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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from__________ to __________

Commission File Number: 001-34680

PRIMERICA®

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

Delaware	27-1204330
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Primerica Parkway Duluth, Georgia	30099
(Address of principal executive offices)	(ZIP Code)

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

Not applicable.
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of July 31, 2019, the registrant had 41,880,767 shares of common stock, $0.01 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	(Unaudited) June 30, 2019	December 31, 2018
	(In thousands)	
Assets:		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: $2,144,445 in 2019 and $2,078,822 in 2018)	$ 2,216,260	$ 2,069,635
Fixed-maturity security held-to-maturity, at amortized cost (fair value: $1,157,585 in 2019 and $945,331 in 2018)	1,087,790	970,390
Short-term investments available-for-sale, at fair value (amortized cost: $0 in 2019 and $8,171 in 2018)	-	8,171
Equity securities, at fair value (historical cost: $32,212 in 2019 and $34,997 in 2018)	38,897	37,679
Trading securities, at fair value (cost: $23,295 in 2019 and $13,597 in 2018)	23,375	13,610
Policy loans	33,527	31,501
Total investments	3,399,849	3,130,986
Cash and cash equivalents	244,975	262,138
Accrued investment income	17,434	17,057
Reinsurance recoverables	4,185,850	4,141,569
Deferred policy acquisition costs, net	2,238,315	2,133,920
Agent balances, due premiums and other receivables	238,367	215,139
Intangible assets, net (accumulated amortization: $83,737 in 2019 and $82,035 in 2018)	46,409	48,111
Income taxes	65,777	59,336
Operating lease right-of-use assets	49,381	-
Other assets	394,058	391,291
Separate account assets	2,437,291	2,195,501
Total assets	$ 13,317,706	$ 12,595,048
Liabilities and Stockholders' Equity:		
Liabilities:		
Future policy benefits	$ 6,314,403	$ 6,168,157
Unearned and advance premiums	17,111	15,587
Policy claims and other benefits payable	322,417	313,862
Other policyholders' funds	377,737	370,644
Notes payable	373,848	373,661
Surplus note	1,087,117	969,685
Income taxes	206,301	187,104
Operating lease liabilities	55,662	-
Other liabilities	496,027	486,772
Payable under securities lending	43,867	52,562
Separate account liabilities	2,437,291	2,195,501
Commitments and contingent liabilities *(see Commitments and Contingent Liabilities note)*		
Total liabilities	11,731,781	11,133,535
Stockholders' equity:		
Common stock ($0.01 par value; authorized 500,000 shares in 2019 and 2018; issued and outstanding 42,008 shares in 2019 and 42,694 shares in 2018)	420	427
Paid-in capital	-	-
Retained earnings	1,537,535	1,489,520
Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	(8,258)	(21,064)
Net unrealized investment gains (losses) on available-for-sale securities:		
Net unrealized investment gains (losses) not other-than-temporarily impaired	56,288	(7,253)
Net unrealized investment losses other-than-temporarily impaired	(60)	(117)
Total stockholders' equity	1,585,925	1,461,513
Total liabilities and stockholders' equity	$ 13,317,706	$ 12,595,048

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands, except per-share amounts)			
Revenues:				
Direct premiums	$ 687,262	$ 667,191	$ 1,364,548	$ 1,323,278
Ceded premiums	(400,588)	(403,449)	(790,383)	(797,698)
Net premiums	286,674	263,742	574,165	525,580
Commissions and fees	178,468	167,940	345,783	334,767
Investment income net of investment expenses	36,637	29,082	71,424	56,472
Interest expense on surplus note	(11,769)	(9,052)	(22,444)	(17,425)
Net investment income	24,868	20,030	48,980	39,047
Realized investment gains (losses), including other-than-temporary impairment losses	1,067	1,313	3,914	(344)
Other, net	13,825	14,790	27,048	28,687
Total revenues	504,902	467,815	999,890	927,737
Benefits and expenses:				
Benefits and claims	115,068	105,069	237,352	221,960
Amortization of deferred policy acquisition costs	58,762	53,847	123,390	114,011
Sales commissions	90,099	82,954	173,898	165,473
Insurance expenses	44,570	43,451	87,972	84,560
Insurance commissions	5,829	6,417	11,447	12,294
Interest expense	7,201	7,229	14,381	14,401
Other operating expenses	55,913	55,083	121,622	118,311
Total benefits and expenses	377,442	354,050	770,062	731,010
Income before income taxes	127,460	113,765	229,828	196,727
Income taxes	30,014	27,065	53,217	44,313
Net income	97,446	86,700	176,611	152,414
Earnings per share:				
Basic earnings per share	$ 2.28	$ 1.96	$ 4.12	$ 3.41
Diluted earnings per share	$ 2.28	$ 1.95	$ 4.11	$ 3.40
Weighted-average shares used in computing earnings per share:				
Basic	42,483	44,066	42,653	44,401
Diluted	42,619	44,207	42,780	44,529
Supplemental disclosures:				
Total impairment losses	$ (161)	$ (54)	$ (161)	$ (103)
Impairment losses recognized in other comprehensive income before income taxes	-	-	-	-
Net impairment losses recognized in earnings	(161)	(54)	(161)	(103)
Other net realized investment gains (losses)	251	828	197	1,165
Net gains (losses) recognized on equity securities	977	539	3,878	(1,406)
Net realized investment gains (losses), including other-than-temporary impairment losses	$ 1,067	$ 1,313	$ 3,914	$ (344)

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
	(In thousands)			
Net income	$ 97,446	$ 86,700	$ 176,611	$ 152,414
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses) on available-for-sale securities:				
Change in unrealized holding gains (losses) on investment securities	34,826	(15,578)	81,027	(47,920)
Reclassification adjustment for realized investment (gains) losses included in net income	(90)	(347)	(25)	(662)
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses)	6,639	(5,902)	12,806	(14,304)
Total other comprehensive income (loss) before income taxes	41,375	(21,827)	93,808	(62,886)
Income tax expense (benefit) related to items of other comprehensive income (loss)	7,425	(3,379)	17,404	(10,293)
Other comprehensive income (loss), net of income taxes	33,950	(18,448)	76,404	(52,593)
Total comprehensive income	$ 131,396	$ 68,252	$ 253,015	$ 99,821

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Common stock:				
Balance, beginning of period	$ 424	$ 440	$ 427	$ 443
Repurchases of common stock	(5)	(9)	(10)	(14)
Net issuance of common stock	1	1	3	3
Balance, end of period	420	432	420	432
Paid-in capital:				
Balance, beginning of period	-	-	-	-
Share-based compensation	4,778	4,368	17,950	18,356
Net issuance of common stock	(1)	(1)	(3)	(3)
Repurchases of common stock	(4,777)	(4,367)	(17,947)	(18,353)
Balance, end of period	-	-	-	-
Retained earnings:				
Balance, beginning of period	1,506,943	1,416,564	1,489,520	1,375,090
Cumulative effect from the adoption of new accounting standards, net	-	-	-	24,610
Net income	97,446	86,700	176,611	152,414
Dividends	(14,517)	(11,087)	(29,145)	(22,364)
Repurchases of common stock	(52,337)	(83,073)	(99,451)	(120,646)
Balance, end of period	1,537,535	1,409,104	1,537,535	1,409,104
Accumulated other comprehensive income (loss):				
Balance, beginning of period	14,020	9,496	(28,434)	43,568
Cumulative effect from the adoption of new accounting standards, net	-	-	-	73
Change in foreign currency translation adjustment, net of income taxes	6,639	(5,902)	12,806	(14,304)
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	27,265	(12,547)	63,541	(38,266)
Change in net unrealized investment gains (losses) other-than-temporarily impaired	46	1	57	(23)
Balance, end of period	47,970	(8,952)	47,970	(8,952)
Total stockholders' equity	$ 1,585,925	$ 1,400,584	$ 1,585,925	$ 1,400,584
Dividends declared per share	$ 0.34	$ 0.25	$ 0.68	$ 0.50

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30, 2019	Six months ended June 30, 2018
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 176,611	$ 152,414
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Change in future policy benefits and other policy liabilities	142,843	111,917
Deferral of policy acquisition costs	(212,300)	(221,934)
Amortization of deferred policy acquisition costs	123,390	114,011
Change in income taxes	(4,649)	6,023
Realized investment (gains) losses, including other-than-temporary impairments	(3,914)	344
Accretion and amortization of investments	(416)	(675)
Depreciation and amortization	8,490	5,994
Change in reinsurance recoverables	(31,208)	(9,280)
Change in agent balances, due premiums and other receivables	(23,151)	(15,792)
Trading securities sold, matured, or called (acquired), net	(9,700)	(18,309)
Share-based compensation	13,000	13,392
Change in other operating assets and liabilities, net	6,089	22,144
Net cash provided by (used in) operating activities	185,085	160,249
Cash flows from investing activities:		
Available-for-sale investments sold, matured or called:		
Fixed-maturity securities — sold	22,137	30,825
Fixed-maturity securities — matured or called	210,507	209,438
Short-term investments - matured or called	8,250	-
Equity securities — sold	3,136	1,819
Available-for-sale investments acquired:		
Fixed-maturity securities	(284,423)	(354,075)
Equity securities — acquired	(466)	(130)
Purchases of property and equipment and other investing activities, net	(15,903)	(6,154)
Cash collateral received (returned) on loaned securities, net	(8,695)	(7,690)
Sales (purchases) of short-term investments using securities lending collateral, net	8,695	7,690
Net cash provided by (used in) investing activities	(56,762)	(118,277)
Cash flows from financing activities:		
Dividends paid	(29,145)	(22,364)
Common stock repurchased	(110,731)	(133,776)
Tax withholdings on share-based compensation	(6,677)	(5,237)
Finance leases	(140)	-
Net cash provided by (used in) financing activities	(146,693)	(161,377)
Effect of foreign exchange rate changes on cash	1,207	(1,277)
Change in cash and cash equivalents	(17,163)	(120,682)
Cash and cash equivalents, beginning of period	262,138	279,962
Cash and cash equivalents, end of period	244,975	159,280

See accompanying notes to condensed consolidated financial statements.

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

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

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

The accompanying unaudited condensed consolidated financial statements contain all adjustments, generally consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of June 30, 2019 and December 31, 2018, the statements of income, comprehensive income, and stockholders' equity for the three and six months ended June 30, 2019 and 2018, and statement of cash flows for the six months ended June 30, 2019 and 2018. Results of operations for interim periods are not necessarily indicative of results for the entire year or of the results to be expected in future periods.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are sufficient to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Annual Report").

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

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

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

Significant Accounting Policies. All significant accounting policies remain unchanged from the 2018 Annual Report unless otherwise described.

New Accounting Principles. In February 2016, the FASB issued Accounting Standards Update No. 2016-02,*Leases (ASC 842)* ("ASC 842"), which requires lessees to recognize right-of-use operating lease assets and operating lease liabilities on the balance sheet. The Company adopted the amendments in ASC 842 on January 1, 2019 using the modified retrospective approach through a cumulative-effect adjustment to beginning retained earnings. The cumulative-effect adjustment to beginning retained earnings was zero. In addition, we elected the package of practical expedients permitted under ASC 842, which included not reassessing whether existing contracts contained leases and not reassessing the lease classification for existing leases. The effect of adopting ASC 842 resulted in an increase to both total assets and total liabilities of $52.7 million on January 1, 2019. The increase to both assets and liabilities is less than 1% of our total assets and total liabilities. The adjustment recognized upon the adoption of ASC 842 included the recognition of our operating lease obligations and corresponding right-of-use assets on our condensed consolidated balance sheet, which mainly consist of our executive office operations and other real estate leases of office space. The adoption of ASC 842 did not affect the Company's results of operations or liquidity. The Company's reporting for the comparative periods prior to adoption continues to be presented in the condensed consolidated financial statements in accordance with previous lease accounting guidance, Accounting Standards Codification Topic 840 – *Leases* ("ASC 840"). Refer to Note 14 (Leases) for more information on leases.

Future Application of Accounting Standards. In August 2018, the FASB issued Accounting Standards Update No. 2018-12,*Financial Services—Insurance (Topic 944) — Targeted Improvements to the Accounting for Long-Duration Contracts* ("ASU 2018-12"). The amendments in this update change accounting guidance for insurance companies that issue long-duration contracts, including term life insurance. ASU 2018-12 requires companies that issue long-duration insurance contracts to update assumptions used in measuring future policy benefits, including mortality, persistency, and disability rates, at least annually instead of locking those assumptions at contract inception and reflecting differences in assumptions and actual performance as the experience occurs. ASU 2018-12 also includes changes to how insurance companies that issue long-duration contracts amortize DAC and determine and update the discount rate assumptions used in measuring future policy benefits reserves while increasing the level of financial statement disclosures required. The guidance in ASU 2018-12 will be applied to the earliest period presented in the condensed consolidated financial statements beginning on the effective date. On July 17, 2019, the FASB tentatively decided to defer the effective date of ASU 2018-12 by one year, which would push the effective date from January 1, 2021 to January 1, 2022. We anticipate that the adoption of ASU 2018-12 will have a pervasive impact on our consolidated financial statements and related disclosures and will require changes to certain of our processes, systems and controls. We are unable to determine the magnitude of its impact at this time as we are still evaluating and implementing this standard.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13,*Financial Instruments—Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* ("ASC 326"). ASC 326 introduces new guidance for accounting for credit losses on financial instruments within its scope, including reinsurance recoverables, by replacing the current approach that delays recognition until it is probable a loss has been incurred with a new approach that estimates an allowance for anticipated credit losses on the basis of an entity's own expectations. The objective of the new approach for estimating credit losses is to require consideration of a broader range of forward-looking information, which is expected to result in earlier recognition of credit losses on financial instruments. Available-for-sale debt securities are excluded from the scope of financial instruments that require measurement of credit losses on the basis of a forward-looking expected loss estimate under ASC 326. The incurred probable loss approach for measuring credit losses on available-for-sale debt securities will remain under ASC 326, however, an entity will be allowed to reverse credit losses previously recognized in an allowance for available-for-sale debt securities (other than credit losses for securities an entity intends to sell or will more-likely-than-not be required to sell before recovery of amortized cost) in situations where the estimate of credit losses on those securities has declined. The amendments in ASC 326 also preclude an entity from considering the length of time an available-for-sale debt security has been in an unrealized loss position to avoid recording a credit loss and removes the requirement to consider recoveries or declines in fair value after the balance sheet date. The amendments in ASC 326 are effective for the Company beginning January 1, 2020. The Company is currently in the process of evaluating how the implementation of this standard will affect the valuation of its assets measured at amortized cost, most notably reinsurance recoverables, and has not yet determined the impact that the adoption of ASC 326 will have on the Company's consolidated financial statements.

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

(2) Segment and Geographical Information

Segments. We have two primary operating segments — Term Life Insurance and Investment and Savings Products. We also have a Corporate and Other Distributed Products segment.

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	(In thousands)			
Revenues:				
Term life insurance segment	$ 296,868	$ 272,978	$ 593,712	$ 543,286
Investment and savings products segment	173,086	162,841	335,756	324,883
Corporate and other distributed products segment	34,948	31,996	70,422	59,568
Total revenues	$ 504,902	$ 467,815	$ 999,890	$ 927,737
Net investment income:				
Term life insurance segment	$ 4,736	$ 3,246	$ 9,180	$ 6,334
Investment and savings products segment	-	-	-	-
Corporate and other distributed products segment	20,132	16,784	39,800	32,713
Total net investment income	$ 24,868	$ 20,030	$ 48,980	$ 39,047
Amortization of DAC:				
Term life insurance segment	$ 56,179	$ 51,257	$ 120,245	$ 107,930
Investment and savings products segment	2,101	2,080	2,578	5,521
Corporate and other distributed products segment	482	510	567	560
Total amortization of DAC	$ 58,762	$ 53,847	$ 123,390	$ 114,011
Non-cash share-based compensation expense:				
Term life insurance segment	$ 617	$ 793	$ 2,489	$ 2,966
Investment and savings products segment	666	325	2,121	1,518
Corporate and other distributed products segment	820	773	8,377	8,908
Total non-cash share-based compensation expense	$ 2,103	$ 1,891	$ 12,986	$ 13,392
Income (loss) before income taxes:				
Term life insurance segment	$ 83,997	$ 75,828	$ 154,337	$ 135,448
Investment and savings products segment	47,343	43,227	90,026	83,214
Corporate and other distributed products segment	(3,880)	(5,290)	(14,535)	(21,935)
Total income before income taxes	$ 127,460	$ 113,765	$ 229,828	$ 196,727

Total assets by segment were as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Assets:		
Term life insurance segment	$ 6,478,885	$ 6,322,555
Investment and savings products segment (1)	2,560,420	2,298,238
Corporate and other distributed products segment	4,278,401	3,974,255
Total assets	$ 13,317,706	$ 12,595,048

(1) The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, the Investment and Savings Products segment assets were $ 123.2 million and $ 102.8 million as of June 30, 2019 and December 31, 2018, respectively.

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	(In thousands)			
Revenues by country:				
United States	$ 430,093	$ 395,710	$ 850,086	$ 779,504
Canada	74,809	72,105	149,804	148,233
Total revenues	$ 504,902	$ 467,815	$ 999,890	$ 927,737
Income before income taxes by country:				
United States	$ 106,723	$ 94,100	$ 187,457	$ 157,314
Canada	20,737	19,665	42,371	39,413
Total income before income taxes	$ 127,460	$ 113,765	$ 229,828	$ 196,727

	June 30, 2019	December 31, 2018
	(In thousands)	
Long-lived assets by country:		
United States	$ 30,715	$ 30,999
Canada	5,218	4,997
Total long-lived assets	$ 35,933	$ 35,996

(3) Investments

Available-for-sale Securities. The period-end amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities were as follows:

	June 30, 2019			
	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	$ 11,377	$ 307	$ (6)	$ 11,678
Foreign government	158,160	7,799	(76)	165,883
States and political subdivisions	83,534	3,159	(28)	86,665
Corporates	1,465,008	52,947	(2,140)	1,515,815
Residential mortgage-backed securities	197,137	5,416	(53)	202,500
Commercial mortgage-backed securities	138,143	3,712	(198)	141,657
Other asset-backed securities	91,086	1,037	(61)	92,062
Total fixed-maturity securities(1)	2,144,445	74,377	(2,562)	2,216,260
Short-term investments	-	-	-	-
Total fixed-maturity and short-term investments	$ 2,144,445	$ 74,377	$ (2,562)	$ 2,216,260

(1) Includes $0.1 million of other-than-temporary impairment ("OTTI") losses related to corporates and mortgage- and asset-backed securities recognized in accumulated other comprehensive income (loss).

	December 31, 2018			
	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	$ 12,115	$ 176	$ (58)	$ 12,233
Foreign government	155,723	3,347	(958)	158,112
States and political subdivisions	59,075	1,202	(271)	60,006
Corporates	1,447,075	11,916	(24,773)	1,434,218
Residential mortgage-backed securities	191,245	2,439	(1,733)	191,951
Commercial mortgage-backed securities	131,279	1,712	(1,636)	131,355
Other asset-backed securities	82,310	205	(755)	81,760
Total fixed-maturity securities(1)	2,078,822	20,997	(30,184)	2,069,635
Short-term investments	8,171	-	-	8,171
Total fixed-maturity and short-term investments	$ 2,086,993	$ 20,997	$ (30,184)	$ 2,077,806

(1) Includes $0.1 million of OTTI losses related to corporates and mortgage- and asset-backed securities recognized in accumulated other comprehensive income (loss).

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.

The scheduled maturity distribution of the available-for-sale fixed-maturity portfolio as of June 30, 2019 was as follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$ 252,453	$ 253,665
Due after one year through five years	892,504	920,492
Due after five years through 10 years	491,769	516,329
Due after 10 years	81,353	89,555
	1,718,079	1,780,041
Mortgage- and asset-backed securities	426,366	436,219
Total AFS fixed-maturity securities	$ 2,144,445	$ 2,216,260

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.

Unrealized Gains and Losses on Investments. The net effect on stockholders' equity of unrealized gains and losses on available-for-sale investments was as follows:

	June 30, 2019	December 31, 2018
	(In thousands)	
Net unrealized investment gains (losses) on available-for-sale securities including OTTI:		
Available-for-sale securities	$ 71,815	$ (9,187)
OTTI	76	147
Net unrealized investment gains (losses) on available-for-sale securities excluding OTTI	71,891	(9,040)
Deferred income taxes	(15,603)	1,787
Net unrealized investment gains (losses) on available-for-sale securities excluding OTTI, net of tax	$ 56,288	$ (7,253)

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

	June 30, 2019		December 31, 2018	
	Cost	Fair value	Cost	Fair value
	(In thousands)			
Fixed-maturity securities	$ 23,295	$ 23,375	$ 13,597	$ 13,610

Held-to-maturity Security. Concurrent with the execution of the Vidalia Re Coinsurance Agreement, Vidalia Re entered into a Surplus Note Purchase Agreement (the "Surplus Note Purchase Agreement") with Hannover Life Reassurance Company of America and certain of its affiliates (collectively, "Hannover Re") and a newly formed limited liability company (the "LLC") owned by a third- party service provider. Under the Surplus Note Purchase Agreement, Vidalia Re issued a surplus note (the "Surplus Note") to the LLC in exchange for a credit enhanced note from the LLC with an equal principal amount (the "LLC Note"). The principal amount of both the LLC Note and the Surplus Note will fluctuate over time to coincide with the amount of reserves contractually supported under the Vidalia Re Coinsurance Agreement. Both the LLC Note and the Surplus Note mature on December 31, 2030 and bear interest at an annual interest rate of4.50%. The LLC Note is guaranteed by Hannover Re through a credit enhancement feature in exchange for a fee, which is reflected in interest expense on our unaudited condensed consolidated statements of income.

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

The LLC Note is classified as a fixed-maturity held-to-maturity security in the Company's invested asset portfolio as we have the positive intent and ability to hold the security until maturity. As of June 30, 2019, the LLC Note, which was rated A+ by Fitch Ratings, had an estimated unrealized holding gain of $69.8 million based on its amortized cost and estimated fair value. The estimated fair value of the LLC Note is expected to be at least equal to the estimated fair value of the offsetting Surplus Note. See Note 4 (Fair Value of Financial Instruments) for information on the fair value of our financial instruments and see Note 12 (Debt) for more information on the Surplus Note.

Investments on Deposit with Governmental Authorities. As required by law, we have investments on deposit with governmental authorities and banks for the protection of policyholders. The fair values of investments on deposit were $7.5 million and $10.1 million as of June 30, 2019 and December 31, 2018, respectively.

Securities Lending Transactions. We participate in securities lending transactions with broker-dealers and other financial institutions to increase investment income with minimal risk. We require minimum collateral on securities loaned equal to 102% of the fair value of the loaned securities. We accept collateral in the form of securities, which we are not able to sell or encumber, and to the extent the collateral declines in value below 100%, we require additional collateral from the borrower. Any securities collateral received is not reflected on our unaudited condensed consolidated balance sheets. We also accept collateral in the form of cash, 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 loaned securities as invested assets on our unaudited condensed consolidated balance sheets during the terms of the loans, and we do not report them as sales. Cash collateral received and reinvested was $43.9 million and $52.6 million as of June 30, 2019 and December 31, 2018, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Fixed-maturity securities (available-for-sale)	$ 20,345	$ 19,743	$ 40,679	$ 39,031
Fixed-maturity security (held-to-maturity)	11,769	9,052	22,444	17,425
Equity securities	446	466	933	979
Policy loans and other invested assets	300	284	618	563
Cash and cash equivalents	1,414	747	2,617	1,465
Total return on deposit asset underlying 10% coinsurance agreement(1)	4,588	895	8,491	788
Gross investment income	38,862	31,187	75,782	60,251
Investment expenses	(2,225)	(2,105)	(4,358)	(3,779)
Investment income net of investment expenses	36,637	29,082	71,424	56,472
Interest expense on surplus note	(11,769)	(9,052)	(22,444)	(17,425)
Net investment income	$ 24,868	$ 20,030	$ 48,980	$ 39,047

(1) For the three and six months ended June 30, 2019, it included $ 2.5 million and $ 4.6 million, respectively, of net gains (losses) recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement. For the three and six months ended June 30, 2018, it included $(0.4) million and $(1.7) million, respectively of net gains (losses) recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement.

The components of net realized investment gains (losses) recognized in net income as well as details on gross realized investment gains and losses were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Net realized investment gains (losses):				
Gross gains from sales of available-for-sale securities	$ 293	$ 404	$ 471	$ 786
Gross losses from sales of available-for-sale securities	(42)	(3)	(285)	(21)
OTTI losses of available-for-sale securities	(161)	(54)	(161)	(103)
Net gains (losses) recognized in net income during the period on equity securities	977	539	3,878	(1,406)
Gains (losses) from bifurcated options	-	427	-	400
Gains (losses) on trading securities	-	-	11	-
Net realized investment gains (losses)	$ 1,067	$ 1,313	$ 3,914	$ (344)

The proceeds from sales or other redemptions of available-for-sale securities were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Proceeds from sales or other redemptions	$ 125,455	$ 118,557	$ 240,894	$ 240,263

The components of net gains (losses) recognized in net income on equity securities still held as of period-end were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Net gains (losses) recognized on equity securities	$ 977	$ 539	$ 3,878	$ (1,406)
Less: Net gains (losses) recognized on equity securities sold	-	(49)	(254)	(49)
Net gains (losses) recognized in net income on equity securities still held as of period-end	$ 977	$ 588	$ 4,132	$ (1,357)

Other-Than-Temporary Impairment. We conduct a review each quarter to identify and evaluate impaired investments that have indications of possible OTTI. An investment in a debt security is impaired if its fair value falls below its cost. Factors considered in determining whether an impairment 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 issuer, 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 for fixed-maturity securities. We also consider our anticipated sources of cash to fund operating activities and share repurchases when assessing our ability and intent to hold invested assets to allow for the recovery of cost basis in determining whether to recognize OTTI related to such invested assets.

The amortized cost of available-for-sale fixed-maturity securities with a cost basis in excess of their fair values were $212.0 million and $1,239.6 million as of June 30, 2019 and December 31, 2018, respectively.

The following tables summarize, for all available-for-sale 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:

	June 30, 2019					
	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	$ 1,247	$ (3)	3	$ 3,201	$ (3)	3
Foreign government	2,091	(3)	1	11,180	(73)	13
States and political subdivisions	2,262	(3)	2	6,516	(25)	7
Corporates	24,439	(171)	23	79,667	(1,969)	80
Residential mortgage-backed securities	1,304	(15)	3	16,970	(38)	8
Commercial mortgage-backed securities	4,805	(7)	4	30,012	(191)	40
Other asset-backed securities	12,765	(34)	23	12,933	(27)	23
Total fixed-maturity securities	$ 48,913	$ (236)		$ 160,479	$ (2,326)	

	December 31, 2018					
	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	$ 1,668	$ (10)	1	$ 4,541	$ (48)	6
Foreign government	7,326	(170)	7	52,086	(788)	54
States and political subdivisions	2,644	(9)	3	23,324	(262)	20
Corporates	489,880	(10,649)	396	360,516	(14,124)	321
Residential mortgage-backed securities	32,725	(86)	14	71,308	(1,647)	41
Commercial mortgage-backed securities	31,129	(173)	20	78,911	(1,463)	77
Other asset-backed securities	19,363	(184)	35	33,989	(571)	41
Total fixed-maturity securities	584,735	(11,281)		624,675	(18,903)	

As of June 30, 2019, the unrealized losses on our available-for-sale security portfolio were largely caused by interest rate sensitivity and, to a lesser extent, changes in credit spreads. We believe that fluctuations caused by movement in interest rates and credit spreads have little bearing on the recoverability of our investments. We do not consider these investments to be other-than-temporarily impaired because we have the ability to hold these investments until maturity or a market price recovery, and we have no present intention to dispose of them.

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

	June 30, 2019		December 31, 2018	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In thousands)			
Fixed-maturity securities in default	$ -	$ 210	$ 3	$ 227

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
OTTI on fixed-maturity securities not in default	$ 158	$ 54	$ 158	$ 103
OTTI on fixed-maturity securities in default	3	-	3	-
Total OTTI recognized in earnings	$ 161	$ 54	$ 161	$ 103

The securities noted above were considered to be other-than-temporarily impaired due to: our intent to sell them; 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.

OTTI recognized in earnings for available-for-sale securities were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Total OTTI related to securities which the Company does not intend to sell or more-likely-than-not will not be required to sell:				
Total OTTI losses recognized	$ 3	$ 54	$ 3	$ 103
Less portion of OTTI recognized in accumulated other comprehensive income (loss)	-	-	-	-
OTTI recognized in earnings for securities which the Company does not intend to sell or more-likely than-not will not be required to sell before recovery	3	54	3	103
OTTI recognized in earnings for securities which the Company intends to sell or more-likely-than-not will be required to sell before recovery	158	-	158	-
OTTI recognized in earnings	$ 161	$ 54	$ 161	$ 103

The rollforward of the OTTI recognized in net income for all fixed-maturity securities still held was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Cumulative OTTI recognized in net income for securities still held, beginning of period	$ 2,467	$ 4,298	$ 2,511	$ 4,346
Additions for securities where no OTTI were recognized prior to the beginning of the period	158	-	158	-
Additions for securities where OTTI have been recognized prior to the beginning of the period	3	54	3	103
Reductions due to sales, maturities, calls, amortization or increases in cash flows expected to be collected over the remaining life of credit-impaired securities	(221)	(1,058)	(265)	(1,155)
Reductions for exchanges of securities previously impaired	-	-	-	-
Cumulative OTTI recognized in net income for securities still held, end of period	$ 2,407	$ 3,294	$ 2,407	$ 3,294

As of June 30, 2019, no cumulative impairment losses have been recognized on the LLC Note held-to-maturity security.

Derivatives. We have a deferred loss related to closed forward contracts, which were settled several years ago, that were used to mitigate our exposure to foreign currency exchange rates that resulted from the net investment in our Canadian operations. The amount of deferred loss included in accumulated other comprehensive income (loss) was $26.4 million as of June 30, 2019 and December 31, 2018. These deferred losses will not be recognized until such time as we sell or substantially liquidate our Canadian operations; although we have no such intention.

(4) Fair Value of Financial Instruments

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

- Level 1. Quoted prices for identical instruments in active markets. Level 1 consists of financial instruments whose value is based on quoted market prices in active markets, such as exchange-traded common stocks and actively traded mutual fund investments;
- Level 2. Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets. Level 2 includes those financial instruments that are valued using industry-standard pricing methodologies, models or

other valuation methodologies. Various inputs are considered in deriving the fair value of the underlying financial instrument, including interest rate and yield curves, credit spread, and foreign exchange rates. All significant inputs are observable, or derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include: certain public and private corporate fixed-maturity and equity securities; government or agency securities; and certain mortgage- and asset-backed securities; and

- Level 3. Valuations derived from valuation techniques in which one or more significant inputs are unobservable. Level 3 consists of financial instruments whose fair value is estimated based on industry-standard pricing methodologies and models using significant inputs not based on, nor corroborated by, readily available market information. Valuations for this category primarily consist of non-binding broker quotes. Financial instruments in this category primarily include less liquid mortgage-and asset-backed securities and equity securities.

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

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

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	$ -	$ 11,678	$ -	$ 11,678
Foreign government	-	165,883	-	165,883
States and political subdivisions	-	86,665	-	86,665
Corporates	3,148	1,512,667	-	1,515,815
Residential mortgage-backed securities	-	202,473	27	202,500
Commercial mortgage-backed securities	-	141,657	-	141,657
Other asset-backed securities	-	91,226	836	92,062
Short-term investments	-	-	-	-
Total available-for-sale securities	3,148	2,212,249	863	2,216,260
Equity securities	37,704	1,030	163	38,897
Trading securities	-	23,375	-	23,375
Separate accounts	-	2,437,291	-	2,437,291
Total fair value assets	$ 40,852	$ 4,673,945	$ 1,026	$ 4,715,823
Fair value liabilities:				
Separate accounts	$ -	$ 2,437,291	$ -	$ 2,437,291
Total fair value liabilities	$ -	$ 2,437,291	$ -	$ 2,437,291

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	$ -	$ 12,233	$ -	$ 12,233
Foreign government	-	158,112	-	158,112
States and political subdivisions	-	60,006	-	60,006
Corporates	2,869	1,431,346	3	1,434,218
Residential mortgage-backed securities	-	191,720	231	191,951
Commercial mortgage-backed securities	-	131,355	-	131,355
Other asset-backed securities	-	81,259	501	81,760
Short-term investments	-	8,171	-	8,171
Total available-for-sale securities	2,869	2,074,202	735	2,077,806
Equity securities	36,473	1,020	186	37,679
Trading securities	-	13,610	-	13,610
Separate accounts	-	2,195,501	-	2,195,501
Total fair value assets	$ 39,342	$ 4,284,333	$ 921	$ 4,324,596
Fair value liabilities:				
Separate accounts	$ -	$ 2,195,501	$ -	$ 2,195,501
Total fair value liabilities	$ -	$ 2,195,501	$ -	$ 2,195,501

In estimating fair value of our investments, we use a third-party pricing service for95% of our securities that are measured at fair value on a recurring basis. The remaining securities are primarily thinly-traded securities, such as private placements, and are valued using models based on observable inputs on public corporate spreads having similar characteristics (e.g., sector, average life and quality rating), liquidity and yield based on quality rating, average life and U.S. Treasury yields. All observable data inputs are corroborated by independent third-party data. We also corroborate pricing information provided by our third-party pricing service by performing a review of selected securities. Our review activities include obtaining detailed information about the assumptions, inputs and methodologies used in pricing the security; documenting this information; and corroborating it by comparison to independently obtained prices and/or independently developed pricing methodologies.

Furthermore, we perform reasonableness assessments on fair value determinations within our portfolio throughout the quarter and as of quarter-end, including pricing variance analyses and comparisons to alternative pricing sources and benchmark returns. If a fair value appears unusual relative to these assessments, we will re-examine the inputs and may challenge a fair value assessment made by the pricing service. If there is a known pricing error, we will request a reassessment by the pricing service. If the pricing service is unable to perform the reassessment on a timely basis, we will determine the appropriate price by requesting a reassessment from an alternative pricing service or other qualified source as necessary. We do not adjust quotes or prices except in a rare circumstance to resolve a known error.

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

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

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

	Three months ended June 30,		Six months ended June 30, [(1)]	
	2019	2018	2019	2018
	(In thousands)			
Level 3 assets, beginning of period	$ 381	$ 535	$ 921	$ 567
Net unrealized gains (losses) included in other comprehensive income	(7)	(4)	(13)	(13)
Realized gains (losses) and accretion (amortization) recognized in earnings, including OTTI	(32)	27	(24)	45
Settlements	(152)	(42)	(196)	(83)
Transfers into Level 3	836	-	836	-
Transfers out of Level 3 [(2)]	-	-	(498)	-
Level 3 assets, end of period	$ 1,026	$ 516	$ 1,026	$ 516

(1) Activities for investments that enter Level 3 in one quarter and exit Level 3 in another quarter within the same fiscal year are not eliminated until year-end when only the full year amounts are presented.

(2) Transfers out of Level 3 assets primarily consisted of newly issued fixed-maturity securities in the previous quarter for which observable inputs, most notably quoted prices, used to derive valuations became readily available.

We obtain independent pricing quotes based on observable inputs as of the end of the reporting period for all securities in Level 2. Those inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, quoted prices for similar instruments in markets that are not active, and other relevant data. We monitor these inputs for market indicators, industry and economic events. There were no material transfers between Level 1 and Level 3 during the three and six months ended June 30, 2019 and 2018.

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

	June 30, 2019		December 31, 2018	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
	(In thousands)			
Assets:				
Fixed-maturity securities (available-for-sale)	$ 2,216,260	$ 2,216,260	$ 2,069,635	$ 2,069,635
Fixed-maturity security (held-to-maturity) (3)	1,087,790	1,157,585	970,390	945,331
Short-term investments (available-for-sale)	-	-	8,171	8,171
Equity securities	38,897	38,897	37,679	37,679
Trading securities	23,375	23,375	13,610	13,610
Policy loans (3)	33,527	33,527	31,501	31,501
Deposit asset underlying 10% coinsurance agreement (3)	232,204	232,204	228,974	228,974
Separate accounts	2,437,291	2,437,291	2,195,501	2,195,501
Liabilities:				
Notes payable (1) (2)	$ 373,848	$ 396,129	$ 373,661	$ 384,909
Surplus note (1) (3)	1,087,117	1,157,282	969,685	945,331
Separate accounts	2,437,291	2,437,291	2,195,501	2,195,501

(1) Carrying value amounts shown are net of issuance costs.
(2) Classified as a Level 2 fair value measurement.
(3) Classified as a Level 3 fair value measurement.

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

Financial Instruments Recognized at Fair Value in the Balance Sheet. Estimated fair values of investments in available-for-sale fixed-maturity securities and short-term investments 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 and equity securities, including common and nonredeemable preferred stocks, are carried at fair value. Segregated funds in separate accounts are carried at the underlying value of the variable insurance contracts, which is fair value.

(5) Reinsurance

We use reinsurance extensively, which has a significant effect on our results of operations. Reinsurance arrangements do not relieve us of our primary obligation to the policyholder. We monitor the concentration of credit risk we have with any reinsurer, as well as the financial condition of the reinsurers.

Details on in-force life insurance were as follows:

	June 30, 2019	December 31, 2018
	(Dollars in thousands)	
Direct life insurance in force	$ 799,212,496	$ 783,979,673
Amounts ceded to other companies	(694,112,839)	(682,708,797)
Net life insurance in force	$ 105,099,657	$ 101,270,876
Percentage of reinsured life insurance in force	87 %	87 %

Reinsurance recoverables includes ceded reserve balances and ceded claim liabilities. Reinsurance recoverables and financial strength ratings by reinsurer were as follows:

	June 30, 2019		December 31, 2018	
	Reinsurance recoverables	A.M. Best rating	Reinsurance recoverables	A.M. Best rating
	(In thousands)			
Pecan Re Inc. (1) (2)	$ 2,727,285	NR	$ 2,701,326	NR
SCOR Global Life Reinsurance Companies (3)	346,173	A+	348,109	A+
Munich Re of Malta (2) (5)	286,536	NR	276,154	NR
Swiss Re Life & Health America Inc. (4)	228,698	A+	234,643	A+
American Health and Life Insurance Company (2)	169,742	B+	170,628	B+
Munich American Reassurance Company	119,063	A+	114,604	A+
Korean Reinsurance Company	105,574	A	104,101	A
RGA Reinsurance Company	95,525	A+	90,989	A+
Hannover Life Reassurance Company	33,560	A+	31,729	A+
TOA Reinsurance Company	27,558	A	25,434	A
All other reinsurers	46,136	-	43,852	-
Reinsurance recoverables	$ 4,185,850		$ 4,141,569	

NR – not rated

(1) Pecan Re Inc. is a wholly owned subsidiary of Swiss Re Life & Health America Inc.

(2) Reinsurance recoverables includes balances ceded under coinsurance transactions of term life insurance policies that were in force as of December 31, 2009. Amounts shown are net of their share of the reinsurance recoverables from other reinsurers.

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

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

(5) This entity is rated AA- by S&P.

Benefits and claims ceded to reinsurers during the three and six months ended June 30, 2019 were $327.4 million and $660.0 million, respectively, compared to $312.9 million and $653.2 million for the three and six months ended June 30, 2018, respectively.

(6) Policy Claims and Other Benefits Payable

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

	Six months ended June 30, 2019	Six months ended June 30, 2018
	(In thousands)	
Policy claims and other benefits payable, beginning of period	$ 313,862	$ 307,401
Less reinsured policy claims and other benefits payable	318,653	322,137
Net balance, beginning of period	(4,791)	(14,736)
Incurred related to current year	92,355	90,659
Incurred related to prior years (1)	(1,456)	(2,233)
Total incurred	90,899	88,426
Claims paid related to current year, net of reinsured policy claims received	(150,765)	(152,561)
Reinsured policy claims received related to prior years, net of claims paid	16,105	24,575
Total paid	(134,660)	(127,986)
Foreign currency translation	323	(267)
Net balance, end of period	(48,229)	(54,563)
Add reinsured policy claims and other benefits payable	370,646	341,453
Balance, end of period	$ 322,417	$ 286,890

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

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

(7) Stockholders' Equity

A reconciliation of the number of shares of our common stock follows:

	Six months ended June 30,	
	2019	2018
	(In thousands)	
Common stock, beginning of period	42,694	44,251
Shares issued for stock options exercised	-	-
Shares of common stock issued upon lapse of restricted stock units ("RSUs")	304	329
Common stock retired	(990)	(1,412)
Common stock, end of period	42,008	43,168

The above reconciliation excludes RSUs and performance-based stock units ("PSUs"), which do not have voting rights. As sales restrictions on RSUs lapse and PSUs are earned, we issue common shares with voting rights. As of June 30, 2019, we had a total of 438,344 RSUs and 92,108 PSUs outstanding. The PSU outstanding balance is based on the number of PSUs granted pursuant to the award agreement; however, the actual number of common shares issued could be higher or lower based on actual versus targeted performance. See Note 9 (Share-Based Transactions) for discussion of the PSU award structure.

On February 7, 2019, our Board of Directors authorized a share repurchase program for up to $275.0 million of our outstanding common stock for purchases through June 30, 2020 (the "share repurchase program"). Under the share repurchase program, we repurchased 937,054 shares of our common stock in the open market for an aggregate purchase price of $110.7 million through June 30, 2019. Approximately $164.3 million remains available for repurchases of our outstanding common stock under the share repurchase program as of June 30, 2019.

(8) Earnings Per Share

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

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

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

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

The calculation of basic and diluted EPS was as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	(In thousands, except per-share amounts)			
Basic EPS:				
Numerator:				
Net income	$ 97,446	$ 86,700	$ 176,611	$ 152,414
Income attributable to unvested participating securities	(428)	(483)	(835)	(917)
Net income used in calculating basic EPS	$ 97,018	$ 86,217	$ 175,776	$ 151,497
Denominator:				
Weighted-average vested shares	42,483	44,066	42,653	44,401
Basic EPS	$ 2.28	$ 1.96	$ 4.12	$ 3.41
Diluted EPS:				
Numerator:				
Net income	$ 97,446	$ 86,700	$ 176,611	$ 152,414
Income attributable to unvested participating securities	(427)	(482)	(833)	(915)
Net income used in calculating diluted EPS	$ 97,019	$ 86,218	$ 175,778	$ 151,499
Denominator:				
Weighted-average vested shares	42,483	44,066	42,653	44,401
Dilutive effect of incremental shares to be issued for contingently-issuable shares	136	141	127	128
Weighted-average shares used in calculating diluted EPS	42,619	44,207	42,780	44,529
Diluted EPS	$ 2.28	$ 1.95	$ 4.11	$ 3.40

(9) Share-Based Transactions

The Company has outstanding equity awards under the Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan ("OIP"). The OIP provides for the issuance of equity awards, including stock options, stock appreciation rights, restricted stock, deferred stock, RSUs, PSUs, and stock payment awards, as well as cash-based awards. In addition to time-based vesting requirements, awards granted under the OIP may also be subject to specified performance criteria. Since 2010, the Company has issued equity awards under the OIP to our management (officers and other key employees), non-employees who serve on our Board of Directors, and sales force leaders. For more information on equity awards granted under the OIP, see Note 14 (Share-Based Transactions) to our consolidated financial statements within our 2018 Annual Report.

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

The impacts of equity awards granted are as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	(In thousands)			
Total equity awards expense recognized	$ 2,103	$ 1,891	$ 12,986	$ 13,392
Quarterly incentive awards expense deferred	2,662	2,485	4,941	4,979

On February 26, 2019, the Compensation Committee of our Board of Directors granted the following equity awards to employees as part of the annual approval of management incentive compensation:

- 73,817 RSUs awarded to management with a measurement-date fair value of $122.62 per unit that have time-based vesting requirements with equal and annual graded vesting over approximately three years subsequent to the grant date.
- 25,483 PSUs awarded under the OIP to our four top executives with a measurement-date fair value of $122.62 per unit. The PSUs will be earned on March 1, 2022 contingent upon the Company achieving a targeted annual average three-year return on adjusted equity ("ROAE") for the period from January 1, 2019 through December 31, 2021. The actual number of common shares that will be issued will vary based on the actual ROAE relative to the targeted ROAE and can range from zero to 38,224 shares.

All awards granted to employees on February 26, 2019 vest upon voluntary termination of employment by any employee who is "retirement eligible" as of his or her termination date. In order to be retirement eligible, an employee must be at least 55 years old and his or her age plus years of service with the Company must equal at least 75. The number of PSUs that will ultimately be issued for a retirement eligible employee is equal to the amount calculated using the Company's actual cumulative three-year ROAE for the relevant performance period ending on December 31, 2021, even if that employee retires prior to the completion of the three-year performance period.

(10) Commitments and Contingent Liabilities

Letter of Credit ("LOC"). Peach Re maintains a credit facility agreement with Deutsche Bank (the "Credit Facility Agreement") to support certain obligations for a portion of the Regulation XXX reserves related to the Peach Re Coinsurance Agreement. Under the Credit Facility Agreement, Deutsche Bank issued a letter of credit for the benefit of Primerica Life with a term expiring on December 31, 2025. As of June 30, 2019, the amount of the LOC outstanding was $274.2 million. This amount will decline over the remaining term of the LOC to correspond with declines in the Regulation XXX reserves. As of June 30, 2019, the Company was in compliance with all financial covenants under the Credit Facility Agreement.

Further discussion on the Company's letter of credit is included in Note 16 (Commitments and Contingent Liabilities) to our consolidated financial statements within our 2018 Annual Report.

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

The Company is currently undergoing multi-state unclaimed property audits by 30 jurisdictions, currently focusing on the life insurance claims paying practices of its subsidiaries, Primerica Life and NBLIC. Other jurisdictions may pursue similar audits. The potential outcome of such audits is difficult to predict but could subject the Company to adverse consequences, including, but not limited to, settlement payments, additional payments to beneficiaries and additional escheatment of funds deemed abandoned under state laws. At this time, the Company cannot reasonably estimate the likelihood or the impact of additional costs or liabilities that could result from the resolution of these matters.

(11) Other Comprehensive Income

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses) before income taxes	$ 6,639	$ (5,902)	$ 12,806	$ (14,304)
Income tax expense (benefit) on unrealized foreign currency translation gains (losses)	-	-	-	-
Change in unrealized foreign currency translation gains (losses), net of income taxes	$ 6,639	$ (5,902)	$ 12,806	$ (14,304)
Unrealized gain (losses) on available-for-sale securities:				
Change in unrealized holding gains (losses) arising during period before income taxes	$ 34,826	$ (15,578)	$ 81,027	$ (47,920)
Income tax expense (benefit) on unrealized holding gains (losses) arising during period	7,444	(3,306)	17,409	(10,154)
Change in unrealized holding gains (losses) on available-for-sale securities arising during period, net of income taxes	27,382	(12,272)	63,618	(37,766)
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities	(90)	(347)	(25)	(662)
Income tax (expense) benefit on (gains) losses reclassified from accumulated OCI to net income	(19)	(73)	(5)	(139)
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities, net of income taxes	(71)	(274)	(20)	(523)
Change in unrealized gains (losses) on available-for-sale securities, net of income taxes and reclassification adjustment	$ 27,311	$ (12,546)	$ 63,598	$ (38,289)

(12) Debt

Notes Payable. As of June 30, 2019, the Company had $375.0 million of publicly-traded, senior unsecured notes (the "Senior Notes"), with an annual interest rate of 4.75% that are scheduled to mature on July 15, 2022. As of June 30, 2019, we were in compliance with the covenants of the Senior Notes. No events of default occurred on the Senior Notes during the three or six months ended June 30, 2019.

Further discussion on the Company's Senior Notes is included in Note 10 (Debt) to our consolidated financial statements within our 2018 Annual Report.

Surplus Note. As of June 30, 2019, the principal amount outstanding on the Surplus Note issued by Vidalia Re was $1.1 billion, which is equal to the principal amount of the LLC Note. The principal amount of both the Surplus Note and the LLC Note will fluctuate over time to coincide with the amount of policy reserves being contractually supported under the Vidalia Re Coinsurance Agreement. Both the LLC Note and the Surplus Note mature on December 31, 2030 and bear interest at an annual interest rate of 4.50%. Based on the estimated reserves for policies issued in 2011 through 2017 that have been ceded under the Vidalia Re Coinsurance Agreement, the principal amounts of the Surplus Note and the LLC Note are expected to reach $1.5 billion each. This financing arrangement is non-recourse to the Parent Company and Primerica Life, meaning that neither of these companies has guaranteed the Surplus Note or is otherwise liable for reimbursement for any payments triggered by the LLC Note's credit enhancement feature. The Parent Company has agreed to support Vidalia Re's obligation to pay the credit enhancement fee incurred on the LLC Note.

Further discussion on the Company's Surplus Note and LLC Note are included in Note 10 (Debt) and Note 4 (Investments) to our consolidated financial statements within our 2018 Annual Report.

Revolving Credit Facility. We maintain an unsecured $200.0 million revolving credit facility ("Revolving Credit Facility") with a syndicate of commercial banks that has a scheduled termination date of December 19, 2022. Amounts outstanding under the Revolving Credit Facility bear interest at a periodic rate equal to LIBOR or the base rate, plus in either case an applicable margin. The Revolving Credit Facility also permits the issuance of letters of credit. The applicable margins are based on our debt rating with such margins for LIBOR rate loans and letters of credit ranging from 1.125% to 1.625% per annum and for base rate loans ranging from 0.125% to 0.625% per annum. Under the Revolving Credit Facility, we incur a commitment fee that is payable quarterly in arrears and is determined by our debt rating. This commitment fee ranges from 0.125% to 0.225% per annum of the aggregate $200.0 million commitment of the lenders under the Revolving Credit Facility. As of June 30, 2019, no amounts have been drawn under the Revolving Credit Facility and we were in compliance with its covenants. Furthermore, no events of default occurred under the Revolving Credit Facility during the three or six months ended June 30, 2019.

(13) Revenue from Contracts with Customers

Our revenues from contracts with customers primarily include:

- Commissions and fees earned for the marketing and distribution of investment and savings products underwritten by mutual fund companies and annuity providers. For purposes of revenue recognition, mutual fund companies and annuity providers are considered the customers in marketing and distribution arrangements.
- Fees earned for investment advisory and administrative services within our managed investments programs.
- Account-based fees for transfer agent recordkeeping functions and non-bank custodial services.
- Fees associated with the distribution of other third-party financial products.
- Other revenue from the sale of miscellaneous products and services including monthly subscription fees from the sales representatives for access to Primerica Online ("POL"), our primary sales force support tool.

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

Further discussion on the Company's revenues from contracts with customers and revenue recognition policies are included in Note 18 (Revenue from Contracts with Customers) to our consolidated financial statements within our 2018 Annual Report.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)			
Term Life Insurance segment revenues:				
Other, net	$ 10,055	$ 10,913	$ 19,800	$ 21,328
Total segment revenues from contracts with customers	10,055	10,913	19,800	21,328
Revenues from sources other than contracts with customers	286,813	262,065	573,912	521,958
Total Term Life Insurance segment revenues	$ 296,868	$ 272,978	$ 593,712	$ 543,286
Investment and Savings Products segment revenues:				
Commissions and fees				
Sales-based revenues	$ 71,438	$ 64,307	$ 138,435	$ 128,768
Asset-based revenues	64,953	61,152	124,707	120,693
Account-based revenues	19,897	20,438	39,509	41,033
Other, net	2,434	2,424	4,856	4,760
Total segment revenues from contracts with customers	158,722	148,321	307,507	295,254
Revenues from sources other than contracts with customers (segregated funds)	14,364	14,520	28,249	29,629
Total Investment and Savings Products segment revenues	$ 173,086	$ 162,841	$ 335,756	$ 324,883
Corporate and Other Distributed Products segment revenues:				
Commissions and fees (1)	$ 7,817	$ 7,523	$ 14,883	$ 14,644
Other, net	1,335	1,453	2,392	2,599
Total segment revenues from contracts with customers	9,152	8,976	17,275	17,243
Revenues from sources other than contracts with customers	25,796	23,020	53,147	42,325
Total Corporate and Other Distributed Products segment revenues	$ 34,948	$ 31,996	$ 70,422	$ 59,568

(1) Commissions and fees for the three and six months ended June 30, 2019 include $1.4 million and $2.5 million, respectively, and for the three and six months ended June 30, 2018 included $ 1.3 million and $2.1 million, respectively, attributable to performance obligations satisfied in a previous reporting period and represent the collection of variable consideration in the transaction price that had been previously constrained.

We recognize revenue upon the satisfaction of the related performance obligation, unless the transaction price includes variable consideration that is constrained; in such case, we recognize revenue when the uncertainty associated with the constrained amount is subsequently resolved. Variable consideration is not treated as constrained to the extent it is probable that no significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is resolved. We have no material obligations for refunds of commission and fees on contracts with customers subsequent to completion of our performance obligation.

Contract Balances. For revenue associated with ongoing renewal commissions we receive subsequent to the satisfaction of our performance obligation, we record a contract asset for the amount of ongoing renewal commissions we anticipate collecting in reporting periods subsequent to the sale or referral, less amounts that are constrained in other assets. The contract asset is reduced for commissions that are billed and become due receivables from product providers during the reporting period.

Activity in the contract asset account was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(In thousands)		(In thousands)	
Balance, beginning of period	$ 50,091	$ 48,413	$ 50,119 (1)	$ 48,533
Current period sales, net of collection of renewal commissions	376	(245)	348	(365)
Balance, at the end of period	$ 50,467	$ 48,168	$ 50,467	$ 48,168

(1) Reclassed to Other assets from Agent balances, due premiums and other receivables in the accompanying condensed consolidated balance sheets to conform with current year reporting.

No significant estimate adjustments were made to the contract asset andno impairment losses were recognized on the contract asset during the three or six months ended June 30, 2019.

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

(14) Leases

We have operating leases for our executive office operations and other real estate leases of office space and finance leases for certain office equipment. Our leases have remaining lease terms of 1 year to 11 years, some of which include options to extend the leases for up to10 years, and some of which include options to terminate the leases within 4 years, exercisable at the Company's discretion. Operating lease right-of-use assets and operating lease liabilities are presented separately in our condensed consolidated balance sheets. As of June 30, 2019, finance right-of-use assets of $0.8 million and finance lease liabilities of $0.8 million were recorded within Other assets and Other liabilities, respectively, within our condensed consolidated balance sheets. The Company determines its lease liabilities, which are measured at the present value of future lease payments, using the Company's incremental secured borrowing rate that is commensurate with the term of the underlying lease or the rate implicit in the lease if readily determinable.

The components of lease expense were as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
	(In thousands)	
Operating lease cost		
Operating lease cost	$ 1,924	$ 3,838
Variable lease cost (includes taxes, common area maintenance and insurance)	186	342
Finance lease cost		
Depreciation of finance lease assets	69	138
Interest on lease liabilities	11	22
Total lease cost	$ 2,190	$ 4,340

Other information related to leases was as follows:

	Six months ended June 30, 2019
Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used in operating leases (1)	$ 3,770
Operating cash flows used in finance leases (1)	25
Financing cash flows used in finance leases	140

	June 30, 2019
Weighted Average Remaining Lease Term	
Operating leases	9 years
Finance leases	3 years
Weighted Average Discount Rate	
Operating leases	4.6 %
Finance leases	6.2 %

(1) Included in change in other operating assets and liabilities, net in the accompanying condensed consolidated statements of cash flows.

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

Year Ended December 31,	Operating Leases	Finance Leases
	(In thousands)	
2019 (excluding the six months ended June 30, 2019)	$ 3,834	$ 165
2020	7,271	313
2021	7,125	260
2022	7,191	92
2023	7,197	32
Thereafter	35,662	9
Total minimum rental commitments for operating leases	68,280	871
Less imputed interest	12,618	74
Total lease liabilities	$ 55,662	$ 797

The following disclosures for the comparative periods presented in accordance with ASC 840 have been carried forward.

Total minimum rent expense for operating leases for the three and six months ended June 30, 2018 were $2.0 million and $3.8 million, respectively. We had no contingent rent expense during the three and six months ended June 30, 2018.

As of December 31, 2018, the minimum aggregate rental commitments for operating leases were as follows:

	December 31, 2018
	(In thousands)
2019	$ 7,459
2020	7,174
2021	7,038
2022	7,120
2023	7,094
Thereafter	34,901
Total minimum rental commitments for operating leases	$ 70,786

As of December 31, 2018, the aggregate balance of our capital lease liabilities was not material.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to inform the reader about matters affecting the financial condition and results of operations of Primerica, Inc. (the "Parent Company") and its subsidiaries (collectively, "we", "us" or the "Company") for the period from December 31, 2018 to June 30, 2019. As a result, the following discussion should be read in conjunction with MD&A and the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Annual Report"). This discussion contains forward-looking statements that constitute our plans, estimates and beliefs. These forward-looking statements involve numerous risks and uncertainties, including, but not limited to, those discussed under the heading "Risk Factors" in the 2018 Annual Report. Actual results may differ materially from those contained in any forward-looking statements.

This MD&A is divided into the following sections:

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

Business Overview

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

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

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

Corporate and Other Distributed Products. Our Corporate and Other Distributed Products segment consists primarily of revenues and expenses related to other distributed products, including closed blocks of various insurance products underwritten by NBLIC, prepaid legal services, and other financial products. These products, except for closed blocks of various insurance products underwritten by NBLIC, are distributed pursuant to distribution arrangements with third-party companies through the independent sales force. Net investment income earned on our invested asset portfolio is recorded in our Corporate and Other Distributed Products segment, with the exception of the assumed net interest accreted to our Term Life Insurance segment's future policy benefit reserve liability less deferred acquisition costs. Interest expense incurred by the Company is attributed solely to the Corporate and Other Distributed Products segment.

Business Trends and Conditions

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

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

Size of the Independent Sales Force.

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

Details on new recruits and life-licensed sales representative activity were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
New recruits	86,173	76,520	149,396	152,750
New life-licensed sales representatives	10,919	13,544	20,984	25,274

New recruits increased during the three months ended June 30, 2019 compared to the same period in 2018 primarily due to excitement generated at the biennial convention in June 2019 and incentives announced to drive recruiting and productivity. New recruits decreased during the six months ended June 30, 2019 compared to the same period in 2018 as we experienced slower momentum in recruiting earlier in 2019 after a sustained period of growth prior to 2019.

New life-licensed sales representatives decreased during the three and six months ended June 30, 2019 compared to the same periods in 2018 as we experienced slower momentum in recruiting after a sustained period of growth prior to 2019.

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

	June 30, 2019	March 31, 2019
Life-licensed sales representatives	129,550	129,821

The number of the life-licensed sales representatives remained stable as of June 30, 2019 compared to March 31, 2019 as the number of new life-licensed representatives were offset by non-renewals during the second quarter of 2019.

Term Life Insurance Product Sales and Face Amount In 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 (historically between 0.18 and 0.22), were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Average number of life-licensed sales representatives	130,040	128,714	130,115	127,588
Number of new policies issued	78,664	83,754	142,906	154,575
Average monthly rate of new policies issued per life-licensed sales representative	0.20	0.22	0.18	0.20

The slowdown in momentum also contributed to the decline in productivity and new life insurance policies issued during the three and six months ended June 30, 2019 versus the comparable periods in 2018. Productivity, measured by the average monthly rate of new policies issued per life-licensed sales representative, during the three and six months ended June 30, 2019 was lower than the comparable periods in 2018, but remained within our typical experience range.

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

	Three months ended June 30,				Six months ended June 30,			
	2019	% of beginning balance	2018	% of beginning balance	2019	% of beginning balance	2018	% of beginning balance
	(Dollars in millions)							
Face amount in force, beginning of period	$ 785,552		$ 765,732		$ 781,041		$ 763,831	
Net change in face amount:								
Issued face amount	25,300	3 %	26,001	3 %	46,225	6 %	48,259	6 %
Terminations	(16,512)	(2)%	(16,341)	(2)%	(34,895)	(4)%	(34,128)	(4)%
Foreign currency	2,036	*	(1,788)	*	4,005	1 %	(4,358)	(1)%
Net change in face amount	10,824	1 %	7,872	1 %	15,335	2 %	9,773	1 %
Face amount in force, end of period	$ 796,376		$ 773,604		$ 796,376		$ 773,604	

* Less than 1%.

The face amount of term life policies in force increased 3% as of June 30, 2019 compared to the same period in 2018 as the level of face amount issued continued to exceed the face amount of terminations. As a percentage of the beginning face amount in force, issued face amount as well as terminated face amount during the three and six months ended June 30, 2019 remained consistent with the comparable 2018 periods. The strengthening of the Canadian dollar spot rate relative to the U.S. dollar during the three and six months ended June 30, 2019 also contributed to the increase in face amount.

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

Investment and savings products sales and average client asset values were as follows:

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2019	2018	$	%	2019	2018	$	%
	(Dollars in millions)							
Product sales:								
Retail mutual funds	$ 1,056	$ 1,000	$ 56	6 %	$ 2,010	$ 2,068	$ (59)	(3)%
Annuities and other	602	504	98	19 %	1,149	948	201	21 %
Total sales-based revenue generating product sales	1,658	1,504	154	10 %	3,159	3,016	143	5 %
Managed investments	203	204	(1)	*	365	393	(28)	(7)%
Segregated funds and other	76	51	25	50 %	170	133	38	28 %
Total product sales	$ 1,937	$ 1,759	$ 179	10 %	$ 3,694	$ 3,542	$ 153	4 %
Average client asset values:								
Retail mutual funds	$ 39,539	$ 37,792	$ 1,747	5 %	$ 38,598	$ 37,987	$ 611	2 %
Annuities and other	19,054	18,173	881	5 %	18,647	18,222	424	2 %
Managed investments	3,455	2,930	525	18 %	3,348	2,834	514	18 %
Segregated funds	2,378	2,402	(25)	(1)%	2,346	2,456	(111)	(4)%
Total average client asset values	$ 64,427	$ 61,297	$ 3,129	5 %	$ 62,938	$ 61,499	$ 1,439	2 %

* Less than 1%.

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

	Three months ended June 30,				Six months ended June 30,			
	2019	% of beginning balance	2018	% of beginning balance	2019	% of beginning balance	2018	% of beginning balance
	(Dollars in millions)							
Asset values, beginning of period	$ 63,602		$ 60,821		$ 57,704		$ 61,167	
Net change in asset values:								
Inflows	1,937	3 %	1,759	3 %	3,694	6 %	3,542	6 %
Redemptions	(1,633)	(3)%	(1,498)	(2)%	(3,163)	(5)%	(3,069)	(5)%
Net flows	304	*	261	*	531	1 %	473	1 %
Change in fair value, net	1,746	3 %	891	1 %	7,216	13 %	615	1 %
Foreign currency, net	225	*	(195)	*	426	1 %	(477)	(1)%
Net change in asset values	2,275	4 %	957	2 %	8,174	14 %	611	1 %
Asset values, end of period	$ 65,878		$ 61,778		$ 65,878		$ 61,778	

* Less than 1%.

Average number of fee-generating positions was as follows:

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2019	2018	Positions	%	2019	2018	Positions	%
				(Positions in thousands)				
Average number of fee-generating positions (1):								
Recordkeeping and custodial	1,996	2,086	(90)	(4)%	1,997	2,108	(111)	(5)%
Recordkeeping only	641	660	(19)	(3)%	641	662	(22)	(3)%
Total average number of fee-generating positions	2,637	2,746	(109)	(4)%	2,638	2,770	(133)	(5)%

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

Changes in Investment and Savings Products Sales, Asset Values and Accounts/Positions during the Three Months Ended June 30, 2019

Product sales. Investment and savings products sales increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to an increase in annuity sales as a result of continued demand within the industry for products with guarantees and positive movements in equity markets during 2019 that led to increased demand for retail mutual funds.

Average client asset values. Average client asset values increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 due to market appreciation and continued positive net flows.

Rollforward of client asset values. The increase in client asset values during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 was primarily due to positive market performance and continued inflows from product sales, which outpaced redemptions.

Average number of fee-generating positions. The average number of fee-generating positions decreased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to the completed transition of our clients' managed investments from Freedom Portfolios, for which we earned transfer agent recordkeeping fees and custodial fees, to the Lifetime Investments Platform, for which we do not earn transfer agent recordkeeping fees or custodial fees. Partially offsetting the impact from the managed account transition was an increase in the number of retail mutual fund positions for which we earn these fees. With the transition of Freedom Portfolios to the Lifetime Investment Platform now complete, we will only earn transfer agent recordkeeping fees and custodial fees on retail mutual fund positions on our transfer agent recordkeeping platform.

Changes in Investment and Savings Products Sales, Asset Values and Accounts/Positions during the Six Months Ended June 30, 2019

Product sales. Investment and savings products sales increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to an increase in annuity sales as a result of continued demand within the industry for products with guarantees. This was partially offset by the year over year decrease in mutual fund sales due to lower demand for retail mutual fund products as a result of market volatility, in particular a period of lower equity prices at the beginning of 2019.

Average client asset values. Average client asset values increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to the same factors impacting average client asset values as described above in the three-month comparison.

Rollforward of client asset values. The increase in client asset values during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to the same factors impacting client asset values as discussed above in the three-month comparison.

Average number of fee-generating positions. The average number of fee-generating positions decreased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to the same factors impacting average number of fee-generating positions as discussed above in the three-month comparison.

Other business trends and conditions.
Regulatory changes can also impact our product sales. On June 5, 2019, the Securities and Exchange Commission ("SEC") adopted rules and interpretations addressing the standards of conduct applicable to broker-dealers and investment advisers and their associated persons (collectively, the "SEC Rulemaking"). Specifically, the SEC Rulemaking includes Regulation Best Interest ("Reg BI"), which creates a new "best interest" standard of conduct for broker-dealers. The SEC Rulemaking also includes (i) new disclosure requirements through summary forms intended to clarify relationships among brokers, advisers, and their retail customers ("Form CRS"), (ii) interpretative guidance regarding the standard of conduct that applies to investment advisers under the Investment Advisers Act of 1940 ("Advisers Act'), and (iii) interpretative guidance on the scope of the broker-dealer "solely incidental" exclusion from the definition of "investment adviser" in the Advisers Act. The SEC Rulemaking became effective on July 12, 2019, with a compliance date of June 30, 2020 for Reg BI and Form CRS. While we anticipate making certain changes to our sales processes,

policies, and procedures in order to comply with the SEC Rulemaking and acknowledge that itshigher standards of care and enhanced obligations increase regulatory and litigation risk, we do not anticipate that the SEC Rulemaking will cause significant disruption to our business.

In addition to federal regulators, certain states have proposed or passed laws or proposed or issued regulations requiring investment advisers, broker-dealers, and/or insurance agents to meet fiduciary standards or standards of care that their advice be in the customer's best interest, and to disclose conflicts of interest to consumers of investment and insurance products. The severity of the impact that such laws or regulations could have on our business vary from state to state depending on the content of the legislation or regulation and how it is applied by state regulators and interpreted by the courts. Because there is significant uncertainty concerning what, if any, final rule will take effect, we cannot quantify the financial impact, if any, of any changes to our business that may be necessary in order to comply with such laws or regulations at this time.

In Canada, the organization of provincial and territorial securities regulators ("Canadian Securities Administrators" or "CSA") published a notice on June 21, 2018 requesting public comment on reforms to obligations of registered firms and individuals to enhance conflict of interest mitigation rules ("Client Focused Reforms"). Among other items in the rule, all embedded commissions would be considered conflicts that must be addressed in the best interests of clients or avoided. On September 13, 2018, the CSA published for comment proposed amendments that would prohibit upfront sales commissions by fund companies for the sale of mutual funds offered under a prospectus in Canada. The CSA has indicated that the prohibition of upfront sales commissions by fund companies will eliminate the use of the mutual fund deferred sales charge compensation model, which is the primary model for the mutual funds we distribute in Canada. If these rules are adopted as proposed, changes in compensation arrangements with the fund companies that offer the mutual fund products we distribute in Canada will be necessary. Because of the uncertain status of the rules, we have not determined the extent to which changes to our business would be necessary and are, therefore, unable to quantify the impact, if any, on our business, nor are we able to project the timing of the adoption of any such reforms or transition timeline.

Factors Affecting Our Results

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

<u>Sales and policies in force.</u> Sales of term policies and the size and characteristics of our in-force book of policies are vital to our results over the long term. Premium revenue is recognized as it is earned over the term of the policy, and eligible acquisition expenses are 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 in a period will have a more immediate impact on our cash flows than on revenue and expense recognition in that period.

Historically, we have found that while sales volume of term life insurance products between fiscal periods may vary based on a variety of factors, the productivity of sales representatives generally remains within a range (i.e., an average monthly rate of new policies issued per life-licensed sales representative between 0.18 and 0.22). The volume of our term life insurance products sales will fluctuate in the short-term, but over the longer term, our sales volume will generally correlate to the size of the sales force.

<u>Pricing assumptions.</u> 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 generally 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, disability rates, interest rates at the time of issuance, sales force commission rates, issue and underwriting expenses, operating expenses and the characteristics of the insureds, including the distribution of 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*. 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 actual persistency is lower than our pricing assumptions, we must accelerate the amortization of deferred policy acquisition costs ("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 future policy benefit reserves associated with any given policy will change over the term of such policy. As a general matter, future policy benefit 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 will impact results to the extent actual experience deviates from the persistency assumptions that are locked-in at time of issue.
- *Mortality.* Our profitability will fluctuate to the extent actual mortality rates differ from the assumptions that are locked-in at time of issue. We mitigate a significant portion of our mortality exposure through reinsurance.

- *Disability.* Our profitability will fluctuate to the extent actual disability rates, including recovery rates for individuals currently disabled, differ from the assumptions that are locked-in at the time of issue or time of disability.
- *Interest Rates.* We use an assumption for future interest rates that initially reflects the current low interest rate environment gradually increasing to a level consistent with historical experience. Both DAC and the future policy benefit reserve liability increase with the assumed interest rate. Since DAC is higher than the future policy benefit reserve liability in the early years of a policy, a lower assumed interest rate generally will result in lower profits. In the later years, when the future policy benefit reserve liability is higher than DAC, a lower assumed interest rate generally will result in higher profits. These assumed interest rates, which like other pricing assumptions are locked-in at issue, impact the timing but not the aggregate amount of DAC and future policy benefit reserve changes. We allocate net investment income generated by the investment portfolio to the Term Life Insurance segment in an amount equal to the assumed net interest accreted to the segment's U.S. generally accepted accounting principles ("U.S. GAAP")-measured future policy benefit reserve liability less DAC. All remaining net investment income, and therefore the impact of actual interest rates, is attributed to the Corporate and Other Distributed Products segment.

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

In 2010, as part of our corporate reorganization and the initial public offering of our common stock, we entered into significant coinsurance transactions (the "IPO coinsurance transactions") and 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 administer all such policies subject to these coinsurance agreements. Beginning in 2017, policies reaching the end of their initial level term period are no longer ceded under the IPO coinsurance transactions.

The effect of our reinsurance arrangements on ceded premiums and benefits and expenses on our 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. Coinsurance also reduces the change in future policy benefit reserves in direct proportion to the percentage ceded, while YRT reinsurance does not significantly impact the change in these reserves.
- *Amortization of DAC.* DAC, and therefore amortization of DAC, is reduced on a pro-rata basis for the coinsured business, including the business reinsured with the IPO coinsurers. 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. There is no impact on insurance expenses associated with our YRT contracts.

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

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

Investment and Savings Products Segment. 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, marketing and support, and distribution fees, and the number of transfer agent recordkeeping positions and non-bank custodial fee-generating accounts we administer.

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

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

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

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

- sales of annuity products in the United States will generate higher revenues in the period such sales occur than sales of other investment products that either generate lower upfront revenues or, in the case of managed investments and segregated funds, no upfront revenues;
- sales of a higher proportion of managed investments and segregated funds products will spread the revenues generated over time because we earn higher revenues based on assets under management for these accounts each period as opposed to earning upfront revenues based on product sales; and
- sales of a higher proportion of mutual fund products sold will impact the timing and amount of revenue we earn given the distinct transfer agent recordkeeping and non-bank custodial services we provide for certain mutual fund products we distribute.

Corporate and Other Distributed Products Segment. We earn revenues and pay commissions and referral fees within our Corporate and Other Distributed Products segment for various other insurance products, prepaid legal services and other financial products, all of which are originated by third parties. Our Corporate and Other Distributed Products segment also includes in-force policies from several discontinued lines of insurance underwritten by NBLIC.

Corporate and Other Distributed Products segment net investment income reflects actual net investment income recognized by the Company less the amount allocated to our Term Life Insurance segment based on the assumed net interest accreted to the segment’s U.S. GAAP-measured future policy benefit reserve liability less DAC. Actual net investment income reflected in the Corporate and Other Distributed Products segment is impacted by the size and performance of our invested asset portfolio, which can be influenced by interest rates, credit spreads, and the mix of invested assets.

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

Capital Structure. Our financial results are affected by our capital structure, which includes our senior unsecured notes (the “Senior Notes”), redundant reserve financing transactions, our revolving credit facility, and common stock. See Note 12 (Debt) and Note 7 (Stockholders’ Equity) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on changes in our capital structure.

Foreign Currency. The Canadian dollar is the functional currency for our Canadian subsidiaries and our consolidated financial results, reported in U.S. dollars, are affected by changes in the currency exchange rate. As such, the translated amount of revenues, expenses, assets and liabilities attributable to our Canadian subsidiaries will be higher or lower in periods where the Canadian dollar appreciates or weakens relative to the U.S. dollar, respectively. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Canadian Currency Risk included in our 2018 Annual Report and Note 2 (Segment and Geographical Information) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on our Canadian subsidiaries and the impact of foreign currency on our financial results.

Critical Accounting Estimates

We prepare our financial statements in accordance with U.S. GAAP. These principles are established primarily by the Financial Accounting Standards Board. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions based on currently available information when recording transactions resulting from business operations. Our significant accounting policies are described in Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) to our consolidated financial statements included in our 2018 Annual Report. The most significant items on our condensed consolidated balance sheets are based on fair value determinations, accounting estimates and actuarial determinations, which are susceptible to changes in future periods and could affect our results of operations and financial position.

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

Accounting Policy Changes. During the three months ended June 30, 2019, there have been no changes in the accounting methodology for items that we have identified as critical accounting estimates. For additional information regarding our critical accounting estimates, see the Critical Accounting Estimates section of MD&A included in our 2018 Annual Report.

Results of Operations

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

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2019	2018	$	%	2019	2018	$	%
	(Dollars in thousands)							
Revenues:								
Direct premiums	$ 687,262	$ 667,191	$ 20,071	3 %	$ 1,364,548	$ 1,323,278	$ 41,270	3 %
Ceded premiums	(400,588)	(403,449)	(2,861)	(1)%	(790,383)	(797,698)	(7,315)	(1)%
Net premiums	286,674	263,742	22,932	9 %	574,165	525,580	48,585	9 %
Commissions and fees	178,468	167,940	10,528	6 %	345,783	334,767	11,016	3 %
Investment income net of investment expenses	36,637	29,082	7,555	26 %	71,424	56,472	14,952	26 %
Interest expense on surplus note	(11,769)	(9,052)	2,717	30 %	(22,444)	(17,425)	5,019	29 %
Net investment income	24,868	20,030	4,838	24 %	48,980	39,047	9,933	25 %
Realized investment gains (losses), including other-than-temporary impairment losses	1,067	1,313	(246)	*	3,914	(344)	4,258	*
Other, net	13,825	14,790	(965)	(7)%	27,048	28,687	(1,639)	(6)%
Total revenues	504,902	467,815	37,087	8 %	999,890	927,737	72,153	8 %
Benefits and expenses:								
Benefits and claims	115,068	105,069	9,999	10 %	237,352	221,960	15,392	7 %
Amortization of DAC	58,762	53,847	4,915	9 %	123,390	114,011	9,379	8 %
Sales commissions	90,099	82,954	7,145	9 %	173,898	165,473	8,425	5 %
Insurance expenses	44,570	43,451	1,119	3 %	87,972	84,560	3,412	4 %
Insurance commissions	5,829	6,417	(588)	(9)%	11,447	12,294	(847)	(7)%
Interest expense	7,201	7,229	(28)	*	14,381	14,401	(20)	*
Other operating expenses	55,913	55,083	830	2 %	121,622	118,311	3,311	3 %
Total benefits and expenses	377,442	354,050	23,392	7 %	770,062	731,010	39,052	5 %
Income before income taxes	127,460	113,765	13,695	12 %	229,828	196,727	33,101	17 %
Income taxes	30,014	27,065	2,949	11 %	53,217	44,313	8,904	20 %
Net income	$ 97,446	$ 86,700	$ 10,746	12 %	$ 176,611	$ 152,414	$ 24,197	16 %

* Less than 1% or not meaningful.

Results for the Three Months Ended June 30, 2019

Total revenues. Total revenues increased during the three months ended June 30, 2019 compared to the same period in 2018 driven by incremental premiums on term life insurance policies that are not subject to the IPO coinsurance transactions. The run-off of business subject to these same transactions is reflected in the decline in ceded premiums.

Net investment income increased during the three months ended June 30, 2019 compared to the same period in 2018 largely due to the positive impact from a higher total return on the deposit asset backing the 10% coinsurance agreement that is subject to deposit method accounting. The $3.7 million higher total return on this deposit asset was due to a favorable mark-to-market adjustment as fixed income prices rose during the current year period and fell during the prior year period, as well as higher book earnings on the deposit asset as the duration and book yield of the investments comprising the deposit asset have both increased in 2019. A larger invested asset portfolio also contributed approximately $2 million to the higher net investment income when compared to the prior period, partially offset by $0.9 million of lower net investment income due to lower total portfolio yields. Investment income net of investment expenses includes interest earned on our held-to-maturity invested asset, which is completely offset by interest expense on surplus note, thereby eliminating any impact on net investment income. Amounts recognized for each line item will remain offsetting and will fluctuate from period to period along with the principal amounts of the held-to-maturity asset and the surplus note based on the balance of reserves being contractually supported under a redundant reserve financing transaction used by Vidalia Re, Inc. ("Vidalia Re Financing Transaction"). For more information on the Vidalia Re Financing Transaction, see Note 3 (Investments) and Note 12 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Total benefits and expenses. Total benefits and expenses increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 led by growth in premium-related costs, which include benefits and claims and amortization of DAC.

Income taxes. Our effective income tax rate for the three months ended June 30, 2019 was 23.5%, consistent with 23.8% for the three months ended June 30, 2018.

Results for the Six Months Ended June 30, 2019

Total revenues. Total revenues increased during the six months ended June 30, 2019 compared to the same period in 2018 driven by incremental premiums on term life insurance policies that are not subject to the IPO coinsurance transactions. The run-off of business subject to these same transactions is reflected in the decline in ceded premiums.

Net investment income increased during the six months ended June 30, 2019 compared to the same period in 2018 largely due to the positive impact from a higher total return on the deposit asset backing the 10% coinsurance agreement that is subject to deposit method accounting. The $7.7 million higher total return on this deposit asset was due to a favorable mark-to-market adjustment as fixed income prices rose during the current year period and fell during the prior year period, as well as higher book earnings on the deposit asset as the duration and book yield of the investments comprising the deposit asset have both increased in 2019. A larger invested asset portfolio also contributed approximately $3.6 million to the higher net investment income when compared to the prior period, partially offset by $1.4 million of lower net investment income due to lower portfolio yields.

Realized investment gains (losses), including other-than-temporary impairment ("OTTI") losses increased to a gain during the six months ended June 30, 2019 compared to a loss for the same period in 2018 as a result of changes in the value of equity securities held within our investment portfolio which are marked to market through the income statement.

Total benefits and expenses. Total benefits and expenses increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 led by growth in premium-related costs, which include benefits and claims and amortization of DAC. Insurance expenses and other operating expenses were higher primarily due to an increase of approximately $4.5 million in technology-related expenses as well as $2.3 million of increased expenses for annual employee merit increases and other expenses to support the growth of the business.

Income taxes. Our effective income tax rate for the six months ended June 30, 2019 was 23.2% compared to 22.5% for the six months ended June 30, 2018. The lower rate in the prior year period was driven by an adjustment made to the transition impact of the Tax Cuts and Jobs Act of 2017, which resulted in a $1.8 million benefit recorded in the first quarter of 2018.

For additional information, see the Segment Results discussions below.

Segment Results

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

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2019	2018	$	%	2019	2018	$	%
	(Dollars in thousands)							
Revenues:								
Direct premiums	$ 681,004	$ 660,505	$ 20,499	3 %	$ 1,351,759	$ 1,309,871	$ 41,888	3 %
Ceded premiums	(398,927)	(401,686)	(2,759)	(1)%	(787,027)	(794,247)	(7,220)	(1)%
Net premiums	282,077	258,819	23,258	9 %	564,732	515,624	49,108	10 %
Allocated investment income	4,736	3,246	1,490	46 %	9,180	6,334	2,846	45 %
Other, net	10,055	10,913	(858)	(8)%	19,800	21,328	(1,528)	(7)%
Total revenues	296,868	272,978	23,890	9 %	593,712	543,286	50,426	9 %
Benefits and expenses:								
Benefits and claims	111,480	101,755	9,725	10 %	229,923	214,586	15,337	7 %
Amortization of DAC	56,179	51,257	4,922	10 %	120,245	107,930	12,315	11 %
Insurance expenses	42,914	41,282	1,632	4 %	84,746	80,238	4,508	6 %
Insurance commissions	2,298	2,856	(558)	(20)%	4,461	5,084	(623)	(12)%
Total benefits and expenses	212,871	197,150	15,721	8 %	439,375	407,838	31,537	8 %
Income before income taxes	$ 83,997	$ 75,828	$ 8,169	11 %	$ 154,337	$ 135,448	$ 18,889	14 %

Results for the Three Months Ended June 30, 2019

Net premiums. Direct premiums increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 largely due to sales of new policies in recent periods that have contributed to growth in the in-force book of business. The decline in ceded premiums includes $14.9 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions, partially offset by $12.1 million in higher non-level YRT reinsurance ceded premiums as business not subject to the IPO coinsurance transactions ages. The continued impact from the increase in direct premiums combined with the reduction in ceded premiums caused net premiums to grow at a higher rate than direct premiums.

Allocated investment income. Allocated investment income increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 due to an increase in the assumed net interest accreted to our Term Life Insurance segment's future policy benefit reserve liability less deferred acquisition costs as our Term Life Insurance segment's in-force business continues to grow.

Benefits and claims. Benefits and claims increased during the three months ended June 30, 2019 compared to the same period in 2018 primarily due to the growth in net premiums. Claims experience was in-line with historical trends and was $2 million higher when compared to favorable experience during the same period of 2018.

Amortization of DAC. The amortization of DAC increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 largely due to growth in net premiums. Persistency during the second quarter of 2019 was generally in line with the comparable period in 2018.

Insurance expenses. Insurance expenses increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to increases in expenses to support the growth of the business and technology-related expenses.

Results for the Six Months Ended June 30, 2019

Net premiums. Direct premiums increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 largely due to sales of new policies in recent periods that have contributed to growth in the in-force book of business. The decline in ceded premiums includes $30.6 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions, partially offset by $23.3 million in higher non-level YRT reinsurance ceded premiums as business not subject to the IPO coinsurance transactions ages. The continued impact from the increase in direct premiums combined with the reduction in ceded premiums caused net premiums to grow at a higher rate than direct premiums.

Allocated investment income. Allocated investment income increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 due the same factor discussed above in the three-month comparison.

Benefits and claims. Benefits and claims increased during the six months ended June 30, 2019 compared to the same period in 2018 primarily due to the growth in net premiums. Claims experience was in-line with historical trends.

Amortization of DAC. The amortization of DAC increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 largely due to growth in net premiums. Persistency was generally in line with the comparable period in 2018.

Insurance expenses. Insurance expenses increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to $4.5 million in increased expenses to support the growth of the business and technology-related expenses.

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

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2019	2018	$	%	2019	2018	$	%
				(Dollars in thousands)				
Revenues:								
Commissions and fees:								
Sales-based revenues	$ 71,438	$ 64,307	$ 7,131	11 %	$ 138,435	$ 128,768	$ 9,667	8 %
Asset-based revenues	79,317	75,672	3,645	5 %	152,956	150,322	2,634	2 %
Account-based revenues	19,897	20,438	(541)	(3)%	39,509	41,033	(1,524)	(4)%
Other, net	2,434	2,424	10	*	4,856	4,760	96	2 %
Total revenues	173,086	162,841	10,245	6 %	335,756	324,883	10,873	3 %
Expenses:								
Amortization of DAC	2,101	2,080	21	1 %	2,578	5,521	(2,943)	(53)%
Insurance commissions	3,155	3,132	23	1 %	6,180	6,332	(152)	(2)%
Sales commissions:								
Sales-based	50,679	45,905	4,774	10 %	98,509	92,163	6,346	7 %
Asset-based	35,665	33,350	2,315	7 %	68,008	65,833	2,175	3 %
Other operating expenses	34,143	35,147	(1,004)	(3)%	70,455	71,820	(1,365)	(2)%
Total expenses	125,743	119,614	6,129	5 %	245,730	241,669	4,061	2 %
Income before income taxes	$ 47,343	$ 43,227	$ 4,116	10 %	$ 90,026	$ 83,214	$ 6,812	8 %

* Less than 1%.

Results for the Three Months Ended June 30, 2019

Commissions and fees. Commissions and fees increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 driven by growth in annuity product sales, which have higher upfront commissions than other products. Also contributing to the increase in commissions and fees was growth in asset-based revenues largely reflecting higher average client asset values driven by favorable market performance and continued positive net flows. Account-based revenues decreased compared to the prior year period due to the completed transition of clients' managed Freedom Portfolio accounts, for which we earned transfer agent recordkeeping fees and custodial fees, to the Lifetime Investments Platform, for which we do not earn transfer agent recordkeeping fees or custodial fees.

Amortization of DAC. Amortization of DAC remained consistent during the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Sales commissions. The increase in sales-based and asset-based commissions for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 were generally consistent with the increase in sales-based revenue and asset-based revenue, respectively.

Other operating expenses. Other operating expenses decreased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 due to the phase-in of reduced fees paid to a service provider for the Company's transfer agent record keeping platform, negotiated fee reductions with a managed account service provider, and operational efficiencies realized within the business.

Results for the Six Months Ended June 30, 2019

Commissions and fees. Commissions and fees increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 driven by growth in annuity product sales, which have higher upfront commissions than other products. This was partially offset by a decrease in mutual fund sales due to lower demand for retail mutual fund products as a result of market volatility, in particular, lower equity prices at the beginning of 2019. Also contributing to the increase in commissions and fees was growth in asset-based revenues largely reflecting higher average client asset values driven by favorable market performance and continued positive net flows. Account-based revenues decreased compared to the prior year period due to the completed transition of clients' managed Freedom Portfolio accounts, for which we earned transfer agent recordkeeping fees and custodial fees, to the Lifetime Investments Platform, for which we do not earn transfer agent recordkeeping fees or custodial fees.

Amortization of DAC. Amortization of DAC decreased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 largely due to favorable market performance of the funds underlying our Canadian segregated funds product in the first quarter of 2019 compared with unfavorable market performance in the first quarter of 2018.

Sales commissions. The increase in sales-based and asset-based commissions for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 were generally consistent with the increase in sales-based revenue and asset-based revenue, respectively.

Other operating expenses. Other operating expenses decreased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to the factors discussed above in the three-month comparison.

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Change $	Change %	Six months ended June 30, 2019	Six months ended June 30, 2018	Change $	Change %
	(Dollars in thousands)							
Revenues:								
Direct premiums	$ 6,258	$ 6,686	$ (428)	(6)%	$ 12,789	$ 13,407	$ (618)	(5)%
Ceded premiums	(1,661)	(1,763)	(102)	(6)%	(3,356)	(3,451)	(95)	(3)%
Net premiums	4,597	4,923	(326)	(7)%	9,433	9,956	(523)	(5)%
Commissions and fees	7,817	7,523	294	4%	14,883	14,644	239	2%
Investment income net of investment expenses	31,901	25,836	6,065	23%	62,244	50,138	12,106	24%
Interest expense on surplus note	(11,769)	(9,052)	2,717	30%	(22,444)	(17,425)	5,019	29%
Net investment income	20,132	16,784	3,348	20%	39,800	32,713	7,087	22%
Realized investment gains (losses), including other-than-temporary impairment losses	1,067	1,313	(246)	*	3,914	(344)	4,258	*
Other, net	1,335	1,453	(118)	(8)%	2,392	2,599	(207)	(8)%
Total revenues	34,948	31,996	2,952	9%	70,422	59,568	10,854	18%
Benefits and expenses:								
Benefits and claims	3,588	3,314	274	8%	7,430	7,373	57	1%
Amortization of DAC	482	510	(28)	(5)%	567	560	7	1%
Insurance expenses	1,657	2,169	(512)	(24)%	3,226	4,322	(1,096)	(25)%
Insurance commissions	376	429	(53)	(12)%	806	879	(73)	(8)%
Sales commissions	3,755	3,699	56	2%	7,381	7,477	(96)	(1)%
Interest expense	7,201	7,229	(28)	*	14,381	14,401	(20)	*
Other operating expenses	21,769	19,936	1,833	9%	51,166	46,491	4,675	10%
Total benefits and expenses	38,828	37,286	1,542	4%	84,957	81,503	3,454	4%
Loss before income taxes	$ (3,880)	$ (5,290)	$ (1,410)	27%	$ (14,535)	$ (21,935)	$ (7,400)	(34)%

* Less than 1% or not meaningful.

<u>Results for the Three Months Ended June 30, 2019</u>

<u>Total revenues.</u> Total revenues during the three months ended June 30, 2019 increased as compared to the three months ended June 30, 2018 largely due to the increase in net investment income as discussed in the Primerica, Inc. and Subsidiaries Results of Operations section above.

<u>Total benefits and expenses.</u> Total benefits and expenses increased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to increased employee-related costs and other business development expenses.

<u>Results for the Six Months Ended June 30, 2019</u>

<u>Total revenues.</u> Total revenues during the six months ended June 30, 2019 increased as compared to the six months ended June 30, 2018 largely due to the increase in net investment income and realized investment gains as discussed in the Primerica, Inc. and Subsidiaries Results of Operation section above.

<u>Total benefits and expenses.</u> Total benefits and expenses increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to increased technology, other business development, and employee-related costs.

Financial Condition

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

We follow a conservative investment strategy designed to emphasize the preservation of our invested assets and provide adequate liquidity for the prompt payment of claims. To meet business needs and mitigate risks, our investment guidelines provide restrictions on our portfolio's composition, including limits on asset type, per issuer limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types. We also manage and monitor our allocation of investments to limit the accumulation of any disproportionate concentrations of risk among industry sectors or issuer countries outside of the U.S. and Canada. In addition, as of June 30, 2019, we did not hold any country of issuer concentrations outside of the U.S. or Canada that represented more than 5% of the fair value of our available-for-sale invested asset portfolio or any industry concentrations of corporate bonds that represented more than 10% of the fair value of our available-for-sale invested asset portfolio.

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

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

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

Our invested asset portfolio is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, liquidity risk and credit and default risk. Investment guideline restrictions have been established to minimize the effect of these risks but may not always be effective due to factors beyond our control. Interest rates 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.

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

	June 30, 2019	December 31, 2018
Average rating of our fixed-maturity portfolio	A	A
Average duration of our fixed-maturity portfolio	3.6 years	3.5 years
Average book yield of our fixed-maturity portfolio	3.74%	3.89%

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

	June 30, 2019		December 31, 2018	
	Amortized cost (1)	%	Amortized cost (1)	%
	(Dollars in thousands)			
AAA	$ 452,171	21 %	$ 444,466	21 %
AA	245,042	11 %	217,541	10 %
A	496,936	23 %	469,044	22 %
BBB	905,443	42 %	898,694	43 %
Below investment grade	65,258	3 %	59,368	4 %
Not rated	2,970	*	3,319	*
Total	$ 2,167,820	100 %	$ 2,092,432	100 %

(1) Includes trading securities at fair value and available-for-sale securities at amortized cost.
* Less than 1%.

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

	June 30, 2019			
Issuer	Fair value	Amortized cost (1)	Unrealized gain (loss)	Credit rating
	(Dollars in thousands)			
Government of Canada	$ 24,516	$ 24,070	$ 446	AAA
Province of Quebec Canada	13,882	12,725	1,157	AA-
Bank of America Corp	12,109	11,880	229	A-
Honda Motor Co Ltd	11,844	11,587	257	A
Office Properties Income Trust	11,554	11,470	84	BBB-
Province of Alberta Canada	11,528	11,057	471	A+
Cigna Corp	11,201	10,849	352	A-
Province of Ontario Canada	10,904	10,419	485	A+
Province of British Columbia Canada	10,727	10,450	277	AAA
Siemens AG	9,990	9,975	15	A+
Total – ten largest holdings	$ 128,255	$ 124,482	$ 3,773	
Total – fixed-maturity securities	$ 2,239,635	$ 2,167,820		
Percent of total fixed-maturity securities	6 %	6 %		

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

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

Liquidity and Capital Resources

Dividends and other payments to the Parent Company from its subsidiaries are our principal sources of cash. The amount of dividends paid by the subsidiaries is dependent on their capital needs to fund future growth and applicable regulatory restrictions. The primary uses of funds by the Parent Company include the payments of stockholder dividends, interest on notes payable, general operating expenses, and income taxes, as well as repurchases of common shares outstanding. As of June 30, 2019, the Parent Company had cash and invested assets of $229.7 million.

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

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

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

We may seek to enhance our liquidity position or capital structure through borrowings from third-party sources, sales of debt or equity securities, reserve financings or some combination of these sources. Additionally, we believe that cash flows from our businesses and potential sources of funding will sufficiently support our long-term liquidity needs.

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

	Six months ended June 30,		Change
	2019	2018	$
		(In thousands)	
Net cash provided by (used in) operating activities	$ 185,085	$ 160,249	$ 24,836
Net cash provided by (used in) investing activities	(56,762)	(118,277)	(61,515)
Net cash provided by (used in) financing activities	(146,693)	(161,377)	(14,684)
Effect of foreign exchange rate changes on cash	1,207	(1,277)	2,484
Change in cash and cash equivalents	$ (17,163)	$ (120,682)	$ (48,879)

Operating Activities. Cash provided by operating activities increased during the six months ended June 30, 2019 versus the six months ended June 30, 2018 driven by growth in cash receipts from the collection of premium revenues in excess of benefits and claims paid in our Term Life Insurance segment. The impact of direct premium growth and the additional layering of net premiums from term life insurance policies not subject to the IPO coinsurance transactions has continued to generate positive incremental cash. The year-over-year increase in cash provided by operating activities was partially offset by the timing effect of when cash payments to/from reinsurers were due for ceded premiums and ceded claims.

Investing Activities. Cash used in investing activities decreased during the six months ended June 30, 2019 versus the six months ended June 30, 2018 driven by a reduction in the acquisition of fixed-maturity securities largely due to timing influenced by when our subsidiaries paid dividends to the Parent Company and when cash was able to be deployed to acquire fixed-maturity securities. Also contributing to the net decrease in cash used in investing activities was cash received from maturing short-term investments. Partially offsetting this decrease in cash used in investing was higher purchases of fixed assets to support technology-related initiatives.

Financing Activities. Cash used in financing activities decreased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 due to the timing of repurchases of common stock which was influenced by the market price. The decrease was partially offset by higher dividends paid to shareholders as the Company increased its per share dividend.

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

As of June 30, 2019, our U.S. life insurance subsidiaries maintained statutory capital and surplus substantially in excess of the applicable regulatory requirements and remain well positioned to support existing operations and fund future growth.

In Canada, an insurer's minimum capital requirement is overseen by the Office of the Superintendent of Financial Institutions ("OSFI") and determined as the sum of the capital requirements for 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 June 30, 2019, Primerica Life Insurance Company of Canada was in compliance with Canada's minimum capital requirements as determined by OSFI.

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

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

The NAIC has adopted a model regulation for determining reserves using a principle-based approach ("principle-based reserves" or "PBR"), which is designed to reflect each insurer's own experience in calculating reserves and move away from a standardized reserving formula. Primerica Life adopted PBR during the first quarter of 2018. The adoption of PBR facilitated extending the premium guarantees for Primerica Life for the entire initial term period for new sales. The PBR regulation significantly reduces the statutory policy benefit reserve requirements, but only applies to business issued after the effective date. As a result, we expect that the adoption of PBR will significantly reduce the need to engage in future redundant reserve financing transactions for business issued after the effective date. See Note 4 (Investments), Note 10 (Debt) and Note 16 (Commitments and Contingent Liabilities) to our consolidated financial statements within our 2018 Annual Report for more information on these redundant reserve financing transactions.

Notes Payable. The Company has $375.0 million of publicly-traded, Senior Notes outstanding issued at a price of 99.843% with an annual interest rate of 4.75%, payable semi-annually in arrears on January 15 and July 15. The Senior Notes mature July 15, 2022. We were in compliance with the covenants of the Senior Notes as of June 30, 2019. No events of default occurred during the three or six months ended June 30, 2019.

Rating Agencies. There have been no changes to Primerica, Inc.'s Senior Notes ratings or Primerica Life's financial strength ratings since December 31, 2018.

Short-Term Borrowings. We had no short-term borrowings as of or during the three months ended June 30, 2019.

Surplus Note. Vidalia Re issued the Surplus Note in exchange for the LLC Note as a part of the Vidalia Re Redundant Reserve Financing Transaction. The Surplus Note has a principal amount equal to the LLC Note and is scheduled to mature on December 31, 2030. For more information on the Surplus Note, see Note 12 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Off-Balance Sheet Arrangements. We have no transactions, agreements or other contractual arrangements to which an entity unconsolidated with the Company is a party, under which the Company maintains any off-balance sheet obligations or guarantees as of June 30, 2019.

Credit Facility Agreement. We maintain an unsecured $200.0 million revolving credit facility ("Revolving Credit Facility") with a syndicate of commercial banks that has a scheduled termination date of December 19, 2022. Amounts outstanding under the Revolving Credit Facility bear interest at a periodic rate equal to LIBOR or the base rate, plus in either case an applicable margin. The Revolving Credit Facility also permits the issuance of letters of credit. The applicable margins are based on our debt rating with such margins for LIBOR rate loans and letters of credit ranging from 1.125% to 1.625% per annum and for base rate loans ranging from 0.125% to 0.625% per annum. Under the Revolving Credit Facility, we incur a commitment fee that is payable quarterly in arrears and is determined by our debt rating. This commitment fee ranges from 0.125% to 0.225% per annum of the aggregate $200.0 million commitment of the lenders under the Revolving Credit Facility. As of June 30, 2019, no amounts have been drawn under the Revolving Credit Facility and we were in compliance with its covenants. Furthermore, no events of default have occurred under the Revolving Credit Facility in the six months ended June 30, 2019.

Contractual Obligations Update. There have been no material changes in contractual obligations from those disclosed in the2018 Annual Report.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

- our failure to continue to attract new recruits, retain sales representatives or license or maintain the licensing of sales representatives would materially adversely affect our business, financial condition and results of operations;
- there are a number of laws and regulations that could apply to our distribution model, which could require us to modify our distribution structure;
- there may be adverse tax, legal or financial consequences if the independent contractor status of sales representatives is overturned;
- the Company’s or the independent life-insurance sales representatives' violation of, or non-compliance with, laws and regulations and related claims and proceedings could expose us to material liabilities;
- any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations;
- we may face significant losses if our actual experience differs from our expectations regarding mortality or persistency;
- the occurrence of a catastrophic event could materially adversely affect our business, financial condition and results of operations;
- our insurance business is highly regulated, and statutory and regulatory changes may materially adversely affect our business, financial condition and results of operations;
- a decline in the regulatory capital ratios of our insurance subsidiaries could result in increased scrutiny by insurance regulators and ratings agencies and have a material adverse effect on our business, financial condition and results of operations;
- a significant ratings downgrade by a ratings organization could materially adversely affect our business, financial condition and results of operations;
- the failure by any of our reinsurers or reserve financing counterparties to perform its obligations to us could have a material adverse effect on our business, financial condition and results of operations;
- our Investment and Savings Products segment is heavily dependent on mutual fund and annuity products offered by a relatively small number of companies, and, if these products fail to remain competitive with other investment options or we lose our relationship with one or more of these companies, our business, financial condition and results of operations may be materially adversely affected;
- the Company’s or the independent securities-licensed sales representatives' violations of, or non-compliance with, laws and regulations could expose us to material liabilities;
- if heightened standards of conduct or more stringent licensing requirements, such as those proposed by the Securities and Exchange Commission and those proposed or adopted by state legislatures or regulators or Canadian securities regulators, are imposed on us or the sales representatives, or selling compensation is reduced as a result of new legislation or regulations, it could have a material adverse effect on our business, financial condition and results of operations;
- if our suitability policies and procedures, or our policies and procedures for compliance with federal or state regulations governing standards of care, were deemed inadequate, it could have a material adverse effect on our business, financial condition and results of operations;
- sales force support tools may fail to appropriately identify financial needs or suitable investment products;
- non-compliance with applicable regulations could lead to revocation of our subsidiary's status as a non-bank custodian;
- as our securities sales increase, we become more sensitive to performance of the equity markets;
- if one of our significant information technology systems fails, if its security is compromised, or if the Internet becomes disabled or unavailable, our business, financial condition and results of operations may be materially adversely affected;
- the current legislative and regulatory climate with regard to cybersecurity may adversely affect our business, financial condition, and results of operations;
- in the event of a disaster, our business continuity plan may not be sufficient, which could have a material adverse effect on our business, financial condition and results of operations;

- credit deterioration in, and the effects of interest rate fluctuations on, our invested asset portfolio and other assets that are subject to changes in credit quality and interest rates could materially adversely affect our business, financial condition and results of operations;
- valuation of our investments and the determination of whether a decline in the fair value of our invested assets is other-than-temporary are based on estimates that may prove to be incorrect;
- changes in accounting standards can be difficult to predict and could adversely impact how we record and report our financial condition and results of operations;
- the effects of economic down cycles could materially adversely affect our business, financial condition and results of operations;
- we are subject to various federal, state and provincial laws and regulations in the United States and Canada, changes in which or violations of which may require us to alter our business practices and could materially adversely affect our business, financial condition and results of operations;
- litigation and regulatory investigations and actions may result in financial losses and harm our reputation;
- the current legislative and regulatory climate with regard to financial services may adversely affect our business, financial condition, and results of operations;
- the inability of our subsidiaries to pay dividends or make distributions or other payments to us in sufficient amounts would impede our ability to meet our obligations and return capital to our stockholders;
- a significant change in the competitive environment in which we operate could negatively affect our ability to maintain or increase our market share and profitability;
- the loss of key employees and sales force leaders could negatively affect our financial results and impair our ability to implement our business strategy;
- we may be materially adversely affected by currency fluctuations in the United States dollar versus the Canadian dollar; and
- the market price of our common stock may fluctuate.

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in our exposures to market risk since December 31, 2018. For details on the Company's interest rate, foreign currency exchange, and credit risks, see “Item 7A. Quantitative and Qualitative Information About Market Risks” in our 2018 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are involved from time to time in legal disputes, regulatory inquiries and arbitration proceedings in the normal course of business. Additional information regarding certain legal proceedings to which we are a party is described under “Contingent Liabilities” in Note 10 (Commitments and Contingent Liabilities) to our unaudited condensed consolidated financial statements included elsewhere in this report, and such information is incorporated herein by reference. As of the date of this report, we do not believe any pending legal proceeding to which Primerica or any of its subsidiaries is a party is required to be disclosed pursuant to this item.

ITEM 1A. RISK FACTORS.

The following supplements and amends the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2018 are incorporated herein by reference.

Our insurance business is highly regulated, and statutory and regulatory changes may materially adversely affect our business, financial condition and results of operations.

Life insurance statutes and regulations are generally designed to protect the interests of the public and policyholders. Those interests may conflict with the interests of our stockholders. Currently, in the United States, the power to regulate insurance resides almost exclusively with the states. The laws of the various U.S. jurisdictions grant state insurance regulators broad powers to regulate almost all aspects of our insurance business. Much of this state regulation follows model statutes or regulations developed or amended by the NAIC, which is composed of the insurance commissioners of each U.S. jurisdiction. The NAIC re-examines and amends existing model laws and regulations (including holding company regulations) in addition to determining whether new ones are needed.

The Dodd-Frank Act created the Federal Insurance Office and authorized it to, among other things, study methods to modernize and improve insurance regulation. We cannot predict with certainty whether, or in what form, reforms will be enacted and, if so, whether the enacted reforms will materially affect our business. Changes in federal statutes, including the Gramm-Leach-Bliley Act and the McCarran-Ferguson Act, financial services regulation and federal taxation, in addition to changes to state statutes and regulations, may be more restrictive than current requirements or may result in higher costs, and could materially adversely affect our business, financial condition and results of operations.

On July 18, 2018, the NYDFS issued final amendments to its suitability regulation for annuities (the “Amended Suitability Rule”), which imposes certain duties and obligations on insurers and insurance producers in the sale of life insurance, including term life insurance, and annuities. Under the Amended Suitability Rule, the NYDFS requires firms and insurance representatives to ensure that transactions are suitable and consistent with the customer’s “best interest”. Because the Amended Suitability Rule imposes a higher standard of care and enhanced disclosure and other obligations on life and annuities transactions, it may increase our regulatory or litigation risk. The Amended Suitability Rule does not necessitate significant changes to our term life insurance or annuities business in New York. The Amended Suitability Rule became effective for annuity products on August 1, 2019 and will become effective for life insurance products on February 1, 2020.

Federal and provincial insurance laws regulate all aspects of our Canadian insurance business. Changes to federal or provincial statutes and regulations may be more restrictive than current requirements or may result in higher costs, which could materially adversely affect our business, financial condition and results of operations. If OSFI determines that our corporate actions do not comply with applicable Canadian law, Primerica Life Canada could face sanctions or fines, and Primerica Life Canada could be subject to increased capital requirements or other requirements deemed appropriate by OSFI.

We received approval from the Minister of Finance (Canada) under the Insurance Companies Act (Canada) in connection with our indirect acquisition of Primerica Life Canada. The Minister expects that a person controlling a federal insurance company will provide ongoing financial, managerial or operational support to its subsidiary should such support prove necessary. This ongoing support may take the form of additional capital, the provision of managerial expertise or the provision of support in such areas as risk management, internal control systems and training. In the event that OSFI determines Primerica Life Canada is not receiving adequate support from the Parent Company under applicable Canadian law, Primerica Life Canada may be subject to increased capital requirements or other requirements deemed appropriate by OSFI.

If there were to be extraordinary changes to statutory or regulatory requirements in the United States or Canada, we may be unable to fully comply with or maintain all required insurance licenses and approvals. Regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals. If we do not have all requisite licenses and approvals, or do not comply with applicable statutory and regulatory requirements, the regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our insurance activities or impose fines or penalties on us, which could materially adversely affect our business, financial condition and results of operations. We cannot predict with certainty the effect any proposed or future legislation or regulatory initiatives may have on the conduct of our business.

If heightened standards of conduct or more stringent licensing requirements, such as those adopted by the SEC and those proposed or adopted by state legislatures or regulators or Canadian securities regulators, are imposed on us or the sales representatives, or selling compensation is reduced as a result of new legislation or regulations, it could have a material adverse effect on our business, financial condition and results of operations.

The U.S. sales representatives are subject to federal and state regulation as well as state licensing requirements. PFS Investments, Inc., which is regulated as a broker-dealer, and U.S. sales representatives are currently subject to general anti-fraud limitations under the Exchange Act and SEC rules and regulations, as well as other conduct standards prescribed by the FINRA. These standards generally require that broker-dealers and their sales representatives disclose conflicts of interest that might affect the advice or recommendations they provide and require them to make suitable investment recommendations to their customers. On June 5, 2019, the SEC adopted rules and interpretations addressing the standards of conduct applicable to broker-dealers and investment advisers and their associated persons (collectively, the "SEC Rulemaking"). Specifically, the SEC Rulemaking (i) creates a new "best interest" standard of conduct for broker-dealers ("Reg BI"), (ii) imposes new disclosure requirements through summary forms intended to clarify relationships among brokers, advisers, and their retail customers ("Form CRS") (iii) provides interpretative guidance regarding the standard of conduct that applies to investment advisers under the Investment Advisers Act of 1940 ("Advisers Act"), and (iv) provides interpretative guidance on the scope of the broker-dealer "solely incidental" exclusion from the definition of "investment adviser" in the Advisers Act. The SEC Rulemaking became effective on July 12, 2019, with a compliance date of June 30, 2020 for Reg BI and Form CRS While we anticipate making certain changes to our sales processes, policies, and procedures in order to comply with the SEC Rulemaking and acknowledge that its higher standards of care and enhanced obligations increase regulatory and litigation risk, we do not anticipate that the SEC Rulemaking will cause significant disruption to our business.

In addition to federal regulators, certain states have proposed or passed laws or proposed or issued regulations requiring investment advisers, broker-dealers, and/or insurance agents to meet fiduciary standards or standards of care that their advice be in the customer's best interest, and to disclose conflicts of interest to consumers of investment and insurance products. The severity of the impact that such state laws or regulations could have on our business vary from state to state depending on the content of the legislation or regulation and how it is applied by state regulators and interpreted by the courts. We cannot quantify the financial impact, if any, of any changes to our business that may be necessary in order to comply with such laws or regulations at this time.

In Canada, the organization of provincial and territorial securities regulators ("Canadian Securities Administrators" or "CSA") published a notice on June 21, 2018 requesting public comment on reforms to obligations of registered firms and individuals to enhance conflict of interest mitigation rules ("Client Focused Reforms"). Among other items in the rule, all embedded commissions would be considered conflicts that must be addressed in the best interests of clients or avoided. On September 13, 2018, the CSA published for comment proposed amendments that would prohibit upfront sales commissions by fund companies for the sale of mutual funds offered under a prospectus in Canada. The CSA has indicated that the prohibition of upfront sales commissions by fund companies will eliminate the use of the mutual fund deferred sales charge compensation model, which is the primary model for the mutual funds we distribute in Canada. If these rules are adopted as proposed, changes in compensation arrangements with the fund companies that offer the mutual fund products we distribute in Canada will be necessary. Because of the uncertain status of the rules, we have not determined the extent to which changes to our business would be necessary and are, therefore, unable to quantify the impact, if any, on our business, nor are we able to project the timing of the adoption of any such reforms or transition timeline.

Heightened standards of conduct or restrictions on compensation as a result of any of the above items or other similar proposed rules or regulations could also increase the compliance and regulatory burdens on the sales representatives and could lead to increased litigation and regulatory risks, changes to our business model, a decrease in the number of licensed representatives and a reduction in the products we offer to our clients, any of which could have a material adverse effect on our business, financial condition and results of operations.

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

During the quarter ended June 30, 2019, we repurchased shares of our common stock as follows:

Period	Total number of shares purchased (1)	Average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs (2)	Approximate dollar value of shares that may yet be purchased under the plans or programs (2)
April 1 - 30, 2019	121,171	$ 126.25	121,171	$ 206,085,183
May 1 - 31, 2019	157,275	123.98	157,275	186,586,824
June 1 - 30, 2019	185,470	120.23	185,470	164,288,268
Total	463,916	123.07	463,916	164,288,268

(1) Consists of open market repurchases of shares under the share repurchase program approved by our Board of Directors.

(2) On February 7, 2019, our Board of Directors authorized a new share repurchase program for up to $275.0 million of our outstanding common stock (including $65.0 million remaining from the prior repurchase program) for purchases through June 30, 2020.

For information regarding year-to-date share repurchases, refer to Note 7 (Stockholders' Equity) to our unaudited condensed consolidated financial statements included elsewhere in this report.

ITEM 6. EXHIBITS.

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

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

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

Exhibit Number	Description	Reference
31.1	Rule 13a-14(a)/15d-14(a) Certification, executed by Glenn J. Williams, Chief Executive Officer.	Filed with the Securities and Exchange Commission as part of this Quarterly Report.
31.2	Rule 13a-14(a)/15d-14(a) Certification, executed by Alison S. Rand, Executive Vice President and Chief Financial Officer.	Filed with the Securities and Exchange Commission as part of this Quarterly Report.
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Glenn J. Williams, Chief Executive Officer, and Alison S. Rand, Executive Vice President and Chief Financial Officer.	Filed with the Securities and Exchange Commission as part of this Quarterly Report.
101.INS	Inline XBRL Instance Document.	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema.	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).	

SIGNATURES

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

Primerica, Inc.

August 8, 2019

/s/ Alison S. Rand

Alison S. Rand
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification of Chief Executive Officer

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

1. I have reviewed this quarterly report on Form 10-Q of Primerica, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Glenn J. Williams
Glenn J. Williams
Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

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

1. I have reviewed this quarterly report on Form 10-Q of Primerica, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Alison S. Rand
Alison S. Rand
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the quarterly report on Form 10-Q of Primerica, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn J. Williams, as Chief Executive Officer of the Company, and I, Alison S. Rand, as Executive Vice President and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Glenn J. Williams

Name:	Glenn J. Williams
Title:	Chief Executive Officer
Date:	August 8, 2019

/s/ Alison S. Rand

Name:	Alison S. Rand
Title:	Executive Vice President and Chief Financial Officer
Date:	August 8, 2019