

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended September 30, 2023

OR



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

For the transition period from _____ to _____

Commission File Number: 001-34680



Primerica, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**1 Primerica Parkway
Duluth, Georgia**

(Address of principal executive offices)

27-1204330

(I.R.S. Employer
Identification No.)

30099

(ZIP Code)

(770) 381-1000

(Registrant's telephone number, including area code)

Not applicable.

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PRI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2023, the registrant had 35,033,970 shares of common stock, \$0.01 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets – Unaudited

	September 30, 2023	December 31, 2022
	<i>(In thousands, except per-share amounts)</i>	
Assets:		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$2,931,819 in 2023 and \$2,801,415 in 2022)	\$ 2,589,000	\$ 2,495,456
Fixed-maturity security held-to-maturity, at amortized cost (fair value: \$1,285,369 in 2023 and \$1,340,265 in 2022)	1,417,460	1,444,920
Short-term investments available-for-sale, at fair value (amortized cost: \$20,056 in 2023 and \$69,393 in 2022)	20,051	69,406
Equity securities, at fair value (historical cost: \$27,359 in 2023 and \$29,430 in 2022)	29,123	35,404
Trading securities, at fair value (cost: \$18,837 in 2023 and \$4,229 in 2022)	18,160	3,698
Policy loans and other invested assets	49,840	48,713
Total investments	4,123,634	4,097,597
Cash and cash equivalents	468,762	489,240
Accrued investment income	23,797	20,885
Reinsurance recoverables	2,954,245	3,209,540
Deferred policy acquisition costs, net	3,374,627	3,188,502
Renewal commissions receivable	191,818	200,043
Agent balances, due premiums and other receivables	287,138	254,276
Goodwill	127,707	127,707
Intangible assets, net (accumulated amortization: \$23,625 in 2023 and \$15,750 in 2022)	177,650	185,525
Income taxes	106,033	93,632
Operating lease right-of-use assets	55,203	40,500
Other assets	359,010	428,259
Separate account assets	2,183,435	2,305,717
Total assets	<u>\$ 14,433,059</u>	<u>\$ 14,641,423</u>
Liabilities and Stockholders' Equity:		
Liabilities:		
Future policy benefits	\$ 6,045,151	\$ 6,297,906
Unearned and advance premiums	15,387	15,422
Policy claims and other benefits payable	475,403	538,250
Other policyholders' funds	447,876	483,769
Note payable	593,508	592,905
Surplus note	1,417,056	1,444,469
Income taxes	227,866	204,018
Operating lease liabilities	61,783	45,995
Other liabilities	575,143	580,780
Payable under securities lending	77,956	100,938
Separate account liabilities	2,183,435	2,305,717
Commitments and contingent liabilities (see <i>Commitments and Contingent Liabilities note</i>)		
Total liabilities	12,120,564	12,610,169
Temporary Stockholders' Equity		
Redeemable noncontrolling interests in consolidated entities	-	-
Permanent Stockholders' Equity		
Equity attributable to Primerica, Inc.:		
Common stock (\$0.01 par value; authorized 500,000 shares in 2023 and 2022; issued and outstanding 35,342 shares in 2023 and 36,824 shares in 2022)	353	368
Paid-in capital	-	-
Retained earnings	2,215,378	2,153,617
Accumulated other comprehensive income (loss), net of income tax:		
Effect of change in discount rate assumptions on the liability for future policy benefits	377,635	130,416
Unrealized foreign currency translation gains (losses)	(11,269)	(12,279)
Net unrealized investment gains (losses) on available-for-sale securities	(269,602)	(240,868)
Total permanent stockholders' equity	2,312,495	2,031,254
Total liabilities and temporary and permanent stockholders' equity	<u>\$ 14,433,059</u>	<u>\$ 14,641,423</u>

Prior year amounts related to long-duration insurance contracts have been adjusted for the adoption of accounting guidance on January 1, 2023. See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income – Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands, except per-share amounts)</i>			
Revenues:				
Direct premiums	\$ 831,681	\$ 810,079	\$ 2,477,850	\$ 2,417,639
Ceded premiums	(411,015)	(404,870)	(1,241,629)	(1,223,804)
Net premiums	420,666	405,209	1,236,221	1,193,835
Commissions and fees	238,902	225,468	703,579	717,956
Investment income net of investment expenses	51,036	40,629	147,540	112,148
Interest expense on surplus note	(16,306)	(16,283)	(49,348)	(47,613)
Net investment income	34,730	24,346	98,192	64,535
Realized investment gains (losses)	(3)	292	(650)	924
Other investment gains (losses)	(1,792)	(2,991)	(6,080)	(4,765)
Investment gains (losses)	(1,795)	(2,699)	(6,730)	(3,841)
Other, net	18,429	20,965	58,091	60,709
Total revenues	710,932	673,289	2,089,353	2,033,194
Benefits and expenses:				
Benefits and claims	162,062	159,396	474,240	471,349
Future policy benefits remeasurement (gain) loss	179	1,514	(1,129)	668
Amortization of deferred policy acquisition costs	69,405	66,077	205,438	194,761
Sales commissions	116,200	105,915	340,697	359,602
Insurance expenses	57,821	57,552	178,039	176,521
Insurance commissions	7,911	7,666	25,192	22,982
Contract acquisition costs	12,568	13,446	40,154	53,479
Interest expense	6,632	6,802	20,008	20,469
Goodwill impairment loss	-	60,000	-	60,000
Other operating expenses	79,353	73,791	252,075	239,952
Total benefits and expenses	512,131	552,159	1,534,714	1,599,783
Income before income taxes	198,801	121,130	554,639	433,411
Income taxes	46,738	41,569	129,973	113,102
Net income	152,063	79,561	424,666	320,309
Net income (loss) attributable to noncontrolling interests	-	-	-	(5,038)
Net income attributable to Primerica, Inc.	<u>\$ 152,063</u>	<u>\$ 79,561</u>	<u>\$ 424,666</u>	<u>\$ 325,347</u>
Earnings per share attributable to common stockholders:				
Basic earnings per share	<u>\$ 4.23</u>	<u>\$ 2.12</u>	<u>\$ 11.67</u>	<u>\$ 8.45</u>
Diluted earnings per share	<u>\$ 4.23</u>	<u>\$ 2.11</u>	<u>\$ 11.65</u>	<u>\$ 8.42</u>
Weighted-average shares used in computing earnings per share:				
Basic	<u>35,760</u>	<u>37,438</u>	<u>36,225</u>	<u>38,342</u>
Diluted	<u>35,822</u>	<u>37,541</u>	<u>36,302</u>	<u>38,452</u>

Prior year amounts related to long-duration insurance contracts have been adjusted for the adoption of accounting guidance on January 1, 2023.

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss) – Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Net income	\$ 152,063	\$ 79,561	\$ 424,666	\$ 320,309
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses) on available-for-sale securities:				
Change in unrealized holding gains (losses) on available-for-sale securities	(55,060)	(97,516)	(39,694)	(401,335)
Reclassification adjustment for investment (gains) losses included in net income	3	(154)	2,817	(867)
Effect of change in discount rate assumptions on the liability for future policy benefits	410,460	379,503	314,487	1,822,219
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses)	(7,016)	(18,950)	1,010	(25,161)
Total other comprehensive income (loss) before income taxes	348,387	262,883	278,620	1,394,856
Income tax expense (benefit) related to items of other comprehensive income (loss)	76,506	59,402	59,125	303,007
Other comprehensive income (loss), net of income taxes	271,881	203,481	219,495	1,091,849
Total comprehensive income (loss)	423,944	283,042	644,161	1,412,158
Net income (loss) attributable to noncontrolling interests	-	-	-	(5,038)
Comprehensive income (loss) attributable to Primerica, Inc.	<u>\$ 423,944</u>	<u>\$ 283,042</u>	<u>\$ 644,161</u>	<u>\$ 1,417,196</u>

Prior year amounts related to long-duration insurance contracts have been adjusted for the adoption of accounting guidance on January 1, 2023.

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity— Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands, except per-share amounts)</i>			
Equity attributable to Primerica, Inc./Permanent stockholders' equity				
Common stock:				
Balance, beginning of period	\$ 358	\$ 378	\$ 368	\$ 394
Repurchases of common stock	(5)	(8)	(17)	(26)
Net issuance of common stock	-	-	2	2
Balance, end of period	353	370	353	370
Paid-in capital:				
Balance, beginning of period	-	-	-	5,224
Share-based compensation	3,926	3,747	26,053	27,528
Net issuance of common stock	-	-	(2)	(2)
Repurchases of common stock	(3,926)	(5,980)	(26,051)	(34,983)
Redemption of noncontrolling interest in consolidated entities	-	2,233	-	2,233
Balance, end of period	-	-	-	-
Retained earnings:				
Adjusted balance, beginning of period	2,190,223	2,085,824	2,153,617	2,085,665
Net income attributable to Primerica, Inc.	152,063	79,561	424,666	325,347
Dividends	(23,336)	(20,571)	(70,845)	(63,394)
Repurchases of common stock	(103,572)	(91,528)	(292,060)	(294,332)
Balance, end of period	2,215,378	2,053,286	2,215,378	2,053,286
Accumulated other comprehensive income (loss), net of income tax:				
Adjusted balance, beginning of period	(175,117)	(277,488)	(122,731)	(1,165,856)
Effect of change in discount rate assumptions on the liability for future policy benefits	322,251	299,597	247,219	1,433,700
Change in foreign currency translation adjustment	(7,016)	(18,950)	1,010	(25,161)
Change in net unrealized investment gains (losses) during the period	(43,354)	(77,166)	(28,734)	(316,690)
Balance, end of period	96,764	(74,007)	96,764	(74,007)
Total permanent stockholders' equity	<u>\$ 2,312,495</u>	<u>\$ 1,979,649</u>	<u>\$ 2,312,495</u>	<u>\$ 1,979,649</u>
Redeemable noncontrolling interests in consolidated entities/Temporary stockholders' equity				
Balance, beginning of period	\$ -	\$ 2,233	\$ -	\$ 7,271
Net income (loss) attributable to noncontrolling interests	-	-	-	(5,038)
Redemption of noncontrolling interest in consolidated entities	-	(2,233)	-	(2,233)
Balance, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dividends declared per share	<u>\$ 0.65</u>	<u>\$ 0.55</u>	<u>\$ 1.95</u>	<u>\$ 1.65</u>

Prior year amounts related to long-duration insurance contracts have been adjusted for the adoption of accounting guidance on January 1, 2023.

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows – Unaudited

Nine months ended September 30,
2023 2022

(In thousands)

Cash flows from operating activities:			
Net income	\$	424,666	\$ 320,309
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Change in future policy benefits and other policy liabilities		37,206	(176,560)
Deferral of policy acquisition costs		(383,516)	(383,955)
Amortization of deferred policy acquisition costs		205,438	194,761
Change in income taxes		(47,473)	(16,319)
Investment (gains) losses		6,730	3,841
Accretion and amortization of investments		(649)	2,972
Depreciation and amortization		24,798	25,631
Change in reinsurance recoverables		180,301	472,326
Change in agent balances, due premiums and other receivables		(32,681)	(13,120)
Change in renewal commissions receivable		8,225	21,861
Trading securities sold, matured, or called (acquired), net		(14,624)	19,862
Share-based compensation		16,622	19,652
Goodwill impairment loss		-	60,000
Change in other operating assets and liabilities, net		26,416	17
Net cash provided by (used in) operating activities		451,459	551,278
Cash flows from investing activities:			
Available-for-sale investments sold, matured or called:			
Fixed-maturity securities — sold		17,580	23,140
Fixed-maturity securities — matured or called		200,207	283,292
Short-term investments — sold		28,799	28,251
Short-term investments — matured or called		41,774	85,302
Equity securities — sold		2,750	12
Equity securities — matured or called		-	3,000
Available-for-sale investments acquired:			
Fixed-maturity securities		(345,137)	(471,323)
Short-term investments		(19,767)	(28,241)
Equity securities — acquired		(380)	(141)
Purchases of property and equipment and other investing activities, net		(13,631)	(23,950)
Cash collateral received (returned) on loaned securities, net		(22,982)	(13,775)
Sales (purchases) of short-term investments using securities lending collateral, net		22,982	13,775
Purchase of business, net of cash acquired		-	3,867
Net cash provided by (used in) investing activities		(87,805)	(96,791)
Cash flows from financing activities:			
Dividends paid		(70,845)	(63,394)
Common stock repurchased		(302,516)	(324,354)
Payment on note issued to seller of business		-	(12,364)
Tax withholdings on share-based compensation		(10,239)	(4,989)
Finance leases		(199)	(195)
Net cash provided by (used in) financing activities		(383,799)	(405,296)
Effect of foreign exchange rate changes on cash		(333)	(3,667)
Change in cash and cash equivalents		(20,478)	45,524
Cash and cash equivalents, beginning of period		489,240	392,501
Cash and cash equivalents, end of period	\$	<u>468,762</u>	<u>\$ 438,025</u>

Prior year amounts related to long-duration insurance contracts have been adjusted for the adoption of accounting guidance on January 1, 2023.

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements — Unaudited

(1) Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies

Description of Business. Primerica, Inc. (the “Parent Company”), together with its subsidiaries (collectively, “we”, “us” or the “Company”), is a leading provider of financial products and services to middle-income households in the United States and Canada through a network of independent contractor sales representatives (“independent sales representatives” or “independent sales force”). We assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities, managed investments and other financial products, which we distribute primarily on behalf of third parties. We acquired 80% of e-TeleQuote Insurance, Inc. and subsidiaries (collectively, “e-TeleQuote”) through our subsidiary, Primerica Health, Inc. (“Primerica Health”) on July 1, 2021 and the remaining 20% of e-TeleQuote on July 1, 2022. e-TeleQuote markets Medicare-related insurance products underwritten by third-party health insurance carriers to eligible Medicare participants through its licensed health insurance agents. Our other primary subsidiaries include the following entities: Primerica Financial Services, LLC, a general agency and marketing company; Primerica Life Insurance Company (“Primerica Life”), our principal life insurance company; Primerica Financial Services (Canada) Ltd., a holding company for our Canadian operations, which includes Primerica Life Insurance Company of Canada (“Primerica Life Canada”) and PFSL Investments Canada Ltd.; and PFS Investments Inc., an investment products company and broker-dealer. Primerica Life, domiciled in Tennessee, owns National Benefit Life Insurance Company, a New York insurance company. Peach Re, Inc. (“Peach Re”) and Vidalia Re, Inc. (“Vidalia Re”) are special purpose financial captive insurance companies and wholly owned subsidiaries of Primerica Life. Peach Re and Vidalia Re have each entered into separate coinsurance agreements with Primerica Life whereby Primerica Life has ceded certain level-premium term life insurance policies to Peach Re and Vidalia Re (respectively, the “Peach Re Coinsurance Agreement” and the “Vidalia Re Coinsurance Agreement”).

Basis of Presentation. We prepare our financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). These principles are established primarily by the Financial Accounting Standards Board (“FASB”).

The accompanying unaudited condensed consolidated financial statements contain all adjustments, generally consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of September 30, 2023 and December 31, 2022, the statements of income, comprehensive income, and stockholders’ equity for the three and nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022. Results of operations for interim periods are not necessarily indicative of results for the entire year or of the results to be expected in future periods.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are sufficient to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2022 (“2022 Annual Report”).

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect financial statement balances, revenues and expenses and cash flows, as well as the disclosure of contingent assets and liabilities. Management considers available facts and knowledge of existing circumstances when establishing the estimates included in our financial statements. The most significant items that involve a greater degree of accounting estimates and actuarial determinations subject to change in the future are the valuation of investments, deferred policy acquisition costs (“DAC”), future policy benefit reserves and corresponding amounts recoverable from reinsurers, renewal commissions receivable, income taxes, and valuation of intangible assets and goodwill. Estimates for these and other items are subject to change and are reassessed by management in accordance with U.S. GAAP. Actual results could differ from those estimates.

Consolidation. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and those entities required to be consolidated under U.S. GAAP. All material intercompany profits, transactions, and balances among the consolidated entities have been eliminated.

New Accounting Principles. In August 2018, the FASB issued Accounting Standards Update No. 2018-12, Financial Services—Insurance (Topic 944) — Targeted Improvements to the Accounting for Long-Duration Contracts (“ASU 2018-12” or “LDTI”). The amendments in this update changed accounting guidance for insurance companies that issue long-duration contracts, such as term life insurance and segregated funds products. ASU 2018-12 requires companies that issue long-duration insurance contracts to review assumptions used in measuring the liability for future policy benefits (“LFPB”) and DAC, including mortality, disability, and persistency, at least annually and update as necessary instead of locking those assumptions at contract inception and reflecting differences in assumptions and actual performance as the experience occurs. ASU 2018-12 also changed how insurance companies that issue long-duration contracts amortize DAC and determine and update the discount rate assumptions used in measuring both the

LFPB and ceded reserves that are part of reinsurance recoverables while increasing the level of financial statement disclosures required.

The Company adopted ASU 2018-12 on January 1, 2023 through the modified retrospective method, which applies the provisions of the standard by pivoting off the historical December 31, 2020 liability for future policy benefits (“Pre-transition Reserve”) and DAC balances just prior to January 1, 2021 (the “Transition Date”). Upon adoption, the Company recorded the following adjustments to its consolidated balance sheet as of the Transition Date.

- LDTI requires entities to use market observable rates, based on an upper-medium grade fixed income instrument yield, to measure future policy benefits reserves each period. The difference between the LFPB calculated using market observable rates and the Pre-transition Reserve was recognized as part of accumulated other comprehensive income (“AOCI”) at the Transition Date. Given how low market observable rates were at the Transition Date, we recorded a reduction to AOCI of approximately \$1.5 billion, net of income tax, as of January 1, 2021. Market observable rates have increased since the Transition Date, which resulted in a cumulative increase to AOCI of \$377.6 million as of September 30, 2023.

- Under LDTI, policies are grouped into cohorts and the net premium ratio for each policy cohort is used to calculate the LFPB. At the Transition Date, the “Net Premium Ratio” is defined as the present value of future benefits, which includes claim settlement expenses less the Pre-transition Reserve divided by the present value of the gross premiums. Expected future benefits and gross premiums use best estimate cash flow assumptions, and the locked-in discount rate at the Transition Date is used in the calculation. Under LDTI, a cohort’s Net Premium Ratio is capped at 100%. The adjustment necessary at the Transition Date to cap the Net Premium Ratio for cohorts at 100% was approximately \$23 million, which was recognized as a reduction to retained earnings as of January 1, 2021. The identified impact from capping the Net Premium Ratio at 100% was solely attributable to a limited amount of older policy year cohorts.

The Company's restated permanent and temporary stockholders' equity from the Transition Date through December 31, 2022 is as follows:

	Year ended December 31,	
	2022 (Unaudited)	2021 (Unaudited)
	<i>(In thousands)</i>	
Equity attributable to Primerica, Inc./Permanent stockholders' equity		
Common stock:		
Balance, beginning of period	\$ 394	\$ 393
Repurchases of common stock	(28)	(1)
Net issuance of common stock	2	2
Balance, end of period	368	394
Paid-in capital:		
Balance, beginning of period	5,224	-
Share-based compensation	33,624	31,043
Net issuance of common stock	(2)	(2)
Repurchases of common stock	(41,079)	(25,817)
Redemption of noncontrolling interest in consolidated entities	2,233	-
Balance, end of period	-	5,224
Retained earnings:		
Balance, beginning of period	2,085,665	1,705,786
Cumulative effect of adoption of new accounting standards - ASU 2018-12, net of income tax	-	(22,847)
Adjusted balance	2,085,665	1,682,939
Net income	472,067	477,362
Dividends	(83,783)	(74,636)
Repurchases of common stock	(320,332)	-
Balance, end of period	2,153,617	2,085,665
Accumulated other comprehensive income (loss), net of income tax:		
Balance, beginning of period	(1,165,856)	129,706
Cumulative effect of adoption of new accounting standards - ASU 2018-12	-	(1,510,618)
Adjusted balance	(1,165,856)	(1,380,912)
Effect of change in discount rate assumptions on the liability for future policy benefits	1,368,596	272,442
Change in foreign currency translation adjustment	(20,826)	6,969
Change in net unrealized investment gains (losses) during the period:	(304,645)	(64,355)
Balance, end of period	(122,731)	(1,165,856)
Total permanent stockholders' equity	<u>\$ 2,031,254</u>	<u>\$ 925,427</u>
Redeemable noncontrolling interests in consolidated entities/Temporary stockholders' equity		
Balance, beginning of period	\$ 7,271	\$ -
Acquisition of noncontrolling interest	-	8,438
Net income (loss) attributable to noncontrolling interests	(5,038)	(1,377)
Changes in noncontrolling interests in consolidated entities, net	-	210
Redemption of noncontrolling interest in consolidated entities	(2,233)	-
Balance, end of period	<u>\$ -</u>	<u>\$ 7,271</u>

The impact of LDTI on the Company's audited consolidated balance sheet as of December 31, 2022 as previously reported before the adoption of LDTI ("Previously Reported") is as follows:

Consolidated Balance Sheet
December 31, 2022

	As Previously Reported	Adoption Impacts (Unaudited)		As Adjusted (Unaudited)
	<i>(In thousands, except per-share amounts)</i>			
Assets:				
Investments:				
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$2,801,415)	\$ 2,495,456	\$ -		\$ 2,495,456
Fixed-maturity security held-to-maturity, at amortized cost (fair value: \$1,340,265)	1,444,920	-		1,444,920
Short-term investments available-for-sale, at fair value (amortized cost: \$69,393)	69,406	-		69,406
Equity securities, at fair value (historical cost: \$29,430)	35,404	-		35,404
Trading securities, at fair value (cost: \$4,229)	3,698	-		3,698
Policy loans and other invested assets	48,713	-		48,713
Total investments	4,097,597	-		4,097,597
Cash and cash equivalents	489,240	-		489,240
Accrued investment income	20,885	-		20,885
Reinsurance recoverables	4,015,909	(806,369)		3,209,540
Deferred policy acquisition costs, net	3,081,886	106,616		3,188,502
Renewal commissions receivable	200,043	-		200,043
Agent balances, due premiums and other receivables	254,276	-		254,276
Goodwill	127,707	-		127,707
Intangible assets, net	185,525	-		185,525
Deferred income taxes	101,333	(7,701)		93,632
Operating lease right-of-use assets	40,500	-		40,500
Other assets	428,259	-		428,259
Separate account assets	2,305,717	-		2,305,717
Total assets	<u>\$ 15,348,877</u>	<u>\$ (707,454)</u>		<u>\$ 14,641,423</u>
Liabilities and Stockholders' Equity:				
Liabilities:				
Future policy benefits	\$ 7,390,800	\$ (1,092,894)		\$ 6,297,906
Unearned and advance premiums	15,422	-		15,422
Policy claims and other benefits payable	538,250	-		538,250
Other policyholders' funds	483,769	-		483,769
Note payable	592,905	-		592,905
Surplus note	1,444,469	-		1,444,469
Income tax payable	36,876	-		36,876
Deferred income taxes	91,457	75,685		167,142
Operating lease liabilities	45,995	-		45,995
Other liabilities	580,780	-		580,780
Payable under securities lending	100,938	-		100,938
Separate account liabilities	2,305,717	-		2,305,717
Commitments and contingent liabilities (see <i>Commitments and Contingent Liabilities note</i>)				
Total liabilities	13,627,378	(1,017,209)		12,610,169
Temporary Stockholders' Equity				
Redeemable noncontrolling interests in consolidated entities	-	-		-
Permanent Stockholders' Equity				
Equity attributable to Primerica, Inc.:				
Common stock (\$0.01 par value; authorized 500,000 shares; issued and outstanding 36,824 shares)	368	-		368
Paid-in capital	-	-		-
Retained earnings	1,973,403	180,214		2,153,617
Accumulated other comprehensive income (loss), net of income tax:				
Effect of change in discount rate assumptions on the liability for future policy benefits	-	130,416		130,416
Unrealized foreign currency translation gains (losses)	(11,404)	(875)		(12,279)
Net unrealized investment gains (losses) on available-for-sale securities	(240,868)	-		(240,868)
Total permanent stockholders' equity	1,721,499	309,755		2,031,254
Total liabilities and temporary and permanent stockholders' equity	<u>\$ 15,348,877</u>	<u>\$ (707,454)</u>		<u>\$ 14,641,423</u>

The impact of LDTI on the Company's Previously Reported condensed consolidated statement of income for the three and nine months ended September 30, 2022 is as follows:

Condensed Consolidated Statement of Income

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	As Previously Reported (Unaudited)	Adoption Impacts (Unaudited)	As Adjusted (Unaudited)	As Previously Reported (Unaudited)	Adoption Impacts (Unaudited)	As Adjusted (Unaudited)
<i>(In thousands, except per-share amounts)</i>						
Revenues:						
Direct premiums	\$ 810,079	\$ -	\$ 810,079	\$ 2,417,639	\$ -	\$ 2,417,639
Ceded premiums	(404,870)	-	(404,870)	(1,223,804)	-	(1,223,804)
Net premiums	405,209	-	405,209	1,193,835	-	1,193,835
Commissions and fees	225,468	-	225,468	717,956	-	717,956
Investment income net of investment expenses	40,629	-	40,629	112,148	-	112,148
Interest expense on surplus note	(16,283)	-	(16,283)	(47,613)	-	(47,613)
Net investment income	24,346	-	24,346	64,535	-	64,535
Realized investment gains (losses)	292	-	292	924	-	924
Other investment gains (losses)	(2,991)	-	(2,991)	(4,765)	-	(4,765)
Investment gains (losses)	(2,699)	-	(2,699)	(3,841)	-	(3,841)
Other, net	20,965	-	20,965	60,709	-	60,709
Total revenues	673,289	-	673,289	2,033,194	-	2,033,194
Benefits and expenses:						
Benefits and claims	171,293	(11,897)	159,396	511,619	(40,270)	471,349
Future policy benefits remeasurement (gain) loss	-	1,514	1,514	-	668	668
Amortization of deferred policy acquisition costs	90,925	(24,848)	66,077	262,367	(67,606)	194,761
Sales commissions	105,915	-	105,915	359,602	-	359,602
Insurance expenses	57,552	-	57,552	176,521	-	176,521
Insurance commissions	7,666	-	7,666	22,982	-	22,982
Contract acquisition costs	13,446	-	13,446	53,479	-	53,479
Interest expense	6,802	-	6,802	20,469	-	20,469
Goodwill impairment loss	60,000	-	60,000	60,000	-	60,000
Other operating expenses	73,791	-	73,791	239,952	-	239,952
Total benefits and expenses	587,390	(35,231)	552,159	1,706,991	(107,208)	1,599,783
Income before income taxes	85,899	35,231	121,130	326,203	107,208	433,411
Income taxes	34,092	7,477	41,569	90,069	23,033	113,102
Net income	51,807	27,754	79,561	236,134	84,175	320,309
Net income (loss) attributable to noncontrolling interests	-	-	-	(5,038)	-	(5,038)
Net income attributable to Primerica, Inc.	\$ 51,807	\$ 27,754	\$ 79,561	\$ 241,172	\$ 84,175	\$ 325,347
Earnings per share attributable to common stockholders:						
Basic earnings per share	\$ 1.38	\$ 0.74	\$ 2.12	\$ 6.26	\$ 2.19	\$ 8.45
Diluted earnings per share	\$ 1.37	\$ 0.74	\$ 2.11	\$ 6.24	\$ 2.18	\$ 8.42
Weighted-average shares used in computing earnings per share:						
Basic	37,438	-	37,438	38,342	-	38,342
Diluted	37,541	-	37,541	38,452	-	38,452

Transition Impact on the Liability for Future Policy Benefits.

The Company adopted ASU 2018-12 using the modified retrospective transition method. As part of the transition disclosures, ASU 2018-12 requires a reconciliation of the adoption impacts to the Company's LFPB, separated between the changes in the present value of expected net premiums and the present value of expected future policy benefits as of the Transition Date. These balances are presented before reinsurance and income taxes for the Term Life Insurance segment, which makes up the substantial portion of the Company's long-duration insurance contract liabilities.

Transition Impact at January 1, 2021

(In thousands)

Present Value of Expected Premiums	Term Life	
Balance at December 31, 2020	\$	10,867,358
Impact to retained earnings from capping Transition Date net premium ratio		(137,112)
Balance at original discount rate		10,730,246
Effect of changes in discount rate assumptions		2,774,082
Balance at January 1, 2021	\$	<u>13,504,328</u>
Present Value of Expected Future Policy Benefits		
Balance at December 31, 2020	\$	17,445,700
Effect of changes in discount rate assumptions		5,624,494
Balance at January 1, 2021	\$	<u>23,070,194</u>

Recently-issued accounting guidance not discussed above is not applicable, is not material to our unaudited condensed consolidated financial statements, or did not or is not expected to have a material impact on our business.

Changes to Accounting Policies. All significant accounting policies remain unchanged from the 2022 Annual Report except for the following:

DAC. We defer incremental direct costs of successful contract acquisitions that result from and are essential to the contract transaction(s) and that would not have been incurred had the contract transaction(s) not occurred. These deferred policy acquisition costs mainly include commissions, underwriting costs and certain other policy issuance expenses associated with successful contract acquisitions. All other acquisition-related costs, including unsuccessful acquisition and renewal efforts, are charged to expense as incurred. Also, administrative costs, rent, depreciation, occupancy, equipment, and all other general overhead costs are considered indirect costs and are charged to expense as incurred.

DAC for term life insurance policies is amortized on a constant-level basis over the expected term of the contracts using face amount as the unit of measure. Contracts are grouped by cohorts consistent with the grouping used in estimating the LFPB. The cohorts are defined by the legal entity that issued the policy and the year the policy was issued. Assumptions of face amounts used to amortize DAC for term life insurance policies, including persistency and mortality, are consistent with the assumptions used in estimating the LFPB.

DAC for Canadian segregated funds is amortized on a constant-level basis over the expected term of the contracts using policy count as the unit of measure. Contracts are grouped by cohorts based on the issue year of the policy.

Interest is not accrued on unamortized DAC balances, and DAC is not subject to impairment testing.

Separate Accounts. The separate accounts are primarily comprised of contracts issued by the Company through its subsidiary, Primerica Life Canada, pursuant to the Insurance Companies Act (Canada). The Insurance Companies Act authorizes Primerica Life Canada to establish the separate accounts.

The separate accounts are represented by individual variable insurance contracts. Purchasers of variable insurance contracts issued by Primerica Life Canada have a direct claim to the benefits of the contract that entitles the holder to units in one or more investment funds (the "Funds") maintained by Primerica Life Canada. The Funds invest in assets that are held for the benefit of the owners of the contracts. The Funds' assets are administered by Primerica Life Canada and are held separate and apart from the general assets of the Company. The liabilities reflect the variable insurance contract holders' interests in the Funds' net assets based upon actual investment performance of the respective Funds.

These Funds primarily consist of a series of branded investment funds known as the Asset Builder Funds, a registered retirement fund known as the Strategic Retirement Income Fund ("SRIF"), and a money market fund known as the Cash Management Fund. The principal investment objective of the Asset Builder Funds is to achieve long-term growth while preserving capital. The principal objective of the SRIF is to provide a stream of investment income during retirement plus the opportunity for modest capital appreciation. The Asset Builder Funds and the SRIF use diversified portfolios of publicly-traded Canadian stocks, investment-grade corporate bonds, Government of Canada bonds, and foreign equity investments to achieve their objectives. The Cash Management Fund invests in government guaranteed short-term bonds and short-term commercial and bank papers, with the principal investment objective being the provision of interest income while maintaining liquidity and preserving capital.

Under these contract offerings, benefit payments to contract holders or their designated beneficiaries are only due upon death of the annuitant or upon reaching a specific maturity date. Benefit payments are based on the value of the contract holder's units in the portfolio at the payment date, but are guaranteed to be no less than 75% of the contract holder's contribution, adjusted for withdrawals. Account values are not guaranteed for withdrawn units if contract holders make withdrawals prior to the maturity dates. Maturity dates for contracts investing in the Asset Builder Funds and Cash Management Fund vary by contract and range from 10 years from the contract issuance date to December 31, 2070. Contracts investing in the SRIF mature when the policyholder reaches

age 100, which is a minimum of 20 years after issue. The SRIF is designed to provide periodic retirement income payments and as such, regular withdrawals, subject to legislated minimums, are anticipated. The cumulative effects of the periodic withdrawals are expected to substantially reduce both account and minimum guaranteed values prior to maturity.

Both the asset and the liability for the separate accounts reflect the net value of the underlying assets in the portfolio as of the reporting date. Primerica Life Canada's exposure to losses under the guarantee at the time of account maturity is limited to contract holder accounts that have declined in value more than 25%, adjusted for withdrawals since the contribution date, prior to maturity. As maturity dates are of a long-term nature, the likelihood that guarantee payments will be required at any given point is very small. Additionally, the portfolios consist of a very large number of individual contracts, further spreading the risk related to the guarantee. The length of the contract terms provides significant opportunity for the underlying portfolios to recover any short-term losses prior to maturity or the death of the contract holder. The Company has estimated the fair value associated with the market risk benefits provided by these limited guarantees to be immaterial. Furthermore, the Funds' investment allocations are aligned with the maturity risks of the related contracts and include investments in Government Strip Bonds and floating-rate notes.

Future Policy Benefits. The LFPB on traditional life insurance products is established for future policy benefits, which includes death benefits, waiver of premium benefits and claim settlement expenses. The LFPB is calculated as the present value of expected future benefits less the present value of expected future net premiums receivable under the contracts. Net premiums are defined as the portion of the gross premiums received from policyholders that are needed to pay for all benefits.

The assumptions underlying the LFPB include mortality, persistency, disability rates, and other assumptions that reflect our best estimate based on our historical experience and modified, as necessary, to reflect non-recurring and/or anticipated trends.

The LFPB is estimated by grouping insurance policies into cohorts. Policy cohorts for the Term Life Insurance segment are based on the legal entity that issued the policy and the year the policy was issued.

The cash flows and assumptions underlying the LFPB are unlocked each quarter to reflect differences between actual and expected experience. In general, assumption changes, to the extent necessary, are expected to only occur during the third quarter when we update our experience studies. However, they may occur at any time based on emerging experience.

The impact of unlocking will be partly reflected in the current period and partly spread to future periods based on the remaining duration of the impacted cohort(s). The catch-up is retroactive back to the later of the Transition Date or issue date, after reinsurance recoverables and is recognized as a remeasurement gain or loss as a separate component of benefits and claims expense in the unaudited condensed consolidated statements of income.

The ceded reserve balances included in reinsurance recoverables are calculated in the same manner as the LFPB by cohort and apply best estimate assumptions and quarterly unlocking.

The Company uses discount rates applied by country to align with local currency cash flows. Discount rates consist of yield curves that are developed using Bloomberg's Evaluated Pricing Product (BVAL) based on senior unsecured fixed rate bonds ratings of A+, A or A-. The discount rate assumption is updated quarterly, and the impact of remeasuring the net LFPB, after reinsurance recoverables from changes in the locked-in discount rate assumption is reflected in other comprehensive income in the consolidated statements of comprehensive income.

The LFPB we establish is necessarily based on estimates, assumptions and our analysis of historical experience. Factors that could cause prospective assumptions to be different from historical experience include but are not limited to changes to our term life product series, economic and societal trends, new pharmaceutical drugs, and the impact of regulatory changes. Our results depend upon the extent to which our actual experience is consistent with the assumptions we use in determining the LFPB. The assumptions and estimates underlying the LFPB require significant judgment and, therefore, are inherently uncertain.

Reclassifications. Certain reclassifications have been made to prior period amounts to conform to current period reporting classifications. These reclassifications had no impact on net income or total stockholders' equity.

(2) Segment and Geographical Information

Segments. We have three primary operating segments – Term Life Insurance, Investment and Savings Products, and Senior Health. We also have a Corporate and Other Distributed Products segment.

Notable information included in profit or loss by segment was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Revenues:				
Term life insurance segment	\$ 428,772	\$ 414,589	\$ 1,261,715	\$ 1,219,994
Investment and savings products segment	218,898	201,697	643,609	665,152
Senior health segment	13,436	17,184	47,036	34,828
Corporate and other distributed products segment	49,826	39,819	136,993	113,220
Total revenues	<u>\$ 710,932</u>	<u>\$ 673,289</u>	<u>\$ 2,089,353</u>	<u>\$ 2,033,194</u>
Net investment income:				
Term life insurance segment	\$ -	\$ -	\$ -	\$ -
Investment and savings products segment	-	-	-	-
Senior health segment	-	-	-	-
Corporate and other distributed products segment	34,730	24,346	98,192	64,535
Total net investment income	<u>\$ 34,730</u>	<u>\$ 24,346</u>	<u>\$ 98,192</u>	<u>\$ 64,535</u>
Amortization of DAC:				
Term life insurance segment	\$ 67,720	\$ 64,262	\$ 199,792	\$ 189,431
Investment and savings products segment	1,311	1,378	4,212	4,245
Senior health segment	-	-	-	-
Corporate and other distributed products segment	374	437	1,434	1,085
Total amortization of DAC	<u>\$ 69,405</u>	<u>\$ 66,077</u>	<u>\$ 205,438</u>	<u>\$ 194,761</u>
Non-cash share-based compensation expense:				
Term life insurance segment	\$ 626	\$ 645	\$ 3,201	\$ 3,388
Investment and savings products segment	672	672	2,330	2,559
Senior health segment	169	67	499	67
Corporate and other distributed products segment	563	(324)	10,530	13,638
Total non-cash share-based compensation expense	<u>\$ 2,030</u>	<u>\$ 1,060</u>	<u>\$ 16,560</u>	<u>\$ 19,652</u>
Income (loss) before income taxes:				
Term life insurance segment	\$ 141,222	\$ 131,707	\$ 411,877	\$ 382,409
Investment and savings products segment	64,373	59,221	180,064	189,278
Senior health segment	(7,583)	(63,723)	(17,377)	(102,959)
Corporate and other distributed products segment	789	(6,075)	(19,925)	(35,317)
Total income (loss) before income taxes	<u>\$ 198,801</u>	<u>\$ 121,130</u>	<u>\$ 554,639</u>	<u>\$ 433,411</u>

Total assets by segment were as follows:

	September 30, 2023		December 31, 2022	
	<i>(In thousands)</i>			
Assets:				
Term life insurance segment		\$ 6,412,455		\$ 6,457,156
Investment and savings products segment ⁽¹⁾		2,331,089		2,424,256
Senior health segment		420,014		431,993
Corporate and other distributed products segment		5,269,501		5,328,018
Total assets		<u>\$ 14,433,059</u>		<u>\$ 14,641,423</u>

⁽¹⁾The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, the Investment and Savings Products segment assets were \$147.7 million and \$118.5 million as of September 30, 2023 and December 31, 2022, respectively.

Geographical Information. Results of operations by country and long-lived assets, primarily tangible assets reported in other assets in our unaudited condensed consolidated balance sheets and condensed consolidated statements of income, were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Revenues by country:				
United States	\$ 621,063	\$ 588,954	\$ 1,827,045	\$ 1,750,621
Canada	89,869	84,335	262,308	282,573
Total revenues	<u>\$ 710,932</u>	<u>\$ 673,289</u>	<u>\$ 2,089,353</u>	<u>\$ 2,033,194</u>

	September 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Long-lived assets by country:		
United States	\$ 36,511	\$ 49,637
Canada	2,645	2,803
Other	204	217
Total long-lived assets	<u>\$ 39,360</u>	<u>\$ 52,657</u>

(3) Investments

Available-for-sale Securities. The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale (“AFS”) securities were as follows:

	September 30, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	<i>(In thousands)</i>			
Securities available-for-sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	\$ 9,975	\$ 5	\$ (686)	\$ 9,294
Foreign government	159,962	198	(16,674)	143,486
States and political subdivisions	142,490	17	(22,298)	120,209
Corporates	1,736,050	1,965	(189,421)	1,548,594
Residential mortgage-backed securities	500,244	128	(81,787)	418,585
Commercial mortgage-backed securities	131,732	9	(18,471)	113,270
Other asset-backed securities	251,366	255	(16,059)	235,562
Total fixed-maturity securities	2,931,819	2,577	(345,396)	2,589,000
Short-term investments	20,056	-	(5)	20,051
Total fixed-maturity and short-term investments	<u>\$ 2,951,875</u>	<u>\$ 2,577</u>	<u>\$ (345,401)</u>	<u>\$ 2,609,051</u>

	December 31, 2022			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	<i>(In thousands)</i>			
Securities available-for-sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	\$ 31,217	\$ 18	\$ (767)	\$ 30,468
Foreign government	163,725	780	(11,590)	152,915
States and political subdivisions	142,189	112	(20,056)	122,245
Corporates	1,665,962	2,439	(171,552)	1,496,849
Residential mortgage-backed securities	473,309	370	(71,949)	401,730
Commercial mortgage-backed securities	139,306	3	(16,342)	122,967
Other asset-backed securities	185,707	108	(17,533)	168,282
Total fixed-maturity securities	2,801,415	3,830	(309,789)	2,495,456
Short-term investments	69,393	20	(7)	69,406
Total fixed-maturity and short-term investments	<u>\$ 2,870,808</u>	<u>\$ 3,850</u>	<u>\$ (309,796)</u>	<u>\$ 2,564,862</u>

All of our AFS mortgage- and asset-backed securities represent variable interests in variable interest entities (“VIEs”). We are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact the entities’ economic performance. The maximum exposure to loss as a result of our involvement in these VIEs equals the carrying value of the securities.

The scheduled maturity distribution of the AFS fixed-maturity portfolio as of September 30, 2023 was as follows:

	Amortized cost	Fair value
	<i>(In thousands)</i>	
Due in one year or less	\$ 180,451	\$ 178,021
Due after one year through five years	723,252	679,495
Due after five years through 10 years	819,372	700,703
Due after 10 years	325,402	263,364
	2,048,477	1,821,583
Mortgage- and asset-backed securities	883,342	767,417
Total AFS fixed-maturity securities	<u>\$ 2,931,819</u>	<u>\$ 2,589,000</u>

Expected maturities may differ from scheduled contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

Trading Securities. The cost and fair value of the securities classified as trading securities were as follows:

	September 30, 2023				December 31, 2022			
	Cost		Fair value		Cost		Fair value	
	(In thousands)							
Fixed-maturity securities	\$	18,837	\$	18,160	\$	4,229	\$	3,698

Held-to-maturity Security. Concurrent with the execution of the Vidalia Re Coinsurance Agreement, Vidalia Re entered into a Surplus Note Purchase Agreement (the “Surplus Note Purchase Agreement”) with Hannover Life Reassurance Company of America and certain of its affiliates (collectively, “Hannover Re”) and a newly formed limited liability company (the “LLC”) owned by a third- party service provider. Under the Surplus Note Purchase Agreement, Vidalia Re issued a surplus note (the “Surplus Note”) to the LLC in exchange for a credit enhanced note from the LLC with an equal principal amount (the “LLC Note”). The principal amount of both the LLC Note and the Surplus Note will fluctuate over time to coincide with the amount of reserves contractually supported under the Vidalia Re Coinsurance Agreement. Both the LLC Note and the Surplus Note mature on December 31, 2030 and bear interest at an annual interest rate of 4.50%. The LLC Note is guaranteed by Hannover Re through a credit enhancement feature in exchange for a fee, which is reflected in interest expense on our unaudited condensed consolidated statements of income.

The LLC is a VIE as its owner does not have an equity investment at risk that is sufficient to permit the LLC to finance its activities without Vidalia Re or Hannover Re. The Parent Company, Primerica Life, and Vidalia Re share the power to direct the activities of the LLC with Hannover Re, but they do not have the obligation to absorb losses or the right to receive any residual returns related to the LLC’s primary risks or sources of variability. Through the credit enhancement feature, Hannover Re is the ultimate risk taker in this transaction and bears the obligation to absorb the LLC’s losses in the event of a Surplus Note default in exchange for the fee. Accordingly, the Company is not the primary beneficiary of the LLC and does not consolidate the LLC within its unaudited condensed consolidated financial statements. See Note 5 (Reinsurance) for Hannover Re’s financial strength rating.

The LLC Note is classified as a fixed-maturity held-to-maturity security in the Company’s invested asset portfolio as we have the positive intent and ability to hold the security until maturity. As of September 30, 2023, the LLC Note had an estimated unrealized holding loss of \$132.1 million based on its amortized cost and estimated fair value. The estimated fair value of the LLC Note is expected to be at least equal to the estimated fair value of the offsetting Surplus Note. See Note 15 (Debt) for more information on the Surplus Note.

As of September 30, 2023 and December 31, 2022, no credit losses have been recognized on the LLC Note.

Investments on Deposit with Governmental Authorities. As required by law, we have investments on deposit with governmental authorities and banks for the protection of policyholders. The fair value of investments on deposit was \$7.1 million as of each of September 30, 2023 and December 31, 2022.

Securities Lending Transactions. We participate in securities lending transactions with broker-dealers and other financial institutions to increase investment income with minimal risk. We require minimum collateral on securities loaned equal to 102% of the fair value of the loaned securities. We accept collateral in the form of securities, which we are not able to sell or encumber, and to the extent the collateral declines in value below 100%, we require additional collateral from the borrower. Any securities collateral received is not reflected on our unaudited condensed consolidated balance sheets. We also accept collateral in the form of cash, which we reinvest. For loans involving unrestricted cash collateral, the collateral is reported as an asset with a corresponding liability representing our obligation to return the collateral. We continue to carry the loaned securities as invested assets on our unaudited condensed consolidated balance sheets during the terms of the loans, and we do not report them as sales. Cash collateral received and reinvested was \$78.0 million and \$100.9 million as of September 30, 2023 and December 31, 2022, respectively.

Net Investment Income. The components of net investment income were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Fixed-maturity securities (available-for-sale)	\$ 27,381	\$ 23,067	\$ 79,544	\$ 66,370
Fixed-maturity security (held-to-maturity)	16,306	16,283	49,348	47,613
Equity securities	366	373	1,126	1,131
Policy loans and other invested assets	475	436	756	596
Cash and cash equivalents	6,609	1,714	17,577	2,338
Total return on deposit asset underlying 10% coinsurance agreement ⁽¹⁾	2,022	489	5,707	(1,790)
Gross investment income	53,159	42,362	154,058	116,258
Investment expenses	(2,123)	(1,733)	(6,518)	(4,110)
Investment income net of investment expenses	51,036	40,629	147,540	112,148
Interest expense on surplus note	(16,306)	(16,283)	(49,348)	(47,613)
Net investment income	<u>\$ 34,730</u>	<u>\$ 24,346</u>	<u>\$ 98,192</u>	<u>\$ 64,535</u>

⁽¹⁾Includes \$(0.5) million and \$(1.7) million of net gains (losses) recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement for the three and nine months ended September 30, 2023, respectively. Includes less than \$(0.1) million and \$(3.4) million of net gains (losses) recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement for the three and nine months ended September 30, 2022, respectively.

The components of investment gains (losses), as well as details on gross realized investment gains (losses) and other investment gains (losses) were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Realized investment gains (losses):				
Gross gains from sales of available-for-sale fixed-maturity securities	\$ 6	\$ 491	\$ 498	\$ 1,512
Gross losses from sales of available-for-sale fixed-maturity securities	(9)	(199)	(1,148)	(588)
Net realized investment gains (losses):	(3)	292	(650)	924
Other investment gains (losses):				
Credit (losses) gains impairment of available-for-sale securities	-	(138)	(2,167)	(57)
Market gains (losses) recognized in net income during the period on equity securities	(1,800)	(2,858)	(3,930)	(4,692)
Gains (losses) on trading securities	8	5	17	(16)
Other investment gains (losses):	(1,792)	(2,991)	(6,080)	(4,765)
Investment gains (losses)	<u>\$ (1,795)</u>	<u>\$ (2,699)</u>	<u>\$ (6,730)</u>	<u>\$ (3,841)</u>

The proceeds from sales or other redemptions of AFS securities were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Proceeds from sales or other redemptions	\$ 50,968	\$ 117,909	\$ 288,360	\$ 419,985

Accrued Interest. Accrued interest is recorded in accordance with the contractual interest schedule of the underlying security. In the event of default, the Company's policy is to no longer accrue interest on these securities and any remaining accrued interest will be written off. As a result, the Company has made the policy election to not record an allowance for credit losses on accrued interest.

Credit Losses for Available-for-sale Securities. The following table summarizes all AFS securities in an unrealized loss position for which an allowance for credit losses has not been recorded as of September 30, 2023, aggregated by major security type and length of time such securities have continuously been in an unrealized loss position:

	September 30, 2023			
	Less than 12 months		12 months or longer	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	<i>(In thousands)</i>			
Fixed-maturity securities:				
U.S. government and agencies	\$ -	\$ -	\$ 8,978	\$ (686)
Foreign government	53,311	(3,836)	86,209	(12,838)
States and political subdivisions	13,578	(632)	105,814	(21,666)
Corporates	298,581	(12,322)	1,203,540	(177,099)
Residential mortgage-backed securities	57,219	(1,142)	351,336	(80,645)
Commercial mortgage-backed securities	10,521	(498)	99,042	(17,973)
Other asset-backed securities	62,609	(582)	136,982	(15,477)
Total fixed-maturity securities	495,819	(19,012)	1,991,901	(326,384)
Short-term investments:				
U.S. government and agencies	-	-	-	-
Foreign government	267	(1)	-	-
Corporates	19,785	(4)	-	-
Total short-term investments	20,052	(5)	-	-
Total fixed-maturity securities and short-term investments	<u>\$ 515,871</u>	<u>\$ (19,017)</u>	<u>\$ 1,991,901</u>	<u>\$ (326,384)</u>

	December 31, 2022			
	Less than 12 months		12 months or longer	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	<i>(In thousands)</i>			
Fixed-maturity securities:				
U.S. government and agencies	\$ 4,927	\$ (204)	\$ 25,209	\$ (563)
Foreign government	97,094	(4,430)	38,085	(7,160)
States and political subdivisions	71,131	(10,666)	44,324	(9,390)
Corporates	974,931	(69,726)	452,541	(101,826)
Residential mortgage-backed securities	187,158	(22,171)	201,595	(49,778)
Commercial mortgage-backed securities	65,165	(5,069)	56,799	(11,273)
Other asset-backed securities	81,907	(5,807)	72,977	(11,726)
Total fixed-maturity securities	1,482,313	(118,073)	891,530	(191,716)
Short-term investments:				
U.S. government and agencies	28,379	(5)	-	-
Foreign government	1,744	(2)	-	-
Total short-term investments	30,123	(7)	-	-
Total fixed-maturity securities and short-term investments	<u>\$ 1,512,436</u>	<u>\$ (118,080)</u>	<u>\$ 891,530</u>	<u>\$ (191,716)</u>

The amortized cost of AFS fixed-maturity securities with a cost basis in excess of their fair values were \$2,853.2 million and \$2,713.8 million as of September 30, 2023 and December 31, 2022, respectively.

As of September 30, 2023, no allowance for credit losses was recorded for AFS securities. Substantially all of the unrealized losses were the result of change in market interest rates compared to the date the securities were acquired rather than the credit quality of the securities, and we have no present intention to dispose of them.

We did not recognize any credit losses on AFS securities for the three months ended September 30, 2023 and we recognized \$2.2 million for credit losses on AFS securities for the nine months ended September 30, 2023 in the unaudited condensed consolidated statements of income. For the three and nine months ended September 30, 2022, we recognized \$0.1 million and less than \$0.1 million, respectively, for credit losses on AFS securities in the unaudited condensed consolidated statements of income. We recognized credit losses on securities due to: (i) our intent to sell them; (ii) adverse credit events indicating that we will not receive the security's contractual cash flows when contractually due, such as news of an impending filing for bankruptcy; (iii) analyses of the issuer's most recent financial statements or other information indicating that significant liquidity deficiencies, significant losses and large declines in capitalization exist; and (iv) analyses of rating agency information for issuances with severe ratings downgrades indicating a significant increase in the possibility of default.

The rollforward of the allowance for credit losses on AFS securities was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Allowance for credit losses, beginning of period	\$ -	\$ -	\$ -	\$ 816
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	-	-	-	-
Additional increases (decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period	-	-	-	(81)
Write-offs charged against the allowance, if any	-	-	-	(735)
Allowance for credit losses, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Derivatives. We carry a deferred loss related to closed forward contracts, which were settled several years ago, that were used to mitigate our exposure to foreign currency exchange rates that resulted from the net investment in our Canadian operations. The amount of deferred loss included in accumulated other comprehensive income was \$26.4 million as of each of September 30, 2023 and December 31, 2022. These deferred losses will not be recognized until such time as we sell or substantially liquidate our Canadian operations. We have no such intention.

(4) Fair Value of Financial Instruments

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Invested assets recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We classify and disclose all invested assets carried at fair value in one of the following three levels:

- Level 1. Quoted prices for identical instruments in active markets. Level 1 consists of financial instruments whose value is based on quoted market prices in active markets, such as cash, cash equivalents in money market funds, exchange-traded common stocks and actively traded mutual fund investments;
- Level 2. Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets. Level 2 includes those financial instruments that are valued using industry-standard pricing methodologies, models or other valuation methodologies. Various inputs are considered in deriving the fair value of the underlying financial instrument, including interest rate and yield curves, credit spread, and foreign exchange rates. All significant inputs are observable, or derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category could include: cash equivalents and short-term investments in U.S. treasury securities; certain public and private corporate fixed-maturity and equity securities; government or agency securities; and certain mortgage- and asset-backed securities; and
- Level 3. Valuations derived from valuation techniques in which one or more significant inputs are unobservable. Level 3 consists of financial instruments whose fair value is estimated based on industry-standard pricing methodologies and models using significant inputs not based on, nor corroborated by, readily available market information. Valuations for this category primarily consist of non-binding broker quotes. Financial instruments in this category could include less liquid mortgage- and asset-backed securities and equity securities.

As of each reporting period, all assets and liabilities recorded at fair value are classified in their entirety based on the lowest level of input (Level 3 being the lowest in the hierarchy) that is significant to the fair value measurement. Significant levels of estimation and judgment are required to determine the fair value of certain of our investments. The factors influencing these estimations and judgments are subject to change in subsequent reporting periods.

The estimated fair value and hierarchy classifications for assets and liabilities that are measured at fair value on a recurring basis were as follows:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	\$ -	\$ 9,294	\$ -	\$ 9,294
Foreign government	-	143,486	-	143,486
States and political subdivisions	-	120,209	-	120,209
Corporates	3,771	1,544,823	-	1,548,594
Mortgage- and asset-backed securities:				
Residential mortgage-backed securities	-	418,585	-	418,585
Commercial mortgage-backed securities	-	113,270	-	113,270
Other asset-backed securities	-	235,562	-	235,562
Total available-for-sale fixed-maturity securities	3,771	2,585,229	-	2,589,000
Short-term investments	-	20,051	-	20,051
Total available-for-sale securities	3,771	2,605,280	-	2,609,051
Equity securities	26,551	952	1,620	29,123
Trading securities	-	18,160	-	18,160
Cash and cash equivalents	468,762	-	-	468,762
Separate accounts	-	2,183,435	-	2,183,435
Total fair value assets	<u>\$ 499,084</u>	<u>\$ 4,807,827</u>	<u>\$ 1,620</u>	<u>\$ 5,308,531</u>
Fair value liabilities:				
Separate accounts	\$ -	\$ 2,183,435	\$ -	\$ 2,183,435
Total fair value liabilities	<u>\$ -</u>	<u>\$ 2,183,435</u>	<u>\$ -</u>	<u>\$ 2,183,435</u>

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	\$ -	\$ 30,468	\$ -	\$ 30,468
Foreign government	-	152,915	-	152,915
States and political subdivisions	-	122,245	-	122,245
Corporates	3,586	1,493,263	-	1,496,849
Mortgage- and asset-backed securities:				
Residential mortgage-backed securities	-	401,730	-	401,730
Commercial mortgage-backed securities	-	122,967	-	122,967
Other asset-backed securities	-	168,282	-	168,282
Total available-for-sale fixed-maturity securities	3,586	2,491,870	-	2,495,456
Short-term investments	-	69,406	-	69,406
Total available-for-sale securities	3,586	2,561,276	-	2,564,862
Equity securities	32,727	967	1,710	35,404
Trading securities	-	3,698	-	3,698
Cash and cash equivalents	489,240	-	-	489,240
Separate accounts	-	2,305,717	-	2,305,717
Total fair value assets	<u>\$ 525,553</u>	<u>\$ 4,871,658</u>	<u>\$ 1,710</u>	<u>\$ 5,398,921</u>
Fair value liabilities:				
Separate accounts	\$ -	\$ 2,305,717	\$ -	\$ 2,305,717
Total fair value liabilities	<u>\$ -</u>	<u>\$ 2,305,717</u>	<u>\$ -</u>	<u>\$ 2,305,717</u>

In estimating fair value of our investments, we use a third-party pricing service for approximately all of our securities that are measured at fair value on a recurring basis. The remaining securities are primarily thinly-traded securities, such as private placements, and are valued using models based on observable inputs on public corporate spreads having similar characteristics (e.g., sector, average life and quality rating), liquidity and yield based on quality rating, average life and U.S. Treasury yields. All observable data inputs are corroborated by independent third-party data. We also corroborate pricing information provided by our third-party pricing service by performing a review of selected securities. Our review activities include: obtaining detailed information about the assumptions, inputs and methodologies used in pricing the security; documenting this information; and corroborating it by comparison to independently obtained prices and/or independently developed pricing methodologies.

Furthermore, we perform internal reasonableness assessments on fair value determinations within our portfolio throughout the year and as of year-end, including pricing variance analyses and comparisons to alternative pricing sources and benchmark returns. If a fair

value appears unusual relative to these assessments, we will re-examine the inputs and may challenge a fair value assessment made by the pricing service. If there is a known pricing error, we will request a reassessment by the pricing service. If the pricing service is unable to perform the reassessment on a timely basis, we will determine the appropriate price by requesting a reassessment from an alternative pricing service or other qualified source as necessary. We do not adjust quotes or prices except in a rare circumstance to resolve a known error.

Because many fixed-maturity securities do not trade on a daily basis, third-party pricing services generally determine fair value using industry-standard methodologies, which vary by asset class. For corporates, governments, and agency securities, these methodologies include developing prices by incorporating available market information such as U.S. Treasury curves, benchmarking of similar securities including new issues, sector groupings, quotes from market participants and matrix pricing. Observable information is compiled and integrates relevant credit information, perceived market movements and sector news. Additionally, security prices are periodically back-tested to validate and/or refine models as conditions warrant. Market indicators and industry and economic events are also monitored as triggers to obtain additional data. For certain structured securities (such as mortgage- and asset-backed securities) with limited trading activity, third-party pricing services generally use industry-standard pricing methodologies that incorporate market information, such as index prices or discounting expected future cash flows based on underlying collateral, and quotes from market participants, to estimate fair value. If one or more of these input measures are not deemed observable for a particular security, the security will be classified as Level 3 in the fair value hierarchy.

Where specific market information is unavailable for certain securities, pricing models produce estimates of fair value primarily using Level 2 inputs along with certain Level 3 inputs. These models include matrix pricing. The pricing matrix uses current U.S. Treasury rates and credit spreads received from third-party sources to estimate fair value. The credit spreads incorporate the issuer's industry- or issuer-specific credit characteristics and the security's time to maturity, if warranted. Remaining unpriced securities are valued using an estimate of fair value based on indicative market prices that include significant unobservable inputs not based on, nor corroborated by, market information, including the utilization of non-binding broker quotes.

The roll-forward of the Level 3 assets measured at fair value on a recurring basis was as follows:

	Three months ended September 30,		Nine months ended September 30, ⁽¹⁾	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Level 3 assets, beginning of period	\$ 1,628	\$ 1,634	\$ 1,710	\$ 3,596
Net unrealized gains (losses) included in other comprehensive income	-	(8)	(61)	99
Realized gains (losses) and accretion (amortization) recognized in earnings	(8)	(127)	(89)	(328)
Purchases	-	6,170	2,316	13,661
Sales	-	-	-	-
Settlements	-	15	(8)	(1,385)
Transfers into Level 3	-	-	-	1,399
Transfers out of Level 3	-	-	(2,248)	(9,358)
Level 3 assets, end of period	<u>\$ 1,620</u>	<u>\$ 7,684</u>	<u>\$ 1,620</u>	<u>\$ 7,684</u>

⁽¹⁾Transfers of investments that enter and exit Level 3 in different quarters within the same fiscal year are not eliminated until the full year amounts are presented.

We obtain independent pricing quotes based on observable inputs as of the end of the reporting period for all securities in Level 2. Those inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, quoted prices for similar instruments in markets that are not active, and other relevant data. We monitor these inputs for market indicators, industry and economic events. There were no material transfers between Level 1 and Level 3 during the three and nine months ended September 30, 2023 and 2022.

The carrying values and estimated fair values of our financial instruments were as follows:

	September 30, 2023		December 31, 2022	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
<i>(In thousands)</i>				
Assets:				
Fixed-maturity securities (available-for-sale)	\$ 2,589,000	\$ 2,589,000	\$ 2,495,456	\$ 2,495,456
Fixed-maturity security (held-to-maturity) ⁽³⁾	1,417,460	1,285,369	1,444,920	1,340,265
Short-term investments (available-for-sale)	20,051	20,051	69,406	69,406
Equity securities				
	29,123	29,123	35,404	35,404
Trading securities	18,160	18,160	3,698	3,698
Policy loans ⁽³⁾	37,879	37,879	35,940	35,940
Deposit asset underlying 10% coinsurance agreement ⁽³⁾	196,553	196,553	224,371	224,371
Separate accounts	2,183,435	2,183,435	2,305,717	2,305,717
Liabilities:				
Notes payable ^{(1) (2)}	\$ 593,508	\$ 473,906	\$ 592,905	\$ 491,753
Surplus note ^{(1) (3)}	1,417,056	1,280,803	1,444,469	1,333,047
Separate accounts	2,183,435	2,183,435	2,305,717	2,305,717

⁽¹⁾ Carrying value amounts shown are net of unamortized issuance costs.

⁽²⁾ Classified as a Level 2 fair value measurement.

⁽³⁾ Classified as a Level 3 fair value measurement.

The fair values of financial instruments presented above are estimates of the fair values at a specific point in time using various sources and methods, including market quotations and a complex matrix system that takes into account issuer sector, quality, and spreads in the current marketplace.

Financial Instruments Recognized at Fair Value in the Balance Sheets. Estimated fair values of investments in AFS securities are principally a function of current spreads and interest rates that are corroborated by independent third-party data. Therefore, the fair values presented are indicative of amounts we could realize or settle at the respective balance sheet date. We do not necessarily intend to dispose of or liquidate such instruments prior to maturity. Trading securities and equity securities, including common and nonredeemable preferred stocks, are carried at fair value. Segregated funds in separate accounts are carried at the underlying value of the variable insurance contracts, which is fair value.

The carrying amounts for cash and cash equivalents, trade receivables, accrued investment income, accounts payable, cash collateral and payables for security transactions approximate their fair values due to the short-term nature of these instruments. Consequently, such financial instruments are not included in the above table.

(5) Reinsurance

We use reinsurance extensively, which has a significant effect on our results of operations. Reinsurance arrangements do not relieve us of our primary obligation to the policyholder.

Details on in-force life insurance were as follows:

	September 30, 2023		December 31, 2022	
	<i>(Dollars in thousands)</i>			
Direct life insurance in-force	\$	940,031,093	\$	919,081,738
Amounts ceded to other companies		(804,858,755)		(787,907,229)
Net life insurance in-force	\$	<u>135,172,338</u>	\$	<u>131,174,509</u>
Percentage of reinsured life insurance in-force			86 %	86 %

Benefits and claims ceded to reinsurers during the three and nine months ended September 30, 2023 were \$339.9 million and \$1,032.9 million, respectively, compared to \$334.5 million and \$956.1 million, respectively, for the three and nine months ended September 30, 2022.

Reinsurance recoverables as of September 30, 2023 and December 31, 2022 include ceded reserve balances, ceded claim liabilities, and ceded claims paid that have not been reimbursed. The Company allocates reinsurance recoverables estimated at the cohort level to individual reinsurers for disclosure purposes. Reinsurance recoverables estimated by reinsurer and the financial strength ratings of those reinsurers were as follows:

	September 30, 2023		December 31, 2022	
	Reinsurance recoverables	A.M. Best rating	Reinsurance recoverables ⁽⁵⁾	A.M. Best rating
	<i>(In thousands)</i>			
Swiss Re Life and Health America, Inc. (Novated from Pecan Re Inc.) ⁽¹⁾	\$ 2,189,826	A+	\$ 2,392,548	A+
Munich Re of Malta ⁽¹⁾⁽²⁾	228,113	NR	244,435	NR
SCOR Global Life Reinsurance Companies ⁽³⁾	172,755	A	180,958	A+
American Health and Life Insurance Company ⁽¹⁾	136,538	B++	147,915	B++
Munich American Reassurance Company	51,176	A+	59,522	A+
Swiss Re Life & Health America Inc. ⁽⁴⁾	49,638	A+	54,403	A+
Korean Reinsurance Company	47,234	A	45,206	A
RGA Reinsurance Company	46,830	A+	48,775	A+
All other reinsurers	38,036	-	38,714	-
Allowance for credit losses	(5,901)		(2,936)	
Reinsurance recoverables	<u>\$ 2,954,245</u>		<u>\$ 3,209,540</u>	

NR – not rated by A.M. Best

⁽¹⁾Reinsurance recoverables includes balances ceded under coinsurance transactions of term life insurance policies that were in-force as of December 31, 2009. Amounts shown are net of their share of the reinsurance recoverables from other reinsurers. Arrangements with these reinsurers include collateral trust agreements held in support of reinsurance recoverables.

⁽²⁾Entity is rated AA- by S&P.

⁽³⁾Includes amounts ceded to Transamerica Reinsurance Companies and fully retroceded to SCOR Global Life Reinsurance Companies.

⁽⁴⁾Includes amounts ceded to Lincoln National Life Insurance and fully retroceded to Swiss Re Life & Health America Inc.

⁽⁵⁾Amounts have been reclassified for comparability purposes using a refined estimation method to allocate reinsurance recoverables by reinsurer. There is no change to total reinsurance recoverables as of December 31, 2022 compared to the amount initially restated for LDTI and presented in the condensed consolidated financial statements included in the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2023 and June 30, 2023. There is no impact on the related allowance for credit losses because all reinsurers were either investment grade or have collateral trust agreements held in support of reinsurance recoverables.

We estimate and recognize lifetime expected credit losses for reinsurance recoverables. In estimating the allowance for credit losses for reinsurance recoverables, we factor in the underlying collateral for reinsurance agreements where available. Specifically, for reinsurers with underlying trust assets, we compare the reinsurance recoverables balance to the underlying trust assets that mitigate the potential exposure to credit losses. We also analyze the financial condition of the reinsurers, as determined by third-party rating agencies, to determine the probability of default for the reinsurers. We then utilize a third-party credit default study to calculate an expected credit loss given default rate or recovery rate. The probability of default and loss given default rates are then applied to the reinsurers' recoverable balance, while also factoring in any third-party letters of credit that support the reinsurance agreement, in order to calculate our allowance for credit losses.

The rollforward of the allowance for credit losses on reinsurance recoverables were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Balance, beginning of period	\$ 5,599	\$ 2,964	\$ 2,936	\$ 2,942
Current period provision for expected credit losses	302	78	2,965	270
Less: Collections from expected credit losses previously recorded	-	-	-	(170)
Balance, at the end of period	<u>\$ 5,901</u>	<u>\$ 3,042</u>	<u>\$ 5,901</u>	<u>\$ 3,042</u>

(6) Deferred Policy Acquisition Costs

The balances and activity in DAC were as follows:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	<i>(In thousands)</i>			
	Term Life	Segregated Funds (Canada)	Term Life	Segregated Funds (Canada)
Balance, beginning of period	\$ 3,106,148	\$ 62,341	\$ 2,869,812	\$ 65,411
Capitalization	386,788	3,596	507,834	7,003
Amortization	(199,792)	(4,212)	(254,875)	(5,581)
Foreign exchange translation and other	1,026	268	(16,623)	(4,492)
Balance, at the end of period	<u>\$ 3,294,170</u>	<u>\$ 61,993</u>	<u>\$ 3,106,148</u>	<u>\$ 62,341</u>

Reconciliation of DAC by product was as follows:

	September 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Term Life	\$ 3,294,170	\$ 3,106,148
Segregated Funds (Canada)	61,993	62,341
Other	18,464	20,013
Total DAC, net	<u>\$ 3,374,627</u>	<u>\$ 3,188,502</u>

There were no changes to the judgments, assumptions and methods used to amortize DAC during the nine months ended September 30, 2023 and 2022.

(7) Separate Accounts

The following table represents the fair value of assets supporting separate account assets by major investment category:

	September 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Fixed-income securities	\$ 776,869	\$ 796,384
Equity securities	1,318,591	1,340,541
Cash and cash equivalents	99,965	181,162
Due to/from funds	(12,014)	(12,399)
Other	24	29
Total separate account assets	<u>\$ 2,183,435</u>	<u>\$ 2,305,717</u>

The following table represents the balances of and changes in separate account liabilities:

	Nine months ended September 30, 2023	Year ended December 31, 2022
	<i>(In thousands)</i>	
Separate account liabilities balance, beginning of period	\$ 2,305,717	\$ 2,799,992
Premiums and deposits	151,124	253,982
Surrenders and withdrawals	(261,420)	(293,278)
Investment performance	28,654	(202,997)
Management fees and other charges	(45,671)	(62,281)
Foreign exchange translation	5,031	(189,701)
Separate account liabilities balance, end of period	<u>\$ 2,183,435</u>	<u>\$ 2,305,717</u>
Cash surrender value	\$ 2,150,300	\$ 2,268,436

The cash surrender value represents the amount of the contract holders' account balance distributable at the balance sheet date less the Company's estimate of the deferred sales charges that would be assessed if the policyholders redeemed their contracts at the balance sheet date. This estimate requires the Company to make certain assumptions regarding the underlying account balances by contribution year and application of the contractually defined deferred sales charges that would be applicable to each contribution year.

(8) Policy Claims and Other Benefits Payable

Changes in policy claims incurred and other benefits payable were as follows:

	Nine months ended September 30,	
	2023	2022
	(In thousands)	
Policy claims and other benefits payable, beginning of period	\$ 538,250	\$ 585,382
Less reinsured policy claims and other benefits payable	543,433	638,007
Net balance, beginning of period	(5,183)	(52,625)
Incurred related to current year	183,506	189,739
Incurred related to prior years ⁽¹⁾	(4,103)	(3,383)
Total incurred	179,403	186,356
Claims paid related to current year, net of reinsured policy claims received	(245,951)	(236,246)
Reinsured policy claims received related to prior years, net of claims paid	18,499	66,047
Total paid	(227,452)	(170,199)
Foreign currency translation	43	(659)
Net balance, end of period	(53,189)	(37,127)
Add reinsured policy claims and other benefits payable	528,592	533,690
Balance, end of period	<u>\$ 475,403</u>	<u>\$ 496,563</u>

⁽¹⁾Includes the difference between our estimate of claims incurred but not yet reported as of period-end and the actual incurred claims reported after period-end.

The liability for policy claims and other benefits payable on traditional life insurance products includes estimated unpaid claims that have been reported to us and claims incurred but not yet reported. We estimate claims incurred but not yet reported based on our historical claims activity, adjusted for any current trends and conditions, and reported lag time experience.

(9) Future Policy Benefits

The following tables summarize balances and changes in the present value of expected net premiums and the present value of expected future policy benefits underlying the LFPB:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	(Dollars in thousands)			
Present Value of Expected Net Premiums				
Term Life Insurance				
Balance at then current discount rate, beginning of period	\$	13,053,386	\$	14,988,852
Balance at original discount rate, beginning of period		13,521,221		12,800,441
Effect of changes in cash flow assumptions		(5,364)		26,090
Effect of actual variances from expected experience		(185,310)		8,653
Adjusted balance, beginning of period		13,330,547		12,835,184
Issuances		1,400,704		1,892,716
Interest accrual at original discount rate		413,265		486,436
Net premiums collected		(1,258,800)		(1,623,000)
Foreign currency translation		1,851		(70,115)
Expected net premiums at original discount rate, end of period		13,887,567		13,521,221
Effect of changes in discount rate assumptions		(878,973)		(467,835)
Expected net premiums at then current discount rate, end of period	\$	<u>13,008,594</u>	\$	<u>13,053,386</u>
Present Value of Expected Future Policy Benefits				
Balance at then current discount rate, beginning of period	\$	19,143,253	\$	23,309,576
Balance at original discount rate, beginning of period		19,706,818		18,991,175
Effect of changes in cash flow assumptions		(7,254)		29,915
Effect of actual variances from expected experience		(184,024)		21,101
Adjusted balance, beginning of period		19,515,540		19,042,191
Issuances		1,402,082		1,892,730
Interest accrual at original discount rate		647,281		796,017
Benefit payments		(1,355,236)		(1,915,518)
Foreign currency translation		2,975		(108,602)
Expected future policy benefits at original discount rate, end of period		20,212,642		19,706,818
Effect of changes in discount rate assumptions		(1,354,698)		(563,565)
Expected future policy benefits at then current discount rate, end of period	\$	<u>18,857,944</u>	\$	<u>19,143,253</u>
LFPB	\$	5,849,350	\$	6,089,867
Less: reinsurance recoverables		2,932,743		3,186,264
Net LFPB, after reinsurance recoverables	\$	<u>2,916,607</u>	\$	<u>2,903,603</u>
Weighted-average duration of net LFPB (in years)		7.9		7.8

An annual review of our LFPB assumptions was performed during the third quarter of 2023 and included mortality, persistency, and disability rates (incidence and recovery rates for our waiver of premium rider). When reviewing assumptions, we used the company's own historical experience and considered quarterly cash flow variances by policy cohort. Judgment was also used when evaluating assumptions since prior historical experience was not fully reflective of future expected experience.

During the review, volatility in our experience studies was observed across all material assumptions, in large part due to the impact of the COVID-19 pandemic, and in the case of persistency, current economic trends. Mortality in excess of LFPB assumptions was experienced from 2020 to the first half of 2022 due to an increase in death claims caused by the COVID-19 pandemic. Conversely, mortality experienced in 2023 has been lower than expected compared to our LFPB assumptions, which may be due in part to a pull forward effect from the COVID-19 pandemic. Persistency rates were at historical highs during the COVID-19 pandemic and into the early part of 2022 and then regressed well below our LFPB assumptions after the pandemic subsided in 2022. In 2023, persistency rates have trended towards more historical levels but are still below our LFPB assumptions for certain issue year cohorts. When examining our term life waiver of premium benefit experience, we have noted that disability incidence rates have fallen since the COVID-19 pandemic and disability recovery rates have also experienced volatility.

We believe the recent fluctuations between actual experience and our LFPB assumptions was driven by the COVID-19 pandemic and its lingering impacts as well as economic conditions that have adversely impacted lapses. We believe the COVID-19 pandemic is a historically atypical event and not indicative of our long-term mortality, persistency and disability rate expectations and that economic conditions will trend to historical norms over time. Therefore, we continue to believe our best estimate LFPB assumptions are represented by our pre-pandemic experience. In the short-term, we may continue to see experience variances due to volatility created by the trailing effects of the COVID-19 pandemic and economic conditions.

The only LFPB assumption that was changed during the three and nine months ending September 30, 2023 was shifting forward our assumption for long-term mortality improvement one year for applicable cohorts in our Term Life Insurance segment. We made a similar assumption change in 2022. The impact of this assumption change was immaterial to the measurement of the LFPB in both 2023 and 2022.

Discount rates, while a material assumption to our LFPB, are not part of the assumption-setting process since they are updated quarterly based on observable rates. There have been no changes with the compilation of data sources used for this input.

Losses recognized as a result of capping the net premium ratio at 100% were immaterial during the three and nine months ended September 30, 2023 and 2022.

The following table reconciles the LFPB to the unaudited condensed consolidated balance sheets:

	September 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Term Life	\$ 5,849,350	\$ 6,089,867
Other	195,801	208,039
Total	\$ 6,045,151	\$ 6,297,906

The following table reconciles the reinsurance recoverables to the unaudited condensed consolidated balance sheets:

	September 30, 2023	December 31, 2022
	<i>(In thousands)</i>	
Term Life	\$ 2,932,743	\$ 3,186,264
Other	21,502	23,276
Total	\$ 2,954,245	\$ 3,209,540

The amount of discounted (using the then current discount rate) and undiscounted expected gross premiums and expected future benefit payments were as follows:

	September 30, 2023		December 31, 2022	
	<i>(In thousands)</i>			
Term Life	Undiscounted	Discounted	Undiscounted	Discounted
Expected future benefit payments	\$ 32,943,124	\$ 18,857,944	\$ 31,904,059	\$ 19,143,253
Expected future gross premiums	\$ 38,300,385	\$ 24,897,552	\$ 37,135,605	\$ 25,070,802

The amount of revenue and interest recognized in our unaudited condensed consolidated statements of income were as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	<i>(In thousands)</i>							
Term Life								
Gross premiums	\$	826,665	\$	804,586	\$	2,462,842	\$	2,401,293
Interest accretion (expense)	\$	(80,231)	\$	(77,253)	\$	(234,016)	\$	(229,613)

The weighted-average rates were as follows:

	September 30, 2023	December 31, 2022
Term Life		
Original discount rate	5.08 %	5.00 %
Current discount rate	5.95 %	5.28 %

There were no changes to the methods used to determine the discount rates during the nine months ended September 30, 2023 and the twelve months ended December 31, 2022.

(10) Stockholders' Equity

The following table shows changes in our outstanding common stock:

	Nine months ended September 30,			
	2023		2022	
	<i>(In thousands)</i>			
Common stock, beginning of period	\$	36,824	\$	39,368
Shares of common stock issued upon exercise of stock options		60		-
Shares of common stock issued when sales restrictions on restricted stock units ("RSUs") lapse and performance-based stock units ("PSUs") are earned		189		201
Common stock retired		(1,731)		(2,542)
Common stock, end of period	\$	<u>35,342</u>	\$	<u>37,027</u>

The above table excludes RSUs and PSUs, which do not have voting rights. As sales restrictions on RSUs lapse and PSUs are earned, we issue common shares with voting rights. As of September 30, 2023, we had a total of 245,021 RSUs and 65,459 PSUs outstanding. The PSU outstanding balance is based on the number of PSUs granted pursuant to the award agreements; however, the actual number of common shares earned could be higher or lower based on actual versus targeted performance. See Note 12 (Share-Based Transactions) for discussion of the PSU award structure.

On November 17, 2022, our Board of Directors authorized a share repurchase program for up to \$375.0 million of our outstanding common stock for purchases from January 1, 2023 through December 31, 2023 (the "Share Repurchase Program"). Under the Share Repurchase Program, we repurchased 1,661,924 shares of our common stock in the open market for an aggregate purchase price of \$302.5 million through September 30, 2023. Approximately \$72.5 million remains available for repurchases of our outstanding common stock under the Share Repurchase Program as of September 30, 2023.

(11) Earnings Per Share

The Company has outstanding common stock and equity awards that consist of RSUs, PSUs and stock options. The RSUs maintain non-forfeitable dividend rights that result in dividend payment obligations on a one-to-one ratio with common shares for any future dividend declarations.

Unvested RSUs are deemed participating securities for purposes of calculating earnings per share ("EPS") as they maintain dividend rights. We calculate EPS using the two-class method. Under the two-class method, we allocate earnings to common shares and vested RSUs outstanding for the period. Earnings attributable to unvested participating securities, along with the corresponding share counts, are excluded from EPS as reflected in our unaudited condensed consolidated statements of income.

In calculating basic EPS, we deduct from net income any dividends and undistributed earnings allocated to unvested RSUs and then divide the result by the weighted-average number of common shares and vested RSUs outstanding for the period.

We determine the potential dilutive effect of PSUs and stock options outstanding ("contingently-issuable shares") on EPS using the treasury-stock method. Under this method, we determine the proceeds that would be received from the issuance of the contingently-issuable shares if the end of the reporting period were the end of the contingency period. The proceeds from the contingently-issuable shares include the remaining unrecognized compensation expense of the awards and the cash received for the exercise price on stock options. We then use the average market price of our common shares during the period the contingently-issuable shares were outstanding to determine how many shares we could repurchase with the proceeds raised from the issuance of the

contingently-issuable shares. The net incremental share count issued represents the potential dilutive securities. We then reallocate earnings to common shares and vested RSUs by incorporating the increased fully-diluted share count to determine diluted EPS.

The calculation of basic and diluted EPS was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands, except per-share amounts)</i>			
Basic EPS:				
Numerator:				
Net income attributable to Primerica, Inc.	\$ 152,063	\$ 79,561	\$ 424,666	\$ 325,347
Income attributable to unvested participating securities	(643)	(375)	(1,834)	(1,439)
Net income used in calculating basic EPS	<u>\$ 151,420</u>	<u>\$ 79,186</u>	<u>\$ 422,832</u>	<u>\$ 323,908</u>
Denominator:				
Weighted-average vested shares	35,760	37,438	36,225	38,342
Basic EPS	<u>\$ 4.23</u>	<u>\$ 2.12</u>	<u>\$ 11.67</u>	<u>\$ 8.45</u>
Diluted EPS:				
Numerator:				
Net income attributable to Primerica, Inc.	\$ 152,063	\$ 79,561	\$ 424,666	\$ 325,347
Income attributable to unvested participating securities	(642)	(374)	(1,831)	(1,436)
Net income used in calculating diluted EPS	<u>\$ 151,421</u>	<u>\$ 79,187</u>	<u>\$ 422,835</u>	<u>\$ 323,911</u>
Denominator:				
Weighted-average vested shares	35,760	37,438	36,225	38,342
Dilutive effect of incremental shares to be issued for contingently-issuable shares	62	103	77	110
Weighted-average shares used in calculating diluted EPS	<u>35,822</u>	<u>37,541</u>	<u>36,302</u>	<u>38,452</u>
Diluted EPS	<u>\$ 4.23</u>	<u>\$ 2.11</u>	<u>\$ 11.65</u>	<u>\$ 8.42</u>

(12) Share-Based Transactions

The Company has outstanding equity awards under the Primerica, Inc. 2020 Omnibus Incentive Plan (the "OIP"), which was approved by the Company's stockholders on May 13, 2020. The OIP provides for the issuance of equity awards, including stock options, stock appreciation rights, restricted stock, deferred stock, RSUs, PSUs, and stock payment awards, as well as cash-based awards. In addition to time-based vesting requirements, awards granted under the OIP may also be subject to specified performance criteria. Under the OIP, the Company issues equity awards to our management (officers and other key employees), non-employees who serve on our Board of Directors, and sales force leaders. For more information on equity awards granted under the OIP, see Note 14 (Share-Based Transactions) to our consolidated financial statements within our 2022 Annual Report.

In connection with our granting of equity awards to management and members of the Board of Directors, we recognize expense over the requisite service period of the equity award. We defer and amortize the fair value of equity awards granted to the sales force in the same manner as other deferred policy acquisition costs for those awards that are an incremental direct cost of successful acquisitions of life insurance policies that result directly from and are essential to the policy acquisition(s) and would not have been incurred had the policy acquisition(s) not occurred. All equity awards granted to the sales force that are not directly related to the successful acquisition of life insurance policies are recognized as expense as incurred, which is in the quarter granted and earned.

The impact of equity awards granted under the OIP are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Equity awards expense recognized	\$ 2,035	\$ 1,060	\$ 16,622	\$ 16,068
Equity awards expense deferred	1,891	2,691	6,754	7,878

On February 28, 2023, the Compensation Committee of our Board of Directors granted the following equity awards to employees as part of the annual approval of management incentive compensation:

- 55,137 RSUs awarded to management with a measurement-date fair value of \$185.24 per unit that have time-based vesting requirements with equal and annual graded vesting over approximately three years subsequent to the grant date.
- 17,139 PSUs awarded to our four top executives with a measurement-date fair value of \$185.24 per unit. The PSUs will be earned on March 1, 2026 contingent upon the Company achieving a targeted annual average three-year return on adjusted equity ("ROAE") and average EPS growth for the period from January 1, 2023 through December 31, 2025. The actual

number of common shares that will be earned will vary based on the actual ROAE and average EPS growth relative to the targeted ROAE and average EPS growth and can range from zero to 25,708 shares.

All awards granted to employees on February 28, 2023 vest upon voluntary termination of employment by any employee who is “retirement eligible” as of his or her termination date. In order to be retirement eligible, an employee must be at least 55 years old and his or her age plus years of service with the Company must equal at least 75. The number of PSUs that will ultimately be earned for a retirement eligible employee is equal to the amount calculated using the Company’s actual cumulative three-year ROAE and average EPS growth for the performance period ending on December 31, 2025, even if that employee retires prior to the completion of the three-year performance period.

(13) Commitments and Contingent Liabilities

Letter of Credit (“LOC”). Peach Re maintains a credit facility agreement with Deutsche Bank (the “Credit Facility Agreement”) to support certain obligations for a portion of the Regulation XXX reserves related to the Peach Re Coinsurance Agreement. Under the Credit Facility Agreement, Deutsche Bank issued a letter of credit for the benefit of Primerica Life with a term that expires on December 31, 2025; however, the letter of credit may be cancelled by Peach Re on or after January 1, 2024 with no early termination penalty. As of September 30, 2023, the amount of the LOC outstanding was \$53.2 million. This amount will decline over the remaining term of the LOC to correspond with declines in the Regulation XXX reserves. As of September 30, 2023, the Company was in compliance with all financial covenants under the Credit Facility Agreement.

Further discussion on the Company’s LOC is included in Note 16 (Commitments and Contingent Liabilities) to our consolidated financial statements within our 2022 Annual Report.

Contingent Liabilities. The Company is involved from time to time in legal disputes, regulatory inquiries and arbitration proceedings in the normal course of business. These disputes are subject to uncertainties, including the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation. As such, the Company is unable to estimate the possible loss or range of loss that may result from these matters.

(14) Other Comprehensive Income

The components of other comprehensive income (“OCI”), including the income tax expense or benefit allocated to each component, were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(In thousands)</i>			
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses) before income taxes	\$ (7,016)	\$ (18,950)	\$ 1,010	\$ (25,161)
Income tax expense (benefit) on unrealized foreign currency translation gains (losses)	-	-	-	-
Change in unrealized foreign currency translation gains (losses), net of income taxes	<u>\$ (7,016)</u>	<u>\$ (18,950)</u>	<u>\$ 1,010</u>	<u>\$ (25,161)</u>
Unrealized gain (losses) on available-for-sale securities:				
Change in unrealized holding gains (losses) arising during period before income taxes	\$ (55,060)	\$ (97,516)	\$ (39,694)	\$ (401,335)
Income tax expense (benefit) on unrealized holding gains (losses) arising during period	(11,704)	(20,471)	(8,735)	(85,330)
Change in unrealized holding gains (losses) on available-for-sale securities arising during period, net of income taxes	(43,356)	(77,045)	(30,959)	(316,005)
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities	3	(154)	2,817	(867)
Income tax (expense) benefit on (gains) losses reclassified from accumulated OCI to net income	1	(33)	592	(182)
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities, net of income taxes	2	(121)	2,225	(685)
Change in unrealized gains (losses) on available-for-sale securities, net of income taxes and reclassification adjustment	<u>\$ (43,354)</u>	<u>\$ (77,166)</u>	<u>\$ (28,734)</u>	<u>\$ (316,690)</u>
Effect of change in discount rate assumptions on the LFPB:				
Change in effect in discount rate assumptions on the LFPB before income taxes	\$ 410,460	\$ 379,503	\$ 314,487	\$ 1,822,219
Income tax (expense) benefit on the effect of change in discount rate assumptions on the LFPB from accumulated OCI to net income	88,209	79,906	67,268	388,519
Change in effect in discount rate assumptions on the LFPB, net of income taxes	<u>\$ 322,251</u>	<u>\$ 299,597</u>	<u>\$ 247,219</u>	<u>\$ 1,433,700</u>

(15) Debt

Notes Payable. As of September 30, 2023, the Company had outstanding \$600.0 million of publicly-traded, senior unsecured notes (the “Senior Notes”), with an annual interest rate of 2.80% that are scheduled to mature on November 19, 2031. As of September 30, 2023, we were in compliance with the covenants of the Senior Notes. No events of default occurred on the Senior Notes during the three and nine months ended September 30, 2023.

Further discussion on the Company’s Senior Notes is included in Note 10 (Debt) to our consolidated financial statements within our 2022 Annual Report.

Surplus Note. As of September 30, 2023, the principal amount outstanding on the Surplus Note issued by Vidalia Re was \$1.4 billion, which is equal to the principal amount of the LLC Note. The principal amounts of the Surplus Note and the LLC Note have reached their peaks and are expected to decrease over time to coincide with the amount of policy reserves being contractually supported under the Vidalia Re Coinsurance Agreement. Both the LLC Note and the Surplus Note mature on December 31, 2030 and bear interest at an annual interest rate of 4.50%. This financing arrangement is non-recourse to the Parent Company and Primerica Life, meaning that neither of these companies has guaranteed the Surplus Note or is otherwise liable for reimbursement for any payments triggered by the LLC Note’s credit enhancement feature. The Parent Company has agreed to support Vidalia Re’s obligation to pay the credit enhancement fee incurred on the LLC Note.

Further discussion on the Company’s LLC Note is included in Note 3 (Investments).

Revolving Credit Facility. We maintain an unsecured \$200.0 million revolving credit facility (“Revolving Credit Facility”) with a syndicate of commercial banks. The Revolving Credit Facility has a scheduled termination date of June 22, 2026. Amounts outstanding under the Revolving Credit Facility are borrowed, at our discretion, on the basis of either a Secured Overnight Financing Rate (“SOFR”) rate loan, or a base rate loan. SOFR rate loans bear interest at a periodic rate equal to one-, three-, or six-month Adjusted Term SOFR, plus an applicable margin. Base rate loans bear interest at the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) one-month Adjusted Term SOFR plus 1.00%, plus an applicable margin. The Revolving Credit Facility also permits the issuance of letters of credit. The applicable margins are based on our debt rating with such margins for SOFR rate loans and letters of credit ranging from 1.00% to 1.625% per annum and for base rate loans ranging from 0.00% to 0.625% per annum. Under the Revolving Credit Facility, we incur a commitment fee that is payable quarterly in arrears and is determined by our

debt rating. This commitment fee ranges from 0.10% to 0.225% per annum of the aggregate amount of the \$200.0 million commitment of the lenders under the Revolving Credit Facility that remains undrawn. During the three and nine months ended September 30, 2023, no amounts were outstanding under the Revolving Credit Facility and we were in compliance with its covenants. Furthermore, no events of default occurred under the Revolving Credit Facility during the three and nine months ended September 30, 2023.

(16) Revenue from Contracts with Customers

Our revenues from contracts with customers primarily include:

- Commissions and fees earned for the marketing and distribution of investment and savings products underwritten by mutual fund companies and annuity providers. For purposes of revenue recognition, mutual fund companies and annuity providers are considered the customers in marketing and distribution arrangements;
- Fees earned for investment advisory and administrative services within our managed investments program and shareholder services fees earned in Canada for mutual funds for which we serve as principal distributor;
- Account-based fees for transfer agent recordkeeping functions and non-bank custodial services;
- Commissions and fees earned from the distribution of Medicare-related insurance products on behalf of health insurance carriers, including tail revenue adjustments;
- Marketing development revenues earned for selling Medicare-related insurance products on behalf of health insurance carriers, which is recorded in Other, net revenue;
- Fees associated with mortgage distribution and the distribution of other third-party financial products; and
- Other revenue from the sale of miscellaneous products and services including monthly subscription fees from the sales representatives for access to Primerica Online, our primary sales force support tool.

Premiums from insurance contracts we underwrite, fees received from segregated funds insurance contracts, and income earned on our invested assets are excluded from the definition of revenues from contracts with customers in accordance with U.S. GAAP.

Further discussion on the Company's revenues from contracts with customers and revenue recognition policies are included in Note 18 (Revenue from Contracts with Customers) to our consolidated financial statements within our 2022 Annual Report.

The disaggregation of our revenues from contracts with customers were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Term Life Insurance segment revenues:				
Other, net	\$ 11,908	\$ 13,419	\$ 36,421	\$ 37,969
Total segment revenues from contracts with customers	11,908	13,419	36,421	37,969
Revenues from sources other than contracts with customers	416,864	401,170	1,225,294	1,182,025
Total Term Life Insurance segment revenues	<u>\$ 428,772</u>	<u>\$ 414,589</u>	<u>\$ 1,261,715</u>	<u>\$ 1,219,994</u>
Investment and Savings Products segment revenues:				
Commissions and fees				
Sales-based revenues	\$ 72,996	\$ 67,962	\$ 220,343	\$ 259,905
Asset-based revenues	105,681	93,068	303,306	283,841
Account-based revenues	23,344	22,910	69,229	67,043
Other, net	3,145	3,342	9,385	9,508
Total segment revenues from contracts with customers	205,166	187,282	602,263	620,297
Revenues from sources other than contracts with customers (segregated funds)	13,732	14,415	41,346	44,855
Total Investment and Savings Products segment revenues	<u>\$ 218,898</u>	<u>\$ 201,697</u>	<u>\$ 643,609</u>	<u>\$ 665,152</u>
Senior Health segment revenues:				
Commissions and fees	\$ 11,388	\$ 14,601	\$ 38,514	\$ 25,222
Other, net	2,048	2,583	8,522	9,606
Total Senior Health segment revenues	<u>\$ 13,436</u>	<u>\$ 17,184</u>	<u>\$ 47,036</u>	<u>\$ 34,828</u>
Corporate and Other Distributed Products segment revenues:				
Commissions and fees	\$ 11,761	\$ 12,512	\$ 30,841	\$ 37,090
Other, net	1,328	1,621	3,763	3,626
Total segment revenues from contracts with customers	13,089	14,133	34,604	40,716
Revenues from sources other than contracts with customers	36,737	25,686	102,389	72,504
Total Corporate and Other Distributed Products segment revenues	<u>\$ 49,826</u>	<u>\$ 39,819</u>	<u>\$ 136,993</u>	<u>\$ 113,220</u>

Renewal Commissions Receivable. For revenue associated with ongoing renewal commissions in the Senior Health and Corporate and Other Distributed Products segments, we record a renewal commission receivable asset for the amount of ongoing renewal commissions we anticipate collecting in reporting periods subsequent to the satisfaction of the performance obligation, less amounts that are constrained in the accompanying unaudited condensed consolidated balance sheets. We update our estimate of variable consideration each period as new facts or circumstances that were not available at the time of the initial estimate will indicate that the expected renewal commissions are higher or lower than our renewal commissions receivable. As such, the expected renewal commissions receivable will be written down or up to its revised expected value by adjustments to revenue, which we refer to as tail revenue adjustments.

Activity in the Renewal commissions receivable account was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Senior Health segment:				
Balance, beginning of period	\$ 130,818	\$ 134,212	\$ 139,399	\$ 172,308
Measurement period adjustment ⁽¹⁾	-	-	-	(11,863)
Commissions revenue	6,287	9,600	22,272	32,011
Less: collections	(9,755)	(8,808)	(34,321)	(33,032)
Tail revenue adjustments from change in estimate	2,326	1,700	2,326	(22,720)
Balance, at the end of period	<u>\$ 129,676</u>	<u>\$ 136,704</u>	<u>\$ 129,676</u>	<u>\$ 136,704</u>
Corporate and Other Distributed Products segments:				
Balance, beginning of period	\$ 60,406	\$ 59,449	\$ 60,644	\$ 59,443
Commissions revenue	7,877	7,908	19,652	19,833
Less: collections	(6,141)	(6,034)	(18,154)	(17,953)
Balance, at the end of period	<u>\$ 62,142</u>	<u>\$ 61,323</u>	<u>\$ 62,142</u>	<u>\$ 61,323</u>

⁽¹⁾The measurement period adjustment was recorded during the nine months ended September 30, 2022 in order to finalize the purchase price allocation for the acquisition of e-TeleQuote.

Incremental costs to obtain or fulfill contracts, most notably sales commissions to the sales representatives, are not incurred prior to the recognition of the related revenue. Therefore, we have no assets recognized for incremental costs to obtain or fulfill contracts.

(17) Leases

We have operating leases for office space and other real estate and finance leases for certain office equipment. During the nine months ended September 30, 2023, we extended the lease for our home office facility located in Duluth, Georgia. The lease was set to expire in June 2028 and was extended to December 31, 2035. Upon modifying the lease, the Company reassessed its classification and concluded the lease remains an operating lease. The lease disclosures below have been added to reflect the extension of this lease as of September 30, 2023.

In aggregate, our leases have remaining lease terms of 1 year to 12 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 year, exercisable at the Company's discretion. Operating lease right-of-use assets and operating lease liabilities are presented separately in our consolidated balance sheets. As of September 30, 2023 and December 31, 2022, finance lease right-of-use assets of \$0.5 million and \$0.7 million, respectively, and finance lease liabilities of \$0.6 million and \$0.8 million, respectively, were recorded within Other assets and Other liabilities within our consolidated balance sheets. The Company determines its lease liabilities, which are measured at the present value of future lease payments, using the Company's incremental secured borrowing rate that is commensurate with the term of the underlying lease or the rate implicit in the lease if readily determinable.

	September 30, 2023	December 31, 2022
Weighted Average Remaining Lease Term		
Operating leases	10 years	6 years
Finance leases	2 years	3 years
Weighted Average Discount Rate		
Operating leases	4.7 %	4.2 %
Finance leases	5.8 %	6.0 %

Future minimum lease payments under non-cancellable leases were as follows:

Year Ended December 31,	Operating Leases	(In thousands)	Finance Leases
2023 (remaining 3 months)	\$	1,249	\$ 74
2024 ⁽¹⁾		5,403	270
2025		8,928	192
2026		8,686	78
2027		8,591	-
Thereafter		48,348	-
Total minimum rental commitments for operating leases		81,205	614
Less: imputed interest		19,422	36
Total lease liabilities	\$	<u>61,783</u>	<u>\$ 578</u>

⁽¹⁾Excludes \$4.8 million of scheduled rent payments expected to be offset by a leasehold improvement allowance funded by the landlord of our home office facility.

(18) Goodwill

Goodwill represents the excess of the purchase price over the estimated acquired values of identifiable assets and liabilities acquired in a business combination. In accordance with U.S. GAAP, goodwill is not amortized. The Company tests goodwill for impairment annually on July 1 and whenever events occur or circumstances change that would indicate the carrying value of goodwill may be impaired. All of the Company's goodwill was obtained in connection with the acquisition of the e-TeleQuote business, which has been designated as a separate operating segment called Senior Health. Therefore, goodwill has been allocated solely to the Senior Health segment and is evaluated for impairment at the Senior Health segment level, which is also defined as the reporting unit.

During the annual impairment test as of July 1, 2023, the Company performed a quantitative impairment analysis using the income approach by preparing a discounted cash flow analysis to determine the reporting unit's fair value. The discounted cash flow analysis included key assumptions such as the weighted average cost of capital ("WACC"), long-term growth rate and projected operating results such as approved policies, lifetime value of commissions, contract acquisition costs, operating expenses, collections of renewal commissions receivable, and utilization of net operating losses for income tax purposes. We did not utilize a market approach as part of the quantitative impairment analysis as we believe management's expectations of the cash flows generated by the reporting unit were more relevant in determining fair value given inherent limitations in the credibility of available peer company data. The

measurement of the reporting unit's fair value is classified as a Level 3 fair value measurement given the significance of the unobservable inputs such as forecasted operating results and discount rates.

After the fair value of the reporting unit was determined, the Company calculated its carrying value by taking the reporting unit's assets minus its liabilities. The carrying value of the Senior Health reporting unit as of July 1, 2023 included remaining goodwill of \$127.7 million after accumulated goodwill impairment charges of \$136.0 million that were recognized in previous reporting periods. The carrying value of the reporting unit was then compared to its fair value to determine the extent of any goodwill impairment. Based on this analysis, the fair value exceeded the carrying value of the reporting unit and, therefore, we did not recognize any additional non-cash goodwill impairment charges during the three months and nine months ended September 30, 2023. The determination of whether the carrying value of the reporting unit exceeds its fair value involves a high degree of estimation and can be affected by a number of industry and company-specific risk factors that are subject to change over time.

During the three and nine months ended September 30, 2022, we recognized a non-cash goodwill impairment charge of \$60.0 million that represented the excess of the Senior Health reporting unit's carrying value over its estimated fair value at July 1, 2022. The decline of the Senior Health reporting unit's fair value at July 1, 2022 that led to the impairment recognized in 2022 was primarily driven by an increase in the market-based WACC used to discount the forecasted cash flows at that time. The increase in the WACC as of July 1, 2022 was driven by increases in the equity market risk premium and higher interest rates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to inform the reader about matters affecting the financial condition and results of operations of Primerica, Inc. (the "Parent Company") and its subsidiaries (collectively, "we", "us" or the "Company") for the period from December 31, 2022 to September 30, 2023. As a result, the following discussion should be read in conjunction with MD&A and the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report"). This discussion contains forward-looking statements that constitute our plans, estimates and beliefs. These forward-looking statements involve numerous risks and uncertainties, including, but not limited to, those discussed under the heading "Risk Factors" in the 2022 Annual Report and in Item 1A of this Report. Actual results may differ materially from those contained in any forward-looking statements.

This MD&A is divided into the following sections:

- Business Overview
- Business Trends and Conditions
- Factors Affecting Our Results
- Critical Accounting Estimates
- Results of Operations
- Financial Condition
- Liquidity and Capital Resources

Business Overview

We are a leading provider of financial products and services to middle-income households in the United States and Canada primarily through a network of independent contractor sales representatives ("independent sales representatives" or "independent sales force"). We assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities, managed investments, Medicare-related insurance products and other financial products, which we distribute primarily on behalf of third parties. We have three primary operating segments, Term Life Insurance, Investment and Savings Products, and Senior Health, and a fourth segment, Corporate and Other Distributed Products.

The Company adopted Accounting Standards Update No. 2018-12, Financial Services—Insurance (Topic 944)—Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI") on January 1, 2023. The amendments in LDTI changed accounting guidance for insurance companies that issue long-duration contracts, such as term life insurance and segregated funds products. All prior period financial information has been restated as of January 1, 2021 (the "Transition Date"). See Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) to our condensed consolidated financial statements included elsewhere in this report for more information about the adoption of LDTI.

Term Life Insurance. We distribute the term life insurance products that we underwrite through our three issuing life insurance company subsidiaries: Primerica Life Insurance Company ("Primerica Life"), National Benefit Life Insurance Company ("NBLIC"), and Primerica Life Insurance Company of Canada ("Primerica Life Canada"). Policies remain in-force until the expiration of the coverage period or until the policyholder ceases to make premium payments. Our in-force term life insurance policies have level premiums for the stated term period. As such, the policyholder pays the same amount each year. Initial policy term periods are between 10 and 35 years. While premiums typically remain level during the initial term period, our claim obligations generally increase as our policyholders age. In addition, we incur significant upfront costs in acquiring new insurance business.

Investment and Savings Products. In the United States, we distribute mutual funds, managed investments, variable annuity, and fixed annuity products of several third-party companies. We provide investment advisory and administrative services for client assets invested in our managed investments program. We also perform distinct transfer agent recordkeeping services and non-bank custodial services for investors purchasing certain mutual funds we distribute. In Canada, we offer mutual funds of other companies and segregated funds, which are underwritten by Primerica Life Canada.

Senior Health. In the United States, we distribute Medicare-related insurance products to eligible Medicare participants and enroll eligible Medicare participants in coverage utilizing licensed health insurance agents through our e-TeleQuote Insurance, Inc. subsidiary ("e-TeleQuote"). The health insurance products we distribute are underwritten and administered by third-party health insurance carriers and primarily consist of Medicare Advantage enrollments. Contract acquisition costs are incurred upfront when policy applications are approved and include costs associated with generating or acquiring leads, as well as fees paid to Primerica Senior Health certified independent sales representatives, and compensation, licensing, and training costs incurred for e-TeleQuote's workforce of licensed health insurance agents. e-TeleQuote's licensed health insurance agents are employees of the Company. We receive compensation from the third-party health insurance carriers in the form of initial commissions when eligible Medicare participants are enrolled and renewal commissions upon the anniversary of the effective date, for as long as policies remain in-force.

Corporate and Other Distributed Products. The Corporate and Other Distributed Products segment consists primarily of revenues and expenses related to other distributed products, including closed blocks of various insurance products underwritten by NBLIC, prepaid legal services, mortgage originations, and other financial products. These products, except for closed blocks of various insurance products underwritten by NBLIC, are distributed pursuant to distribution arrangements with third-party companies through the independent sales force. Net investment income earned on cash, cash equivalents, and our invested asset portfolio is recorded in the Corporate and Other Distributed Products segment. Interest expense incurred by the Company is attributed to the Corporate and Other Distributed Products segment.

Business Trends and Conditions

The relative strength and stability of financial markets and economies in the United States and Canada affect our growth and profitability. Our business is, and we expect will continue to be, influenced by a number of industry-wide and product-specific trends and conditions. Economic conditions, including unemployment levels and consumer confidence, influence investment and spending decisions by middle-income consumers, who are generally our primary clients. These conditions and factors also impact prospective recruits' perceptions of the business opportunity that becoming an independent sales representative offers, which can drive or dampen recruiting. Consumer spending and borrowing levels affect how consumers evaluate their savings and debt management plans. In addition, interest rates and equity market returns impact consumer demand for the savings and investment products we distribute. Our customers' perception of the strength of the capital markets may also influence their decisions to invest in the investment and savings products we distribute.

The financial and distribution results of our operations in Canada, as reported in U.S. dollars, are affected by changes in the currency exchange rate. As a result, changes in the Canadian dollar exchange rate may significantly affect the result of our business for all amounts translated and reported in U.S. dollars.

Significant volatility in capital markets in recent periods has continued to impact our business. Volatility in capital markets has influenced product sales and client asset values that drive revenue in the Investment and Savings Products segment. In addition, the sharp rise in market interest rates during 2022 and further rate increases in 2023 have driven unrealized losses in our investment portfolio. We have not recognized losses caused by interest rate volatility in the income statement as we have the ability to hold these investments until maturity or a market price recovery, and we have no present intention to dispose of them. Increased interest rates have also led to increases in net investment income as we are able to earn higher returns on our new debt securities purchases and cash balances.

Inflation remained elevated from historical levels during the nine months ended September 30, 2023, which led to an increased cost of living for middle-income families. Continued elevated cost of living could impact demand for our products.

Certain year-over-year comparisons are impacted by the effects of the COVID-19 pandemic ("COVID-19"). Results during the first quarter of 2022 reflected the continued effects of COVID-19, namely strong policyholder persistency and elevated claims activity in our Term Life Insurance segment. Results subsequent to the first quarter of 2022 do not reflect elevated COVID-19 impacts.

The effects of these trends and conditions on our quarterly results are discussed below in the Results of Operations and Financial Condition sections.

Size of the Independent Sales Force.

Our ability to increase the size of the independent sales force ("independent sales representatives" or "independent sales force") is largely based on the success of the independent sales force's recruiting efforts as well as training and motivating recruits to get licensed to sell life insurance. We believe that recruitment and licensing levels are important to independent sales force trends, and growth in recruiting and licensing is usually indicative of future growth in the overall size of the independent sales force. Recruiting changes do not always result in commensurate changes in the size of the licensed independent sales force because new recruits may obtain the requisite licenses at rates above or below historical levels.

Details on recruiting and life-licensed independent sales representative activity were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
New recruits	92,269	127,788	271,933	282,710
New life-licensed independent sales representatives	12,311	12,518	36,067	34,030

The number of new recruits decreased during the three and nine months ended September 30, 2023 compared to the same periods in 2022 as a result of the special recruiting incentives that were offered in July 2022 in connection with our biennial convention. Recruiting activity in 2023 was strong without the benefit of significant recruiting incentives as the Company continues to see a high degree of interest from people who are attracted to the flexibility of its business opportunity.

New life-licensed sales representatives during the three months ended September 30, 2023 were in line with the same period in 2022. New life-licensing activity was strong during the current period while the three months ended September 30, 2022 benefited from the impact of the recruiting incentives offered in July 2022 at the biennial convention. New life-licensed sales representatives increased during the nine months ended September 30, 2023 compared to the same period in 2022 primarily due to strong life-licensing activity experienced throughout 2023. The strong life-licensing activity realized in 2023 is primarily driven by the heightened emphasis placed by the Company and independent sales force leaders on licensing rates and the continued benefits of improvements to the licensing process, which include new licensing progress-tracking tools and an increased number of in-person licensing classes.

The size of the life-licensed independent sales force was as follows:

	September 30, 2023	September 30, 2022
Life-licensed independent sales representatives, at period end	139,053	134,313

The number of life-licensed independent sales representatives grew to 139,053 as of September 30, 2023 and reflects strong recruiting and improvements to the licensing process as discussed above.

Term Life Insurance Product Sales and Face Amount In-Force.

The average number of life-licensed independent sales representatives and the number of term life insurance policies issued, as well as the average monthly rate of new policies issued per life-licensed independent sales representative (historically between 0.20 and 0.24 as adjusted⁽¹⁾), were as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Adjusted 2022	2023	2022	Adjusted 2022
Average number of life-licensed independent sales representatives	138,388	132,823	132,823	136,912	131,187	131,187
Number of new policies issued ⁽¹⁾	88,589	71,104	81,372	270,103	219,374	253,738
Average monthly rate of new policies issued per life-licensed independent sales representative ⁽¹⁾	0.21	0.18	0.20	0.22	0.19	0.22

⁽¹⁾The previously reported number of new policies issued and average monthly rate of new policies issued per life-licensed independent sales representatives has been adjusted for the three and nine months ended September 30, 2022 for comparability purposes as a result of our new term life insurance products introduced in October 2022, which modified how policies are structured in relation to individual lives. Historically, two adult lives could be covered under a single policy by adding a spouse rider. To better align risk and pricing in our new life insurance products, we eliminated this rider and now sell a separate policy for each insured life. Results for the three and nine months ended September 30, 2023 reflect additional policies issued to reflect the former spouse rider with a separate policy in the new life insurance products. To make year-over year comparisons more consistent, we have provided estimates for the three and nine months ended September 30, 2022.

Average number of life-licensed independent sales representatives increased for the three and nine months ended September 30, 2023 from the same periods in 2022 as a result of strong recruiting and improvements to the licensing process as discussed above.

New policies issued during the three and nine months ended September 30, 2023 increased compared to the same periods in 2022 as a result of continued growth in the number of life-licensed independent sales representatives and the customer appeal of our new term life insurance products that were introduced in late 2022.

Productivity in the three and nine months ended September 30, 2023, measured by the average monthly rate of new policies issued per life-licensed independent sales representative, was in line with our historical range.

The changes in the face amount of our in-force book of term life insurance policies were as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2023	% of beginning balance	2022	% of beginning balance	2023	% of beginning balance	2022	% of beginning balance
Face amount in force, beginning of period	\$ 934,867		\$ 914,438		\$ 916,808		\$ 903,404	
Net change in face amount:								
Issued face amount	29,452	3 %	26,049	3 %	89,779	10 %	78,472	9 %
Terminations	(24,143)	(3)%	(21,033)	(2)%	(68,936)	(8)%	(60,117)	(7)%
Foreign currency	(2,320)	*	(6,669)	(1)%	205	*	(8,974)	(1)%
Net change in face amount	2,989	*	(1,653)	*	21,048	2 %	9,381	1 %
Face amount in force, end of period	<u>\$ 937,856</u>		<u>\$ 912,785</u>		<u>\$ 937,856</u>		<u>\$ 912,785</u>	

* Less than 1%.

The face amount of term life policies in-force increased for the three and nine months ended September 30, 2023 as the level of face amount issued continued to exceed the face amount terminated. Issued face amount during the three and nine months ended September 30, 2023 increased due to an increase in both the number of new policies issued and higher average face amounts per life insured. Policy terminations were elevated across many policy durations during the three and nine months ended September 30, 2023 with the

higher cost of living likely a key contributing factor. The early part of the nine month period ending September 30, 2022 was the last period that reflected the benefit of the higher persistency experienced during the height of the COVID-19 pandemic.

Investment and Savings Product Sales, Asset Values and Accounts/Positions.

Investment and savings product sales were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
<i>(Dollars in millions)</i>								
Product sales:								
U.S. retail mutual funds	\$ 957	\$ 931	\$ 26	3 %	\$ 2,928	\$ 3,380	\$ (452)	(13) %
Canada retail mutual funds - with upfront sales commissions	110	112	(2)	(2) %	366	801	(435)	(54) %
Annuities and other	702	598	104	17 %	2,077	2,012	65	3 %
Total sales-based revenue generating product sales	1,769	1,641	128	8 %	5,371	6,193	(822)	(13) %
Managed investments	236	320	(84)	(26) %	859	1,225	(366)	(30) %
Canada retail mutual funds - no upfront sales commissions	152	158	(6)	(4) %	529	160	369	231 %
Segregated funds	17	42	(25)	(59) %	97	338	(241)	(71) %
							(1,06)	
Total product sales	\$ 2,174	\$ 2,161	\$ 13	*	\$ 6,856	\$ 7,916	\$ (1,060)	(13) %

* Less than 1%.

The rollforward of asset values in client accounts was as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2023	% of beginning balance	2022	% of beginning balance	2023	% of beginning balance	2022	% of beginning balance
<i>(Dollars in millions)</i>								
Asset values, beginning of period	\$ 91,646		\$ 82,291		\$ 83,949		\$ 97,312	
Net change in asset values:								
Inflows	2,174	2 %	2,161	3 %	6,856	8 %	7,916	8 %
Redemptions	(1,982)	(2) %	(1,447)	(2) %	(5,479)	(7) %	(5,144)	(5) %
Net flows	192	*	714	*	1,377	2 %	2,772	3 %
Change in fair value, net	(3,094)	(3) %	(3,466)	(4) %	3,088	4 %	(20,243)	(21) %
Foreign currency, net	(303)	*	(802)	*	27	*	(1,104)	(1) %
Net change in asset values	(3,205)	(3) %	(3,554)	(4) %	4,492	5 %	(18,575)	(19) %
Asset values, end of period	\$ 88,441		\$ 78,737		\$ 88,441		\$ 78,737	

* Less than 1%.

Average client asset values were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
<i>(Dollars in millions)</i>								
Average client asset values:								
Retail mutual funds	\$ 56,565	\$ 51,171	\$ 5,394	11 %	\$ 54,933	\$ 54,709	\$ 224	*
Annuities and other	24,792	22,965	1,827	8 %	24,116	24,314	(198)	*
Managed investments	7,850	6,817	1,033	15 %	7,600	6,951	649	9 %
Segregated funds	2,298	2,368	(70)	(3) %	2,317	2,532	(215)	(9) %
Total average client asset values	\$ 91,505	\$ 83,321	\$ 8,184	10 %	\$ 88,966	\$ 88,506	\$ 460	*

* Less than 1%.

Average number of fee-generating positions was as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	Positions	%	2023	2022	Positions	%
Average number of fee-generating positions ⁽¹⁾:								
Recordkeeping and custodial	2,342	2,295	47	2 %	2,330	2,272	58	3 %
Recordkeeping only	839	820	19	2 %	834	810	24	3 %
Total average number of fee-generating positions	<u>3,181</u>	<u>3,115</u>	<u>66</u>	<u>2 %</u>	<u>3,164</u>	<u>3,082</u>	<u>82</u>	<u>3 %</u>

(1) We receive transfer agent recordkeeping fees by mutual fund positions. An individual client account may include multiple mutual fund positions. We may also receive fees, which are earned on a per account basis, for custodial services that we provide to clients with retirement plan accounts that hold positions in these mutual funds.

Changes in Investment and Savings Product Sales, Asset Values and Accounts/Positions During the Three Months Ended September 30, 2023

Product sales. Investment and savings product sales were flat during the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Sales of variable annuities increased during the three month period in 2023 as investor demand for the guarantee features these products offer increased due to recent market volatility. Offsetting this increase were lower sales of products without upfront revenue including managed accounts and segregated funds. Managed accounts product sales decreased during the three month period in 2023 versus the three month period in 2022 due to a temporary disruption caused by the transition of our managed accounts platform to a different third-party clearing broker during the third quarter of 2023. Segregated funds product sales were lower in the 2023 period compared with the 2022 period due to regulatory restrictions on fees charged for these products that went into effect in Canada. Refer to the Regulatory Changes subsection below for additional information regarding restrictions on segregated funds compensation models in Canada.

Rollforward of client asset values. Ending client asset values decreased during the three months ended September 30, 2023 and the three months ended September 30, 2022 primarily due to negative equity market performance during each period. Net flows remained positive during the third quarter of 2023 but were lower than net flows during the third quarter of 2022. A large driver of the reduction in net flows in the 2023 period versus the 2022 period was the transition of the clearing broker-dealer used by our managed accounts platform. We successfully retained 98% of the client account balances during the transition; the remaining portion of client account balances that were not retained are reflected as redemptions during the 2023 period. We estimate the net redemptions associated with the transition to be approximately \$150 million of client assets.

Average client asset values. Average client asset values increased for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was driven by the factors described in the rollforward of client asset values combined with the timing and changes in market conditions that affected the balance of client assets during each period. In the three months ended September 30, 2023, higher beginning of period client asset values led to the year-over-year increase in average client asset values.

Average number of fee-generating positions. The average number of fee-generating positions increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to the cumulative effect of retail mutual fund sales in recent periods that led to an increase in the number of retail mutual fund positions serviced on our transfer agent recordkeeping platform.

Changes in Investment and Savings Product Sales, Asset Values and Accounts/Positions During the Nine Months Ended September 30, 2023

Product sales. Investment and savings product sales decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Specifically, lower year-over-year product sales during the first half of 2023 led to the decline. The impact of market volatility, the higher cost of living, and the availability of high yield money market and savings account alternatives likely drove the year-over-year reduction in demand for U.S. mutual funds during the first half of 2023. By comparison, product sales in the early part of 2022 reflected strong demand that followed positive equity market returns. The majority of Canadian mutual fund product sales shifted to a no upfront sales commission model in 2023 compared to an upfront sales commission model in early 2022 as a result of the introduction of our new principal distributor Canadian mutual fund product in July 2022. The principal distributor model results in higher asset-based trail commission revenues over time in lieu of upfront compensation at the time of sale. In addition, decreased managed accounts product sales and Canadian segregated funds product sales, due to the factors discussed in the three-month comparison, contributed to the year-over-year decline in product sales.

Rollforward of client asset values. Ending client asset values increased during the nine months ended September 30, 2023 compared to a decrease during the nine months ended September 30, 2022 primarily due to the difference in market performance during each respective period. Net flows remained positive during the nine month period in 2023 but were lower than net flows during the nine month period in 2022.

Average client asset values. Average client asset values were relatively flat for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The slight change was driven by the factors described in the rollforward of client asset values combined with the timing and changes in market conditions that affected the balance of client assets during each period.

Average number of fee-generating positions. The average number of fee-generating positions increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to the same factors described in the three month comparison.

Senior Health Key Performance Indicators.

Submitted Policies, Approved Policies and Policies Sourced by Primerica Independent Sales Representatives

Submitted policies. Submitted policies represent the number of completed applications that, with respect to each application, the applicant has authorized e-TeleQuote to submit to the health insurance carrier. The applicant may need to take additional action, including providing subsequent information, before the application is reviewed by the health insurance carrier.

Approved policies. Approved policies represent an estimate of submitted policies approved by the health insurance carriers for the identified product during the indicated period. Not all approved policies will go in force. In general, the relationship between submitted policies and approved policies has been seasonally consistent. Therefore, factors impacting the number of submitted policies generally impact the number of approved policies.

Policies sourced by Primerica independent sales representatives. Primerica independent sales representatives are certified to refer eligible Medicare participants to e-TeleQuote licensed health insurance agents for potential enrollment in policies distributed by e-TeleQuote after completion of a brief certification course offered by Primerica.

The number of submitted policies by e-TeleQuote sourced from Primerica independent sales representatives measures the number of Senior Health policies submitted by e-TeleQuote to its third-party health insurance carriers that originated through the Primerica independent sales force.

The number of Senior Health submitted policies, approved policies, and submitted policies sourced by Primerica independent sales representatives were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Number of Senior Health submitted policies	10,718	16,095	44,429	61,978
Number of Senior Health approved policies	9,948	14,862	41,276	56,381
Submitted policies sourced by Primerica independent sales representatives	1,549	1,016	5,329	2,835

The Senior Health segment experiences notable seasonality with the strongest demand occurring in the fourth quarter due to the Medicare Annual Election Period (“AEP”) from October 15th to December 7th. We also experience seasonally higher demand in the first quarter due to the Medicare Open Enrollment Period (“OEP”) from January 1st to March 31st, which allows individuals to switch Medicare Advantage plans. Meanwhile, the second and third quarters experience seasonally lower demand as the focus for submitted policies is limited to participants that are dual eligible (Medicare and Medicaid), qualify for a special enrollment period, recently aged into Medicare or are enrolling off of an employer-sponsored plan, and other less common situations.

During the three months ended September 30, 2023, the number of submitted and approved policies decreased compared with the three months ended September 30, 2022 due to multiple factors. A decline in the number of tenured e-TeleQuote licensed health insurance agents and an increase in newly-hired agents resulted in lower productivity. Additionally, the Company adopted a new sales platform that adversely impacted productivity due to the transition in the third quarter of 2023. The number of submitted and approved policies also decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to the Company’s efforts to control growth in favor of developing more efficient lead procurement and conversion.

For the three and nine months ended September 30, 2023, the number of submitted policies sourced by Primerica independent sales representatives increased compared to the same periods in 2022 primarily due to the increasing maturity of the Primerica referral program that has achieved greater participation by Primerica independent sales representatives.

Lifetime Value of Commissions and Contract Acquisition Costs

Lifetime value of commissions (“LTV”). LTV represents the cumulative total of commissions and administrative fees estimated to be collected over the expected life of a policy for policies approved during the period. For more information on LTV, refer to Note 18 (Revenue from Contracts with Customers) of our consolidated financial statements within our 2022 Annual Report and the Factors Affecting our Results – Senior Health Segment section of MD&A included elsewhere in this report.

Contract acquisition costs (“CAC”). CAC represents the total direct costs incurred to acquire approved policies. CAC are primarily comprised of the costs associated with generating or acquiring leads, including fees paid to Primerica Senior Health certified independent sales representatives, as well as compensation, licensing, and training costs associated with our team of e-TeleQuote licensed health insurance agents. The number of e-TeleQuote licensed health insurance agents, agent tenure, attrition rate and productivity all impact CAC. Other than costs incurred to assist beneficiaries who are switching plans with the same carrier, we incur the entire cost of approved policies prior to enrollment and prior to receiving our first commission-related payment.

Per policy metrics for LTV and CAC measure our ability to profitably distribute Senior Health insurance products.

The LTV per approved policy, CAC per approved policy, and ratio of LTV to CAC per approved policy were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
LTV per approved policy during the period	\$ 911	868	\$ 877	850
CAC per approved policy during the period	\$ 1,263	905	\$ 973	949
LTV/CAC per approved policy	0.72	0.96	0.90	0.90

LTV per approved policy reflects current estimates for renewal rates, policy retention and chargeback activity taking into consideration the most recent experience through September 30, 2023. LTV per approved policy increased during the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022 primarily due to higher commission rates from annual rate increases and stabilizing policy churn.

The increase in CAC per approved policy during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 was primarily driven by increased costs to hire, train, and license e-TeleQuote health insurance agents as we hired more new agents in 2023 to prepare for the upcoming AEP and OEP. As the third quarter is a seasonally low volume sales quarter, the increase in agent-related costs without a corresponding increase in approved policies drove up the CAC per approved policy. In addition, increased time spent training agents on a new sales platform and inefficiencies experienced in our lead routing strategy contributed to higher CAC per approved policy. For the nine months ended September 30, 2023, CAC per approved policy increased modestly compared with the nine months ended September 30, 2022 as the higher CAC per approved policy in the third quarter was mostly offset by lower CAC per approved policy in the first two quarters due to the Company's efforts to control growth in favor of developing more efficient lead procurement and conversion.

Regulatory Changes.

Worker classification standards. In the U.S., we anticipate a forthcoming rule from the Department of Labor (“DOL”) pertaining to worker classification. In January 2021, the DOL under the prior presidential administration issued a rulemaking interpreting the “economic realities” worker classification standard applicable to the Fair Labor Standards Act (“FLSA”). In October 2022, the DOL under the current presidential administration proposed a new rule that would rescind the 2021 rule and replace it with its own interpretation of the “economic realities” standard under the FLSA. The DOL recently finalized its proposed rule and it is currently being reviewed by the Office of Management and Budget before it is released publicly. Other federal and state legislative and regulatory proposals regarding worker classification have also come under consideration. It is difficult to predict what the outcome of worker classification activity may be. Changes to worker classification laws could impact our business as sales representatives (other than those hired by e-TeleQuote) are independent contractors.

Fiduciary standards for investment recommendations. In October 2023, the DOL proposed a fiduciary rule package (“DOL Fiduciary Proposal”) that would revise the fiduciary definition and amend certain prohibited transaction exemptions relied on by fiduciaries subject to the Employee Retirement Income Security Act of 1974 for the receipt of compensation. In response to prior rulemakings and guidance, our business already utilizes the DOL’s prohibited transaction exemption established in 2020 for fiduciary recommendations. As a proposed rulemaking package, the DOL Fiduciary Proposal will be subject to public comments and challenges. While its final outcome is uncertain, we anticipate that if the DOL Fiduciary Proposal were finalized as proposed then we would not have to make substantial adjustments to our Investment and Savings Products business operations.

Restrictions on compensation models in Canada. During 2022, in response to regulatory changes in Canada, we developed a set of mutual fund products with two third-party mutual fund companies that are sold exclusively by our independent sales representatives (the “Principal Distributor funds”). The revenue we receive is primarily in the form of asset-based distribution fees from the mutual fund companies and asset-based service fees that are charged to investors. In turn, the primary compensation we offer independent sales representatives is the option of an upfront sales commission or higher asset-based commissions over time. Although we received the requisite approval, the organization of provincial and territorial securities commissions throughout Canada (collectively referred to as the “Canadian Securities Administrators” or “CSA”) has indicated that it intends to closely examine the model, including potentially through a public consultation on sales practices, and may require undertakings or consider future amendments that would require modifications to the model, including with respect to its upfront commission features. At this time, we cannot quantify the financial impact, if any, of future changes to our business that may be necessary if our Principal Distributor funds model is required to

be modified or discontinued. During the nine months ended September 30, 2023, Canadian mutual funds represented approximately 13% of both our total investment and savings product sales and our average client asset values.

As mandated by insurance regulators in Canada, a cessation of deferred sales charges on segregated fund contracts entered into after May 31, 2023 went into effect as previously announced. Deferred sales charges will continue to be allowed on subsequent deposits of existing segregated funds contracts for a period of time; however, insurance regulators will be further evaluating whether to allow this continued use. Our Canadian segregated funds products were primarily sold on a deferred sales charge basis and we paid upfront commissions to the independent sales representatives for the sale of these products. As we anticipated, we experienced a decline in segregated funds product sales beginning in June 2023. Without further clarity from regulators on allowable segregated funds compensation practices, we are unable to evaluate and introduce new compensation practices for the sale of our segregated funds or similar products we could potentially distribute on behalf of third parties. We earn revenue from Canadian segregated funds products based on a percentage of client assets under management. During the nine months ended September 30, 2023, Canadian segregated funds represented approximately 1% of our total investment and savings product sales and approximately 3% of our average client asset values.

Factors Affecting Our Results

Term Life Insurance Segment. The Term Life Insurance segment results are primarily driven by sales volumes, how closely actual experience matches our actuarial assumptions, terms and use of reinsurance, and expenses.

Sales and policies in-force. Sales of term policies and the size and characteristics of our in-force book of policies are vital to our results over the long term. Premium revenue is recognized as it is earned over the term of the policy. However, because we incur significant cash outflows at or about the time policies are issued, including the payment of sales commissions and underwriting costs, changes in life insurance sales volume in a period will have a more immediate impact on our cash flows than on revenue.

Historically, we have found that while sales volume of term life insurance products between fiscal periods may vary based on a variety of factors, the productivity of sales representatives generally remains within a range (i.e., an average monthly rate of new policies issued per life-licensed independent sales representative between 0.20 and 0.24). The volume of term life insurance products sales will fluctuate in the short term, but over the longer term, our sales volume generally correlates to the size of the independent sales force.

Actuarial assumptions. The actuarial assumptions that underlie our reserves are based upon our best estimates of mortality, persistency, and disability. Our results will be affected to the extent there is a variance between our actuarial assumptions and actual experience. These variances will be reflected in our financial results by unlocking assumptions and cash flows underlying the liability for future policy benefits (“LFPB”) and ceded reserves that are part of the reinsurance recoverables. See Note 9 (Future Policy Benefits) for more information on LFPB. The variances are also reflected in the projection of future face amount that is the basis for amortizing DAC.

- **Persistency.** Persistency is a measure of how long our insurance policies stay in-force. As a general matter, persistency that is lower than our actuarial assumptions adversely affects our results over the long term because we lose the recurring revenue stream associated with the policies that lapse. In general, persistency differences have a minimal impact on our financial results from period to period since deferred policy acquisition costs (“DAC”) is generally amortized on a straight-line basis and the unlocking of the LFPB adjusts both expected net premiums and expected future policy benefits and spreads any variances over the remaining contract period.
- **Mortality.** Our profitability will fluctuate to the extent actual mortality rates differ from actuarial assumptions. We mitigate a significant portion of our mortality exposure through reinsurance. Long term mortality variances that result in an assumption change may have a significant impact on our financial results.
- **Disability.** Our profitability will fluctuate to the extent actual disability rates underlying our waiver benefits, including recovery rates for individuals currently disabled, differ from actuarial assumptions. The waiver benefit is secondary to the death benefit coverage provided. However, the waiver benefit is not reinsured on a yearly renewable term (“YRT”) basis and material changes in assumptions compared to expectations can have a disproportionate impact on our financial results.
- **Interest Rates.** We use a locked-in assumption for future interest rates for reserves underlying our segment results. Policies issued prior to the Transition Date use an interest rate that reflects the portfolio’s current reinvestment rate while policies issued on or after the Transition Date use an upper-medium grade fixed income instrument yield during the period of issue.

Reinsurance. We use reinsurance extensively, which has a significant effect on our results of operations. We have generally reinsured between 80% and 90% of the mortality risk on term life insurance (excluding coverage under certain riders) on a quota share YRT basis. To the extent actual mortality experience is more or less favorable than the contractual rate, the reinsurer will earn incremental profits or bear the incremental cost, as applicable. In contrast to coinsurance, which is intended to eliminate all risks (other than counterparty risk of the reinsurer) and rewards associated with a specified percentage of the block of policies subject to the reinsurance arrangement, the YRT reinsurance arrangements we enter into are intended only to reduce volatility associated with variances between estimated and actual mortality rates.

In 2010, as part of our corporate reorganization and the initial public offering of our common stock, we entered into significant coinsurance transactions (the “IPO coinsurance transactions”) with entities then affiliated with Citigroup, Inc. (collectively, the “IPO coinsurers”) and ceded between 80% and 90% of the risks and rewards of term life insurance policies that were in-force at year-end 2009. We administer all such policies subject to these coinsurance agreements. Policies reaching the end of their initial level term period are no longer ceded under the IPO coinsurance transactions.

The effect of our reinsurance arrangements on ceded premiums and benefits and expenses on our statements of income follows:

- *Ceded premiums.* Ceded premiums are the premiums we pay to reinsurers. These amounts are deducted from the direct premiums we earn to calculate our net premium revenues. Similar to direct premium revenues, ceded coinsurance premiums remain level over the initial term of the insurance policy. Ceded YRT premiums increase over the period that the policy has been in-force. Accordingly, ceded YRT premiums generally constitute an increasing percentage of direct premiums over the policy term.
- *Benefits and claims.* Benefits and claims include incurred claim amounts and changes in future policy benefit reserves. Reinsurance reduces incurred claims in direct proportion to the percentage ceded and reinsurance cash flows are reflected in the ceded reserves underlying reinsurance recoverables that are an offset to the LFPB.
- *Insurance expenses.* Insurance expenses are reduced by the allowances received from coinsurance. There is no impact on insurance expenses associated with our YRT contracts.

We may alter our reinsurance practices at any time due to the unavailability of YRT reinsurance at attractive rates or the availability of alternatives to reduce our risk exposure. We presently intend to continue ceding approximately 90% of our U.S. and Canadian mortality risk on new business.

Expenses. Results are also affected by variances in client acquisition, maintenance and administration expense levels.

Investment and Savings Products Segment. The Investment and Savings Products segment results are primarily driven by sales, the value of assets in client accounts for which we earn ongoing management, marketing and support, and distribution fees, and the number of transfer agent recordkeeping positions and non-bank custodial fee-generating accounts we administer.

Sales. We earn commissions and fees, such as dealer re-allowances and marketing and distribution fees, based on sales of mutual fund products and annuities in the United States and sales of certain mutual fund products in Canada. Sales of investment and savings products are influenced by the overall demand for investment products in the United States and Canada, as well as by the size and productivity of the independent sales force. We generally experience seasonality in the Investment and Savings Products segment results due to our high concentration of sales of retirement account products. These accounts are typically funded in February through April, coincident with our clients’ tax return preparation season. While we believe the size of the independent sales force is a factor in driving sales volume in this segment, there are a number of other variables, such as economic and market conditions, which may have a significantly greater effect on sales volume in any given fiscal period.

Asset values in client accounts. We earn marketing and distribution fees (trail commissions or, with respect to U.S. mutual funds, 12b-1 fees) on mutual fund and annuity assets in the United States and Canada. In the United States, we also earn investment advisory and administrative fees on assets in managed investments. In Canada, we earn marketing, distribution, and shareholder services fees on mutual fund assets for which we serve as the principal distributor and management fees on the segregated funds for which we serve as investment manager. Asset values are influenced by new product sales, ongoing contributions to existing accounts, redemptions and the change in market values in existing accounts. While we offer a wide variety of asset classes and investment styles, our clients’ accounts are primarily invested in equity funds. Volatility in equity markets will impact the value of assets in client accounts and, as a result, the revenue we earn on those assets.

Positions. We earn transfer agent recordkeeping fees for administrative functions we perform on behalf of several of our mutual fund providers. An individual client account may include multiple fund positions for which we earn transfer agent recordkeeping fees. We may also receive fees earned for non-bank custodial services that we provide to clients with retirement plan accounts.

Sales mix. While our investment and savings products all provide similar long-term economic returns to the Company, our results in a given fiscal period will be affected by changes in the overall mix of products within these categories. Examples of changes in the sales mix that influence our results include the following:

- sales of annuity products in the United States will generate higher revenues in the period such sales occur than sales of other investment products that either generate lower upfront revenues or, in the case of managed investments and segregated funds, no upfront revenues;
- sales of a higher proportion of managed investments, Canadian mutual funds, and segregated funds products will spread the revenues generated over time because we earn higher revenues based on assets under management for these accounts each period as opposed to earning upfront revenues based on product sales; and

•sales of a higher proportion of mutual fund products sold in the United States will impact the timing and amount of revenue we earn given the distinct transfer agent recordkeeping and non-bank custodial services we provide for certain mutual fund products we distribute.

Senior Health Segment. The Senior Health segment results are primarily driven by approved policies, LTV per approved policy and tail revenue adjustments, CAC per approved policy, and other revenue.

Approved policies. Approved policies represent an estimate of submitted policies approved by the health insurance carriers for the identified product during the indicated period. Not all approved policies will go in force. In general, the relationship between submitted policies and approved policies has been seasonally consistent. Therefore, factors impacting the number of submitted policies generally impact the number of approved policies. Revenue is primarily generated from approved policies and LTVs are recorded when the enrollment is approved by the applicable health insurance carrier. Medicare Advantage plans make up the substantial portion of the approved policies we distribute. The number of approved policies is influenced by the following:

- the size and growth of the population of senior citizens in the United States;
- the appeal of government-funded Medicare Advantage plans that provide privately administered healthcare coverage with enhanced benefits relative to traditional Medicare;
- our ability to generate and obtain leads for our team of e-TeleQuote licensed health insurance agents;
- our ability to staff and train our team of e-TeleQuote licensed health insurance agents to manage leads and help eligible Medicare participants through the enrollment process; and
- our health insurance carrier relationships that allow us to offer plans that most appropriately meet eligible Medicare participants' needs.

LTV per approved policy and tail revenue adjustments. When a policy is approved by the health insurance carrier, commission revenue is recognized based on an estimated LTV per approved policy. LTV per approved policy is the cumulative total of commissions estimated to be collected over the expected life of a policy, subject to constraints applied in accordance with our revenue recognition policy. Specifically, LTV per approved policy is equal to the sum of the initial commissions, less an estimate of chargebacks for paid policies that are disenrolled during the first policy year, plus forecasted renewal commissions. This estimate is driven by several factors including, but not limited to, commission rates from carriers, expected policy turnover, emerging chargeback activity and applied constraints. These factors may result in varying values from period to period.

We recognize adjustments to revenue outside of LTV for approved policies from prior periods when our cash collections are, or are expected to be, different from the estimated constrained LTVs, which we refer to as tail revenue adjustments. The recognition of tail revenue adjustments results from a change in the estimate of expected cash collections when actual cash collections or communicated rate increases have indicated a trend that is different from the estimated constrained LTV. Tail revenue adjustments can be positive or negative and we recognize positive adjustments to revenue when we do not believe it is probable that a significant reversal of cumulative revenue will occur.

CAC per approved policy. Results are also driven by the costs of acquisition, which is defined as the total direct costs incurred per approved policy. Our costs of acquisition are primarily comprised of the cost to generate and acquire leads, including fees paid to Primerica Senior Health certified independent sales representatives, and the labor, benefits, bonus compensation, licensing and training costs associated with our team of e-TeleQuote licensed health insurance agents. Other than costs incurred to assist beneficiaries with switching plans within the same carrier, we incur our entire cost of approved policies prior to enrollment and prior to receiving our first commission related payment. Factors that impact our costs of acquisition per approved policy include:

- the market price of externally-generated leads;
- our ability to efficiently procure internally-generated leads; and
- the productivity of our e-TeleQuote licensed health insurance agents in converting procured leads into approved policies.

Other revenue. Other revenue recognized in the Senior Health segment includes marketing development revenues received for providing marketing services to certain health insurance carriers. Marketing development revenue provides additional revenue to deliver approved policies and are based on meeting agreed-upon objectives with certain health insurance carriers. Marketing development revenue serves to offset contract acquisition costs associated with the distribution of approved policies. Agreements for marketing development revenue are generally short-term in nature and can vary from period to period.

Corporate and Other Distributed Products Segment. We earn revenues and pay commissions and referral fees within the Corporate and Other Distributed Products segment for mortgage loan originations, prepaid legal services, auto and homeowners' insurance referrals, and other financial products, all of which are originated by third parties. The Corporate and Other Distributed Products segment also includes in-force policies from several discontinued lines of insurance underwritten by NBLIC.

Corporate and Other Distributed Products segment includes net investment income recognized by the Company. Net investment income is impacted by the size and performance of our invested asset portfolio, which can be influenced by interest rates, credit spreads, and the mix of invested assets. Net investment income also is influenced by short-term interest rates and the amount of cash and cash equivalents on hand.

The Corporate and Other Distributed Products segment also includes corporate income and expenses not allocated to our other segments, general and administrative expenses (other than expenses that are allocated to the Term Life Insurance, Investment and Savings Products, or Senior Health segments), interest expense on notes payable, redundant reserve financing transactions and our revolving credit facility (“Revolving Credit Facility”), as well as realized gains and losses on our invested asset portfolio.

Capital Structure. Our financial results are affected by our capital structure, which includes our senior unsecured notes (the “Senior Notes”), redundant reserve financing transactions, our Revolving Credit Facility, and our common stock. See Note 10 (Stockholders’ Equity), Note 13 (Commitments and Contingent Liabilities), and Note 15 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on changes in our capital structure.

Foreign Currency. The Canadian dollar is the functional currency for our Canadian subsidiaries and our consolidated financial results, reported in U.S. dollars, are affected by changes in the currency exchange rate. As such, the translated amount of revenues, expenses, assets and liabilities attributable to our Canadian subsidiaries will be higher or lower in periods where the Canadian dollar appreciates or weakens relative to the U.S. dollar, respectively. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Canadian Currency Risk included in our 2022 Annual Report and Note 2 (Segment and Geographical Information) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on our Canadian subsidiaries and the impact of foreign currency on our financial results.

Critical Accounting Estimates

We prepare our financial statements in accordance with U.S. GAAP. These principles are established primarily by the Financial Accounting Standards Board. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions based on currently available information when recording transactions resulting from business operations. Our significant accounting policies are described in Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) to our consolidated financial statements included in our 2022 Annual Report. The most significant items on our unaudited condensed consolidated balance sheets are based on fair value determinations, accounting estimates and actuarial determinations, which are susceptible to changes in future periods and could affect our results of operations and financial position.

The estimates that we deem to be most critical to an understanding of our results of operations and financial position are those related to DAC, future policy benefit reserves and corresponding amounts recoverable from reinsurers, income taxes, renewal commissions receivable, goodwill and the valuation of investments. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed from management’s analyses and judgments. Subsequent experience or use of other assumptions could produce significantly different results.

Accounting Policy Changes.

During the nine months ended September 30, 2023, there were changes in accounting methodology for Deferred Policy Acquisition Costs and Future Policy Benefit Reserves and Reinsurance that we have identified as critical accounting estimates. These changes were necessitated by the adoption of LDIT. See Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies), Note 6 (Deferred Policy Acquisition Costs), and Note 9 (Future Policy Benefits) to our condensed consolidated financial statements included elsewhere in this report. For additional information regarding our other critical accounting estimates, see the Critical Accounting Estimates section of MD&A included in our 2022 Annual Report.

Results of Operations

Primerica, Inc. and Subsidiaries Results. Our results of operations were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
<i>(Dollars in thousands)</i>								
Revenues:								
Direct premiums	\$ 831,681	\$ 810,079	\$ 21,602	3 %	\$ 2,477,850	\$ 2,417,639	\$ 60,211	2 %
Ceded premiums	(411,015)	(404,870)	6,145	2 %	(1,241,629)	(1,223,804)	17,825	1 %
Net premiums	420,666	405,209	15,457	4 %	1,236,221	1,193,835	42,386	4 %
Commissions and fees	238,902	225,468	13,434	6 %	703,579	717,956	(14,377)	(2)%
Investment income net of investment expenses	51,036	40,629	10,407	26 %	147,540	112,148	35,392	32 %
Interest expense on surplus note	(16,306)	(16,283)	23	*	(49,348)	(47,613)	1,735	4 %
Net investment income	34,730	24,346	10,384	43 %	98,192	64,535	33,657	52 %
Realized investment gains (losses)	(3)	292	(295)	*	(650)	924	(1,574)	*
Other investment gains (losses)	(1,792)	(2,991)	1,199	*	(6,080)	(4,765)	(1,315)	*
Investment gains (losses)	(1,795)	(2,699)	904	*	(6,730)	(3,841)	(2,889)	*
Other, net	18,429	20,965	(2,536)	(12)%	58,091	60,709	(2,618)	(4)%
Total revenues	710,932	673,289	37,643	6 %	2,089,353	2,033,194	56,159	3 %
Benefits and expenses:								
Benefits and claims	162,062	159,396	2,666	2 %	474,240	471,349	2,891	*
Future policy benefits rereasurement (gain) loss	179	1,514	(1,335)	*	(1,129)	668	(1,797)	*
Amortization of DAC	69,405	66,077	3,328	5 %	205,438	194,761	10,677	5 %
Sales commissions	116,200	105,915	10,285	10 %	340,697	359,602	(18,905)	(5)%
Insurance expenses	57,821	57,552	269	*	178,039	176,521	1,518	*
Insurance commissions	7,911	7,666	245	3 %	25,192	22,982	2,210	10 %
Contract acquisition costs	12,568	13,446	(878)	(7)%	40,154	53,479	(13,325)	(25)%
Interest expense	6,632	6,802	(170)	(2)%	20,008	20,469	(461)	(2)%
Goodwill impairment loss	-	60,000	(60,000)	*	-	60,000	(60,000)	*
Other operating expenses	79,353	73,791	5,562	8 %	252,075	239,952	12,123	5 %
Total benefits and expenses	512,131	552,159	(40,028)	(7)%	1,534,714	1,599,783	(65,069)	(4)%
Income before income taxes	198,801	121,130	77,671	64 %	554,639	433,411	121,228	28 %
Income taxes	46,738	41,569	5,169	12 %	129,973	113,102	16,871	15 %
Net income	152,063	79,561	72,502	91 %	424,666	320,309	104,357	33 %
Net income (loss) attributable to noncontrolling interests	-	-	-	*	-	(5,038)	5,038	*
Net income attributable to Primerica, Inc.	\$ 152,063	\$ 79,561	\$ 72,502	91 %	\$ 424,666	\$ 325,347	\$ 99,319	31 %

* Less than 1% or not meaningful.

Results for the Three Months Ended September 30, 2023

Total revenues. Total revenues increased during the three months ended September 30, 2023 compared to the same period in 2022 due to increases in net premiums earned in our Term Life Insurance segment, commissions and fees earned in our Investment and Savings Products segment, and net investment income earned in our Corporate and Other Distributed Products segment. These movements are further discussed in detail in the Segment Results sections below.

Total benefits and expenses. Total benefits and expenses decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 largely due to a non-cash goodwill impairment charge of \$60.0 million recorded in our Senior Health segment during the three months ended September 30, 2022. Partially offsetting the decrease in total benefits and expenses were higher sales commissions expenses in our Investment and Savings Products segment as a result of an increase in commissions and fees revenue and higher other operating expenses during the three months ended September 30, 2023. The year-over-year increase in other operating expenses was primarily due to increased employee-related costs and growth-related costs. These movements are discussed in further detail in the Segment Results section below.

Income taxes. Our effective income tax rate decreased for the three months ended September 30, 2023 to 23.5% compared with 34.3% for the three months ended September 30, 2022. Excluding the non-cash, non-deductible goodwill impairment charge in 2022, the effective income tax rate was 22.9% in 2022. The year-over-year increase in the effective tax rate excluding the goodwill impairment charge was primarily due to higher state income taxes in 2023.

Results for the Nine Months Ended September 30, 2023

Total revenues. Total revenues increased during the nine months ended September 30, 2023 compared to the same period in 2022 due to increases in net premiums earned in our Term Life Insurance segment, asset-based commissions and fees earned in our Investment and Savings Products segment, and net investment income earned in our Corporate and Other Distributed Products segment. Partially

offsetting these increases in total revenues were lower sales-based commissions and fees earned in our Investment and Savings Products segment. These movements are further discussed in detail in the Segment Results sections below.

Total benefits and expenses. Total benefits and expenses decreased during the nine months ended September 30, 2023 compared to the same period in 2022 largely due to a non-cash goodwill impairment charge of \$60.0 million recorded in our Senior Health segment during the nine months ended September 30, 2022, lower sales-based commissions expenses in our Investment and Savings Products segment, and lower contract acquisition costs in our Senior Health segment. Partially offsetting the decrease in total benefits and expenses were increases in asset-based sales commissions expenses in our Investment and Savings Products segment, and other operating expenses during the nine months ended September 30, 2023. The year-over-year increase in other operating expenses was due to increased technology spending as well as higher employee-related and growth-related costs. These movements are discussed in further detail in the Segment Results section below.

Income taxes. Our effective income tax rate decreased for the nine months ended September 30, 2023 to 23.4%, compared with 26.1% for the nine months ended September 30, 2022. Excluding the non-cash, non-deductible goodwill impairment charge in 2022, the effective income tax rate was 22.9% in 2022. The year-over-year increase in the effective tax rate excluding the goodwill impairment charge was primarily due to higher state income taxes in 2023.

For additional information, see the Segment Results discussions below.

Segment Results

Term Life Insurance Segment Results. Our results for the Term Life Insurance segment were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change		
	2023	2022	\$	%	2023	2022	\$	%	
<i>(Dollars in thousands)</i>									
Revenues:									
Direct premiums	\$ 826,665	\$ 804,586	\$ 22,079	3 %	\$ 2,462,842	\$ 2,401,293	\$ 61,549	3 %	
Ceded premiums	(409,801)	(403,416)	6,385	2 %	(1,237,548)	(1,219,268)	18,280	1 %	
Net premiums	416,864	401,170	15,694	4 %	1,225,294	1,182,025	43,269	4 %	
Other, net	11,908	13,419	(1,511)	(11)%	36,421	37,969	(1,548)	(4)%	
Total revenues	428,772	414,589	14,183	3 %	1,261,715	1,219,994	41,721	3 %	
Benefits and expenses:									
Benefits and claims	158,508	156,587	1,921	1 %	461,303	462,915	(1,612)	*	
Future policy benefits remeasurement (gain) loss	251	1,598	(1,347)	*	(26)	555	(581)	*	
Amortization of DAC	67,720	64,262	3,458	5 %	199,792	189,431	10,361	5 %	
Insurance expenses	56,698	56,471	227	*	174,310	173,072	1,238	*	
Insurance commissions	4,373	3,964	409	10 %	14,459	11,612	2,847	25 %	
Total benefits and expenses	287,550	282,882	4,668	2 %	849,838	837,585	12,253	1 %	
Income before income taxes	<u>\$ 141,222</u>	<u>\$ 131,707</u>	<u>\$ 9,515</u>	7 %	<u>\$ 411,877</u>	<u>\$ 382,409</u>	<u>\$ 29,468</u>	8 %	

* Less than 1% or not meaningful.

Results for the Three Months Ended September 30, 2023

Net premiums. Direct premiums increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 largely due to the layering effect of new policy sales that contributed to growth in the in-force book of business. This was partially offset by an increase in ceded premiums, which includes \$14.4 million in higher non-level YRT reinsurance ceded premiums as business not subject to the IPO coinsurance transactions ages, reduced by \$8.1 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions.

Benefits and claims. Benefits and claims were generally flat during the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Direct benefits and claims increased with the growth in the business but were offset by an increase in ceded benefit reserves from YRT reinsurance. YRT reinsurance ceded benefit reserves will fluctuate based on the specifics of premiums ceded and claims incurred during each period. Claims during the three month period in 2023 were slightly lower than the three month period in 2022.

Future policy benefits remeasurement (gain) loss. Future policy benefits remeasurement loss decreased slightly during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 due to differences in experience variances that occurred in each respective period. The portion of experience variances recognized in net income during each period will increase as we move further away from the Transition Date of LDTI.

Amortization of DAC. The amortization of DAC increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to continued growth in the in-force book of business.

Insurance expenses. Insurance expenses increased slightly during the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Higher growth-related costs and employee-related costs in the three month period in 2023 were largely offset by comparatively lower net costs incurred for licensing activities.

Insurance commissions. Insurance commissions increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as a result of higher non-deferrable sales force promotional activities.

Results for the Nine Months Ended September 30, 2023

Net premiums. Direct premiums increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 largely due to the layering effect of new policy sales that contributed to growth in the in-force book of business. This was partially offset by an increase in ceded premiums, which includes \$47.0 million in higher non-level YRT reinsurance ceded premiums as business not subject to the IPO coinsurance transactions ages, reduced by \$28.7 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions.

Benefits and claims. Benefits and claims decreased slightly during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Direct benefits and claims increased with the growth in the business but were more than offset by an increase in ceded benefit reserves due to YRT reinsurance. YRT reinsurance ceded benefit reserves will fluctuate based on the specifics of premiums ceded and claims incurred during each period. Claims were lower during the nine month period in 2023 as the comparable period in 2022 reflected lingering excess claims from the COVID-19 pandemic.

Future policy benefits remeasurement (gain) loss. Future policy benefits remeasurement (gain) loss changed slightly during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to differences in experience variances that occurred in each respective period. The portion of experience variances recognized in net income during each period will increase as we move further away from the Transition Date of LDIT.

Amortization of DAC. The amortization of DAC increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to the same factors as described in the three month comparison.

Insurance expenses. Insurance expenses increased slightly during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Higher growth-related, employee-related, and technology costs in the nine month period in 2023 were largely offset by comparatively lower expenses versus the prior year period due to costs incurred for the biennial convention held in 2022.

Insurance commissions. Insurance commissions increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to the same factors as described in the three month comparison.

Investment and Savings Products Segment Results. Investment and Savings Products segment results were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change		
	2023	2022	\$	%	2023	2022	\$	%	
	<i>(Dollars in thousands)</i>								
Revenues:									
Commissions and fees:									
Sales-based revenues	\$ 72,996	\$ 67,962	\$ 5,034	7 %	\$ 220,343	\$ 259,905	\$ (39,562)	(15) %	
Asset-based revenues	119,413	107,483	11,930	11 %	344,652	328,696	15,956	5 %	
Account-based revenues	23,344	22,910	434	2 %	69,229	67,043	2,186	3 %	
Other, net	3,145	3,342	(197)	(6) %	9,385	9,508	(123)	(1) %	
Total revenues	218,898	201,697	17,201	9 %	643,609	665,152	(21,543)	(3) %	
Expenses:									
Amortization of DAC	1,311	1,378	(67)	(5) %	4,212	4,245	(33)	*	
Insurance commissions	3,321	3,419	(98)	(3) %	9,902	10,514	(612)	(6) %	
Sales commissions:									
Sales-based	52,343	48,775	3,568	7 %	158,425	186,784	(28,359)	(15) %	
Asset-based	58,793	51,549	7,244	14 %	168,154	155,791	12,363	8 %	
Other operating expenses	38,757	37,355	1,402	4 %	122,852	118,540	4,312	4 %	
Total expenses	154,525	142,476	12,049	8 %	463,545	475,874	(12,329)	(3) %	
Income before income taxes	\$ 64,373	\$ 59,221	\$ 5,152	9 %	\$ 180,064	\$ 189,278	\$ (9,214)	(5) %	

* Less than 1% or not meaningful.

Results for the Three Months Ended September 30, 2023

Commissions and fees. Commissions and fees increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 driven by higher asset-based and sales-based revenues. Higher asset-based revenues were driven by

an increase in average client assets in 2023 versus the prior year period. The increase in sales-based revenue was largely the result of higher product sales for variable annuities and the favorable year-over-year comparison for U.S. mutual fund product sales.

Sales commissions. The increase in sales-based commissions for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 was generally in line with the increase in sales-based revenue. Asset-based commissions were up for the three months ended September 30, 2023 and were consistent with the movement in asset-based revenues when excluding Canadian segregated funds revenue. Asset-based expenses for our Canadian segregated funds are reflected within insurance commissions and amortization of DAC.

Other operating expenses. Other operating expenses for the three months ended September 30, 2023 were higher compared to the three months ended September 30, 2022 primarily due to increased employee-related costs.

Results for the Nine Months Ended September 30, 2023

Commissions and fees. Commissions and fees decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Sales-based revenues declined during the nine months ended September 30, 2023 likely due to the adverse impact on revenue-generating product sales from the high cost of living and the availability of high yield money market and savings account alternatives in the first half of 2023. Another contributing factor to the decrease in sales-based revenues was the discontinuation of most upfront sales-based revenue on the sale of Canadian mutual funds, which are now sold under the principal distributor model. The principal distributor funds we now distribute in Canada primarily shift the revenue we earn to asset-based that is recognized over time. Partially offsetting the decrease were higher asset-based revenues during the nine months ended September 30, 2023 versus the nine months ended September 30, 2022. The year-over-year increase in asset-based revenues was higher than the year-over-year increase in average client asset values due to a positive mix shift to asset-based products that earn higher fees, including managed accounts and Canadian mutual funds under the new principal distributor model.

Sales commissions. The decrease in sales-based commissions for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was in line with the decrease in sales-based revenue. Asset-based commissions were up for the three months ended September 30, 2023 and were consistent with the movement in asset-based revenues when excluding Canadian segregated funds revenue. Asset-based expenses for our Canadian segregated funds are reflected within insurance commissions and amortization of DAC.

Other operating expenses. Other operating expenses for the nine months ended September 30, 2023 were higher compared to the nine months ended September 30, 2022 due to increased employee-related and technology costs.

Senior Health Segment Results. Senior Health segment results were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
<i>(Dollars in thousands)</i>								
Revenues:								
Commissions and fees ⁽¹⁾	\$ 11,388	\$ 14,601	\$ (3,213)	(22)%	\$ 38,514	\$ 25,222	\$ 13,292	53%
Other, net	2,048	2,583	(535)	(21)%	8,522	9,606	(1,084)	(11)%
Total revenues	13,436	17,184	(3,748)	(22)%	47,036	34,828	12,208	35%
Benefits and expenses:								
Contract acquisition costs	12,568	13,446	(878)	(7)%	40,154	53,479	(13,325)	(25)%
Goodwill impairment loss	-	60,000	(60,000)	*	-	60,000	(60,000)	*
Other operating expenses	8,451	7,461	990	13%	24,259	24,308	(49)	*
Total benefits and expenses	21,019	80,907	(59,888)	(74)%	64,413	137,787	(73,374)	(53)%
Loss before income taxes	\$ (7,583)	\$ (63,723)	\$ 56,140	88%	\$ (17,377)	\$ (102,959)	\$ 85,582	83%

⁽¹⁾Includes a positive tail revenue adjustment of \$2.3 million for the three and nine months ended September 30, 2023 and a positive tail revenue adjustment of \$1.7 million and a negative tail revenue adjustment (\$22.7) million for the three and nine months ended September 30, 2022, respectively.

Results for the Three Months Ended September 30, 2023

Commissions and fees. Excluding the impact of tail revenue adjustments, commissions and fees decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to lower approved policy sales volumes in the current year given the reduction in tenured e-TeleQuote licensed health insurance agents.

Other, net. Other, net decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to a decrease in revenue earned for providing agreed-upon marketing services to health insurance carriers during the three month period in 2023.

Contract acquisition costs. CAC decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as a result of lower approved policy sales volumes partially offset by higher per unit costs.

Goodwill impairment loss. There was no goodwill impairment charge recognized during the three months ended September 30, 2023 compared to a \$60.0 million non-cash goodwill impairment charge recognized during the three months ended September 30, 2022. The charge represented the excess of the Senior Health reporting unit's carrying value over its estimated fair value as of July 1, 2022. Refer to Note 18 (Goodwill) to our condensed consolidated financial statements included elsewhere in this report for more information.

Other operating expenses. Other operating expenses during the three months ended September 30, 2023 increased compared to the three months ended September 30, 2022 primarily due to higher employee-related costs.

Results for the Nine Months Ended September 30, 2023

Commissions and fees. Excluding the impact of tail revenue adjustments, commissions and fees decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to lower approved policy sales volumes as noted above during the third quarter of 2023 as well as the Company's efforts to control growth in favor of developing more efficient lead procurement and conversion. There was a positive tail revenue adjustment of \$2.3 million recorded during the nine months ended September 30, 2023 due to higher commission rates and stable policy churn compared to a negative tail revenue adjustment of \$22.7 million recorded during the nine months ended September 30, 2022 as a result of higher than expected policy churn for policies approved in prior periods.

Other, net. Other, net decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a decrease in revenue earned for providing agreed-upon marketing services to health insurance carriers during the nine month period in 2023.

Contract acquisition costs. CAC decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 largely due to lower approved policy volumes.

Goodwill impairment loss. Goodwill impairment loss decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to the same factors as described in the three month comparison.

Other operating expenses. Other operating expenses during the nine months ended September 30, 2023 did not change significantly compared to the nine months ended September 30, 2022.

Corporate and Other Distributed Products Segment Results. Corporate and Other Distributed Products segment results were as follows:

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
<i>(Dollars in thousands)</i>								
Revenues:								
Direct premiums	\$ 5,016	\$ 5,493	\$ (477)	(9)%	\$ 15,008	\$ 16,346	\$ (1,338)	(8)%
Ceded premiums	(1,214)	(1,454)	(240)	(17)%	(4,081)	(4,536)	(455)	(10)%
Net premiums	3,802	4,039	(237)	(6)%	10,927	11,810	(883)	(7)%
Commissions and fees	11,761	12,512	(751)	(6)%	30,841	37,090	(6,249)	(17)%
Investment income net of investment expenses	51,036	40,629	10,407	26%	147,540	112,148	35,392	32%
Interest expense on surplus note	(16,306)	(16,283)	23	*	(49,348)	(47,613)	1,735	4%
Net investment income	34,730	24,346	10,384	43%	98,192	64,535	33,657	52%
Realized investment gains (losses)	(3)	292	(295)	*	(650)	924	(1,574)	*
Other investment gains (losses)	(1,792)	(2,991)	1,199	*	(6,080)	(4,765)	(1,315)	*
Investment gains (losses)	(1,795)	(2,699)	904	*	(6,730)	(3,841)	(2,889)	*
Other, net	1,328	1,621	(293)	(18)%	3,763	3,626	137	4%
Total revenues	49,826	39,819	10,007	25%	136,993	113,220	23,773	21%
Benefits and expenses:								
Benefits and claims	3,554	2,809	745	27%	12,937	8,434	4,503	53%
Future policy benefits remeasurement (gain) loss	(72)	(84)	12	*	(1,103)	113	(1,216)	*
Amortization of DAC	374	437	(63)	(14)%	1,434	1,085	349	32%
Insurance expenses	1,123	1,081	42	4%	3,729	3,449	280	8%
Insurance commissions	217	283	(66)	(23)%	831	856	(25)	(3)%
Sales commissions	5,064	5,591	(527)	(9)%	14,118	17,027	(2,909)	(17)%
Interest expense	6,632	6,802	(170)	(2)%	20,008	20,469	(461)	(2)%
Other operating expenses	32,145	28,975	3,170	11%	104,964	97,104	7,860	8%
Total benefits and expenses	49,037	45,894	3,143	7%	156,918	148,537	8,381	6%
							(15,39)	
Income (loss) before income taxes	\$ 789	\$ (6,075)	\$ (6,864)	(113)%	\$ (19,925)	\$ (35,317)	\$ (15,392)	(44)%

* Less than 1% or not meaningful.

Results for the Three Months Ended September 30, 2023

Total revenues. Total revenues increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to higher net investment income. Net investment income increased \$6.0 million from higher yields in the invested asset portfolio, a \$1.5 million higher total return on the deposit asset backing our 10% coinsurance agreement and \$2.6 million from a larger invested asset portfolio compared to the same period in the prior year. Investment income net of investment expenses includes interest earned on our held-to-maturity asset, which is offset by interest expense on the surplus note (“Surplus Note”), thereby eliminating any impact on net investment income. Amounts recognized for each line item will remain offsetting and will fluctuate from period to period along with the principal amounts of the held-to-maturity asset and the Surplus Note based on the balance of reserves being contractually supported under a redundant reserve financing transaction used by Vidalia Re, Inc. (“Vidalia Re”). For more information on the Surplus Note, see Note 3 (Investments) and Note 15 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Investment gains (losses) decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 primarily due to a lower mark-to-market loss adjustment on equity securities in the 2023 period.

Total benefits and expenses. Total benefits and expenses increased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 due to higher employee-related and technology costs recognized in other operating expenses.

Results for the Nine Months Ended September 30, 2023

Total revenues. Total revenues increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to higher net investment income. Net investment income increased \$18.4 million from higher yields in the invested asset portfolio, a \$7.5 million higher total return on the deposit asset backing our 10% coinsurance agreement and \$6.6 million from a larger invested asset portfolio compared to the same period in the prior year. Investment income net of investment expenses includes interest earned on our held-to-maturity asset, which was offset by interest expense on the Surplus Note, thereby eliminating any impact on net investment income. Amounts recognized for each line item will remain offsetting and will fluctuate from period to period along with the principal amounts of the held-to-maturity asset and the Surplus Note based on the balance of reserves being contractually supported under a redundant reserve financing transaction used by Vidalia Re. For more information on

the Surplus Note, see Note 3 (Investments) and Note 15 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Investment gains (losses) increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to a \$2.2 million credit loss recognized for debt securities associated with a specific issuer that we had designated our intent to sell, partially offset by a \$0.4 million gain from the subsequent sale of these securities. In addition, we recognized a \$3.9 million negative mark-to-market adjustment on equity securities held within our investment portfolio during the nine months ended September 30, 2023 compared to a \$4.7 million negative mark-to-market adjustment during the nine months ended September 30, 2022.

Commissions and fees earned from our mortgage distribution business were lower during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily attributable to our mortgage distribution business as higher mortgage interest rates reduced demand for mortgage products.

Total benefits and expenses. Total benefits and expenses increased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 due to the recognition of a credit loss for the remaining ceded reserves on a closed block of non-term life insurance business from an insolvent reinsurer that was ordered into liquidation. Also contributing to the increase in benefits and expenses were higher employee-related costs, technology, and legal expenses recognized in other operating expenses. The decrease in sales commissions for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was in line with the decrease in commissions and fees revenue.

Financial Condition

Investments. Our insurance business is primarily focused on selling term life insurance, which does not include an investment component for the policyholder. The invested asset portfolio funded by premiums from our term life insurance business does not involve the substantial asset accumulations and spread requirements that exist with other non-term life insurance products. As a result, the profitability of our term life insurance business is not as sensitive to the impact that interest rates have on our invested asset portfolio and investment income as the profitability of other companies that distribute non-term life insurance products.

We follow a conservative investment strategy designed to emphasize the preservation of our invested assets and provide adequate liquidity for the prompt payment of claims. To meet business needs and mitigate risks, our investment guidelines provide restrictions on our portfolio's composition, including limits on asset type, per issuer limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types. We also manage and monitor our allocation of investments to limit the accumulation of any disproportionate concentrations of risk among industry sectors or issuer countries outside of the U.S. and Canada. In addition, as of September 30, 2023, we did not hold any country of issuer concentrations outside of the U.S. or Canada that represented more than 5% of the fair value of our available-for-sale invested asset portfolio or any industry concentrations of corporate bonds that represented more than 10% of the fair value of our available-for-sale invested asset portfolio.

We invest a portion of our portfolio in assets denominated in Canadian dollars to support our Canadian operations. Additionally, to ensure adequate liquidity for payment of claims, we take into account the maturity and duration of our invested asset portfolio and our general liability profile.

We also hold within our invested asset portfolio a credit enhanced note ("LLC Note") issued by a limited liability company owned by a third-party service provider which is classified as a held-to-maturity security. The LLC Note, which is scheduled to mature on December 31, 2030, was obtained in exchange for the Surplus Note of equal principal amount issued by Vidalia Re, a special purpose financial captive insurance company and wholly owned subsidiary of Primerica Life. For more information on the LLC Note, see Note 3 (Investments) to our unaudited condensed consolidated financial statements included elsewhere in this report.

We have an investment committee composed of members of our senior management team that is responsible for establishing and maintaining our investment guidelines and supervising our investment activity. Our investment committee regularly monitors our overall investment results and our compliance with our investment objectives and guidelines. We use a third-party investment advisor to assist us in the management of our investing activities. Our investment advisor reports to our investment committee.

Our invested asset portfolio is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, liquidity risk and credit and default risk. Investment guideline restrictions have been established to minimize the effect of these risks but may not always be effective due to factors beyond our control. Interest rates and credit spreads are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates or credit spreads could result in significant losses in the value of our invested asset portfolio. We believe that fluctuations caused by movement in interest rates and credit spreads generally have little bearing on the recoverability of our investments as we have the ability to hold these investments until maturity or a market price recovery and we have no present intention to dispose of them.

Details on asset mix (excluding our held-to-maturity security) were as follows:

	September 30, 2023	December 31, 2022
Average rating of our fixed-maturity portfolio	A	A
Average duration of our fixed-maturity portfolio	4.6 years	4.7 years
Average book yield of our fixed-maturity portfolio	3.79%	3.44%

The distribution of fixed-maturity securities in our investment portfolio (excluding our held-to-maturity security and short-term investments) by rating, including those classified as trading securities, were as follows:

	September 30, 2023		December 31, 2022	
	Amortized cost ⁽¹⁾	%	Amortized cost ⁽¹⁾	%
	<i>(Dollars in thousands)</i>			
AAA	\$ 561,343	19 %	\$ 606,982	22 %
AA	421,545	14 %	321,450	11 %
A	730,596	25 %	688,936	25 %
BBB	1,172,065	40 %	1,120,096	40 %
Below investment grade	57,000	2 %	67,450	2 %
Not rated	7,430	*	199	*
Total	<u>\$ 2,949,979</u>	<u>100 %</u>	<u>\$ 2,805,113</u>	<u>100 %</u>

⁽¹⁾Includes trading securities at fair value and available-for-sale securities (excluding short-term investments) at amortized cost.

* Less than 1%.

The ten largest holdings within our fixed-maturity securities invested asset portfolio (excluding our held-to-maturity security and short-term investments) were as follows:

Issuer	September 30, 2023			Credit rating
	Fair value	Amortized cost ⁽¹⁾	Unrealized gain (loss)	
	<i>(Dollars in thousands)</i>			
Government of Canada	\$ 18,301	\$ 19,935	\$ (1,634)	AAA
Wells Fargo & Co	14,641	14,772	(131)	BBB+
Province of Quebec Canada	14,026	15,258	(1,232)	AA-
Province of Alberta Canada	13,863	15,833	(1,970)	A+
Province of Ontario Canada	13,299	14,457	(1,158)	A+
Bank of America Corp	12,783	13,243	(460)	A-
Ontario Teachers' Pension Plan	12,177	14,342	(2,165)	AA+
ONEOK Inc.	11,166	12,399	(1,233)	BBB
Manulife Financial Corp	10,426	11,612	(1,186)	A
Berkshire Hathaway Inc.	10,278	10,690	(412)	AA
Total – ten largest holdings	<u>\$ 130,960</u>	<u>\$ 142,541</u>	<u>\$ (11,581)</u>	
Total – fixed-maturity securities	<u>\$ 2,607,160</u>	<u>\$ 2,949,979</u>		
Percent of total fixed-maturity securities	<u>5 %</u>	<u>5 %</u>		

⁽¹⁾Includes trading securities at carrying value and available-for-sale securities (excluding short-term investments) at amortized cost.

For additional information on our invested asset portfolio, see Note 3 (Investments) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Liquidity and Capital Resources

Dividends and other payments to the Parent Company from its subsidiaries are our principal sources of cash. The amount of dividends paid by the subsidiaries is dependent on their capital needs to fund future growth and applicable regulatory restrictions. The primary uses of funds by the Parent Company include the payments of stockholder dividends, interest on notes payable, general operating expenses, and income taxes, as well as repurchases of shares of our common stock outstanding. As of September 30, 2023, the Parent Company had cash and invested assets of \$336.9 million.

The Parent Company's subsidiaries generate operating cash flows primarily from term life insurance premiums (net of premiums ceded to reinsurers), income from invested assets, commissions and fees collected from the distribution of investment and savings products, Medicare-related insurance plans as well as other financial products. The subsidiaries' principal operating cash outflows include the payment of insurance claims and benefits (net of ceded claims recovered from reinsurers), commissions to the sales force, contract acquisition costs, insurance and other operating expenses, interest expense for future policy benefit reserves financing transactions, and income taxes.

The distribution and underwriting of term life insurance requires upfront cash outlays at the time the policy is issued as we pay a substantial majority of the sales commission during the first year following the sale of a policy and incur costs for underwriting activities at the inception of a policy's term. During the early years of a policy's term, we generally receive level term premiums in excess of claims paid. We invest the excess cash generated during earlier policy years in fixed-maturity and equity securities held in

support of future policy benefit reserves. In later policy years, cash received from the maturity or sale of invested assets is used to pay claims in excess of level term premiums received.

e-TeleQuote is a senior health insurance distributor of Medicare-related insurance plans. e-TeleQuote collects cash receipts over a number of years after selling a plan, while the cash outflow for commission expense and other acquisition costs to sell the plans are generally recognized at the time of enrollment. Therefore, in periods of growth, net cash flows at e-TeleQuote are expected to be negative, which may require the Parent Company to provide working capital to e-TeleQuote. During the nine months ended September 30, 2023, the Parent Company did not provide funding to e-TeleQuote as e-TeleQuote generated sufficient cash to fund its operations.

Historically, cash flows generated by our businesses, primarily from our existing block of term life policies and our investment and savings products, have provided us with sufficient liquidity to meet our operating requirements. We anticipate that cash flows from our businesses will continue to provide sufficient operating liquidity over the next 12 months.

If necessary, we could seek to enhance our liquidity position or capital structure through sales of our available-for-sale investment portfolio, changes in the timing or amount of share repurchases, borrowings against our Revolving Credit Facility, or some combination of these sources. Additionally, we believe that cash flows from our businesses and potential sources of funding will sufficiently support our long-term liquidity needs.

Cash Flows. The components of the changes in cash and cash equivalents were as follows:

	Nine months ended September 30,		Change
	2023	2022	\$
	<i>(In thousands)</i>		
Net cash provided by (used in) operating activities	\$ 451,459	\$ 551,278	\$ (99,819)
Net cash provided by (used in) investing activities	(87,805)	(96,791)	8,986
Net cash provided by (used in) financing activities	(383,799)	(405,296)	21,497
Effect of foreign exchange rate changes on cash	(333)	(3,667)	3,334
Change in cash and cash equivalents	<u>\$ (20,478)</u>	<u>\$ 45,524</u>	<u>\$ (66,002)</u>

Operating Activities. The largest factor contributing to the decrease in cash provided by operating activities during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was the timing of cash payments received from reinsurers in the prior year period. At the beginning of 2022, there was a large balance of ceded claims due from reinsurers from claims paid during the height of the COVID-19 pandemic, which were collected during the nine months ended September 30, 2022. Also contributing to the decrease were timing differences of purchases and maturities of trading securities and higher tax remittances due to the timing of temporary differences in taxable income.

Investing Activities. Cash used in investing activities decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to fluctuations in the timing of maturities and reinvestments of debt securities held in our available-for-sale investment portfolio. In both periods, cash provided by operating activities was used to fund investment purchases that increased the size of our invested asset portfolio.

Financing Activities. Cash flows used in financing activities decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The timing of share repurchases in 2023 was the largest factor contributing to the year-over-year decline in cash used in financing activities. In addition, the Company paid amounts due on a note issued to the sellers of e-TeleQuote during 2022, which contributed to the year-over-year decrease in cash used in financing activities.

Risk-Based Capital (“RBC”). The National Association of Insurance Commissioners (“NAIC”) has established RBC standards for U.S. life insurers, as well as a risk-based capital model act (the “RBC Model Act”) that has been adopted by the insurance regulatory authorities. The RBC Model Act requires that life insurers annually submit a report to state regulators regarding their RBC based upon four categories of risk: asset risk; insurance risk; interest rate risk and business risk. The capital requirement for each is determined by applying factors that vary based upon the degree of risk to various asset, premiums and policy benefit reserve items. The formula is an early warning tool to identify possible weakly capitalized companies for purposes of initiating further regulatory action.

As of September 30, 2023, our U.S. life insurance subsidiaries maintained statutory capital and surplus substantially in excess of the applicable regulatory requirements and remain well positioned to support existing operations and fund future growth.

In Canada, an insurer’s minimum capital requirement is overseen by the Office of the Superintendent of Financial Institutions (“OSFI”) and determined as the sum of the capital requirements for six categories of risk: asset default risk; mortality/morbidity/lapse/expense risks; changes in interest rate environment risk; operational risk; segregated funds risk; and foreign exchange risk. As of September 30, 2023, Primerica Life Canada was in compliance with Canada’s minimum capital requirements as defined by OSFI.

Redundant Reserve Financings. The Model Regulation entitled Valuation of Life Insurance Policies, commonly known as Regulation XXX, requires insurers to carry statutory policy benefit reserves for term life insurance policies with long-term premium guarantees which are often significantly in excess of the future policy benefit reserves that insurers deem necessary to satisfy claim obligations (“redundant policy benefit reserves”). Accordingly, many insurance companies have sought ways to reduce their capital needs by financing redundant policy benefit reserves through bank financing, reinsurance arrangements and other financing transactions.

We have established Peach Re, Inc. (“Peach Re”) and Vidalia Re as special purpose financial captive insurance companies and wholly owned subsidiaries of Primerica Life. Primerica Life has ceded certain term life policies issued prior to 2011 to Peach Re as part of a Regulation XXX redundant reserve financing transaction and has ceded certain term life policies issued in 2011 through 2017 to Vidalia Re as part of a Regulation XXX redundant reserve financing transaction (the “Vidalia Re Redundant Reserve Financing Transaction”). These redundant reserve financing transactions allow us to more efficiently manage and deploy our capital.

The NAIC has adopted a model regulation for determining reserves using a principle-based approach (“principle-based reserves” or “PBR”), which is designed to reflect each insurer’s own experience in calculating reserves and move away from a single prescriptive reserving formula. Primerica Life adopted PBR as of January 1, 2018 and NBLIC adopted the New York amended version of PBR effective January 1, 2021. PBR significantly reduced the redundant statutory policy benefit reserve requirements while still ensuring adequate liabilities are held. The regulation only applies for business issued after the effective date. See Note 4 (Investments), Note 10 (Debt) and Note 16 (Commitments and Contingent Liabilities) to our consolidated financial statements within our 2022 Annual Report for more information on these redundant reserve financing transactions.

Notes Payable. The Company has \$600.0 million of publicly-traded Senior Notes outstanding issued at a price of 99.550% with an annual interest rate of 2.80%, payable semi-annually in arrears on May 19 and November 19. The Senior Notes are scheduled to mature on November 19, 2031. We were in compliance with the covenants of the Senior Notes as of September 30, 2023. No events of default occurred during the three and nine months ended September 30, 2023.

Rating Agencies. There have been no changes to Primerica, Inc.’s Senior Notes ratings or Primerica Life’s financial strength ratings since December 31, 2022.

Surplus Note. Vidalia Re issued a Surplus Note in exchange for the LLC Note as a part of the Vidalia Re Redundant Reserve Financing Transaction. The Surplus Note has a principal amount equal to the LLC Note and is scheduled to mature on December 31, 2030. For more information on the Surplus Note, see Note 15 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Off-Balance Sheet Arrangements. We have no transactions, agreements or other contractual arrangements to which an entity unconsolidated with the Company is a party, under which the Company maintains any off-balance sheet obligations or guarantees as of September 30, 2023.

Credit Facility Agreement. We maintain an unsecured \$200.0 million Revolving Credit Facility with a syndicate of commercial banks that has a scheduled termination date of June 22, 2026. Amounts outstanding under the Revolving Credit Facility bear interest at a periodic rate equal to the Secured Overnight Financing Rate (“SOFR”) rate loan, or the base rate, plus in either case an applicable margin. The Revolving Credit Facility contains language that allows for the Company and the lenders to agree on a comparable or successor reference rate in the event SOFR is no longer available. The Revolving Credit Facility also permits the issuance of letters of credit. The applicable margins are based on our debt rating with such margins for SOFR rate loans and letters of credit ranging from 1.000% to 1.625% per annum and for base rate loans ranging from 0.000% to 0.625% per annum. Under the Revolving Credit Facility, we incur a commitment fee that is payable quarterly in arrears and is determined by our debt rating. This commitment fee ranges from 0.100% to 0.225% per annum of the aggregate \$200.0 million commitment of the lenders under the Revolving Credit Facility that remains undrawn. During the three and nine months ended September 30, 2023, no amounts were outstanding under the Revolving Credit Facility and we were in compliance with its covenants. Furthermore, no events of default occurred under the Revolving Credit Facility during the three and nine months ended September 30, 2023.

Contractual Obligations Update. There have been no material changes in contractual obligations from those disclosed in the 2022 Annual Report.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this report as well as some statements in periodic press releases and some oral statements made by our officials during our presentations are “forward-looking” statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words “expect”, “intend”, “plan”, “anticipate”, “estimate”, “believe”, “will be”, “will continue”, “will likely result”, and similar expressions, or future conditional verbs such as “may”, “will”, “should”, “would”, and “could”. In addition, any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries are also forward-looking statements. These forward-looking statements involve external risks and uncertainties, including, but not limited to, those described under the section entitled “Risk Factors” included herein.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond the control of our management team. All forward-looking statements in this report and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these risks and uncertainties. These risks and uncertainties include, among others:

Risks Related to Our Distribution Structure

- Our failure to continue to attract new recruits, retain independent sales representatives or license or maintain the licensing of independent sales representatives would materially adversely affect our business.
- Certain laws and regulations could apply to our independent contractor distribution model, which could require us to modify our distribution structure.
- There may be adverse consequences if the classification of our independent contractor sales representatives is changed.
- Violation of, or non-compliance with, laws and regulations and related claims and proceedings could expose us to material liabilities.

Risks Related to Our Insurance Business and Reinsurance

- Our life insurance business may face significant losses if our actual experience differs from our expectations regarding mortality or persistency.
- Our life insurance business is highly regulated, and statutory and regulatory changes may materially adversely affect our business.
- A decline in the regulatory capital ratios of our insurance subsidiaries could result in increased scrutiny by insurance regulators and ratings agencies and have a material adverse effect on our business.
- A significant ratings downgrade by a ratings organization could materially adversely affect our business.
- The failure by any of our reinsurers or reserve financing counterparties to perform its obligations to us could have a material adverse effect on our business.

Risks Related to Our Investments and Savings Products Business

- Our Investment and Savings Products segment is heavily dependent on a limited platform of mutual fund and annuity products offered by a relatively small number of companies and managers. If these products fail to remain competitive with other investment options, our business could be materially adversely affected.
- If our relationship with one or more of our funds, annuities or managers is significantly altered or terminated or there is a shift in the business mix, our business could be materially adversely affected.
- Violations of, or non-compliance with, laws and regulations of the securities business could expose us to material liabilities.
- If heightened standards of conduct or more stringent licensing requirements (such as those adopted by the Securities and Exchange Commission) and the Department of Labor, state legislatures or regulators or Canadian securities regulators, are imposed on us or the independent sales representatives, or selling compensation is reduced as a result of new legislation or regulations, it could have a material adverse effect on our business.
- If our suitability policies and procedures, or our policies and procedures for compliance with federal, state or provincial regulations governing standards of care, were deemed inadequate, it could have a material adverse effect on our business.
- Non-compliance with applicable regulations could lead to revocation of our subsidiary's status as a non-bank custodian, which could have a material adverse effect on our business.

Risks Related to e-TeleQuote’s Senior Health Insurance Distribution Business

- Due to our limited history with e-TeleQuote Insurance, Inc. (“e-TeleQuote”), we may not be able to execute an effective business strategy, which could adversely affect our business.
- e-TeleQuote is highly regulated and subject to compliance requirements of the U.S. government’s Centers for Medicare and Medicaid Services and those of its carrier partners. Non-compliance with, or violations of, such requirements may harm its business, which could have a material adverse effect on our business.
- e-TeleQuote generates leads that are internally sourced from marketing initiatives and receives referrals from Primerica independent sales representatives. It also receives leads externally acquired from third-party vendors. e-TeleQuote’s business may

be harmed if it cannot continue to acquire or generate leads on commercially viable terms, if it is unable to convert leads to sales at acceptable rates, if Primerica independent sales representatives do not introduce consumers to e-TeleQuote, or if policyholder retention is lower than assumed, any of which could adversely impact our business.

- If e-TeleQuote's ability to enroll individuals during the Medicare annual election period is impeded, its business may be harmed, which could adversely impact our business.

- e-TeleQuote's business is dependent on key carrier partners. The loss of a key carrier partner, or the modification of commission rates or underwriting practices with a key carrier partner, could harm its business which could adversely impact our business.

Risks Related to Our Mortgage Distribution Business

- Licensing requirements will impact the size of the mortgage loan sales force, which could adversely affect our mortgage distribution business.

- Our mortgage distribution business is highly regulated and subject to various laws and regulations in the U.S. and Canada. Changes in, non-compliance with, or violations of, such laws and regulations could affect the cost or our ability to distribute our products and could adversely affect our business.

- In the U.S., we distribute mortgage loans based on contractual agreements with a very limited number of mortgage lenders. A significant change to or disruption in the mortgage lenders' mortgage businesses or an inability of the mortgage lenders to satisfy their contractual obligations to us could adversely affect our business.

Risks Related to Economic Downturns, Public Health Crises or Catastrophes, and Disaster

- The effects of economic down cycles, issues affecting the national and/or global economy or global geopolitical event(s) could materially adversely affect our business.

- Major public health pandemics, epidemics or outbreaks (such as the COVID-19 pandemic) or other catastrophic events, have impacted and could again materially adversely impact our business.

- In the event of a disaster, our business continuity plan may not be sufficient, which could have a material adverse effect on our business.

Risks Related to Information Technology and Cybersecurity

- If one of our, or a third-party partner's, significant information technology systems fails, if its security is compromised, or if the Internet becomes disabled or unavailable, our business may be materially adversely affected.

- The current legislative and regulatory climate with regard to privacy and cybersecurity could adversely affect our business.

- Any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business.

- e-TeleQuote's security measures are designed to protect against breaches of security and other interference with its systems and networks operate independently from Primerica's systems. If e-TeleQuote is subject to cyber-attacks or security breaches or is otherwise unable to safeguard the security and privacy of confidential data e-TeleQuote's business may be harmed, which could have a material adverse effect on our business.

Financial Risks Affecting Our Business

- Credit deterioration in, and the effects of interest rate fluctuations on our invested asset portfolio and other assets that are subject to changes in credit quality and interest rates could materially adversely affect our business.

- Valuation of our investments and the determination of expected credit losses when the fair value of our available-for-sale invested assets is below amortized cost are both based on estimates that may prove to be incorrect, which could adversely affect our financial condition.

- Changes in accounting standards can be difficult to predict and could adversely impact how we record and report our financial condition and results of operations.

- The inability of our subsidiaries to pay dividends or make distributions or other payments to us in sufficient amounts would impede our ability to meet our obligations and return capital to our stockholders.

Risks Related to Legislative and Regulatory Changes

- We are subject to various federal, state and provincial laws and regulations in the U.S. and Canada, changes in which may require us to alter our business practices and could materially adversely affect our business.

- The current legislative and regulatory climate with regard to financial services could adversely affect our business.

- Medicare Advantage is a product legislated and regulated by the U.S. government. If the enabling legislation and regulation or implementing guidance issued by CMS changes, e-TeleQuote's business may be harmed, which could have a material adverse effect on our business.

- The current regulatory climate with regard to climate change may adversely affect our business.

General Risk Factors

- Litigation and regulatory investigations and actions may result in financial losses and harm our reputation.

- A significant change in the competitive environment in which we operate could negatively affect our ability to maintain or increase our market share and profitability.
- Our continued success requires a high-performing and stable team of employees across all levels, and the loss of key employees could negatively affect our financial results and impair our ability to implement our business strategy.
- We regularly undertake business initiatives to enhance our technology, products, and services. The efficiency and success of these initiatives may vary significantly and may cause unanticipated costs, errors, or disruptions which could have a material adverse effect on our business.
- We may be materially adversely affected by currency fluctuations.
- Any acquisition of or investment in businesses that we may undertake that does not perform as we expect or that is difficult for us to integrate could materially adversely impact our business.
- The market price of our common stock may fluctuate.

Developments in any of these areas could cause actual results to differ materially from those anticipated or projected or cause a significant reduction in the market price of our common stock.

The foregoing list of risks and uncertainties may not contain all of the risks and uncertainties that could affect us. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. Accordingly, undue reliance should not be placed on these statements. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in our exposures to market risk since December 31, 2022. For details on the Company's interest rate, foreign currency exchange, and credit risks, see "Item 7A. Quantitative and Qualitative Information About Market Risks" in our 2022 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are involved from time to time in legal disputes, regulatory inquiries and arbitration proceedings in the normal course of business. Additional information regarding certain legal proceedings to which we are a party is described under "Contingent Liabilities" in Note 13 (Commitments and Contingent Liabilities) to our unaudited condensed consolidated financial statements included elsewhere in this report, and such information is incorporated herein by reference. As of the date of this report, we do not believe any pending legal proceeding to which Primerica or any of its subsidiaries is a party is required to be disclosed pursuant to this item.

ITEM 1A. RISK FACTORS.

The Risk Factors contained in our 2022 Annual Report are incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the quarter ended September 30, 2023, we repurchased shares of our common stock as follows:

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share ⁽¹⁾	Total number of shares purchased as part of publicly announced plans or programs ⁽²⁾	Approximate dollar value of shares that may yet be purchased under the plans or programs ⁽²⁾
July 1 - 31, 2023	98,366	\$ 204.47	97,802	\$ 159,005,291
August 1 - 31, 2023	132,385	206.20	132,340	131,717,616
September 1 - 30, 2023	293,572	201.75	293,324	72,538,400
Total	<u>524,323</u>	<u>\$ 203.39</u>	<u>523,466</u>	<u>\$ 72,538,400</u>

⁽¹⁾Consists of repurchases of (a) 857 shares of common stock at an average price of \$199.30 arising from share-based compensation tax withholdings and (b) open market repurchases of shares of common stock under the share repurchase program approved by our Board of Directors.

⁽²⁾On November 17, 2022, our Board of Directors authorized a share repurchase program for purchases of up to \$375.0 million of our outstanding common stock from January 1, 2023 through December 31, 2023.

For information regarding year-to-date share repurchases, refer to Note 10 (Stockholders' Equity) to our unaudited condensed consolidated financial statements included elsewhere in this report.

ITEM 5. OTHER INFORMATION.

Trading Plans

During the quarter ended September 30, 2023, none of our executive officers adopted or terminated contracts, instructions, or written plans relating to the sale of securities of the Company intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Securities Exchange Act of 1934, as amended.

ITEM 6. EXHIBITS.

The agreements included as exhibits to this report are included to provide you with information regarding the terms of these agreements and are not intended to provide any other factual or disclosure information about the Company or its subsidiaries, our business or the other parties to these agreements. These agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to our investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time, and should not be relied upon by investors.

Exhibit Number	Description	Reference
31.1	Rule 13a-14(a)/15d-14(a) Certification, executed by Glenn J. Williams, Chief Executive Officer.	Filed with the Securities and Exchange Commission as part of this Quarterly Report.
31.2	Rule 13a-14(a)/15d-14(a) Certification, executed by Alison S. Rand, Executive Vice President and Chief Financial Officer.	Filed with the Securities and Exchange Commission as part of this Quarterly Report.
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Glenn J. Williams, Chief Executive Officer, and Alison S. Rand, Executive Vice President and Chief Financial Officer.	Filed with the Securities and Exchange Commission as part of this Quarterly Report.

101.INS	Inline XBRL Instance Document.	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema.	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Primerica, Inc.

November 8, 2023

/s/ Alison S. Rand

Alison S. Rand

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer

I, Glenn J. Williams, Chief Executive Officer of Primerica, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Primerica, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 8, 2023

/s/ Glenn J. Williams

Glenn J. Williams

Chief Executive Officer

Certification of Chief Financial Officer

I, Alison S. Rand, Executive Vice President and Chief Financial Officer of Primerica, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Primerica, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ Alison S. Rand

Alison S. Rand
Executive Vice President and
Chief Financial Officer



**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of Primerica, Inc. (the "Company") for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn J. Williams, as Chief Executive Officer of the Company, and I, Alison S. Rand, as Executive Vice President and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) To my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn J. Williams

Name: Glenn J. Williams
Title: Chief Executive Officer
Date: November 8, 2023

/s/ Alison S. Rand

Name: Alison S. Rand
Title: Executive Vice President and Chief Financial Officer
Date: November 8, 2023
