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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) May 8, 2012

PRIMERICA

Primerica, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34680

Delaware	**27-1204330**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
3120 Breckinridge Boulevard **Duluth, Georgia**	**30099**
(Address of principal executive offices)	(ZIP Code)

Registrant's telephone number, including area code: (770) 381-1000

Not applicable.
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Primerica, Inc. (the “Company”) is filing this Current Report on Form 8-K to update certain items in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "2011 Annual Report"). On January 1, 2012, the Company adopted Accounting Standards Update 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* ("ASU 2010-26") retrospectively. In accordance with the requirements of the Securities and Exchange Commission (the "SEC"), we are required to revise previously issued financial statements using the deferral and recognition guidance under ASU 2010-26 for each of the years presented in the 2011 Annual Report, if those financial statements are incorporated by reference in certain subsequent filings with the SEC made under the Securities Act of 1933, as amended, even though those financial statements relate to periods prior to the adoption of ASU 2010-26. The revision of the previously issued 2011 Annual Report is being made in accordance with applicable accounting rules and should not be read as a restatement of the 2011 Annual Report. The reduction to our deferred policy acquisition costs asset, or DAC, was approximately $146.2 million as of December 31, 2011 and approximately $114.3 as of December 31, 2010. The reduction to net income was approximately $21.1 million in 2011, approximately $25.3 million in 2010, and approximately $11.9 million in 2009. The net impact of adoption reduced stockholders' equity by approximately $96.0 million as of December 31, 2011, by approximately $75.0 million as of December 31, 2010, and by approximately $176.5 million as of December 31, 2009.

The following items of the 2011 Annual Report are being updated retrospectively to reflect the adoption described above (which items as updated are included in Exhibits 99.1 through 99.6 to this filing and incorporated herein by reference):

- Item 1. Business (Segment Financial and Geographic Disclosures section);
- Item 6. Selected Financial Data;
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk;
- Item 8. Financial Statements and Supplementary Data; and
- Item 15. Exhibits, Financial Statement Schedules ((c) Financial Statement Schedules section).

This Current Report on Form 8-K modifies and updates the disclosures presented in the 2011 Annual Report for (i) matters relating to the adoption of ASU 2010-26 and its associated impact and (ii) the addition of Note 19 to the consolidated and combined financial statements to disclose the occurrence of subsequent events first publicly disclosed by the Company in its Current Reports on Forms 8-K filed with the SEC on April 2, 2012 and April 18, 2012.

The information in this report should be read in conjunction with the 2011 Annual Report, which was filed with the SEC on February 28, 2012. More current information is contained in the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (the “Form 10-Q”) and the Company's other filings with the SEC. The Form 10-Q and other SEC filings contain important information regarding events, developments and updates to certain expectations of the Company that have occurred subsequent to the filing of the 2011 Annual Report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of KPMG LLP
99.1	Updated Primerica, Inc. 2011 Annual Report on Form 10-K - Item 1. Business (Segment Financial and Geographic Disclosures section).
99.2	Updated Primerica, Inc. 2011 Annual Report on Form 10-K - Item 6. Selected Financial Data.
99.3	Updated Primerica, Inc. 2011 Annual Report on Form 10-K - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
99.4	Updated Primerica, Inc. 2011 Annual Report on Form 10-K - Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
99.5	Updated Primerica, Inc. 2011 Annual Report on Form 10-K - Item 8. Financial Statements and Supplementary Data.
99.6	Updated Primerica, Inc. 2011 Annual Report on Form 10-K - Item 15. Exhibits, Financial Statement Schedules ((c) Financial Statement Schedules section).
101.INS*	XBRL Instance Document (1)
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

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* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections. The financial information contained in the XBRL(eXtensible Business Reporting Language)-related documents is unaudited and unreviewed.

(1) Includes the following materials contained in this Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated and Combined Statements of Income, (iii) Consolidated and Combined Statements of Stockholders' Equity, (iv) Consolidated and Combined Statements of Comprehensive Income, (v) Consolidated and Combined Statements of Cash Flows, (vi) Notes to Consolidated and Combined Financial Statements.

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 hereunto duly authorized.

Primerica, Inc.

May 8, 2012	By: /s/ **Alison S. Rand**
	Alison S. Rand
	Executive Vice President and
	Chief Financial Officer

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Primerica, Inc.:

We consent to the incorporation by reference in registration statement No. 333-173271 on Form S-3 and Nos. 333-165834 and 333-176508 on Form S-8 of Primerica, Inc. of our reports dated February 28, 2012, except as to Notes 1, 2, 6, 11, 12, 13, 14 and 19 and Schedules II and III, which are as of May 8, 2012, with respect to the consolidated balance sheets of Primerica, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated and combined statements of income, stockholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2011, and all related financial statement schedules, which reports appear in the Primerica, Inc. Form 8-K filed on May 8, 2012.

Our reports on the consolidated and combined financial statements and schedules dated February 28, 2012, except as to Notes 1, 2, 6, 11, 12, 13, 14 and 19 and Schedules II and III, which are as of May 8, 2012, refer to the completion in April 2010 of the Company's initial public offering and a series of related transactions. Our reports also refer to the retrospective adoption of the provisions of ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, as of January 1, 2012, and the adoption of the provisions of FASB Staff Position Accounting Standards No. 115-2 and Financial Accounting Standards No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (included in FASB ASC Topic 320, *Investments – Debt and Equity Securities*) as of January 1, 2009.

/s/ KPMG LLP

Atlanta, Georgia
May 8, 2012

ITEM 1. BUSINESS.

Segment Financial and Geographic Disclosures

We have two primary operating segments - Term Life Insurance and Investment and Savings Products. The Term Life Insurance segment includes underwriting profits on our in-force book of term life insurance policies, net of reinsurance, which are underwritten by our life insurance company subsidiaries. The Investment and Savings Products segment includes mutual funds and variable annuities distributed through licensed broker-dealer subsidiaries and includes segregated funds, an individual annuity savings product that we underwrite in Canada through Primerica Life Canada. We also have a Corporate and Other Distributed Products segment, which consists primarily of revenues and expenses related to the distribution of non-core products, prepaid legal services and various insurance products other than our core term life insurance products.

Information regarding operations by segment follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Revenues:			
Term life insurance segment	$ 554,995	$ 808,568	$ 1,742,065
Investment and savings products segment	396,703	361,807	300,140
Corporate and other distributed products segment	151,395	191,488	178,196
Total revenues	$ 1,103,093	$ 1,361,863	$ 2,220,401
Income (loss) before income taxes:			
Term life insurance segment	$ 162,450	$ 261,483	$ 641,118
Investment and savings products segment	117,076	113,530	93,404
Corporate and other distributed products segment	(35,617)	(13,544)	7,273
Total income before income taxes	$ 243,909	$ 361,469	$ 741,795

Information regarding operations by country follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Revenues by country:			
United States	$ 895,067	$ 1,136,414	$ 1,922,047
Canada	208,026	225,449	298,354
Total revenues	$ 1,103,093	$ 1,361,863	$ 2,220,401
Income before income taxes by country:			
United States	$ 181,151	$ 282,492	$ 621,083
Canada	62,758	78,977	120,712
Total income before income taxes	$ 243,909	$ 361,469	$ 741,795

Information regarding assets by segment follows:

	December 31,		
	2011	2010	2009
	(In thousands)		
Assets:			
Term life insurance segment	$ 6,009,162	$ 5,642,243	$ 8,750,179
Investment and savings products segment	2,591,137	2,615,916	2,192,583
Corporate and other distributed products segment	1,251,521	1,511,250	2,487,121
Total assets	$ 9,851,820	$ 9,769,409	$ 13,429,883

Information regarding long-lived assets by country follows:

	December 31, 2011	December 31, 2010	December 31, 2009
	(In thousands)		
Long-lived assets:			
United States	$ 84,550	$ 90,566	$ 90,905
Canada	316	1,114	1,265
Total long-lived assets	$ 84,866	$ 91,680	$ 92,170

For information on risks relating to our Canadian operation, see "Risk Factors" and "Item 7A. Quantitative and Qualitative Information About Market Risks – Canadian Currency Risk."

EXHIBIT 99.2

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated and combined financial statements and accompanying notes included elsewhere in this report.

The selected historical income statement data may not be indicative of the revenues and expenses that would have existed or resulted if we had operated independently of Citi. Similarly, the selected historical balance sheet data as of and prior to December 31, 2009 may not be indicative of the assets and liabilities that would have existed or resulted if we had operated independently of Citi. The selected historical financial data are not necessarily indicative of the financial position or results of operations as of any future date or for any future period.

Our corporate reorganization has resulted and will continue to result in financial performance that is materially different from that reflected in the historical financial data that appear elsewhere in this report. Due to the timing of our corporate reorganization and its impact on our financial position and results of operations, year-over-year comparisons of our financial position and results of operations will reflect significant non-comparable accounting transactions and account balances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – The Transactions."

	Year ended December 31,				
	2011	2010	2009	2008 (2)	2007
	(In thousands, except per-share amounts)				
Statements of income data					
Revenues:					
Direct premiums	$ 2,229,467	$ 2,181,074	$ 2,112,781	$ 2,092,792	$ 2,003,595
Ceded premiums	(1,703,075)	(1,450,367)	(610,754)	(629,074)	(535,833)
Net premiums	526,392	730,707	1,502,027	1,463,718	1,467,762
Commissions and fees	412,979	382,940	335,986	466,484	545,584
Net investment income	108,601	165,111	351,326	314,035	328,609
Realized investment gains (losses), including other-than-temporary impairment losses	6,440	34,145	(21,970)	(103,480)	6,527
Other, net	48,681	48,960	53,032	56,187	41,856
Total revenues	1,103,093	1,361,863	2,220,401	2,196,944	2,390,338
Benefits and expenses:					
Benefits and claims	242,696	317,703	600,273	938,370	557,422
Amortization of deferred policy acquisition costs	104,034	147,841	352,257	127,922	295,437
Sales commissions	191,722	180,054	162,756	248,020	296,521
Insurance expenses	89,192	105,132	179,592	173,341	163,888
Insurance commissions	38,618	48,182	50,750	33,081	35,643
Interest expense	27,968	20,872	—	—	—
Goodwill impairment	—	—	—	194,992	—
Other operating expenses	164,954	180,610	132,978	152,773	136,634
Total benefits and expenses	859,184	1,000,394	1,478,606	1,868,499	1,485,545
Income before income taxes	243,909	361,469	741,795	328,445	904,793
Income taxes	86,718	129,013	259,114	177,051	317,436
Net income	$ 157,191	$ 232,456	$ 482,681	$ 151,394	$ 587,357
Earnings per share - basic	$ 2.11	$ 3.09 (1)	n/a	n/a	n/a
Earnings per share - diluted	$ 2.08	$ 3.06 (1)	n/a	n/a	n/a
Dividends per common share	$ 0.10	$ 0.02	n/a	n/a	n/a

	December 31,				
	2011	2010	2009	2008 (2)	2007
	(In thousands)				
Balance sheet data					
Investments	$ 2,021,504	$ 2,153,584	$ 6,471,448	$ 5,355,458	$ 5,494,495
Cash and cash equivalents	136,078	126,038	602,522	302,354	625,350
Due from reinsurers	3,855,318	3,731,002	851,635	825,791	822,750
Deferred policy acquisition costs, net	904,485	738,946	2,520,251	2,478,565	2,282,434
Total assets	9,851,820	9,769,409	13,429,883	11,253,055	12,778,607
Future policy benefits	4,614,860	4,409,183	4,197,454	4,023,009	3,650,192
Note payable	300,000	300,000	—	—	—
Total liabilities	8,525,170	8,412,881	8,662,612	7,303,772	8,147,447
Stockholders' equity	1,326,650	1,356,528	4,767,271	3,949,283	4,631,160

(1) Calculated on a pro forma basis using weighted-average shares, including the shares issued or issuable upon lapse of restrictions following our April 1, 2010 corporate reorganization as though they had been issued and outstanding on January 1, 2010.

(2) Includes a $207.5 million pre-tax charge due to a change in our DAC and reserve estimation approach implemented as of December 31, 2008.

ITEM 7. 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" or the "Company") for the three-year period ended December 31, 2011. As a result, the following discussion should be read in conjunction with the consolidated and combined financial statements and accompanying notes that are included herein. 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 in "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements.

This MD&A is divided into the following sections:

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

The Transactions

We refer to the corporate reorganization, the reinsurance transactions, the concurrent transactions and the private sale described below collectively as the "Transactions."

The corporate reorganization. The Parent Company was incorporated in Delaware in October 2009 by Citi to serve as a holding company for the life insurance and financial product distribution businesses that we have operated for more than 30 years. At such time, we issued 100 shares of common stock to Citi. These businesses, which prior to April 1, 2010, were wholly owned indirect subsidiaries of Citi, were transferred to us in a reorganization pursuant to which we issued to a wholly owned subsidiary of Citi: (i) 74,999,900 shares of our common stock (of which 24,564,000 shares of common stock were subsequently sold by Citi in our IPO; 16,412,440 shares of common stock were subsequently sold by Citi in mid-April 2010 to Warburg Pincus for a purchase price of $230.0 million (the "private sale"); and 5,021,412 shares of common stock were immediately contributed back to us for equity awards granted to our employees and sales force leaders in connection with our IPO), (ii) warrants to purchase from us an aggregate of 4,103,110 shares of our common stock (which were transferred by Citi to Warburg Pincus pursuant to the private sale), and (iii) the Citi note. Prior to April 1, 2010, we had no material assets or liabilities. Upon completion of the Transactions, the Parent Company's primary asset was and continues to be the capital stock of its operating subsidiaries and its primary liability was and continues to be the Citi note.

The reinsurance transactions. In March 2010, we entered into coinsurance agreements (the "Citi reinsurance agreements") with two affiliates of Citi and Prime Re, then a wholly owned subsidiary of Primerica Life (collectively, the "Citi reinsurers"). We refer to the execution of these agreements as the "Citi reinsurance transactions." Under these agreements, we ceded between 80% and 90% of the risks and rewards of our term life insurance policies that were in force at year-end 2009. We also transferred to the Citi reinsurers the account balances in respect of the coinsured policies and approximately $4.0 billion of assets to support the statutory liabilities assumed by the Citi reinsurers, and we distributed to Citi all of the issued and outstanding common stock of Prime Re. As a result, the Citi reinsurance transactions reduced the amount of our capital and substantially reduced our insurance exposure. We retained our operating platform and infrastructure and continue to administer all policies subject to these coinsurance agreements.

The concurrent transactions. During the first quarter of 2010, we declared distributions to Citi of approximately $703 million. We also recognized the income attributable to the policies underlying the Citi reinsurance transactions as well as the income earned on the invested assets backing the reinsurance balances and the extraordinary dividends declared in the first quarter. These items were reflected in the statement of income for the three months ended March 31, 2010. Furthermore, because the Citi reinsurance transactions were given retroactive effect back to

January 1, 2010, we recognized a return of capital on our balance sheet for the income earned on the reinsured policies during the three months ended March 31, 2010.

In April 2010, we completed the following additional concurrent transactions:

- we completed the IPO pursuant to the Securities Act of 1933, as amended, and our stock began trading under the ticker symbol "PRI" on the NYSE;
- we issued equity awards for 5,021,412 shares of our common stock to certain of our employees, including our officers, and certain of our sales force leaders, including 221,412 shares which were issued upon conversion of existing equity awards in Citi shares that had not yet fully vested; and
- Citi accelerated vesting of certain existing Citi equity awards triggered by the IPO and the private sale.

Additionally, we made elections with an effective date of April 1, 2010 under Section 338(h)(10) of the Internal Revenue Code (the "Section 338(h)(10) elections"), which resulted in reductions to stockholders' equity of $174.7 million and corresponding adjustments to deferred tax balances.

During the first quarter of 2010, our federal income tax return was included as part of Citi's consolidated federal income tax return. On March 30, 2010, in anticipation of our corporate reorganization, we entered into a tax separation agreement with Citi. In accordance with the tax separation agreement, Citi is responsible for, and shall indemnify and hold the Company harmless from and against, any consolidated, combined, affiliated, unitary or similar federal, state or local income tax liability with respect to the Company for any taxable period ending on or before April 7, 2010, the closing date of the IPO.

The private sale. In February 2010, Citi entered into a securities purchase agreement with Warburg Pincus and us pursuant to which, in mid-April 2010, Citi sold to Warburg Pincus 16,412,440 shares of our common stock and warrants to purchase from us 4,103,110 additional shares of our common stock. The warrants have a seven-year term and an exercise price of $18.00 per share.

Period-over-period comparability. Due to the timing of these transactions and their impact on our financial position and results of operations, period-over-period comparisons will reflect significant non-comparable accounting transactions and account balances. The most significant accounting transaction was the reinsurance transactions described above, which affected both the size and composition of our balance sheet and statement of income. Additionally, the corporate reorganization and the concurrent transactions had a significant impact on the composition of our balance sheet. As a result, our statements of income for the years ended December 31, 2011 and 2010 present income that is significantly lower than in 2009.

From a statement of income perspective, the Transactions impacted ceded premiums, net premiums, net investment income, benefits and claims, amortization of DAC, insurance commissions, insurance expenses, interest expense and income taxes. Actual results for periods ended prior to April 1, 2010 will not be indicative of or comparable to future actual results. Furthermore, actual results for the year ended December 31, 2010 will not be comparable to results in future years as they are affected by the inclusion of three months of operations prior to the Transactions.

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 high unemployment levels and low levels of consumer confidence, influence investment and spending decisions by middle income consumers, our primary clients. These conditions and factors also impact prospective recruits' perceptions of the business opportunity that becoming a Primerica sales representative offers, which can drive or dampen recruiting. Consumer spending and borrowing levels remain under pressure, as consumers take a more conservative financial posture including reevaluating their savings and debt management goals. As overall market and economic conditions have improved and stabilized from the lows experienced during the recent economic downturn, sales and the value of consumer investment products across a wide spectrum of asset classes have improved.

Recruiting and Sales Representatives. Recruiting increased in 2011 to 244,756 new recruits from 231,390 new recruits in 2010, benefiting from a surge in new recruits following our North American convention held in June 2011 at the Georgia Dome in Atlanta. We believe that the surge resulted from both a promotion that lowered the Independent Business Application ("IBA") licensing fee charged to new recruits from $99 to $50 through the end of July 2011 and new product and field technology initiatives announced at the 2011 convention.

Our ability to increase the size of our sales force is largely based on the success of our recruiting efforts and our ability to train and motivate recruits to get licensed. We believe that recruiting levels are an important advance indicator of sales force trends, and growth in recruiting is usually indicative of future growth in the overall size of the sales force. However, because new recruits do not always obtain licenses, recruiting results do not always result in commensurate increases in the size of our licensed sales force.

The size of our life-licensed sales force declined to 91,176 sales representatives as of December 31, 2011 from 94,850 sales representatives at December 31, 2010 as new life license growth lagged recruiting growth primarily due to a reduction in the licensing pull-through rate and an increase in terminations. Historically, our pull-through rate following a recruiting surge has been lower than in other periods.

Term Life Insurance Product Sales and Face Amount In Force. We issued 237,535 new life insurance policies in 2011, compared with 223,514 new policies in 2010. Sales of our term life insurance products increased in 2011 largely as a result of our June 2011 introduction of TermNow, our new rapid issue term life insurance product for face values of $250,000 and below, and increased productivity coming out of our 2011 convention.

While our average issued face amount was approximately $248,400 in 2011 compared with approximately $267,000 in 2010, total face amount in force increased to approximately $664.96 billion as of December 31, 2011 compared with approximately $656.79 billion a year ago, largely due to persistency that continued to improve relative to prior year and the stronger Canadian dollar. These drivers were partially offset by the decline in the average face amount of our newly issued policies, primarily as a result of TermNow sales.

Investment and Savings Product Sales and Asset Values. Investment and savings products sales were higher in 2011, totaling $4.27 billion, compared with $3.62 billion in 2010. We believe the increase in sales reflects the impact of internal exchanges for variable annuities offering enhanced guarantee terms as well as increasing demand for our products as a result of improving financial market conditions.

The assets in our clients' accounts are invested in diversified funds comprised mainly of U.S. and Canadian equity and fixed-income securities. The average value of assets in client accounts increased to $34.87 billion in 2011, from $31.91 billion in 2010, while the period-end asset value declined to $33.66 billion at December 31, 2011, compared with $34.87 billion a year ago. The 2011 decrease in period-end asset values relative to the 2011 increase in average client asset values reflects the magnitude and timing of current and prior-year market movements.

Invested Asset Portfolio Size and Yields. Our portfolio continues to reflect strong market value gains as interest rates and spreads continue to remain low. As of December 31, 2011, our invested assets, excluding policy loans and cash, had a cost or amortized cost basis of $1.83 billion and a net unrealized gain of $153.2 million, compared with $1.95 billion at cost or amortized cost and net unrealized gain of $157.4 million at December 31, 2010.

Factors Affecting Our Results

Term Life Insurance Segment. Our Term Life Insurance segment results are primarily driven by sales, accuracy of our pricing assumptions, terms and use of reinsurance, investment income and expenses.

<u>Sales and policies in force.</u> Sales of new 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 when due over the term of the policy and acquisition expenses are generally deferred and amortized ratably with the level premiums of the underlying policies. 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 will have a more immediate effect on our cash flows.

Historically, we have found that while sales volume of term life insurance products may vary between fiscal periods based on a variety of factors, the productivity of our individual sales representatives remains within a relatively narrow range and, consequently, our sales volume over the longer term generally correlates to the size of our sales force. The average number of life-licensed 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 sales representative, were as follows:

	Year ended December 31,		
	2011	**2010**	**2009**
Average number of life-licensed sales representatives	91,855	96,840	100,569
Number of new policies issued	237,535	223,514	233,837
Average monthly rate of new policies issued per life-licensed sales representative	0.22x (1)	0.19x	0.19x

(1) Our 2011 processing cycle provided five additional days of policy processing. Excluding the policies processed during these additional days, the average monthly rate of new policies issued per life licensed sales representative would have been .21x for 2011.

During 2011, the increased productivity of our individual sales representatives was driven by the post-convention recruiting surge discussed earlier and sales of our new TermNow product. The elevated level of new recruits generated more warm market referrals and sales opportunities as new recruits set appointments with their field trainers to begin the sales training process. Further, our new TermNow product uses prescription databases to begin the underwriting process in real time at the point of application so TermNow policies are issued faster than our prior products which required oral fluid testing. This underwriting process has led to an increase in, and acceleration of, issued policies since the introduction of TermNow in June 2011. As a result of these two factors, productivity for 2011 was at the high end of our historical range.

Pricing assumptions. Our pricing methodology is intended to provide us with appropriate profit margins for the risks we assume. We determine pricing classifications based on the coverage sought, such as the size and term of the policy, and certain policyholder attributes, such as age and health. In addition, we utilize unisex rates for our term life insurance policies. The pricing assumptions that underlie our rates are based upon our best estimates of mortality, persistency and investment yields at the time of issuance, sales force commission rates, issue and underwriting expenses, operating expenses and the characteristics of the insureds, including sex, age, underwriting class, product and amount of coverage. Our results will be affected to the extent there is a variance between our pricing assumptions and actual experience.

- *Persistency*. We use historical experience to estimate pricing assumptions for persistency rates. Persistency is a measure of how long our insurance policies stay in force. As a general matter, persistency that is lower than our pricing assumptions adversely affects our results over the long term because we lose the recurring revenue stream associated with the policies that lapse. Determining the near-term effects of changes in persistency is more complicated. When persistency is lower than our pricing assumptions, we must accelerate the amortization of DAC. The resultant increase in amortization expense is offset by a corresponding release of reserves associated with lapsed policies, which causes a reduction in benefits and claims expense. The reserves associated with a given policy will change over the term of such policy. As a general matter, reserves are lowest at the inception of a policy term and rise steadily to a peak before declining to zero at the expiration of the policy term. Accordingly, depending on when the lapse occurs in relation to the overall policy term, the reduction in benefits and claims expense may be greater or less than the increase in amortization expense and, consequently, the effects on earnings for a given period could be positive or negative. Persistency levels are meaningful to our results to the extent actual experience deviates from the persistency assumptions used to price our products.
- *Mortality.* We use historical experience to estimate pricing assumptions for mortality. Our profitability is affected to the extent actual mortality rates differ from those used in our pricing assumptions. We mitigate a significant portion of our mortality exposure through reinsurance. Variances between actual mortality experience and the assumptions and estimates used by our reinsurers affect the cost and, potentially, the availability of reinsurance.
- *Investment Yields.* We generally use a level investment yield rate which reflects yields currently available. For 2011 and 2010 new issues, we are using an increasing interest rate assumption to reflect the historically low interest rate environment. Both the DAC asset and the reserve liability increase with the assumed investment yield rate. Since the DAC asset is higher than the reserve liability in the early years of a policy, a lower assumed investment yield generally will result in lower profits. In the later years, when the

reserve liability is higher than the DAC asset, a lower assumed investment yield generally will result in higher profits. Actual investment yields will impact the net investment income allocated to the Term Life Insurance segment, but will not impact the DAC asset or reserve liability.

Reinsurance. We use reinsurance extensively, which has a significant effect on our results of operations. Since the mid-1990s, we have reinsured between 60% and 90% of the mortality risk on our U.S. term life insurance policies on a quota share YRT basis. We have not generally reinsured the mortality risk on Canadian term life insurance polices. YRT reinsurance permits us to fix future mortality exposure at contractual rates by policy class. 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.

On March 31, 2010, we entered into various coinsurance agreements with the Citi reinsurers to cede between 80% and 90% of our term life insurance policies that were in force at year-end 2009 as part of our corporate reorganization.

The effect of our reinsurance arrangements on ceded premiums and benefits and expenses on our statement 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.
- *Amortization of DAC.* Amortization of DAC is reduced on a pro-rata basis for the business coinsured with Citi. There is no impact on amortization of DAC associated with our YRT contracts.
- *Insurance expenses.* Insurance expenses are reduced by the allowances received from coinsurance, including the business reinsured with Citi.

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. mortality risk on new business issued subsequent to the Citi reinsurance transactions.

Net investment income. Term Life Insurance segment net investment income is composed of two elements: allocated net investment income and the market return associated with the deposit asset underlying the 10% reinsurance agreement we executed in connection with the Transactions. We allocate net investment income by applying the ratio of: (i) the book value of the invested assets allocated to the Term Life Insurance segment to the book value of the Company's total invested assets to (ii) total net investment income, net of the income associated with the 10% reinsurance agreement. Invested assets are allocated to the Term Life Insurance segment based on the book value of the invested assets necessary to meet statutory reserve requirements and our targeted capital objectives. Net investment income is also impacted by the performance of our invested asset portfolio and the market return on the deposit asset which can be affected by interest rates, credit spreads and the mix of invested assets.

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

Investment and Savings Products Segment. Our Investment and Savings Products segment results are primarily driven by sales, the value of assets in client accounts for which we earn ongoing management, service and distribution fees and the number of fee generating accounts we administer.

Sales. We earn commissions and fees, such as dealer re-allowances, and marketing and support fees, based on sales of mutual fund products and annuities. 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 our sales force. We generally experience seasonality in our Investment and Savings Products segment results due to our high concentration of sales of retirement account products. While we believe the size of our 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, that 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) and management fees on mutual fund, annuity, managed account and segregated funds products based on asset values in client accounts. Our investment and savings products primarily consist of funds composed of equity securities. Asset values are influenced by new product sales, ongoing contributions to existing accounts, redemptions and changes in equity markets, net of expenses.

Accounts. We earn recordkeeping fees for administrative functions we perform on behalf of several of our mutual fund providers and custodial fees for services as a non-bank custodian for certain of our mutual fund clients' retirement plan accounts.

Sales Mix. While our investment and savings products all have similar long-term earnings characteristics, our results in a given fiscal period will be affected by changes in the overall mix of products within these broad categories. Examples of changes in the sales mix that influence our results include the following:

- sales of a higher proportion of mutual fund products of the several mutual fund families for which we act as recordkeeper will generally increase our earnings because we are entitled to recordkeeping fees on these accounts;
- sales of variable 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 segregated funds, no upfront revenues;
- sales and administration of a higher proportion of mutual funds that enable us to earn marketing and support fees will increase our revenues and profitability;
- sales of a higher proportion of retirement products of several mutual fund families will tend to result in higher revenue generation due to our ability to earn custodial fees on these accounts; and
- sales of a higher proportion of managed accounts products will generally extend the length of time over which revenues can be earned because we are entitled to revenues based on assets under management for these accounts.

Corporate and Other Distributed Products Segment. We earn revenues and pay commissions and referral fees for various other insurance products, prepaid legal services and other financial products, all of which are originated by third parties. NBLIC, our New York life insurance subsidiary, also underwrites a mail-order student life policy and a short-term disability benefit policy, neither of which is distributed by our sales force, and has in-force policies from several discontinued lines of insurance.

The Corporate and Other Distributed Products segment is affected by corporate income and expenses not allocated to our other segments, net investment income (other than net investment income allocated to our Term Life Insurance segment), general and administrative expenses (other than expenses that are allocated to our Term Life Insurance or Investment and Savings Products segments), management equity awards, equity awards granted to our sales force leaders at the time of our IPO, interest expense on the Citi note and realized gains and losses on our invested asset portfolio.

Critical Accounting Estimates

We prepare our financial statements in accordance with U.S. GAAP. These principles are established primarily by the FASB. 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 to our consolidated and combined financial statements. The most significant items on the balance sheet are based on fair value determinations, accounting estimates and actuarial determinations which are susceptible to changes in future periods and which 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 the valuation of investments, reinsurance, DAC, future policy benefit reserves, and income taxes. 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.

Invested Assets

We hold primarily fixed-maturity securities, including bonds and redeemable preferred stocks, and equity securities, including common and non-redeemable preferred stock. We have classified these invested assets as available-for-sale, except for the securities of our U.S. broker-dealer subsidiary, which we have classified as trading securities. All of these securities are carried at fair value.

Fair value. Fair value is the price that would be received upon the sale of an asset in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon 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 categories:

- Level 1. Quoted prices for identical instruments in active markets;
- 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 and significant value drivers are observable in active markets; and
- Level 3. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of each reporting period, we classify all invested assets in their entirety based on the lowest level of input 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 fair value and hierarchy classifications of our invested asset portfolio were as follows:

	December 31, 2011	
	Fair value	% of total
	(Dollars in thousands)	
Level 1 invested assets	$ 18,325	*
Level 2 invested assets	1,970,246	99%
Level 3 invested assets	6,937	*
Total invested assets	$ 1,995,508	100%

* Less than 1%

In assessing the fair value of our investments, we use a third-party pricing service for approximately 94% of our securities. The remaining securities are primarily private securities valued using models based on observable inputs on public corporate spreads having similar tenors (e.g., sector, average life and quality rating) and liquidity and yield based on quality rating, average life and treasury yields. All data inputs come from observable data corroborated by independent third-party sources. In the absence of sufficient observable inputs, we utilize non-binding broker quotes, which are reflected in our Level 3 classification.

We perform internal reasonableness assessments on fair value determinations within our portfolio throughout the month and at month-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.

For additional information, see Notes 1, 3 and 4 to our consolidated and combined financial statements.

Other-than-temporary impairments. We recognize unrealized gains and losses on our available-for-sale portfolio as a separate component of accumulated other comprehensive income. The determination of whether a decline in fair value below amortized cost is other-than-temporary is both objective and subjective. Furthermore, this determination can involve a variety of assumptions and estimates, particularly for invested assets that are not actively traded in established markets. We evaluate a number of factors when determining the impairment status of individual securities. These factors include the economic condition of various industry segments and geographic locations and other areas of identified risk.

For available-for-sale securities in an unrealized loss position that we intend to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis, we recognize an impairment charge for the difference between amortized cost and fair value as a realized investment loss in our statements of income. For available-for-sale securities in an unrealized loss position for which we have no intent to sell and believe that it is more-likely-than-not that we will not be required to sell before the expected recovery of the amortized cost basis, only the credit loss component of the difference between cost and fair value is recognized in earnings, while the remainder is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security.

For certain securitized financial assets with contractual cash flows, including asset-backed securities, we periodically update our best estimate of cash flows over the life of the security. Securities that are in an unrealized loss position are reviewed at least quarterly for other-than-temporary impairment. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the estimated cash flows since the last revised estimate, considering both timing and amount, an other-than-temporary impairment charge is recognized. Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third-party sources along with certain assumptions and judgments regarding the future performance of the underlying collateral. Projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral.

Other categories of fixed-income securities that are in an unrealized loss position are also reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. We consider a number of factors in determining whether the impairment is other-than-temporary. These include:

- actions taken by rating agencies;
- default by the issuer;
- the significance of the decline;
- the intent to sell and the ability to hold the investment until recovery of the amortized cost basis, as noted above;
- the time period during which the decline has occurred;
- an economic analysis of the issuer;
- the financial strength, liquidity, and recoverability of the issuer; and
- an analysis of the underlying collateral.

Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures that are considered.

The other-than-temporary impairment analysis that we perform on our equity securities primarily focuses on the severity of the unrealized loss as well as the length of time the security's fair value has been below amortized cost. The other-than-temporary impairments that we recognized in realized investment gains as a charge to earnings were as follows:

	Year ended December 31, 2011
	(In thousands)
Other-than-temporary impairments	$ (2,015)
Realized investment gains, including other-than-temporary impairments	6,440

For additional information, see Notes 1 and 3 to our consolidated and combined financial statements.

Reinsurance

We use reinsurance extensively. We determine if a contract provides indemnification against loss or liability in relation to the amount of insurance risk to which the reinsurer is subject. We review all contractual terms, particularly those that may limit the amount of insurance risk to which the reinsurer is subject that may delay the timely reimbursement of claims. If we determine that the possibility of a significant loss from insurance risk will occur only under remote circumstances, we record the contract under the deposit method of accounting with the net amount receivable reflected in other assets on our consolidated and combined balance sheets. The reinsurance contracts in effect at December 31, 2011, including the Citi reinsurance agreements, meet U.S. GAAP risk transfer provisions, except as noted below. Ceded policy reserves and claims liabilities relating to insurance ceded under these contracts are shown as due from reinsurers in our balance sheets. We believe that one of the Citi reinsurance transactions (a 10% YRT transaction with an experience refund provision) will have limited transfer of insurance risk and that there will be only a remote chance of loss under the contract. As such, we have accounted for this agreement under the deposit method of accounting.

Ceded premiums are treated as a reduction of direct premiums and are recognized when due to the assuming company. Ceded claims are treated as a reduction of direct benefits and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as a reduction of benefits and are recognized during the applicable financial reporting period. Under YRT arrangements, we determine the ceded reserve by recognizing the cost of reinsurance as a level percentage of the direct premium collected. The expected reinsurance cost is the expected reinsurance premium paid less expected reinsurance claims received. We determine ceded future policy benefit reserves for coinsurance in the same manner as direct policy reserves.

We calculate claim liabilities and policy benefits consistently for all policies, regardless of whether or not the policy is reinsured. Once the direct claim liabilities are estimated, we estimate the amounts attributable to the reinsurers. Liabilities for unpaid reinsurance claims are produced from claims and reinsurance system records, which contain the relevant terms of the individual reinsurance contracts. We monitor claims due from reinsurers to ensure that balances are settled on a timely basis. We review incurred but not reported claims to ensure that appropriate amounts are ceded. We analyze and monitor the creditworthiness of each of our reinsurers to minimize collection issues.

For additional information on reinsurance, see Notes 1 and 5 to our consolidated and combined financial statements.

Deferred Policy Acquisition Costs

We defer incremental direct costs of successful contract acquisitions that result directly from and are essential to the contract transaction(s) and that would not have been incurred had the contract transaction(s) not occurred. These costs mainly include commissions and policy issue expenses. The recovery of such costs is dependent on the future profitability of the related policies, which, in turn, is dependent principally upon mortality, persistency, the expense of administering the business, and investment returns, as well as upon certain economic variables, such as inflation. DAC is subject to recoverability testing annually and when circumstances indicate that recoverability is uncertain. We make certain assumptions regarding persistency, expenses, interest rates and claims. These assumptions may not be modified, or unlocked, unless recoverability testing deems them to be inadequate. We update assumptions for new business to reflect the most recent experience.

Deferrable term life insurance policy acquisition costs are amortized over the premium-paying period of the related policies in proportion to premium income. If actual lapses or withdrawals are different from pricing assumptions for a particular period, DAC amortization will be affected. If the number of policies that lapse are 1% higher than the number of policies that we expected to lapse in our pricing assumptions, approximately 1% more of the existing DAC balance will be amortized, which would have been equal to approximately $8.1 million as of December 31, 2011 (assuming such lapses were distributed proportionately among policies of all durations). We believe that a lapse rate in the number of policies that is 1% higher than the rate assumed in our pricing assumptions is a reasonably possible variation. Higher lapses in the early durations would have a greater effect on DAC amortization since the DAC balances are higher at the earlier durations. Differences in actual mortality rates compared to our pricing assumptions will not have a material effect on DAC amortization. Due to the inherent uncertainties in making assumptions about future events, materially different experience from expected results in persistency or mortality could result in a material increase or decrease of DAC amortization in a particular period.

Deferrable acquisition costs for Canadian segregated funds are amortized over the life of the policies in relation to historical and future estimated gross profits before amortization. The gross profits and resulting DAC amortization will vary with actual fund returns, redemptions and expenses.

We adopted ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (ASU 2010-26) retrospectively.

For additional information on DAC, see Notes 1 and 6 to our consolidated and combined financial statements.

Future Policy Benefits

We calculate and maintain reserves for the estimated future payment of claims to our policyholders based on actuarial assumptions and in accordance with industry practice and U.S. GAAP. Liabilities for future policy benefits on our term life insurance products have been computed using a net level method, including assumptions as to investment yields, mortality, persistency, and other assumptions based on our experience. Many factors can affect these reserves, including mortality trends, investment yields and persistency. Similar to the DAC discussion above, we cannot modify the assumptions used to establish reserves during the policy term unless recoverability testing deems them to be inadequate. Therefore, the reserves we establish are based on estimates, assumptions and our analysis of historical experience. Our results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our reserves and pricing our products. Our reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. If actual lapses are different from pricing assumptions for a particular period, the change in the future policy benefits, which is reflected in benefits and claims in our statements of income, will be affected.

If the number of policies that lapse are 1% higher than the number of policies that we expected to lapse in our pricing assumptions, approximately 1% more of the future policy benefit reserves will be released, which would have been equal to approximately $43.9 million as of December 31, 2011 (assuming such lapses were distributed proportionately among policies of all durations). The future policy benefit reserves released from the additional lapses would have been offset by the release of the corresponding reinsurance reserves of approximately $36.0 million as of December 31, 2011. Higher lapses in later durations would have a greater effect on the release of future policy benefit reserves since the future policy benefit reserves are higher at the later durations. Differences in actual mortality rates compared to our pricing assumptions will not have a material effect on future policy benefit reserves. We cannot determine with precision the ultimate amounts that we will pay for actual claims or the timing of those payments.

For additional information on future policy benefits, see Notes 1 and 9 to our consolidated and combined financial statements.

Income Taxes

We account for income taxes using the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to (i) differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (ii) operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not applicable to the periods in which we expect the temporary difference will reverse.

For additional information on income taxes, see Notes 1 and 11 to our consolidated and combined financial statements.

Results of Operations

Revenues. Our revenues consist of the following:

- *Net premiums.* Reflects direct premiums payable by our policyholders on our in-force insurance policies, primarily term life insurance, net of reinsurance premiums that we pay to reinsurers.
- *Net investment income.* Represents income, net of investment-related expenses, generated by our invested asset portfolio, which consists primarily of interest income earned on fixed-maturity investments. Investment income earned on assets supporting our statutory reserves and targeted capital is allocated to our Term Life Insurance segment, with the balance included in our Corporate and Other Distributed Products segment.
- *Commissions and fees.* Consists primarily of dealer re-allowances earned on the sales of investment and savings products, trail commissions and management fees based on the asset values of client accounts, marketing and support fees from product originators, custodial fees for services rendered in our capacity as nominee on client retirement accounts funded by mutual funds on our servicing platform, recordkeeping fees for mutual funds on our servicing platform and fees associated with the sale of other distributed products.
- *Realized investment gains (losses), including other-than-temporary impairments ("OTTI").* Reflects the difference between amortized cost and amounts realized on the sale of invested assets, as well as OTTI charges.

- *Other, net.* Reflects revenues generated from the fees charged for access to our sales force website, printing revenues from the sale of printed materials to sales representatives, incentive fees and reimbursements from product originators, Canadian licensing fees, sales of merchandise to sales representatives, mutual fund customer service fees, fees charged to sales representatives related to life insurance processing responsibilities, and interest charges received from or paid to reinsurers on late payments.

Benefits and Expenses. Our operating expenses consist of the following:

- *Benefits and claims.* Reflects the benefits and claims payable on insurance policies, as well as changes in our reserves for future policy claims and reserves for other benefits payable, net of reinsurance.
- *Amortization of DAC.* Represents the amortization of capitalized costs associated with the sale of an insurance policy or segregated fund, including sales commissions, medical examination and other underwriting costs, and other acquisition-related costs.
- *Insurance commissions.* Reflects sales commissions in respect of insurance products that are not eligible for deferral.
- *Insurance expenses.* Reflects non-capitalized insurance expenses, including staff compensation, technology and communications, insurance sales force-related costs, printing, postage and distribution of insurance sales materials, outsourcing and professional fees, premium taxes, amortization of certain intangibles and other corporate and administrative fees and expenses related to our insurance operations.
- *Sales commissions.* Represents commissions to our sales representatives in connection with the sale of investment and savings products and products other than insurance products.
- *Interest expense.* Reflects interest on the Citi note as well as interest incurred in connection with the Citi reinsurance transactions.
- *Other operating expenses.* Consists primarily of expenses that are unrelated to the distribution of insurance products, including staff compensation, technology and communications, various sales force-related costs, printing, postage and distribution of sales materials, outsourcing and professional fees, amortization of certain intangibles and other corporate and administrative fees and expenses.

We allocate certain operating expenses associated with our sales representatives, including supervision, training and legal, to our two primary operating segments generally based on the average number of licensed representatives in each segment for a given period. We also allocate technology and occupancy costs based on usage. Costs that are not allocated to our two primary segments are included in our Corporate and Other Distributed Products segment.

2011 Compared to 2010

Primerica, Inc. and Subsidiaries Results. Our actual results of operations for the years ended December 31, 2011 and 2010 and our pro forma results of operations for the year ended December 31, 2010 were as follows:

	Actual		Actual 2011 v. Actual 2010 Change		Pro forma	Actual 2011 v. Pro forma 2010 Change	
	2011	2010	$	%	2010	$	%
			(Dollars in thousands)				
Revenues:							
Direct premiums	$ 2,229,467	$ 2,181,074	$ 48,393	2 %	$ 2,181,074	$ 48,393	2 %
Ceded premiums	(1,703,075)	(1,450,367)	(252,708)	17 %	(1,746,695)	43,620	(2)%
Net premiums	526,392	730,707	(204,315)	(28)%	434,379	92,013	21 %
Commissions and fees	412,979	382,940	30,039	8 %	382,940	30,039	8 %
Net investment income	108,601	165,111	(56,510)	(34)%	110,376	(1,775)	(2)%
Realized investment gains, including OTTI	6,440	34,145	(27,705)	(81)%	34,145	(27,705)	(81)%
Other, net	48,681	48,960	(279)	*	48,960	(279)	*
Total revenues	1,103,093	1,361,863	(258,770)	(19)%	1,010,800	92,293	9 %
Benefits and expenses:							
Benefits and claims	242,696	317,703	(75,007)	(24)%	189,499	53,197	28 %
Amortization of DAC	104,034	147,841	(43,807)	(30)%	82,287	21,747	26 %
Sales commissions	191,722	180,054	11,668	6 %	180,054	11,668	6 %
Insurance expenses	89,192	105,132	(15,940)	(15)%	79,049	10,143	13 %
Insurance commissions	38,618	48,182	(9,564)	(20)%	46,513	(7,895)	(17)%
Interest expense	27,968	20,872	7,096	34 %	27,809	159	*
Other operating expenses	164,954	180,610	(15,656)	(9)%	183,686	(18,732)	(10)%
Total benefits and expenses	859,184	1,000,394	(141,210)	(14)%	788,897	70,287	9 %
Income before income taxes	243,909	361,469	(117,560)	(33)%	221,903	22,006	10 %
Income taxes	86,718	129,013	(42,295)	(33)%	79,810	6,908	9 %
Net income	$ 157,191	$ 232,456	$ (75,265)	(32)%	$ 142,093	$ 15,098	11 %

* Less than 1%

We entered into the Citi reinsurance and reorganization transactions during March and April of 2010. As such, actual results for the year ended December 31, 2010 include three months of operations prior to the Citi reinsurance and reorganization transactions. Actual results for the year ended December 31, 2010 also include income attributable to the underlying policies that were reinsured to Citi on March 31, 2010 as well as net investment income earned on the invested assets backing the reinsurance balances transferred to the Citi reinsurers and a portion of the distributions to Citi made as part of our corporate reorganization. Due to the April 2010 issuance of the Citi note, interest expense only reflects nine months of interest expense in 2010. The Citi reinsurance transaction impacted the Term Life Insurance segment, while the reorganization transactions impacted both the Term Life Insurance and Corporate and Other Distributed Products segments, with the larger impact on the latter segment. The pro forma results presented above give effect to the Citi reinsurance and reorganization transactions, which are described more fully in Notes 2 and 3 to our pro forma statement of income included in "Results of Operations – 2010 Compared to 2009 – Primerica, Inc. and Subsidiaries Pro Forma Results." We believe that the 2010 pro forma results provide additional meaningful information necessary to evaluate our results of operations.

Total revenues. Total revenues declined in 2011 primarily as a result of the Transactions. Excluding approximately $351.1 million of revenues in 2010 that would have been recognized by Citi had the Transactions been effected on January 1, 2010, total revenues would have increased approximately $92.3 million, or 9%, compared with pro forma basis 2010. This increase primarily reflects incremental premiums on New Term policies issued subsequent to the Citi reinsurance transactions ("New Term") and an increase in commissions and fees, largely driven by increased sales of variable annuities in our Investment and Savings Product segment. The increase in total revenues relative to pro forma basis 2010 was partially offset by the decline in realized investment gains relative to 2010. Realized investment gains in 2010 were largely driven by sales of invested assets in anticipation of our corporate reorganization.

Total benefits and expenses. Total benefits and expenses were lower primarily as a result of the Transactions. Excluding approximately $211.5 million of benefits and expenses in 2010 that would have been recognized by Citi had the Transactions been effected on January 1, 2010, total benefits and expenses would have increased approximately $70.3 million, or 9%, compared with pro forma basis 2010. The increase in total benefits and expenses was primarily a result of the growth in our Term Life and Investment and Savings Products businesses and higher overall operating expenses, including the build out of incremental functions, processes and expenses associated with becoming a public company. The increase in benefits and claims and amortization of DAC, after giving effect to the Transactions, was largely a result of the continued growth in our Term Life business following the Citi reinsurance transactions. Sales commissions were higher consistent with the increase in commission and fee revenue noted in total revenues above. Insurance expenses and other operating expenses increased primarily as a result of initiatives announced at our 2011 convention, higher premium taxes, lower expense allowances due to continued run-off in the block of business ceded to Citi and build out of our expenses post-IPO. The decrease in insurance commissions was largely attributable to the discontinuation of certain 2010 sales force incentive programs that were replaced with programs that more directly rewarded life policy acquisitions. As a result, this shift in incentive program structure increased the portion of 2011 incentive program expense deferrals.

Income taxes. Our effective income tax rate was 35.6% in 2011 and 35.7% in 2010.

For additional information on the effect of the Transactions as well as the significant drivers of revenues and expenses, see the segment results discussions below.

Term Life Insurance Segment. Our actual results for the Term Life Insurance segment for the years ended December 31, 2011 and 2010 and our pro forma results of operations for the year ended December 31, 2010 were as follows:

	Actual		Actual 2011 v. Actual 2010 Change		Pro forma	Actual 2011 v. Pro forma 2010 Change	
	2011	2010	$	%	2010	$	%
			(Dollars in thousands)				
Revenues:							
Direct premiums	$ 2,149,594	$ 2,100,709	$ 48,885	2 %	$ 2,100,709	$ 48,885	2 %
Ceded premiums	(1,688,953)	(1,436,041)	(252,912)	18 %	(1,732,369)	43,416	(3)%
Net premiums	460,641	664,668	(204,027)	(31)%	368,340	92,301	25 %
Allocated net investment income	62,688	110,633	(47,945)	(43)%	62,294	394	*
Other, net	31,666	33,267	(1,601)	(5)%	33,267	(1,601)	(5)%
Total revenues	554,995	808,568	(253,573)	(31)%	463,901	91,094	20 %
Benefits and expenses:							
Benefits and claims	197,159	277,653	(80,494)	(29)%	149,449	47,710	32 %
Amortization of DAC	89,474	137,009	(47,535)	(35)%	71,455	18,019	25 %
Insurance expenses	75,048	93,360	(18,312)	(20)%	67,277	7,771	12 %
Insurance commissions	19,396	30,566	(11,170)	(37)%	28,897	(9,501)	(33)%
Interest expense	11,468	8,497	2,971	35 %	11,309	159	1 %
Total benefits and expenses	392,545	547,085	(154,540)	(28)%	328,387	64,158	20 %
Income before income taxes	$ 162,450	$ 261,483	$ (99,033)	(38)%	$ 135,514	$ 26,936	20 %

* Less than 1%

We entered into the Citi reinsurance and reorganization transactions during March and April of 2010. As such, results for the year ended December 31, 2010 include three months of operations prior to the Citi reinsurance and reorganization transactions. Results for the year ended December 31, 2010 also include income attributable to the underlying policies that were reinsured to Citi on March 31, 2010 as well as net investment income earned on the invested assets backing the reinsurance balances transferred to the Citi reinsurers and a portion of the distributions to Citi made as part of our corporate reorganization. From a statement of income perspective, these transactions impacted ceded premiums, net premiums, allocated net investment income, benefits and claims, amortization of DAC, insurance commissions, insurance expenses and interest expense. The 2010 Term Life Insurance segment pro forma results presented above give effect to the Citi reinsurance and reorganization transactions, which are described more fully in Notes 2 and 3 to our pro forma statement of income included in "Results of Operations – 2010 Compared to 2009 – Primerica, Inc. and Subsidiaries Pro Forma Results." We believe that the 2010 pro forma segment results provide additional meaningful information necessary to evaluate the results of operations for this segment.

Direct premiums. Direct premiums increased in 2011 primarily as a result of growth in New Term business and premium increases for policies reaching the end of their initial level premium period. The growth in direct premiums was consistent with the growth in face amount in force.

Ceded premiums. The increase in ceded premiums primarily reflects the impact of the Citi reinsurance transactions and the net impact of the ceded premium recoveries discussed in Note 5 to our consolidated and combined financial statements. Adjusting for approximately $296.3 million of additional premiums that would have been ceded to Citi in 2010 had the Citi reinsurance transactions been effected on January 1, 2010, ceded premium would have decreased approximately $43.4 million, or 3%, reflecting continued run-off of the business ceded to Citi, partially offset by age-based increases in YRT reinsurance premiums.

Net premiums. The decline in net premiums primarily reflects the impact on ceded premium of the Citi reinsurance transactions and the net impact of the ceded premium recoveries discussed in ceded premiums above. Excluding the premiums that would have been ceded to Citi in 2010 had the transactions been effected on January 1, 2010, net premiums would have increased approximately $92.3 million, or 25%, reflecting New Term premium growth.

Allocated net investment income. The decrease in allocated net investment income was largely attributable to the Citi reinsurance and reorganization transactions. Excluding approximately $48.3 million of income earned in 2010 on assets that were transferred to Citi in connection with the reinsurance and reorganization transactions, allocated net investment income would have increased approximately $394,000, primarily reflecting a higher allocation as a result of the growth in New Term, substantially offset by the effect of lower asset returns in 2011.

Benefits and claims. The decrease in benefits and claims was largely attributable to the Citi reinsurance and reorganization transactions. Excluding approximately $128.2 million of expenses that would have been recognized by the Citi reinsurers in 2010 had the Citi reinsurance transactions been effected on January 1, 2010, benefits and claims would have increased approximately $47.7 million, or 32%, reflecting growth in the business and a charge of approximately $4 million to record cumulative potential claims related to cross-checking public death records to identify deceased policyholders for whom claims have not been filed and of which we were unaware. Excluding the impact of this charge, the growth in benefits and claims outpaced net premium growth primarily as a result of slightly higher mortality experience.

Amortization of DAC. The decrease in amortization of DAC was largely attributable to the Citi reinsurance and reorganization transactions. Excluding approximately $65.6 million of DAC amortization that would have been recognized by the Citi reinsurers in 2010 had the Citi reinsurance transactions been effected on January 1, 2010, DAC amortization would have increased approximately $18.0 million, or 25%. The growth in DAC amortization was in line with the growth in net premiums.

Insurance expenses. Insurance expenses decreased largely as a result of the Citi reinsurance transactions. Excluding approximately $26.1 million of expense allowances that would have been recognized in 2010 had the transactions been effected on January 1, 2010, insurance expenses would have increased approximately $7.8 million, or 12%. This increase in insurance expenses largely reflects the impact of premium-related taxes, licenses and fees growth, expense allowance run-off in the block of business ceded to Citi, expenses associated with convention initiatives, including the $50 IBA fee promotion and the write-off of medical testing materials, and build out of management compensation and benefits expense post-IPO. These items were partially offset by the 2011 release of management incentive compensation accruals for compensation earned in 2010 but paid in 2011 at a lower rate than had been anticipated.

Insurance commissions. The decrease in insurance commissions was primarily due to our stock compensation program containing certain non-deferrable characteristics in 2010, which were discontinued in 2011.

Product sales and face amount in force. We issued 237,535 new life insurance policies in 2011, compared with 223,514 new policies in 2010, primarily as a result of recruiting growth following our 2011 convention and strong demand for our TermNow product.

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

	Year ended December 31,		Change	
	2011	2010	$	%
	(Dollars in millions)			
Face amount in force, beginning of period	$ 656,791	$ 650,195	$ 6,596	1 %
Issued face amount	73,146	74,401	(1,256)	(2)%
Terminations	(66,951)	(70,964)	4,012	(6)%
Foreign currency	1,970	3,158	(1,188)	(38)%
Face amount in force, end of period (1)	$ 664,955	$ 656,791	$ 8,164	1 %

(1) Totals may not add due to rounding.

Issued face amount declined slightly in 2011 reflecting lower average face amounts, primarily as a result of the introduction of TermNow in June 2011. The impact on issued face amount of lower average size was partially offset by the increase in policy sales. The decrease in terminations resulted from persistency that, while remaining below historical norms, has continued to improve.

Investment and Savings Product Segment. Our results of operations for the Investment and Savings Products segment for the years ended December 31, 2011 and 2010 were as follows:

	Actual		Actual 2011 v. Actual 2010 Change	
	2011	2010	$	%
	(Dollars in thousands)			
Revenues:				
Commissions and fees:				
Sales-based revenues	$ 170,362	$ 142,606	$ 27,756	19%
Asset-based revenues	173,059	167,473	5,586	3%
Account-based revenues	41,997	41,690	307	*
Other, net	11,285	10,038	1,247	12%
Total revenues	396,703	361,807	34,896	10%
Expenses:				
Amortization of DAC	12,482	9,330	3,152	34%
Insurance commissions	8,851	7,854	997	13%
Sales commissions:				
Sales-based	118,387	101,022	17,365	17%
Asset-based	57,901	58,129	(228)	*
Other operating expenses	82,006	71,942	10,064	14%
Total expenses	279,627	248,277	31,350	13%
Income before income taxes	$ 117,076	$ 113,530	$ 3,546	3%

* Less than 1%

The Citi reinsurance and reorganization transactions had no impact on the Investment and Savings Products segment.

Supplemental information on the underlying metrics that drove results follows.

	Year ended December 31,		Change	
	2011	2010	$	%
	(Dollars in millions and accounts in thousands)			
Product sales:				
Retail mutual funds	$ 2,230	$ 2,141	$ 89	4 %
Annuities and other	1,674	1,169	505	43 %
Total sales-based revenue generating product sales (1)	3,904	3,310	594	18 %
Segregated funds	332	314	19	6 %
Managed accounts	29	—	29	*
Total product sales (1)	$ 4,265	$ 3,624	$ 641	18 %
Average client asset values:				
Retail mutual funds	$ 24,105	$ 22,614	$ 1,491	7 %
Annuities and other	8,276	7,095	1,181	17 %
Segregated funds	2,489	2,199	290	13 %
Total average asset values in client accounts (1)	$ 34,870	$ 31,908	$ 2,962	9 %
Average number of fee-generating accounts:				
Recordkeeping accounts	2,627	2,728	(101)	(4)%
Custodial accounts	1,956	1,990	(34)	(2)%

* Not meaningful
(1) Totals may not add due to rounding.

Commissions and fees. Commissions and fees increased primarily as a result of economic and market trends and client demand. The increase in sales-based revenues reflect the impact of internal exchanges for the variable annuity products we offer. These internal exchanges were primarily driven by client redemptions of older variable annuity contracts to purchase the current Prime Elite IV variable annuity, which offers an attractive guaranteed income living benefit. Asset-based revenues were driven by higher average asset values during 2011 even though end-of-period asset values were slightly lower than 2010. Account-based revenues were relatively flat compared with 2010 as the impact of a 2011 recordkeeping fee structure change on certain accounts, which had no net effect on income before income taxes, was largely offset by a decline in the number of accounts for which we provide record-keeping services.

Amortization of DAC. The increase in the rate of DAC amortization was primarily driven by the impact of lower investment returns on our Canadian segregated funds products. Growth in account values also led to higher DAC amortization.

Sales commissions. The increase in sales-based commissions was primarily driven by the increases in commissions and fees noted above. Sales-based commission expense lagged the growth in sales-based commission and fees revenue largely as a result of internal exchanges for variable annuities. While the commissions that we receive and then pay to our sales representatives for internal exchange transactions are proportionately lower than those paid for a new sale, sales-related marketing and support fees from internal exchanges are received in full with no associated impact on sales commissions expense.

Other operating expenses. Other operating expenses increased primarily as a result of growth in the business, expenses related to new product introductions, various government relations efforts and the recordkeeping fee structure change noted above in Commissions and fees. The impact of these items was partially offset by the 2011 release of management incentive compensation accruals earned in 2010 but paid in 2011 at a lower rate than had been anticipated.

Product sales. Investment and savings products sales were higher in 2011 largely reflecting the impact of internal exchanges of variable annuities.

Asset values in client accounts. Changes in asset values in client accounts were as follows:

	Year ended December 31,		Change	
	2011	2010	$	%
	(Dollars in millions)			
Asset values, beginning of period	$ 34,869	$ 31,303	$ 3,566	11 %
Inflows	4,265	3,624	641	18 %
Redemptions	(4,275)	(3,691)	(584)	16 %
Change in market value, net and other	(1,195)	3,633	(4,828)	*
Asset values, end of period (1)	$ 33,664	$ 34,869	$ (1,205)	(3)%

* Not meaningful
(1) Totals may not add due to rounding.

The assets in our clients' accounts are invested in diversified funds composed mainly of U.S. and Canadian equity and fixed-income securities. Inflows increased consistent with the increase in sales volume. The amount of redemptions also increased reflecting the increase in average assets under management, while actual redemption rates were relatively level as a percent of average assets under management for both 2011 and 2010. The market return on assets under management in 2011 and 2010 reflects general market value trends. A large portion of the revenues in our Investment and Savings Products segment are derived from commission and fee revenues that are based on the asset values in clients' accounts. While asset values at the end of 2011 declined relative to 2010, we have seen an increase in our asset-based commission and fee revenues and expenses largely as a result of the increase in average client asset values noted previously.

Corporate and Other Distributed Products Segment. Our actual results of operations for the Corporate and Other Distributed Products segment for the years ended December 31, 2011 and 2010 and our pro forma results of operations for the year ended December 31, 2010, were as follows:

	Actual		Actual 2011 v. Actual 2010 Change		Pro forma	Actual 2011 v. Pro forma 2010 Change	
	2011	2010	$	%	2010	$	%
	(Dollars in thousands)						
Revenues:							
Direct premiums	$ 79,873	$ 80,365	$ (492)	*	$ 80,365	$ (492)	*
Ceded premiums	(14,122)	(14,325)	203	(1)%	(14,325)	203	(1)%
Net premiums	65,751	66,040	(289)	*	66,040	(289)	*
Commissions and fees	27,560	31,172	(3,612)	(12)%	31,172	(3,612)	(12)%
Allocated net investment income	45,914	54,477	(8,563)	(16)%	48,081	(2,167)	(5)%
Realized investment gains, including OTTI	6,440	34,146	(27,706)	(81)%	34,146	(27,706)	(81)%
Other, net	5,730	5,653	77	1 %	5,653	77	1 %
Total revenues	151,395	191,488	(40,093)	(21)%	185,092	(33,697)	(18)%
Benefits and expenses:							
Benefits and claims	45,537	40,052	5,485	14 %	40,052	5,485	14 %
Amortization of DAC	2,078	1,502	576	38 %	1,502	576	38 %
Sales commissions	15,434	20,903	(5,469)	(26)%	20,903	(5,469)	(26)%
Insurance expenses	14,144	11,770	2,374	20 %	11,770	2,374	20 %
Insurance commissions	10,371	9,762	609	6 %	9,762	609	6 %
Interest expense	16,500	12,375	4,125	33 %	16,500	—	— %
Other operating expenses	82,948	108,668	(25,720)	(24)%	111,744	(28,796)	(26)%
Total benefits and expenses	187,012	205,032	(18,020)	(9)%	212,233	(25,221)	(12)%
Loss before income taxes	$ (35,617)	$ (13,544)	$ (22,073)	*	$ (27,141)	$ (8,476)	31%

* Less than 1% or not meaningful

We entered into the reorganization transactions during March and April of 2010. As such, actual results for the year ended December 31, 2010 include three months of operations prior to the reorganization transactions. Actual results for the year ended December 31, 2010 include net investment income earned on the invested assets backing the distributions to Citi made as part of our corporate reorganization. Actual interest expense reflects nine months of expense due to the April 2010 issuance of the Citi note. From a statement of income perspective, these transactions impacted net investment income, interest expense and other operating expenses. The 2010 Corporate and Other Distributed Products segment pro forma results presented above give effect to the reorganization transactions, which are described more fully in Note 3 to our pro forma statement of income included in "Results of Operations – 2010 Compared to 2009 – Primerica, Inc. and Subsidiaries Pro Forma Results." We believe that the 2010 pro forma segment results provide additional meaningful information necessary to evaluate the results of operations for this segment.

Total revenues. Total revenues were lower in 2011 largely due to investment gains realized in the first quarter of 2010 in anticipation of our corporate reorganization, lower commissions and fees due to the decline in our lending business and lower allocated net investment income in 2011. Excluding approximately $6.4 million of allocated net investment income that would not have been earned in 2010 had the reorganization transactions been effected on January 1, 2010, allocated net investment income would have decreased approximately $2.2 million, or 5%, primarily as a result of a higher allocation to the Term Life Insurance segment and lower asset returns in 2011. Realized investment gains included $2.0 million of OTTI in 2011, compared with $12.2 million of OTTI in 2010.

Benefits and claims. Benefits and claims were higher due to adverse morbidity experienced in the short-term disability line and adverse claims in various run-off blocks of insurance products, all of which were underwritten by NBLIC, our New York insurance subsidiary. Benefits and claims were also higher due to the impact of a charge of approximately $1.1 million to record cumulative potential claims related to cross-checking public death records to identify deceased policyholders for whom claims have not been filed and of which we were unaware.

Insurance expenses. Insurance expenses were higher in 2011 primarily as a result of a charge for our estimated share of the liquidation plan for Executive Life Insurance Company of New York, an unaffiliated life insurance company, filed by the NYSDFS.

Interest expense. Interest expense for 2010 reflects only nine months of expense due to the April 1, 2010 issuance date of the Citi note.

Other operating expenses. Other operating expenses were lower in 2011 largely due to the recognition of approximately $22.4 million of expenses associated with our IPO-related equity awards granted in the second quarter of 2010. Excluding the impact of this IPO-related expense, other operating expenses would have declined by $6.4 million, or 7%, primarily reflecting a decline in Citi expense allocations and other 2010 expenses related to our IPO. These items were partially offset by costs associated with various capital initiatives in 2011, charges associated with the discontinuation of our lending business, and a $2.7 million charge for the elimination of print inventories as the materials we produce are now predominantly used for internal consumption.

2010 Compared to 2009

Primerica, Inc. and Subsidiaries Actual Results. We executed the Transactions in March and April of 2010. As such, actual results will not be comparable due to the initial and ongoing effects and recognition of the Citi reinsurance and reorganization transactions. We believe the pro forma results presented in the next section provide meaningful additional information for the evaluation of our financial results. Our statements of income were as follows:

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in thousands)			
Revenues:				
Direct premiums	$ 2,181,074	$ 2,112,781	$ 68,293	3 %
Ceded premiums	(1,450,367)	(610,754)	(839,613)	137 %
Net premiums	730,707	1,502,027	(771,320)	(51)%
Commissions and fees	382,940	335,986	46,954	14 %
Net investment income	165,111	351,326	(186,215)	(53)%
Realized investment (losses) gains, including OTTI	34,145	(21,970)	56,115	*
Other, net	48,960	53,032	(4,072)	(8)%
Total revenues	1,361,863	2,220,401	(858,538)	(39)%
Benefits and expenses:				
Benefits and claims	317,703	600,273	(282,570)	(47)%
Amortization of DAC	147,841	352,257	(204,416)	(58)%
Sales commissions	180,054	162,756	17,298	11 %
Insurance expenses	105,132	179,592	(74,460)	(41)%
Insurance commissions	48,182	50,750	(2,568)	(5)%
Interest expense	20,872	—	20,872	*
Other operating expenses	180,610	132,978	47,632	36 %
Total benefits and expenses	1,000,394	1,478,606	(478,212)	(32)%
Income before income taxes	361,469	741,795	(380,326)	(51)%
Income taxes	129,013	259,114	(130,101)	(50)%
Net income	$ 232,456	$ 482,681	$ (250,225)	(52)%

* Not meaningful

Net premiums. Net premiums were lower in 2010 primarily as a result of the significant increase in ceded premiums associated with the Citi reinsurance agreements executed on March 31, 2010. The effect of these agreements on net premiums is reflected in the Term Life Insurance segment.

Net investment income. Net investment income declined during 2010 primarily as a result of the impact on our invested asset base of the asset transfers that we executed in connection with our corporate reorganization in 2010. On March 31, 2010, we transferred approximately $4.0 billion of assets to support the statutory liabilities assumed by the Citi reinsurers and in April 2010, we paid dividends to Citi of approximately $675.7 million. Lower yields on invested assets also negatively impacted net investment income during 2010.

Commissions and fees. The increase in commissions and fees in 2010 was primarily driven by activity in our Investment and Savings Product segment as a result of improved market conditions and increased demand for our products, partially offset by declines in our lending business as reflected in our Corporate and Other Distributed Products segment results.

Total benefits and expenses. The decrease in total benefits and expenses in 2010 primarily reflects lower benefits and claims, lower amortization of DAC and lower insurance expenses largely as a result of the Citi reinsurance agreements. These declines were partially offset by an increase in interest expense as a result of the Citi note and other operating expenses as a result of initial and one-time expenses incurred in connection with the IPO, including equity award expenses. The changes associated with the Citi reinsurance agreements impacted the Term Life Insurance segment, while the changes in interest and other operating expenses primarily impacted the Corporate and Other Distributed Products segment.

Income taxes. Our effective income tax rate was 35.7% in 2010 and 34.9% in 2009.

Primerica, Inc. and Subsidiaries Pro Forma Results. The following pro forma statement of income is intended to provide information about how the Transactions would have affected our financial statements if they had been consummated as of January 1, 2010. Because the Transactions were concluded during 2010, pro forma adjustment to our balance sheet was not necessary as of December 31, 2010. Based on the timing of the Transactions, pro forma adjustments to our statement of income were necessary for the first three months of 2010. The pro forma statement of income does not necessarily reflect the results of operations that would have resulted had the Transactions occurred as of January 1, 2010, nor should it be taken as indicative of our future results of operations. Our unaudited pro forma statement of income for the year ended December 31, 2010 is set forth below.

	Year ended December 31, 2010 Actual (1)	Adjustments for the Citi reinsurance transactions (2)		Adjustments for the reorganization and other concurrent transactions (3)		Year ended December 31, 2010 Pro forma
	(In thousands, except per-share amounts)					
Revenues:						
Direct premiums	$ 2,181,074	$ —		$ —		$ 2,181,074
Ceded premiums	(1,450,367)	(296,328)	(A)	—		(1,746,695)
Net premiums	730,707	(296,328)		—		434,379
Commissions and fees	382,940	—		—		382,940
Net investment income	165,111	(47,566)	(B)	(7,169)	(H)	110,376
Realized investment (losses) gains, including OTTI	34,145	—		—		34,145
Other, net	48,960	—		—		48,960
Total revenues	1,361,863	(343,894)		(7,169)		1,010,800
Benefits and expenses:						
Benefits and claims	317,703	(128,204)	(C)	—		189,499
Amortization of DAC	147,841	(65,554)	(D)	—		82,287
Sales commissions	180,054	—		—		180,054
Insurance expenses	105,132	(26,083)	(E)	—		79,049
Insurance commissions	48,182	(1,669)	(E)	—		46,513
Interest expense	20,872	2,812	(F)	4,125	(I)	27,809
Other operating expenses	180,610	—		3,076	(J)	183,686
Total benefits and expenses	1,000,394	(218,698)		7,201		788,897
Income before income taxes	361,469	(125,196)		(14,370)		221,903
Income taxes	129,013	(44,137)	(G)	(5,066)	(G)	79,810
Net income	$ 232,456	$ (81,059)		$ (9,304)		$ 142,093
Earnings per share:						
Basic	$ 3.09					$ 1.89
Diluted	$ 3.06					$ 1.87
Weighted-average shares:						
Basic	72,099					72,099
Diluted	72,882					72,882

See accompanying notes to the pro forma statement of income.

Notes to the Pro Forma Statement of Income – Unaudited

(1) The actual statement of income included income attributable to the underlying policies that were reinsured to Citi on March 31, 2010 as well as net investment income earned on the invested assets backing the reinsurance balances and the distributions to Citi made as part of our corporate reorganization.

(2) Adjustments for the Citi reinsurance transactions.

Concurrent with the reorganization of our business and prior to completion of the IPO, we formed a new subsidiary, Prime Re, and we made an initial capital contribution to it. We also entered into a series of coinsurance agreements with Prime Re and with other Citi subsidiaries. Under these agreements, we ceded between 80% and 90% of the risks and rewards of our term life insurance policies that were in force at December 31, 2009. Concurrent with signing these agreements, we transferred the corresponding account balances in respect of the coinsured policies along with the assets to support the statutory liabilities assumed by Prime Re and the other Citi subsidiaries.

We believe that three of the Citi coinsurance agreements, which we refer to as the risk transfer agreements, satisfy U.S. GAAP risk transfer rules. Under the risk transfer agreements, we ceded between 80% and 90% of our term life future policy benefit reserves, and we transferred a corresponding amount of invested assets to the Citi reinsurers. These transactions did not and will not impact our future policy benefit reserves, and we recorded an asset for the same amount of risk transferred in due from reinsurers. We also reduced deferred acquisition costs by between 80% and 90%, which will reduce future amortization expenses. In addition, we will transfer between 80% and 90% of all future premiums and benefits and claims associated with these policies to the corresponding reinsurance entities. We will receive ongoing ceding allowances as a reduction to insurance expenses to cover policy and claims administration expenses under each of these reinsurance contracts. One coinsurance agreement, which we refer to as the deposit agreement, relates to a 10% reinsurance transaction that includes an experience refund provision and does not satisfy U.S. GAAP risk transfer rules. We account for this contract under the deposit method. Under deposit method accounting, the amount we pay to the reinsurer will be treated as a deposit and is reported on the balance sheet as an asset in other assets. The Citi coinsurance agreements did not generate any deferred gain or loss upon their execution because these transactions were part of a business reorganization among entities under common control. The net impact of these transactions was reflected as an increase in paid-in capital. Prior to the completion of the IPO, we effected a reorganization in which we transferred all of the issued and outstanding capital stock of Prime Re to Citi. Each of the assets and liabilities, including the invested assets and the distribution of Prime Re, was transferred at book value with no gain or loss recorded on our income statement.

For the year ended December 31, 2010, the pro forma statement of income assumes the reinsurance transactions were effected as of January 1, 2010 for policies in force as of year-end 2009.

(A) Reflects premiums ceded to the Citi reinsurers for the specific policies covered under the risk transfer agreements.

(B) Reflects net investment income on a pro-rata share of invested assets transferred to the Citi reinsurers. The net investment income was estimated by multiplying the actual investment income by the ratio of the amount of assets transferred to our total portfolio of invested assets. The amount also includes the change in fair value of the deposit asset related to the 10% reinsurance agreement being accounted for under the deposit method.

(C) Reflects benefits and claims ceded to the Citi reinsurers for the specific policies covered under the risk transfer agreements.

(D) Reflects the DAC amortization ceded to the Citi reinsurers for the specific policies covered under the risk transfer agreements.

(E) Reflects the non-deferred expense allowance received from the Citi reinsurers under the risk transfer agreements.

(F) Reflects a finance charge payable to the Citi reinsurer in respect of the deposit agreement. The annual finance charge is 3% of our excess reserves. Excess reserves are equal to the difference between our required statutory reserves and our economic reserves, which is the amount we determine is necessary to satisfy obligations under our in-force policies.

(G) Reflects income tax at the respective period’s effective tax rate.

(3) Adjustments for the reorganization and other concurrent transactions.

The pro forma statement of income for the year ended December 31, 2010 assumes the reorganization transactions were executed as of January 1, 2010.

(H) Reflects a pro-rata reduction of net investment income on assets distributed to Citi as an extraordinary distribution.

(I) Reflects interest expense on a $300.0 million, 5.5% interest note payable issued to Citi.

(J) Reflects expense associated with equity awards granted on April 1, 2010 in connection with the IPO. The $3.1 million expense reflects one quarter of vesting related to management awards that continue to vest over three years. These expenses are reflected in actual results for periods following the IPO.

For more detailed commentary on the drivers of our revenues and expenses, see the discussion of results of operations by segment below.

Term Life Insurance Segment Actual Results. We entered into the Citi reinsurance and reorganization transactions, which are described more fully in Notes 2 and 3 to our pro forma statement of income above, during March and April of 2010. As such, actual results for the year ended December 31, 2010 include approximately three months of operations that do not reflect the Citi reinsurance and reorganization transactions, and actual results for the year ended December 31, 2009 do not reflect the effects of the Citi reinsurance and reorganization transactions. Term Life Insurance segment actual results were as follows:

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in thousands)			
Revenues:				
Direct premiums	$ 2,100,709	$ 2,030,988	$ 69,721	3 %
Ceded premiums	(1,436,041)	(596,791)	(839,250)	141 %
Net premiums	664,668	1,434,197	(769,529)	(54)%
Allocated net investment income	110,633	274,212	(163,579)	(60)%
Other, net	33,267	33,656	(389)	(1)%
Total revenues	808,568	1,742,065	(933,497)	(54)%
Benefits and expenses:				
Benefits and claims	277,653	559,038	(281,385)	(50)%
Amortization of DAC	137,009	343,514	(206,505)	(60)%
Insurance commissions	30,566	33,048	(2,482)	(8)%
Insurance expenses	93,360	165,347	(71,987)	(44)%
Interest expense	8,497	—	8,497	*
Total benefits and expenses	547,085	1,100,947	(553,862)	(50)%
Income before income taxes	$ 261,483	$ 641,118	$ (379,635)	(59)%

* Not meaningful

We believe that the pro forma results presented below provide meaningful additional information necessary to evaluate our segment financial results.

Term Life Insurance Segment Pro Forma Results. Term Life Insurance segment pro forma results give effect to the Citi reinsurance and reorganization transactions, which are described more fully in Notes 2 and 3 to our pro forma statement of income. On a pro forma basis, Term Life Insurance segment results were as follows:

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in thousands)			
Revenues:				
Direct premiums	$ 2,100,709	$ 2,030,988	$ 69,721	3 %
Ceded premiums	(1,732,369)	(1,680,827)	(51,542)	3 %
Net premiums	368,340	350,161	18,179	5 %
Allocated net investment income	62,294	68,303	(6,009)	(9)%
Other, net	33,267	33,656	(389)	(1)%
Total revenues	463,901	452,120	11,781	3 %
Benefits and expenses:				
Benefits and claims	149,449	135,052	14,397	11 %
Amortization of DAC	71,455	83,260	(11,805)	(14)%
Insurance commissions	28,897	27,524	1,373	5 %
Insurance expenses	67,277	68,733	(1,456)	(2)%
Interest expense	11,309	10,993	316	3 %
Total benefits and expenses	328,387	325,562	2,825	*
Income before income taxes	$ 135,514	$ 126,558	$ 8,956	7 %

* Less than 1%

Direct premiums for 2010 increased mainly due to improved persistency, a stronger Canadian dollar and premium increases for policies reaching the end of their initial level premium period, partially offset by the decline in the sales volume. Ceded premiums, which are highly influenced by the business reinsured with Citi, grew consistent with direct premiums.

Additionally, in 2010, we reduced ceded premiums by approximately $13.1 million related to agreements obtained with certain reinsurers to recover ceded premiums for post-issue underwriting class upgrades. The most common reason for such an upgrade occurs when someone who was originally issued a term life policy as a tobacco user subsequently quits using tobacco. Historically, we have reduced policyholder premiums for such upgrades, but have not reduced ceded premiums to reflect the new underwriting class. We were uncertain of our ability to recover past ceded premiums, but in the fourth quarter of 2010, we approached our reinsurers and reached agreements to recover certain of these past ceded premiums. The $13.1 million of recoveries recognized in 2010 reflects the agreements signed in the fourth quarter of 2010. We recovered $18.8 million of past ceded premiums, which included $5.7 million of recoveries passed on to the Citi reinsurers in accordance with the terms of the associated reinsurance agreements. We received approximately $8.7 million of additional recoveries in the first quarter of 2011 for the remaining agreements which were signed in January 2011.

Allocated net investment income decreased during 2010, primarily due to lower yield on invested assets and slightly lower average allocated invested assets, partially offset by lower investment-related expenses.

The increase in benefits and claims in 2010 was primarily due to higher reserve increases as a result of improvements in policy persistency and premium growth. Claims were slightly higher during 2010 due to favorable claims experience in the first quarter of 2009.

In 2010, amortization of DAC decreased largely due to improved policy persistency, partially offset by higher amortization from a lower DAC interest rate assumed for new business. We lowered the interest rate assumption during the third quarter of 2010 to reflect rates available in the current interest rate environment. The new lower DAC interest rate assumption will increase DAC amortization in the near term.

The increase in insurance commissions expense in 2010 primarily reflects the effect of certain sales force incentive programs that were introduced in 2010 which were largely nondeferrable, partially offset by the impact of an $8.2 million special sales force payment made in 2009.

Insurance expenses were relatively flat primarily reflecting the offsetting effects of a decline in compensation-related items in 2010; the impact of convention-related expenses and accruals; a decline in underwriting expenses as a result of lower 2010 sales; and an increase in taxes, licenses and fees expense in 2010. The increase in taxes, licenses and fees in 2010 was primarily driven by accruals recognized in the fourth quarter as a result of recognizing these items on the accrual basis of accounting.

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

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in millions)			
Face amount in force, beginning of period	$ 650,195	$ 633,467	$ 16,728	3 %
Issued face amount	74,401	80,497	(6,096)	(8)%
Terminations	(70,964)	(74,642)	3,678	(5)%
Foreign currency	3,158	10,873	(7,715)	(71)%
Face amount in force, end of period (1)	$ 656,791	$ 650,195	$ 6,596	1 %

(1) Totals may not add due to rounding.

The in-force book increased $6.60 billion, or 1%, during 2010. Issued face amount decreased $6.10 billion, or approximately 8%, due to a lower average issued policy size and the effect on production of a slightly smaller base of sales representatives. Terminations decreased by $3.68 billion in 2010, primarily as a result of improved persistency relative to 2009. The decrease in the effect of foreign currency on the end-of-period face amount in force was largely due to the significant strengthening in the Canadian dollar experienced during 2009. The increase in face in force in 2010 did not keep pace with the increase in premiums primarily due to the effect of increased premiums with no corresponding change in face amount and unchanged face amounts on policies reaching the end of their initial level premium period.

Investments and Savings Products Segment Actual Results. The Transactions had no impact on the Investments and Savings Products segment. On an actual basis, Investments and Savings Products segment results were as follows:

	Year ended December 31, 2010	Year ended December 31, 2009	Change $	Change %
	(Dollars in thousands)			
Revenues:				
Commissions and fees:				
Sales-based revenues	$ 142,606	$ 118,798	$ 23,808	20 %
Asset-based revenues	167,473	127,581	39,892	31 %
Account-based revenues	41,690	43,247	(1,557)	(4)%
Other, net	10,038	10,514	(476)	(5)%
Total revenues	361,807	300,140	61,667	21 %
Expenses:				
Amortization of DAC	9,330	7,254	2,076	29 %
Insurance commissions	7,854	6,831	1,023	15 %
Sales commissions:				
Sales-based	101,022	86,912	14,110	16 %
Asset-based	58,129	42,003	16,126	38 %
Other operating expenses	71,942	63,736	8,206	13 %
Total expenses	248,277	206,736	41,541	20 %
Income before income taxes	$ 113,530	$ 93,404	$ 20,126	22 %

Supplemental information on the underlying metrics that drove results was as follows:

	Year ended December 31, 2010	Year ended December 31, 2009	Change $	Change %
	(Dollars in millions and accounts in thousands)			
Revenue Metric:				
Product sales	$ 3,623.6	$ 3,006.6	$ 617.0	21 %
Average of aggregate client account values	$ 31,908	$ 26,845	$ 5,063	19 %
Average number of fee-generating accounts	2,728	2,838	(110)	(4)%

Commissions and fees revenue increased in 2010 primarily as a result of improving economic and market trends and client demand. Sales-based commission revenues primarily grew as a result of demand, while asset-based commission revenues were driven by demand and improved equity valuations. As a result, sales-based and asset-based commission expense grew as well. Asset-based revenues and commission expense in 2010 also reflect the impact of accruing certain items that had previously been accounted for on a cash basis. Excluding the impact of these cash-to-accrual adjustments, asset-based revenues and commissions would have increased 22%, consistent with the 19% growth in aggregate client account values.

Amortization of DAC and insurance commissions increased in 2010 consistent with the growth in our segregated funds business. Additionally, increases in client account values driven by improving market conditions accelerated amortization of DAC in 2010.

Other operating expenses increased in 2010, largely due to higher administrative costs as a result of growth in the business.

Changes in asset values in client accounts were as follows:

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in millions)			
Asset values, beginning of period	$ 31,303	$ 24,677	$ 6,626	27 %
Inflows	3,624	3,007	617	21 %
Redemptions	(3,691)	(2,997)	(694)	23 %
Change in market value, net and other	3,633	6,617	(2,984)	(45)%
Asset values, end of period (1)	$ 34,869	$ 31,303	$ 3,565	11 %

(1) Totals may not add due to rounding.

Inflows increased consistent with the increase in sales volume. The amount of redemptions also increased reflecting the year-over-year increase in assets under management. Actual redemption rates were level as a percent of average assets under management for both 2010 and 2009. The market return on assets under management in 2010 and 2009 reflected general market value trends.

Corporate and Other Distributed Products Segment Actual Results **.** We entered into the reorganization transactions, which are described more fully in Note 3 to our pro forma statement of income, during March and April of 2010. As such, actual results for the year ended December 31, 2010 include approximately three months of operations that do not reflect the reorganization transactions, while actual results for the year ended December 31, 2009 do not reflect the effects of the reorganization transactions. Corporate and Other Distributed Products segment actual results were as follows:

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in thousands)			
Revenues:				
Direct premiums	$ 80,365	$ 81,793	$ (1,428)	(2)%
Ceded premiums	(14,325)	(13,963)	(362)	3 %
Net premiums	66,040	67,830	(1,790)	(3)%
Commissions and fees	31,172	46,360	(15,188)	(33)%
Allocated net investment income	54,477	77,114	(22,637)	(29)%
Realized investment gains (losses), including OTTI	34,146	(21,970)	56,116	*
Other, net	5,653	8,862	(3,209)	(36)%
Total revenues	191,488	178,196	13,292	7 %
Benefits and expenses:				
Benefits and claims	40,052	41,235	(1,183)	(3)%
Amortization of DAC	1,502	1,489	13	*
Sales commissions	20,903	33,841	(12,938)	(38)%
Insurance expenses	11,770	14,245	(2,475)	(17)%
Insurance commissions	9,762	10,871	(1,109)	(10)%
Interest expense	12,375	—	12,375	*
Other operating expenses	108,668	69,242	39,426	57 %
Total benefits and expenses	205,032	170,923	34,109	20 %
(Loss) income before income taxes	$ (13,544)	$ 7,273	$ (20,817)	*

* Less than 1% or not meaningful

We believe that the pro forma results presented below provide meaningful additional information necessary to evaluate our segment financial results.

Corporate and Other Distributed Products Segment Pro Forma Results. Corporate and Other Distributed Products segment pro forma results give effect to the reorganization transactions, which are described more fully in Note 3 to our pro forma statement of income. On a pro forma basis, Corporate and Other Distributed Products segment results were as follows:

	Year ended December 31,		Change	
	2010	2009	$	%
	(Dollars in thousands)			
Revenues:				
Direct premiums	$ 80,365	$ 81,793	$ (1,428)	(2)%
Ceded premiums	(14,325)	(13,963)	(362)	3 %
Net premiums	66,040	67,830	(1,790)	(3)%
Commissions and fees	31,172	46,360	(15,188)	(33)%
Allocated net investment income	48,081	50,043	(1,962)	(4)%
Realized investment (losses) gains, including OTTI	34,146	(21,970)	56,116	*
Other, net	5,653	8,862	(3,209)	(36)%
Total revenues	185,092	151,125	33,967	22 %
Benefits and expenses:				
Benefits and claims	40,052	41,235	(1,183)	(3)%
Amortization of DAC	1,502	1,489	13	*
Sales commissions	20,903	33,841	(12,938)	(38)%
Insurance expenses	11,770	14,245	(2,475)	(17)%
Insurance commissions	9,762	10,871	(1,109)	(10)%
Interest expense	16,500	16,500	—	*
Other operating expenses	111,744	104,012	7,732	7 %
Total benefits and expenses	212,233	222,193	(9,960)	(4)%
Loss before income taxes	$ (27,141)	$ (71,068)	$ 43,927	(62)%

* Less than 1% or not meaningful

Total revenues increased in 2010 primarily as a result of recognizing realized investment gains in 2010 versus impairment losses in 2009. This growth was partially offset by lower commissions and fees as a result of the continuing decline in our lending business. The increase in total revenues was also partially offset by lower net investment income and a decline in our print business as reflected in other, net. Realized investment gains (losses) included $12.2 million of OTTI in 2010, compared with $61.4 million of OTTI in 2009.

Total benefits and expenses were lower in 2010 primarily as a result of lower sales commissions partially offset by an increase in other operating expenses. Sales commissions expense was lower in 2010 consistent with the decline in commissions and fees revenue noted above. Other operating expenses increased primarily as a result of public company and IPO-related expenses incurred in 2010.

For additional segment information, see Note 2 to our consolidated and combined financial statements.

Financial Condition

Investments. 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 adviser to manage our investing activities. Our investment adviser reports to our investment committee.

We follow a conservative investment strategy designed to emphasize the preservation of our invested assets and provide adequate liquidity. In an effort to meet business needs and mitigate risks, our investment guidelines provide restrictions on our portfolio's composition, including limits on asset type, sector limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types. We may also direct our investment managers to invest some of our invested asset portfolio in currencies other than the U.S. dollar. For example, a portion of our portfolio is invested in assets denominated in Canadian dollars which, at minimum, would equal our reserves for policies denominated in Canadian dollars. Additionally, to help 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.

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 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 could result in significant losses, realized or unrealized, in the value of our invested asset portfolio. Additionally, with respect to some of our investments, we are subject to prepayment and, therefore, reinvestment risk.

In November 2011, we executed an agreement with Citi to repurchase approximately 8.9 million shares of our common stock for a total purchase price of approximately $200.0 million (the "repurchase transaction"). The repurchase transaction, which was funded with the proceeds from a dividend paid by Primerica Life, was completed in November 2011. The dividend from Primerica Life to the Parent Company was funded through sales of investments and available cash. The changes to asset mix, duration and overall credit quality of our invested asset portfolio were not meaningful. However, with the reduction in our consolidated cash and invested assets as a result of the repurchase transaction, we expect net investment income to decline. Our average book yield at December 31, 2011 increased modestly, as the investments sold to fund the dividend generally had yields that were lower than the average book yield on the pre-dividend invested assets portfolio.

Details on asset mix were as follows:

	December 31, 2011		December 31, 2010	
	Fair value	Amortized Cost	Fair value	Amortized Cost
U.S. government and agencies	1%	1%	1%	1%
Foreign government	5%	5%	4%	4%
States and political subdivisions	1%	1%	1%	1%
Corporates	64%	63%	62%	61%
Mortgage- and asset-backed securities	21%	21%	24%	25%
Equity securities	1%	1%	1%	1%
Trading securities	1%	1%	1%	1%
Cash and cash equivalents	6%	7%	6%	6%
Total	100%	100%	100%	100%

The composition and duration of our portfolio will vary depending on several factors, including the yield curve and our opinion of the relative value among various asset classes. The year-end average rating, duration and book yield of our fixed-maturity portfolio were as follows:

	December 31,	
	2011	2010
Average rating of our fixed-maturity portfolio	A	A
Average duration of our fixed-maturity portfolio	3.5 years	3.6 years
Average book yield of our fixed-maturity portfolio	5.52%	5.48%

The distribution by rating of our investments in fixed-maturity securities follows.

	December 31, 2011		December 31, 2010	
	Amortized cost	%	Amortized cost	%
	(Dollars in thousands)			
AAA	$ 428,748	24%	$ 521,615	27%
AA	150,894	8%	176,947	9%
A	431,175	24%	426,658	22%
BBB	683,818	38%	694,884	36%
Below investment grade	125,594	7%	130,080	7%
Not rated	770	*	2,340	*
Total (1)	$ 1,820,999	100%	$ 1,952,524	100%

* Less than 1%
(1) Totals may not add due to rounding.

The ten largest issuers in our invested asset portfolio were as follows:

	December 31, 2011			
Issuer	Cost or amortized cost	Fair value	Unrealized gain (loss)	Credit rating
	(Dollars in thousands)			
Government of Canada	$ 35,374	$ 38,890	$ 3,516	AAA
National Rural Utilities Cooperative	10,570	13,719	3,149	A+
Verizon Communications Inc	11,493	13,161	1,668	A-
Bank of America Corp	12,720	12,844	124	A-
ProLogis Inc	11,745	12,354	609	BBB-
General Electric Co	10,236	11,468	1,232	AA+
Province of Ontario Canada	8,466	10,570	2,104	AA-
ConocoPhillips	8,827	10,369	1,542	A
Edison International	9,790	9,936	146	B+
Enel SpA	10,544	9,734	(810)	A-
Total – ten largest issuers	$ 129,765	$ 143,045	$ 13,280	
Total – fixed-maturity and equity securities	$ 1,832,688	$ 1,985,868		
Percent of total fixed-maturity and equity securities	7%	7%		

For additional information on our invested asset portfolio, see Notes 3 and 4 to our consolidated and combined financial statements.

Other Significant Assets and Liabilities. The balances of and changes in other significant assets and liabilities were as follows:

	December 31,		Change	
	2011	2010	$	%
	(Dollars in thousands)			
Due from reinsurers	$ 3,855,318	$ 3,731,002	$ 124,316	3 %
Deferred policy acquisition costs, net	904,485	738,946	165,539	22 %
Future policy benefits	(4,614,860)	(4,409,183)	(205,677)	5 %
Current income tax payable	(33,177)	(43,224)	10,047	(23)%
Deferred income taxes	(48,139)	(53,702)	5,563	(10)%

Due from reinsurers. Due from reinsurers reflects future policy benefit reserves due from third-party reinsurers, including the Citi reinsurers. Such amounts are reported as due from reinsurers rather than offsetting future policy benefits. The increase in due from reinsurers was largely driven by growth in our New Term business partially offset by the run-off in the block of business ceded to Citi.

Deferred policy acquisition costs, net. The increase in DAC was primarily a result of growth in commissions and expenses deferred as a result of new business.

Future policy benefits. The increase in future policy benefits was primarily a result of the aging of and growth in our in-force book of business.

Current income tax payable and deferred income taxes. Our 2011 effective tax rate was relatively flat compared with 2010. As such, current income tax payable declined largely due to the decrease in earnings subsequent to our corporate reorganization.

For additional information, see the notes to our consolidated and combined financial statements.

Off-balance sheet arrangements. We have no off-balance sheet arrangements, as defined in the rules and regulations of the SEC, that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

Liquidity and Capital Resources

Dividends and other payments to us from our subsidiaries are our principal sources of cash. The primary uses of funds by the Parent Company include the payment of general operating expenses, the payment of dividends and the payment of principal and interest to Citi under the Citi note.

The liquidity requirements of our subsidiaries principally relate to the liabilities associated with their distribution and underwriting of insurance products (including the payment of claims), distribution of investment and savings products, operating expenses, income taxes and the payment of dividends. Historically, our insurance subsidiaries have used cash flow from operations associated with our in-force book of term life insurance to fund their liquidity requirements. Our insurance subsidiaries' principal cash inflows from operating activities are derived from policyholder premiums and investment income earned on invested assets that support our statutory capital and reserves. We also derive cash inflows from the distribution of investment and savings products and other products. Our principal outflows relate to payments for ceded premiums and benefits and claims. The principal cash inflows from investment activities result from repayments of principal and investment income, while the principal outflows relate to purchases of fixed-maturity securities. We typically hold cash sufficient to fund operating flows, and invest any excess cash.

Our distribution and underwriting of term life insurance place significant demands on our liquidity, particularly when we experience growth. We pay a substantial majority of the sales commission during the first year following the sale of a policy. Our underwriting activities also require significant cash outflows at the inception of a policy's term. Following and as a result of the Citi reinsurance transactions (without giving effect to any other factors), the cash flows from our retained in-force book of term life insurance policies were significantly lower. This has reduced our operating cash flows for the near to intermediate term; however, we anticipate that cash flows from our businesses, including our existing block of policies and our investment and savings products, will continue to provide us with sufficient liquidity to meet our operating requirements. Over the next few years, we expect our growing premium revenue base from policies issued after the Citi reinsurance transactions to increase operating cash flows.

Significant Transactions. In April 2011, we filed a shelf registration statement with the SEC that enables us to offer and sell to the public our equity and debt securities from time to time as we may determine and enables certain of our significant stockholders to resell our shares of common stock held by them. Specific information regarding the terms and securities which may be offered pursuant to this registration statement will be provided at the time of such offering. Net proceeds of any offering of securities by us pursuant to this registration statement may be used for working capital and other general corporate purposes, which may include the repayment or refinancing of outstanding indebtedness or repurchases of shares of our outstanding common stock. Pursuant to this registration statement, Citi sold an aggregate of approximately 20.1 million shares of our common stock in the open market in April and December 2011, which significantly increased the public float of our common stock.

In October 2011, we received notification that the Massachusetts DOI had approved Primerica Life's request to pay a $200.0 million cash dividend to the Parent Company. The dividend was paid in November 2011 and funded via sales of invested assets and available cash.

In November 2011, we repurchased approximately 8.9 million shares of our common stock at a price of $22.42 per share, for a total purchase price of approximately $200.0 million. The per-share purchase price was determined based on the volume-weighted average price per share of Primerica common stock during the seven-day period prior to execution of the repurchase agreement. We funded the repurchase transaction with the funds from Primerica Life's dividend to the Parent Company.

We may seek to enhance our liquidity position or capital structure through borrowings from third-party sources, sales of debt or equity securities, reserve financing or some combination of these sources. The Model Regulation entitled Valuation of Life Insurance Policies, commonly known as Regulation XXX, requires insurers to carry statutory reserves for term life insurance policies with long-term premium guarantees which are often significantly in excess of the reserves that insurers deem necessary to satisfy claim obligations. Accordingly, many insurance companies have sought ways to reduce their capital needs by financing these excess reserves through bank financing, reinsurance arrangements and other financing transactions. We have completed a substantial amount of the work necessary to execute a XXX redundant reserve financing that could generate statutory capital for distribution to the Parent Company.

We are continuing to work on a XXX redundant reserve financing transaction and to evaluate how other capital options may fit into our capital strategy. As a result, no assurance is given as to whether such a transaction will be executed and, if executed, the structure, timing, and amount of any such transaction.

Cash Flows. Cash flows from operating activities are affected primarily by the timing of premiums received, commissions and fees received, benefits paid, commissions paid to sales representatives, administrative and selling expenses, investment income, and cash taxes. Our principal source of cash historically has been premiums received on term life insurance policies in force.

We typically generate positive cash flows from operating activities, as premiums, net investment income, commissions and fees collected from our insurance and investment and savings products exceed benefits, commissions and operating expenses paid, and we invest the excess. The components of the changes in cash and cash equivalents were as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Net cash provided by operating activities	$ 87,971	$ 40,856	$ 715,596
Net cash provided by (used in) investing activities	128,699	739,574	(357,855)
Net cash used in financing activities	(207,312)	(1,289,893)	(56,427)
Effect of foreign exchange rate changes on cash	682	32,979	(1,146)
Change in cash and cash equivalents	$ 10,040	$ (476,484)	$ 300,168

<u>Operating activities.</u> Net cash provided by operating activities was higher in 2011 largely due to higher 2010 income tax payments and other intercompany settlements paid to Citi in 2010 in connection with the Transactions. The effect of these 2010 items were partially offset by lower net investment income in 2011, primarily as a result of the Transactions. Net cash provided by operating activities for 2011 also reflects approximately $3.6 million of net purchases of trading securities by our broker-dealer subsidiary, compared with approximately $6.0 million of net sales and maturities in 2010.

The decrease in cash provided by operating activities for 2010, compared with 2009 was primarily the result of lower net cash flows on our term life insurance business and lower net investment income, both of which were substantially impacted by the Citi reinsurance transactions and our corporate reorganization. Additionally, there was an increase in income taxes paid in connection with the Citi reinsurance transactions. These cash outflows were partially offset by an increase in cash provided by our investment and savings products due to improved sales and higher values of client accounts on which we earn fees.

<u>Investing activities.</u> The decline in cash provided by investing activities in 2011 primarily reflects the impact of securities sales during the first quarter of 2010 as we increased our cash position to fund distributions to Citi in connection with the Transactions.

The increase in cash provided by investing activities for 2010, compared with 2009 was primarily the result of significant securities sales activity and lower securities purchases as we increased our cash position in anticipation of the Transactions.

<u>Financing activities.</u> The decrease in net cash used in financing activities in 2011 was primarily due to the impact of the 2010 distributions paid to Citi in connection with the Transactions as well as the first quarter of 2010 payment of

the 2009 dividend declared to Citi. Net cash used in financing activities in 2011 also reflects the repurchase of our common stock from Citi in November 2011.

The increase in cash used in financing activities for 2010, compared with 2009 represents the cash payment of dividends paid to Citi as part of the Transactions, the cash portion of the Citi dividend declared in December 2009 and paid in January 2010, and the dividends to stockholders declared and paid in the third and fourth quarters of 2010.

Citi Note. In April 2010, we issued the $300.0 million Citi note as part of our corporate reorganization. Prior to the issuance of the Citi note, we had no outstanding debt. The Citi note bears interest at an annual rate of 5.5%, payable semi-annually in arrears on January 15 and July 15, and matures March 31, 2015.

We have the option to redeem the Citi note in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest to the date of redemption. The terms of the Citi note also require us to use our commercially reasonable efforts to arrange and consummate an offering of investment-grade debt securities, trust preferred securities, surplus notes, hybrid securities or convertible debt that generates sufficient net cash proceeds to repay the Citi note in full at certain mutually agreeable dates, based on certain conditions.

We were in compliance with all of the covenants of the Citi note at December 31, 2011. No events of default or defaults occurred during the year ended December 31, 2011.

We calculate our debt-to-capital ratio by dividing total long-term debt by the sum of stockholders' equity and total long-term debt. As of December 31, 2011, our debt-to-capital ratio was 18.4%.

Rating Agencies. As of December 31, 2011, the Parent Company's investment grade credit ratings for the senior unsecured debt, which it may elect to offer pursuant to its existing shelf registration statement at some time in the future, were as follows:

Agency	Senior debt rating
Moody's	Baa2, stable outlook
Standard & Poor's	A-, stable outlook
A.M. Best Company	a-, stable outlook

As of December 31, 2011, Primerica Life's financial strength ratings were as follows:

Agency	Financial strength rating
Moody's	A2, stable outlook
Standard & Poor's	AA-, stable outlook
A.M. Best Company	A+, stable outlook
Fitch	A+, stable outlook

Risk-Based Capital. The 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 reserve items. The formula is an early warning tool to identify possible weakly capitalized companies for purposes of initiating further regulatory action.

As of December 31, 2011, our U.S. life insurance subsidiaries had statutory capital substantially in excess of the applicable statutory requirements to support existing operations and to fund future growth. Following the November 2011 $200.0 million dividend from Primerica Life to the Parent Company, Primerica Life's RBC ratio remained well positioned to support existing operations and fund future growth.

In Canada, an insurer's minimum capital requirement is overseen by OSFI and determined as the sum of the capital requirements for five categories of risk: asset default risk; mortality/morbidity/lapse risks; changes in interest rate environment risk; segregated funds risk and foreign exchange risk. As of December 31, 2011, Primerica Life Canada was in compliance with Canada's minimum capital requirements as determined by OSFI.

Securities Lending. We participate in securities lending transactions with brokers to increase investment income with minimal risk. See Notes 1 and 3 to our consolidated and combined financial statements for additional information.

Short-term Borrowings. We had no short-term borrowings as of or during the year ended December 31, 2011.

Contractual Obligations. Our contractual obligations, including payments due by period, were as follows:

	December 31, 2011					
	Total Liability	Total Payments	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In millions)					
Future policy benefits	$ 4,615	$ 16,624	$ 1,014	$ 1,991	$ 1,956	$ 11,663
Policy claims and other benefits payable	242	242	242	—	—	—
Other policyholder funds	341	341	341	—	—	—
Citi note	300	359	17	34	308	—
Commissions	18	255	114	41	33	67
Purchase obligations	5	29	17	11	1	—
Operating lease obligations	n/a	93	7	13	12	61
Current income tax payable	33	33	33	—	—	—
Total contractual obligations	$ 5,554	$ 17,976	$ 1,785	$ 2,090	$ 2,310	$ 11,791

Our liability for future policy benefits represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected. Net premiums represent the portion of gross premiums required to provide for all benefits and associated expenses. These benefit payments are contingent on policyholders continuing to renew their policies and make their premium payments. Our contractual obligations table discloses the impact of benefit payments that will be due assuming the underlying policy renewals and premium payments continue as expected in our actuarial models. The future policy benefits represented in the table are presented on an undiscounted basis, gross of any amounts recoverable through reinsurance agreements and gross of any premiums to be collected. We expect to fully fund the obligations for future policy benefits from cash flows from general account invested assets and from future premiums. These estimations are based on mortality and lapse assumptions comparable with our historical experience. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results.

Policy claims and other benefits payable represents claims and benefits currently owed to policyholders.

Other policyholders' funds primarily represent claim payments left on deposit with us.

Commissions represent gross, undiscounted commissions that we expect to incur, contingent on the policyholders continuing to renew their policies and make their premium payments as noted above.

Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. These obligations consist primarily of accounts payable and certain accrued liabilities, including committed funds related to meetings and conventions for our independent sales force, plus a variety of vendor commitments funding our ongoing business operations.

Our operating lease obligations primarily relate to office and warehouse space and office equipment. In September 2011, we signed an agreement to lease a new build-to-suit facility which will replace and consolidate substantially all of our existing Duluth, Georgia-based executive and home office operations. We expect the building to be complete and ready for occupancy in the second quarter of 2013. The initial lease term will be 15 years with estimated minimum annual rental payments ranging from approximately $4.5 million at inception to approximately $5.6 million in year 15. The leases covering our existing Duluth, Georgia-based executive and home office operations will terminate in the second quarter of 2013. As such, we do not expect a material increase in our operating lease expenditures, however the period over which we are contractually obligated for the executive and home office lease will extend to 2028.

For additional information concerning our commitments and contingencies, see Note 16 to our consolidated and combined financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. Sensitivity analysis measures the impact of hypothetical changes in interest rates, foreign exchange rates and other market rates or prices on the profitability of market-sensitive financial instruments.

The following discussion about the potential effects of changes in interest rates and Canadian currency exchange rates is based on shock-tests, which model the effects of interest rate and Canadian exchange rate shifts on our financial condition and results of operations. Although we believe shock tests provide the most meaningful analysis permitted by the rules and regulations of the SEC, they are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by their inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. Although the following results of shock tests for changes in interest rates and Canadian currency exchange rates may have some limited use as benchmarks, they should not be viewed as forecasts. These disclosures also are selective in nature and address, in the case of interest rates, only the potential direct impact on our financial instruments, and in the case of Canadian currency exchange rates, the potential translation impact on net income from our Canadian subsidiaries. They do not include a variety of other potential factors that could affect our business as a result of these changes in interest rates and Canadian currency exchange rates.

Interest Rate Risk

The fair value of the fixed-maturity securities in our invested asset portfolio as of December 31, 2011 was $1.97 billion. The primary market risk for this portion of our invested asset portfolio is interest rate risk. One means of assessing the exposure of our fixed-maturity securities portfolios to interest rate changes is a duration-based analysis that measures the potential changes in market value resulting from a hypothetical change in interest rates of 100 basis points across all maturities. This model is sometimes referred to as a parallel shift in the yield curve. Under this model, with all other factors constant and assuming no offsetting change in the value of our liabilities, we estimated that such an increase in interest rates would cause the market value of our fixed-maturity securities portfolios to decline by approximately $61.6 million, or 3%, based on our actual securities positions as of December 31, 2011.

Canadian Currency Risk

We also have exposure to foreign currency exchange risk to the extent we conduct business in Canada. For the year ended December 31, 2011, 19% of our revenues from operations, excluding realized investment gains, were generated by our Canadian operations. A strong Canadian dollar relative to the U.S. dollar results in higher levels of reported revenues, expenses, net income, assets, liabilities and accumulated other comprehensive income (loss) in our U.S. dollar financial statements and a weaker Canadian dollar has the opposite effect. Historically, we have not hedged this exposure, although we may elect to do so in future periods.

One means of assessing exposure to changes in Canadian currency exchange rates is to model the effects on reported income using a sensitivity analysis. We analyzed our Canadian currency exposure for the year ended December 31, 2011. Net exposure was measured assuming a 10% decrease in Canadian currency exchange rates compared to the U.S. dollar. We estimated that such a decrease would decrease our net income before income taxes for the year ended December 31, 2011 by approximately $6.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The stockholders and board of directors of Primerica, Inc.:

We have audited the accompanying consolidated balance sheets of Primerica, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated and combined statements of income, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated and combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Primerica, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated and combined financial statements, in April 2010 the Company completed its initial public offering and a series of related transactions. Also as discussed in Note 1 to the consolidated and combined financial statements, the Company retrospectively adopted the provisions of ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* , as of January 1, 2012, and adopted the provisions of FASB Staff Position Financial Accounting Standard No. 115-2 and Financial Accounting Standard No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (included in FASB ASC Topic 320, *Investments — Debt and Equity Securities*) as of January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Primerica, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
February 28, 2012, except as to Notes 1, 2, 6, 11, 12, 13, 14 and 19 which are as of May 8, 2012

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
	(In thousands)	
Assets		
Investments:		
Fixed-maturity securities available for sale, at fair value (amortized cost: $1,811,359 in 2011 and $1,929,757 in 2010)	$ 1,959,156	$ 2,081,361
Equity securities available for sale, at fair value (cost: $21,329 in 2011 and $17,394 in 2010)	26,712	23,213
Trading securities, at fair value (cost: $9,793 in 2011 and $22,619 in 2010)	9,640	22,767
Policy loans	25,982	26,229
Other invested assets	14	14
Total investments	2,021,504	2,153,584
Cash and cash equivalents	136,078	126,038
Accrued investment income	21,579	22,328
Due from reinsurers	3,855,318	3,731,002
Deferred policy acquisition costs, net	904,485	738,946
Premiums and other receivables	163,845	168,026
Intangible assets	71,928	75,357
Other assets	268,485	307,342
Separate account assets	2,408,598	2,446,786
Total assets	$ 9,851,820	$ 9,769,409
Liabilities and Stockholders' Equity		
Liabilities:		
Future policy benefits	$ 4,614,860	$ 4,409,183
Unearned premiums	7,022	5,563
Policy claims and other benefits payable	241,754	229,895
Other policyholders' funds	340,766	357,253
Note payable	300,000	300,000
Current income tax payable	33,177	43,224
Deferred income taxes	48,139	53,702
Other liabilities	381,496	385,549
Payable under securities lending	149,358	181,726
Separate account liabilities	2,408,598	2,446,786
Commitments and contingent liabilities (see Note 16)		
Total liabilities	8,525,170	8,412,881
Stockholders' equity:		
Common stock ($.01 par value, authorized 500,000 in 2011 and 2010 and issued 64,883 shares in 2011 and 72,843 shares in 2010)	649	728
Paid-in capital	835,232	1,010,635
Retained earnings	344,104	194,225
Accumulated other comprehensive income, net of income tax:		
Unrealized foreign currency translation gains	51,248	54,893
Net unrealized investment gains (losses):		
Net unrealized investment gains not other-than-temporarily impaired	97,082	98,322
Net unrealized investment losses other-than-temporarily impaired	(1,665)	(2,275)
Total stockholders' equity	1,326,650	1,356,528
Total liabilities and stockholders' equity	$ 9,851,820	$ 9,769,409

See accompanying notes to consolidated and combined financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated and Combined Statements of Income

	Year ended December 31,		
	2011	2010	2009
	(In thousands, except per-share amounts)		
Revenues:			
Direct premiums	$ 2,229,467	$ 2,181,074	$ 2,112,781
Ceded premiums	(1,703,075)	(1,450,367)	(610,754)
Net premiums	526,392	730,707	1,502,027
Commissions and fees	412,979	382,940	335,986
Net investment income	108,601	165,111	351,326
Realized investment gains (losses), including other-than-temporary impairment losses	6,440	34,145	(21,970)
Other, net	48,681	48,960	53,032
Total revenues	1,103,093	1,361,863	2,220,401
Benefits and expenses:			
Benefits and claims	242,696	317,703	600,273
Amortization of deferred policy acquisition costs	104,034	147,841	352,257
Sales commissions	191,722	180,054	162,756
Insurance expenses	89,192	105,132	179,592
Insurance commissions	38,618	48,182	50,750
Interest expense	27,968	20,872	—
Other operating expenses	164,954	180,610	132,978
Total benefits and expenses	859,184	1,000,394	1,478,606
Income before income taxes	243,909	361,469	741,795
Income taxes	86,718	129,013	259,114
Net income	$ 157,191	$ 232,456	$ 482,681
Earnings per share:			
Basic	$ 2.11	$ 3.09 (1)	
Diluted	$ 2.08	$ 3.06 (1)	
Weighted-average shares used in computing earnings per share:			
Basic	72,283	72,099 (1)	
Diluted	73,107	72,882 (1)	

(1) Pro forma basis using weighted-average shares, including the shares issued or issuable upon lapse of restrictions following our April 1, 2010 corporate reorganization as though they had been issued and outstanding on January 1, 2010.

	2011	2010	2009
Supplemental disclosures:			
Total impairment losses	$ (2,198)	$ (12,711)	$ (74,967)
Impairment losses recognized in other comprehensive income before income taxes	183	553	13,573
Net impairment losses recognized in earnings	(2,015)	(12,158)	(61,394)
Other net realized investment gains	8,455	46,303	39,424
Realized investment gains (losses), including other-than-temporary impairment losses	$ 6,440	$ 34,145	$ (21,970)

See accompanying notes to consolidated and combined financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated and Combined Statements of Stockholders' Equity

	Year ended December 31, 2011	2010	2009
	(In thousands, except per-share amounts)		
Common stock:			
Balance, beginning of period	$ 728	$ —	$ —
Repurchase of shares held by Citi	(89)	—	—
Net issuance of common stock	10	728	—
Balance, end of period	649	728	—
Paid-in capital:			
Balance, beginning of period	1,010,635	1,124,096	1,095,062
Share-based compensation	25,335	46,094	(1,836)
Net issuance of common stock	(10)	(727)	—
Repurchase of shares held by Citi	(199,911)	—	—
Net capital contributed by Citi	1,426	295,168	30,870
Issuance of warrants to Citi	—	18,464	—
Issuance of note payable to Citi	—	(300,000)	—
Tax election under Section 338(h)(10) of the Internal Revenue Code	(2,243)	(172,460)	—
Balance, end of period	835,232	1,010,635	1,124,096
Treasury Stock:			
Balance, beginning of period	—	—	—
Treasury stock acquired	—	(75,420)	—
Treasury stock issued, at cost	—	41,056	—
Treasury stock retired	—	34,364	—
Balance, end of period	—	—	—
Retained earnings:			
Balance, beginning of period	194,225	3,473,306	3,177,254
Adoption of FSP SFAS No. 115-2 (included in ASC 320), net of income tax expense of $3,929 in 2009	—	—	7,298
Net income	157,191	232,456	482,681
Dividends ($0.10 per share in 2011 and $0.02 per share in 2010)	(7,312)	(1,502)	—
Distributions of warrants to Citi	—	(18,464)	—
Distributions to Citi	—	(3,491,571)	(193,927)
Balance, end of period	344,104	194,225	3,473,306
Accumulated other comprehensive income:			
Balance, beginning of period	150,940	169,869	(323,033)
Adoption of FSP SFAS No. 115-2 (included in ASC 320), net of income tax expense of $(3,929) in 2009	—	—	(7,298)
Change in foreign currency translation adjustment, net of income tax expense of $0 in 2011, $4,630 in 2010, and $27,125 in 2009	(3,645)	15,009	47,824
Change in net unrealized investment gains (losses) during the period, net of income taxes:			
Change in net unrealized investment gains (losses) not-other-than temporarily impaired, net of income tax expense (benefit) of $(1,785) in 2011, $(24,848) in 2010, and $245,060 in 2009	(1,240)	(47,783)	461,198
Change in net unrealized investment gains (losses) other-than-temporarily impaired, net of income tax expense (benefit) of $328 in 2011, $7,455 in 2010, and $(4,751) in 2009	610	13,845	(8,822)
Balance, end of period	146,665	150,940	169,869
Total stockholders' equity	$ 1,326,650	$ 1,356,528	$ 4,767,271

See accompanying notes to consolidated and combined financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated and Combined Statements of Comprehensive Income

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Net income	$ 157,191	$ 232,456	$ 482,681
Other comprehensive (loss) income before income taxes:			
Unrealized investment gains (losses):			
Change in unrealized gains on investment securities	3,839	114,867	663,458
Reclassification adjustment for realized investment gains (losses) included in net income	(5,926)	(33,510)	21,929
Reclassification adjustment for unrealized gains on investment securities transferred	—	(132,688)	—
Foreign currency translation adjustments:			
Change in unrealized foreign currency translation gains	(3,645)	19,639	74,949
Total other comprehensive (loss) income before income taxes	(5,732)	(31,692)	760,336
Income tax (benefit) expense related to items of other comprehensive (loss) income	(1,457)	(12,763)	267,434
Other comprehensive (loss) income, net of income taxes	(4,275)	(18,929)	492,902
Total comprehensive income	$ 152,916	$ 213,527	$ 975,583

See accompanying notes to consolidated and combined financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated and Combined Statements of Cash Flows

	Year ended December 31, 2011	2010	2009
	(In thousands)		
Cash flows from operating activities:			
Net income	$ 157,191	$ 232,456	$ 482,681
Adjustments to reconcile net income to cash provided by operating activities:			
Change in future policy benefits and other policy liabilities	85,464	71,037	148,775
Deferral of policy acquisition costs	(270,661)	(259,201)	(343,886)
Amortization of deferred policy acquisition costs	104,034	147,841	352,257
Deferred tax provision	(3,426)	19,681	(26,067)
Change in income taxes	(11,866)	(40,902)	74,991
Realized investment gains (losses), including other-than-temporary impairments	(6,440)	(34,145)	21,970
Accretion and amortization of investments	(2,818)	(1,878)	(8,226)
Depreciation and amortization	10,731	10,063	10,342
Change in due from reinsurers	(4,292)	(72,172)	(911)
Change in due to/from affiliates	—	(44,012)	55,460
Change in premiums and other receivables	3,464	(7,129)	(2,975)
Trading securities acquired (sold), net	3,597	(5,994)	(4,553)
Share-based compensation	20,470	45,616	(1,794)
Other, net	2,523	(20,405)	(42,468)
Net cash provided by operating activities	87,971	40,856	715,596
Cash flows from investing activities:			
Available-for-sale investments sold, matured or called:			
Fixed-maturity securities - sold	214,807	993,278	713,805
Fixed-maturity securities - matured or called	375,124	514,132	878,215
Equity securities	3,037	36,566	667
Available-for-sale investments acquired:			
Fixed-maturity securities	(460,459)	(787,683)	(1,945,887)
Equity securities	(144)	(7,560)	(1,115)
Change in policy loans	247	705	1,354
Purchases of furniture and equipment, net	(3,913)	(9,864)	(4,894)
Cash collateral (returned) received on loaned securities, net	(32,368)	(328,375)	156,207
Sales (purchases) of short-term investments using securities lending collateral, net	32,368	328,375	(156,207)
Net cash provided by (used in) investing activities	128,699	739,574	(357,855)
Cash flows from financing activities:			
Repurchase of shares held by Citi	(200,000)	—	—
Dividends	(7,312)	(1,502)	—
Net distributions to Citi	—	(1,288,391)	(56,427)
Net cash used in financing activities	(207,312)	(1,289,893)	(56,427)
Effect of foreign exchange rate changes on cash	682	32,979	(1,146)
Change in cash and cash equivalents	10,040	(476,484)	300,168
Cash and cash equivalents, beginning of period	126,038	602,522	302,354
Cash and cash equivalents, end of period	$ 136,078	$ 126,038	$ 602,522
Supplemental disclosures of cash flow information:			
Income taxes paid	$ 96,305	$ 260,275	$ 220,988
Interest paid	27,555	13,695	639
Impairment losses included in realized investment gains (losses), including other-than-temporary impairments	2,015	12,158	61,394
Non-cash activities:			
Share-based compensation	$ 29,445	$ 46,094	$ (1,836)
Net contributions from (distributions to) Citi	1,426	(1,908,012)	42,370

See accompanying notes to consolidated and combined financial statements.

(1) Summary of Significant Accounting Policies

Description of Business. Primerica, Inc. (the Parent Company) together with its subsidiaries (collectively, we or the Company) is a leading distributor of financial products to middle income households in the United States and Canada. We assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. Our primary subsidiaries include the following entities: Primerica Financial Services, Inc., 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 PFS Investments Inc., an investment products company and broker-dealer. Primerica Life, domiciled in Massachusetts, owns National Benefit Life Insurance Company (NBLIC), a New York life insurance company. Each of these entities was indirectly wholly owned by Citigroup Inc. (together with its non-Primerica affiliates, Citi) through March 31, 2010.

On March 31, 2010, Primerica Life, Primerica Life Canada and NBLIC entered into significant coinsurance transactions with Prime Reinsurance Company, Inc. (Prime Re) and two affiliates of Citi (collectively, the Citi reinsurers). In April 2010, Citi transferred the legal entities that comprise our business to us and we completed a series of transactions including the distribution of Prime Re to Citi and an initial public offering of our common stock by Citi pursuant to the Securities Act of 1933, as amended (the IPO).

We were incorporated in Delaware in 2009 by Citi to serve as a holding company for the life insurance and financial product distribution businesses that we have operated for more than 30 years. At such time, we issued 100 shares of common stock to Citi. These businesses, which prior to April 1, 2010 were wholly owned indirect subsidiaries of Citi, were transferred to us on April 1, 2010. In conjunction with our reorganization, we issued to a wholly owned subsidiary of Citi (i) 74,999,900 shares of our common stock (of which 24,564,000 shares of common stock were subsequently sold by Citi in the IPO; 16,412,440 shares of common stock were subsequently sold by Citi in April 2010 to certain private equity funds managed by Warburg Pincus LLC (Warburg Pincus) (the private sale); and 5,021,412 shares of common stock were immediately contributed back to us for equity awards granted to our employees and sales force leaders in connection with the IPO, (ii) warrants to purchase from us an aggregate of 4,103,110 shares of our common stock (which were subsequently transferred by Citi to Warburg Pincus pursuant to the private sale), and (iii) a $300.0 million note payable due on March 31, 2015 bearing interest at an annual rate of 5.5% (the Citi note). Prior to our corporate reorganization, we had no material assets or liabilities. Upon completion of the corporate reorganization, we became a holding company with our primary asset being the capital stock of our operating subsidiaries and our primary liability being the Citi note.

Basis of Presentation. We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB). The preparation of financial statements in conformity with 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), and liabilities for future policy benefits and unpaid policy claims. Estimates for these and other items are subject to change and are reassessed by management in accordance with GAAP. Actual results could differ from those estimates.

The accompanying consolidated and combined financial statements include the accounts of the Company and those entities required to be consolidated or combined under applicable accounting standards. All material intercompany profits, transactions, and balances among the consolidated or combined entities have been eliminated. Financial statements for 2011 and 2010 have been consolidated and include those assets, liabilities, revenues, and expenses directly attributable to the Company's operations. Financial statements for 2009 have been combined and include those assets, liabilities, revenues, and expenses directly attributable to the Company's operations. All material intercompany profits, transactions, and balances among the consolidated or combined entities have been eliminated.

Reclassifications. Certain reclassifications have been made to prior-period amounts to conform to current-period reporting classifications. Concurrent with our retrospective implementation of ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (ASU 2010-26), certain items have been reclassified among sales commissions, insurance expenses, insurance commissions, and other operating expenses. These reclassifications had no impact on net income, total stockholders' equity or income before income taxes by segment.

Foreign Currency Translation. Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars using year-end exchange rates. Revenues and expenses are translated monthly at amounts that approximate weighted-average exchange rates, with resulting gains and losses included in stockholders' equity. We may use currency swap and forward contracts to mitigate foreign currency exposures.

Investments. Investments are reported on the following bases:

- Available-for-sale fixed-maturity securities, including bonds and redeemable preferred stocks not classified as trading securities, are carried at fair value. When quoted market values are unavailable, we obtain estimates from independent pricing services or estimate fair value based upon a comparison to quoted issues of the same issuer or of other issuers with similar characteristics.

- Equity securities, including common and nonredeemable preferred stocks, are classified as available for sale and are carried at fair value. When quoted market values are unavailable, we obtain estimates from independent pricing services or estimates fair value based upon a comparison to quoted issues of the same issuer or of other issuers with similar characteristics.

- Trading securities, which primarily consist of bonds, are carried at fair value. Changes in fair value of trading securities are included in net investment income in the period in which the change occurred.

- Policy loans are carried at unpaid principal balances, which approximate fair value.

Investment transactions are recorded on a trade-date basis. We use the specific-identification method to determine the realized gains or losses from securities transactions and report the realized gains or losses in the accompanying consolidated and combined statements of income.

Unrealized gains and losses on available-for-sale securities are included as a separate component of accumulated other comprehensive income except for the credit loss components of other-than-temporary declines in fair value, which are recorded as realized losses in the accompanying consolidated and combined statements of income.

Investments are reviewed on a quarterly basis for other-than-temporary impairments (OTTI). Credit risk, interest rate risk, duration of the unrealized loss, actions taken by ratings agencies, and other factors are considered in determining whether an unrealized loss is other-than-temporary. Our consolidated and combined statements of income for the three years ended December 31, 2011 reflect the impairment on debt securities that we intend to sell or would more-likely than-not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale (AFS) debt securities that we have no intent to sell and believe that it more-likely than-not we will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the remainder is recognized in accumulated other comprehensive income (AOCI) in the accompanying consolidated and combined financial statements. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security. Any subsequent changes in fair value of the security related to non-credit factors recognized in other comprehensive income are presented as an adjustment to the amount previously presented in the net unrealized investment gains (losses) other-than-temporarily impaired category of accumulated other comprehensive income.

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 balance sheet. We also accept collateral in the form of cash, all of 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 lent securities as investment assets on our balance sheet during the terms of the loans, and we do not report them as sales.

Interest income on fixed-maturity securities is recorded when earned using the effective-yield method, which gives consideration to amortization of premiums and accretion of discounts. Dividend income on equity securities is recorded when declared. These amounts are included in net investment income in the accompanying consolidated and combined statements of income.

Included within fixed-maturity securities are loan-backed and asset-backed securities. Amortization of the premium or accretion of the discount uses the retrospective method. The effective yield used to determine amortization/accretion is calculated based on actual and historical projected future cash flows, which are obtained from a widely accepted data provider and updated quarterly.

Derivative instruments are stated at fair value based on market prices. Gains and losses arising from forward contracts are a component of realized gains and losses in the accompanying consolidated and combined statements of income. Gains and losses arising from foreign currency swaps are reflected in other comprehensive income as they effectively hedge the variability in cash flows from our investments in foreign currency-denominated debt securities.

Embedded conversion options associated with fixed-maturity securities are bifurcated from the fixed-maturity security host contracts and separately recognized as equity securities. The change in fair value of these bifurcated conversion options is reflected in realized investment gains, including OTTI losses.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, money market instruments, and all other highly liquid investments purchased with an original or remaining maturity of three months or less at the date of acquisition.

Reinsurance. We use reinsurance extensively, utilizing yearly renewable term (YRT) and coinsurance agreements. Under YRT agreements, we reinsure only the mortality risk, while under coinsurance, we reinsure a proportionate part of all risks arising under the reinsured policy. Under coinsurance, the reinsurer receives a proportionate part of the premiums, less commission allowances, and is liable for a corresponding part of all benefit payments.

All reinsurance contracts in effect for 2011 and 2010 transfer a reasonable possibility of substantial loss to the reinsurer or are accounted for under the deposit method of accounting.

Ceded premiums are treated as a reduction to direct premiums and are recognized when due to the assuming company. Ceded claims are treated as a reduction to direct benefits and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as a reduction to benefits expense and are recognized during the applicable financial reporting period.

Reinsurance premiums, commissions, expense reimbursements, benefits, and reserves related to reinsured long-duration contracts are accounted for over the life of the underlying contracts using assumptions consistent with those used to account for the underlying policies. Amounts recoverable from reinsurers, for both short- and long-duration reinsurance arrangements, are estimated in a manner consistent with the claim liabilities and policy benefits associated with reinsured policies. Ceded policy reserves and claims liabilities relating to insurance ceded are shown as due from reinsurers on the accompanying consolidated and combined balance sheets.

We analyze and monitor the credit-worthiness of each of our reinsurance partners to minimize collection issues. For reinsurance contracts with unauthorized reinsurers, we require collateral such as letters of credit.

To the extent we receive ceding allowances to cover policy and claims administration under reinsurance contracts, these allowances are treated as a reduction to insurance commissions and expenses and are recognized when due from the assuming company. To the extent we receive ceding allowances reimbursing commissions that would otherwise be deferred; the amount of commissions deferrable will be reduced. The corresponding DAC balances are reduced on a pro rata basis by the portion of the business reinsured with reinsurance agreements that meet risk transfer provisions. The reduced DAC will result in a corresponding reduction of amortization expense.

Deferred Policy Acquisition Costs (DAC). The costs of acquiring new business are deferred to the extent that they result directly from and are essential to the contract transaction(s) and would not have been incurred had the contract transaction(s) not occurred. These costs mainly include commissions and policy issue expenses. The recovery of such costs is dependent on the future profitability of the related policies, which, in turn, is dependent principally upon mortality, persistency, investment returns, and the expense of administering the business, as well as upon certain economic variables, such as inflation. Deferred policy acquisition costs are subject to recoverability testing annually and when impairment indicators exist. We make certain assumptions regarding persistency, expenses, interest rates and claims. These assumptions may not be modified, or unlocked, unless recoverability testing deems them to be inadequate. Assumptions are updated for new business to reflect the most recent experience. Deferrable insurance policy acquisition costs are amortized over the premium-paying period of the related policies in proportion to annual premium income. Acquisition costs for Canadian segregated funds are amortized over the life of the policies in relation to historical and future estimated gross profits before amortization. The gross profits and resulting DAC amortization will vary with actual fund returns, redemptions and expenses. Due to the inherent uncertainties in making assumptions about future events, materially different experience from expected results in persistency could result in a material increase or decrease of deferred acquisition cost amortization in a particular period.

Intangible Assets. Intangible assets are amortized over their estimated useful lives. Any intangible asset that was deemed to have an indefinite useful life is not amortized but is subject to an annual impairment test. An impairment exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. For the other intangible assets, which are subject to amortization, an impairment is recognized if the carrying amount is not recoverable and exceeds the fair value of the intangible asset.

Property, Plant, and Equipment. Equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Leasehold improvements are amortized over the remaining life of the lease. Computer hardware, software, and other equipment are depreciated over three to five years. Furniture is depreciated over seven years. Property, plant and equipment were as follows:

	December 31,	
	2011	2010
	(In thousands)	
Data processing equipment and software	$ 53,388	$ 55,793
Leasehold improvements	14,223	14,148
Other, principally furniture and equipment	24,120	22,437
	91,731	92,378
Accumulated depreciation	(78,794)	(76,055)
Net property, plant, and equipment	$ 12,937	$ 16,323

Depreciation expense was as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Depreciation expense	$ 7,302	$ 6,895	$ 6,803

Depreciation expense is included in other operating expenses in the accompanying consolidated and combined statements of income.

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 benefits provided vary in amount depending on the market value of the Funds' assets. 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 variable insurance assets based upon actual investment performance of the respective Funds. Separate account operating results relating to contract holders' interests are excluded from our consolidated and combined statements of income.

Primerica Life Canada's contract offerings guarantee the maturity value at the date of maturity (or upon death, whichever occurs first), to be equal to 75% of the sum of all contributions made, net of withdrawals, on a first-in first-out basis. Otherwise, the maturity value or death benefit will be the accumulated value of units allocated to the contract at the specified valuation date. The amount of this value is not guaranteed, but will fluctuate with the fair value of the Funds.

Policyholder Liabilities. Future policy benefits are accrued over the current and expected renewal periods of the contracts. Liabilities for future policy benefits on traditional life insurance products have been computed using a net level method, including assumptions as to investment yields, mortality, persistency, and other assumptions based on our experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. The underlying mortality tables are the Society of Actuaries (SOA) 65-70, SOA 75-80, SOA 85-90, and the 91 Bragg, modified to reflect various underwriting classifications and assumptions. Investment yield reserve assumptions at December 31, 2011 and 2010 range from approximately 3.5% to 7.0%. The liability for future policy benefits and claims on traditional life, health, and credit insurance products includes estimated unpaid claims that have been reported to us and claims incurred but not yet reported.
The reserves we establish are necessarily based on estimates, assumptions and our analysis of historical experience. Our results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our reserves and pricing our products. Our reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual claims or the timing of those payments.

Other Policyholders' Funds. Other policyholders' funds primarily represent claim payments left on deposit with us.

Income Taxes. We are subject to the income tax laws of the United States, its states, municipalities, and certain unincorporated territories, and those of Canada. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the applicability of these inherently complex tax laws. We also must make estimates about the future impact certain items will have on taxable income in the various tax jurisdictions, both domestic and foreign.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to (i) differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (ii) operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not applicable to the periods in which we expect the temporary difference will reverse.

During the first quarter of 2010, our federal income tax return was included as part of Citi's consolidated federal income tax return. On March 30, 2010, in anticipation of our corporate reorganization, we entered into a tax separation agreement with Citi. In accordance with the tax separation agreement, Citi will be responsible for and shall indemnify and hold the Company harmless from and against any consolidated, combined, affiliated, unitary or similar federal, state or local income tax liability with respect to the Company for any taxable period ending on or before April 7, 2010, the closing date of the IPO. After the closing date, the Company was no longer part of Citi's consolidated federal income tax return. As a result of the separation from Citi, the Company will be required to file two consolidated income tax returns for five tax years, which is expected to cover the tax years ending December 31, 2010 through December 31, 2014. Primerica Life and NBLIC will comprise one of the U.S. consolidated tax groups while the Parent Company and the remaining U.S. subsidiaries will comprise the second U.S. consolidated tax group. The method of allocation between companies is pursuant to a written agreement. Allocation is based upon separate return calculations with credit for net losses as utilized. Allocations are calculated and settled quarterly.

Premium Revenues. Traditional life insurance products consist principally of those products with fixed and guaranteed premiums and benefits, and are primarily related to term products. Premiums are recognized as revenues when due.

Commissions and Fees. We receive commission revenues from the sale of various non-life insurance products on a monthly basis. Commissions are received primarily on sales of mutual funds and annuities. We primarily receive trail commission revenues from mutual fund and annuity products on a monthly basis based on the daily net asset value of shares sold by us. We, in turn, pay certain commissions to our sales force. We also receive marketing and support fees from product originators. We also receive management fees based on the average daily net asset value of managed accounts and contracts related to separate account assets issued by Primerica Life Canada.

We earn recordkeeping fees for administrative functions that we perform on behalf of several of our mutual fund providers and custodial fees for services performed as a non-bank custodian of our clients' retirement plan accounts. These fees are recognized as income during the period in which they are earned.

We also receive record-keeping fees monthly from mutual fund accounts on our servicing platform and in turn pay a third-party provider for its servicing of certain of these accounts.

Benefits and Expenses**.** Benefit and expense items are charged to income in the period in which they are incurred. Both the change in policyholder liabilities, which is included in benefits and claims, and the amortization of deferred policy acquisition costs, will vary with policyholder persistency.

Share-Based Transactions. For employee share-based compensation, we determine a grant date fair value and recognize the related compensation expense, adjusted for expected forfeitures, in the statement of income over the vesting period of the respective awards. For non-employee share-based compensation, we recognize the impact throughout the vesting period and the fair value of the award is based on the vesting date. To the extent that a share-based award contains sale restrictions extending beyond the vesting date, we reduce the recognized fair value of the award to reflect the corresponding illiquidity discount. Certain non-employee share-based compensation awards are granted based on the successful acquisition of life insurance policies. We defer these expenses and amortize the impact over the life of the underlying life insurance policies acquired to the extent they meet GAAP deferral requirements.

Earnings Per Share (EPS). Primerica has outstanding common stock, warrants, and equity awards. Both the vested and unvested equity awards 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. These equity awards are deemed participating securities for purposes of calculating EPS.

As a result of issuing equity awards that are deemed participating securities, we calculate EPS using the two-class method. Under the two-class method, we allocate earnings to common shares and to fully vested equity awards. Earnings attributable to unvested equity awards, along with the corresponding share counts, are excluded from EPS as reflected in our consolidated statements of income.

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

We determine the potential dilutive effect of warrants on EPS using the treasury-stock method. Under this method, we utilize the exercise price to determine the amount of cash that would be available to repurchase shares if the warrants were exercised. We then use the average market price of our common shares during the reporting period to determine how many shares we could repurchase with the cash raised from the exercise. The net incremental share count issued represents the potential dilutive securities. We then reallocate earnings to common shares and fully vested equity awards incorporating the increased, fully diluted share count to determine diluted EPS.

Discontinued Operations. Primerica Financial Services Home Mortgages, Inc. (Primerica Mortgages), our U.S. loan brokering company, ceased its loan brokering activities in all states in which it held licenses effective December 31, 2011. As of January 1, 2012, Primerica Mortgages no longer accepts loan requests from U.S. clients. As the pending loan requests are processed by our lender, which we anticipate should be completed by the end of the first quarter of 2012, Primerica Mortgages is commencing the process of surrendering its state licenses and completely exiting the loan brokering business in the United States. The related financial impact is immaterial to our financial statements and will not have a material impact on our business.

New Accounting Principles

Other-Than-Temporary Impairments on Investment Securities. In April 2009, the FASB issued FSP SFAS No. 115-2 and SFAS No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (ASC 320-10/FSP SFAS 115-2), which amends the recognition guidance for OTTI of debt securities and expands the financial statement disclosures for OTTI on debt and equity securities. The Company adopted the FSP in the first quarter of 2009.

As a result of this FSP, the Company's consolidated and combined statements of income reflect the full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Company intends to sell or would more-likely than-not be required to sell before the expected recovery of the amortized cost basis. For AFS debt securities that management has no intent to sell and believes that it is more-likely than-not will not be required to be sold prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the remainder is recognized in AOCI in the accompanying consolidated and combined balance sheets. The credit loss component recognized in earnings is identified as the amount of principal and interest cash flows not expected to be received over the remaining term of the security. As a result of the adoption of the FSP, we recorded the cumulative effect of the change as an increase to the opening balance of retained earnings at January 1, 2009 of $11.2 million on a pretax basis ($7.3 million after-tax).

Accounting for Deferred Policy Acquisition Costs. In October 2010, the FASB issued ASU 2010-26. ASU 2010-26 defines deferred acquisition costs as incremental direct costs of successful contract acquisitions that result directly from and are essential to the contract transaction(s) and would not have been incurred had the contract transaction(s) not occurred. All other acquisition-related costs, including unsuccessful acquisition and renewal efforts, will be charged to expense as incurred. Administrative costs, rent, depreciation, occupancy, equipment, and all other general overhead costs are considered indirect costs and will be charged to expense as incurred. The update allows either prospective or retrospective adoption.

Effective January 1, 2012, we retrospectively adopted ASU 2010-26. The reduction to our DAC asset was approximately $146.2 million as of December 31, 2011 and approximately $114.3 as of December 31, 2010. The reduction to net income was approximately $21.1 million in 2011, approximately $25.3 million in 2010, and approximately $11.9 million in 2009. The net impact of adoption reduced stockholders' equity by approximately $96.0 million as of December 31, 2011, by approximately $75.0 million as of December 31, 2010, by approximately $176.5 million as of December 31, 2009 and by approximately $162.7 million as of January 1, 2009.

Future Application of Accounting Standards

Fair Value Measurement Amendments. In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement* (ASU 2011-04). The main provisions of ASU 2011-04 result in common fair value measurement and disclosures requirements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 changes the wording used to describe the requirements for measuring fair value and for disclosing information about fair value measurement, including requiring quantitative disclosures about the unobservable inputs used in fair value measurements. The amendments in the update are to be applied prospectively for our fiscal year beginning January 1, 2012. We do not anticipate a material impact on our financial position or results of operations as a result of this update.

Recent accounting guidance not discussed above is not applicable, is immaterial to our financial statements, or did not or will not have an impact on our business.

(2) Segment Information

We have two primary operating segments - Term Life Insurance and Investment and Savings Products. The Term Life Insurance segment includes underwriting profits on our in-force book of term life insurance policies, net of reinsurance, which are underwritten by our life insurance company subsidiaries. The Investment and Savings Products segment includes mutual funds and variable annuities distributed through licensed broker-dealer subsidiaries and includes segregated funds, an individual annuity savings product that we underwrite in Canada through Primerica Life Canada. In the United States, we distribute mutual fund and annuity products of several third-party companies. We also earn fees for account servicing on a subset of the mutual funds we distribute. In Canada, we offer a Primerica-branded fund-of-funds mutual fund product, as well as mutual funds of well known mutual fund companies. These two operating segments are managed separately because their products serve different needs - term life insurance protection versus wealth-building savings products.

We also have a Corporate and Other Distributed Products segment, which consists primarily of revenues and expenses related to the distribution of non-core products, prepaid legal services and various insurance products other than our core term life insurance products. With the exception of certain life and disability insurance products, which we underwrite, these products are distributed pursuant to arrangements with third parties.

Assets specifically related to a segment are held in that segment. We allocate invested assets to the Term Life Insurance segment based on the book value of invested assets necessary to meet statutory reserve requirements and our targeted capital objectives. Remaining invested assets and all unrealized gains and losses are allocated to the Corporate and Other Distributed Products segment. In connection with our corporate reorganization in 2010, we signed a reinsurance agreement subject to deposit accounting (the 10% Reinsurance Agreement) and have recognized the deposit asset in the Term Life Insurance segment. DAC is recognized in a particular segment based on the product to which it relates. Separate account assets supporting the segregated funds product in Canada are held in the Investment and Savings Products segment. Any remaining unallocated assets are reported in the Corporate and Other Distributed Products segment. Information regarding assets by segment follows:

	December 31,	
	2011	2010
	(In thousands)	
Assets:		
Term life insurance segment	$ 6,009,162	$ 5,642,243
Investment and savings products segment	2,591,137	2,615,916
Corporate and other distributed products segment	1,251,521	1,511,250
Total assets	$ 9,851,820	$ 9,769,409

The Investment and Savings Products segment also includes assets held in separate accounts. Excluding separate accounts, the Investment and Savings Product segment assets were as follows:

	December 31,	
	2011	2010
	(In thousands)	
Investment and savings products segment assets, excluding separate accounts	$ 183,622	$ 170,326

Although we do not view our business in terms of geographic segmentation, our Canadian businesses' percentage of total assets were as follows:

	December 31,	
	2011	2010
Canadian assets as a percent of total assets	31%	32%
Canadian assets as a percent of total assets, excluding separate accounts	9%	9%

The deposit asset recognized in connection with the 10% Reinsurance Agreement generates an effective yield, which is reported in the Term Life Insurance segment and reflected in net investment income in our statement of income. We then allocate the remaining net investment income based on the book value of the invested assets allocated to the Term Life Insurance segment compared to the book value of total invested assets.

Realized investment gains and losses are reported in the Corporate and Other Distributed Products segment. We allocate certain operating expenses associated with our sales representatives, including supervision, training and legal support, to our two primary operating segments based on the average number of licensed representatives in each segment for a given period. We also allocate technology and occupancy costs based on usage. Any remaining unallocated revenue and expense items are reported in the Corporate and Other Distributed Products segment. We measure income and loss for the segments on an income before income taxes basis.

Information regarding operations by segment follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Revenues:			
Term life insurance segment	$ 554,995	$ 808,568	$ 1,742,065
Investment and savings products segment	396,703	361,807	300,140
Corporate and other distributed products segment	151,395	191,488	178,196
Total revenues	$ 1,103,093	$ 1,361,863	$ 2,220,401
Income (loss) before income taxes:			
Term life insurance segment	$ 162,450	$ 261,483	$ 641,118
Investment and savings products segment	117,076	113,530	93,404
Corporate and other distributed products segment	(35,617)	(13,544)	7,273
Total income before income taxes	$ 243,909	$ 361,469	$ 741,795

The decline in revenues and income before income taxes primarily reflects the impact of the reinsurance and reorganization transactions executed in the first and second quarters of 2010.

Information regarding operations by country follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Revenues by country:			
United States	$ 895,067	$ 1,136,414	$ 1,922,047
Canada	208,026	225,449	298,354
Total revenues	$ 1,103,093	$ 1,361,863	$ 2,220,401
Income before income taxes by country:			
United States	$ 181,151	$ 282,492	$ 621,083
Canada	62,758	78,977	120,712
Total income before income taxes	$ 243,909	$ 361,469	$ 741,795

The contribution to results of operations by our Canadian businesses were as follows:

	Year ended December 31,		
	2011	2010	2009
Canadian revenues as a percent of total revenues	19%	17%	13%
Canadian income before income taxes as a percent of total income before income taxes	26%	22%	16%

The increase in the Canadian contribution to total revenues and total income before income taxes largely reflects the dynamic of a smaller U.S. block of business subsequent to the reinsurance transactions as well as growth in our Canadian investments and savings products business.

(3) Investments

The period-end cost or amortized cost, gross unrealized gains and losses, and fair value of fixed-maturity and equity securities follow:

	December 31, 2011			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Securities available for sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	$ 10,050	$ 935	$ —	$ 10,985
Foreign government	97,206	14,818	(179)	111,845
States and political subdivisions	28,264	2,671	—	30,935
Corporates (1)	1,250,702	111,346	(7,847)	1,354,201
Mortgage- and asset-backed securities	425,137	29,398	(3,345)	451,190
Total fixed-maturity securities	1,811,359	159,168	(11,371)	1,959,156
Equity securities	21,329	5,689	(306)	26,712
Total fixed-maturity and equity securities	$ 1,832,688	$ 164,857	$ (11,677)	$ 1,985,868

(1) Includes $2.6 million of other-than-temporary impairment losses recognized in AOCI.

	December 31, 2010			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Securities available for sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	$ 21,596	$ 667	$ (61)	$ 22,202
Foreign government	81,367	13,182	(8)	94,541
States and political subdivisions	26,758	754	(293)	27,219
Corporates (1)	1,276,906	112,821	(3,806)	1,385,921
Mortgage- and asset-backed securities	523,130	31,366	(3,018)	551,478
Total fixed-maturity securities	1,929,757	158,790	(7,186)	2,081,361
Equity securities	17,394	5,826	(7)	23,213
Total fixed-maturity and equity securities	$ 1,947,151	$ 164,616	$ (7,193)	$ 2,104,574

(1) Includes $3.5 million of other-than-temporary impairment losses recognized in AOCI.

In November 2011, we repurchased approximately $200.0 million of our common stock from Citi and funded the repurchase with the proceeds from a dividend paid by Primerica Life. The dividend from Primerica Life to the Parent Company was funded via sales of investments and available cash. The decrease in invested assets as of December 31, 2011 was primarily the result of securities sold to fund the dividend.

The net effect on stockholders' equity of unrealized gains and losses on available-for-sale securities was as follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Net unrealized investment gains including foreign currency translation adjustment and other-than-temporary impairments:		
Fixed-maturity and equity securities	$ 153,180	$ 157,423
Currency swaps	96	1,059
Less foreign currency translation adjustment	(6,481)	(9,600)
Other-than-temporary impairments	2,562	3,500
Net unrealized investment gains excluding foreign currency translation adjustment and other-than-temporary impairments	149,357	152,382
Less deferred income taxes	52,275	54,060
Net unrealized investment gains excluding foreign currency translation adjustment and other-than-temporary impairments, net of tax	$ 97,082	$ 98,322

We also maintain a portfolio of fixed-maturity securities that are classified as trading securities. The carrying value of these securities was as follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Fixed-maturity securities classified as trading, carried at fair value	$ 9,640	$ 22,767

During 2011, we transferred approximately $8.9 million of securities from the trading portfolio to the available-for-sale portfolio. Because the securities were transferred at fair value, no gain or loss was recognized.

All of our available-for-sale 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.

As required by law, the Company has investments on deposit with governmental authorities and banks for the protection of policyholders. The fair values of investments on deposit were as follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Fair value of investments on deposit with governmental authorities	$ 19,100	$ 18,984

We participate in securities lending transactions with broker-dealers and other financial institutions to increase investment income with minimal risk. Cash collateral received and reinvested was as follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Securities lending collateral	$ 149,358	$ 181,726

The scheduled maturity distribution of the available-for-sale fixed-maturity portfolio follows.

	December 31, 2011	
	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$ 129,440	$ 132,660
Due after one year through five years	622,321	663,968
Due after five years through 10 years	583,762	653,078
Due after 10 years	50,699	58,260
	1,386,222	1,507,966
Mortgage- and asset-backed securities	425,137	451,190
Total fixed-maturity securities	$ 1,811,359	$ 1,959,156

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.

Investment Income. On March 31, 2010, we transferred a significant portion of our invested asset portfolio to the Citi reinsurers in connection with our corporate reorganization. As such, comparisons of net investment income to prior years will reflect the effects of these transfers and result in significant variances. The components of net investment income were as follows:

	Year ended December 31,		
	2011	2010	2009
		(In thousands)	
Fixed-maturity securities	$ 109,907	$ 168,051	$ 352,753
Equity securities	717	1,822	6,923
Policy loans and other invested assets	1,414	1,403	1,549
Cash and cash equivalents	307	562	2,887
Market return on deposit asset underlying 10% reinsurance agreement	2,020	1,471	299
Gross investment income	114,365	173,309	364,411
Investment expenses	5,764	8,198	13,085
Net investment income	$ 108,601	$ 165,111	$ 351,326

The components of net realized investment gains (losses) as well as details on gross realized investment gains and losses and proceeds from sales or other redemptions were as follows:

	Year ended December 31,		
	2011	2010	2009
		(In thousands)	
Gross realized investment gains (losses):			
Gains from sales	$ 8,382	$ 47,925	$ 42,983
Losses from sales	(441)	(2,257)	(3,518)
Other-than-temporary impairment losses	(2,015)	(12,158)	(61,394)
Gains (losses) from bifurcated options	514	635	(41)
Net realized investment gains (losses)	$ 6,440	$ 34,145	$ (21,970)
Gross realized investment gains reclassified from accumulated other comprehensive income	$ 5,926	$ 33,510	$ (21,929)
Proceeds from sales or other redemptions	$ 592,968	$ 1,543,976	$ 1,592,687

Other-Than-Temporary Impairment. We conduct a review each quarter to identify and evaluate impaired investments that have indications of possible other-than-temporary impairment (OTTI). An investment in a debt or equity security is impaired if its fair value falls below its cost. Factors considered in determining whether an unrealized loss is temporary include the length of time and extent to which fair value has been below cost, the financial condition and near-term prospects for the issue, and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, which may be maturity.

Our review for other-than-temporary impairment generally entails:

- Analysis of individual investments that have fair values less than a pre-defined percentage of amortized cost, including consideration of the length of time the investment has been in an unrealized loss position;
- Analysis of corporate fixed-maturity securities by reviewing the issuer's most recent performance to date, including analyst reviews, analyst outlooks and rating agency information;
- Analysis of commercial mortgage-backed securities based on an assessment of performance to date, credit enhancement, risk analytics and outlook, underlying collateral, loss projections, rating agency information and available third-party reviews and analytics;
- Analysis of residential mortgage-backed securities based on loss projections provided by models compared to current credit enhancement levels;
- Analysis of our other fixed-maturity and equity security investments, as required based on the type of investment; and
- Analysis of downward credit migrations that occurred during the quarter.

Investments in fixed-maturity and equity securities with a cost basis in excess of their fair values were as follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Fixed-maturity and equity security investments with cost basis in excess of fair value	$ 286,718	$ 258,947

The following tables summarize, for all securities in an unrealized loss position, the aggregate fair value and the gross unrealized loss by length of time such securities have continuously been in an unrealized loss position:

	December 31, 2011					
	Less than 12 months			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
	(Dollars in thousands)					
Fixed-maturity securities:						
U.S. government and agencies	$ —	$ —	—	$ —	$ —	—
Foreign government	7,150	(179)	10	—	—	—
States and political subdivisions	—	—	—	—	—	—
Corporates	188,643	(6,979)	185	4,092	(868)	11
Mortgage- and asset-backed securities	49,026	(478)	60	25,280	(2,867)	30
Total fixed-maturity securities	244,819	(7,636)		29,372	(3,735)	
Equity securities	850	(306)	78	—	—	—
Total fixed-maturity and equity securities	$ 245,669	$ (7,942)		$ 29,372	$ (3,735)	

	December 31, 2010					
	Less than 12 months			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
	(Dollars in thousands)					
Fixed-maturity securities:						
U.S. government and agencies	$ 6,350	$ (61)	2	$ —	$ —	—
Foreign government	2,478	(8)	1	—	—	—
States and political subdivisions	11,015	(293)	29	—	—	—
Corporates	151,291	(2,961)	104	12,690	(845)	14
Mortgage- and asset-backed securities	30,685	(365)	25	37,215	(2,653)	20
Total fixed-maturity securities	201,819	(3,688)		49,905	(3,498)	
Equity securities	—	—	—	30	(7)	2
Total fixed-maturity and equity securities	$ 201,819	$ (3,688)		$ 49,935	$ (3,505)	

The amortized cost and fair value of available-for-sale fixed-maturity securities in default were as follows:

	December 31, 2011		December 31, 2010	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In thousands)			
Fixed-maturity securities in default	$ 3,983	$ 5,168	$ 970	$ 1,558

Impairment charges recognized in earnings on available-for-sale securities were as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Impairments on fixed-maturity securities in default	$ 179	$ 39	$ 20,275
Impairments on fixed-maturity securities not in default	1,831	11,855	38,765
Impairments on equity securities	5	264	2,354
Total impairment charges	$ 2,015	$ 12,158	$ 61,394

The fixed-maturity and equity securities noted above were considered to be other-than-temporarily impaired due to adverse credit events, such as news of an impending filing for bankruptcy; analyses of the issuer's most recent financial statements or other information in which liquidity deficiencies, significant losses and large declines in capitalization were evident; and analyses of rating agency information for issuances with severe ratings downgrades that indicated a significant increase in the possibility of default. During 2011, we recognized impairment charges primarily as a result of further declines in the fair value of previously impaired corporate and mortgage-backed securities. During 2010 and 2009, we recognized impairments primarily as a result of our intent to sell certain corporate and mortgage-backed securities in anticipation of the reinsurance and reorganization transactions.

As of December 31, 2011, the unrealized losses on our invested asset portfolio were largely caused by interest rate sensitivity and changes in credit spreads. We believe that fluctuations caused by interest rate movement have little bearing on the recoverability of our investment. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because we have the ability to hold these investments until a market price recovery or maturity as well as no present intention to dispose of them, we do not consider these investments to be other-than-temporarily impaired.

Net impairment losses recognized in earnings were as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Impairment losses related to securities which the Company does not intend to sell or is more-likely-than-not that it will not be required to sell:			
Total OTTI losses recognized	$ 1,109	$ 1,402	$ 34,616
Less portion of OTTI loss recognized in accumulated other comprehensive income (loss)	(183)	(553)	(13,573)
Net impairment losses recognized in earnings for securities that the Company does not intend to sell or is more-likely-than-not that it will not be required to sell before recovery	926	849	21,043
OTTI losses recognized in earnings for securities that the Company intends to sell or more-likely-than-not will be required to sell before recovery	1,089	11,309	40,351
Net impairment losses recognized in earnings	$ 2,015	$ 12,158	$ 61,394

The roll-forward of the credit-related losses recognized in income for all fixed-maturity securities still held follows.

	Year ended December 31,	
	2011	2010
	(In thousands)	
Cumulative OTTI credit losses recognized for securities still held, beginning of period	$ 41,129	$ 98,528
Additions for OTTI securities where no credit losses were recognized prior to the beginning of the period	830	9,842
Additions for OTTI securities where credit losses have been recognized prior to the beginning of the period	1,180	2,052
Reductions due to sales, maturities or calls of credit impaired securities	(9,067)	(69,293)
Cumulative OTTI credit losses recognized for securities still held, end of period	$ 34,072	$ 41,129

Derivatives. We use foreign currency swaps to reduce our foreign exchange risk due to direct investment in foreign currency-denominated debt securities. The aggregate notional balance and fair value of these currency swaps follow.

	December 31,	
	2011	2010
	(In thousands)	
Aggregate notional balance of currency swaps	$ 5,878	$ 5,878
Aggregate fair value of currency swaps	(2,032)	(2,228)

The change in fair value of these currency swaps is reflected in other comprehensive income as they effectively hedge the variability in cash flows from these foreign currency-denominated debt securities.

The embedded conversion options associated with fixed-maturity securities are bifurcated from the fixed-maturity security host contracts and separately recognized as equity securities. The change in fair value of these bifurcated conversion options is reflected in realized investment gains, including OTTI losses. The fair value of these bifurcated options follows.

	December 31,	
	2011	2010
	(In thousands)	
Aggregate fair value of embedded conversion options	$ 8,583	$ 3,269

We have a deferred loss related to closed forward contracts 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 as follows:

	December 31,	
	2011	2010
	(In thousands)	
Deferred loss related to closed forward contracts	$ 26,385	$ 26,385

While we have no current intention to do so, these deferred losses will not be recognized until such time as we sell or substantially liquidate our Canadian operations.

(4) Fair Value of Financial Instruments

Fair value is the price that would be received upon the sale of an asset in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon 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 categories:

- Level 1. Quoted prices for identical instruments in active markets. Level 1 primarily consists of financial instruments whose value is based on quoted market prices in active markets, such as 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 and significant value drivers 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, 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 primarily include: certain public and private corporate fixed-maturity and equity securities; government or agency securities; certain mortgage- and asset-backed securities and certain non-exchange-traded derivatives, such as currency swaps and forwards; and
- Level 3. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers 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 primarily include less liquid fixed-maturity corporate 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) 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 were as follows:

	December 31, 2011			
	Level 1	Level 2	Level 3	Fair value
	(In thousands)			
Fair value assets:				
Fixed-maturity securities:				
U.S. government and agencies	$ —	$ 10,985	$ —	$ 10,985
Foreign government	—	111,845	—	111,845
States and political subdivisions	—	30,935	—	30,935
Corporates	256	1,349,021	4,924	1,354,201
Mortgage- and asset-backed securities	—	449,228	1,962	451,190
Total fixed-maturity securities	256	1,952,014	6,886	1,959,156
Equity securities	18,069	8,592	51	26,712
Trading securities	—	9,640	—	9,640
Separate accounts	—	2,408,598	—	2,408,598
Total fair value assets	$ 18,325	$ 4,378,844	$ 6,937	$ 4,404,106
Fair value liabilities:				
Currency swaps	$ —	$ 2,032	$ —	$ 2,032
Separate accounts	—	2,408,598	—	2,408,598
Total fair value liabilities	$ —	$ 2,410,630	$ —	$ 2,410,630

	December 31, 2010			
	Level 1	Level 2	Level 3	Fair value
	(In thousands)			
Fair value assets:				
Fixed-maturity securities:				
U.S. government and agencies	$ —	$ 22,202	$ —	$ 22,202
Foreign government	—	94,541	—	94,541
States and political subdivisions	—	27,219	—	27,219
Corporates	—	1,366,774	19,147	1,385,921
Mortgage- and asset-backed securities	—	549,188	2,290	551,478
Total fixed-maturity securities	—	2,059,924	21,437	2,081,361
Equity securities	15,110	4,542	3,561	23,213
Trading securities	—	22,767	—	22,767
Separate accounts	—	2,446,786	—	2,446,786
Total fair value assets	$ 15,110	$ 4,534,019	$ 24,998	$ 4,574,127
Fair value liabilities:				
Currency swaps	$ —	$ 2,228	$ —	$ 2,228
Separate accounts	—	2,446,786	—	2,446,786
Total fair value liabilities	$ —	$ 2,449,014	$ —	$ 2,449,014

In assessing fair value of our investments, we use a third-party pricing service for approximately 94% of our securities. The remaining securities are primarily thinly traded securities valued using models based on observable inputs on public corporate spreads having similar tenors (e.g., sector, average life and quality rating) and liquidity and yield based on quality rating, average life and treasury yields. All observable data inputs are corroborated by independent third-party data. In the absence of sufficient observable inputs, we utilize non-binding broker quotes, which are reflected in our Level 3 classification as we are unable to evaluate the valuation technique(s) or significant inputs used to develop the quote.

We corroborate pricing information provided by our third-party pricing servicing 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.

We perform internal reasonableness assessments on fair value determinations within our portfolio throughout the month and at month-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, fair value is determined using industry-standard methodologies by applying available market information through processes such as U.S. Treasury curves, benchmarking of similar securities, 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 with limited trading activity, industry-standard pricing methodologies use adjusted market information, such as index prices or discounting expected future cash flows, to estimate fair value. If these 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 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 un-priced 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 asset category was as follows:

	Year ended December 31,	
	2011	2010
	(In thousands)	
Level 3 assets, beginning of period	$ 24,998	$ 771,271
Net unrealized losses through other comprehensive income	(169)	(2,904)
Net realized gains (losses) through realized investment gains, including OTTI	1,446	(28)
Purchases	—	11,250
Sales	(4,770)	(24,049)
Settlements	(2,747)	(16,105)
Transfers into level 3	9	44,522
Transfers out of level 3	(11,830)	(236,587)
Transfers due to funding of reinsurance transactions	—	(522,372)
Level 3 assets, end of period	$ 6,937	$ 24,998

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. We recognize transfers into new levels and out of previous levels as of the end of the reporting period, including interim reporting periods, as applicable. There were no transfers between Level 1 and Level 2 during 2011 and 2010.

Invested assets included in the transfer from Level 2 to Level 3 in both 2011 and 2010 primarily were fixed-maturity investments for which we were unable to corroborate independent broker quotes with observable market data. Invested assets included in the transfer from Level 3 to Level 2 in 2011 primarily were fixed-maturity investments for which we were able to corroborate independent broker quotes with observable market data. Invested assets included in the transfer from Level 3 to Level 2 during 2011 primarily were fixed-maturity investments with embedded options for which we were able to obtain independent pricing quotes based on observable inputs. Invested assets included in the transfer from Level 3 to Level 2 during 2010 primarily were non-agency mortgage-backed securities. There were no significant transfers between Level 1 and Level 3 during 2011 and 2010.

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

	December 31, 2011		December 31, 2010	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
	(In thousands)			
Assets:				
Fixed-maturity securities	$ 1,959,156	$ 1,959,156	$ 2,081,361	$ 2,081,361
Equity securities	26,712	26,712	23,213	23,213
Trading securities	9,640	9,640	22,767	22,767
Policy loans	25,982	25,982	26,229	26,229
Other invested assets	14	14	14	14
Deposit asset underlying 10% reinsurance agreement	59,975	59,975	50,099	50,099
Separate accounts	2,408,598	2,408,598	2,446,786	2,446,786
Liabilities:				
Note payable	$ 300,000	$ 329,779	$ 300,000	$ 323,670
Currency swaps and forwards	2,032	2,032	2,228	2,228
Separate accounts	2,408,598	2,408,598	2,446,786	2,446,786

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.

Estimated fair values of investments in fixed-maturity 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, which primarily consist of fixed-maturity securities, are carried at fair value. Equity securities, including common and non-redeemable preferred stocks, are carried at fair value. The carrying value of policy loans and other invested assets approximates fair value. The fair value of our note payable is based on prevailing interest rates and an estimated spread based on notes of comparable issuers and maturity. Currency swaps are stated 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, 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 instruments are not included in the above table.

Fair Value Option. In connection with our corporate reorganization, in the first quarter of 2010 we transferred to Citi or sold to third parties all of the securities that had previously been accounted for using the fair value option. On January 1, 2010, these securities had a fair value of approximately $7.7 million. Fair value gains included in net investment income were approximately $667,000 in 2010 and approximately $3.1 million in 2009.

(5) Reinsurance

Reinsurance arrangements do not relieve us of our primary obligation to the policyholder. Our reinsurance contracts typically do not have a fixed term. In general, the reinsurers' ability to terminate coverage for existing cessions is limited to such circumstances as material breach of contract or nonpayment of premiums by the ceding company. Our reinsurance contracts generally contain provisions intended to provide the ceding company with the ability to cede future business on a basis consistent with historical terms. However, either party may terminate any of the contracts with respect to the future business upon appropriate notice to the other party. Generally, the reinsurance contracts do not limit the overall amount of the loss that can be incurred by the reinsurer.

Our policy is to limit the amount of life insurance retained on the life of any one person to $1 million. To limit our exposure with any one reinsurer, we monitor the concentration of credit risk we have with our reinsurance counterparties, as well as their financial condition. We have not experienced any credit losses related to our reinsurance counterparties during the three-year period ended December 31, 2010.

Due from reinsurers represents ceded policy reserve balances and ceded claim liabilities. The amounts of ceded claim liabilities included in due from reinsurers that we paid and which are recoverable from those reinsurers were as follows:

	December 31,	
	2011	2010
	(In thousands)	
Ceded claim liabilities recoverable from reinsurers	$ 37,756	$ 30,981

As part of our corporate reorganization and prior to completion of the IPO, we formed a new subsidiary, Prime Re, to which we made an initial capital contribution. On March 31, 2010, we entered into a series of coinsurance agreements with the Citi reinsurers. Under these agreements, we ceded between 80% and 90% of the risks and rewards of our term life insurance policies in force at year-end 2009. Because these agreements were part of a business reorganization among entities under common control, they did not generate any deferred gain or loss upon their execution. Concurrent with signing these agreements, we transferred the corresponding account balances in respect of the coinsured policies along with the assets to support the statutory liabilities assumed by the Citi reinsurers. On April 1, 2010, as part of our corporate reorganization, we transferred all of the issued and outstanding capital stock of Prime Re to Citi. Each of the transferred account balances, including the invested assets and the distribution of Prime Re, were transferred at book value with no gain or loss recorded in net income.

Three of the Citi coinsurance agreements satisfy GAAP risk transfer rules. Under these agreements, we ceded between 80% and 90% of our term life future policy benefit reserves, and we transferred a corresponding amount of assets to the Citi reinsurers. These transactions did not impact our future policy benefit reserves. As such, we have recorded an asset for the same amount of risk transferred in due from reinsurers. We also reduced DAC by a corresponding amount, which reduces future amortization expenses. In addition, we are transferring between 80% and 90% of all future premiums and benefits and claims associated with these policies to the corresponding reinsurance entities. We receive ongoing ceding allowances, which are reflected as a reduction to insurance expenses, to cover policy and claims administration expenses as well as certain corporate overhead charges under each of these reinsurance contracts.

A fourth coinsurance agreement relates to a 10% reinsurance transaction that includes an experience refund provision. This agreement does not satisfy GAAP risk transfer rules. As a result, we have accounted for this contract using deposit method accounting and have recognized a deposit asset in other assets on our balance sheet for assets backing the economic reserves. The deposit assets held in support of this agreement were $60.0 million at December 31, 2011, with no associated liability. We make contributions to the deposit asset during the life of the agreement to fulfill our responsibility of funding the economic reserve. The market return on these deposit assets is reflected in net investment income during the life of the agreement. Prime Re is responsible for ensuring that there are sufficient assets to meet all statutory requirements. We pay Prime Re a 3% finance charge for any statutory reserves required above the economic reserves. This finance charge is reflected in interest expense in our statements of income.

The net impact of these transactions was reflected as an increase in paid-in capital. Because the agreements were executed on March 31, 2010, but transferred the economic impact of the agreements retroactive to January 1, 2010, we recognized the earnings attributable to the underlying policies through March 31, 2010 in our statement of income. The corresponding impact on retained earnings was equally offset by a return of capital to Citi.

Due from reinsurers represents ceded policy reserve balances and ceded claim liabilities. The amounts of ceded claim liabilities included in due from reinsurers that we paid and which are recoverable those reinsurers were as follows:

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Direct life insurance in force	$ 669,939	$ 662,135
Amounts ceded to other companies	(596,975)	(600,807)
Net life insurance in force	$ 72,964	$ 61,328
Percentage of reinsured life insurance in force	89%	91%

Due from reinsurers includes ceded reserve balances and ceded claim liabilities. Reinsurance receivable and financial strength ratings by reinsurer were as follows:

	December 31, 2011		December 31, 2010	
	Reinsurance receivable	A.M. Best rating	Reinsurance receivable	A.M. Best rating
	(In millions)			
Prime Reinsurance Company (1)	$ 2,439	NR	$ 2,353	NR
Financial Reassurance Company 2010, Ltd. (1)	335	NR	333	NR
American Health and Life Insurance Company (1)	164	A-	156	A
Due from related party reinsurers	2,938		2,842	
Swiss Re Life & Health America Inc. (2)	253	A+	242	A
SCOR Global Life Reinsurance Companies	143	A	139	A
Generali USA Life Reassurance Company	115	A-	112	A
Transamerica Reinsurance Companies	104	A+	103	A+
Munich American Reassurance Company	99	A+	97	A+
Korean Reinsurance Company	83	A	83	A-
RGA Reinsurance Company	68	A+	64	A+
All other reinsurers	52	—	49	—
Due from reinsurers	$ 3,855		$ 3,731	

NR – not rated

(1) Amounts shown are net of their share of the reinsurance recoverable from other reinsurers. As of December 31, 2011, the reinsurer was no longer a related party.

(2) Includes amounts ceded to Lincoln National Life Insurance and 100% retroceded to Swiss Re Life & Health America Inc.

Certain reinsurers with which we do business receive group ratings. Individually, those reinsurers are Scor Global Life Re Insurance Company of Texas, Scor Global Life U.S. Re Insurance Company, Transamerica Financial Life Insurance Company, and Transamerica Life Insurance Company.

As Prime Re and Financial Reassurance Company 2010, Ltd. (FRAC) do not have financial strength ratings, we required various safeguards prior to executing the coinsurance agreements with these entities. Both coinsurance agreements include provisions to ensure that Primerica Life and Primerica Life Canada receive full regulatory credit for the reinsurance treaties. Under these agreements, Primerica Life and Primerica Life Canada will be able to recapture the ceded business with no fee in the event Prime Re or FRAC do not comply with the various safeguard provisions in their respective coinsurance agreements. Prime Re also has entered into a capital maintenance agreement requiring Citi to provide additional funding, if needed, at any point during the term of the agreement up to the maximum as described in the capital maintenance agreement.

In October 2010, a routine reinsurance audit identified payments to reinsurers that may have exceeded our obligations under our reinsurance agreements. We were uncertain of our ability to recover past ceded premiums, but in the fourth quarter of 2010, we approached our reinsurers and reached agreements to recover certain of these past ceded premiums for post-issue underwriting class upgrades. The most common reason for such an upgrade occurs when a policyholder who was originally issued a term life policy as a tobacco user subsequently quits using tobacco. Historically, we have reduced policyholder premiums for such upgrades, but have not reduced ceded premiums to reflect the new underwriting class. As a result, we reduced ceded premiums in 2010 by approximately $13.1 million related to the agreements obtained with certain reinsurers to recover these ceded premiums. The recoveries recognized in 2010 reflect the agreements signed in the fourth quarter of 2010. Additionally, in the first quarter of 2011 we reduced ceded premiums by approximately $8.7 million related to agreements obtained with certain reinsurers to recover ceded premiums. The recoveries recognized in 2011 reflect the agreements signed in 2011. Further recoveries, if any, are not expected to be significant.

(6) Deferred Policy Acquisition Costs

The balances of and changes in DAC were as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
DAC balance, beginning of period	$ 738,946	$ 2,520,251	$ 2,478,565
Capitalization	270,661	259,201	343,886
Amortization	(104,034)	(147,841)	(352,257)
Transferred to Citi reinsurers	—	(1,907,094)	—
Foreign exchange and other	(1,088)	14,429	50,057
DAC balance, end of period	$ 904,485	$ 738,946	$ 2,520,251

Investment yield reserve assumptions at December 31, 2011 ranged from 3.5% to 7.0% while investment yield assumptions ranged from 4.0% to 7.0% at December 31, 2010. We lowered the interest rate assumption in 2011 to reflect rates available in the current interest rate environment.

(7) Intangible Assets

The components of intangible assets were as follows:

	December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	(In thousands)		
Amortizing intangible asset	$ 84,871	$ (58,218)	$ 26,653
Indefinite-lived intangible asset	45,275	—	45,275
Total intangible assets	$ 130,146	$ (58,218)	$ 71,928

	December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	(In thousands)		
Amortizing intangible asset	$ 84,871	$ (54,789)	$ 30,082
Indefinite-lived intangible asset	45,275	—	45,275
Total intangible assets	$ 130,146	$ (54,789)	$ 75,357

We have an amortizing intangible asset related to a 1995 sales agreement termination payment to Management Financial Services, Inc. This asset is supported by a non-compete agreement with the founder of our business model. We calculate the amortization of this contract buyout on a straight-line basis over 24 years, which represents the life of the non-compete agreement. Intangible asset amortization expense was approximately $3.4 million in 2011 and approximately $3.5 million in each of 2010 and 2009. Amortization expense is expected to be approximately $3.4 million annually during the remainder of the amortization period. We assessed this asset for impairment as of October 1, 2011 and determined that no impairment had occurred. There have been no subsequent events requiring further analysis.

We also have an indefinite-lived intangible asset related to the 1989 purchase of the right to contract with our sales force. This asset represents the core distribution model of our business, which is our primary competitive advantage to profitably distribute term life insurance products on a significant scale, and as such, is considered to have an indefinite life. No amortization was recognized on this asset during the three-year period ended December 31, 2011. This intangible asset is supported by a significant portion of the discounted cash flows of our future business. We assessed this asset for impairment as of October 1, 2011 and determined that no impairment had occurred. There have been no subsequent events requiring further analysis.

(8) Separate Accounts

The Funds consist of a series of five banded investment funds known as the Asset Builder Funds and a money market fund known as the Cash Management Fund. The principal investment objective of each of the Asset Builder Funds is to achieve long-term growth while preserving capital through a diversified portfolio of publicly traded Canadian stocks, investment-grade corporate bonds, Government of Canada bonds, and foreign equity investments. 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.

Payments to policyholders under these contract offerings are only due upon death or upon a specific maturity date. Payments are based on the value of the policyholder's units in the portfolio at the payment date, but are guaranteed to be no less than 75% of the policyholder's contribution. Account values are not guaranteed for withdrawn units if policyholders make withdrawals prior to the maturity dates. Maturity dates vary policy-by-policy and range from 10 to 50 years from the policy issuance date.

Both the asset and the liability for the separate accounts reflect the 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 policyholder accounts that have declined in value more than 25% since the original funding date. Because maturity dates range from 10 to 50 years, the likelihood of accounts meeting both of these criteria at any given point is very small. Additionally, the portfolio consists of a very large number of individual contracts, further spreading the risk related to the guarantee being exercised upon death. The length of the contract terms provides significant opportunity for the underlying portfolios to recover any short-term losses prior to maturities or deaths of the policyholders.

We periodically assess the exposure related to these contracts to determine whether any additional liability should be recorded. As of December 31, 2011 and 2010, an additional liability for these contracts was deemed to be unnecessary.

(9) Insurance Reserves

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

	December 31,		
	2011	2010	2009
	(In thousands)		
Policy claims and other benefits payable, beginning of period	$ 229,895	$ 218,390	$ 225,641
Less reinsured policy claims and other benefits payable	233,346	184,381	174,221
Net balance, beginning of period	(3,451)	34,009	51,420
Incurred related to current year	142,685	221,601	485,629
Incurred related to prior year	391	177	(1,852)
Total incurred	143,076	221,778	483,777
Paid related to current year	(153,540)	(193,320)	(455,377)
Paid related to prior year	18,945	(35,313)	(47,741)
Total paid	(134,595)	(228,633)	(503,118)
Transferred to Citi reinsurers	—	(31,125)	—
Foreign currency	(206)	520	1,930
Net balance, end of period	4,824	(3,451)	34,009
Add reinsured policy claims and other benefits payable	236,930	233,346	184,381
Balance, end of period	$ 241,754	$ 229,895	$ 218,390

The decrease in incurred and paid balances since 2009 reflects the effect of the Citi reinsurance transactions executed in connection with our corporate reorganization. Because the Citi reinsurance transactions were executed on March 31, 2010 but transferred the economic impact of the agreements retroactive to January 1, 2010, we have reflected reinsured claims activity attributable to the underlying policies as a reduction to policy claims and other benefits payable in 2010 in the amount of $31.1 million.

Investment yield reserve assumptions at December 31, 2011 from 3.5% to 7.0% while investment yield assumptions ranged from 4.0% to 7.0% in 2010. During 2010, we lowered the interest rate assumption to reflect rates available in the current interest rate environment.

(10) Note Payable

In April 2010, we issued to Citi a $300.0 million note as part of our corporate reorganization in which Citi transferred to us the businesses that comprise our operations. Prior to the issuance of the Citi note, we had no outstanding debt. The Citi note bears interest at an annual rate of 5.5%, payable semi-annually in arrears on January 15 and July 15, and matures March 31, 2015. We have the option to redeem the Citi note in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest to the date of redemption. In the event of a change in control, the holder of the Citi note has the right to require us to repurchase it at a price equal to 101% of the outstanding principal amount plus accrued and unpaid interest.

The Citi note also requires us to use our commercially reasonable efforts to arrange and consummate an offering of investment-grade debt securities, trust preferred securities, surplus notes, hybrid securities or convertible debt that generates sufficient net cash proceeds to repay the note in full at certain mutually agreeable dates, based on certain conditions.

We were in compliance with all of the covenants of the Citi note at December 31, 2011. No events of default or defaults occurred during the year ended December 31, 2011.

(11) Income Taxes

Income tax expense (benefit) attributable to income from continuing operations consists of the following:

	Current	Deferred	Total
		(In thousands)	
Year ended December 31, 2011:			
Federal	$ 58,542	$ 9,020	$ 67,562
Foreign	30,807	(12,280)	18,527
State and local	793	(164)	629
Total tax expense	$ 90,142	$ (3,424)	$ 86,718
Year ended December 31, 2010:			
Federal	$ 71,533	$ 30,861	$ 102,394
Foreign	37,795	(10,866)	26,929
State and local	7	(317)	(310)
Total tax expense	$ 109,335	$ 19,678	$ 129,013
Year ended December 31, 2009:			
Federal	$ 217,339	$ 928	$ 218,267
Foreign	68,732	(26,506)	42,226
State and local	(890)	(489)	(1,379)
Total tax expense	$ 285,181	$ (26,067)	$ 259,114

Total income tax expense is different from the amount determined by multiplying earnings before income taxes by the statutory federal tax rate of 35%. The reason for such difference follows:

	Year ended December 31,					
	2011		2010		2009	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
			(Dollars in thousands)			
Computed tax expense	$ 85,368	35.0%	$ 126,514	35.0%	$ 259,628	35.0 %
Other	1,350	0.6%	2,499	0.7%	(514)	(0.1)%
Total tax expense/effective rate	$ 86,718	35.6%	$ 129,013	35.7%	$ 259,114	34.9 %

In conjunction with the IPO and the private sale, we made elections under Section 338(h)(10) of the Internal Revenue Code, which resulted in changes to our deferred tax balances and reduced stockholders' equity by $174.7 million.

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The main components of deferred income tax assets and liabilities were as follows:

	December 31, 2011	December 31, 2010
	(In thousands)	
Deferred tax assets:		
Policy benefit reserves and unpaid policy claims	$ 163,451	$ 132,006
Intangibles and tax goodwill	47,686	37,719
Other	12,919	9,542
Total deferred tax assets	224,056	179,267
Deferred tax liabilities:		
Deferred policy acquisition costs	(229,551)	(208,044)
Investments	(24,891)	(17,469)
Unremitted earnings on foreign subsidiaries	(2,593)	—
Other	(15,160)	(7,456)
Total deferred tax liabilities	(272,195)	(232,969)
Net deferred tax liabilities	$ (48,139)	$ (53,702)

The majority of the deferred tax asset is attributable to policy benefit reserves and unpaid policy claims, which represents the difference between the financial statement carrying value and tax basis for liabilities for future policy benefits. The tax basis for policy benefit reserves and unpaid policy claims are actuarially determined in accordance with guidelines set forth in the Internal Revenue Code. The deferred tax liabilities for DAC represent the difference between the policy acquisition costs capitalized for GAAP purposes and those capitalized for tax purposes, as well as the difference in the resulting amortization methods.

The Company has state net operating losses resulting in a deferred tax asset of approximately $1.0 million, which are available for use through 2030. The Company has no other material net operating loss or credit carryforwards.

There was no deferred tax asset valuation allowance at December 31, 2011. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, carryback and carryforward periods, and tax planning strategies in making this assessment. Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

The Company has direct ownership of a group of controlled foreign corporations in Canada. We have asserted a position of permanent reinvestment for the difference in share basis and certain operational earnings. It is not practicable to estimate the amount of deferred taxes associated with this difference at this time. For those operational earnings for which we have not made a permanent reinvestment assertion, we have established a deferred tax liability to account for the U.S. tax liability that will occur upon repatriation of such earnings.

	December 31, 2011	December 31, 2010
	(In thousands)	
Unrecognized tax benefits, beginning of period	$ 25,191	$ 26,608
Change in prior period unrecognized tax benefits	920	(300)
Change in current period unrecognized tax benefits	2,171	2,112
Reductions as a result of a lapse in statute of limitations	(6,926)	(3,229)
Unrecognized tax benefits, end of period	$ 21,356	$ 25,191

The total amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was as follows:

	December 31,	
	2011	2010
	(In thousands)	
Unrecognized tax benefits yet to impact the effective tax rate	$ 6,666	$ 4,859

We recognize interest expense related to unrecognized tax benefits in tax expense net of federal income tax. The total amount of accrued interest and penalties in the consolidated and combined balance sheet follows.

	December 31,	
	2011	2010
	(In thousands)	
Total amount of accrued interest and penalties	$ 4,054	$ 3,932

We recognized an interest benefit related to unrecognized tax benefits in the consolidated and combined statements of income as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Interest benefit related to unrecognized tax benefits	$ 191	$ 2,576	$ 3,062

During the first quarter of 2010, our federal income tax return was included as part of Citi's consolidated federal income tax return. In March 2010, in anticipation of our corporate reorganization, we entered into a tax separation agreement with Citi. In accordance with the tax separation agreement, Citi is responsible for and shall indemnify and hold the Company harmless from and against any consolidated, combined, affiliated, unitary or similar federal, state or local income tax liability with respect to the Company for any taxable period ending on or before April 2010. After the closing date of the IPO, the Company was no longer part of Citi's consolidated federal income tax return.

We have no penalties included in calculating our provision for income taxes. As mentioned above, the Company is a party to a tax separation agreement that includes a tax indemnification agreement, which was negotiated and executed as part of the separation from Citi. The indemnification requires Citi to cover income tax liabilities incurred by the Company for any consolidated, combined, or unitary returns that end on or prior to the separation. As of December 31, 2011, the Company had a Citi tax indemnification asset of $15.2 million. All consolidated, combined or unitary tax liabilities are payable to either the Parent Company or Primerica Life, while tax liabilities related to separate return filings are payable to the appropriate taxing authority.

There is no significant change that is reasonably possible to occur within twelve months of the reporting date.

The major tax jurisdictions in which we operate are the United States and Canada. We are currently open to tax audit by the Internal Revenue Service for the years ended December 31, 2006 and thereafter for federal tax purposes. We are currently open to audit in Canada for tax years ended December 31, 2005 and thereafter for federal and provincial tax purposes.

(12) Stockholders' Equity

Prior to April 1, 2010, we had 100 shares of outstanding common stock. In the second quarter of 2010, we issued common stock as part of our corporate reorganization. A reconciliation of the number of shares of our common stock follows.

	Year ended December 31,	
	2011	2010 (1)
	(In thousands)	
Common stock - issued:		
Balance, beginning of period	72,843	—
Shares issued to Citi in connection with the IPO	—	75,000
New shares of common stock issued, net	348	11
Shares of common stock issued upon lapse of restricted stock units (RSUs)	784	122
Common stock retired	(9,092)	—
Treasury stock retired	—	(2,290)
Balance, end of period	64,883	72,843
Treasury stock:		
Balance, beginning of period	—	—
Treasury stock contributed from Citi	—	(5,021)
Treasury stock acquired	—	(6)
Treasury stock reissued as restricted common stock	—	2,737
Treasury stock retired	—	2,290
Balance, end of period	—	—
Common shares outstanding, end of period	64,883	72,843

(1) Period following our corporate reorganization and IPO on April 1, 2010

In November 2011, we repurchased approximately 8.9 million shares from Citi at a price of $22.42 per share, for a total purchase price of approximately $200.0 million. The per-share purchase price was determined based on the volume-weighted average price per share of Primerica common stock during the seven-day period prior to execution of the repurchase agreement. We funded this repurchase with funds made available by a dividend from Primerica Life to the Parent Company.

The above reconciliation excludes RSUs which do not have voting rights and are subject to sale restrictions. As the restrictions lapse during the three years following the issuance of the RSUs, we will issue common shares with voting rights. As of December 31, 2011, we had a total of approximately 3.2 million RSUs outstanding, including approximately 535,200 RSUs granted in 2011.

The following 2010 transactions took place in 2010 on or after April 1, 2010:

- we issued 74,999,900 shares of common stock to Citi;
- we issued warrants to Citi, exercisable for 4,103,110 additional shares of our common stock;
- our common stock began trading under the ticker symbol PRI on the New York Stock Exchange;
- Citi sold 24,564,000 shares of our common stock to the public in the IPO;
- Citi contributed 5,021,412 shares of common stock back to us;
- we granted equity awards consisting of 2,615,000 RSUs to certain sales force leaders;
- we granted 2,560,000 equity awards to management in the form of restricted common stock and RSUs;
- we issued 210,166 shares of restricted common stock upon the conversion of fully vested restricted stock awards previously granted by Citi and held by certain of our sales force leaders;
- we issued 11,246 shares of restricted common stock upon the conversion of restricted stock awards previously granted by Citi and held by management;
- we retired 2,284,375 common shares underlying the RSU awards described above, plus an additional 7,098 common shares to cover withholding taxes and employee forfeitures; and
- we granted 11,858 shares of restricted common stock to our independent directors.

As a result of the issuance of the 2010 equity awards, we recorded non-cash compensation charges based on the fair value of awards vested during the reporting period. Employee awards representing 2,571,246 shares were measured at their April 1, 2010 grant date fair values of $15.00 per share and vest over three years. We believe compensation expense related to these awards will be approximately $3.1 million per quarter, subject to change based on deviations from our forecasted forfeiture rates.

We granted 1,865,000 RSUs to certain sales force leaders on April 1, 2010. These RSUs were fully vested on April 1, 2010 with deferred delivery occurring over three years. We recorded the related compensation expense for the IPO grants, which excluded the converted awards, upon vesting. Because the awards were subject to deferred delivery and/or sale restrictions following their vesting, their fair value was discounted to reflect a corresponding illiquidity discount.

An additional 750,000 RSUs were granted to sales force leaders between April 1, 2010 and October 1, 2010, which vested between July 1, 2010 and January 1, 2011 with deferred delivery occurring over three years. We recognized approximately $12.3 million of expense in 2010 for these awards. The fair value of these awards has been discounted to properly reflect the illiquidity discount due to sales restrictions existing after the awards have vested.

In connection with the conversion of Citi stock awards to Primerica stock awards and concurrent with the signing of the reinsurance agreements on March 31, 2010, we recorded a reclass of approximately $23.5 million from due to affiliates and other liabilities to paid-in capital and Citi converted the underlying payable to a capital contribution.

In April 2010, Citi sold approximately 16.4 million shares of our common stock to Warburg Pincus for an aggregate purchase price of $230.0 million. The sale also included warrants held by Citi that will allow the Warburg Pincus funds to acquire from us an aggregate of approximately 4.1 million additional shares of our common stock, for up to seven years, at an exercise price of $18.00 per share. The warrants may be physically settled or net share settled at the option of the warrant holder. The warrant holder does not have the option to cash settle any portion of the warrants. The warrants are classified as permanent equity based on the fair value at the original April 1, 2010 issuance date. Subsequent changes in fair value will not be recognized as long as the warrants continue to be classified as equity. Because the warrants were issued as a return of capital to Citi, there was no net impact on stockholders' equity related to the warrants. The warrant holder is not entitled to receipt of dividends declared on the underlying common stock or non-voting common stock (but will be entitled to adjustments for extraordinary dividends), or to any voting or other rights that might accrue to holders of common stock or non-voting common stock. As of December 31, 2011, Warburg Pincus owned approximately 16.4 million shares of our outstanding common stock.

(13) Earnings Per Share

The calculation of basic and diluted EPS follows.

	Year ended December 31,	
	2011	2010 (1)
	(In thousands, except per-share amounts)	
Basic EPS:		
Numerator:		
Net income	$ 157,191	$ 232,456
Income attributable to unvested participating securities	(4,906)	(9,408)
Net income used in calculating basic EPS	$ 152,285	$ 223,048
Denominator:		
Weighted-average vested shares	72,283	72,099
Basic EPS	$ 2.11	$ 3.09
Diluted EPS:		
Numerator:		
Net income	$ 157,191	$ 232,456
Income attributable to unvested participating securities	(4,855)	(9,312)
Net income used in calculating diluted EPS	$ 152,336	$ 223,144
Denominator:		
Weighted-average vested shares	73,107	72,882
Diluted EPS	$ 2.08	$ 3.06

(1) Pro forma basis using weighted-average shares, including the shares issued or issuable upon lapse of restrictions following our April 1, 2010 corporate reorganization as though they had been issued and outstanding on January 1, 2010.

(14) Share-Based Transactions

As of December 31, 2011, the Company had outstanding equity awards under its Omnibus Incentive Plan (OIP). The OIP provides for the issuance of equity awards, including stock options, stock appreciation rights, restricted stock, deferred stock, RSUs, unrestricted stock as well as cash-based awards. In addition to time-based vesting requirements, awards granted under the OIP also may be subject to specified performance criteria. As of December 31, 2011, we had 4.5 million shares available for future grants under this plan.

Employee Share-Based Transactions

The following table summarizes employee and director restricted stock activity during 2011 and 2010.

	Shares	Weighted-average measurement-date fair value per share
	(Shares in thousands)	
Unvested employee restricted stock and RSUs, December 31, 2009	—	$ —
Granted in 2010	2,569	15.02
Forfeited in 2010	(3)	15.00
Conversions from awards in Citi shares	11	15.00
Vested in 2010	(11)	15.00
Unvested employee restricted stock and RSUs, December 31, 2010	2,566	15.02
Granted in 2011	368	25.65
Forfeited in 2011	(12)	18.25
Vested in 2011	(858)	15.04
Unvested employee restricted stock and RSUs, December 31, 2011	2,064	16.88

The value of restricted stock and RSUs granted to employees was based on the fair market value of our common stock at the date of grant. We granted shares of restricted stock to U.S. employees and non-employee directors and RSUs to Canadian employees. All outstanding management awards have time-based vesting requirements. These awards vest over three years and are not subject to any sales restrictions or deferred delivery following vesting.

In connection with our granting of management equity awards, we recognized expense and tax benefit offsets as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	(In thousands)	
Management equity award expense	$ 16,139	$ 11,894
Tax benefit associated with management equity awards	5,530	3,971

Management equity award expense reflects vesting activity related to management IPO shares granted on April 1, 2010 as well as vesting activity for approximately 354,500 shares granted on February 22, 2011 at $25.80, less a nominal forfeiture adjustment. As of December 31, 2011, total compensation cost not yet recognized in our financial statements related to equity awards with time-based vesting conditions yet to be reached was as follows:

	December 31, 2011
	(Dollars in thousands)
Total management equity award compensation cost not yet recognized	$ 22,318
Weighted-average period over which cost will be recognized	1.5 years

Non-Employee Share-Based Transactions

The following table summarizes non-employee restricted stock unit activity during 2011 and 2010.

	Shares	Weighted-average measurement-date fair value per share
	(Shares in thousands)	
Unvested non-employee RSUs, December 31, 2009	—	—
Granted in 2010	2,615	$ 13.27
Vested in 2010	(2,427)	12.80
Unvested non-employee RSUs, December 31, 2010	188	19.37
Granted in 2011	517	17.17
Vested in 2011	(588)	17.70
Unvested non-employee RSUs, December 31, 2011	117	17.55

All of our 2011 non-employee share-based transactions relate to the granting of RSUs to members of our sales force. These awards are earned over a three month service period and vest at the conclusion of the service period. However, they are subject to long-term sales restrictions expiring over three years. Because the sale restrictions extend up to three years beyond the vesting period, the awards are subject to an illiquidity discount reflecting the risk associated with the post-vesting restrictions. To quantify this discount for each award, we used a series of Black-Scholes models with one-, two- and three-year tenors to estimate put option costs less a nominal transaction cost as a methodology for quantifying the cost of eliminating the downside risk associated with the sale restrictions.

The most significant assumptions in the Black-Scholes models were the volatility assumptions. Because our stock and the options on our stock have had a very limited active trading history, we derived volatility assumptions by analyzing other public insurance companies' historical and implied volatilities over terms comparable to the sale restriction terms.

The following table presents the assumptions used in valuing quarterly RSU grants:

	Year ended December 31,	
	2011	2010
Expected volatility	29 to 67	36 to 52
Quarterly dividends expected	$0.01 to $0.03	$0.00 to $0.01
Risk-free interest rates	Less than 1%	Less than 2%

Our quarterly incentive awards to our sales force leaders have performance-based vesting requirements for which the granting and the service period occur within the same calendar quarter. These awards are granted in the form of RSUs that vest upon the conclusion of the quarterly contest and are subject to sale restrictions expiring over the three years subsequent to vesting. Because the awards are subject to sale restrictions following their vesting, their fair value is discounted to reflect a corresponding illiquidity discount. To the extent they are granted in connection with successful policy acquisitions, portions of these awards are deferred and amortized in the same manner as other deferred policy acquisition costs.

Details on the granting and valuation of these awards follows:

	Year ended December 31,	
	2011	2010
	(Dollars in thousands, except per-share amounts)	
Total quarterly RSUs granted	517,374	750,000
Measurement date per-share fair value of awards	$14.08 to $21.06	$15.44 to $19.37
Illiquidity discounts	17% to 32%	20% to 28%
Quarterly incentive awards expense recognized currently	$ 1,747	$ 12,318
Quarterly incentive awards expense deferred	$ 7,058	$ —
Concurrent tax benefit of deferred expense	$ 2,273	$ —

As of December 31, 2011, all non-employee equity awards were fully vested with the exception of approximately 116,600 shares that vested on January 1, 2012. As such, any related compensation cost not recognized in our financial statements through December 31, 2011 is immaterial.

For the year ended December 31, 2010, we also recognized approximately $22.4 million of expense in connection with the IPO shares granted to certain of our sales force leaders in April 2010. This IPO-related grant expense was partially offset by a tax benefit of approximately $7.1 million. The IPO price per share was $15.00. We recognized a discounted fair value of these awards of $12.00 per RSU, reflecting the illiquidity discount described above.

All of our outstanding equity awards are eligible for dividends or dividend equivalents regardless of vesting status.

(15) Statutory Accounting and Dividend Restrictions

U.S. Insurance Subsidiaries

Our U.S. insurance subsidiaries are required to report their results of operations and financial position to state authorities on the basis of statutory accounting practices prescribed or permitted by such authorities and the National Association of Insurance Commissioners (NAIC), which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. Primerica Life's statutory financial statements are prepared on the basis of accounting practices prescribed or permitted by the NAIC and the Massachusetts Division of Insurance (Massachusetts DOI), while NBLIC's statutory financial statements are prepared on the basis of accounting practices prescribed or permitted by the NAIC and the New York State Department of Financial Services (NYSDFS). Our U.S. insurance subsidiaries' ability to pay dividends is subject to and limited by the various laws and regulations of their respective states.

For Primerica Life, statutory dividend capacity is based on the greater of (1) the previous year's statutory net gain from operations (not including pro rata distributions of any class of the insurer's own securities) or (2) 10% of the previous year-end statutory surplus (net of capital stock), subject to a maximum limit equal to statutory unassigned surplus. Dividends that, together with the amount of other distributions or dividends made within the preceding 12 months, exceed this statutory limitation are referred to as extraordinary dividends. Extraordinary dividends require advance notice to the Massachusetts DOI, Primerica Life's primary state insurance regulator, and are subject to potential disapproval. For dividends exceeding these thresholds, Primerica Life must provide notice to the Massachusetts DOI and receive notice that the Massachusetts DOI does not object to the payment of such dividends. Primerica Life's statutory surplus was $440.6 million at December 31, 2011. Its statutory net gain from operations was $182.0 million in 2011. However, as a result of our corporate reorganization, we had negative unassigned surplus as of December 31, 2011. Therefore, any dividend payments in 2012 will require regulatory approval.

For NBLIC, statutory dividend capacity is based on the lesser of (1) 10% of the previous year-end statutory earned surplus or (2) the previous year's statutory net gain from operations, not including realized capital gains. Dividends that, together with the amount of other distributions or dividends in any calendar year, exceed this statutory limitation are considered to be extraordinary dividends. Extraordinary dividends require advance notice to the NYSDFS, NBLIC's primary state insurance regulator, and are subject to potential disapproval. For dividends exceeding these thresholds, NBLIC must provide notice to the NYSDFS and receive notice that the NYSDFS does not object to the payment of such dividends.

NBLIC's earned surplus was $171.2 million as of December 31, 2011. Its statutory net gain from operations, not including realized capital gains, was $16.1 million in 2011.

The amount of dividends that our U.S. insurance subsidiaries may pay in 2012 without regulatory consent follows:

	2012 Statutory Dividend Capacity
	(In thousands)
Primerica Life	$ —
NBLIC	16,075

The statutory capital and surplus of our U.S insurance subsidiaries was as follows:

	December 31,	
	2011	2010
	(In thousands)	
Primerica Life capital and surplus	$ 443,141	$ 629,842
NBLIC capital and surplus	173,679	163,249

Primerica Life and NBLIC both exceed the minimum risk-based capital requirements for insurance companies operating in the United States.

Canadian Insurance Subsidiary

Primerica Life Canada is incorporated under the provisions of the Canada Business Corporations Act and is a domiciled Canadian Company subject to regulation under the Insurance Companies Act (Canada) by the Office of the Superintendent of Financial Institutions Canada (OSFI) and by Provincial Superintendents of Financial Institutions/Insurance in those provinces in which Primerica Life Canada is licensed. The financial statements of Primerica Life Canada are prepared in accordance with International Financial Reporting Standards, or IFRS.

In Canada, dividends can be paid subject to the paying insurance company continuing to meet the regulatory requirements for capital adequacy and liquidity and upon 15 days' minimum notice to OSFI. The amount of dividends that may be paid in 2012 without regulatory consent for Primerica Life Canada is CAD53.3 million, or $52.3 million using the December 31, 2011 period-end exchange rate.

Primerica Life Canada exceeds the minimum capital requirements for insurance companies regulated by the Office of Supervision of Financial Institutions in Canada.

(16) Commitments and Contingent Liabilities

Commitments

We lease office equipment and office and warehouse space under various noncancelable operating lease agreements that expire through June 2028. Rent expense was as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Minimum rent expense	$ 6,726	$ 6,490	$ 6,483
Total rent expense	$ 6,726	$ 6,490	$ 6,483

We had no contingent rent expense during 2011, 2010, and 2009. In September 2011, we signed an agreement to lease a new build-to-suit facility which will replace and consolidate substantially all of our existing Duluth, Georgia-based executive and home office operations. We expect the building to be complete and ready for occupancy in the second quarter of 2013. The initial lease term will be 15 years with estimated minimum annual rental payments ranging from approximately $4.5 million at inception to approximately $5.6 million in year 15. The leases covering our existing Duluth, Georgia-based executive and home office operations will terminate in the second quarter of 2013. As such, we do not expect a material increase in our annual operating lease expenditures.

At January 1, 2012, the minimum aggregate rental commitments for operating leases were as follows:

	Year ending December 31,
	(In thousands)
2012	$ 6,803
2013	6,559
2014	6,356
2015	5,863
2016	5,916
Thereafter	61,064
Total minimum rental commitments for operating leases	
Net investment income	$ 92,561

Contingent Liabilities

In late 2011 and early 2012, several arbitration claims were filed with the Financial Industry Regulatory Association (FINRA) against our subsidiary, PFS Investments, Inc. and certain of its registered representatives seeking unspecified damages arising from the allegation that the representatives improperly recommended that the claimants transfer their retirement benefits from the Florida Retirement System's defined benefit plan to its defined contribution plan. In addition, a case alleging the same claims has been filed against us, PFS Investments, Inc. and a registered representative in Miami-Dade County Circuit Court. We believe we have meritorious defenses to the claims, and we intend to vigorously defend against them. We could incur significant costs and liabilities defending and/or resolving these claims, and we are unable at this early stage to assess with confidence what effect, if any, the ultimate resolution of these claims will have on our business, financial position or results of operations.

The lawyer representing the claimants in this matter has informed us that he intends to pursue similar claims on behalf of other potential claimants. We could incur significant costs and liabilities defending and/or settling these claims, and we are unable at this early stage to assess with confidence what effect, if any, the ultimate resolution of these claims will have on our business, financial condition or results of operations.

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. While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company’s financial position, based on information currently known by the Company’s management, in management's opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect.

(17) Benefit Plans

We participated in various benefit plans, including a pension plan and a 401(k) plan, sponsored by Citi during the period prior to our corporate reorganization in 2010. These plans are now either closed or no longer effective for our employees. The expense, if any, associated with the benefits earned under such plans was immaterial during 2011, 2010, and 2009.

In connection with our corporate reorganization, we established a 401(k) plan for the benefit of our employees in 2010. The expense associated with this plan was approximately $6.1 million in 2011 and approximately $3.1 million in 2010.

(18) Related Party Transactions

The net distributions we declared and paid to Citi, as a then-wholly owned subsidiary, were as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Distributions declared	$ —	$ 3,491,556	$ 193,927
Distributions paid	—	3,491,556	44,927
Distributions payable	—	—	149,000

The increase in net distributions in 2010 was a direct result of the transactions executed in connection with our corporate reorganization.

The revenues we earned or expenses we incurred in connection with other material related party transactions were as follows:

	Year ended December 31,		
	2011	2010	2009
	(In thousands)		
Loan origination service revenues from Citi affiliates	$ 4,990	$ 10,327	$ 29,519
Payroll,employee benefits and shared services expenses	—	(13,463)	(34,142)
Customer service telephone support expense	(4,286)	(5,921)	(6,406)
Citi stock award expense	—	(3,244)	(5,660)

We had various agreements with various wholly owned subsidiaries of Citi, whereby we provided these affiliates with certain services related to their origination of unsecured personal, consumer and student loans. The receivables related to these loan origination services were immaterial as of December 31, 2011 and 2010.

We had arrangements with various Citigroup affiliates whereby they provided payroll processing services and paid for employee benefits and various shared services on behalf of the Company. These arrangements terminated in July 2010. Amounts due to or from affiliates under these arrangements at December 31, 2010 were immaterial.

We had an arrangement with Citicorp Data Systems, Inc. (CDS), a wholly owned subsidiary of Citi, whereby CDS provided customer service telephone support for the Company. This arrangement terminated in October 2011.

We had arrangements in relation to unvested stock awards and other payables related to stock awards for various share-based compensation plans sponsored by Citi during the period prior to our corporate reorganization. These plans are closed or no longer effective for our employees except for exercise or delivery associated with awards granted prior to our corporate reorganization. The payables to Citi related to these agreements were as follows:

	December 31,	
	2011	2010
	(In thousands)	
Payables related to vested Citi stock awards	$ 2,249	$ 7,501

Remaining arrangements to provide services to or receive services from Citi affiliates were immaterial during 2011, 2010, and 2009.

In November 2011, we repurchased from Citi approximately 8.9 million shares of our common stock at a price of $22.42 per share, for a total purchase price of approximately $200.0 million. The per-share purchase price was determined based on the volume-weighted average price per share of Primerica, Inc. common stock during the seven-day period prior to execution of the repurchase agreement. We funded this repurchase with funds made available by a dividend from Primerica Life to the Parent Company.

In April 2011, Citi sold 12.0 million shares of our common stock in an underwritten public offering at a price of $22.75 per share. In December 2011, Citi sold approximately 8.1 million shares of our common stock, representing all of its remaining shares of our common stock, in an underwritten public offering at a price of $22.29 per share. We did not receive any proceeds from the sale of these shares. As required by the registration rights agreement, we incurred expenses of approximately $1 million on behalf of Citi in connection with these offerings.

In 2010, the Company forgave and wrote off an expense reimbursement receivable of approximately $0.7 million due from Warburg Pincus, a significant stockholder with two representatives on our Board of Directors at the time of the forgiveness. The receivable arose out of an agreement between Citi and Warburg Pincus pursuant to which Warburg Pincus agreed to reimburse the Company for a specified portion of certain costs expected to be incurred by the Company for a business event to be held in connection with the closing of the IPO. The agreement was signed prior to our corporate reorganization. Warburg Pincus requested a waiver of the obligation in 2010, which the Audit Committee approved.

(19) Subsequent Events

Effective March 31, 2012, Peach Re Inc. (Peach Re), a special purpose financial captive insurance company and wholly owned subsidiary of Primerica Life, entered into a credit facility agreement with Deutsche Bank (the Credit Facility Agreement). Under the Credit Facility Agreement, Deutsche Bank issued a letter of credit in the initial amount of $450 million with a term of approximately 14 years (the LOC) for the benefit of Primerica Life, the direct parent of Peach Re. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum amount of $510 million in 2014. The LOC was issued to support certain obligations of Peach Re for a portion of the reserves related to level premium term life insurance policies ceded to Peach Re from Primerica Life under a coinsurance agreement which became effective as of March 31, 2012.

Pursuant to the terms of the Credit Facility Agreement, in the event amounts are drawn under the LOC by Primerica Life, Peach Re will be obligated, subject to certain limited conditions, to reimburse Deutsche Bank for the amount of any draws and interest thereon. Peach Re has collateralized its obligations to Deutsche Bank by granting it a security interest in all of its assets with the exception of amounts held in a special account established to meet minimum asset thresholds required by state regulatory authorities. This transaction will have no impact on our GAAP financials other than fees paid to Deutsche Bank for the LOC. In connection with this transaction, Primerica Life obtained regulatory approval and paid an extraordinary dividend of $150.0 million to the Parent Company in April 2012.

On April 17, 2012, we executed an agreement to repurchase approximately 5.7 million shares of our common stock beneficially owned by certain private equity funds managed by Warburg Pincus LLC (Warburg Pincus) at $26.15 per share, for a total purchase price of approximately $150.0 million. The per-share purchase price was determined based on the closing price of our common stock on April 17, 2012. We completed the repurchase transaction on April 26, 2012. Upon completion of the share repurchase, Warburg Pincus owned approximately 18% of the Company's outstanding common stock.

Unaudited Quarterly Financial Data

In management's opinion, the following quarterly consolidated and combined financial information fairly presents the results of operations for such periods and is prepared on a basis consistent with our annual audited consolidated and combined financial statements. Financial information for the quarter ended March 31, 2010 was prepared on a combined basis, while financial information for quarters ending after March 31, 2010 was prepared on a consolidated basis.

We completed our IPO on April 1, 2010. Prior to April 2010, outstanding stock consisted of 100 shares of stock issued to Citi in October 2009. As such, pro forma per-share earnings for the quarter ended March 31, 2010 are not presented as they would not be comparable to per-share earnings in periods after the Transactions due to the substantial increase in shares used in the computation of earnings per share.

	Quarter ended March 31, 2011	Quarter ended June 30, 2011	Quarter ended September 30, 2011	Quarter ended December 31, 2011
	(In thousands, except per-share amounts)			
Direct premiums	$ 552,069	$ 560,881	$ 560,739	$ 555,778
Ceded premiums	(422,238)	(435,564)	(425,643)	(419,630)
Net premiums	129,831	125,317	135,096	136,148
Commissions and fees	106,116	108,698	100,883	97,282
Net investment income	28,626	27,229	27,103	25,643
Realized investment gains (losses), including OTTI	327	2,035	(178)	4,256
Other, net	11,452	11,816	12,887	12,526
Total revenues	276,352	275,095	275,791	275,855
Total benefits and expenses	203,096	216,630	220,284	219,174
Income before income taxes	73,256	58,465	55,507	56,681
Income taxes	25,985	20,845	20,409	19,479
Net income	$ 47,271	$ 37,620	$ 35,098	$ 37,202
Earnings per share - basic	$ 0.62	$ 0.50	$ 0.46	$ 0.52
Earnings per share - diluted	$ 0.62	$ 0.49	$ 0.46	$ 0.51

	Quarter ended March 31, 2010	Quarter ended June 30, 2010	Quarter ended September 30, 2010	Quarter ended December 31, 2010
	(In thousands, except per-share amounts)			
Direct premiums	$ 537,845	$ 547,455	$ 547,444	$ 548,330
Ceded premiums	(148,119)	(447,213)	(437,054)	(417,981)
Net premiums	389,726	100,242	110,390	130,349
Commissions and fees	91,690	93,226	89,737	108,288
Net investment income	82,576	27,991	27,855	26,688
Realized investment gains, including OTTI	31,057	374	1,015	1,700
Other, net	11,893	12,466	12,239	12,362
Total revenues	606,942	234,299	241,236	279,387
Total benefits and expenses	389,720	209,737	190,619	210,318
Income before income taxes	217,222	24,562	50,617	69,069
Income taxes	76,582	10,296	18,426	23,709
Net income	$ 140,640	$ 14,266	$ 32,191	$ 45,360
Earnings per share - basic	n/a	$ 0.19	$ 0.43	$ 0.60
Earnings per share - diluted	n/a	$ 0.19	$ 0.42	$ 0.60

Quarterly amounts may not agree in total to the corresponding annual amounts due to rounding.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(c) Financial Statement Schedules.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULES

The stockholders and board of directors of Primerica, Inc.:

Under date of February 28, 2012, except as to Notes 1, 2, 6, 11, 12, 13, 14 and 19, which are as of May 8, 2012, we reported on the consolidated balance sheets of Primerica, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated and combined statements of income, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011, which are included in this Form 8-K. In connection with our audits of the aforementioned consolidated and combined financial statements, we also audited the related financial statement schedules. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated and combined financial statements, in April 2010 the Company completed its initial public offering and a series of related transactions. Also as discussed in Note 1 to the consolidated and combined financial statements, the Company retrospectively adopted the provisions of ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* , as of January 1, 2012, and adopted the provisions of FASB Staff Position Financial Accounting Standard No. 115-2 and Financial Accounting Standard No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (included in FASB ASC Topic 320, *Investments — Debt and Equity Securities*) as of January 1, 2009.

/s/ KPMG LLP

Atlanta, Georgia
February 28, 2012, except as to Schedules II and III, which are as of May 8, 2012

Schedule I
Summary of Investments — Other Than Investments in Related Parties
PRIMERICA, INC.

Type of Investment	As of December 31, 2011 Cost	Value	Amount at which shown in the balance sheet
	(In thousands)		
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	$ 10,050	$ 10,986	$ 10,986
States, municipalities and political subdivisions	28,264	30,935	30,935
Foreign governments	97,206	111,845	111,845
Public utilities	—	—	—
Convertibles and bonds with warrants attached	11,850	12,099	12,099
All other corporate bonds	1,672,318	1,801,846	1,801,846
Certificates of deposit	75	75	75
Redeemable preferred stocks	1,389	1,010	1,010
Total fixed maturities	1,821,152	1,968,796	1,968,796
Equity securities:			
Common stocks:			
Public utilities	2,462	3,618	3,618
Banks, trusts and insurance companies	5,492	7,698	7,698
Industrial, miscellaneous and all other	13,290	15,199	15,199
Nonredeemable preferred stocks	85	197	197
Total equity securities	21,329	26,712	26,712
Mortgage loans on real estate	—	—	—
Real estate	—	—	—
Policy loans	25,982	25,982	25,982
Other long-term investments	—	—	—
Short-term investments	14	14	14
Total investments	$ 1,868,477	$ 2,021,504	$ 2,021,504

See the accompanying report of independent registered public accounting firm.

Schedule II
Condensed Financial Information of Registrant
PRIMERICA, INC. (Parent Only)
Condensed Balance Sheets

	December 31, 2011	December 31, 2010
	(In thousands)	
Assets		
Investments:		
Fixed-maturity securities available for sale, at fair value (amortized cost: $23,077 in 2011 and $0 in 2010)	$ 23,069	$ —
Total investments	23,069	—
Cash and cash equivalents	28,093	250
Due from affiliates*	257	—
Other receivables	112	—
Income taxes receivable from subsidiaries*	—	1,640
Investment in subsidiaries*	1,587,691	1,663,735
Other assets	28	—
Total assets	$ 1,639,250	$ 1,665,625
Liabilities and Stockholders' Equity		
Liabilities:		
Note payable	$ 300,000	$ 300,000
Current tax payable	2,696	—
Deferred tax payable	1,477	—
Due to affiliates*	247	897
Interest payable	7,608	7,608
Other liabilities	572	592
Commitments and contingent liabilities (see Note F)		
Total liabilities	312,600	309,097
Stockholders' equity:		
Common stock ($.01 par value, authorized 500,000 in 2011 and 2010 and issued 64,883 shares in 2011 and 72,843 shares in 2010)	649	728
Paid-in capital	835,232	1,010,635
Retained earnings	344,104	194,225
Accumulated other comprehensive income, net of income tax	146,665	150,940
Total stockholders' equity	1,326,650	1,356,528
Total liabilities and stockholders' equity	$ 1,639,250	$ 1,665,625

* Eliminated in consolidation.
See the accompanying notes to condensed financial statements.
See the accompanying report of independent registered public accounting firm.

Schedule II
Condensed Financial Information of Registrant
PRIMERICA, INC. (Parent Only)
Condensed Statements of Income

	Year ended December 31, 2011	Year ended December 31, 2010	Period from October 29, 2009 to December 31, 2009
		(In thousands)	
Revenues:			
Dividends from subsidiaries*	$ 275,250	$ 7,313	$ —
Net investment income	61	—	—
Realized investment losses, including other-than-temporary impairment losses	(5)	—	—
Other, net	—	18	—
Total revenues	275,306	7,331	—
Expenses:			
Interest expense	16,500	12,375	—
Other operating expenses	8,554	8,936	—
Total expenses	25,054	21,311	—
Income (loss) before income taxes	250,252	(13,980)	—
Income tax benefit	(7,131)	(8,281)	—
Income (loss) before equity in undistributed earnings of subsidiaries	257,383	(5,699)	—
Equity in undistributed earnings of subsidiaries*	(100,192)	97,515	—
Net income	$ 157,191	$ 91,816	$ —

* Eliminated in consolidation.
See the accompanying notes to condensed financial statements.
See the accompanying report of independent registered public accounting firm.

Schedule II
Condensed Financial Information of Registrant
PRIMERICA, INC. (Parent Only)
Condensed Statements of Comprehensive Income

	Year ended December 31, 2011	Year ended December 31, 2010	Period from October 29, 2009 to December 31, 2009
	(In thousands)		
Net income	$ 157,191	$ 91,816	$ —
Other comprehensive (loss) income before income taxes:			
Unrealized investment gains (losses):			
Equity in unrealized holding gains (losses) on investment securities held by subsidiaries	(625)	15,027	—
Change in unrealized losses on investment securities	(13)	—	—
Reclassification adjustment for realized investment losses included in net income	5	—	—
Foreign currency translation adjustments:			
Equity in unrealized foreign currency translation gains (losses) of subsidiaries	(3,645)	3,286	—
Total other comprehensive (loss) income before income taxes	(4,278)	18,313	—
Income tax benefit related to items of other comprehensive (loss) income	(3)	—	—
Other comprehensive (loss) income, net of income taxes	(4,275)	18,313	—
Total comprehensive income	$ 152,916	$ 110,129	$ —

See the accompanying notes to condensed financial statements.
See the accompanying report of independent registered public accounting firm.

Schedule II
Condensed Financial Information of Registrant
PRIMERICA, INC. (Parent Only)
Condensed Statements of Cash Flows

	Year ended December 31, 2011	Year ended December 31, 2010	Period from October 29, 2009 to December 31, 2009
	(In thousands)		
Cash flows from operating activities:			
Net income	$ 157,191	$ 91,816	$ —
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries*	100,192	(97,515)	—
Non-cash securities dividends received from subsidiaries*	(21,742)	—	—
Realized investment losses, including other-than-temporary impairment losses	5	—	—
Accretion and amortization of investments	40	—	—
Share-based compensation	(3,913)	(6)	—
Deferred tax provision	2,533	—	—
Change in accrued and other income taxes	3,297	(1,640)	—
Change in due to/from affiliates*	(907)	897	—
Change in other receivables	(112)	—	—
Change in interest payable	—	7,608	—
Change in other liabilities	(21)	592	—
Change in other assets	(28)	—	—
Net cash provided by operating activities	236,535	1,752	—
Cash flows from investing activities:			
Available-for-sale investments sold, matured or called:			
Fixed-maturity securities - matured or called	5,210	—	—
Available-for-sale investments acquired:			
Fixed-maturity securities	(6,590)	—	—
Net cash used in investing activities	(1,380)	—	—
Cash flows from financing activities:			
Repurchase of shares held by Citi	(200,000)	—	—
Dividends	(7,312)	(1,502)	—
Net cash used in financing activities	(207,312)	(1,502)	—
Change in cash and cash equivalents	27,843	250	—
Cash and cash equivalents, beginning of period	250	—	—
Cash and cash equivalents, end of period	$ 28,093	$ 250	$ —
Supplemental disclosures of cash flow information:			
Interest paid	$ 16,500	$ 4,767	$ —
Non-cash activities:			
Share-based compensation	$ 29,443	$ 44,023	$ —
Net contributions from Citi	1,426	1,676,423	—

* Eliminated in consolidation.
See the accompanying notes to condensed financial statements.
See the accompanying report of independent registered public accounting firm.

Schedule II
Condensed Financial Information of Registrant
PRIMERICA, INC. (Parent Only)
Notes to Condensed Financial Statements

(A) Corporate Organization

Primerica, Inc. was incorporated in Delaware on October 29, 2009 by Citi to serve as a holding company for the life insurance and financial product distribution businesses that we have operated for more than 30 years. At such time, we issued 100 shares of common stock to Citi. These businesses, which prior to April 1, 2010 were wholly owned indirect subsidiaries of Citi, were transferred to us on April 1, 2010. In conjunction with our reorganization, we issued to a wholly owned subsidiary of Citi (i) 74,999,900 shares of our common stock (of which 24,564,000 shares of common stock were subsequently sold by Citi in the IPO completed in April 2010; 16,412,440 shares of common stock were subsequently sold by Citi in April 2010 to certain private equity funds managed by Warburg Pincus LLC (Warburg Pincus) (the private sale); and 5,021,412 shares of common stock were immediately contributed back to us for equity awards granted to our employees and sales force leaders in connection with the IPO), (ii) warrants to purchase from us an aggregate of 4,103,110 shares of our common stock (which were subsequently transferred by Citi to Warburg Pincus pursuant to the private sale), and (iii) a $300.0 million note payable due on March 31, 2015 bearing interest at an annual rate of 5.5% (the Citi note). Prior to our corporate reorganization, we had no material assets or liabilities. Upon completion of the corporate reorganization, we became a holding company with our primary asset being the capital stock of our operating subsidiaries and our primary liability being the Citi note.

(B) Basis of Presentation

These condensed financial statements reflect the results of operations, financial position and cash flows for the parent company. We prepare our financial statements in accordance with GAAP. These principles are established primarily by the FASB. The preparation of financial statements in conformity with 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 item that involves a greater degree of accounting estimates subject to change in the future is determination of our investments in subsidiaries. Estimates for this and other items are subject to change and are reassessed by management in accordance with GAAP. Actual results could differ from those estimates.

The accompanying condensed financial statements should be read in conjunction with the consolidated and combined financial statements and notes thereto of Primerica, Inc. and Subsidiaries included in Part II, Item 8 of this report.

(C) Note Payable

In April 2010, we issued to Citi a $300.0 million note as part of our corporate reorganization in which Citi transferred to us the businesses that comprise our operations. Prior to the issuance of the Citi note, we had no outstanding debt. The Citi note bears interest at an annual rate of 5.5%, payable semi-annually in arrears on January 15 and July 15, and matures March 31, 2015. Citi may participate out, assign or sell all or any portion of the note at any time.

We have the option to redeem the Citi note in whole or in part at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest to the date of redemption. In the event of a change in control, the holder of the Citi note has the right to require us to repurchase it at a price equal to 101% of the outstanding principal amount plus accrued and unpaid interest.

The Citi note also requires us to use our commercially reasonable efforts to arrange and consummate an offering of investment-grade debt securities, trust preferred securities, surplus notes, hybrid securities or convertible debt that generates sufficient net cash proceeds (after deducting fees and expenses) to repay the note in full at certain mutually agreeable dates, based on certain conditions.

We were in compliance with all of the covenants of the Citi note at December 31, 2011. No events of default or defaults under the Citi note occurred during 2011.

(D) Income Taxes

In conjunction with the IPO and the private sale, we made elections under section 338(h)(10) of the Internal Revenue Code, which has resulted in changes to the deferred tax balances of our direct and indirect wholly owned subsidiaries and reduced our stockholders' equity by $174.7 million.

Prior to the IPO, our federal income tax return was included as part of Citi's consolidated federal income tax return. On March 30, 2010, in anticipation of our corporate reorganization, we entered into a tax separation agreement with Citi and prepaid our estimated tax liability to Citi. In accordance with the tax separation agreement, Citi will indemnify the Company and its subsidiaries against any consolidated, combined, affiliated, unitary or similar federal, state or local income tax liability for any taxable period ending on or before the closing date of the IPO. The advance tax payments paid to Citi exceeded our subsidiaries' actual tax liabilities. As a result, our subsidiaries reduced their tax assets and recorded the excess payments as a return of capital.

As a result of our corporate reorganization, we have direct ownership of a group of controlled foreign corporations in Canada. We have asserted a position of permanent reinvestment for the difference in share basis and certain operational earnings. It is not practicable to estimate the amount of deferred taxes associated with this difference at this time. For those operational earnings for which we have not made a permanent reinvestment assertion, we have established a deferred tax liability of approximately $2.6 million to account for the U.S. tax liability that will occur upon repatriation of such earnings. The Company has no other material deferred tax liabilities.

As of December 31, 2011, the Company has state net operating losses resulting in a deferred tax asset of approximately $1.0 million, which are available for use through 2030. The Company has no other material deferred tax assets.

There was no deferred tax asset valuation allowance at December 31, 2011. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, carryback and carryforward periods, and tax planning strategies in making this assessment. Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

The earliest tax year for which the Company may be examined is 2010. However, the Company's subsidiaries are open to examination in the United States for the years 2006 and thereafter, and in Canada for the years 2005 and thereafter.

(E) Dividends

Primerica, Inc. received dividends from its non-life subsidiaries and life insurance subsidiaries of approximately $75.3 million and $200.0 million, respectively, in 2011. In 2010, the Company received dividends of approximately $7.3 million from its non-life subsidiaries. No dividends were received in 2010 from the life insurance subsidiaries. Primerica, Inc. had no subsidiaries until the corporate reorganization in April 2010.

(F) Commitments and 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. While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company’s financial position, based on information currently known by the Company’s management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect.

(G) Subsequent Events

On April 17, 2012, we executed an agreement to repurchase approximately 5.7 million shares of our common stock beneficially owned by certain private equity funds managed by Warburg Pincus LLC (Warburg Pincus) at $26.15 per share, for a total purchase price of approximately $150.0 million. The per-share purchase price was determined based on the closing price of our common stock on April 17, 2012. We completed the repurchase transaction on April 26, 2012. Upon completion of the share repurchase, Warburg Pincus owned approximately 18% of the Company's outstanding common stock.

Schedule III
Supplementary Insurance Information
PRIMERICA, INC.

	Deferred policy acquisition costs	Future policy benefits	Unearned premiums	Other policy benefits and claims payable	Separate account liabilities
			(In thousands)		
December 31, 2011:					
Term Life Insurance	$ 806,629	$ 4,445,472	$ —	$ 219,666	$ —
Investment and Savings Products	66,134	—	—	—	2,407,515
Corporate and Other Distributed Products	31,722	169,388	7,022	22,088	1,083
Total	$ 904,485	$ 4,614,860	$ 7,022	$ 241,754	$ 2,408,598
December 31, 2010:					
Term Life Insurance	$ 638,843	$ 4,237,487	$ —	$ 210,595	$ —
Investment and Savings Products	68,254	—	—	—	2,445,590
Corporate and Other Distributed Products	31,849	171,696	5,563	19,300	1,196
Total	$ 738,946	$ 4,409,183	$ 5,563	$ 229,895	$ 2,446,786

	Premium revenue	Net investment income	Benefits and claims	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written
				(In thousands)		
Year ended December 31, 2011:						
Term Life Insurance	$ 460,641	$ 62,688	$ 197,159	$ 89,474	$ 105,912	$ —
Investment and Savings Products	—	—	—	12,482	267,144	—
Corporate and Other Distributed Products	65,751	45,913	45,537	2,078	139,398	41,891
Total	$ 526,392	$ 108,601	$ 242,696	$ 104,034	$ 512,454	$ 41,891
Year ended December 31, 2010:						
Term Life Insurance	$ 664,668	$ 110,633	$ 277,653	$ 137,009	$ 132,423	$ —
Investment and Savings Products	—	—	—	9,330	238,949	—
Corporate and Other Distributed Products	66,039	54,478	40,050	1,502	163,478	40,429
Total	$ 730,707	$ 165,111	$ 317,703	$ 147,841	$ 534,850	$ 40,429
Year ended December 31, 2009:						
Term Life Insurance	$ 1,434,197	$ 274,212	$ 559,038	$ 343,514	$ 198,395	$ —
Investment and Savings Products	—	—	—	7,254	199,482	—
Corporate and Other Distributed Products	67,830	77,114	41,235	1,489	128,199	40,849
Total	$ 1,502,027	$ 351,326	$ 600,273	$ 352,257	$ 526,076	$ 40,849

See the accompanying report of independent registered public accounting firm.

Schedule IV
Reinsurance
PRIMERICA, INC.

	Year ended December 31, 2011				
	Gross amount	**Ceded to other companies**	**Assumed from other companies**	**Net amount**	**Percentage of amount assumed to net**
			(Dollars in thousands)		
Life insurance in force	$ 669,938,841	$ 596,975,143	$ —	$ 72,963,698	—%
Premiums:					
Life insurance	$ 2,185,791	$ 1,701,269	$ —	$ 484,522	—%
Accident and health insurance	43,676	1,806	—	41,870	—%
Total premiums	$ 2,229,467	$ 1,703,075	$ —	$ 526,392	—%

	Year ended December 31, 2010				
	Gross amount	**Ceded to other companies**	**Assumed from other companies**	**Net amount**	**Percentage of amount assumed to net**
			(Dollars in thousands)		
Life insurance in force	$ 662,135,294	$ 600,806,666	$ —	$ 61,328,628	—%
Premiums:					
Life insurance	$ 2,138,912	$ 1,448,694	$ —	$ 690,218	—%
Accident and health insurance	42,162	1,673	—	40,489	—%
Total premiums	$ 2,181,074	$ 1,450,367	$ —	$ 730,707	—%

	Year ended December 31, 2009				
	Gross amount	**Ceded to other companies**	**Assumed from other companies**	**Net amount**	**Percentage of amount assumed to net**
			(Dollars in thousands)		
Life insurance in force	$ 655,659,625	$ 421,621,165	$ —	$ 234,038,460	—%
Premiums:					
Life insurance	$ 2,069,009	$ 610,020	$ —	$ 1,458,989	—%
Accident and health insurance	43,772	734	—	43,038	—%
Total premiums	$ 2,112,781	$ 610,754	$ —	$ 1,502,027	—%

See the accompanying report of independent registered public accounting firm.