Rate and Earnings Rates that were "nonguaranteed".

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1 22. A reasonable consumer reading Page 10 of the November 29, 2006 Illustration would
2 not be able to determine that the contractually guaranteed Participation Rate was
3 really 100% and **not** the 140% quoted throughout the Policy Illustration or that the
4 Indexed Earnings Cap was actually only guaranteed minimally at 3% and **not** the
5 10% as used throughout the Policy Illustration to show potential Accumulated Policy
6 Values. There was nothing in the Illustration presented to MR. KRALL on that day
7 or ever that clearly showed the contractually guaranteed elements for the Participation
8 Rate and Earnings Cap versus the nonguaranteed elements. Instead, LSW mixed and
9 matched the guaranteed and nonguaranteed rates and caps together confusing the
10 purchaser and in violation of California law. This is a misleading description of non-
11 guaranteed elements prohibited by California Insurance Code 10509.955 (b)(2).

12 23. The LSW Illustration presented to Mr. Krall on November 29, 2006 violated the
13 following statutory requirements contained in the California Insurance Code Sections
14 because:

- 15 1) Under 10509.955 (a) (2), it failed to identify the business address of the
16 producer or insurer's authorized representative, Mr. Gerald Wolfe;
- 17 2) Under 10509.955 (a) (5), it failed to identify the form number as the Policy
18 Form stated on the illustrations was 8212(0305) and the policy form issued to
19 Mr. Krall was 212CA(0305);
- 20 3) Under 10509.955 (b) (4), LSW is prohibited from using a Policy Illustration
21 that did not comply with the requirements of the California Insurance Code;
- 22 4) Under 10509.956 (a) (8), the guaranteed elements were not shown before the
23 corresponding nonguaranteed elements;
- 24 5) Under 10509.956 (c) (1) (C) (ii), LSW was required to use the nonguaranteed
25 credited interest at rates that were the average of the guaranteed rates and the
26 rates contained in the Illustration scale and LSW did not.
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CLASS ACTION ALLEGATIONS

24. Plaintiff brings this action on behalf of himself and on behalf of all other members of the Class, defined as:

All LSW former and current policyholders who purchased the LSW Revolutionary Life policy form number 8212CA(0305) or predecessor or subsequent forms from LSW from 2005 to the present in the State of California, and who at the time of purchase or policy delivery were presented with a Policy Illustration that misrepresented the historical rate of return of the S&P 500 Index as filtered through the LSW Revolutionary Life Policy’s parameters.

25. Upon information and belief, there are hundreds of class members throughout the State of California. Therefore, individual joinder of all members of the Class would be impracticable.

26. Common questions of law or fact exist as to all members of the Class. These questions predominate over the questions affecting only individual class members.

These common legal or factual questions include:

- a. Whether LSW falsely presented the Accumulated Policy Values as part of its Revolutionary Life Policy Illustrations for policy form number 8212CA(0305) or predecessor or subsequent forms from LSW from 2005 to the present in the State of California;
- b. Whether LSW’s actions described herein violate California’s Unfair Competition Laws;
- c. Whether LSW breached its contracts with the Plaintiff and the Class; and
- d. The appropriate measure of damages, restitution and/or other remedies.

27. Plaintiff’s claims are typical of the claims of the Class, in that Plaintiffs are LSW Revolutionary Life policyholders who were not informed of LSW’s conduct alleged throughout this Third Amended Complaint, and have received notice that LSW is not providing expected benefits under the contract.

28. Plaintiff is an adequate representative of the Class because his interests do not conflict with the interests of the class members he seeks to represent, and he has retained counsel competent and experienced in conducting complex class action

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1 litigation. Plaintiff and his counsel will adequately protect the interests of the Class.
 2 29. A class action is superior to other available means for the fair and efficient
 3 adjudication of this dispute. The damages suffered by each individual class member
 4 likely will be relatively small, especially given the burden and expense of individual
 5 prosecution of the complex litigation necessitated by LSW's conduct. Thus, it would
 6 be virtually impossible for the class members individually to effectively redress the
 7 wrongs done to them. Moreover, even if the class members could afford individual
 8 actions, it would still not be preferable to class wide litigation. Individualized actions
 9 present the potential for inconsistent or contradictory judgments. By contrast, a class
 10 action presents far fewer management difficulties and provides the benefits of single
 11 adjudication, economies of scale, and comprehensive supervision by a single court.

FIRST CAUSE OF ACTION

(Fraud)

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 14 30. Plaintiff hereby repeats and realleges the foregoing paragraphs of this Third
 15 Amended Complaint and incorporates the same as though fully set forth herein.

16 31. LSW falsely represented on Page 10 of the Illustration that the Assumed Interest Rate
 17 for Equity Index Strategy 1 based upon historical performance, from 1984 to the
 18 present, of the S & P 500 Index with a Participation Rate of 140.00% and Index
 19 Earnings Cap of 10.00% was **8.4%**. The subsequent pages in the Illustration (i.e.
 20 pages 12 to 15) used a current weighted average interest rate of 7.69% in the first year
 21 and then rates greater than 8.01% after policy year two. The Illustration culminates
 22 with a rate of 8.39% in policy year fifty five (55) by estimating a projected
 23 Accumulated Policy Value of greater than 80 million dollars (\$80,093,928 on page
 24 13).

25 32. LSW knew the representation of the 8.4% rate was false when it authorized ad
 26 ratified the presentation of this November 29, 2006 Illustration to KRALL as part of
 27 the sales process. LSW knew and expected consumers like MR. KRALL would rely
 28 on the Illustration in purchasing the LSW Revolutionary Life Insurance Policy.

- 1 33. Attached as Exhibit "E" is the Declaration of David N. Fuller CFA, ASA. Mr. Fuller
2 is an expert in financial valuation consulting services with more than twenty years
3 experience in this field. Mr. Fuller recreated the historical performance as
4 represented by the LSW November 29, 2006 Illustration using the same parameters-
5 notably from Page 10 of the Illustration "from 1984 to the present, of the S & P 500
6 Index with a Participation Rate of 140.00% and Index Earnings Cap of 10.00%" and
7 found that "...8.4% was not historically achievable over any 10-year period or
8 longer." According to Mr. Fuller, "...since 1926 to 2006, there were only two five-
9 year periods when this level of return could have been achieved or exceeded. The
10 first was 1984-1989 and the second was 1994-1999. Historically, the highest 10-year
11 and 20-year periods for Index Strategy 1 were 7.5%." See Paragraph 11 of the
12 Declaration of David N. Fuller CFA, ASA, attached hereto as Exhibit "E".
- 13 34. Mr. Fuller stated under oath that "The stated period "from 1984 to present" for Index
14 Strategy 1...would not have grown at an 8.4% CAGR [compounded annual growth rate].
15 Depending on the actual dates applied, the actual CAGR for SPX with the portfolio
16 restrictions from 1984 would have been approximately **6.8%**. If the historical average five-
17 year growth rate had been applied in the Defendant's projections, the results in the
18 Defendant's presentation to the Plaintiffs would have been materially different. The average
19 5-year return for Index Strategy 1, with the Portfolio Restrictions, was 5.9% since 1926
20 through the end of 2006, as calculated in Schedule A.2. In the 55-year example, if a
21 hypothetical client invested \$1.00 at 8.38%, at the end of 55 years, the \$1.00 would have
22 compounded to \$83.60. If the same client invested \$1.00 at the 20-year historical average of
23 6.0%, he would have \$24.65 at the end of 55 years. By increasing the rate approximately
24 2.4% over 55 years, the projected ending value is ***inflated by approximately 240%***." See
25 Declaration of David N. Fuller CFA, ASA, attached hereto as Exhibit "E".
- 26 35. LSW made these affirmative misrepresentations to MR. KRALL, and engaged in this
27 fraudulent conduct, with the purpose of inducing Plaintiff to rely upon them and to
28 act in reliance thereon. Plaintiff justifiably relied upon LSW's written representations

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and specifically the November 29, 2006 Illustration and KRALL further reasonably relied upon LSW to not conceal from him material information regarding the historical performance, from 1984 to the present, of the S & P 500 Index with a Participation Rate of 140.00% and Index Earnings Cap of 10.00% and its impact on cost, benefits, cash values, and out of pocket premiums payable by LSW under this Policy.

36. As a result of Plaintiff's reliance on these representations and lack of knowledge of such fraud, Plaintiff suffered economic losses as outlined above and incorporated herein and consequential damages in an amount to be proven at the time of trial.

37. Based on the LSW Illustration dated November 29, 2006, KRALL purchased the LSW Policy and paid \$360,000 in premiums. He justifiably and reasonably relied on the Policy values based on the specialized nature of the product as it was presented by LSW and its appointed agent Gerald Wolfe. KRALL lost more than \$200,000 when he surrendered the Policy on October 8, 2009. See Exhibit "D".

38. The aforementioned acts were performed by LSW with malice, fraud, and oppression and were authorized and ratified by directors, officers and managing agents of defendant compelling and warranting the imposition of punitive damages.

SECOND CAUSE OF ACTION

(Negligent Misrepresentation)

39. Plaintiff hereby repeats and realleges all of the foregoing paragraphs of this Third Amended Complaint and incorporate the same as though fully set forth herein.

40. LSW negligently failed to reveal the accurate Accumulated Policy Value information to Plaintiff KRALL, and intended by this misrepresentation and omission to induce Plaintiff KRALL to alter his position and purchase the LSW Policy (Exhibit "A") with the expectation that the income provided by such Policy would be greatly in excess of the income LSW was aware was likely to be provided. Plaintiff was ignorant of the truth concealed by LSW, and acted in justifiable reliance on LSW's misconduct in purchasing and paying on the Policy.

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THIRD CAUSE OF ACTION

(Unfair Competition)

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41. Plaintiff hereby repeats and realleges the foregoing paragraphs of this Third Amended Complaint and incorporate the same as though fully set forth herein.

42. As alleged herein, LSW prepared a false and misleading illustration that indicated a certain result even though LSW knew that such a result was not achievable thereby misleading consumers and misrepresenting what the Policy could actually do. LSW's Policy language itself also provided no language informing a reasonable person that its sales promises and representations should be ignored and were not true. Plaintiff relied on these materials, including LSW's affirmative false disclosure when evaluating whether to purchase the Policy.

43. After selling the Policy in this manner, and despite providing written literature and statements to Plaintiff encouraging the retention of the Policy, LSW did not inform Plaintiff that its illustrated result was not sustainable and that it was impossible for the results to occur as promised on the illustration.

44. As a result of Plaintiff's reasonable reliance on these representations and lack of knowledge of such false statements, Plaintiff purchased the Policy and suffered economic losses as outlined above and incorporated herein and consequential damages in an amount to be proven at the time of trial.

45. Such conduct constitutes unfair competition as defined under California law and *California Business & Professions Code* section 17200 et seq. ("UCL"), constituting unfair, fraudulent, and/or unlawful business practices, and further constitutes false advertising under *California Business & Professions Code* section 17500 et seq. and *California Insurance Code* section 790.03, et. seq. Plaintiffs have suffered the required injury in fact, and have lost money or property, as the result of LSW's misconduct described above, conferring Plaintiff with standing to proceed with this UCL claim.

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46. Plaintiff respectfully requests that the Court enjoin LSW from future acts of those described herein and to apply equitable remedies to cure the harms suffered by Plaintiff and others as a proximate result of defendants' conduct.

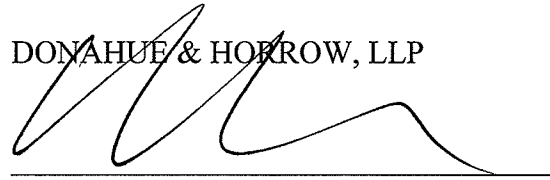
47. Such injunctive relief will confer on the general public significant benefits. Such enforcement of these rights under their policies is necessary to halt defendants' conduct and to restore the benefits lost to thousands of covered persons, and the financial burden of such enforcement is, in the interests of justice, borne by the responsible parties. Thus, an award of attorney's fees for prosecution of this cause of action, and all fees incurred in proving the merits of same, to Plaintiff's counsel payable by defendants, is appropriate under *Code of Civil Procedure* section 1021.5 or upon any other basis approved by the Court.

WHEREFORE, Plaintiff prays for judgment against defendants as follows:

1. Compensatory damages against defendants in an amount to be proven at trial, including any damages as may be provided for by statute;
2. Punitive damages in an amount appropriate to punish or set an example of these defendants;
3. Reasonable attorneys' fees;
4. An injunction restraining LSW from engaging in the above-referenced UCL violations and notifying affected California policyholders of certain facts;
5. For costs of suit incurred herein; and
6. For such other and further relief as the court deems just and proper.

DATED: October 22, 2010

DONAHUE & HORROW, LLP



MICHAEL B. HORROW
Attorneys for Plaintiff

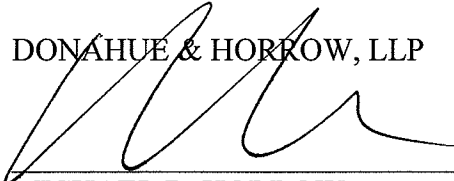
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DEMAND FOR JURY TRIAL

Plaintiff hereby demands a trial by jury on all causes of action and/or issues so triable.

DATED: October 22, 2010

DONAHUE & HORROW, LLP


MICHAEL B. HORROW
Attorneys for Plaintiff

DONAHUE & HORROW, LLP

EXHIBIT "A"

We, Life Insurance Company of the Southwest, agree to pay the Death Benefit to the Beneficiary, subject to the terms of this policy, when we receive at our Administrative Office due proof that the Insured died while this policy was in force.

Equity-Indexed Flexible Premium Adjustable Benefit Life Insurance. Flexible premiums are payable through the end of the Premium Payment Period or until the prior death of the Insured. The adjustable Death Benefit is payable upon the death of the Insured. This policy is nonparticipating.

Right to Review Policy. This policy, at any time within ten days after its receipt by the Owner, may be returned in person or by mail to us or to the agent through whom it was bought. Upon such return, the policy will be deemed void as of its Effective Date. We will then refund any premium paid.

Effective Date:	03/27/2007
Policy Number:	LS0136686
Face Amount:	\$5,175,000
Insured:	Bruce M Krall
Issue Age:	47
Owner:	As stated in the application unless later changed
Beneficiary:	As stated in the application unless later changed

The data and the terms on this and all following pages are part of this policy.

This contract is a legal contract between the contract Owner and Life Insurance Company of the Southwest. READ YOUR POLICY CAREFULLY.

Signed for Life Insurance Company of the Southwest at Dallas, Texas, as of the Date of Issue, by

Thomas H. Malen

Chairman of the Board

Walter H. Mayo

President

Jacque Lynn Benton

Secretary



LIFE INSURANCE COMPANY OF THE SOUTHWEST

ADMINISTRATIVE OFFICE MAILING ADDRESS:
LIFE INSURANCE COMPANY OF THE SOUTHWEST, ONE NATIONAL LIFE DRIVE, MONTPELIER, VT 05604
CUSTOMER SERVICE: 800-732-8939

HOME OFFICE ADDRESS:
LIFE INSURANCE COMPANY OF THE SOUTHWEST, 1300 WEST MOCKINGBIRD LANE, DALLAS, TX 75247
LSW IS A STOCK COMPANY.

CUSTOMER SERVICE INFORMATION

We are here to serve you

As our policyholder, your satisfaction is very important to us. Should you have a valid claim, or any question about the policy or the premium for it, we fully expect to provide service promptly and fairly. If you do have any questions, please contact the agent who sold the policy or write or call our administrative offices:

Life Insurance Company of the Southwest ("LSW")

**One National Life Drive
Montpelier, Vermont 05604
Attention: Customer Service**

Telephone: 1-800-732-8939

Should you feel you are not being treated fairly, we want you to know you may contact the California Department of Insurance with your complaint and seek assistance from the governmental agency that regulates insurance.

To contact the Department, write or call:

**Consumer Services Division
California Department of Insurance
300 So. Spring Street
Los Angeles, California 90013**

Consumer Hotline: 1-800-233-9045

UA53HM

DATA SECTION

POLICY NUMBER: LS0136686

EFFECTIVE DATE: MAR. 27, 2007

MATURITY DATE: MAR. 27, 2080

INSURED: BRUCE M KRALL

ISSUE AGE: 47

FACE AMOUNT: \$5175000

OWNER: AS STATED IN THE APPLICATION UNLESS LATER CHANGED
BENEFICIARY: AS STATED IN THE APPLICATION UNLESS LATER CHANGED

MONTHLY POLICY DATE: 27TH

DEATH BENEFIT OPTION: B

MINIMUM MONTHLY PREMIUM: \$4641.36
PLANNED PERIODIC PREMIUM: \$180000.00 PAYABLE ANNUALLY
FOR PREMIUM PAYMENT PERIOD: MAR. 27, 2007 TO MAR. 27, 2080

THIS POLICY MAY TERMINATE PRIOR TO THE END OF THE PREMIUM PAYMENT PERIOD IF PREMIUMS PAID ARE INSUFFICIENT TO CONTINUE COVERAGE. PREMIUMS IN ADDITION TO THE PLANNED PERIODIC PREMIUM MAY BE NECESSARY TO KEEP THIS COVERAGE IN FORCE.

POLICY LOANS AND WITHDRAWALS WILL REDUCE THE CASH SURRENDER VALUE OF THIS POLICY AND MAY RESULT IN TERMINATION OF THIS POLICY PRIOR TO THE DEATH OF THE INSURED.

MINIMUM FACE AMOUNT: \$25000.00
WITHDRAWAL FEE: \$25.00 FOR EACH WITHDRAWAL

ADDITIONAL BENEFIT RIDERS:
RIDER FOR ACCELERATED BENEFITS 1
RIDER FOR ACCELERATED BENEFITS 2
RIDER FOR ACCELERATED BENEFITS 3
OVERLOAN PROTECTION RIDER

THE LOAN INTEREST RATE IS VARIABLE. THE LOAN INTEREST RATE AT THE EFFECTIVE DATE IS 5.80%.

DATA SECTION

GUARANTEED BASIS OF CALCULATIONS

FACE AMOUNT: \$5175000
 EFFECTIVE DATE: MAR. 27, 2007

ACCUMULATED VALUE INTEREST RATE: 0.16516% COMPOUNDED MONTHLY, WHICH IS
 EQUIVALENT TO 2.00% COMPOUNDED PER YEAR

MORTALITY TABLE: COMMISSIONERS 2001 CSO ULTIMATE MALE NON-SMOKER
 AGE LAST BIRTHDAY

THE INSURED HAS BEEN CLASSIFIED A PREFERRED NON-TOBACCO.

TABLE OF GUARANTEED MAXIMUM COST OF INSURANCE RATES
 (PER \$1,000 PER MONTH)

ATTAINED AGE	RATE	ATTAINED AGE	RATE	ATTAINED AGE	RATE
47	.03710	72	2.60426	97	26.45342
48	.04859	73	2.88497	98	28.14901
49	.05963	74	3.18679	99	29.96423
50	.07509	75	3.51565	100	31.70427
51	.09497	76	3.88671	101	33.25265
52	.34679	77	4.31857	102	34.90475
53	.38431	78	4.82063	103	36.66691
54	.43185	79	5.38383	104	38.53573
55	.48524	80	6.01260	105	40.51145
56	.54029	81	6.69705	106	42.61697
57	.59369	82	7.42303	107	44.86020
58	.64709	83	8.21697	108	47.25110
59	.70967	84	9.10125	109	49.79713
60	.78562	85	10.08656	110	52.50694
61	.87827	86	11.17261	111	55.39319
62	.98597	87	12.34897	112	58.46521
63	1.10372	88	13.60255	113	61.73550
64	1.22650	89	14.92103	114	65.21324
65	1.35433	90	16.23779	115	68.91186
66	1.48387	91	17.53725	116	72.84242
67	1.61928	92	18.90234	117	77.01849
68	1.76227	93	20.34569	118	81.45131
69	1.92286	94	21.87059	119	83.33333
70	2.11028	95	23.38520	MATURITY	83.33333
71	2.33795	96	24.86843	DATE	

DATA SECTION

DEFINITION OF LIFE INSURANCE TEST: GUIDELINE PREMIUM TEST

GUIDELINE SINGLE PREMIUM: \$1323512.31
 GUIDELINE LEVEL PREMIUM: \$281426.79

TABLE OF DEATH BENEFIT STANDARD FACTORS

ATTAINED AGE	DEATH BENEFIT FACTOR	ATTAINED AGE	DEATH BENEFIT FACTOR	ATTAINED AGE	DEATH BENEFIT FACTOR
47	2.030	59	1.340	71	1.130
48	1.970	60	1.300	72	1.110
49	1.910	61	1.280	73	1.090
50	1.850	62	1.260	74	1.070
51	1.780	63	1.240	75 - 90	1.050
52	1.710	64	1.220	91	1.040
53	1.640	65	1.200	92	1.030
54	1.570	66	1.190	93	1.020
55	1.500	67	1.180	94+	1.010
56	1.460	68	1.170		
57	1.420	69	1.160		
58	1.380	70	1.150		

DATA SECTION

FACE AMOUNT: \$5175000
EFFECTIVE DATE: MAR. 27, 2007

AS OF THE EFFECTIVE DATE, THE FOLLOWING RATES ARE APPLICABLE TO INTEREST CREDITING STRATEGIES TO WHICH YOU MAY DIRECT YOUR PREMIUM. THESE RATES ARE IN EFFECT UNTIL FURTHER NOTICE.

FIXED-TERM STRATEGY

FIXED-TERM SEGMENT LENGTH:	5 YEARS
MINIMUM FIXED-TERM SEGMENT INTEREST RATE:	2.00% ANNUAL EFFECTIVE RATE
INITIAL FIXED-TERM SEGMENT INTEREST RATE:	4.25% ANNUAL EFFECTIVE RATE

EQUITY INDEXED STRATEGY 1 - POINT TO POINT INDEX:

	STANDARD & POOR'S 500 INDEX
EQUITY INDEXED TERM:	5 YEARS
INITIAL PARTICIPATION RATE:	140%
GUARANTEED MINIMUM PARTICIPATION RATE:	100%
INITIAL INDEX EARNINGS CAP:	10.00%
GUARANTEED MINIMUM INDEX EARNINGS CAP:	3.00%

EQUITY INDEXED STRATEGY 2 - POINT TO AVERAGE INDEX:

	STANDARD & POOR'S 500 INDEX
EQUITY INDEXED TERM:	5 YEARS
INITIAL PARTICIPATION RATE:	130%
GUARANTEED MINIMUM PARTICIPATION RATE:	30%
INITIAL INDEX EARNINGS CAP:	NO CAP
GUARANTEED MINIMUM INDEX EARNINGS CAP:	NO CAP

DATA SECTION

FACE AMOUNT: \$5175000
EFFECTIVE DATE: MAR. 27, 2007

PERCENT OF PREMIUM EXPENSE CHARGE: 5%

MONTHLY ADMINISTRATIVE CHARGE: \$2462.42

MONTHLY POLICY FEE: \$5.00

SURRENDER CHARGES

POLICY YEAR	SURRENDER CHARGE
1	\$98635.50
2	143709.75
3	127719.00
4	111728.25
5	95789.25
6	79850.25
7	63859.50
8	47920.50
9	31981.50
10	15990.75
11 AND LATER	0.00

DATA SECTION

ACCELERATED BENEFITS RIDER 1

POLICY NUMBER: LS0136686
INSURED: BRUCE M KRALL
EFFECTIVE DATE: MAR. 27, 2007
MONTHLY COST: NONE

DATA SECTION

DATA SECTION

ACCELERATED BENEFITS RIDER 2

POLICY NUMBER: LSO136686
INSURED: BRUCE M KRALL
EFFECTIVE DATE: MAR. 27, 2007
MONTHLY COST: NONE

DATA SECTION

ACCELERATED BENEFITS RIDER 3

POLICY NUMBER: LS0136686
INSURED: BRUCE M KRALL
EFFECTIVE DATE: MAR. 27, 2007
MONTHLY COST: NONE

DATA SECTION

DATA SECTION

OVERLOAN PROTECTION RIDER

POLICY NUMBER : LS0136686
 INSURED : BRUCE M KRALL
 EFFECTIVE DATE: MAR. 27, 2007

THE INSURED HAS BEEN CLASSIFIED A PREFERRED NON-TOBACCO.

PERCENT OF ACCUMULATED VALUE EXERCISE CHARGE

ATTAINED AGE	EXERCISE CHARGE PERCENTAGE	ATTAINED AGE	EXERCISE CHARGE PERCENTAGE	ATTAINED AGE	EXERCISE CHARGE PERCENTAGE
75	3.33	84	3.88	93	1.75
76	3.40	85	3.94	94	0.89
77	3.47	86	4.00	95	0.90
78	3.55	87	4.03	96	0.91
79	3.60	88	4.10	97	0.93
80	3.65	89	4.13	98	0.94
81	3.73	90	4.17	99+	0.97
82	3.79	91	3.39		
83	3.85	92	2.59		

DATA SECTION

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We, Life Insurance Company of the Southwest, agree to pay the Death Benefit to the Beneficiary, subject to the terms of this policy, when we receive at our Administrative Office due proof that the Insured died while this policy was in force.

GENERAL TERMS OF THIS POLICY

CONSIDERATION

This policy is issued in consideration of the application and payment of the first premium. We will incur no liability if no premium is paid.

ENTIRE CONTRACT

On the Effective Date the entire contract between the parties is this policy and a copy of the application and all riders and endorsements which are attached at issue. Any change of this contract must be written and may be made only by one of our authorized officers or registrars. We will send the Owner a copy of any application for a change which we approve. It and any additional Data Section shall become part of this contract on the effective date of such change.

REPRESENTATIONS

Any statement made by or for the Insured shall be deemed a representation and not a warranty. Unless such statement is in the attached application or in any subsequent application, it shall not be used to:

1. make this policy void; or
2. make any increase in Face Amount void; or
3. make any Reinstatement void; or
4. defend any claim.

INCONTESTABILITY

After this policy has been in force during the life of the Insured for two years from the Effective Date of the policy, we will not contest it; however,

1. we may contest any increase in Face Amount for which an application is required until such increase has been in force during the life of the Insured for two years from its Effective Date; and
2. we may contest any Reinstatement until such Reinstatement has been in force during the life of the Insured for two years from its Effective Date.

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**POLICY EFFECTIVE
DATES**

The insurance coverage goes into effect on the Effective Date shown in the Data Section.

Any increase in Face Amount for which an application is required shall become effective on the Monthly Policy Date on or next following the date we approve the application for such increase in Face Amount.

Any increase in Face Amount for which an application is not required shall become effective on the Monthly Policy Date on or next following the date we receive the request for such increase unless otherwise provided by the policy.

Any decrease in Face Amount requested shall become effective on the Monthly Policy Date on or next following the date we receive the request for such decrease.

Any Reinstatement of this policy shall become effective on the Monthly Policy Date on or next following the date we approve the application for Reinstatement.

Any change of Death Benefit Option shall become effective on the Monthly Policy Date on or next following the date we receive the request for such change.

**POLICY MONTHS,
YEARS AND
ANNIVERSARIES**

Policy Months, Years and Anniversaries shall be measured from the Effective Date. The Monthly Policy Date shown in the Data Section occurs on the same day each month or on the last day of any month having no such date. The Effective Date is the first Monthly Policy Date.

**MISSTATEMENT OF
AGE OR SEX**

The Issue Age shown in the Data Section is the age of the Insured on his or her last birthday as of the Effective Date. It is based on the information shown in the application.

If the age or sex of the Insured has been misstated, we will adjust the Face Amount to be the amount it would have been had the Monthly Deduction on the date the adjustment takes effect been based on the correct age and sex of the Insured. The adjustment shall take effect on the Monthly Policy Date on or next following the date we receive proof to our satisfaction of such misstatement. If the Insured has died, we will adjust the Face Amount as of the last Monthly Policy Date prior to the Insured's death.

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ATTAINED AGE

The Attained Age of the Insured on any date is the Issue Age shown in the Data Section plus the number of Policy Years and Months which have passed since the Effective Date.

PAYMENT OF BENEFITS

We will pay all benefits under this policy at our Administrative Office. Before payment of any Death Benefit we may investigate the death.

POSTPONEMENT OF BENEFITS

We may delay payment of any amounts which are payable as a result of Cash Surrender or Withdrawal for up to six months after we receive written request in a form satisfactory to us. If we defer such payment for more than 30 days, we will pay interest at a rate not less than 2.00% per year or as mandated by state law, from the date we receive such request to the date of payment.

We may also delay payment of any amounts which are payable as a result of a Policy Loan for up to six months after we receive written request in a form satisfactory to us.

We have the right to postpone payment which is derived from any amount recently paid to us by check or draft, until we are satisfied the check or draft has been paid by the bank or other financial institution on which it is drawn.

BASIS OF VALUES

The guaranteed values for this policy are equal to or greater than those required by the law of the state where this policy is delivered. The guaranteed values are based on the Accumulated Value Interest Rate and Mortality Table shown in the Data Section. A detailed statement of the method of computing values has been filed in the state in which this policy is delivered.

This policy meets the minimum nonforfeiture requirements of the state where this policy is delivered.

The Paid Up Annuity Values, and all tabled values in Payment Options, are based on the 2000 Table for Individual Annuitant Mortality (IAM) and compound interest at a rate of 1.50% per year.

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NOTICES

Unless this policy provides otherwise, any requests for changes or notices:

1. from us to the Owner shall be sent to the last address known to us of the Owner; and
2. from us to an assignee shall be sent to the last address known to us of such assignee; and
3. from the Owner or an assignee to us must be in writing and received by us at our Administrative Office in Montpelier, Vermont.

ANNUAL REPORT

At least once each Policy Year we will send a report to the Owner. The report will show, as of its date:

1. the Accumulated Value; and
2. the Cash Surrender Value; and
3. any debt to us on this policy; and
4. the Death Benefit.

The report will also show a summary of transactions of the previous year and any information required by law.

PROJECTION REPORT

The Owner may request, in writing, a report which projects future values and future Death Benefits for this policy. The report will also show any information required by law. We may charge a fee for the report, not to exceed \$25. The Projection Report will be based on:

1. data the Owner gives us as to Face Amount and premiums; and
2. such assumptions as either the Owner or we specify.

ROLES IN THIS POLICY

OWNER

The Owner may:

1. exercise the rights under this policy; and
2. assign the policy; and
3. release or discharge the policy; and
4. change the policy if we agree to such change; and
5. enjoy the benefits under this policy.

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These actions may be taken without the consent and against the interest of any Beneficiary and any contingent owner. If the Owner cannot change the Beneficiary, these actions may be taken only by the Owner and the Beneficiary jointly. These actions may be taken only while the Insured is alive.

BENEFICIARY

The Owner has the right to change the Beneficiary. If the Owner expressly waives this right, no change can be made. Unless later changed, the Beneficiary shall be as stated in the application. The interest of any Beneficiary who dies before the Insured shall vest in the Owner unless otherwise stated.

If used, the term "children" of any person shall include only lawful children born to or legally adopted by that person.

We may rely on an affidavit by any person who in our judgment knows the facts to identify any Beneficiary or payee not specified by name. All our liability shall cease when we pay on the basis of such affidavit.

TRUST BENEFICIARY

Unless an authorized officer or registrar of the Company explicitly agrees in writing, the following provision shall apply when a trust is named as Beneficiary.

In no event is the Company responsible for the application or disposition of any proceeds it pays to a Trust Beneficiary. Payment to a Trust Beneficiary is a full discharge of the liability of the Company. If a designated trust provides for successor trustees, the designation in this policy includes successor trustees. Likewise, if the trust allows amendments, the trust, if so amended, remains as a designated Beneficiary.

A Trust Beneficiary is considered to be a Beneficiary who did not survive the Insured if:

1. the trust has been terminated; or
2. the specified testamentary trust does not qualify as such; or
3. for any other reason a Trust Beneficiary is not entitled to any proceeds.

CHANGE OF BENEFICIARY

If the Owner has the right, a new Beneficiary may be named from time to time during the life of the Insured by filing at our Administrative Office written notice in such form as we may require. When notice is received at our Administrative Office, the change shall take effect on the date the notice is signed whether or not the Insured is living at the time of receipt. We will not be liable for any payment we make before receipt of the written notice at our Administrative Office.

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ASSIGNMENTS

We are not responsible for the validity or effect of any assignment of this policy. We will not recognize any assignment until it has been filed at our Administrative Office. The interest of any Beneficiary whom the assignor can change and of any contingent owner shall be transferred to the assignee by the terms of any assignment. If the assignee acquires a right to proceeds, they shall be paid in one sum even though a Payment Option may be in effect at the time the assignment was signed.

SPENDTHRIFT PROVISION

If we receive at our Administrative Office written request by the Owner for this Spendthrift Provision, then, to the extent allowed by law:

1. only the Owner may transfer, anticipate, commute, or encumber the proceeds of this policy; and
2. only legal process against the Owner may affect the proceeds of this policy.

Any proceeds payable after this request is withdrawn by the Owner shall not be affected by this provision.

PREMIUMS

POLICY PROTECTION PERIOD

The first 60 policy months following the Effective Date of this policy is referred to as the Policy Protection Period. An increase in coverage does not initiate a new Policy Protection Period.

PAYMENT OF PREMIUMS

The first premium is due on the Date of Issue. This first premium cannot be less than the Minimum Monthly Premium shown in the Data Section.

During the Policy Protection Period the payment of cumulative premiums, in excess of withdrawals and loans, at least equal to the Minimum Monthly Premiums payable since the Effective Date of the policy will keep the policy in force to the next Monthly Policy Date, as long as the Accumulated Value is sufficient to provide for Monthly Deductions. Otherwise, this policy will remain in force as long as the Cash Surrender Value is sufficient to provide for Monthly Deductions.

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The Planned Periodic Premiums are the premiums the Applicant has chosen to pay. Planned Periodic Premiums may be paid on an annual, semi-annual, quarterly, or monthly basis. The Owner may change the amount or frequency of such premiums at any time by sending a written notice to us at our Administrative Office. However, we may limit any increase in either amount or frequency.

Premiums in addition to the Planned Periodic Premiums may be necessary to keep this policy and the coverages provided by this policy and any additional benefit riders in force.

We will accept Unscheduled Premiums, which are premiums in addition to the Planned Periodic Premiums. We may limit the number and amount of Unscheduled Premiums.

All premiums are limited by a minimum and a maximum. The minimum is \$25 per premium. The maximum is the limit imposed by the Internal Revenue Code for qualifying the policy as "Life Insurance" for Federal Income Tax purposes, or such lower amount as we may set. We will not accept any premium in excess of the maximum. We will return any premiums not accepted and any interest credited to such premiums to the Owner within 60 days after the end of the Policy Year in which the premiums were received.

The first premium may be paid to us either through our duly authorized agent in exchange for a receipt signed by that agent or at our Administrative Office. All later premiums must be paid to us at our Administrative Office.

No premium will be accepted on or after the Maturity Date.

NET PREMIUM

A Net Premium is determined by multiplying a premium received times 1 minus the Percent of Premium Expense Charge stated in the Data Section.

GRACE PERIOD

If on any Monthly Policy Date the Cash Surrender Value is less than the Monthly Deduction on such date, a Grace Period shall start, unless:

1. the policy is within the Policy Protection Period; and
2. the Accumulated Value less any debt to us on this policy is greater than the Monthly Deduction on that date; and
3. the cumulative premiums paid since the policy's Effective Date, less any withdrawals and less any debt to us on this policy, are greater than or equal to the cumulative Minimum Monthly Premiums due since the policy's Effective Date.

A Grace Period shall be 61 days. During a Grace Period this policy shall remain in force.

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The premium needed to keep the policy in force beyond a Grace Period which ends during the Policy Protection Period shall equal the greater of (a) or (b) where:

- a) equals the sum of the Minimum Monthly Premiums in effect on the policy over all of the months from the Effective Date of the policy to the start of the Grace Period, plus all withdrawals, plus three times the Minimum Monthly Premium in effect at the beginning of the Grace Period, plus any debt to us on this policy, less all premiums paid; and where
- b) equals the premium which will be sufficient to produce an Accumulated Value, net of policy debt, equal to two times the Monthly Deduction due on the date the Grace Period began.

The premium needed to keep the policy in force beyond a Grace Period which ends after the Policy Protection Period shall be the premium sufficient to produce a Cash Surrender Value equal to three times the Monthly Deduction due on the date the Grace Period began.

We will mail notice of the premium needed to the Owner. If such premium is unpaid on the later of:

1. the last day of the Grace Period; or
2. the 31st day after such notice is sent;

then this policy shall terminate without value.

A Grace Period will not begin solely because payments of Planned Periodic Premiums are discontinued. Whether or not premiums are paid, Monthly Deductions will be made from the Accumulated Value. No interest will be credited to this policy during a Grace Period. The terms of this Grace Period provision will determine if and when a Grace Period starts.

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REINSTATEMENT

If this policy terminates after the end of a Grace Period, it may be reinstated. It must be reinstated on a Monthly Policy Date within five years from the start of such Grace Period and prior to the Maturity Date.

For Reinstatement we will require:

1. an application for Reinstatement; and
2. proof to our satisfaction that the Insured is insurable; and
3. payment of an amount determined as follows:
 - a) If Reinstatement occurs during a Policy Protection Period, the required payment shall be an amount equal to the premium which will be sufficient to produce an Accumulated Value, net of policy debt, four times the Monthly Deduction due on the date the Grace Period began, or, if greater:
 - i. the sum of the Minimum Monthly Premiums in effect on the policy over all the months from the Effective Date of this policy to the start of the Grace Period; plus
 - ii. all withdrawals; plus
 - iii. three times the Minimum Monthly Premium shown in the Data Section; plus
 - iv. any debt to us on this policy; less
 - v. all premiums paid.
 - b) If Reinstatement occurs after the Policy Protection Period, the required payment shall be a premium which will make the Cash Surrender Value sufficient to provide:
 - i. two times the Monthly Deduction due on the date the Grace Period began; plus
 - ii. three times the Monthly Deduction due on the date of Reinstatement.

We will send the Owner notice of the required payment upon request.

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In the event of Reinstatement:

1. the Accumulated Value of the policy at the time of final lapse will be restored along with the Cash Value available for deductions at the time that the Grace Period began; and
2. the schedule of Surrender Charges for the policy months following the date the Grace Period began shall become the schedule of Surrender Charges for the policy months following the date of Reinstatement; and
3. the schedule of Monthly Administrative Charges per Thousand for the policy months following the date the Grace Period began shall become the schedule of Monthly Administrative Charges per Thousand for the policy months following the date of Reinstatement.

DEATH BENEFIT AND POLICY CHANGES

DEATH BENEFIT

We will pay the Death Benefit to the Beneficiary when we receive at our Administrative Office due proof that the Insured died while this policy was in force. We will pay the Death Benefit in one sum unless a Payment Option is chosen. If the Death Benefit is paid in one sum, it shall be increased by interest from the date of the Insured's death to the date of payment. We will set the rate of interest at not less than 2.00% per year or as mandated by state law.

DEATH BENEFIT OPTIONS

The Owner may elect either of two Death Benefit Options, Option A or Option B, for the period prior to the Insured's Attained Age 120. The Death Benefit Option is stated in the Data Section.

Option A. Under Option A, the Death Benefit is equal to the greater of:

1. the Face Amount of the policy on the date of the Insured's death; or
2. the Death Benefit Factor shown in the Data Section multiplied by the Accumulated Value on the date of the Insured's death;

less the amount of any Monthly Deductions then due and any debt to us on this policy.

Option B. Under Option B, the Death Benefit is equal to the greater of:

1. the Face Amount plus the Accumulated Value of the policy on the date of the Insured's death; or
2. the Death Benefit Factor shown in the Data Section multiplied by the Accumulated Value on the date of the Insured's death;

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less the amount of any Monthly Deductions then due and any debt to us on this policy.

**CHANGES IN FACE
AMOUNT AND
DEATH BENEFIT
OPTION**

The Owner may request any of the following changes. We will make a change subject to the conditions stated. These changes may be made only while the Insured is living and after the first Policy Anniversary. We will send the Owner a revised or additional Data Section if any of these changes is made.

Face Amount Increases. We will require an application from the Owner and proof to our satisfaction that the Insured is then insurable. An increase in Face Amount must satisfy the minimum Face Amount requirements of the policy and shall be effective upon the Monthly Policy Date on or next following our approval.

Face Amount Decreases. We will require a written request from the Owner. A decrease in Face Amount shall be effective upon the Monthly Policy Date on or next following our receipt of the request.

Decreases shall not be permitted which would reduce the sum of the Face Amount to less than any of the following:

1. the minimum insurance amount for which the policy would qualify as "Life Insurance" for Federal Income Tax purposes under the Internal Revenue Code; or
2. the Minimum Face Amount shown in the Data Section; or
3. 75% of the largest total Face Amount in force at any time in the twelve policy months prior to our receipt of the request.

A decrease in Face Amount will affect units of Face Amount in the reverse order in which they were created.

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Death Benefit Option Changes. The Death Benefit Option may be changed once each Policy Year after the first Policy Anniversary prior to the Insured's Attained Age 120. We will require a written request from the Owner. A change will be effective on any Monthly Policy Date requested. The change may be made only if after such change the policy would qualify as "Life Insurance" for Federal Income Tax purposes under the Internal Revenue Code. The Minimum Monthly Premium will be recomputed to reflect the change in Options.

1. Upon a change from Option A to Option B, the Face Amount shall decrease by an amount equal to the Accumulated Value of the policy just prior to the Effective Date of the change. However, the change may be made only if after such change the Face Amount would not be less than the Minimum Face Amount shown in the Data Section.
2. Upon a change from Option B to Option A, the Face Amount shall increase by an amount equal to the Accumulated Value just prior to the Effective Date of the change. No additional Surrender Charges shall be imposed solely because of this change.

**SUICIDE
LIMITATION**

If the Insured dies within two years of the Effective Date as the result of suicide, while sane or insane, we will pay only a sum equal to:

1. the premiums paid; less
2. any withdrawals made; less
3. any debt to us on this policy.

A similar two-year period shall apply to any increase in Face Amount for which an application is required. Such period shall begin on the Effective Date of any such increase. During such period if the Insured dies as the result of suicide, while sane or insane, we will pay, in lieu of any such increase in Face Amount, only a sum equal to the Cost of Insurance that we have deducted from the Accumulated Value for such increase.

Payment will be made to the Beneficiary.

If this policy is reinstated, a similar two-year period shall start from the Effective Date of Reinstatement. During such period, if the Insured dies as the result of suicide, while sane or insane, we will pay only a sum equal to:

1. the premiums paid since the Effective Date of Reinstatement; less
2. any withdrawals made since the Effective Date of Reinstatement; less
3. any debt to us on this policy.

INTEREST CREDITING STRATEGIES

Accumulated Value in this policy is apportioned into one or more segments distinguished by their interest crediting strategies. Four interest crediting strategies are made available under this policy.

BASIC STRATEGY

Interest will be credited to the Accumulated Value in the Basic Strategy on a daily basis at a rate not less than 2.00% per year.

The Basic Strategy Minimum Value for a Policy Year is equal to 12.5 times the Monthly Deduction due on the first day of that Policy Year. It will remain unchanged until the first day of the next Policy Year.

All Net Premiums are paid into the Basic Strategy. On the 21st day of each month, the Accumulated Value in the Basic Strategy that is in excess of the Basic Strategy Minimum Value, subject to a minimum amount of \$50.00, will be transferred to one or more of the following three interest crediting strategies according to an allocation selected by the Applicant at the time of policy application. The Owner has the right to change the allocation selection.

FIXED-TERM STRATEGY

Each transfer of Accumulated Value made to this strategy creates a distinct Fixed-Term Segment. Each Fixed-Term Segment will have a duration of five years. Interest will be credited to the Accumulated Value in each Fixed-Term Segment on a daily basis at a rate not less than 2.00% per year. Interest rates payable on Accumulated Value in any given segment may vary over the lifetime of that segment, and different Fixed-Term Segments may be credited interest at different rates.

Accumulated Value cannot be transferred out of any Fixed-Term Segment prior to the end of its five-year duration unless the interest rate credited to Accumulated Value in such segment falls below the interest rate initially credited to the segment. Under that scenario, the Owner may request that the Accumulated Value in this Fixed-Term Segment be immediately transferred to the Basic Strategy. Otherwise, the Accumulated Value within a segment will be automatically transferred to the Basic Strategy at the end of the segment's five-year duration.

**EQUITY-INDEXED
STRATEGIES**

Each transfer of Accumulated Value made to an Equity-Indexed Strategy creates a distinct Equity-Indexed Segment. Each Equity-Indexed Segment will have a duration of five years. Index Earnings will be credited to the Accumulated Value in each segment on each anniversary of the creation of that segment.

Equity-Indexed Strategy 1 (Point-to-Point). Index Earnings will be credited to Accumulated Value in each segment within this Equity-Indexed Strategy on each anniversary of the creation of that segment based on the performance of the Index on such anniversary.

Equity-Indexed Strategy 2 (Point-to-Average). Index Earnings will be credited to Accumulated Value in each segment within this Equity-Indexed Strategy on each anniversary of the creation of that segment based on the performance of the Index averaged throughout the preceding twelve months.

Index. Index refers to the Standard & Poor's 500 Index, excluding dividend income. It will be used in the determination of Index Earnings made to each segment within an Equity-Indexed Strategy. If the publication of the Index is discontinued, a suitable index will be substituted and you will be notified of such index.

Index Value. The Index Value as of any date is the published value of the Index at the close of business on that date. If no value was published on that date, the last published value of the Index will be used.

Annual Index Growth. The Annual Index Growth for an Equity-Indexed Segment is calculated on each anniversary of the creation of that segment.

The Annual Index Growth for the Equity-Indexed Strategy 1 is the following:

1. the Index Value as of the current anniversary of the Equity Indexed Segment; minus
2. the Index Value as of the preceding anniversary of the Equity Indexed Segment; this difference divided by
3. the Index Value as of the preceding anniversary of the Equity Indexed Segment.

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Annual Index Growth for the Equity-Indexed Strategy 2 is the following:

1. the sum of the Index Values for each day the Index Value was published between the preceding anniversary of the Equity-Indexed Segment and the current anniversary of the Equity-Indexed Segment, excluding the Index Value for the preceding anniversary but including the Index Value for the current anniversary; divided by
2. the number of days the Index Value was published between the preceding anniversary and the current anniversary excluding the preceding anniversary but including the current anniversary; minus
3. the Index Value as of the preceding anniversary of the Equity-Indexed Segment; this difference divided by
4. the Index Value as of the preceding anniversary of the Equity-Indexed Segment.

Participation Rate. Each Equity-Indexed Segment will have a Participation Rate. The Participation Rate is determined in advance for each twelve-month period and is subject to change on each anniversary of the creation of a segment. The Participation Rate will never be less than the Guaranteed Minimum Participation Rate for the applicable strategy shown in the Data Pages.

Index Earnings Cap. Each Equity-Indexed Segment will have an Index Earnings Cap. The Index Earnings Cap is determined in advance for each twelve-month period and is subject to change on each anniversary of the creation of a segment. The Index Earnings Cap for a segment will never be less than the Guaranteed Minimum Cap for the applicable strategy shown in the Data Pages.

Index Earnings. The Index Earnings for each Equity-Indexed Segment are calculated on each anniversary of the creation of a segment as follows:

1. the Annual Index Growth for the segment multiplied by the segment's Participation Rate, with this product adjusted so that it is no less than zero and no greater than the segment's Index Earnings Cap; multiplied by
2. the value of the Equity-Indexed Segment at the end of the previous day.

Index Earnings are not calculated or credited between anniversaries of a given segment.

On the fifth anniversary of each Equity-Indexed Segment, Index Earnings will be increased as necessary so that the annual rate of Index Earnings over the five-year length of the segment is at least equal to the guaranteed minimum rate of 2.00%.

The Owner may not elect to transfer Accumulated Value in an Equity-Indexed Segment out of that segment prior to its fifth anniversary. On the fifth anniversary of the creation of a segment, the Accumulated Value in the Equity-Indexed Segment is automatically transferred to the Basic Strategy.

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If the Accumulated Value of the policy is being calculated in connection with the termination of the policy, the Index Earnings for each Equity-Indexed Segment over all full years completed during its elapsed duration will be increased as necessary so that the annual rate of Index Earnings over those full years is at least equal to 2.00%.

POLICY VALUES

ACCUMULATED VALUE

The Accumulated Value on the policy Effective Date is the initial Net Premium minus the initial Monthly Deduction.

The Accumulated Value on any other date is equal to the sum of the values of the Basic Strategy, the Fixed-Term Strategy, the Equity-Indexed Strategy 1, and the Equity-Indexed Strategy 2.

MONTHLY DEDUCTION

The Monthly Deduction due on a Monthly Policy Date shall be the Monthly Cost of Insurance, plus the Monthly Administrative Charge Per Thousand Dollars of Face Amount, plus the Monthly Policy Fee, plus the monthly cost of any additional benefit riders in force on this policy.

Monthly Deductions will be taken from the Accumulated Value of the policy in the following order:

1. first, from the Basic Strategy until exhausted;
2. second, from the Fixed-Term Strategy until exhausted;
3. third, from the Equity Indexed Strategy 2 until exhausted;
4. fourth, from the Equity Indexed Strategy 1 until exhausted.

If the Fixed-Term Strategy and/or the Equity Indexed Strategies have multiple segments, deductions are made in the reverse order in which the segments were created.

**MONTHLY COST
OF INSURANCE**

The Monthly Cost of Insurance shall be based on the risk classification and duration of this policy, and the Insured's sex and Issue Age.

The Monthly Cost of Insurance for a given segment is equal to:

1. the applicable Monthly Cost of Insurance Rate; multiplied by
2. the excess of:
 - a) the Death Benefit plus any debt to us on such date, divided by the sum 1 plus the monthly Accumulated Value Interest Rate shown in the Data Section; over
 - b) the Accumulated Value of this policy on such date.

CASH SURRENDER AND WITHDRAWALS

**CASH SURRENDER
VALUE**

The Owner may, by written request to us, surrender this policy while the Insured is living for its Cash Surrender Value. We may require that the policy be returned to us. When this policy has been surrendered, it shall be null and void and all rights shall cease.

The Cash Surrender Value on any day shall be equal to:

1. the Accumulated Value on such day; less
2. any Surrender Charge which applies on such day; less
3. any debt to us on this policy.

The Surrender Charges are shown in the Data Section.

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WITHDRAWALS

After the first Policy Anniversary and prior to the last day of the Premium Payment Period, the Owner may make withdrawals by written request to us. Withdrawals shall be subject to all of the following terms.

1. Withdrawals may be made only on a Monthly Policy Date which follows receipt of such request.
2. A Withdrawal Fee of \$25.00 will be charged for each withdrawal made.
3. The amount withdrawn may not exceed the Cash Surrender Value on the Monthly Policy Date less three times the Monthly Deduction for such Monthly Policy Date.
4. The Accumulated Value will be decreased by the amount of the withdrawal.
5. If Death Benefit Option A is in effect on the date of the withdrawal, the Face Amount of the policy will be reduced by an amount equal to the amount of the withdrawal plus the Withdrawal Fee.

Withdrawals, including the Withdrawal Fee, are made from the Accumulated Value in the following order:

1. first, from the Basic Strategy until exhausted;
2. second, from the Fixed-Term Strategy until exhausted;
3. third, from the Equity Indexed Strategy 2 until exhausted;
4. fourth, from the Equity Indexed Strategy 1 until exhausted.

If the Fixed-Term Strategy and/or the Equity Indexed Strategies have multiple segments, withdrawals are made in the reverse order of which the segments were created.

We may defer payment of any withdrawal for not more than six months. If we defer such payment for more than 30 days, we will pay interest from the date we receive such request to the date of payment at a rate not less than 2.00% or as mandated by state law.

POLICY LOANS

POLICY LOANS

We will loan an amount up to the Loan Value of the policy less the amount of any outstanding debt, at any time after the first Policy Year. At the time of the loan the policy must be in force. The policy shall be the sole security for the loan and must be duly assigned to us.

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LOAN VALUE

The Loan Value on any day is equal to:

1. the Accumulated Value on such day; less
2. the Surrender Charge on such day; less
3. three times the Monthly Deductions due on the most recent prior Monthly Policy Date.

LOAN INTEREST RATE

Any loan shall bear interest from the date the loan is made. The Loan Interest Rate may change from Policy Year to Policy Year.

The Loan Interest Rate on the Effective Date of the policy is stated in the Data Section. Such rate shall apply to any debt to us on this policy until the rate is changed by us. We may change the Loan Interest Rate only on a Policy Anniversary, after which the changed rate will apply to any new or existing debt to us on the policy. The Loan Interest Rate is subject to a minimum annual interest rate of 3.00% and shall not exceed the Maximum Rate allowed. The Maximum Rate allowed is the greater of:

1. the Published Monthly Average for the calendar month ending two months before the calendar month in which the Policy Anniversary occurs; or
2. the yearly Accumulated Value Interest Rate shown in the Data Section plus 1%.

The Published Monthly Average shall be the Moody's Corporate Bond Yield Average - Monthly Average Corporates, as published by Moody's Investors Service, Inc., or any successor to it. If at any time that Published Monthly Average is no longer published, a substantially similar average, established under the law of the state where this policy was delivered, shall be used.

If on any Policy Anniversary the Maximum Rate then allowed is at least 0.50% per year less than the Loan Interest Rate in effect for this policy during the prior Policy Year, we will decrease the Loan Interest Rate for this policy. If on any Policy Anniversary the Maximum Rate then allowed is at least 0.50% per year more than the Loan Interest Rate in effect on this policy during the prior Policy Year, we may increase such Loan Interest Rate. If increased, it shall be increased to a rate not greater than the Maximum Rate then allowed.

We will give to the Owner:

1. notice of the Loan Interest Rate in effect for this policy at the time a loan is made; and
2. at least 30 days' advance notice of any increase in the Loan Interest Rate, if there is any debt to us on this policy.

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In no event shall the Loan Interest Rate exceed the highest loan interest rate allowed by law of the state in which this policy is delivered.

GENERAL LOAN TERMS

After the loan is made, loan interest shall be due on the next and all later Policy Anniversaries. If any interest is not paid when due, it shall be added to the loan and bear interest on the same terms.

The debt secured by this policy includes loans, unpaid loan interest and accrued loan interest not otherwise due.

All or any part of the debt may be paid to us at any time prior to:

1. the death of the Insured; and
2. surrender of the policy.

However, during a Grace Period the debt may not be repaid. Unless the Owner specifies, any payment to us shall be deemed a premium payment and not payment of the debt. At the death of the Insured or upon the surrender of the policy, all debt shall become due at once. It shall be paid from the policy values.

We may defer any policy loan, other than one to pay premiums on our policies, for not more than six months.

PAYMENT OPTIONS

In lieu of a lump sum settlement, all or part of the proceeds of this policy may be applied under a Payment Option. When proceeds are applied under a Payment Option, all other rights and benefits under this policy shall cease.

In addition to the following options, other payment options may be available.

OPTION EFFECTIVE DATE

The Option Effective Date is the date the proceeds become payable.

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**GENERAL PAYMENT
OPTION TERMS**

If the proceeds to be placed under a Payment Option are less than \$5,000, we may pay them in one sum to the payee who otherwise would receive the first payment under the option. If any payments would be less than \$100, we will change the frequency to provide payments of at least \$100.

If the proceeds are assigned on the Option Effective Date, we will pay the assignee's share in one sum and place only the balance under the option. After the Option Effective Date neither the payments nor the remaining value may be assigned or encumbered. To the extent the law permits, they are not subject to any claims against the payee.

We may require proof to our satisfaction that any payee is alive on the date any payment is due.

**CHOICE OF
OPTION**

Choice of an option may be made:

1. by the Owner if the Insured is living; or
2. by the Beneficiary if the Insured is not living and if no option is in effect.

Equivalent payments for 12-, 6-, 3-, or 1-month intervals may be chosen. The options are described in terms of monthly payments. We will quote the amount of other payments on request.

We may issue a document stating the terms of the option.

**CHANGE OF
PAYMENT OPTION**

The right to change Payment Options exists under Options 1, 2, and 4. At the time of change the remaining value under the old option shall become the proceeds to be placed under the new option.

**LUMP SUM
REMOVAL OF
PROCEEDS APPLIED
UNDER A PAYMENT
OPTION**

Lump sum payments may be taken from the remaining proceeds placed under Payment Options 1, 2, and 4.

Under Options 1 and 4 all or any part of the remaining value may be taken at any time, though no more than four transactions may be made during any calendar year.

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Under Option 2 the entire remaining value may be taken at any time.

No lump sum removal of proceeds may be made under Options 3, 5, 6, or 7.

**OPTION 1
-PAYMENT OF
INTEREST ONLY**

Interest at a rate of 1.50% per year shall be paid either for:

1. the life of a chosen human being; or
2. a chosen period.

We may pay more interest in any given year. Upon the earlier of the death of the chosen human being or the end of the chosen period, any remaining value will be paid. The first payment shall be made one month after the Option Effective Date. If the payee is not a human being, payments may not continue for more than 30 years.

**OPTION 2
-PAYMENTS FOR A
STATED TIME**

Equal monthly payments shall be made for a stated number of years. The first payment shall be made on the Option Effective Date. The amount of each monthly payment is shown in the table. The monthly payments are based on an interest rate of 1.50% per year. We may pay more interest in any year.

Option 2 Table
Monthly Payments for Each \$1,000 of Proceeds

Stated Number of Years	Monthly Payments
5	17.28
6	14.51
7	12.53
8	11.04
9	9.89
10	8.96
11	8.21
12	7.58
13	7.05
14	6.59
15	6.20
16	5.85
17	5.55
18	5.27
19	5.03
20	4.81
21	4.62
22	4.44
23	4.28
24	4.13
25	3.99
26	3.86
27	3.75
28	3.64
29	3.54
30	3.44

OPTION 3
-PAYMENTS FOR
LIFE

Equal monthly payments shall be made for any guaranteed period chosen and thereafter during the life of a chosen human being. The first payment shall be made on the Option Effective Date. The amount of each monthly payment depends on the age and sex of the chosen human being on the Option Effective Date and on any guaranteed period chosen. We may require proof to our satisfaction of such age. We may require like proof that such human being is alive on the date any payment is due. The guaranteed period may be five or ten years or a Refund period. A Refund period extends until the sum of the payments is equal to the proceeds placed under the option. The monthly payments are based on an interest rate of 1.50% per year. We may pay more interest in any year during the guaranteed period. We will quote the amount of monthly payments for lower ages and guaranteed periods not shown in the Option 3 Table on request.

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Option 3 Table
Monthly Payments for Each \$1,000 of Proceeds

(Amounts shown are for the age nearest birthday on the Option Effective Date)

Guaranteed Period

Age	Male			Female		
	None	10 Years	Refund	None	10 Years	Refund
50	\$3.24	\$3.22	\$3.02	\$3.00	\$2.99	\$2.86
51	3.31	3.29	3.08	3.06	3.05	2.91
52	3.39	3.36	3.13	3.13	3.11	2.96
53	3.47	3.44	3.19	3.19	3.18	3.02
54	3.55	3.51	3.25	3.26	3.25	3.07
55	3.63	3.60	3.31	3.34	3.32	3.13
56	3.73	3.68	3.38	3.41	3.39	3.19
57	3.82	3.77	3.45	3.50	3.47	3.26
58	3.92	3.87	3.52	3.58	3.56	3.32
59	4.03	3.97	3.60	3.68	3.64	3.39
60	4.15	4.07	3.67	3.78	3.74	3.46
61	4.27	4.19	3.76	3.88	3.83	3.54
62	4.40	4.30	3.84	3.99	3.94	3.62
63	4.54	4.42	3.93	4.11	4.05	3.70
64	4.69	4.55	4.02	4.23	4.16	3.79
65	4.85	4.69	4.12	4.37	4.28	3.88
66	5.02	4.83	4.23	4.51	4.41	3.98
67	5.20	4.98	4.33	4.66	4.55	4.08
68	5.39	5.13	4.45	4.83	4.69	4.19
69	5.60	5.29	4.57	5.00	4.84	4.30
70	5.82	5.45	4.70	5.19	5.00	4.43
71	6.05	5.62	4.82	5.39	5.17	4.55
72	6.30	5.79	4.96	5.61	5.34	4.68
73	6.57	5.96	5.11	5.85	5.52	4.82
74	6.85	6.14	5.25	6.11	5.71	4.98
75	7.15	6.32	5.41	6.39	5.91	5.13
76	7.47	6.51	5.59	6.69	6.11	5.30
77	7.82	6.69	5.75	7.01	6.31	5.47
78	8.19	6.87	5.93	7.36	6.52	5.66
79	8.59	7.05	6.14	7.74	6.73	5.85
80	9.01	7.22	6.34	8.16	6.93	6.04
81	9.47	7.39	6.55	8.60	7.13	6.29
82	9.95	7.56	6.77	9.09	7.33	6.50
83	10.47	7.71	7.00	9.61	7.52	6.76
84	11.02	7.86	7.25	10.18	7.69	7.00
85+	11.61	8.00	7.52	10.79	7.86	7.26

+ Higher ages the same

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OPTION 4
-PAYMENTS OF A
STATED AMOUNT

Equal monthly payments of a stated amount shall be made until the proceeds, with interest at 1.50% per year on the unpaid balance, are used up. The first payment shall be made on the Option Effective Date. The amount chosen must be at least \$10 per month for each \$1,000 of proceeds placed under this option. We may add more interest to the unpaid balance in any year, which will extend the number of payments. The last payment will be for the balance only.

OPTION 5 - LIFE
ANNUITY

Equal monthly payments shall be made in the same manner as Option 3 except:

1. the amount of each payment shall be based on our current settlement rates on the Option Effective Date; and
2. no additional interest shall be paid.

OPTION 6 - JOINT
AND TWO-THIRDS
ANNUITY

Equal monthly payments shall be made while two chosen human beings are both living. Upon the death of either, two-thirds of the amount of such payments shall continue during the life of the survivor. The first payment shall be made on the Option Effective Date. The amount of each monthly payment depends on the ages and sexes of the chosen human beings on the Option Effective Date. We may require proof to our satisfaction of their ages. We may require like proof that any chosen human being is alive on the date any payment conditioned on the life of such human being is due. The initial amount of each monthly payment is shown in the table. We will quote the amount of monthly payments for any other age combination on request. The monthly payments are based on an interest rate of 1.50% per year. No additional interest shall be paid.

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Option 6 Table
 Monthly Payments for Each \$1,000 of Proceeds

(Amounts shown are for the age nearest birthday on the Option Effective Date)

Ages of Both	One Male and One Female	Ages of Both	One Male and One Female
50	\$2.97	68	\$4.72
51	3.03	69	4.89
52	3.09	70	5.06
53	3.16	71	5.25
54	3.22	72	5.46
55	3.29	73	5.68
56	3.37	74	5.91
57	3.45	75	6.16
58	3.53	76	6.43
59	3.62	77	6.72
60	3.72	78	7.04
61	3.82	79	7.37
62	3.92	80	7.74
63	4.04	81	8.12
64	4.16	82	8.54
65	4.28	83	8.99
66	4.42	84	9.48
67	4.57	85+	9.99

+ Higher ages the same

OPTION 7 - 50%
 SURVIVOR
 ANNUITY

Equal monthly payments shall be made during the life of the chosen primary human being. Upon the death of the chosen primary human being, 50% of the amount of such payments shall continue during the life of the chosen secondary human being. The first payment shall be made on the Option Effective Date. The amount of each monthly payment depends on the ages and sexes of the chosen human beings on the Option Effective Date. We may require proof to our satisfaction of their ages. We may require like proof that any chosen human being is alive on the date any payment conditioned on the life of such human being is due. The initial amount of each monthly payment is shown in the table. We will quote the amount of monthly payments for any other age combination on request. The monthly payments are based on an interest rate of 1.50% per year. No additional interest shall be paid.

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Option 7 Table
 Monthly Payments for Each \$1,000 of Proceeds

(Amounts shown are for the age nearest birthday on the Option Effective Date)

Ages of Both	Male	Female	Ages of Both	Male	Female
	Primary Female Secondary	Primary Male Secondary		Primary Female Secondary	Primary Male Secondary
50	\$2.96	\$2.85	68	\$4.67	\$4.44
51	3.01	2.90	69	4.83	4.60
52	3.07	2.96	70	5.00	4.76
53	3.14	3.02	71	5.19	4.93
54	3.20	3.08	72	5.38	5.12
55	3.27	3.15	73	5.59	5.32
56	3.35	3.22	74	5.82	5.53
57	3.43	3.29	75	6.06	5.77
58	3.51	3.37	76	6.31	6.01
59	3.60	3.45	77	6.59	6.28
60	3.69	3.53	78	6.88	6.57
61	3.79	3.62	79	7.20	6.89
62	3.89	3.72	80	7.54	7.22
63	4.00	3.82	81	7.90	7.59
64	4.12	3.93	82	8.29	7.98
65	4.24	4.05	83	8.71	8.40
66	4.38	4.17	84	9.16	8.86
67	4.52	4.30	85+	9.64	9.34

+ Higher ages the same

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FIXED NET COST LOAN ENDORSEMENT

This endorsement introduces a Fixed Net Cost Loan option into the policy to which it is attached. The following text is added to the Policy Loans section of the policy:

"Fixed Net Cost Loan

As an alternative to loans on which interest is charged as described within the Loan Interest Rate provision of this policy, a loan may be taken which has a fixed net cost known in advance.

When a Fixed Net Cost Loan is made, Accumulated Value in the amount of the loan and any unpaid loan interest will be removed from the Interest Crediting Strategies in the following order:

1. first, from the Basic Strategy until exhausted;
2. second, from the Fixed-Term Strategy until exhausted;
3. third, from the Equity Indexed Strategy 2 until exhausted; and
4. fourth, from the Equity Indexed Strategy 1 until exhausted.

If the Fixed-Term Strategy and/or the Equity Indexed Strategies have multiple segments, deductions will be made in the reverse order in which the segments were created.

The Accumulated Value removed from the Interest Crediting Strategies will be held apart from other Accumulated Value in this policy in a collateral account where it will be credited the same interest rate that will be charged on the Fixed Net Cost Loan.

Repayments of a Fixed Net Cost Loan, including payments of loan interest, will be applied to the outstanding loan balance, and the amount repaid will be deposited into the Basic Strategy. The amount of Accumulated Value held in the collateral account will also be reduced by the amount of the repayment.

This option may not be selected until the beginning of the tenth policy year. Any outstanding Policy Loans made prior to that time must be repaid before a Fixed Net Cost Loan can be taken. The policy may not have a Fixed Net Cost Loan on it at the same time that a non-Fixed Net Cost Loan is in effect."

The second paragraph of the Accumulated Value provision of this policy has been revised as follows:

"The Accumulated Value on any other date is equal to the sum of the values of the Basic Strategy, the Fixed-Term Strategy, the Equity Indexed Strategy 1, the Equity Indexed Strategy 2, and the value of any loan collateral account."

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Signed for Life Insurance Company of the Southwest at Dallas, Texas, by

Jacque Lynn Benton

Secretary

*Life Insurance Company of the Southwest
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OVERLOAN PROTECTION RIDER

We, Life Insurance Company of the Southwest, agree to the exercise of this rider subject to the conditions stated below.

In the absence of this Overloan Protection Rider, when the debt to us on the policy causes the policy to enter a Grace Period, additional premium must be paid or the policy will lapse. Alternatively, exercise of this rider before the policy lapses will maintain life insurance protection. This rider may be exercised, subject to the Conditions of Rider Exercise enumerated below, if all of the following conditions are met:

1. the Insured's Attained Age is greater than or equal to 75; and
2. the policy to which this rider is attached must have been in force for at least fifteen years from the policy Effective Date; and
3. outstanding debt on the policy must exceed the total Face Amount of the policy; and
4. the outstanding debt to us divided by the excess of the Accumulated Value over the Surrender Charge must exceed 0.95.

Notification will be sent to you when these conditions have been met. The rider must be exercised within sixty days of the date we mail notification. If not exercised within that sixty days, the rider will be terminated.

EXERCISE OF RIDER

Upon exercise of this rider, the policy to which it is attached will be modified as described below.

INTEREST CREDITING STRATEGIES

The Index Earnings for each Equity Indexed Segment will be increased as necessary so that the annual rate of Index Earnings for the elapsed term of that segment is at least equal to 2.00%.

All values from the Fixed Term Strategy and the Equity Indexed Strategies will then be transferred to the Basic Strategy. No further transfers from the Basic Strategy to any interest crediting strategy may be made.

EFFECT ON POLICY LOANS

Any Policy Loan which is not a Fixed Net Cost Loan will be rewritten as a Fixed Net Cost Loan. No additional policy loans may be made on the policy.

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CONDITIONS OF RIDER EXERCISE

The following conditions will become effective:

1. no additional premiums may be paid into the policy;
2. withdrawals will no longer be allowed;
3. Monthly Deductions will cease;
4. any additional benefit riders whose monthly cost was included in the Monthly Deduction will be terminated; and
5. the policy Death Benefit Option will be switched to Option A if Option B is in effect. No further change in Death Benefit Option will be permitted.

COST OF THIS RIDER

When this rider is exercised, there will be a one time Exercise Charge. The Exercise Charge will be equal to the product of the Exercise Charge Percentage shown on the Overloan Protection Rider Data Page for the Attained Age at the time of exercise multiplied times the Accumulated Value of the policy. The Exercise Charge will be deducted from the Basic Strategy of the policy.

GENERAL TERMS

REINSTATEMENT

If this rider is in force at the time of policy lapse, it may be reinstated upon policy reinstatement.

TERMINATION

This rider will terminate on the earliest of the following:

1. the date that the policy to which this rider is attached terminates or matures; or
2. sixty days following our mailing of notification that the conditions for exercising this rider have been met; or
3. the Monthly Policy Date following the receipt of written request to terminate this rider.

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EFFECTIVE DATE

The effective date of this rider is the policy Effective Date unless a later date is shown below.

Signed for Life Insurance Company of the Southwest at Dallas, Texas, by

Jacque Lynn Benton

Secretary

Rider effective date if different from policy Effective Date: _____

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ACCELERATED BENEFITS RIDER 1

This rider adds benefits to your policy. It is issued in consideration of the application and your request for coverage. There is no additional cost for this benefit.

BENEFIT

We will pay the Accelerate Benefits Amount to the Owner during the lifetime of the Insured. Such benefit will be paid:

1. upon election by the Owner; and
2. in lieu of payment of the full death benefit of the policy or Other Insured Rider upon death of the Insured; and
3. subject to the terms of this rider.

ACCELERATED BENEFITS AMOUNT

The Accelerated Benefits Amount ("Amount") will be determined when the Owner elects Accelerated Benefits. It will be determined as of the Election Date. The following factors may be used in the determination of the Amount:

1. the Cash Surrender Value of the policy or rider; and
2. future premiums payable under the policy or rider; and
3. future expected lifetime of the Insured; and
4. any administrative fee assessed; and
5. the Accelerated Benefits Interest Rate in effect.

ACCELERATED BENEFITS INTEREST RATE

We will declare the Accelerated Benefits Interest Rate. It will not exceed the greater of:

1. the yield on 90-day U.S. Treasury Bills on the Election Date; and
2. the maximum adjustable policy loan interest rate allowed by law on the Election Date.

The Amount will be paid in one lump sum.

MAXIMUM AMOUNT

We reserve the right to set a maximum amount that we will pay under this and any other Accelerated Benefits Rider on the life of any insured person. If we do so, it will be no less than \$500,000.

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FULL ELECTION

Under a Full Election, the Amount will be paid in lieu of any future death benefit under this policy or rider. The Amount must first be applied to pay all debt to us on this policy or rider. The policy or rider to which this rider is attached will terminate on the Election Date.

PARTIAL ELECTION

Under a Partial Election, the Amount will be paid in lieu of a portion of any future death benefit payable under this policy or rider.

The Amount must first be applied on a pro rata share of any outstanding debt to us on this policy. A pro rata share of such debt will remain. The debt will be reduced by the percentage of the death benefit accelerated.

The portion of the life insurance coverage that remains in force must not be less than our minimum issue limit for this plan of insurance. The new premiums and charges for the remaining portion will be as if the contract had been originally issued at the reduced amount.

TERMINAL ILLNESS

Accelerated Benefits can be elected only if the Insured is Terminally Ill. Terminally Ill means that the Insured under this rider has been certified by a Physician as having an illness or chronic condition which can reasonably be expected to result in death in 24 months or less from the date of certification.

PHYSICIAN

A Physician is a duly licensed medical Physician who is recognized by the law of the state in which treatment is received. Physician does not include the Owner, the Insured, or a member of the Owner or the Insured's immediate families.

DISPOSITION OF ADDED BENEFIT RIDERS

Upon a Full Election, all riders attached to the policy will terminate as if the Insured had died on the election date.

Upon a Partial Election, all riders will continue to be effective subject to the terms and conditions of each rider.

Upon a Full Election or Accelerated Benefits for coverage under an Other Insured Rider, all riders providing additional benefits to the Other Insured will terminate as if the Other Insured had died on the election date. The policy and all other attached riders will continue to be in force and effective subject to the terms and conditions of the policy and the other riders.

Upon a Partial Election of Accelerated Benefits for coverage under an Other Insured Rider, the policy and all the attached riders will continue to be in force and effective subject to the terms and conditions of the policy and the other riders.

ELECTION DATE

The Election Date is the date that the Application for Election of Accelerated Benefits is signed by the Owner of this policy.

ELECTION

To elect Accelerated Benefits, the Owner must complete an Application for Election of Accelerated Benefits. We will provide this Application at the Owner's request. The Owner must provide us with the written consent of any assignee and any irrevocable beneficiaries. We may request that the contract accompany the Application to our Administrative Office.

LEGAL REQUIREMENTS

If the Owner is required by law to elect Accelerated Benefits to meet the claims of creditors, whether in bankruptcy or otherwise, Accelerated Benefits will not be available.

If the Owner is required by a government agency to elect Accelerated Benefits to apply for, obtain, or keep a government benefit or entitlement, Accelerated Benefits will not be available.

INCONTESTABILITY

This rider is contestable on the same basis as the policy or rider to which it is attached.

PROOF OF TERMINAL ILLNESS

We must receive written proof satisfactory to us that the Insured is Terminally Ill. Such written proof must include a statement from a Physician certifying that the Insured is Terminally Ill.

We have the right to have the Insured examined by a physician of our own choice when and as often as we may reasonably require while an election of Accelerated Benefits is pending. Such examination will be made at our expense.

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TERMINATION OF
ACCELERATED
BENEFIT FOR EACH
INSURED

Coverage for each Insured under this rider shall terminate on the earliest of:

1. the Election Date for Accelerated Benefits of the Insured; or
2. the date the life coverage for the Insured terminates; or
3. the Monthly Policy Date following our receipt of the Owner's written request to terminate the Insured's coverage under this rider.

TERMINATION OF
RIDER

This entire rider shall terminate on the earliest of:

1. the Election Date for Accelerated Benefits of the last remaining covered Insured; or
2. the date the policy terminates; or
3. the Monthly Policy Date following our receipt of the Owner's written request to terminate this rider.

EFFECTIVE DATE

The Effective Date of this rider is the policy's Date of Issue or Other Insured Rider's Effective Date unless a later date is shown in the policy's Data Section.

Jacque Lynn Benton

Secretary

ACCELERATED BENEFITS RIDER 2

This rider adds benefits to your policy. It is issued in consideration of the application and your request for coverage. There is no additional cost for this benefit.

BENEFITS

We will pay the Accelerated Benefits Amount to the Owner during the lifetime of the Insured. Such benefit will be paid:

1. upon election by the Owner; and
2. in lieu of payment of the full death benefit of the policy or Other Insured Rider upon death of the Insured; and
3. subject to the terms of this rider.

TAXATION

The Accelerated Benefits provided under this rider may or may not qualify for favorable tax treatment under the Internal Revenue Code. Benefits that are used to pay for qualified long-term care services may qualify for favorable tax treatment. Certain benefits not exceeding a per diem limit specified in the Internal Revenue Code may also qualify for favorable tax treatment. Accelerated Benefits that qualify for favorable tax treatment will be excludable from your income and not subject to federal taxation. Tax laws relating to Accelerated Benefits are complex. You are advised to consult with a qualified tax advisor about circumstances under which you could receive Accelerated Benefits excludable from income under federal law.

ACCELERATED BENEFITS AMOUNT

The Accelerated Benefits Amount ("Amount") will be determined when the Owner elects Accelerated Benefits. It will be determined as of each Election Date. The following factors may be used in the determination of the Amount:

1. The Death Benefit accelerated; and
2. the Cash Surrender Value of the policy or rider; and
3. future premiums payable under the policy or rider; and
4. future expected lifetime of the Insured; and
5. any administrative fee assessed; and
6. the Accelerated Benefits Interest Rate in effect.

Each Amount will be paid in a lump sum.

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ACCELERATED
BENEFITS INTEREST
RATE

We will declare the Accelerated Benefits Interest Rate. It will not exceed the greater of:

1. the yield on 90-day U.S. Treasury Bills on the Election Date; and
2. the maximum adjustable policy loan interest rate allowed by law on each Election Date.

MAXIMUM
BENEFITS AMOUNT

The maximum Death Benefit accelerated in any year is the lesser of 24% of the life insurance coverage on the initial Election Date or \$240,000. This amount is prorated over other periods of time for either Periodic or Final Elections.

We reserve the right to set a maximum amount that we will pay under this and any other Accelerated Benefits Rider on the life of any insured person. If we do so, it will be no less than \$500,000.

PERIODIC
ELECTIONS

Under a Periodic Election, the Amount will be paid in lieu of a portion of any future death benefit payable under this policy or rider. Periodic elections can not be made more frequently than once each month.

The Amount must first be applied on a pro rata share of any outstanding debt to us on this policy. A pro rata share of such debt will remain. If applicable, the Cash Value, Cash Surrender Value, Accumulated Value, and Surrender Charge will also be reduced by the percentage of the death benefit accelerated.

The portion of the life insurance coverage that remains in force may be less than our minimum issue limit for this plan of insurance. The new premiums and charges for the remaining portion will be as if the contract had been originally issued at the reduced amount.

FINAL ELECTION

Under a Final Election, the Amount will be paid in lieu of any remaining future death benefit under this policy or rider. The Amount must first be applied to pay all debt to us on this policy or rider. The policy or rider to which this rider is attached will terminate on the Election Date.

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CHRONICALLY ILL

Accelerated Benefits can be elected under this rider only if the Insured is Chronically Ill. Chronically Ill means that the Insured has been certified, within the last 12 months, by a Licensed Health Care Practitioner as:

1. being unable to perform (without substantial assistance from another person) at least two Activities of Daily Living for a period of at least 90 consecutive days; or
2. requiring substantial supervision for a period of at least 90 consecutive days by another person to protect oneself from threats to health and safety due to Severe Cognitive Impairment.

Activities of Daily Living are bathing, continence, dressing, eating, toileting, and transferring.

Severe Cognitive Impairment means deterioration or loss in intellectual capacity that is measured by clinical evidence and standardized tests which reliably measure impairment in:

1. short-term or long-term memory; or
2. orientation to people, places, or time; or
3. deductive or abstract reasoning.

LICENSED HEALTH CARE PRACTITIONER

A Licensed Health Care Practitioner is a duly licensed medical Physician, a registered professional nurse, or a licensed social worker and does not include the Owner, the Insured, or a member of the Owner or Insured's immediate families. "Immediate Family" means a child, spouse, parent, grandparent, or grandchild of the Licensed Health Care Practitioner.

LIMITATION ON PAYMENTS

During the first two years that this rider is in effect, we will not accept an Application for Election of Accelerated Benefits under this rider.

Benefits will not be available under this rider if the Insured is eligible for Accelerated Benefits under another rider.

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**DISPOSITION OF
ADDED BENEFIT
RIDERS**

Upon a Periodic Election, all riders will continue to be effective subject to the terms and conditions of each rider.

Upon a Final Election, all riders attached to the policy will terminate as if the Insured had died on the election date.

Upon a Periodic Election of Accelerated Benefits for coverage under an Other Insured Rider, the policy and all the attached riders will continue to be in force and effective subject to the terms and conditions of the policy and the other riders.

Upon a Final Election of Accelerated Benefits for coverage under an Other Insured Rider, all riders providing additional benefits to the Other Insured will terminate as if the Other Insured had died on the election date. The policy and all the other attached riders will continue to be in force and effective subject to the terms and conditions of the policy and the other riders.

ELECTION DATE

The Election Date is the date that the Application for Election of Accelerated Benefits is signed by the Owner of this policy.

ELECTION

To elect Accelerated Benefits, the Owner must complete an Application for Election of Accelerated Benefits. We will provide this Application at the Owner's request. The Owner must provide us with the written consent of any assignee and any irrevocable beneficiaries. We may request that the contract accompany the Application to our Administrative Office.

**LEGAL
REQUIREMENTS**

If the Owner is required by law to elect Accelerated Benefits to meet the claims of creditors, whether in bankruptcy or otherwise, Accelerated Benefits will not be available.

If the Owner is required by a government agency to elect Accelerated Benefits to apply for, obtain, or keep a government benefit or entitlement, Accelerated Benefits will not be available.

INCONTESTABILITY

This rider is contestable on the same basis as the policy or rider to which it is attached.

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**PROOF OF
CHRONICALLY ILL**

We must receive written proof satisfactory to us that the Insured is Chronically Ill. Such written proof must include a statement from a Licensed Health Care Practitioner certifying that the Insured is Chronically Ill.

We have the right to have the Insured examined by a Licensed Health Care Practitioner of our own choice when and as often as we may reasonably require while an election of Accelerated Benefits is pending. Such examinations will be made at our expense.

**TERMINATION OF
ACCELERATED
BENEFITS FOR
EACH INSURED**

Coverage for each Insured under this rider shall terminate on the earliest of:

1. the Final Election Date for Accelerated Benefits of the Insured; or
2. the date the life coverage for the Insured terminates; or
3. the Monthly Policy Date following our receipt of the Owner's written request to terminate the Insured's coverage under this rider.

**TERMINATION OF
RIDER**

This entire rider shall terminate on the earliest of:

1. the Final Election Date for Accelerated Benefits of the last remaining covered Insured; or
2. the date the policy terminates; or
3. the Monthly Policy Date following our receipt of the Owner's written request to terminate this rider.

EFFECTIVE DATE

The Effective Date of this rider is the policy's Date of Issue or Other Insured Rider's Effective Date unless a later date is shown in the policy's Data Section.

Jacque Lynn Benton

Secretary

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ACCELERATED BENEFITS RIDER 3

This rider adds benefits to your policy. It is issued in consideration of the application and your request for coverage. There is no additional cost for this benefit.

BENEFITS

We will pay the Accelerated Benefits Amount to the Owner during the lifetime of the Insured. Such benefit will be paid:

1. upon election by the Owner; and
2. in lieu of payment of the full death benefit of the policy or Other Insured Rider upon death of the Insured; and
3. subject to the terms of this rider.

TAXATION

The Accelerated Benefits provided under this rider may or may not be taxable. Tax laws relating to Accelerated Benefits are complex. You are advised to consult with a qualified tax advisor regarding the tax treatment of any benefit paid under this rider.

ACCELERATED BENEFITS AMOUNT

The Accelerated Benefits Amount ("Amount") will be determined by us when the Owner files a claim for Accelerated Benefits. It will be determined as of each Election Date. The following factors may be used by us in the determination of the Amount:

1. the Death Benefit accelerated; and
2. the Cash Surrender Value of the policy or rider; and
3. future premiums payable under the policy or rider; and
4. our assessment of the future expected lifetime of the Insured; and
5. any administrative fee assessed; and
6. the Accelerated Benefits Interest Rate in effect.

Each Amount will be paid in a lump sum. The Amount paid will never exceed the Death Benefit accelerated. It will never be less than the Cash Surrender Value, if any, corresponding to the portion of the Death Benefit accelerated.

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**ACCELERATED
BENEFITS INTEREST
RATE**

We will declare the Accelerated Benefits Interest Rate. It will not exceed the greater of:

1. the yield on 90-day U.S. Treasury Bills on the Election Date; and
2. the maximum adjustable policy loan interest rate allowed by law on each Election Date.

QUALIFYING EVENT

An Accelerated Benefit can be elected under this rider only if the Insured experiences a Qualifying Event covered under this rider while the policy and this rider are in force. The Qualifying Events covered under this rider are:

1. Heart Attack (myocardial infarction) - The death of a portion of the heart muscle resulting from inadequate blood supply to the relevant area. Heart Attack does not include angina or the chance finding of electrocardiographic (EKG) changes indicative of a previous heart attack. The diagnosis of Heart Attack must be based on the presence of all of the following:
 - a) Chest pain;
 - b) Associated new EKG changes which support the diagnosis; and
 - c) Elevation of cardiac (heart) enzymes above standard laboratory levels.
2. Stroke - A cerebrovascular accident or infarction (death) of brain tissue caused by hemorrhage, embolism, or thrombosis lasting more than 24 hours and producing measurable neurological deficit which persists for at least 30 consecutive days following the occurrence of the Stroke. Stroke does not include transient ischemic attacks.
3. Diagnosis of Cancer. Cancer means a disease manifested by the presence of one or more malignant tumors and characterized by the uncontrolled growth and spread of malignant cells and the invasion of normal tissue. Cancer does not include:
 - a) Any skin cancer, except invasive malignant melanoma into the dermis or deeper;
 - b) Pre-malignant lesions, benign tumors, or polyps; and
 - c) Carcinoma in-situ.
4. Diagnosis of End Stage Renal Failure. End Stage Renal Failure means the irreversible and total failure of both kidneys which requires the undergoing of renal transplantation or regular renal dialysis.

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5. Major Organ Transplant - The receipt by transplant of any of the following organs or tissues: heart, lung, liver, kidney, pancreas, or bone marrow.
6. Diagnosis of ALS(Amyotrophic Lateral Sclerosis) by a qualified Physician.
7. Blindness - The total and permanent loss of sight in both eyes as a result of disease or injury. Total loss of sight in an eye is defined as corrected vision of 20/200 or worse.

**MAXIMUM DEATH
BENEFIT THAT
MAY BE
ACCELERATED**

The Owner may elect to accelerate all or a portion of the Insured's Death Benefit in force under the policy on the Election Date.

We reserve the right to set a maximum death benefit that may be accelerated under this and any other Accelerated Benefits Rider on the life of any insured person. If we do so, it will be no less than \$500,000.

**LIMITATION ON
PAYMENTS**

No Accelerated Benefit will be paid under this rider for any Qualifying Event that occurs on or before the 30th day following the effective date of this rider unless such Qualifying Event directly resulted from accidental injury.

No Accelerated Benefit will be paid under this rider for any Qualifying Event that directly results from self-inflicted injury or attempted suicide.

CLAIMS

You must send us a written request to file a claim under this rider utilizing a form provided by us. Any claim for benefits for a given Qualifying Event must be filed within 365 days following the occurrence of such Qualifying Event.

Before any benefit can be paid under this rider, you must furnish us with written proof satisfactory to us that the Insured has experienced a Qualifying Event covered under this rider. Such proof will include but not be limited to:

1. A certification from a Physician that the Insured has experienced a Qualifying Event covered under this rider; and
2. Complete records of the Insured's medical history, diagnoses, and treatments.

We have the right to have the Insured examined by a Physician of our own choice when and as often as we may reasonably require while a claim for Accelerated Benefits is pending. Such examinations will be made at our expense.

Physician means a doctor of medicine or osteopathy, practicing within the scope of his or her license issued by the jurisdiction in the United States of America in which his or her services are rendered. Physician does not include the Owner, the Insured, or a member of the Owner's or the Insured's Immediate Families. Immediate Family means a person's parents, stepparents, grandparents, spouse, children (adopted, natural, or step), siblings, grandchildren, or in-laws.

FULL ELECTION

Under a Full Election, the Amount will be paid in lieu of any future death benefit under this policy or rider. The Amount must first be applied to pay all debt to us on this policy or rider. The policy or rider to which this rider is attached will terminate on the Election Date.

PARTIAL ELECTION

Under a Partial Election, the Amount will be paid in lieu of a portion of any future death benefit payable under this policy or rider.

The Amount must first be applied to pay a pro rata share of any outstanding debt to us on this policy. Upon a Partial Election, the Insured's life insurance Face Amount or Coverage Amount, and if applicable, the Cash Value, Cash Surrender Value, Accumulated Value, Surrender Charge, and outstanding debt under the policy will be reduced in the same proportion as the reduction in the Insured's death benefit.

The portion of the life insurance coverage that remains in force may be less than our minimum issue limit for this plan of insurance. The new premiums and charges for the remaining portion will be as if the contract had been originally issued at the reduced amount.

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DISPOSITION OF
ADDED BENEFIT
RIDERS

Upon a Partial Election, all riders will continue to be effective subject to the terms and conditions of each rider. If the Insured is eligible for periodic elections of Accelerated Benefits under another rider, the maximum death benefit that may be accelerated under future periodic elections under such other rider will be reduced in the same proportion as the reduction in the Insured's death benefit upon a Partial Election of benefits under this rider.

Upon a Full Election, all riders attached to the policy will terminate as if the Insured had died on the Election Date.

ELECTION DATE

The Election Date is the date that the Application for Election of Accelerated Benefits is signed by the Owner of this policy.

ELECTION

To elect Accelerated Benefits, the Owner must complete an Application for Election of Accelerated Benefits. We will provide this Application to the Owner once we determine that Accelerated Benefits are payable under this rider. To elect Accelerated Benefits, the Owner must complete this Application and return it to us within 60 days following its receipt. The Owner must provide us with the written consent of any assignee and any irrevocable beneficiaries. We may request that the contract accompany the Application to our Administrative Office.

LEGAL
REQUIREMENTS

If the Owner is required by law to elect Accelerated Benefits to meet the claims of creditors, whether in bankruptcy or otherwise, Accelerated Benefits will not be available.

If the Owner is required by a government agency to elect Accelerated Benefits to apply for, obtain, or keep a government benefit or entitlement, Accelerated Benefits will not be available.

INCONTESTABILITY

This rider is contestable on the same basis as the policy or rider to which it is attached.

Life Insurance Company of the Southwest
*Administrative Office: One National Life Drive * Montpelier, Vermont 05604 * (800) 732-8939*
*Home Office: 1300 West Mockingbird Lane * Dallas, Texas 75247*

TERMINATION OF
ACCELERATED
BENEFITS FOR
EACH INSURED

Coverage for each Insured under this rider shall terminate on the earliest of:

1. the Full Election Date for Accelerated Benefits of the Insured; or
2. the date the life coverage for the Insured terminates; or
3. the Monthly Policy Date following our receipt of the Owner's written request to terminate the Insured's coverage under this rider.

TERMINATION OF
RIDER

This entire rider shall terminate on the earliest of:

1. the Full Election Date for Accelerated Benefits of the last remaining covered Insured; or
2. the date the policy terminates; or
3. the Monthly Policy Date following our receipt of the Owner's written request to terminate this rider.

EFFECTIVE DATE

The Effective Date of this rider is the policy's Date of Issue or Other Insured Rider's Effective Date unless a later date is shown in the policy's Data Section.

Jacque Lynn Benton

Secretary

EXHIBIT "B"

LIFE AND ACCIDENT AND HEALTH COMPANIES - ASSOCIATION EDITION



ANNUAL STATEMENT

For the Year Ended December 31, 2009
of the Condition and Affairs of the

Life Insurance Company of the Southwest

NAIC Group Code.....634, 634 (Current Period) (Prior Period) NAIC Company Code..... 65528 Employer's ID Number..... 75-0953004
 Organized under the Laws of Texas State of Domicile or Port of Entry Texas Country of Domicile US
 Incorporated/Organized..... March 7, 1955 Commenced Business..... January 2, 1956
 Statutory Home Office 1300 West Mockingbird Lane..... Dallas TX..... 75247-4921
 (Street and Number) (City or Town, State and Zip Code)
 Main Administrative Office 1300 West Mockingbird Lane..... Dallas TX..... 75247-4921 214-638-7100
 (Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)
 Mail Address P. O. Box 589080..... Dallas TX..... 75356-9080
 (Street and Number or P. O. Box) (City or Town, State and Zip Code)
 Primary Location of Books and Records 1300 West Mockingbird Lane..... Dallas TX..... 75247-4921 214-638-7100
 (Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)
 Internet Web Site Address www.lifeofsouthwest.com
 Statutory Statement Contact Michele Renee Holtfield 214-638-9335
 (Name) (Area Code) (Telephone Number) (Extension)
 mholtfield@nationalife.com 214-638-9140
 (E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Wade Hampton Mayo	President & CEO	2. Jacque Lynn Crawford	Secretary
3. Robert Earl Colton	Treasurer	4. Craig Alan Smith	VP & Appointed Actuary

OTHER			
Geoffrey Samuel Bird #	Vice President	Thomas Hyde Brownell	Sr. VP & Chief Investment Officer
Gregory Henry Dorenius	Sr. Vice President	Maryann (nmn) Ellis	Vice President
Michele Susan Gallo	Executive Vice President	Joyce Bloom LaRocca #	Vice President
Eric (nmn) Lopez	Vice President	Carl Joseph Lutz	Executive Vice President
Elizabeth Hill MacGowan	Vice President	Donald Paul Messier #	Vice President
Edward Jones Parry III	Executive Vice President	Ruth Barra Smith	Sr. Vice President
Michael Curran Ward	Vice President	Kelth William Young	Vice President

DIRECTORS OR TRUSTEES

Mehran (nmn) Assadi	Thomas Hyde Brownell	Carl Joseph Lutz	Edward Jones Parry III
Wade Hampton Mayo			

State of..... Texas
County of..... Dallas

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Wade Hampton Mayo	(Signature) Jacque Lynn Crawford	(Signature) Robert Earl Colton
1. (Printed Name) President & CEO	2. (Printed Name) Secretary	3. (Printed Name) Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me

This _____ day of _____ 2010

a. Is this an original filing?

Yes [X] No []

b. If no

1. State the amendment number

2. Date filed

3. Number of pages attached

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	6,238,951,367		6,238,951,367	5,183,886,534
2. Stocks (Schedule D):				
2.1 Preferred stocks	11,021,775		11,021,775	36,160,870
2.2 Common stocks			0	
3. Mortgage loans on real estate (Schedule E):				
3.1 First liens	835,480,548		835,480,548	858,143,003
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances)			0	
4.3 Properties held for sale (less \$.....0 encumbrances)			0	
5. Cash (\$.....6,997,961), Sch. E-Part 1), cash equivalents (\$.....59,029,533, Sch. E-Part 2) and short-term investments (\$.....39,177,073, Sch. DA)	131,203,046		131,203,046	34,801,147
6. Contract loans (including \$.....0 premium notes)	155,669,047		155,669,047	149,936,789
7. Other invested assets (Schedule BA)	21,089,868		21,089,868	20,703,792
8. Receivables for securities	320,454		320,454	9,305,404
9. Aggregate write-ins for invested assets	683,646,229	0	683,646,229	108,896,613
10. Subtotals, cash and invested assets (Lines 1 to 9)	8,075,382,348	0	8,075,382,348	6,409,103,152
11. Title plants less \$.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	79,415,152		79,415,152	57,014,618
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	261,803		261,803	227,347
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)	5,729,409		5,729,409	5,651,682
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	492,111		492,111	667,222
14.2 Funds held by or deposited with reinsured companies	172,925		172,925	260,446
14.3 Other amounts receivable under reinsurance contracts	1,997		1,997	2,730
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon			0	9,947,737
16.2 Net deferred tax asset	54,533,842	23,465,277	31,068,565	10,377,478
17. Currency funds receivable or on deposit	542,842		542,842	637,270
18. Electronic data processing equipment and software	933,283	902,397	30,886	12,324
19. Furniture and equipment, including health care delivery assets (\$.....0)	172,938	172,938	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates	6,555,492		6,555,492	11,515,812
22. Health care (\$.....0) and other amounts receivable	15,911,922	15,911,922	0	
23. Aggregate write-ins for other than invested assets	10,425,205	246,248	10,178,958	9,947,476
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	8,250,531,173	40,688,941	8,209,842,232	6,925,564,390
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	8,250,531,173	40,688,941	8,209,842,232	6,925,564,390

DETAILS OF WRITE-INS

0901. Spx options - long positions	579,750,812		579,750,812	106,753,625
0902. Futures contracts	3,895,417		3,895,417	2,861,719
0903. CDS book value adj.			0	(818,731)
0904. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0905. Totals (Lines 0901 thru 0903 plus 0904) (Line 9 above)	583,646,229	0	583,646,229	108,896,613
2301. Corporate Owned Life Insurance	10,106,279		10,106,279	5,749,524
2302. Items not allocated	85,585	14,494	71,071	195,945
2303. Prepaid Expenses	203,760	203,760	0	
2304. Summary of remaining write-ins for Line 23 from overflow page	29,601	27,993	1,608	2,007
2305. Totals (Lines 2301 thru 2304 plus 2305) (Line 23 above)	10,425,205	246,248	10,178,958	9,947,476

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$.....7,104,045,804 (Exhibit 5, Line 9099999) less \$.....0 included in Line 6.0 (including \$.....892,338 Modco Reserve)	7,104,045,804	5,919,432,660
2. Aggregate reserve for accident and health contracts (Exhibit 8, Line 17, Col. 1) (including \$.....0 Modco Reserve)	747,165	780,679
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$.....0 Modco Reserve)	55,689,609	49,961,084
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11)	7,584,702	6,976,156
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11)	24,300	24,903
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid (Exhibit 4, Line 10)		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco)	24,551	23,076
6.2 Dividends not yet apportioned (including \$.....0 Modco)		
6.3 Coupons and similar benefits (including \$.....0 Modco)		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.....0 discount, including \$.....1,565 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14)	148,844	133,322
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		
9.2 Provision for experience rating refunds, including \$.....0 accident and health experience rating refunds		
9.3 Other amounts payable on reinsurance, including \$.....0 assumed and \$.....0 ceded		
9.4 Interest Maintenance Reserve (IMR, Line 6)	29,829,908	6,682,051
10. Commissions to agents due or accrued - life and annuity contracts \$.....4,265,965, accident and health \$.....0 and deposit-type contract funds \$.....0	4,265,965	3,345,559
11. Commissions and expense allowances payable on reinsurance assumed		
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6)	5,345,969	4,457,591
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances)		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5)	1,068,974	1,075,030
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses)	13,736,796	
15.2 Net deferred tax liability		
16. Unearned investment income	160,013	155,051
17. Amounts withheld or retained by company as agent or trustee	1,031,722	1,192,267
18. Amounts held for agents' account, including \$.....0 agents' profit balances	4,621,041	4,437,062
19. Remittances and items not allocated	17,710,248	16,087,087
20. Net adjustment in assets and liabilities due to foreign exchange rates		
21. Liability for benefits for employees and agents if not included above		
22. Borrowed money \$.....0 and interest thereon \$.....0		
23. Dividends to stockholders declared and unpaid		
24. Miscellaneous liabilities:		
24.1 Asset valuation reserve (AVR Line 16, Col. 7)	7,937,065	13,822,529
24.2 Reinsurance in unauthorized companies		
24.3 Funds held under reinsurance treaties with unauthorized reinsurers	299,754	269,049
24.4 Payable to parent, subsidiaries and affiliates	729,662	231,311
24.5 Drafts outstanding		
24.6 Liability for amounts held under uninsured plans		
24.7 Funds held under coinsurance		
24.8 Payable for securities		
24.9 Capital notes \$.....0 and interest thereon \$.....0		
25. Aggregate write-ins for liabilities	463,312,603	76,088,170
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	7,717,622,823	6,105,243,823
27. From Separate Accounts Statement		
28. Total liabilities (Line 26 and 27)	7,717,622,823	6,105,243,823
29. Common capital stock	3,000,000	3,000,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes	30,000,000	30,000,000
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1)	165,972,114	165,972,114
34. Aggregate write-ins for special surplus funds	8,246,061	0
35. Unassigned funds (surplus)	285,081,340	221,149,263
36. Less treasury stock, at cost:		
36.10.000 shares common (value included in Line 29 \$.....0)		
36.20.000 shares preferred (value included in Line 30 \$.....0)		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement)	489,309,516	417,121,367
38. Totals of Lines 29, 30 and 37 (Page 4, Line 52)	492,309,516	420,121,367
39. Totals of Lines 28 and 38 (Page 2, Line 25, Col. 3)	8,209,932,337	6,525,365,190

DETAILS OF WRITE-INS

2501. Spx options - short positions	451,923,735	70,062,379
2502. Broker deposits on Loaned Securities	7,150,506	3,997,227
2503. Interest payable surplus note	890,051	860,651
2596. Summary of remaining write-ins for Line 25 from overflow page	3,358,312	1,156,513
2599. Totals (Lines 2501 thru 2503 plus 2596) (Line 25 above)	463,312,603	76,088,170
3101.		
3102.		
3103.		
3196. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 thru 3103 plus 3196) (Line 31 above)	0	0
3401. Net DTA SSAP 10R	8,246,061	0
3402.		
3403.		
3496. Summary of remaining write-ins for Line 34 from overflow page	0	0
3499. Totals (Lines 3401 thru 3403 plus 3496) (Line 34 above)	8,246,061	0

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**
SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11).....	1,574,648,424	1,229,783,191
2. Considerations for supplementary contracts with life contingencies.....		
3. Net investment income (Exhibit of Net Investment Income, Line 17).....	528,978,913	161,414,824
4. Amortization of Interest Maintenance Reserve (IMR) (Line 5).....	644,954	(586,581)
5. Separate Account net gain from operations excluding unrealized gains or losses.....		
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1).....	510,252	406,438
7. Reserve adjustments on reinsurance ceded.....		
8. Miscellaneous income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts.....		
8.2 Charges and fees for deposit-type contracts.....		
8.3 Aggregate write-ins for miscellaneous income.....	682,685	647,454
9. Totals (Lines 1 to 8.3).....	2,105,465,848	1,391,895,327
10. Death benefits:		
11. Matured endowments (excluding guaranteed annual pure endowments).....	25,771,630	24,168,131
12. Annuity benefits (Exhibit 3, Part 2, Line 5.4, Cols. 4 + 6).....	821,877	270,175
13. Disability benefits and benefits under accident and health contracts.....	39,907,268	34,895,365
14. Coupons, guaranteed annual pure endowments and similar benefits.....	893,166	1,109,599
15. Surrender benefits and withdrawals for life contracts.....		
16. Group operations.....		
17. Interest and adjustments on contract or deposit-type contract funds.....	472,909,985	516,207,175
18. Payments on supplementary contracts with life contingencies.....	6,482,065	(5,921,400)
19. Increase in aggregate reserves for life and accident and health contracts.....	102,031	100,230
20. Totals (Lines 10 to 19).....	1,106,186,838	610,822,388
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1).....	1,731,855,377	1,183,594,672
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1).....	184,806,116	155,729,890
23. General insurance expenses (Exhibit 2, Line 10, Columns 1, 2, 3 and 4).....	37,524,002	38,744,619
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3).....	5,997,714	1,973,411
25. Increase in loading on deferred and uncollected premiums.....	(13,697)	(103,218)
26. Net transfers to or (from) Separate Accounts net of reinsurance.....		
27. Aggregate write-ins for deductions.....	(203,313)	(203,335)
28. Totals (Lines 20 to 27).....	1,959,606,195	1,380,736,041
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	145,859,652	11,169,288
30. Dividends to policyholders.....	36,636	20,398
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	145,822,916	11,138,888
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....	53,463,492	7,931,989
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	92,359,414	3,206,898
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....7,242,706 excluding taxes of \$.....(10,931,883) transferred to the IMR).....	(40,584,890)	(40,211,892)
35. Net income (Line 33 plus Line 34).....	51,774,524	(37,005,494)
CAPITAL AND SURPLUS ACCOUNT		
36. Capital and surplus, December 31, prior year (Page 3, Line 58, Col. 2).....	420,121,367	364,626,639
37. Net income (Line 35).....	51,774,524	(37,005,494)
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....6.....	(2,459,087)	1,952
39. Change in net unrealized foreign exchange capital gains (loss).....		
40. Change in net deferred income tax.....	2,463,176	10,814,182
41. Change in nonadmitted assets.....	4,821,338	(10,054,684)
42. Change in liability for reinsurance in unauthorized companies.....		
43. Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 5898889, Col. 4).....	1,666,683	
44. Change in asset valuation reserve.....	5,885,404	22,058,509
45. Change in treasury stock (Page 3, Lines 58.1 and 58.2 Col. 2 minus Col. 1).....		
46. Surplus (contributed to) withdrawn from Separate Accounts during period.....		
47. Other changes in surplus in Separate Accounts Statement.....		
48. Change in surplus notes.....		
49. Cumulative effect of changes in accounting principles.....		
50. Capital changes:		
50.1 Paid in.....		
50.2 Transferred from surplus (Stock Dividend).....		
50.3 Transferred to surplus.....		
51. Surplus adjustment:		
51.1 Paid in.....		50,881,074
51.2 Transferred to capital (Stock Dividend).....		
51.3 Transferred from capital.....		
51.4 Change in surplus as a result of reinsurance.....		
52. Dividends to stockholders.....		
53. Aggregate write-ins for gains and losses in surplus.....	8,246,061	0
54. Net change in capital and surplus for the year (Lines 37 through 53).....	72,183,143	55,494,727
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 33).....	492,304,510	420,121,367
DETAILS OF WRITE-INS		
08.301. COLI valuation change.....	358,755	363,069
08.302. Miscellaneous income.....	184,407	179,568
08.303. Interest on agents debit balances.....	163,382	118,488
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	(21,869)	(11,863)
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	682,685	647,454
2701. Reserve adjustment of modified coinsurance.....	(380,771)	(210,587)
2702. Fines and penalties.....	3,865	9,251
2703. Changes in agents del comp.....	(7,191)	(5,296)
2798. Summary of remaining write-ins for Line 27 from overflow page.....	10,783	3,257
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	(323,313)	(203,335)
5301. Surplus Adj Net DTA SSAP 10R.....	8,246,061	0
5302.....		
5303.....		
5398. Summary of remaining write-ins for Line 53 from overflow page.....	0	0
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	8,246,061	0

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	1,574,566,861	1,229,551,890
2. Net investment income	330,830,284	216,410,847
3. Miscellaneous income	838,192	1,053,893
4. Total (Lines 1 through 3)	1,906,235,257	1,447,016,629
5. Benefit and loss related payments	544,908,644	579,260,426
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	225,120,052	193,602,415
8. Dividends paid to policyholders	38,181	19,832
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	26,061,217	5,688,231
10. Total (Lines 5 through 9)	796,128,075	778,570,905
11. Net cash from operations (Line 4 minus Line 10)	1,110,107,183	668,445,925
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,610,051,827	845,806,374
12.2 Stocks		215,109
12.3 Mortgage loans	40,838,057	53,438,937
12.4 Real estate		
12.5 Other invested assets	1,304,882	6,366,019
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		679
12.7 Miscellaneous proceeds	9,044,993	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,661,237,725	905,826,518
13. Cost of investments acquired (long-term only):		
13.1 Bonds	3,652,427,414	1,422,442,989
13.2 Stocks		5,237,725
13.3 Mortgage loans	11,700,800	112,710,000
13.4 Real estate		
13.5 Other invested assets	5,575,058	17,013,670
13.6 Miscellaneous applications	5,605,882	23,278,917
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,675,308,152	1,580,683,301
14. Net increase (decrease) in contract loans and premium notes	5,732,257	12,087,845
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(1,013,802,883)	(686,945,829)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		10,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance facilities	(43,395)	(876,572)
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	6,141,795	7713,268
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	6,098,401	8,410,881
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	96,401,900	(10,089,543)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	34,801,146	44,890,588
19.2 End of year (Line 18 plus Line 19.1)	131,203,046	34,801,146
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest

ANALYSIS OF OPERATION BY LINES OF BUSINESS

Line	Description	Country			Group			Accident and Health			Aggregate of All Other Lines of Business
		Total	Individual Life	Life Insurance	Life Insurance	Life Insurance	Life Insurance	Life Insurance	Life Insurance	Life Insurance	
1.	Premiums and annuity considerations for life and accident and health contracts	1,157,049,424	0	1,157,049,424	0	1,157,049,424	0	1,157,049,424	0	1,157,049,424	
2.	Commissions for supplementary contracts with the contingencies	528,978,313	0	528,978,313	0	528,978,313	0	528,978,313	0	528,978,313	
3.	Net incomes of income	944,994,944	0	944,994,944	0	944,994,944	0	944,994,944	0	944,994,944	
4.	Amortization of intangible maintenance reserve (MAR)	0	0	0	0	0	0	0	0	0	
5.	Separate Accounts net gain from operations excluding realized gains or losses	0	0	0	0	0	0	0	0	0	
6.	Commissions and expense allowances on reinsurance ceded	510,262	0	510,262	0	510,262	0	510,262	0	510,262	
7.	Reserve adjustments on reinsurance ceded	0	0	0	0	0	0	0	0	0	
8.	Reserve adjustments on reinsurance ceded	0	0	0	0	0	0	0	0	0	
9.	8.1 Fees expensed with income from investment management, administration and contract guarantees from SIA	0	0	0	0	0	0	0	0	0	
10.	8.2 Charges and fees for deposit-type contracts	0	0	0	0	0	0	0	0	0	
11.	8.3 Aggregate values for miscellaneous income	0	0	0	0	0	0	0	0	0	
12.	Death benefits	2,100,453,643	0	2,100,453,643	0	2,100,453,643	0	2,100,453,643	0	2,100,453,643	
13.	Net income	26,771,366	0	26,771,366	0	26,771,366	0	26,771,366	0	26,771,366	
14.	Annual benefits	621,877	0	621,877	0	621,877	0	621,877	0	621,877	
15.	Disability benefits and benefits under accident and health contracts	39,807,868	0	39,807,868	0	39,807,868	0	39,807,868	0	39,807,868	
16.	Current guaranteed annual rate endowments and annuity benefits	305,160	0	305,160	0	305,160	0	305,160	0	305,160	
17.	Summed benefits and withdrawals for life contracts	472,909,995	0	472,909,995	0	472,909,995	0	472,909,995	0	472,909,995	
18.	Group annuities	6,462,005	0	6,462,005	0	6,462,005	0	6,462,005	0	6,462,005	
19.	Interest and adjustments on contract deposit-type contracts	102,063	0	102,063	0	102,063	0	102,063	0	102,063	
20.	Payments on supplementary contracts with the contingencies	1,188,188,638	0	1,188,188,638	0	1,188,188,638	0	1,188,188,638	0	1,188,188,638	
21.	Totals (Lines 10 to 19)	1,188,188,638	0	1,188,188,638	0	1,188,188,638	0	1,188,188,638	0	1,188,188,638	
22.	Commissions on premium, annuity considerations and deposit-type contract funds (direct business only)	194,006,110	0	194,006,110	0	194,006,110	0	194,006,110	0	194,006,110	
23.	General business expenses	37,824,002	0	37,824,002	0	37,824,002	0	37,824,002	0	37,824,002	
24.	Interest on loans, interest and fees, excluding federal income taxes	5,957,711	0	5,957,711	0	5,957,711	0	5,957,711	0	5,957,711	
25.	Interest on loans on deferred and uncollected premiums	13,697,711	0	13,697,711	0	13,697,711	0	13,697,711	0	13,697,711	
26.	Net transfers to or from Separate Accounts net of reinsurance	0	0	0	0	0	0	0	0	0	
27.	Aggregate values for deposits	0	0	0	0	0	0	0	0	0	
28.	Net gain from operations before dividends to policyholders and federal income taxes (Line 28 minus Line 30)	0	0	0	0	0	0	0	0	0	
29.	Dividends to policyholders	0	0	0	0	0	0	0	0	0	
30.	Net gain from operations after dividends to policyholders and federal income taxes (Line 28 minus Line 30)	0	0	0	0	0	0	0	0	0	
31.	Federal income taxes incurred (excluding tax on capital gains)	0	0	0	0	0	0	0	0	0	
32.	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses (Line 31 minus Line 32)	0	0	0	0	0	0	0	0	0	
33.	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses (Line 31 minus Line 32)	0	0	0	0	0	0	0	0	0	

(A) Includes the following amounts for REGUSGL: Line 10, 0; Line 16, 0; Line 22, 0; Line 24, 0; Line 26, 0; Line 28, 0; Line 30, 0; Line 32, 0; Line 34, 0; Line 36, 0; Line 38, 0; Line 40, 0; Line 42, 0; Line 44, 0; Line 46, 0; Line 48, 0; Line 50, 0; Line 52, 0; Line 54, 0; Line 56, 0; Line 58, 0; Line 60, 0; Line 62, 0; Line 64, 0; Line 66, 0; Line 68, 0; Line 70, 0; Line 72, 0; Line 74, 0; Line 76, 0; Line 78, 0; Line 80, 0; Line 82, 0; Line 84, 0; Line 86, 0; Line 88, 0; Line 90, 0; Line 92, 0; Line 94, 0; Line 96, 0; Line 98, 0; Line 100, 0; Line 102, 0; Line 104, 0; Line 106, 0; Line 108, 0; Line 110, 0; Line 112, 0; Line 114, 0; Line 116, 0; Line 118, 0; Line 120, 0; Line 122, 0; Line 124, 0; Line 126, 0; Line 128, 0; Line 130, 0; Line 132, 0; Line 134, 0; Line 136, 0; Line 138, 0; Line 140, 0; Line 142, 0; Line 144, 0; Line 146, 0; Line 148, 0; Line 150, 0; Line 152, 0; Line 154, 0; Line 156, 0; Line 158, 0; Line 160, 0; Line 162, 0; Line 164, 0; Line 166, 0; Line 168, 0; Line 170, 0; Line 172, 0; Line 174, 0; Line 176, 0; Line 178, 0; Line 180, 0; Line 182, 0; Line 184, 0; Line 186, 0; Line 188, 0; Line 190, 0; Line 192, 0; Line 194, 0; Line 196, 0; Line 198, 0; Line 200, 0; Line 202, 0; Line 204, 0; Line 206, 0; Line 208, 0; Line 210, 0; Line 212, 0; Line 214, 0; Line 216, 0; Line 218, 0; Line 220, 0; Line 222, 0; Line 224, 0; Line 226, 0; Line 228, 0; Line 230, 0; Line 232, 0; Line 234, 0; Line 236, 0; Line 238, 0; Line 240, 0; Line 242, 0; Line 244, 0; Line 246, 0; Line 248, 0; Line 250, 0; Line 252, 0; Line 254, 0; Line 256, 0; Line 258, 0; Line 260, 0; Line 262, 0; Line 264, 0; Line 266, 0; Line 268, 0; Line 270, 0; Line 272, 0; Line 274, 0; Line 276, 0; Line 278, 0; Line 280, 0; Line 282, 0; Line 284, 0; Line 286, 0; Line 288, 0; Line 290, 0; Line 292, 0; Line 294, 0; Line 296, 0; Line 298, 0; Line 300, 0; Line 302, 0; Line 304, 0; Line 306, 0; Line 308, 0; Line 310, 0; Line 312, 0; Line 314, 0; Line 316, 0; Line 318, 0; Line 320, 0; Line 322, 0; Line 324, 0; Line 326, 0; Line 328, 0; Line 330, 0; Line 332, 0; Line 334, 0; Line 336, 0; Line 338, 0; Line 340, 0; Line 342, 0; Line 344, 0; Line 346, 0; Line 348, 0; Line 350, 0; Line 352, 0; Line 354, 0; Line 356, 0; Line 358, 0; Line 360, 0; Line 362, 0; Line 364, 0; Line 366, 0; Line 368, 0; Line 370, 0; Line 372, 0; Line 374, 0; Line 376, 0; Line 378, 0; Line 380, 0; Line 382, 0; Line 384, 0; Line 386, 0; Line 388, 0; Line 390, 0; Line 392, 0; Line 394, 0; Line 396, 0; Line 398, 0; Line 400, 0; Line 402, 0; Line 404, 0; Line 406, 0; Line 408, 0; Line 410, 0; Line 412, 0; Line 414, 0; Line 416, 0; Line 418, 0; Line 420, 0; Line 422, 0; Line 424, 0; Line 426, 0; Line 428, 0; Line 430, 0; Line 432, 0; Line 434, 0; Line 436, 0; Line 438, 0; Line 440, 0; Line 442, 0; Line 444, 0; Line 446, 0; Line 448, 0; Line 450, 0; Line 452, 0; Line 454, 0; Line 456, 0; Line 458, 0; Line 460, 0; Line 462, 0; Line 464, 0; Line 466, 0; Line 468, 0; Line 470, 0; Line 472, 0; Line 474, 0; Line 476, 0; Line 478, 0; Line 480, 0; Line 482, 0; Line 484, 0; Line 486, 0; Line 488, 0; Line 490, 0; Line 492, 0; Line 494, 0; Line 496, 0; Line 498, 0; Line 500, 0; Line 502, 0; Line 504, 0; Line 506, 0; Line 508, 0; Line 510, 0; Line 512, 0; Line 514, 0; Line 516, 0; Line 518, 0; Line 520, 0; Line 522, 0; Line 524, 0; Line 526, 0; Line 528, 0; Line 530, 0; Line 532, 0; Line 534, 0; Line 536, 0; Line 538, 0; Line 540, 0; Line 542, 0; Line 544, 0; Line 546, 0; Line 548, 0; Line 550, 0; Line 552, 0; Line 554, 0; Line 556, 0; Line 558, 0; Line 560, 0; Line 562, 0; Line 564, 0; Line 566, 0; Line 568, 0; Line 570, 0; Line 572, 0; Line 574, 0; Line 576, 0; Line 578, 0; Line 580, 0; Line 582, 0; Line 584, 0; Line 586, 0; Line 588, 0; Line 590, 0; Line 592, 0; Line 594, 0; Line 596, 0; Line 598, 0; Line 600, 0; Line 602, 0; Line 604, 0; Line 606, 0; Line 608, 0; Line 610, 0; Line 612, 0; Line 614, 0; Line 616, 0; Line 618, 0; Line 620, 0; Line 622, 0; Line 624, 0; Line 626, 0; Line 628, 0; Line 630, 0; Line 632, 0; Line 634, 0; Line 636, 0; Line 638, 0; Line 640, 0; Line 642, 0; Line 644, 0; Line 646, 0; Line 648, 0; Line 650, 0; Line 652, 0; Line 654, 0; Line 656, 0; Line 658, 0; Line 660, 0; Line 662, 0; Line 664, 0; Line 666, 0; Line 668, 0; Line 670, 0; Line 672, 0; Line 674, 0; Line 676, 0; Line 678, 0; Line 680, 0; Line 682, 0; Line 684, 0; Line 686, 0; Line 688, 0; Line 690, 0; Line 692, 0; Line 694, 0; Line 696, 0; Line 698, 0; Line 700, 0; Line 702, 0; Line 704, 0; Line 706, 0; Line 708, 0; Line 710, 0; Line 712, 0; Line 714, 0; Line 716, 0; Line 718, 0; Line 720, 0; Line 722, 0; Line 724, 0; Line 726, 0; Line 728, 0; Line 730, 0; Line 732, 0; Line 734, 0; Line 736, 0; Line 738, 0; Line 740, 0; Line 742, 0; Line 744, 0; Line 746, 0; Line 748, 0; Line 750, 0; Line 752, 0; Line 754, 0; Line 756, 0; Line 758, 0; Line 760, 0; Line 762, 0; Line 764, 0; Line 766, 0; Line 768, 0; Line 770, 0; Line 772, 0; Line 774, 0; Line 776, 0; Line 778, 0; Line 780, 0; Line 782, 0; Line 784, 0; Line 786, 0; Line 788, 0; Line 790, 0; Line 792, 0; Line 794, 0; Line 796, 0; Line 798, 0; Line 800, 0; Line 802, 0; Line 804, 0; Line 806, 0; Line 808, 0; Line 810, 0; Line 812, 0; Line 814, 0; Line 816, 0; Line 818, 0; Line 820, 0; Line 822, 0; Line 824, 0; Line 826, 0; Line 828, 0; Line 830, 0; Line 832, 0; Line 834, 0; Line 836, 0; Line 838, 0; Line 840, 0; Line 842, 0; Line 844, 0; Line 846, 0; Line 848, 0; Line 850, 0; Line 852, 0; Line 854, 0; Line 856, 0; Line 858, 0; Line 860, 0; Line 862, 0; Line 864, 0; Line 866, 0; Line 868, 0; Line 870, 0; Line 872, 0; Line 874, 0; Line 876, 0; Line 878, 0; Line 880, 0; Line 882, 0; Line 884, 0; Line 886, 0; Line 888, 0; Line 890, 0; Line 892, 0; Line 894, 0; Line 896, 0; Line 898, 0; Line 900, 0; Line 902, 0; Line 904, 0; Line 906, 0; Line 908, 0; Line 910, 0; Line 912, 0; Line 914, 0; Line 916, 0; Line 918, 0; Line 920, 0; Line 922, 0; Line 924, 0; Line 926, 0; Line 928, 0; Line 930, 0; Line 932, 0; Line 934, 0; Line 936, 0; Line 938, 0; Line 940, 0; Line 942, 0; Line 944, 0; Line 946, 0; Line 948, 0; Line 950, 0; Line 952, 0; Line 954, 0; Line 956, 0; Line 958, 0; Line 960, 0; Line 962, 0; Line 964, 0; Line 966, 0; Line 968, 0; Line 970, 0; Line 972, 0; Line 974, 0; Line 976, 0; Line 978, 0; Line 980, 0; Line 982, 0; Line 984, 0; Line 986, 0; Line 988, 0; Line 990, 0; Line 992, 0; Line 994, 0; Line 996, 0; Line 998, 0; Line 1000, 0.

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest
ANALYSIS OF INCREASE IN RESERVES DURING THE YEAR

	1 Total	2 Individual Life	3 Life Insurance	4 Ordinary Individual Annuities	5 Supplementary Contracts	6 Cash Life (Group and Individual)	7 Life Insurance	8 Group Annuities
Involving Life or Disability Contingencies (Reserves)								
(Net of Reserve Credited)								
1. Reserve December 31, prior year.....	5,919,462,680		351,603,779	4,311,222,849	1,072,465		11,092,222	1,244,801,666
2. Tabular net premiums or considerations.....	1,430,477,731		120,830,665	1,220,793,259	XXX		30,359	80,821,809
3. Present value of disability claims incurred.....	0							
4. Tabular interest.....	158,811,462		17,873,169	100,488,738	50,760		481,210	37,187,684
5. Tabular less actual reserves released.....	316,070,485		1,268,761	186,684,623	(108,076)		(64,615)	27,530,792
6. Increase in reserve on account of change in valuation basis.....	1,066,663		1,666,663					
7. Other increases (net).....	0			2,053,388				(2,033,388)
8. Totals (Lines 1 to 7).....	7,724,919,051	0	501,231,039	6,821,260,659	1,015,169	0	11,498,116	1,388,927,172
9. Tabular cost.....	36,277,035		56,068,347		XXX		188,708	
10. Reserves released by death.....	4,067,047		4,640,334	XXX	XXX		238,713	XXX
11. Reserves released by other terminations (net).....	15,361,818		15,321,243				42,573	
12. Annuity, supplementary contract, and disability payments involving life contingencies.....	5,62,705,321		644,676	444,200,193	102,411		2,136	
13. Net transfers to or (from) Separate Accounts.....	0							
14. Total deductions (Lines 9 to 13).....	618,273,229	0	76,894,600	444,200,193	102,411	0	660,130	97,615,816
15. Reserve December 31, current year.....	7,104,645,822	0	424,336,439	6,377,369,805	912,759	0	11,028,886	1,290,411,257

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds	(a) 2,892,870	4,214,728
1.1 Bonds exempt from U.S. tax	(a) 0	0
1.2 Other bonds (unaffiliated)	(a) 234,141,735	344,625,411
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 715,790	715,790
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	(b) 0	0
2.21 Common stocks of affiliates	(b) 0	0
3. Mortgage loans	(c) 53,337,168	53,510,585
4. Real estate	(d) 0	0
5. Contract loans	(e) 8,493,517	8,927,747
6. Cash, cash equivalents and short-term investments	(f) 99,902	85,825
7. Derivative instruments	(g) 125,378,828	124,009,823
8. Other invested assets	(h) 320,507	312,110
9. Aggregate write-ins for investment income	167,478	167,478
10. Total gross investment income	526,037,595	536,666,678
11. Investment expenses		(g) 5,270,233
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 1,139
13. Interest expense		(h) 2,250,000
14. Depreciation on real estate and other invested assets		(i) 0
15. Aggregate write-ins for deductions from investment income		67,000
16. Total deductions (Lines 11 through 15)		7,688,382
17. Net investment income (Line 10 minus Line 16)		528,978,313

DETAILS OF WRITE-INS

0901. Income on loaned securities	167,478	167,478
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	167,478	167,478
1501. Investment services between affiliates		67,000
1502.		
1503.		
1598. Summary of remaining write-ins for Line 16 from overflow page		0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 16 above)		67,000

- (a) Includes \$ 11,045,022 accrual of discount less \$ 9,369,872 amortization of premium and less \$ 14,579,567 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$ 2,250,000 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds	1,192,988		1,192,988		
1.1 Bonds exempt from U.S. tax	0		0		
1.2 Other bonds (unaffiliated)	14,159,665	(29,731,753)	(15,538,088)	(861,956)	
1.3 Bonds of affiliates	0		0		
2.1 Preferred stocks (unaffiliated)	0		0		
2.11 Preferred stocks of affiliates	0		0		
2.2 Common stocks (unaffiliated)	0		0		
2.21 Common stocks of affiliates	0		0		
3. Mortgage loans	0		0	(1,593,771)	
4. Real estate	0		0		
5. Contract loans	0		0		
6. Cash, cash equivalents and short-term investments	0		0		
7. Derivative instruments	0		0		
8. Other invested assets	2,994,512	(9,140,558)	(6,145,246)	(13,368)	
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	18,389,565	(38,872,311)	(20,481,346)	(2,459,697)	0

DETAILS OF WRITE-INS

0901.			0		
0902.			0		
0903.			0		
0998. Summary of remaining write-ins for Line 9 from overflow page			0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)			0	0	0

Annual Statement for the Year 2009 of the Life Insurance Company of the Southwest
EXHIBIT 1 - PART 1 - PREMIUMS AND ANNUITY CONSIDERATIONS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

	COMPANY										Aggregate of All Other Lines of Business
	1	2	3	4	5	6	7	8	9	10	
	Total	Individual Life	Life Insurance	Individual Annuities	Credit Life (Grouped Individual)	Life Insurance	Group Annuities	Group	Credit (Group & Individual)	Other	
1. Unexpended	40,142										
2. Deferred and accrued	1,127,875		60,142								
3. Deferred, accrued and uncollected:			1,127,875								
3.1 Direct											
3.2 Reinsurance assumed	1,169,017		1,169,017								
3.3 Reinsurance ceded											
3.4 Net (Line 1 + Line 2)	1,169,017		1,169,017								
4. Advances	22,430										
5. Collected during year:	1,145,587		1,145,587								
6.1 Direct	578,600,238		56,054,911	508,425,214			13,417,113				
6.2 Reinsurance assumed	11,765		11,765								
6.3 Reinsurance ceded	884,841		884,841								
6.4 Net	578,017,403		56,172,525	508,425,214			13,417,113				
7. Line 5 + Line 6	578,163,650		56,312,722	508,425,214			13,417,113				
8. Prior year (unexpended + deferred and accrued - advance)	1,132,687										
9. First year premiums and considerations:											
9.1 Direct	575,912,888		56,087,551	508,425,214			13,417,113				
9.2 Reinsurance assumed	11,768		11,768								
9.3 Reinsurance ceded	184,141		184,141								
9.4 Net (Line 7 - Line 8)	575,600,112		56,164,185	508,425,214			13,417,113				
10. Single premiums and considerations:											
10.1 Direct	627,858,914		10,288,993	609,306,096							
10.2 Reinsurance assumed											
10.3 Reinsurance ceded	19,706		19,706								
10.4 Net	627,696,000		10,269,287	609,306,096							
11. Unexpended	280,214										
12. Deferred and accrued	5,069,897										
13. Deferred, accrued and uncollected:											
13.1 Direct	5,359,779										
13.2 Reinsurance assumed											
13.3 Reinsurance ceded	20,876										
13.4 Net (Line 11 + Line 12)	5,339,901										
14. Advances	120,414										
15. Collected during year:	5,212,487										
16.1 Direct	378,680,370		110,571,033	191,200,339			68,762,247				
16.2 Reinsurance assumed	442,789		442,789								
16.3 Reinsurance ceded	8,197,388		8,197,388								
16.4 Net	371,911,791		110,916,807	191,200,339			68,762,247				
17. Line 15 + Line 16	371,911,791		110,916,807	191,200,339			68,762,247				
18. Prior year (unexpended + deferred and accrued - advance)	5,141,573										
19. First year premiums and considerations:											
19.1 Direct	379,724,542		118,633,537	191,200,339			68,762,247				
19.2 Reinsurance assumed	442,789		442,789								
19.3 Reinsurance ceded	8,194,626		8,194,626								
19.4 Net (Line 17 - Line 18)	371,962,704		110,881,912	191,200,339			68,762,247				
20. Total premiums and annuity considerations:											
20.1 Direct	1,583,303,744		192,990,081	1,366,954,436			88,176,381				
20.2 Reinsurance assumed	454,554		454,554								
20.3 Reinsurance ceded	8,108,873		8,108,873								
20.4 Net (Lines 9.4 + 10.4 + 19.4)	1,575,655,425		193,553,508	1,366,954,436			88,176,381				

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest
EXHIBIT 1 - PART 2 - DIVIDENDS AND COUPONS APPLIED, REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES AND COMMISSIONS INCURRED (direct business only)

	Country				Group			Accident and Health		Aggregate of All Other Lines of Business
	1	2	3	4	5	6	7	8	10	
	Total	Individual Life	Life Insurance	Individual Annuities	Credit Life (Group and Individual)	Life Insurance	Annuities	Group	Credit (Group & Individual)	Other
DIVIDENDS AND COUPONS APPLIED (included in Part 1)										
21. To pay renewal premiums	2,000		2,000							
22. All other	128		128							
REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES INCURRED										
23. Flat year (other than single)										
23.1 Reinsurance ceded	422,447		422,447							
23.2 Reinsurance assumed	0		0							
23.3 Net ceded less assumed	422,447		422,447							
24. Single										
24.1 Reinsurance ceded	0		0							
24.2 Reinsurance assumed	0		0							
24.3 Net ceded less assumed	0		0							
25. Renewal										
25.1 Reinsurance ceded	87,805		87,773							
25.2 Reinsurance assumed	0		0							
25.3 Net ceded less assumed	87,805		87,773							
26. Totals										
26.1 Reinsurance ceded (Page 6, Line 6)	510,252		510,220							
26.2 Reinsurance assumed (Page 6, Line 22)	0		0							
26.3 Net ceded less assumed	510,252		510,220							
COMMISSIONS INCURRED (direct business only)										
27. Flat year (other than single)	115,422,668		58,004,889	58,141,943			846,176			
28. Single	48,225,412		6,507,995	46,225,412			4,442,773			
29. Renewal	22,988,017		63,142,926	12,007,929						
30. Deposit-type contract funds	0		0	116,379,894						
31. Totals (to agree with Page 6, Line 21)	184,608,118		63,142,926	116,379,894			5,089,949			269

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**
EXHIBIT 2 - GENERAL EXPENSES

	Insurance				5 Investment	6 Total
	1 Life	2 Accident and Health		4 All Other Lines of Business		
		Cost Containment	All Other			
1. Rent	340,517		810			441,327
2. Salaries and wages	12,520,114		18,011			12,538,125
3.11 Contributions for benefit plans for employees	2,757,597		4,781			2,762,378
3.12 Contributions for benefit plans for agents						0
3.21 Payments to employees under non-funded benefit plans						0
3.22 Payments to agents under non-funded benefit plans						0
3.31 Other employee welfare	284,405					284,405
3.32 Other agent welfare	33,193					33,193
4.1 Legal fees and expenses	566,709					566,709
4.2 Medical examination fees						0
4.3 Inspection report fees	63,676					63,676
4.4 Fees of public accountants and consulting acturaries	334,369					334,369
4.5 Expense of investigation and settlement of policy claims						0
5.1 Traveling expenses	562,182					562,182
5.2 Advertising	402,676					402,676
5.3 Postage, express, telegraph and telephone	1,349,177					1,349,177
5.4 Printing and stationery	993,892		1,048			994,940
5.5 Cost or depreciation of furniture and equipment	68,713		728			69,441
5.6 Rental of equipment	17,201					17,201
5.7 Cost or depreciation of EDP equipment and software	444,446					444,446
6.1 Books and periodicals	12,318					12,318
6.2 Bureau and association fees	106,051					106,051
6.3 Insurance, except on real estate	8,010					8,010
6.4 Miscellaneous losses						0
6.5 Collection and bank service charges				258,581		258,581
6.6 Sundry general expenses	135,586					135,586
6.7 Group service and administration fees						0
6.8 Reimbursements by uninsured plans						0
7.1 Agency expense allowance	19,966					19,966
7.2 Agents' balances charged off (less \$.....0 recovered)	581,830					581,830
7.3 Agency conferences other than local meetings	2,951,317					2,951,317
9.1 Real estate expenses						0
9.2 Investment expenses not included elsewhere				5,011,653		5,011,653
9.3 Aggregate write-ins for expenses	12,064,172	0	0	0	0	12,064,172
10. General expenses incurred	37,498,124	0	25,878	0	5,270,225 (a)	42,794,227
11. General expenses unpaid December 31, prior year	3,910,960	0	321	0	546,250	4,457,531
12. General expenses unpaid December 31, current year	4,778,801	0	297	0	506,071	5,345,969
13. Amounts receivable relating to uninsured plans, prior year						0
14. Amounts receivable relating to uninsured plans, current year						0
15. General expenses paid during year (Lines 10 + 11 - 12 + 13 + 14)	38,650,204	0	25,901	0	5,249,855	41,925,859

DETAILS OF WRITE-INS

09.301. Consulting fees	837,599					837,599
09.302. Life product management services	9,095,220					9,095,220
09.303. Services provided by other companies	2,131,352					2,131,352
09.308. Summary of remaining write-ins for Line 9.3 from overflow page	0	0	0	0	0	0
09.309. Totals (Lines 09.301 thru 09.308 plus 09.308(d) line 9.3 above)	12,064,172	0	0	0	0	12,064,172

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT 3 - TAXES, LICENSES AND FEES (EXCLUDING FEDERAL INCOME TAXES)

	Insurance			4 Investment	5 Total
	1 Life	2 Accident and Health	3 All Other Lines of Business		
1. Real estate taxes					0
2. State insurance department licenses and fees	835,870	873			836,743
3. State taxes on premiums	3,781,999	2,070			3,784,069
4. Other state taxes, including \$.....0 for employee benefits	137,878				137,878
5. U.S. Social Security taxes	503,914				503,914
6. All other taxes	925,210			1,130	926,340
7. Taxes, licenses and fees incurred	5,954,668	3,043	0	1,130	5,958,841
8. Taxes, licenses and fees unpaid December 31, prior year	1,074,942	38			1,075,030
9. Taxes, licenses and fees unpaid December 31, current year	1,066,504	38			1,066,971
10. Taxes, licenses and fees paid during year (Lines 7 + 8 - 9)	5,942,797	3,083	0	1,130	5,946,909

EXHIBIT 4 - DIVIDENDS OR REFUNDS

	1 Life	2 Accident and Health
	1. Applied to pay renewal premiums	2,003
2. Applied to shorten the endowment or premium-paying period		
3. Applied to provide paid-up additions	126	
4. Applied to provide paid-up annuities		
5. Total Lines 1 through 4	2,129	0
6. Paid-in cash	31,928	
7. Left on deposit	2,107	
8. Aggregate write-ins for dividend or refund options	0	0
9. Total Lines 5 through 8	36,161	0
10. Amount due and unpaid		
11. Provision for dividends or refunds payable in the following calendar year	24,551	
12. Terminal dividends		
13. Provision for deferred dividend contracts		
14. Amount provisionally held for deferred dividend contracts not included in Line 13		
15. Total Lines 10 through 14	24,551	0
16. Total from prior year	24,078	
17. Total dividends or refunds (Lines 9 + 15 - 16)	36,835	0

DETAILS OF WRITE-INS

0801.		
0802.		
0803.		
0899. Summary of remaining write-ins for Line 8 from overflow page	0	0
0899. Totals (Line 0801 thru 0803 plus 0899) (Line 8 above)	0	0

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**
EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS

1	2	3	4	5	6
Valuation Standard	Total	Instalment	Ordinary	Credit (Group and Individual)	Group
Life Insurance:					
0100001. 41 CSO 3% NL	285,517		210,494		53,123
0100002. 41 CSO 3 1/2% NL	2,465		2,465		
0100003. 58 CSO 2 1/2% NL	4,297		4,297		
0100004. 58 CSO 3% NL	4,434,870		4,434,870		
0100005. 58 CSO 3% CRVM	2,435,010		2,435,010		
0100006. 58 CSO 3 1/2% NL	397,776		279,279		118,497
0100007. 58 CSO 3 1/2% CRVM	5,439,139		4,878,072		1,528,117
0100008. 58 CSO 4% CRVM	983,885		983,885		
0100009. 58 CSO 4 1/2% NL	109,573		109,573		
0100010. 58 CSO 4 1/2% CRVM	13,307,610		13,507,695		4,399,915
0100011. 58 CSO 3 1/2% ALB NL	2,694,984		4,985,653		3,789,341
0100012. 58 CSO 3 1/2% ALB CRVM	1,009,482		1,009,482		
0100013. 58 CSO 4% ALB CRVM	130,322		130,322		
0100014. 80 CSO 4% CRVM	2,282,655		2,282,655		
0100015. 80 CSO 4 1/2% NL	28,907		28,907		
0100016. 80 CSO 4 1/2% CRVM	32,564,589		32,564,589		
0100017. 80 CSO 5 1/2% NL	35,131,797		35,131,797		
0100018. 80 CSO 6% NL	30,855,174		30,855,174		
0100019. 80 CSO 6% CRVM	58,914		58,914		
0100020. 80 CSO 6% CRVM	22,255		22,255		
0100021. 80 CSO 2% CMT CRVM	155,663,379		155,663,379		
0100022. 80 CSO 4% MODEL UL	153,094,028		153,094,028		
0100023. 80 CSO 5% YRT	555		555		
0199997. Totals (Gross)	453,072,353	0	443,263,370	0	9,808,983
0199998. Reinsurance ceded	23,626,234		23,626,234		
0199999. Totals (Net)	429,446,119	0	419,738,136	0	9,808,983
Annuities (excluding supplementary contracts with life contingencies):					
0200001. 37 STD ANN 3%	0	XXX	XXX	XXX	
0200002. 71 IAM 6%	12,874	XXX	12,074	XXX	
0200003. 71 IAM 8 1/2%	0	XXX	XXX	XXX	
0200004. 83 IAM 5.25%	3,484,141	XXX	3,484,141	XXX	
0200005. 83 IAM 5.55%	3,456,837	XXX	3,456,837	XXX	
0200006. 83 IAM 6%	534,861	XXX	534,861	XXX	
0200007. 83 IAM 6.25%	540,737	XXX	540,737	XXX	
0200008. 83 IAM 6 1/2%	1,094,893	XXX	1,094,893	XXX	
0200009. 83 IAM 6 3/4%	1,646,242	XXX	1,646,242	XXX	
0200010. 83 IAM 7%	491,567	XXX	491,567	XXX	
0200011. 83 IAM 7 1/4%	635,532	XXX	635,532	XXX	
0200012. 83 IAM 7 3/4%	173,146	XXX	173,146	XXX	
0200013. 83 IAM 8%	12,853	XXX	12,853	XXX	
0200014. 83 IAM 8 1/4%	464,776	XXX	464,776	XXX	
0200015. 83 IAM 8 3/4%	211,605	XXX	211,605	XXX	
0200016. 83 IAM 9 1/4%	17,790	XXX	17,790	XXX	
0200017. SPDA CARVM 4 1/2%	121,583,368	XXX	121,583,368	XXX	
0200018. SPDA CARVM 4 3/4%	603,077,182	XXX	603,077,182	XXX	
0200019. SPDA CARVM 5%	848,720,458	XXX	848,720,458	XXX	
0200020. SPDA CARVM 5 1/4%	22,096,815	XXX	22,096,815	XXX	
0200021. SPDA CARVM 5 1/2%	192,357,781	XXX	191,245,494	XXX	1,112,287
0200022. SPDA CARVM 5 3/4%	38,179,302	XXX	37,862,642	XXX	316,660
0200023. SPDA CARVM 6%	14,398,814	XXX	13,814,316	XXX	785,298
0200024. SPDA CARVM 6 1/4%	13,681,908	XXX	13,008,338	XXX	589,570
0200025. SPDA CARVM 6 1/2%	52,340,525	XXX	41,388,452	XXX	10,952,073
0200026. SPDA CARVM 6 3/4%	31,096,547	XXX	31,096,547	XXX	
0200027. SPDA CARVM 7%	50,015,223	XXX	47,875,893	XXX	2,139,330
0200028. SPDA CARVM 7 1/4%	9,008,517	XXX	2,771,017	XXX	6,237,500
0200029. SPDA CARVM 6 1/2%	11,136,871	XXX	1,514,572	XXX	9,722,299
0200030. SPDA ACCUMULATION	4,842,069,453	XXX	3,582,624,215	XXX	1,259,445,238
0299997. Totals (Gross)	8,567,767,620	XXX	5,377,356,383	XXX	1,290,411,237
0299999. Totals (Net)	8,567,767,620	XXX	5,377,356,383	XXX	1,290,411,237
Supplementary Contracts with Life Contingencies:					
0300001. 37 STD ANN 3%	8,951		8,951		
0300002. 83 IAM 5.25%	154,744		154,744		
0300003. 83 IAM 5.89%	15,683		15,683		
0300004. 83 IAM 6.50%	687,466		687,466		
0300005. 83 IAM 6.75%	30,321		30,321		
0300006. 83 IAM 7%	8,412		8,412		
0300007. 83 IAM 8%	3,318		3,318		
0300008. 83 IAM 8.25%	5,666		5,666		
0399997. Totals (Gross)	912,759	0	912,759	0	0
0399999. Totals (Net)	912,759	0	912,759	0	0
Accidental Death Benefits:					
0400001. 58 ADB 3%	0		0		0
0400002. 58 ADB 3%	15,776		15,776		
0400003. 58 ADB 4.5%	13,781		13,781		
0499997. Totals (Gross)	29,557	0	29,557	0	0
0499999. Totals (Net)	29,557	0	29,557	0	0
Disability - Active Lives:					
0500001. 26 CLASS 3 TABLE 3%	105		105		
0500002. 52 DIS. TABLE 3%	43,540		43,540		60
0500003. 52 DIS. TABLE 4.5%	17,965		17,965		
0500004. 52 DIS. TABLE 5%	808		809		
0500005. 85 DIS. TABLE 4.5%	2,972,636		2,972,636		
0599997. Totals (Gross)	3,034,913	0	3,034,913	0	60
0599998. Reinsurance ceded	8,446		8,446		
0599999. Totals (Net)	3,026,467	0	3,026,467	0	60
Disability - Disabled Lives:					
0600001. 52 DIS TABLE 3%	131,128		60,823		70,305
0600002. 68 GROUP DIS 3 1/2%	870,879		870,879		870,879
0600003. 70 GROUP DIS 3 1/2%	272,948		272,948		272,948
0600004. 85 DIS TABLE 4.5%	1,265,359		1,265,359		
0699997. Totals (Gross)	2,540,114	0	1,326,182	0	1,213,932
0699998. Reinsurance ceded	8,734		8,734		
0699999. Totals (Net)	2,531,380	0	1,317,448	0	1,213,932
Miscellaneous Reserves:					
0700001. DEF. RESERVES	27,677		27,677		
0700002. NONDEDUCTION OF D.F.P.	72,854		69,851		6,003
0700003. ADDL RES-ASSET/LAB	0		0		

Annual Statement for the year 2009 of the

Life Insurance Company of the Southwest

EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS

1	2	3	4	5	6
Valuation Standard	Total	Industrial	Ordinary	Credit (Group and Individual)	Group
0700004 DELTA EXTENSION	.0				
0700005 GROUP CONVERSION	43,168		43,168		
0700006 NONPAR CRD. ERRORS	.0				
0700007 PAYOR DTH/GR/EXTRA	1,363,440		1,363,440		
0788887 Totals (Gross)	1,406,608	.0	1,406,608	.0	6,003
0799998 Reinsurance ceded	1,268,248		1,268,248		
0799999 Totals (Net)	238,360	.0	238,360	.0	6,003
9999999 Totals (Net - Page 3, Line 1)	7,104,045,805	0	5,807,865,560	0	1,301,440,245

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**

EXHIBIT 5 - INTERROGATORIES

- 1.1 Has the reporting entity ever issued both participating and non-participating contracts? Yes No
- 1.2 If not, state which kind is issued..... Yes No
- 2.1 Does the reporting entity at present issue both participating and non-participating contracts? Yes No
- 2.2 If not, state which kind is issued..... **NON-PARTICIPATING**
- 3. Does the reporting entity at present issue or have in force contracts that contain non-guaranteed elements?
If so, attach a statement that contains the determination procedures, answers to the interrogatories and an actuarial opinion as described in the instructions. Yes No

- 4. Has the reporting entity any assessment or stipulated premium contracts in force? If so, state: Yes No
 - 4.1 Amount of insurance: \$ _____
 - 4.2 Amount of reserves: \$ _____
 - 4.3 Basis of reserves:
 - 4.4 Basis of regular assessments:
 - 4.5 Basis of special assessments:
 - 4.6 Assessments collected during year: \$ _____
- 5. If the contract loan interest rate guaranteed in any one or more of its currently issued contracts is less than 5%, not in advance, state the contract loan rate guarantees on any such contracts.

- 6. Does the reporting entity hold reserves for any annuity contracts that are less than the reserves that would be held on a standard basis? Yes No
 - 6.1 If so, state the amount of reserve on such contracts on the basis actually held: \$ _____
 - 6.2 That would have been held (on an exact or approximate basis) using the actual ages of the annuitants; the interest rate(s) used in 6.1; and the same mortality basis used by the reporting entity for the valuation of comparable annuity benefits issued to standard lives. If the reporting entity has no comparable annuity benefits for standard lives to be valued, the mortality basis shall be the table most recently approved by the state of domicile for valuing individual annuity benefits.
Attach statement of methods employed in their valuation. \$ _____
- 7. Does the reporting entity have any Synthetic GIC contracts or agreements in effect as of December 31 of the current year? Yes No
 - 7.1 If yes, state the total dollar amount of assets covered by these contracts or agreements: \$ _____
 - 7.2 Specify the basis (fair value, amortized cost, etc.) for determining the amount: \$ _____
 - 7.3 State the amount of reserves established for this business:
 - 7.4 Identify where the reserves are reported in the blank.

EXHIBIT 5A - CHANGES IN BASES OF VALUATION DURING THE YEAR

1 Description of Valuation Class	Valuation Basis		4 Increase in Actuarial Reserve Due To Change
	2 Changed From	3 Changed To	
LIFE CONTRACTS (including supplementary contracts set up on a basis other than that used to determine benefits) (Exhibit 3)			
0100001. Reinsurance Ceded On Policies Valued on 2001 CSO Basis	1988 CSO	2001 CSO	1,666,683
0199999. Subtotal (Page 7, Line 6)	XXX	XXX	1,666,683
9999999. Total (Column 4 only)			1,666,683

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest

EXHIBIT 6 - AGGREGATE RESERVES FOR ACCIDENT AND HEALTH CONTRACTS

	Other Individual Contracts									
	1 Total	2 Group Accident and Health	3 Credit Accident and Health (Group and Individual)	4 Catastrophically Reservable	5 Non-Contingible	6 Guaranteed Renewable	7 Non-Renewable for Stated Reasons Only	8 Other Accident Only	9 All Other	
ACTIVE LIFE RESERVE										
1. Unearned premium reserves	12,249				15	12,183			61	
2. Additional contract reserves (a)	794,628				389	794,070				
3. Accidental actuarial reserves - Asset/Liability analysis										
4. Reserve for future contingent benefits										
5. Reserve for rate credits										
6. Aggregate write-ins for reserves										
7. Totals (Gross)	797,188				389	796,283			61	
8. Reinsurance ceded										
9. Totals (Net)	797,188				389	796,283			61	
CLAIM RESERVE										
10. Present value of amounts not yet due on claims										
11. Accidental actuarial reserves - Asset/Liability analysis										
12. Reserve for future contingent benefits										
13. Aggregate write-ins for reserves										
14. Totals (Gross)										
15. Reinsurance ceded										
16. Totals (Net)										
17. TOTALS	797,188				389	796,283			61	
18. TABULAR FUND INTEREST	17,276				13	17,283			61	
DETAILS OF WRITE-INS										
0601.										
0602.										
0603.										
0608. Summary of remaining write-ins for Line 6 from overflow page										
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)										
1301.										
1302.										
1303.										
1398. Summary of remaining write-ins for Line 13 from overflow page										
1399. Totals (Lines 1301 thru 1303 + 1398) (Line 13 above)										

(9) Attach statement as to valuation standard used in calculating the reserve, specifying reserve bases, interest rates and methods.

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest

EXHIBIT 7 - DEPOSIT-TYPE CONTRACTS

	1	2	3	4	5	6
	Total	Guaranteed Interest Contracts	Annuities Contracts	Supplemental Contracts	Dividend Accumulations or Refunds	Premium and Other Deposits Funds
1. Balance at the beginning of the year before reinsurance	46,991,084		35,027,707	1,892,699	18,710	13,032,669
2. Deposits received during the year	44,783,330		8,641,832	1,430,800		34,760,589
3. Investment earnings credited to the account	685,739		324,970	65,865		234,935
4. Other net change in reserves	5,088,061		5,089,385	(804,305)		
5. Fees and other charges assessed	0					
6. Surrender charges	0					
7. Net surrender or withdrawal payments	44,776,724		13,484,678	444,810		31,147,237
8. Other net transfers to or (from) Separate Accounts	0					
9. Balance at the end of current year before reinsurance (Lines 1 + 2 + 3 + 4 - 5 - 6 - 7 - 8)	53,680,510	0	36,409,217	2,330,269	18,710	46,840,525
10. Reinsurance balance at the beginning of the year	0					
11. Net change in reinsurance assumed	0					
12. Net change in reinsurance ceded	0					
13. Reinsurance balance at the end of the year (Lines 10 + 11 - 12)	0					
14. Net balance at the end of the current year after reinsurance (Lines 9 + 13)	53,680,510	0	36,409,217	2,330,269	18,710	46,840,525

Life Insurance Company of the Southwest
EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS
 PART 1 - Liability End of Current Year

Annual Statement for the year 2009 of the

	Ordinary			Group			Accident and Health				
	1	2	3	4	5	6	7	8	9	10	11
	Total	Industrial Life	Life Insurance	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance	Annuities	Group	Credit (Group and Individual)	Other
1. Due and unpaid:											
1.1 Direct	0	0	0	0	0	0	0	0	0	0	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0
1.4 Net	0	0	0	0	0	0	0	0	0	0	0
2. In course of settlement:											
2.1 Resisted:											
2.1.1 Direct	2,814,400		2,814,400								
2.1.2 Reinsurance assumed	0		0								
2.1.3 Reinsurance ceded	481,766		481,766								
2.1.4 Net	2,119,614		2,119,614								
2.2 Other:											
2.2.1 Direct	5,830,779		5,830,779	270,387			47,409	5,221			
2.2.2 Reinsurance assumed	85,444		85,444								
2.2.3 Reinsurance ceded	1,980,748		1,980,748								
2.2.4 Net	4,035,474		4,035,474	270,387			47,409	5,221			
3. Incurred but unreported:											
3.1 Direct	1,650,410		1,650,410				21,087				24,500
3.2 Reinsurance assumed	34,036		34,036								
3.3 Reinsurance ceded	898,594		898,594								200
3.4 Net	1,130,913		1,130,913				21,087				24,500
4. Totals:											
4.1 Direct	10,254,589		9,885,196	270,387			48,306	5,221			24,500
4.2 Reinsurance assumed	119,540		119,540								
4.3 Reinsurance ceded	2,985,123		2,984,928								200
4.4 Net	7,388,002		7,019,809	270,387			69,396	5,221			24,500

(a) Including matured endowments (but not guaranteed annual pure endowments) unpaid amounting to \$.....0 in Column 2, \$.....0 in Column 3 and \$.....0 in Column 7.
 (b) Includes only portion of disability and accident and health claim liabilities applicable to assumed "accrued" benefits. Reserve including reinsurance assumed and net of reinsurance ceded for Unaccrued benefits for Ordinary Life Insurance \$.....0, Individual Annuities \$.....0, Credit Life (Group and Individual) \$.....0, and Group Life \$.....0.
 See included in Page 3, Line 1, (See Exhibit 5, Schedule on Disability Disabled Lives) and for Group Accident and Health \$.....0, Credit (Group and Individual) Accident and Health \$.....0 and Other Accident and Health \$.....0 as included in Page 3, Line 2, (See Exhibit 6, Claim Reserve).

Annual Statement for the year 2009 of the Life Insurance Company of the Southwest
EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

PART 2 - Incurred During the Year

	Ordinary				Group			Accident and Health			
	1 Total	2 Individual Life (a)	3 Life Insurance (b)	4 Individual Annuities	5 Supplementary Contracts	6 Credit Life (Group and Individual)	7 Life Insurance (c)	8 Annuities	9 Group	10 Credit (Group and Individual)	11 Other
1. Settlements during the year:											
1.1 Death	70,846,728		31,281,174	38,214,544	102,081		228,859	3,777,066			46,354
1.2 Reinsurance assumed	461,188		461,188								
1.3 Reinsurance ceded	5,375,003		5,375,003								
1.4 Net	(0)	0	28,307,399	38,214,544	102,081	0	228,859	3,777,066	0	0	46,354
2. Liability December 31, current year from Part 1:											
2.1 Direct	10,254,589		8,895,196	270,367			88,206	5,721			24,500
2.2 Reinsurance assumed	119,540		119,540								
2.3 Reinsurance ceded	2,885,128		2,884,028								
2.4 Net	7,889,002	0	7,019,008	270,367	0	0	88,206	5,721	0	0	24,500
3. Amounts recoverable from reinsurers December 31, current year:											
4. Liability December 31, prior year:											
4.1 Direct	5,285,518		7,821,857	338,515			83,850	22,786			24,500
4.2 Reinsurance assumed	204,772		204,772								
4.3 Reinsurance ceded	1,493,834		1,493,834								
4.4 Net	7,000,456	0	6,532,855	338,515	0	0	83,850	22,786	0	0	24,500
5. Amounts recoverable from reinsurers December 31, prior year:											
6. Incurred benefits:											
6.1 Direct	72,611,789		33,344,519	35,140,396	102,081		211,015	3,750,481			46,354
6.2 Reinsurance assumed	375,936		375,936								
6.3 Reinsurance ceded	6,691,186		6,691,186								
6.4 Net	69,296,550	0	27,129,283	35,140,396	102,081	0	211,015	3,750,481	0	0	46,354

(b) Including matured endowments (but not guarantees against pure endowments) amounting to \$.....0 in Line 1.1, \$.....0 in Line 1.4, \$.....0 in Line 6.1 and \$.....0 in line 6.4.
 (c) Including matured endowments (but not guaranteed annual pure endowments) amounting to \$.....821,877 in Line 1.1, \$.....821,877 in Line 1.4, \$.....821,877 in Line 6.1 and \$.....821,877 in line 6.4.
 (d) Includes \$.....31,749 premiums waived under total and permanent disability benefits.

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Other invested assets (Schedule BA).....			.0
8. Receivables for securities.....			.0
9. Aggregate write-ins for invested assets.....	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	.0	.0	.0
11. Title plants (for Title Insurers only).....			.0
12. Investment income due and accrued.....			.0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....			.0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
13.3 Accrued retrospective premiums.....			.0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			.0
14.2 Funds held by or deposited with reinsured companies.....			.0
14.3 Other amounts receivable under reinsurance contracts.....			.0
15. Amounts receivable relating to uninsured plans.....			.0
16.1 Current federal and foreign income tax receivable and interest thereon.....			.0
16.2 Not deferred tax asset.....	23,465,277	39,467,227	9,991,950
17. Guaranty funds receivable or on deposit.....			.0
18. Electronic data processing equipment and software.....	592,397	553,865	(38,532)
19. Furniture and equipment, including health care delivery assets.....	172,958	132,468	(40,530)
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
21. Receivables from parent, subsidiaries and affiliates.....			.0
22. Health care and other amounts receivable.....	15,911,922	10,762,435	(5,129,487)
23. Aggregate write-ins for other than invested assets.....	248,248	394,083	147,835
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	40,698,841	45,320,178	4,621,338
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
26. TOTALS (Lines 24 and 25).....	40,698,841	45,320,178	4,621,338

DETAILS OF WRITE-INS

0901.....			.0
0902.....			.0
0903.....			.0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.0	.0	.0
2301. Prepaid Expenses.....	203,750	324,447	120,697
2302. Items not allocated.....	14,494	42,162	27,658
2303. Leasehold improvements.....	27,492	24,478	(3,016)
2398. Summary of remaining write-ins for Line 23 from overflow page.....	501	3,007	2,506
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	248,248	394,083	147,835

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Life Insurance Company of the Southwest (the Company) are presented on the basis of accounting practices prescribed or permitted by the Texas Department of Insurance.

The Texas Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Texas for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under the Texas Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Texas.

With permission of the Texas Department of Insurance, substantive amendments to the NAIC Accounting Practices and Procedures Manual for SSAP No. 10R, *Income Taxes - Revised, a Temporary Replacement of SSAP No. 10*, is permitted. The Company recognized a gain in surplus of \$8,246,061 with the application of SSAP No. 10R.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Texas is shown below:

	State of <u>Domicile</u>	<u>2009</u>	<u>2008</u>
(1) Net Income (Loss) Texas State basis		\$ 51,774,524	\$ (37,005,494)
(2) State Prescribed Practice (Income)	TX	-0-	-0-
(3) State Permitted Practices (Income)	TX	-0-	-0-
(4) Net Income, NAIC SAP		51,774,524	(37,005,494)
(5) Statutory Surplus Texas basis		484,063,454	420,121,367
(6) State Prescribed Practice (Surplus)	TX	-0-	-0-
(7) State Permitted Practice (Surplus)	TX	8,246,061	-0-
(8) Statutory Surplus, NAIC SAP		\$ 492,309,515	\$ 420,121,367

B. Use of Estimates In the Preparation of the Financial Statements

The preparation of financial statement in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Life premiums are recognized as income over the premium paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) Common stocks are stated at fair market value.
- (4) Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32.
- (5) Mortgage loans on real estate are stated at the aggregate unpaid balance.
- (6) Loan-backed securities and structured securities are stated at the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities.
- (7) Not applicable.
- (8) The Company has minor ownership interest in joint ventures. The Company carries a Partnership interest based on the underlying audited GAAP equity of the investee. Investment in Non-Guaranteed Federal Low Income Housing Tax Credits are carried at amortized cost.

Annual Statement for the year 2009 of the **Life Insurance Company of the Southwest**

- (9) All derivatives are stated at fair value.
- (10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, *Individual and Group Accident and Health Contracts*.
- (11) Liabilities for losses and loss/claim adjustment expenses for accident and health contracts are estimated by the Company's valuation actuary using statistical claim development models to develop best estimates of liabilities for medical expense business and using tabular reserves employing mortality/morbidity tables and discount rates specified by regulatory authorities for disability income business.
- (12) The Company has not modified its capitalization policy from the prior year.
- (13) Not applicable.

2. Accounting Changes and Corrections of Errors

A. Material Changes in Accounting Principles and Correction of Errors

None

3. Business Combinations and Goodwill

A. Statutory Purchase Method

None

B. Statutory Merger

None

C. Assumption Reinsurance

None

D. Impairment Loss

None

4. Discontinued Operations

None

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

- (1) The maximum and minimum lending rates for mortgage loans during 2009 were: 7.5% and 6.5%.
- (2) During 2009 the Company did not reduced interest rates of any outstanding mortgage loans.
- (3) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was: 75%

	<u>Current Year</u>	<u>Prior Year</u>
(4) As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest	\$ <u>-0-</u>	\$ <u>-0-</u>
a. Total interest due on mortgages with interest more than 180 days past due	\$ <u>-0-</u>	\$ <u>-0-</u>
(5) Taxes, assessments and any amounts advanced and not included in the mortgage loan total	\$ <u>-0-</u>	\$ <u>-0-</u>