

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

27-1204330

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

1 Primerica Parkway
Duluth, Georgia

(Address of principal executive offices)

30099

(ZIP Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of June 30, 2019, was \$ 5,014,399,156. The number of shares of the registrant's Common Stock outstanding at January 31, 2020, with \$0.01 par value, was 41,108,029.

Documents Incorporated By Reference

Certain information contained in the Proxy Statement for the Company's Annual Meeting of Stockholders to be held on May 13, 2020 is incorporated by reference into Part III hereof.

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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 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 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 adopted 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;
- licensing requirements will impact the size of the mortgage loan sales force;
- our loan business is subject to various federal and state laws, changes in which could affect the cost or our ability to distribute our products and could materially adversely affect 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 what type of impairment exists when the fair value of our available-for-sale invested assets is below amortized cost are both based on estimates that may prove to be incorrect;
- 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 1. BUSINESS.

Primerica, Inc. (“Primerica”, “we”, “us” or the “Parent Company”) is a leading provider of financial products to middle-income households in the United States and Canada with 130,522 licensed sales representatives as of December 31, 2019. These independent licensed representatives (“sales representatives” or “sales force”) 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 insured over five million lives and had approximately 2.5 million client investment accounts as of December 31, 2019. Our business model uniquely positions us to reach underserved middle-income consumers in a cost-effective manner and has proven itself in both favorable and challenging economic environments.

Our mission is to serve middle-income families by helping them make informed financial decisions and providing them with a strategy and tools to gain financial independence. Our distribution model is designed to:

- *Address our clients’ financial needs.* Licensed sales representatives primarily use our proprietary financial needs analysis tool (“FNA”) and an educational approach to demonstrate how our product offerings can provide financial protection for our clients’ families, save for their retirement and other needs, and manage their debt. Typically, our clients are the friends, family members and personal acquaintances of sales representatives. Meetings are generally held in informal, face-to-face settings, usually in the clients’ homes.
- *Provide a business opportunity.* We provide an entrepreneurial business opportunity for individuals to distribute financial products. Low entry fees as well as the ability to select their own schedules and time commitments allow sales representatives to supplement their income by starting their own independent businesses without leaving their current jobs. Our unique compensation structure, technology, sales support and back-office processing are designed to enable sales representatives to successfully grow their independent businesses.

We believe there is significant opportunity to meet the increasing array of financial services needs of our clients. We intend to leverage the sales force to meet such client needs, which will drive long-term value for all of our stakeholders. Our strategy is organized across four primary areas:

- Maximizing sales force growth, leadership and productivity;
- Broadening and strengthening our protection product portfolio;
- Providing offerings that enhance our Investment and Savings Products (“ISP”) business; and
- Developing digital capabilities to deepen our client relationships.

Corporate Structure

We conduct our core business activities in the United States through three principal entities, all of which are direct or indirect wholly owned subsidiaries of the Parent Company:

- Primerica Financial Services, LLC (“PFS”), our general agency and marketing company;
- Primerica Life Insurance Company (“Primerica Life”), our principal life insurance underwriting company; and
- PFS Investments Inc. (“PFS Investments”), our investment and savings products company, broker-dealer and registered investment advisor.

Primerica Life is domiciled in Tennessee, and its wholly owned subsidiary, National Benefit Life Insurance Company (“NBLIC”), is a New York-domiciled life insurance underwriting company.

We conduct our core business activities in Canada through three principal entities, all of which are indirect wholly owned subsidiaries of the Parent Company:

- Primerica Life Insurance Company of Canada (“Primerica Life Canada”), our Canadian life insurance underwriting company;
- PFS Investments Canada Ltd. (“PFS Investments Canada”), our Canadian licensed mutual fund dealer; and
- PFS Fund Management Ltd. (“PFS Fund Management”), our Canadian investment funds manager.

Primerica was incorporated in the United States as a Delaware corporation in October 2009 to serve as a holding company for the Primerica businesses (collectively, the “Company”). Our businesses, which prior to April 1, 2010, were wholly owned indirect subsidiaries of Citigroup Inc. (“Citigroup”), were transferred to us by Citigroup on April 1, 2010 in a reorganization pursuant to which we completed an initial public offering in April 2010 (the “IPO”). On March 31, 2010, we entered into certain coinsurance transactions to cede 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 policies subject to these coinsurance agreements.

Our Clients

Our clients are generally middle-income consumers, which we define as households with \$30,000 to \$100,000 of annual income. According to the 2018 U.S. Census Bureau Current Population Survey, the latest period for which data is available, almost 50% of U.S. households fall in this range. We believe that we understand the financial needs of the middle-income segment, which include:

- *Many have inadequate or no life insurance coverage.* Individual life insurance sales in the United States declined from 12.5 million policy sales in 1975 to 9.6 million policy sales in 2018, the latest period for which data is available, according to the Life Insurance Marketing and Research Association International, Inc. (“LIMRA”), a worldwide association of insurance and financial services companies. We believe that term life insurance, which we have provided to middle-income clients for many years, is generally the best option for them to meet their life insurance needs.
- *Many need help saving for retirement and other personal goals.* Many middle-income families find it challenging to save for retirement and other personal goals. By developing personalized savings programs for our clients using our proprietary FNA and offering a wide range of mutual funds, annuities, managed investments and segregated fund products sponsored and managed by established firms, sales representatives are well equipped to help clients develop long-term savings plans to address their financial needs.
- *Many need to reduce their debt.* Many middle-income families have numerous debt obligations from credit cards, auto loans, and home mortgages. We help our clients address these financial burdens by providing personalized and client-driven debt resolution techniques.
- *Many prefer to meet face-to-face when considering financial products.* Historically, many middle-income consumers have indicated a preference to meet face-to-face when considering financial products or services. As such, we have designed our distribution model to address this preference in a cost-effective manner through a network of more than 130,000 life insurance-licensed sales representatives.

Our Distribution Model

Our distribution model, which is a modified traditional insurance agency model, is designed to reach and serve middle-income consumers efficiently through the sales force. Key characteristics of our unique distribution model include:

- *Independent entrepreneurs:* Sales representatives are independent contractors building and operating their own businesses. This approach means that sales representatives are entrepreneurs who take responsibility for selling products, recruiting and developing other sales representatives, setting their own schedules and managing and paying the administrative expenses associated with their sales activities.
- *Low barriers to entry:* By offering a flexible time commitment opportunity, we are able to attract a significant number of recruits who desire to earn supplemental income and generally concentrate on smaller-sized transactions typical of middle-income consumers. Sales representatives are able to start their independent businesses for low fees, for which they receive technological support, pre-licensing training and access to licensing examination preparation programs. Sales representatives sell or refer products directly to consumers, and therefore our business opportunity does not require recruits to purchase and resell our products. Most sales representatives begin selling products on a part-time basis, which enables them to hold jobs while exploring an entrepreneurial business opportunity with us.
- *Sales force leadership:* A sales representative who has built a successful organization and has obtained his or her life insurance and securities licenses can achieve the sales designation of Regional Vice President (“RVP”), which qualifies him or her for a higher commission schedule. RVPs are independent contractors who open and operate offices for their sales organizations and devote their full-time attention to their businesses. RVPs also support and monitor the sales representatives, on whose sales they earn commissions, in achieving compliance with applicable regulatory requirements. RVPs’ efforts to expand their businesses are a primary driver of our success.
- *Innovative compensation structure:* We have developed an innovative system for compensating the sales force that is contingent upon product sales. We advance to sales representatives a significant portion of their insurance commissions upon their submission of an insurance application and the first month’s premium payment. In addition to being a source of motivation, this advance provides sales representatives with immediate cash flow to offset their costs. In addition, monthly production bonuses are paid to RVPs whose sales organizations meet certain sales levels. With compensation tied to sales activity, our approach accommodates varying degrees of individual productivity, which allows us to effectively use a large group of part-time sales representatives while providing a variable cost structure. In addition, we incentivize RVPs with quarterly stock awards based largely on sales production (“agent equity awards”), which aligns their interests with those of our stockholders.
- *Large, dynamic sales force:* Members of the sales force primarily serve their friends, family members and personal acquaintances through individually driven networking activities. We believe that this warm market approach is an effective way to distribute our product offerings because it facilitates face-to-face interaction initiated by a trusted acquaintance of the prospective client, which is difficult to replicate using other distribution approaches. Due to the large size of the sales force and the active recruiting of new sales representatives, the sales force is able to continually access an expanding base of prospective clients without engaging costly media channels.

- *Motivational culture:* In addition to the motivation for sales representatives to achieve financial success, we seek to create a culture that inspires and rewards sales representatives for their personal successes and those of their sales organizations through sales force recognition events and contests. We also use Intranet-streamed broadcasts and local, regional and national meetings to inform and teach sales representatives, as well as facilitate camaraderie and the exchange of ideas across the sales force. These initiatives encourage and empower sales representatives to develop their own successful sales organizations.
- *Inclusive culture:* Building and maintaining an ethnically and demographically diverse sales force is important to us, as we believe the sales force reflects the middle market communities we serve. As the communities we serve become more diverse, the sales force does as well.

Structure and Scalability of the Sales Force

New sales representatives are recruited by existing sales representatives. When these new recruits become sales representatives, they become part of the sales organization of the sales representative who recruited them as well as the sales organizations to which the recruiting sales representative belongs. We encourage sales representatives to bring in new recruits to build their own sales organizations, enabling the Company to reach more middle-income families.

RVPs establish and maintain their own offices, which we refer to as field offices. Additionally, they are responsible for funding the costs of their administrative staff, marketing materials, travel, training and certain recognition events for the sales representatives in their respective sales organizations. Field offices provide a location for sales representatives to conduct recruiting meetings, training events and sales-related meetings, disseminate our Intranet-streamed broadcasts, conduct compliance functions, and house field office business records. Some business locations house more than one field office. At December 31, 2019, approximately 5,300 field offices in 3,000 locations were managed by sales representatives that served as RVPs.

RVPs play a major role in training, motivating and monitoring their sales force organization. Because the sales representative's compensation grows with the productivity of his or her sales organization, our distribution model provides financial rewards to sales representatives who successfully develop, support and monitor productive sales representatives. In addition to our commission structure, we offer the Primerica Ownership Program. This program provides qualifying RVPs a contractual right, upon meeting certain criteria, to transfer their Primerica businesses to another RVP or a qualifying family member at such time as they desire. Furthermore, we have developed proprietary tools and technology to enable RVPs to reduce the time spent on administrative responsibilities associated with their sales organizations so they can devote more time to the sales, recruiting and training activities that drive our growth. We believe that our tools and technology, coupled with our sales compensation programs, further incentivize sales representatives to become RVPs.

Both the structure of the sales force and the capacity of our support capabilities provide us with a high degree of scalability as we grow our business. Our support systems and technology are capable of supporting a large sales force and a high volume of transactions. In addition, by sharing training and compliance activities with RVPs, we are able to grow the Company without incurring proportionate overhead expenses.

Recruitment of Sales Representatives

The recruitment of sales representatives is undertaken by existing sales representatives, who identify prospects and share with them the benefits of associating with our organization. Sales representatives showcase the Company as dynamic and capable of improving the lives of middle-income families.

After the initial contact, prospective recruits typically are invited to an opportunity meeting, which is conducted by an RVP. The objective of an opportunity meeting is to inform prospective recruits about our mission and their opportunity to start their own businesses by becoming sales representatives. At the conclusion of each opportunity meeting, prospective recruits are asked to complete an application and pay a nominal fee to commence their pre-licensing training and licensing examination preparation programs and, depending on the state or province, to cover their licensing exam registration costs, which are provided by the Company generally at no additional charge. Recruits are not obligated to purchase any of the products we offer in order to become sales representatives, though they may elect to make such purchases.

Recruits may become our clients or provide us with access to their friends, family members and personal acquaintances. As a result, we continually work to improve our systematic approach to recruiting and training new sales representatives.

Similar to other distribution systems that rely upon part-time sales representatives and typical of the life insurance industry in general, we experience wide disparities in the productivity of individual sales representatives. Many new recruits do not get licensed, often due to the time commitment required to obtain licenses and various regulatory and licensing hurdles. Many licensed sales representatives are only marginally active, as there are no minimum life insurance production requirements. As a result, we plan for this disparate level of productivity and view a continuous recruiting cycle as a key component of our distribution model. Our distribution model is designed to address the varying productivity associated with sales representatives by paying production-based compensation, emphasizing recruiting, and developing initiatives to address barriers to licensing new recruits. By providing commissions to sales representatives on the sales generated by their sales organization, our compensation structure aligns the interests of sales representatives with our interests in recruiting new representatives and creating sustainable sales production.

The following table provides information on new recruits and life insurance-licensed sales representatives:

	Year ended December 31,		
	2019	2018	2017
Number of new recruits	282,207	290,886	303,867
Number of newly life insurance-licensed sales representatives	44,739	48,041	48,535
Number of life insurance-licensed sales representatives, at period end	130,522	130,736	126,121
Average number of life insurance-licensed sales representatives during period	130,370	128,977	121,291

We define new recruits as individuals who have submitted an independent business application to become sales representatives together with payment of the nominal fee to commence their pre-licensing training. Certain recruits may not meet the compliance standards to become a sales representative, and others elect to withdraw prior to becoming actively engaged.

On average, it takes approximately three months for sales representatives to complete the necessary applications and pre-licensing coursework and to pass the applicable state or provincial examinations to obtain a license to sell our term life insurance products. As a result, individuals recruited to become sales representatives within a given fiscal period may not become licensed sales representatives or meet compliance standards until a subsequent period.

Sales Force Motivation, Training, Communication and Sales Support Tools

Motivating, training and communicating with the sales force are critical to our success and that of the sales force.

Motivation. Through our proven system of sales force recognition events, contests and communications, we provide incentives that drive our results. Motivation is driven in part by sales representatives' desire to achieve higher levels of financial success by building their own businesses as sales representatives. The opportunity to help underserved middle-income households address financial challenges is also a source of motivation for many sales representatives.

We motivate sales representatives to succeed in their businesses by:

- compensating sales representatives for product sales made by them and their sales organizations;
- training sales representatives on financial fundamentals so they can confidently and effectively assist our clients;
- reducing the administrative burden on the sales force, which allows them to devote more of their time to building a sales organization and selling products; and
- creating a culture in which sales representatives are encouraged to achieve goals through the recognition of their sales and recruiting achievements, as well as those of their sales organizations.

We conduct numerous local, regional and national meetings to help inform and motivate the sales force. In June 2019, we hosted our biennial international convention and associated meetings at the Mercedes-Benz Stadium and Georgia World Congress Center in Atlanta, Georgia, which was attended by approximately 50,000 people. Most of our new recruits and sales representatives who have attended our conventions and associated meetings do so at their own expense, which we believe further demonstrates their commitment to our organization and mission.

Training, Communication and Sales Support Tools. Primerica Online ("POL"), delivered through a secure Intranet website and a cross-platform mobile application ("Primerica App"), is our primary tool designed to support sales representatives and assist them in building their own businesses. We provide sales representatives with communication, training, and sales support tools on POL that allow both new and experienced sales representatives to offer financial information and products to our clients. POL provides sales representatives with access to various business tracking and management tools, licensing support tools, product-specific training, and sales procedures and tools. Additionally, POL provides access to internal training programs and videos covering sales, management skills, business ownership, and compliance. We also use POL to provide real-time recognition of sales representatives' successes and scoreboards for sales force production, contests, and incentive trips. In addition, POL is a gateway to our product providers and product support. Subscribers generally pay a small monthly fee to subscribe to POL, which helps cover the cost of developing new resources and maintaining this support system. A limited version of POL that provides access to Primerica e-mail, compliance and compensation information, newsletters and bulletins is available at no cost.

The primary features and tools available on POL include:

- **Training and Licensing Tools:** POL provides sales representatives with access to study tools for life insurance and securities licensing examinations such as pre-licensing study materials, on-demand videos, personalized licensing study plans, exam simulators, progress tracking, and exam and license registration. POL also provides training materials and access to obtain online certifications to sell certain other distributed products.
- **Communication Tools:** POL provides access to marketing materials for our product offerings, Company news and events, live streaming shows, on-demand videos, home office bulletins, Primerica e-mail, contact lists, and a hosted professional business website for sales representatives. We broadcast and deliver video content on POL through our own digital video channel, PFN TV. We create original broadcasts and videos that enable senior management to provide business updates to the sales force as well as training and motivational presentations. We broadcast live programs hosted by home office management and selected RVPs that focus on new developments and provide motivational messages to the sales force. We also broadcast training-oriented programs to the sales force on a weekly basis and profile successful sales representatives, allowing these individuals to educate and train other sales representatives by sharing their methods for success.

- *Sales Support and Client Management Tools offered through POL:*
 - *Our Financial Needs Analysis:* Our FNA is a proprietary, needs-based analysis tool. The FNA gives sales representatives the ability to collect and synthesize client financial data and develop a financial analysis for the client that is easily understood. The FNA helps our clients understand their financial needs in the areas of debt, financial protection, and savings as well as introduces prudent financial concepts, such as regular saving and accelerating the repayment of high cost credit card debt, to help them reach their financial goals. The FNA also provides clients with a snapshot of their current financial position and identifies their life insurance, savings and debt resolution needs.
 - *Our Point-of-Sale Application Tool:* Our point-of-sale technology, TurboApps, is an internally developed system that streamlines the application process for our insurance and investment products. These applications populate client information from the FNA to eliminate redundant data collection and provide real-time feedback to eliminate incomplete and illegible applications. Integrated with our paperless field office management system described below and with our home office systems, TurboApps allows RVPs and us to realize the efficiencies of straight-through-processing of application data and other information collected on sales representatives' mobile devices, which results in expedited processing of product sales. TurboApps also features EZ-Key, which is a tool that helps sales representatives guide clients through the investment decision process and ultimately provides investment alternatives based on the client's individual situation. TurboApps is available on the sales representatives' portal, POL and our mobile platform, the Primerica App.
 - *Primerica App:* The mobile Primerica App platform has experienced broad adoption and provides the sales force with access to the critical components needed to start, build and maintain their businesses. We continually enhance and expand the scope and resources available in this strategic platform.
 - *Virtual Base Shop:* In an effort to ease the administrative burden on RVPs and simplify sales force operations, we make available to RVPs a secure Intranet-based paperless field office management system as part of the POL subscription. This virtual office is designed to automate the RVP's administrative responsibilities and can be accessed by subscribing sales representatives in an RVP's immediate sales organization, which we refer to as his or her base shop.
 - *Shareholder Account Manager ("SAM"):* SAM is a web-based tool that allows securities-licensed representatives to service client investments in mutual funds accessed through our transfer agent recordkeeping platform.
 - *Client Relationship Manager ("CRM"):* Our CRM tool allows sales representatives and their RVPs to organize client information, such as personal contact information, product relationships, account details, notes, appointments and follow-ups, in one place to enable fast and convenient access for managing client relationships.

In addition, our publications department produces materials to support, motivate and inform the sales force. We sell recruiting materials, sales brochures, business cards and stationery and provide communications services that include web design, print presentations, graphic design and script writing. We also produce a weekly mailing that includes materials promoting our current incentives, as well as the latest news about our product offerings.

Performance-Based Compensation Structure

Our commission structure is rooted in our origin as an insurance agency. Sales representatives can receive compensation in multiple ways, including:

- sales commissions and fees based on their personal sales, referrals, and client assets under management;
- sales commissions based on sales and referrals by sales representatives in their sales organizations and fees based on client assets under management in their sales organizations; and
- bonuses and other compensation, including agent equity awards, generated by their own sales performance, the aggregate sales performance of their sales organizations and other criteria.

Our compensation structure pays commissions to the sales representative who sells the product and to several representatives above the selling representative within their sales organization.

With respect to term life insurance sales, commissions are calculated based on the total first-year premium (excluding the policy fee) for all policies and riders. To motivate the sales force, we compensate sales representatives for term life insurance product sales as quickly as possible. We advance a majority of the insurance commission upon the submission of a completed application and the first month's premium payment. As the client makes his or her premium payments, the commission is earned by the sales representative and the commission advance is recovered by the Company. If premium payments are not made by the client and the policy terminates, any outstanding advance commission is charged back to the sales representative. The chargeback, which only occurs in the first year of a policy, equals that portion of the advance that was made, but not earned, by the sales representative because the client did not pay the full premium for the period of time for which the advance was made to the sales representative. Chargebacks, which occur in the normal course of business, may be recovered by reducing any cash amounts otherwise payable by the Company to the sales representative.

Sales representatives and representatives above them in their sales organizations are contractually obligated to repay us any commission advances that are ultimately not earned due to the underlying policy lapsing prior to the full commission being earned. Additionally, we hold back a portion of the commissions earned by sales representatives as a reserve out of which we may recover chargebacks. The amounts held back are referred to as deferred compensation account commissions (“DCA commissions”). DCA commissions are available to reduce amounts owed to the Company by sales representatives and they provide a sales representative with a cushion against the chargeback obligations of representatives in their sales organization. DCA commissions, unless applied to amounts owed, are ultimately released to sales representatives.

We pay most term life insurance commissions during the first policy year. One of our term riders provides for coverage increases after the first year. For such riders, we pay first-year and renewal commissions only for premium increases related to the increased coverage. Additionally, we pay renewal commissions on some older in-force policies. At the end of a policy’s level premium paying period, we pay commissions on policy exchanges and bonuses on some policy exchanges and continuations.

We also pay bonuses as a percentage of premiums to RVPs with respect to sales of term life policies and riders, up to a maximum premium. Bonuses are paid to RVPs for achieving specified production levels.

For most mutual funds (non-managed investments) and annuity products, commissions are paid both on the sale and on the value of assets under management. Commissions are calculated based on the dealer allowance and trail commission actually paid to us. For managed investment products, fees earned are based on the assets under management and represent the fee we receive as compensation for as long as we retain the account. For our Canadian segregated fund investment products, we pay sales representatives a sales commission based on the amount invested and a monthly fee based on clients’ asset values.

We also pay the sales force with respect to sales of prepaid legal services subscriptions and referrals for customers purchasing other distributed products. Prepaid legal services commissions paid to the sales force are earned in fixed amounts on a monthly basis as long as the prepaid legal service subscription remains active. Commissions related to other distributed products are calculated based on the type of product sold or referred.

In addition to these methods of compensation, RVPs can earn quarterly agent equity awards based largely on sales production.

Sales Force Licensing and Support

The states, provinces and territories in which sales representatives operate generally require sales representatives to obtain and maintain licenses to sell our insurance and securities products, requiring sales representatives to pass applicable examinations. Sales representatives may also be required to maintain licenses to sell certain of our other distributed products. To encourage new recruits to obtain their life insurance licenses, we either pay directly or reimburse the sales representative for certain licensing-related fees and expenses once he or she passes the applicable exam and obtains the applicable life insurance license.

To sell insurance products, sales representatives must be licensed by their resident state, province or territory and by any other state, province or territory in which they do business. In most states, sales representatives must also be appointed by our applicable insurance subsidiary. Our in-house life insurance licensing program offers new recruits a significant number of classroom life insurance pre-licensing courses to meet applicable state and provincial licensing requirements and prepares recruits to pass applicable licensing exams.

To sell mutual funds and variable annuity products, U.S. sales representatives must be registered with the Financial Industry Regulatory Authority (“FINRA”) and hold the appropriate license(s) designated by each state in which they sell securities products, as well as be appointed by the annuity underwriter in the states in which they market annuity products. Sales representatives must meet all state and federal regulatory requirements and be designated as an investment advisor representative in order to sell our managed investment products. We contract with third-party training firms to conduct securities license exam preparation for sales representatives, and we also offer supplemental training tools.

To offer mortgage loan products, sales representatives must be individually licensed as mortgage loan originators by the states in which they do business and, in some states, they must also be individually licensed as mortgage brokers.

Canadian sales representatives selling mutual fund products are required to be licensed by the securities regulators in the provinces and territories in which they sell mutual fund products. Canadian sales representatives who are licensed to sell our insurance products do not need any further licensing to sell our segregated funds products.

For sales of our other distributed products, appropriate state, provincial and territorial licensing may be required.

Supervision and Compliance

To ensure compliance with various federal, state, provincial and territorial legal requirements, we along with the RVPs share responsibility for maintaining an overall compliance program that involves compliance training and supporting as well as monitoring the activities of sales representatives. We work with the RVPs to develop and maintain appropriate compliance procedures and systems.

Generally, RVPs must obtain a principal license (FINRA Series 26 in the United States and Branch Manager license in Canada), and, as a result, they assume additional regulatory responsibility over the activities of their sales organizations. Additional supervision is provided by designated principal-licensed home office personnel, referred to as Regional Securities Principals (“RSPs”). RSPs are required to supervise and monitor activity across all product lines and report any compliance issues they observe to our Compliance Department. In addition, our Compliance Department regularly runs surveillance reports designed to monitor the activity of the sales force and investigates any unusual or suspicious activity identified during these reviews or during periodic inspections of RVP offices.

All sales representatives are required to participate in our annual compliance meeting, a program administered by our senior management and our legal and compliance staff. We provide a compliance training overview across all product lines and require the completion of compliance checklists by each licensed sales representative for each product he or she offers. Additionally, sales representatives receive periodic compliance communications, both in writing and through videos, regarding new compliance developments and business issues of significance.

Our Field Audit Department regularly conducts audits of all sales representative offices, including scheduled and no-notice audits. The Field Audit Department reviews regulatory-required records that are not maintained at our home office. Any compliance deficiencies noted in the audit must be corrected, and we carefully monitor all corrective action. Audit deficiencies are addressed through reprimands, probations and contract terminations.

Our Product Offerings

Reflecting our philosophy of helping middle-income clients with their financial product needs and ensuring compatibility with our distribution model, our product offerings generally meet the following criteria:

- *Consistent with sound individual finance principles:* Products must be consistent with good personal finance principles for middle-income consumers, such as financial protection, encouraging long-term savings and reducing debt.
- *Designed to support multiple client goals:* Products are designed to address and support a broad range of financial goals rather than compete with or cannibalize each other. For example, term life insurance does not compete with mutual funds because term life insurance has no cash value or investment element.
- *Ongoing needs based:* Products are generally designed to meet the ongoing financial needs of many middle-income consumers. This long-term approach bolsters our relationship with our clients by allowing us to continue to serve them as their financial needs evolve.

We use three operating segments to organize, evaluate and manage our business: Term Life Insurance; Investment and Savings Products; and Corporate and Other Distributed Products.

The following table provides information on our principal product offerings and the principal sources thereof by operating segment as of December 31, 2019.

Operating Segment	Principal Product Offerings	Principal Sources of Products (Applicable Geographic Territory)
Term Life Insurance	<i>Term Life Insurance</i>	Primerica Life (U.S. (except New York), the District of Columbia and certain territories)
		NBLIC (New York)
Investment and Savings Products	<i>Mutual Funds and Certain Retirement Plans</i>	Primerica Life Canada (Canada)
		American Century Investments (U.S.)
		American Funds (U.S.)
		AXA Distributors, LLC (U.S.)
		Franklin Templeton Investments (U.S.)
		VOYA Financial, Inc. (U.S.)
		Invesco (U.S. and Canada)
		Legg Mason Global Asset Management (U.S.)
		AGF Investments (Canada)
		PFSI Fund Management Ltd. (Canada)
	<i>Managed Investments</i>	Mackenzie Investments (Canada)
		Fidelity Investments (Canada)
	<i>Variable Annuities</i>	PFS Investments (dba Primerica Advisors) (as a program sponsor) (U.S.)
		American General Life Insurance Company and its affiliates (U.S.)
		AXA Distributors, LLC (U.S.)
		Brighthouse Financial, Inc. (U.S.)
		Lincoln National Life Insurance Company and its affiliates (U.S.)
	<i>Fixed Indexed Annuities</i>	American General Life Insurance Company and its affiliates (U.S.)
		Lincoln National Life Insurance Company and its affiliates (U.S.)
	<i>Fixed Annuities</i>	Universal Life Insurance Company (Puerto Rico)
		Brighthouse Financial, Inc. (U.S.)
		Universal Life Insurance Company (Puerto Rico)
Corporate and Other Distributed Products	<i>Segregated Funds</i>	Primerica Life Canada (Canada)
	<i>Prepaid Legal Services</i>	LegalShield (U.S. and Canada)
	<i>ID Theft Defense</i>	LegalShield (U.S. and Canada)
	<i>Supplemental Health and Accidental Death & Disability Insurance</i>	The Edge Benefits Inc. and its affiliates (Canada)
	<i>Auto and Homeowners' Insurance ⁽¹⁾</i>	Various insurance companies, as offered through Answer Financial, Inc. (U.S.)
	<i>Mortgage Loans ⁽²⁾</i>	SurexDirect.com Ltd. (Canada)
		Quicken Loans Inc. (U.S.)
	<i>Home Automation Solutions ⁽¹⁾</i>	B2B Bank (Canada)
		Vivint, Inc. (U.S.) and Vivint Canada, Inc. (Canada)

(1) Referrals only.

(2) In the U.S., mortgage loans are made by Quicken Loans Inc. In Canada, representatives can refer mortgage loans to B2B Bank.

Term Life Insurance

Through our three life insurance subsidiaries – Primerica Life, NBLIC and Primerica Life Canada – we offer term life insurance to clients in the United States, its territories, the District of Columbia and Canada. In 2018, the latest period for which data is available from LIMRA, we ranked as a leading provider of individual term life insurance in the United States.

We believe that term life insurance is generally a better alternative for middle-income clients than cash value life insurance. Term life insurance provides a guaranteed death benefit if the insured dies during the fixed coverage period of an in-force policy, thereby providing financial protection for his or her named beneficiaries in return for the periodic payment of premiums. Term insurance products, which are sometimes referred to as pure protection products, have no savings or investment features. By buying term life insurance rather than cash value life insurance, a policyholder initially pays a lower premium and, as a result, may have funds available to invest for retirement and other needs. We also believe that a person's need for life insurance is inversely proportional to that person's need for retirement savings, a concept we refer to as the theory of decreasing responsibility. Young adults with children, new mortgages and other obligations need to buy higher amounts of insurance to protect their family from the loss of future income resulting from the death of a primary bread winner. With its lower initial premium, term life insurance lets young families buy more coverage for their premium dollar when their needs are greatest and still have the ability to have funds for their retirement and other savings goals.

We design our term life insurance products to be easily understood by, and meet the needs of, our clients. Clients purchasing our term life insurance products generally seek stable, longer-term income protection products for themselves and their families. In response to this demand, we offer term life insurance products with initial level-premium coverage periods that range from 10 to 35 years and a wide range of coverage face amounts. Policies remain in force until the expiration of the coverage period or until the policyholder ceases to make premium payments and terminates the policy. 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. After the initial policy term, the policyholder has the option to continue coverage or by renewing or converting their contract. Both options result in higher premiums due to the policyholder's attained age.

One of the innovative term life insurance products that we offer is TermNow, our rapid issue term life product that provides for face amounts of up to \$300,000 (local currency). TermNow allows a sales representative to submit an application via TurboApps and, with the client's permission, allows the Company to access databases, including Medical Information Bureau ("MIB") data in the United States and Canada and prescription drug, motor vehicle, and criminal records in the United States, as part of the underwriting process. The Company uses this data and the client's responses to application questions to determine any additional underwriting requirements. Results of these processes are reported in real time to our underwriting system, which then determines whether or not we can rapidly issue a policy.

The average face amount of our in-force policies issued in 2019 was approximately \$248,500. The following table sets forth selected information regarding our term life insurance product portfolio:

	Year ended December 31,		
	2019	2018	2017
Life insurance issued:			
Number of policies issued	287,809	301,589	312,799
Face amount issued <i>(in millions)</i>	\$ 93,994	\$ 95,209	\$ 95,635
	December 31,		
	2019	2018	2017
Life insurance in force:			
Number of policies in force	2,641,483	2,606,825	2,560,334
Face amount in force <i>(in millions)</i>	\$ 808,262	\$ 781,041	\$ 763,831

Pricing and Underwriting. We believe that effective pricing and underwriting are significant drivers of the profitability of our life insurance business and we have established our pricing assumptions to be consistent with our underwriting practices. We set pricing assumptions for expected claims, lapses and expenses based on our experience and other factors while also considering the competitive environment. These other factors include:

- expected changes from relevant experience due to changes in circumstances, such as (i) revised underwriting procedures affecting future mortality and reinsurance rates, (ii) new product features, and (iii) revised administrative programs affecting sales levels, expenses, and client continuation or termination of policies; and
- observed trends in experience that we expect to continue, such as general mortality changes in the general population and better or worse policy persistency (the period over which a policy remains in force) due to changing economic conditions.

Under our current underwriting guidelines, we individually assess each insurable adult applicant and place each applicant into a risk classification based on current health, medical history, and other risk factors. Each classification (generally preferred plus, preferred, non-tobacco and tobacco) has specific criteria. We may decline an applicant's request for coverage if his or her health or activities create unacceptable risks.

Sales representatives ask applicants a series of questions regarding the applicant's medical history. We may also consider information about the applicant from third-party sources, such as the MIB, prescription drug databases, motor vehicle records and physician statements. If we believe that further information regarding an applicant's medical history is necessary, we use a third-party provider and its trained personnel to contact the applicant by telephone to obtain a more detailed medical history. Additionally, we may require copies of applicants' medical information from their attending physicians. The report resulting from this process is electronically transmitted to us and is evaluated in our underwriting process. Paramedical requirements are also needed on applicants applying for Custom Advantage, our fully-underwritten term life product.

To accommodate the significant volume of insurance business that we process, we and the sales force use specialized technology. We offer sales representatives an electronic life insurance application that supports term life insurance products. Approximately 95% of the life insurance applications we received in 2019 were submitted electronically via TurboApps. Our electronic life insurance application reduces errors in submitted applications, collects the applicant's electronic signatures and populates the RVP's sales log. Once an application is complete, the pertinent application data is uploaded to our life insurance administrative systems, which manage the underwriting process by electronically analyzing data, recommending underwriting decisions, identifying requirements for higher face amounts or older ages and communicating with the sales representative and third-party service providers.

Claims Management. Our insurance subsidiaries processed over 15,800 life insurance benefit claims in 2019 on policies underwritten by us and sold by sales representatives. These claims fall into three categories: death, waiver of premium (applicable to disabled policyholders who purchased this benefit for which we agree to waive life insurance premiums during a qualifying disability), or terminal illness. The claim may be reported by a sales representative, a beneficiary or, in the case of qualifying disability or terminal illness, the policyholder. Following are the benefits paid by us for each category of claim:

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Death	\$ 1,447,375	\$ 1,391,755	\$ 1,388,027
Waiver of premium	49,712	46,690	45,146
Terminal illness (1)	14,584	16,474	16,389

(1) We consider claims paid for terminal illness to be loans made to the policyholder that are repaid to us from the death benefit upon the death of the insured.

In the United States, after coverage has been in force for two years, we may not contest the policy for misrepresentations in the application or the suicide of the insured. In Canada, we have a similar two-year contestability period, but we are permitted to contest insurance fraud at any time. As a matter of policy, we do not contest any coverage issued by us to replace the face amount of another insurance company's individual coverage to the extent the replaced coverage would not be contestable by the replaced company. We believe this approach helps sales representatives sell replacement policies, as it reassures clients that claims made under their replacement policies are not more likely to be contested as to the face amount replaced. Through our claims administration system, we record, process and pay the appropriate benefit for any reported claim. Our claims system is used by our home office claims adjusters to order medical and investigative reports from third-party providers, calculate amounts due to the beneficiary (including interest), and report payments to the appropriate reinsurance providers.

Primerica Life and NBLIC regularly consult the Social Security Administration's Death Master File in accordance with applicable state requirements. These processes help identify potential deceased insureds for whom claims have not been presented in the normal course of business. If unreported deaths are identified, Primerica Life and NBLIC attempt to determine if a valid claim exists, to locate beneficiaries, and to pay benefits accordingly.

Reinsurance. We use reinsurance primarily to reduce the volatility risk with respect to mortality. Since 1994, we have reinsured death benefits in the United States on a first dollar quota share yearly renewable term basis. We pay premiums to each reinsurer based on rates in the applicable agreement.

We generally reinsure between 80% and 90% of the mortality risk for all term life insurance policies, excluding coverage under certain riders. We also reinsure substandard cases on a facultative basis to capitalize on the extensive experience some of our reinsurers have with substandard cases. A substandard case has a level of risk that is acceptable to us, but at higher premium rates than a standard case because of the health, habits or occupation of the applicant.

While our reinsurance agreements have indefinite terms, both we and our reinsurers are entitled to discontinue any reinsurance agreement as to future policies by giving advance notice of 90 days to the other. Each reinsurer's ability to terminate coverage for existing policies is limited to circumstances such as a material breach of contract or nonpayment of premiums by us. Each reinsurer has the right to increase rates with certain restrictions. If a reinsurer increases rates, we have the right to immediately recapture the business. Either party may offset any balance due from the other party. For additional information on our reinsurance, see Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) and Note 6 (Reinsurance) to our consolidated financial statements included elsewhere in this report.

Financial Strength Ratings. Ratings with respect to financial strength are an important factor in establishing our competitive position and maintaining public confidence in us and our ability to market products. Ratings organizations review the financial performance and condition of most insurers and provide opinions regarding financial strength, operating performance and ability to meet obligations to policyholders. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Financial Ratings.”

Investment and Savings Products

We believe that many middle-income families have significant unmet retirement and savings needs. Using our FNA tool, sales representatives help our clients understand their current financial situations and how they can use time-tested financial principles, such as prioritizing personal savings, to reach their savings goals. Our product offerings include saving and investment vehicles that seek to meet the needs of clients in all stages of life.

Through PFS, PFS Investments, Primerica Life Canada, PFS Investments Canada, and licensed sales representatives, we distribute and sell to our clients a variety of mutual funds, managed investments, variable, index-linked, and fixed annuities, fixed indexed annuities and segregated funds. As of December 31, 2019, approximately 25,747 sales representatives were licensed to distribute mutual funds in the United States (including Puerto Rico) and Canada. As of December 31, 2019, approximately 13,788 sales representatives were licensed and appointed to distribute annuities in the United States and approximately 13,065 sales representatives were licensed to sell segregated funds in Canada.

Mutual Funds. In 2019, in the United States, licensed sales representatives primarily distribute mutual funds from the following select asset management firms: American Century Investments, American Funds, Franklin Templeton, Invesco, and Legg Mason. These firms have diversified product offerings, including domestic and international equity, fixed-income and money market funds. Each firm continually evaluates its fund offerings and adds new funds on a regular basis. Additionally, their product offerings reflect diversified asset classes and varied investment styles. We have selling agreements with a number of other fund companies and we believe that, collectively, these asset management firms provide funds that meet the investment needs of our clients.

During 2019, Legg Mason, Invesco, American Funds, and Franklin Templeton accounted for approximately 96% of our mutual fund sales in the United States. Legg Mason and Invesco each have large wholesaling teams that support the sales force in distributing their mutual fund products. Our selling agreements with these firms all have indefinite terms and provide for termination at will.

A wholly owned indirect subsidiary of the Parent Company and affiliate of PFS Investments, Primerica Shareholder Services, Inc. (“PSS”), provides transfer agent recordkeeping services to investors who purchase shares of mutual funds offered by certain of our fund families through PFS Investments. In exchange for these services, PSS receives recordkeeping and account maintenance fees from the applicable fund company. PSS has retained BNY Mellon Asset Servicing to perform the necessary transfer agent recordkeeping services for these accounts on its proprietary *SuRPASS* system. PFS Investments serves as the Internal Revenue Service (“IRS”) approved non-bank custodian for customers that open individual retirement accounts (“IRA”) (or certain other retirement accounts) with PFS Investments and invest in shares of mutual funds offered by certain of our fund families. For these services, PFS Investments receives an annual custodian fee.

In Canada, sales representatives offer Primerica-branded Concert™ Series funds, which accounted for approximately 34% of our Canadian mutual fund product sales in 2019. Our Concert™ Series funds consist of six different asset allocation funds with varying investment objectives ranging from fixed income to aggressive growth. Each Concert™ Series fund is a fund of funds that allocates fund assets among equity and income mutual funds of AGF Investments, a leading asset management firm in Canada. The asset allocation within each Concert™ Series fund is determined on an advisory contract basis by Morneau Shepell Asset and Risk Management Ltd. The principal non-proprietary funds that we offer our clients in Canada are funds of AGF Investments, Mackenzie Investments, Fidelity Investments, and Invesco. Sales of these non-proprietary funds accounted for approximately 59% of mutual fund product sales in Canada in 2019. Like our U.S. fund family list, the asset management partners we have chosen in Canada have a diversified offering of equity, fixed-income and money market funds, including domestic and international funds with a variety of investment styles.

A key part of our investment philosophy for our clients is the long-term benefits of dollar cost averaging through systematic investing. To accomplish this, we assist our clients by facilitating monthly contributions to their investment account by bank draft against their checking accounts. During the year ended December 31, 2019, average client assets held in individual retirement accounts in the United States and Canada accounted for an estimated 74% and 70% of total average client account assets, respectively. Our individual retirement accounts in Canada are considered Registered Retirement Savings Plans (“RRSP”). An RRSP is similar to a traditional IRA, in the United States in that contributions are made to the RRSP on a pre-tax basis and income is earned on a tax-deferred basis. Our high concentration of retirement plan accounts and our systematic savings philosophy are beneficial to us as these accounts tend to have lower redemption rates than the industry and, therefore, generate more recurring asset-based revenues.

Managed Investments. PFS Investments (dba PFS Advisors) is a registered investment advisor in the United States, and it offers a managed investments program, Primerica Advisors Lifetime Investment Platform (the “Lifetime Investment Platform”), which we launched in 2017. The Lifetime Investment Platform is a robust advisory offering designed for clients who have at least \$25,000 of investable assets. It provides our customers access to mutual fund and exchange-traded fund investment models designed and managed by several unaffiliated investment advisers. PFS Investments, as sponsor and portfolio manager of the program, evaluates models for inclusion in the program and conducts ongoing due diligence of the models and unaffiliated investment advisers made available through the program. TD Ameritrade Institutional, an unaffiliated broker-dealer, provides custody, trade execution, clearing, settlement and other services for customer assets invested through the Lifetime Investment Platform.

Variable Annuities. U.S. securities licensed sales representatives also distribute variable annuities issued by American General Life Insurance Company and its affiliates (“AIG”), AXA Equitable Life Insurance Company (“AXA Life”), Lincoln National Life Insurance Company and its affiliates (“Lincoln National”), and Brighthouse Life Insurance Company (“Brighthouse Life”). Variable annuities are insurance products that enable our clients to invest in accounts with attributes similar to mutual funds, but also have benefits not found in mutual funds, including death benefits that protect beneficiaries from losses due to a market downturn and income benefits that guarantee future income payments for the life of the policyholder(s). We also offer index-linked annuities issued by AXA Life, Brighthouse Life, and Lincoln National. Index-linked annuities are insurance contracts that provide investors with potential growth, subject to a cap, and partial downside protection against losses. Gains and losses are measured over a fixed period, typically three to six years, based on the performance of a securities index. Although linked to an index, an investment in these contracts does not involve ownership of any underlying portfolio securities by the client. Each of these companies bears the insurance risk on its variable annuities and index-linked variable annuities that we distribute.

Fixed Indexed Annuities. We offer fixed indexed annuity products in the U.S. through Lincoln National, AIG, and Universal Life Insurance Company (“Universal Life”) (Puerto Rico). These products combine safety of principal and guaranteed rates of return with additional investment options tied to equity market indices that allow for returns that move based on the performance of an index. We believe these and other fixed annuity products give both life and securities representatives more ways to assist our clients with their retirement planning needs.

Fixed Annuities. We sell fixed annuities underwritten by Brighthouse in the U.S. Our current offering includes a fixed premium deferred annuity and a single premium immediate annuity. The fixed premium deferred annuity allows our clients to accumulate savings on a tax deferred basis with safety of principal and a guaranteed rate of return. The single premium immediate annuity provides clients with an immediate income alternative. In Puerto Rico, we currently offer two annuity products: a fixed annuity and a fixed bonus annuity underwritten by Universal Life. These products provide guarantees against loss with several income options.

Segregated Funds. In Canada, we offer segregated fund products, branded as our Common Sense FundsSM, that have some of the characteristics of our variable annuity products distributed in the United States. Our Common Sense FundsSM are underwritten by Primerica Life Canada and offer our clients the ability to participate in a diversified managed investments program that can be opened for as little as \$25. While the assets and corresponding liability (reserves) are recognized on our consolidated balance sheets, the assets are held in separate accounts for the benefit of the segregated fund contract owners and are not commingled with the general assets of the Company.

There are three fund products within our segregated funds offerings: the Asset Builder Funds, the Strategic Retirement Income Fund (“SRIF”), and a money market fund known as the Cash Management Fund. The investment objective of Asset Builder Funds is long-term capital appreciation combined with some guarantee of principal. Unlike mutual funds, our Asset Builder Funds product guarantees clients at least 75% of their net contributions (net of withdrawals) at the earlier of the date of their death or at the Asset Builder Funds’ maturity date, which is selected by the client. The portfolio consists of both equities and fixed-income securities with the equity component consisting of a pool of primarily large cap Canadian and U.S. equities and the fixed-income component consisting of Canadian federal government zero coupon treasuries and government-backed floating rate notes. The portion of the Asset Builder Funds’ portfolio allocated to zero coupon treasuries are held in sufficient quantity to satisfy the guarantees payable at the maturity date of each Asset Builder Fund. As a result, our potential loss exposure is very low as it comes from the guarantees payable upon the death of the client prior to the maturity date.

The investment objective of the SRIF is to provide income during retirement plus the opportunity for modest capital appreciation. The SRIF product guarantees clients 75% of their net contributions (net of withdrawals) at the earlier of the date of their death or age 100. The portfolio consists of both equities and fixed-income securities, with the equities consisting of a pool of primarily large cap Canadian and U.S. equities that are capped at 25% of the portfolio. The balance is a fixed-income portfolio consisting of investment-grade government and corporate bonds. The high quality of the investments and the percentage cap on equities results in a relatively low potential loss exposure. All accounts in the SRIF are held as Registered Retirement Income Funds which carry government-mandated minimum annual withdrawals. Similar to the Asset Builder Funds, our potential exposure for loss associated with the SRIF is very low as its investment allocations are conservatively aligned with the risks of the client contracts.

The Cash Management Fund invests in government guaranteed short-term bonds and short-term commercial and bank papers, with the principal investment objective being the provision of interest income while maintaining liquidity and preserving capital.

With the guarantee level at 75% and in light of the time until the scheduled maturity of our segregated funds contracts, we currently do not believe it is necessary to allocate any corporate capital as reserves for segregated fund contract benefits.

Investment and Savings Products Revenue. In the United States, we earn revenue from our ISP business in three ways: commissions and payments earned on the sale of such products; fees and payments earned based upon client asset values; and account-based revenue. On the sale of mutual funds (not including managed investments) and annuities, we earn a dealer re-allowance or commission on new purchases as well as trail commissions on the assets held in our clients' accounts. We also receive marketing and distribution fees from most of our mutual fund and annuity providers. These payments are typically a percentage of sales or a percentage of the clients' total asset values, or a combination of both. For investments into the Lifetime Investment Platform, we receive an asset-based fee as compensation for the investment advisory and other administrative services we provide.

As the IRS-approved non-bank custodian for certain funds noted above, PFS Investments receives annual fees on a per-account basis for as long as it services the account. As explained above, PSS receives transfer agent recordkeeping fees for the services it provides to the fund families noted above in "Mutual Funds" section. An individual client account may include multiple fund positions for which we earn recordkeeping fees.

Because the total amount of these fees fluctuates with the number of such accounts and positions within those accounts, the opening or closing of accounts has a direct impact on our revenues. From time to time, the fund companies for which we provide these services request that accounts or positions with small balances be closed.

In Canada, we earn revenue from the sales of our investment and savings products in two ways: commissions (or dealer re-allowance) on mutual fund sales and fees paid based upon clients' asset values (mutual fund trail commissions and investment advisory fees from segregated funds and Concert™ Series funds). On segregated funds, we may earn deferred sales charges for early withdrawals at an annual declining rate within seven years of an investor's original contribution. We also offer our clients a product option in which there is no deferred sales charge.

Other Distributed Products

We distribute other products, including prepaid legal services, auto and homeowners' insurance referrals, mortgage loans through mortgage-licensed loan originators, and home automation solutions. In Canada, we also offer mortgage loan referrals and insurance offerings for small businesses. While some of these products are Primerica-branded, all of them are underwritten or otherwise provided by a third party.

We offer our U.S. and Canadian clients a Primerica-branded prepaid legal services program on a subscription basis that is underwritten and provided by LegalShield. The prepaid legal services program offers a network of attorneys in each state, province or territory to assist subscribers with legal matters such as drafting wills, living wills and powers of attorney, trial defense and motor vehicle-related matters. We receive a commission based on sales and renewals of these subscriptions.

We have an arrangement with Answer Financial, Inc. ("Answer Financial"), an independent insurance agency, whereby U.S. sales representatives refer clients to Answer Financial to receive multiple, competitive auto and homeowners' insurance quotes. Answer Financial's comparative quote process allows clients to easily identify the underwriter that is most competitively priced for their type of risk. We receive commissions based on completed auto and homeowners' placement of insurance and policy renewals and pay sales representatives a flat referral fee for each completed application and policy renewal.

We have an arrangement with Quicken Loans Inc. ("Quicken Loans"), a mortgage lender, whereby Primerica Mortgage, LLC a state-licensed mortgage broker, offers mortgage loans through its mortgage loan originator licensed representatives. We launched the program as a pilot in 2019 in Colorado and Florida, offering refinance mortgages, and plan to expand the program in 2020. We receive compensation from Quicken Loans for each closed loan based on a fixed percentage of the loan amount for mortgage brokering services provided and pay compensation to the representatives for services rendered.

We have an arrangement with Vivint, Inc. ("Vivint"), a company that offers homeowners in the U.S. and many provinces in Canada a comprehensive suite of products and services to protect and remotely control, monitor and manage their homes using any Internet-connected smart device. We receive commissions based on referrals that result in a subscription to Vivint's home services and pay sales representatives a referral fee for each such subscription.

In Canadian provinces Alberta, Ontario and British Columbia (homeowners' insurance only) we have an arrangement with SurexDirect.com Ltd. ("Surex Direct"), an independent insurance agency, whereby sales representatives refer clients to Surex Direct to receive multiple, competitive auto and homeowners' insurance quotes. Surex Direct's comparative quote process allows clients to easily identify the underwriter that is most competitively priced for their type of risk. We receive referrals based on completed auto and homeowners' placement of insurance and policy renewals and pay sales representatives a flat referral fee for each completed application and policy renewal.

In Canada, we have a referral program for mortgage loan products offered by a third-party lender, B2B Bank. Due to regulatory requirements, sales representatives in Canada only refer clients to the lender and are not involved in the loan application and closing process. We receive referral fees based on the funded loan amount and, in turn, pay a commission to sales representatives.

In Canada, we offer insurance products, including supplemental medical and dental, accidental death, and disability, to small businesses. These insurance products are underwritten and provided by The Edge Benefits Inc. and its affiliates. We receive a commission based on sales and renewals of these policies.

Regulation

Our business is subject to extensive laws and governmental regulations, including administrative determinations, court decisions and similar constraints. The purpose of the laws and regulations affecting our business is primarily to protect our clients and other consumers. Many of the laws and regulations to which we are subject are regularly re-examined, and existing or future laws and regulations may become more restrictive or otherwise adversely affect our operations.

Regulatory authorities periodically make inquiries regarding compliance by us and our subsidiaries with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. At any given time, a number of financial or market conduct examinations of our subsidiaries may be ongoing. We cooperate with such inquiries and take corrective action when warranted.

Regulation of Our Insurance Business. Primerica Life, as a Tennessee-domiciled insurer, is regulated by the Tennessee Department of Commerce and Insurance and is licensed to transact business in the United States (except New York), the District of Columbia and certain U.S. territories. NBLIC, as a New York-domiciled life insurance underwriting company and a wholly owned subsidiary of Primerica Life, is regulated by the New York State Department of Financial Services (“NYDFS”) and is licensed to transact business in all 50 U.S. states, the District of Columbia and the U.S. Virgin Islands.

State insurance laws and regulations regulate all aspects of our U.S. insurance business. Such regulation is vested in state agencies having broad administrative and, in some instances, discretionary power dealing with many aspects of our business, which may include, among other things, premium rates and increases thereto, reserve requirements, marketing practices, advertising, privacy, policy forms, reinsurance reserve requirements, acquisitions, mergers, and capital adequacy.

Our U.S. insurance subsidiaries are required to file certain annual, quarterly and periodic reports with the supervisory agencies in the jurisdictions in which they do business, and their business and accounts are subject to examination by such agencies at any time. These examinations generally are conducted under National Association of Insurance Commissioners (“NAIC”) guidelines. Under the rules of these jurisdictions, insurance companies are examined periodically (generally every three to five years) by one or more of the supervisory agencies on behalf of the states in which they do business. Our most recent examinations of the financial condition and affairs of Primerica Life and NBLIC, as well as Peach Re, Inc. (“Peach Re”) and Vidalia Re, Inc. (“Vidalia Re”), special purpose financial captive insurance companies and wholly owned subsidiaries of Primerica Life, performed by the respective domiciliary state insurance department at the time of the exams, were completed during 2016 with no material findings or recommendations noted.

Primerica Life Canada is federally incorporated and provincially licensed and is required to file periodic reports with Canadian regulatory agencies. It transacts business in all Canadian provinces and territories. Primerica Life Canada is regulated federally by the Office of the Superintendent of Financial Institutions Canada (“OSFI”) and provincially by the Superintendents of Insurance for each province and territory. Canadian federal and provincial insurance laws regulate all aspects of our Canadian insurance business. OSFI regulates insurers’ corporate governance, financial and prudential oversight, and regulatory compliance, while provincial and territorial regulators oversee insurers’ market conduct practices and related compliance.

Primerica Life Canada files quarterly and annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and other locally accepted standards with OSFI in compliance with legal and regulatory requirements. OSFI conducts periodic detailed examinations of insurers’ business and financial practices, including the control environment, internal and external auditing and minimum capital adequacy, surpluses and related testing, legislative compliance and appointed actuary requirements. These examinations also address regulatory compliance with anti-money laundering practices, outsourcing, related-party transactions, privacy and corporate governance. Provincial regulators conduct periodic market conduct examinations of insurers doing business in their jurisdiction.

In addition to federal and provincial oversight, Primerica Life Canada is also subject to the guidelines set out by the Canadian Life and Health Insurance Association (“CLHIA”). CLHIA is an industry association that works closely with federal and provincial regulators to establish market conduct guidelines and sound business and financial practices addressing matters such as sales representative suitability and screening, insurance illustrations and partially guaranteed savings products.

The laws and regulations governing our U.S. and Canadian insurance businesses include numerous provisions governing the marketplace activities of insurers, including policy filings, payment of insurance commissions, disclosures, advertising, product replacement, sales and underwriting practices and complaints and claims handling. The state insurance regulatory authorities in the United States and the federal and provincial regulators in Canada generally enforce these provisions through periodic market conduct examinations.

In addition, most U.S. states and Canadian provinces and territories, as well as the Canadian federal government, have laws and regulations governing the financial condition of insurers, including standards of solvency, types and concentration of investments, establishment and maintenance of reserves, reinsurance and requirements of capital adequacy. As discussed previously, U.S. state insurance law and Canadian provincial insurance law also require certain licensing of insurers and their agents.

Insurance Holding Company Regulation: Limitations on Dividends. The states in which our U.S. insurance subsidiaries are domiciled have enacted legislation and adopted regulations regarding insurance holding company systems. These laws require registration of, and periodic reporting by, insurance companies domiciled within the jurisdiction that control, or are controlled by, other corporations or persons so as to constitute an insurance holding company system. These laws also affect the acquisition of control of insurance companies as well as transactions between insurance companies and companies controlling them.

The Parent Company is a holding company that has no significant operations. Our primary asset is the capital stock of our subsidiaries, and our primary liability is \$375.0 million in principal amount of senior unsecured notes (the “Senior Notes”). As a result, we depend on dividends or other distributions from our insurance and other subsidiaries as the principal source of cash to meet our obligations, including the payment of interest on, and repayment of, principal of any debt obligations.

The states in which our U.S. insurance subsidiaries are domiciled impose certain restrictions on our insurance subsidiaries’ ability to pay dividends to us. In Canada, dividends can be paid subject to the paying insurance company’s continuing compliance with regulatory requirements and upon notice to OSFI. We determine the dividend capacity of our insurance subsidiaries using statutory accounting principles (“SAP”) promulgated by the NAIC and each subsidiaries domiciliary state in the United States and using IFRS in Canada.

The following table sets forth the amount of cash and distributions paid or payable by our insurance subsidiaries:

	Year ended December 31,			
	2019	2018	2017	
	<i>(In thousands)</i>			
Primerica Life	\$ 270,000	\$ 200,000	\$ 138,000	
Primerica Life Canada	22,544	22,755	22,924	

For additional information on dividend capacity and restrictions, see Note 15 (Statutory Accounting and Dividend Restrictions) to our consolidated financial statements included elsewhere in this report.

Policy and Contract Reserve Sufficiency Analysis. Under the laws and regulations of their jurisdictions of domicile, our U.S. insurance subsidiaries are required to conduct annual analyses of the sufficiency of their life insurance statutory reserves. In addition, other U.S. jurisdictions in which our U.S. subsidiaries are licensed may have certain reserve requirements that differ from those of their domiciliary jurisdictions. In each case, a qualified actuary must submit an opinion that states that the aggregate statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, then the affected insurer must set up additional reserves by moving funds from surplus. Our U.S. insurance subsidiaries most recently submitted these opinions without qualification to applicable insurance regulatory authorities.

Primerica Life Canada is also required to conduct regular analyses of the sufficiency of its life insurance statutory reserves. Life insurance reserving and reporting requirements are completed by Primerica Life Canada’s appointed actuary. Materials provided by the appointed actuary are filed with OSFI as part of our annual filing and are subject to OSFI’s review. Based upon this review, OSFI may institute remedial action against Primerica Life Canada as OSFI deems necessary. Primerica Life Canada has not been subject to any such remediation or enforcement by OSFI.

Surplus and Capital Requirements. U.S. insurance regulators have the discretionary authority, in connection with the ongoing licensing of our U.S. insurance subsidiaries, to limit or prohibit the ability of an insurer to issue new policies if, in the regulators’ judgment, the insurer is not maintaining a minimum amount of surplus or is in hazardous financial condition. Insurance regulators may also limit the ability of an insurer to issue new life insurance policies and annuity contracts above an amount based upon the face amount and premiums of policies of a similar type issued in the prior year. We do not believe that the current or anticipated levels of statutory surplus of our U.S. insurance subsidiaries present a material risk that any such regulator would limit the amount of new policies that our U.S. insurance subsidiaries may issue.

The NAIC has established risk-based capital (“RBC”) standards for U.S. life insurance companies, as well as a risk-based capital model act (the “RBC Model Act”) that has been adopted by the state insurance regulatory authorities. The RBC Model Act provides that life insurance companies must submit an annual RBC report to state regulators regarding their RBC based upon four categories of risk: asset risk; insurance risk; interest rate risk; and business risk. For each category, the capital requirement is determined by applying factors that vary based upon the degree of risk to various asset, premium and policy benefit reserve items. The formula is intended to be used by insurance regulators as an early warning tool to identify possible weakly capitalized companies for purposes of initiating further regulatory action. If an insurer’s RBC falls below specified levels, then the insurer would be subject to different degrees of regulatory action depending upon the level. These actions range from requiring the insurer to propose actions to correct the capital deficiency to placing the insurer under regulatory control.

In Canada, OSFI has authority to request an insurer to enter into a prudential agreement implementing measures to maintain or improve the insurer’s safety and soundness. OSFI also may issue orders to an insurer directing it to refrain from unsafe or unsound practices or to take action to remedy financial concerns. OSFI has neither requested that Primerica Life Canada enter into any prudential agreement nor has OSFI issued any order against Primerica Life Canada.

In Canada, OSFI oversees an insurer’s minimum capital requirement and determines the sum of 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. These capital requirements are measured using the Life Insurance Capital Adequacy Tests (“LICAT”) established by OSFI to determine if any regulatory action is required to be taken.

NAIC Pronouncements and Reviews. The NAIC promulgates model insurance laws and regulations for adoption by the states in order to standardize insurance industry accounting and reporting guidance. Although many state regulations emanate from NAIC model statutes and pronouncements, SAPs continue to be established by individual state laws, regulations and permitted practices. Certain changes to NAIC model statutes and pronouncements, particularly as they affect accounting issues, may take effect automatically without affirmative action by a given state. With respect to some financial regulations and guidelines, non-domiciliary states sometimes defer to the interpretation of the insurance department of the state of domicile. However, neither the action of the domiciliary state nor the action of the NAIC is binding on a non-domiciliary state. Accordingly, a non-domiciliary state could choose to follow a different interpretation.

The NAIC has established guidelines to assess the financial strength of insurance companies for U.S. state regulatory purposes. The NAIC conducts annual reviews of the financial data of insurance companies primarily through the application of 12 financial ratios prepared on a statutory basis. The annual statements are submitted to state insurance departments to assist them in monitoring insurance companies in their state.

Statutory Accounting Principles. SAP is a basis of accounting developed by U.S. insurance regulators to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with evaluating an insurer’s ability to pay all of its current and future obligations to policyholders. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer’s domiciliary jurisdiction. Uniform statutory accounting practices are established by the NAIC and generally adopted by regulators in the various U.S. jurisdictions. These accounting principles and related regulations determine, among other things, the amounts our insurance subsidiaries may ultimately pay to us as dividends, and they differ in many instances from U.S. generally accepted accounting principles (“U.S. GAAP”), which are designed to measure a business on a going-concern basis. Under U.S. GAAP, incremental direct costs of successful policy acquisitions are capitalized when incurred and then amortized over the life of the associated policies. The valuation of assets and liabilities under U.S. GAAP is based in part upon best estimate assumptions made by the insurer. U.S. GAAP-basis stockholders’ equity represents the ownership interest in the U.S. GAAP-measured net assets held by stockholders. As a result, the values for assets, liabilities and equity reflected in financial statements prepared in accordance with U.S. GAAP will be different from those reflected in financial statements prepared under SAP.

State Insurance Guaranty Funds Laws. Under most state insurance guaranty fund laws, insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. Most insurance guaranty fund laws currently provide that an assessment may be excused or deferred if it would threaten an insurer’s own financial strength. In addition, assessments may be partially offset by credits against future state premium taxes.

Other Regulatory Changes. From time to time, various jurisdictions make changes to the state or provincial licensing examination process that may make it more difficult for sales representatives to obtain their life insurance licenses. In addition, certain jurisdictions have passed laws or proposed regulations that require insurers and insurance agents in the sale of life insurance, including term life insurance and annuities, to disclose conflicts of interest to consumers or meet standards of care requiring that their advice be in the customer’s best interest. The impact on our business and the level of resources necessary to conform to such new regulations will vary depending on the extent of changes required and the jurisdictions that adopt such regulations.

Regulation of Our Investment and Savings Products Business. PFS Investments is registered with, and regulated by, FINRA and the Securities and Exchange Commission (“SEC”). It is subject to regulation by the Department of Labor (“DOL”) with respect to certain retirement plans, and by state securities agencies. PFS Investments operates as an introducing broker-dealer, which does not hold client accounts, and is also registered in all 50 U.S. states and certain territories. All aspects of PFS Investments’ business are regulated, including sales methods and charges, trade practices, the use and safeguarding of customer securities, capital structure, recordkeeping, conduct and supervision of registered representatives.

PFS Investments is required to file monthly reports as well as annual audited financial statements with the SEC pursuant to Section 17 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 17a-5 thereunder. As part of filing these reports, PFS Investments is subject to minimum net capital requirements, as mandated by Rule 15c3-1 of the Exchange Act.

In the United States, clients acquire securities products from PFS Investments in either a brokerage or advisory relationship. In a brokerage relationship, a PFS Investments registered representative is currently required pursuant to FINRA rules to make a suitable recommendation for the client and, as of June 30, 2020, will be subject to a “best interest” standard under SEC regulations, but the registered representative provides no ongoing monitoring of the client’s investments. PFS Investments markets mutual funds and variable annuities on a brokerage basis. In an advisory relationship, namely our managed investment offerings, PFS Investments and its investment advisory representative have a fiduciary obligation to the client and conduct ongoing monitoring of the client’s investments.

PFS Investments is also approved as a non-bank custodian under IRS regulations and, in that capacity, may act as a custodian or trustee for certain retirement accounts. In addition, PFS Investments is an SEC-registered investment advisor and, under the name Primerica Advisors, offers managed investment programs. In most states, sales representatives are required to obtain an additional license to offer these programs.

PSS is registered with the SEC as a transfer agent and, accordingly, is subject to SEC rules and examinations. Acting in this capacity, PSS and third-party vendors employed by PSS are responsible for certain client investment account shareholder services.

PFSL Investments Canada is a mutual fund dealer registered with and regulated by the Mutual Fund Dealers Association of Canada (the “MFDA”), the national self-regulatory organization for the distribution side of the Canadian mutual fund industry. It is also registered with provincial and territorial securities commissions throughout Canada (collectively referred to as the “Canadian Securities Administrators” or “CSA”). As a registered mutual fund dealer, PFSL Investments Canada performs the suitability review of mutual fund investment recommendations, and like our U.S. broker-dealer, it does not hold client accounts. PFSL Investments Canada is subject to the rules and regulations established by the Canadian Securities Administrators for the sale of securities, which include standards of conduct for the firm and its sales representatives.

PFSL Investments Canada is required to file monthly and annual financial statements and reports with the MFDA that are prepared to comply with the prescribed MFDA reporting requirements. The MFDA has established a risk adjusted capital standard for mutual fund dealers. Its formula is designed to provide advance warning of a member encountering difficulties. If a mutual fund dealer falls below specified levels, then restrictions would apply until rectified, including not being able to act on certain matters without prior written consent from the MFDA.

PFSL Investments Canada sales representatives are required to be registered in the provinces and territories in which they do business, including regulation by the Autorité des marchés financiers in Quebec, and are also subject to regulation by the MFDA. These regulators have broad administrative powers, including the power to limit or restrict the conduct of our business and impose censures or fines for failure to comply with the law or regulations.

PFSL Fund Management in Canada is registered as an Investment Fund Manager in connection with our Concert™ Series mutual funds and is regulated by provincial securities commissions.

PFSL Fund Management is required to file quarterly and annual financial statements with the Ontario Securities Commission (“OSC”) prepared to meet the requirements of National Instrument 31-103, Registration Requirements, Exemptions and Ongoing Registrant Obligations, based on the financial reporting framework specified in National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards. PFSL Fund Management is required to maintain a minimum level of capital and file its quarterly and annual calculation of excess working capital with the OSC. As an investment fund manager, PFSL Fund Management is required to file periodic reports with provincial and territorial securities commissions throughout Canada for its Concert™ Series mutual funds. Such reports include semi-annual and annual financial statements prepared in accordance with IFRS.

As the segregated funds are separate accounts of Primerica Life Canada, the segregated funds are also regulated by OSFI and included as part of the quarterly and annual financial statement filings for Primerica Life Canada. In addition, the segregated funds are also subject to the guidelines set out by the CLHIA.

Regulation of Mortgage Loan Products. In the United States, state mortgage banking, brokering and lending laws regulate our mortgage loan products business. In the United States, Primerica Mortgage, LLC is regulated by state banking commissioners and other equivalent regulators as well as by the Consumer Financial Protection Bureau. Our mortgage loan products business must comply with the laws, rules and regulations, as well as judicial and administrative decisions, in all of the jurisdictions in which we are licensed to offer mortgage and unsecured loans, as well as an extensive body of federal laws and regulations. These state and federal laws and regulations address the type of loan products that can be offered to consumers through predatory lending and high cost loan laws and the type of licenses that must be obtained by individuals and entities seeking to solicit mortgage loan applications from consumers. As a mortgage broker licensee, Primerica Mortgage, LLC is subject to periodic examinations by regulators.

To offer mortgage loan products, sales representatives must be individually licensed as mortgage loan originators by the states in which they do business (and in some states as both mortgage brokers and mortgage loan originators). See “Risk Factors — Other Risks Related to Our Business — Licensing requirements will impact the size of the mortgage loan sales force.”

In addition, our loan product distribution business is subject to various other federal laws, including the Truth In Lending Act and its implementing regulation, Regulation Z, the Equal Credit Opportunity Act and its implementing regulation, Regulation B, the Fair Housing Act and the Home Ownership Equity Protection Act. We are also subject to the Real Estate Settlement Procedures Act (“RESPA”) and its implementing regulation, Regulation X, which requires timely disclosures related to the nature and costs of real estate settlement amounts and limits those costs and compensation to amounts reasonably related to the services performed. We are also subject to the Dodd-Frank Act and any implementing regulations.

In Canada, our loan activities are more limited and the sales representatives only provide mortgage loan referrals to B2B Bank. The sales representatives are not required to obtain mortgage loan licensure from any regulatory entity to make these referrals.

Other Laws and Regulations. The USA Patriot Act of 2001 (the “Patriot Act”) contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

U.S. federal and state laws and regulations require financial institutions, including insurance companies, to protect the security and confidentiality of consumer financial information and to notify consumers about their policies and practices relating to their collection and disclosure of consumer information and their policies relating to protecting the security and confidentiality of that information. Similarly, federal and state laws and regulations also govern the disclosure and security of consumer health information. In particular, regulations promulgated by the U.S. Department of Health and Human Services regulate the disclosure and use of protected health information by health insurers and others (including certain life insurers), the physical and procedural safeguards employed to protect the security of that information and the electronic storage and transmission of such information. Congress and state legislatures are expected to consider additional legislation relating to privacy and other aspects of consumer information.

The Financial Consumer Agency of Canada (“FCAC”), a Canadian federal regulatory body, is responsible for ensuring that federally regulated financial institutions, which include Primerica Life Canada and PFSL Investments Canada, comply with federal consumer protection laws and regulations, voluntary codes of conduct and their own public commitments. The Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) is Canada’s financial intelligence unit. Its mandate includes ensuring that entities subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act comply with reporting, recordkeeping and other obligations under that act. We are also subject to privacy laws under the jurisdiction of federal and provincial privacy commissioners, anti-money laundering laws enforced by FINTRAC and OSFI, and the consumer complaints provisions of federal insurance laws under the mandate of the FCAC, which requires insurers to belong to a complaints ombud-service and file a copy of their complaints handling policy with the FCAC.

Competition

We operate in a highly competitive environment with respect to the sale of financial products and the retention of the more productive members of the sales force. Competitors with respect to our term life insurance products consist both of stock and mutual insurance companies, as well as other financial intermediaries. Competitive factors affecting the sale of life insurance products include the level of premium rates, benefit features, risk selection practices, compensation of sales representatives and financial strength ratings from ratings agencies such as A.M. Best.

In offering our securities products, sales representatives compete with a range of other advisors, broker-dealers and direct channels, including wirehouses, regional broker-dealers, independent broker-dealers, insurers, banks, asset managers, registered investment advisors, mutual fund companies and other direct distributors. The mutual funds that we offer face competition from other mutual fund families and alternative investment products, such as exchange-traded funds, while our managed investment programs compete with other fee-based advisory services offered by financial services firms. Our annuity products compete with products from numerous other companies. Competitive factors affecting the sale of annuity products include price, product features, investment performance, commission structure, perceived financial strength, claims-paying ratings, service, and distribution capabilities.

Privacy and Information Security

Our business is dependent on maintaining a secure, confidential environment for our clients, employees and other partners' information. Information security and privacy is critically important as we rely more heavily on mobile technologies to conduct business and bring solutions to our clients who entrust their data to us.

We have built sophisticated information technology platforms to support our clients and operations and the sales force. Our data center houses an enterprise-class IBM mainframe as well as modern distributed and cloud technology infrastructure. Our business applications, many of which are proprietary, are supported by application developers and data center staff at our main campus.

Primerica's information security teams provide services, including project consulting, threat management, application and infrastructure assessments, secure configuration management, and information security administration. Additionally, we support advanced business continuity and disaster recovery capabilities. The Company institutes a three-lines-of-defense model for information security risk assurance, in which management owns the risk, our enterprise risk management team assesses the risk and oversees compliance with internal guidelines and policies, and our internal audit team provides independent assurance of the effectiveness of the first two lines of defense. Primerica's management continually assesses information security risk, working with industry experts for maturity and technical assessments. Primerica's enterprise risk management and internal audit functions conduct regular assessments and audits, and report the results to the Board of Directors at least quarterly.

The Company has two core policies that govern our home office initiatives in this critical area: (1) Information Security Policy; and (2) Data Loss Prevention Policy. These policies are reviewed annually and updated as needed. They address both the processes and technical requirements needed to protect the environments in which data is processed, as well as how it is maintained, governed, and protected. We also impose mandatory privacy and information security controls and various data security protection requirements on the sales force. These required controls are based on varying governing laws and regulations.

Primerica's senior executive leadership is actively involved in managing privacy and information security risk, including participation in a risk steering group that holds quarterly meetings, coordinates corporate security initiatives to enable Primerica to optimize spending, manage infrastructure, and minimize privacy and security risk. This group also provides high-level guidance on technology- and security-related issues of importance to the Company, and is composed of several of Primerica's top executives.

We have an Incident Response Plan that is reviewed and updated regularly. Our Incident Response Team consists of employees from our information security, legal, compliance, public relations, and operational teams. This plan is designed to help Primerica identify and promptly respond to information security incidents, contain and eradicate such incidents, notify affected parties and, where appropriate, notify government and regulatory authorities. The roles and responsibilities of Primerica personnel and third-party vendors in responding to information security incidents are well-documented and include when and to whom incidents should be reported based on level of severity. On a semi-annual basis, the team undertakes facilitator-led trainings and simulations of information security incidents. Primerica also has purchased cyber insurance coverage.

The reporting of all cyber-related risks and assessments is ongoing to senior management and to our Board of Directors, and our Board of Directors has oversight responsibility for our cyber security program pursuant to the plan. The Board receives a quarterly report from management on cyber security.

We train our entire full- and part-time employee workforce and third parties with access to Company systems in information security, how to recognize and understand privacy-related risks, and ways to mitigate data and privacy issues, with certain positions requiring additional, specialized training. We also perform regular tests to determine whether our employees can recognize phishing emails. Similarly, maintaining data security and privacy is an integral part of our annual compliance training for our independent sales representatives.

Employees

As of December 31, 2019, we had 1,947 full-time employees in the United States and 254 full-time employees in Canada. In addition, as of December 31, 2019, we had 534 on-call employees in the United States and 68 on-call employees in Canada who provided services on an as-needed hourly basis. None of our employees is a member of any labor union, and we have never experienced any business interruption as a result of any labor disputes.

Available Information

We make available free of charge on our website (www.primerica.com) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable upon filing such information with, or furnishing it to, the SEC. Information included on our website is not incorporated by reference into this report. The Company's reports are also available on the SEC's website. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 1A. RISK FACTORS.

Risks Related to Our Distribution Structure

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.

New sales representatives provide us with access to new clients, enable us to increase sales and provide the next generation of successful sales representatives. As is typical with distribution businesses, we experience a high rate of turnover among the part-time sales representatives, which requires us to attract, retain and motivate a large number of sales representatives. Recruiting is performed by current sales representatives, and the effectiveness of recruiting is generally dependent upon our reputation as a provider of a rewarding and potentially lucrative income opportunity, as well as the general competitive and economic environment. Whether recruits are motivated to complete their training and licensing requirements and commit to selling our products is largely dependent upon the effectiveness of our compensation and promotional programs, as well as the competitiveness of such programs compared with other companies, including other part-time business opportunities and the recruits' desire to help middle-income families in their communities become educated about their finances and assist them in identifying products that provide income protection and savings opportunities.

If our new business opportunity and the products we distribute do not generate sufficient interest to attract new recruits, motivate them to become licensed sales representatives and maintain their licenses, and incentivize them to sell our products and recruit other new sales representatives, our business would be materially adversely affected.

Certain key RVPs have large sales organizations that include thousands of sales representatives. These key RVPs are responsible for attracting, motivating, supporting and assisting the sales representatives in their sales organizations. The loss of one or more key RVPs together with a substantial number of their sales representatives for any reason could materially adversely affect our financial results and could impair our ability to attract new sales representatives.

Furthermore, if we or any other businesses with a similar distribution structure engage in practices resulting in increased negative public attention for our business model, the resulting reputational challenges could adversely affect our ability to attract new recruits. Companies such as ours that use independent agents to sell directly to customers can be the subject of negative commentary on website postings, social media and other non-traditional media. This negative commentary can spread inaccurate or incomplete information about distribution companies in general or our Company in particular, which can make our recruiting more difficult.

From time to time, various jurisdictions make changes to the state or provincial licensing examination process that may make it more difficult for sales representatives to obtain their life insurance and/or securities licenses. FINRA restructured its representative-level securities qualification examination program in October 2018 to include a new Securities Industry Essentials exam. We have made enhancements to our securities licensing preparation process, but the restructured program could ultimately result in a decrease in the number of U.S. representatives obtaining their securities licenses in the United States. Further, in September 2018, FINRA requested comments from member firms on potential changes under consideration to the continuing education ("CE") requirements. The proposals under consideration include changing the CE regulatory requirement from a three-year period to an annual requirement for securities-licensed representatives. Such a change could place an increased burden on representatives to complete their CE regulatory requirement more frequently, which could negatively impact the size of the active securities sales force in the event that representatives do not complete the CE requirement on a timely basis.

There are a number of laws and regulations that could apply to our distribution model, which could require us to modify our distribution structure.

In the past, certain distribution models that use independent agents to sell directly to customers have been subject to challenge under various laws, including laws relating to business opportunities, franchising and unfair or deceptive trade practices.

In general, state business opportunity and franchise laws in the United States prohibit sales of business opportunities or franchises unless the seller provides potential purchasers with a pre-sale disclosure document that has first been filed with a designated state agency and grants purchasers certain legal recourse against sellers of business opportunities and franchises. Certain Canadian provinces have enacted legislation dealing with franchising, which typically requires mandatory disclosure to prospective franchisees.

We have not been, and are not currently, subject to business opportunity laws because the amounts paid by the new sales representatives to us: (i) are less than the minimum thresholds set by many state and provincial statutes and (ii) are not fees paid for the right to participate in a business, but rather are for bona fide expenses such as state and provincial-required insurance examinations and pre-licensing training. We have not been, and are not currently, subject to franchise laws for similar reasons. However, there is a risk that a governmental agency or court could disagree with our assessment or that these laws and regulations could change. In addition, although we do not believe that the Federal Trade Commission ("FTC")'s Business Opportunity Rule applies to our Company, it could be interpreted in a manner inconsistent with our interpretation. Becoming subject to business opportunity or franchise laws or regulations could require us to provide additional disclosures and regulate the manner in which we recruit sales representatives that may increase the expense of, or adversely impact our recruitment of new sales representatives.

There are various laws and regulations, including laws of general application such as the Federal Trade Commission Act (the “FTC Act”), that prohibit fraudulent or deceptive practices including but not limited to pyramid schemes. Historically, the FTC has defined a pyramid scheme as an arrangement in which new participants are required to pay a fee for the right to sell a product and the right to receive, for recruiting other persons to participate, rewards that are primarily unrelated to the sale of products to ultimate users. The application of these laws and regulations to a given set of business practices is inherently fact-based and, therefore, is subject to interpretation by applicable enforcement authorities. Although we believe that our business practices comply with applicable laws and regulations, there is a risk that a governmental agency or court could disagree with our assessment, or that these laws and regulations could change in actuality or in application, which could require us to restructure our operations or result in regulatory fines, penalties, or other costs, or reputational harm or could otherwise adversely affect our business, financial condition and results of operations.

There are also federal, state and provincial laws of general application, including the FTC Act, and state or provincial unfair and deceptive trade practices laws that could potentially be invoked to challenge aspects of our recruiting of sales representatives. In particular, our recruiting efforts include promotional materials for recruits that describe the potential business opportunity available to them if they become sales representatives. These materials, as well as our other recruiting efforts and those of the sales representatives, particularly with respect to earnings and lifestyle statements, are subject to scrutiny by the FTC and other federal, state and provincial regulatory authorities. If statements made by us or by the sales representatives are deemed to be unfair, deceptive, or misleading, it could result in violations of the FTC Act or other federal, state and provincial laws or regulations could result in regulatory fines, penalties or other costs, or reputational harm, or could otherwise adversely affect our business, financial condition and results of operations.

Being subject to, or out of compliance with, the aforementioned laws and regulations could require us to change our distribution structure, which could materially adversely affect our business, financial condition and results of operations.

There may be adverse tax, legal or financial consequences if the independent contractor status of sales representatives is overturned.

Sales representatives are independent contractors who operate their own businesses. In the past, we have been successful in defending our Company in various contexts before courts and governmental agencies against claims that sales representatives should be treated like employees. Although we believe that we have properly classified sales representatives as independent contractors, there is nevertheless a risk that the IRS, the Canada Revenue Agency, a court or other authority will take a different view. Furthermore, the tests governing the determination of whether an individual is considered to be an independent contractor or an employee are typically fact-sensitive and vary from jurisdiction to jurisdiction. Laws and regulations that govern the status and misclassification of independent sales representatives are subject to change or interpretation.

The classification of workers as independent contractors has been the subject of increasing federal, state and provincial legislative, regulatory and judicial interest over the last several years. In some jurisdictions, legislative proposals have been introduced and judicial decisions have been made that call for or result in greater scrutiny of independent contractor classifications. For example, in 2019 California enacted legislation revising its worker classification test. Although the California legislation excepted specified occupations and activities such as insurance and securities distribution, there can be no assurance that other legislative or regulatory proposals in California or other states would include similar exceptions. Legislation relating to independent contractor classifications has been proposed by other states and by members of the U.S. Congress. We cannot predict the outcome of any such legislative, regulatory, or judicial activity.

If there is an adverse determination with respect to the classification of some or all of the independent contractors by a court or governmental agency, we could incur significant costs in complying with such laws and regulations, including in respect of tax withholding, social security payments, retirement plan contributions and recordkeeping, employee benefits, payment of wages or modification of our business model, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, there is the risk that we may be subject to significant monetary liabilities arising from fines or judgments as a result of any such actual or alleged non-compliance with federal, state, or provincial laws.

The Company's or the independent sales representatives' violation of, or non-compliance with, laws and regulations and related claims and proceedings could expose us to material liabilities.

Extensive federal, state, provincial and territorial laws regulate our product offerings and our relationships with our clients, imposing certain requirements that sales representatives must follow. At any given time, we may have pending state, federal or provincial examinations or inquiries of our investment and savings products, insurance and other businesses. In addition to imposing requirements that sales representatives must follow in their dealings with clients, these laws and regulations generally require us to maintain a system of supervision reasonably designed to ensure that sales representatives comply with the requirements to which they are subject. We have policies and procedures to comply with these laws and regulations. However, despite these compliance and supervisory efforts, the breadth of our operations and the broad regulatory requirements could result in oversight failures and instances of non-compliance on the part of the Company or the sales representatives.

From time to time, we are subject to private litigation as a result of alleged misconduct by sales representatives. Examples include claims that a sales representative's failure to disclose underwriting-related information regarding the insured on an insurance application resulted in the denial of a life insurance policy claim, and with respect to investment and savings products sales, errors or omissions that a sales representative made in connection with the purchase or sale of a securities product. Non-compliance with laws or regulations by the sales representatives could result in adverse findings in either examinations or litigation and could subject us to sanctions, monetary liabilities, restrictions on or the loss of the operation of our business, or reputational harm, any of which could have a material adverse effect on our business, financial condition and results of operations.

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.

Pursuant to federal, state and provincial laws, various government agencies have established rules protecting the privacy and security of personal information, which vary significantly from jurisdiction to jurisdiction. Many sales representatives, employees, and third-party service providers have access to, and routinely process, personal information of clients on paper and on personal and company-owned hardware, the cloud and mobile devices through a variety of media, including the Internet and software applications. We rely on various internal processes and controls to protect the confidentiality of client information that is accessible to, or in the possession of, our Company, our employees and the sales representatives. If a sales representative, employee, or third-party service provider intentionally or unintentionally discloses or misappropriates confidential client information or our data is the subject of a cybersecurity attack, or if we fail to maintain adequate internal controls or sales representatives, employees, or service providers fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of client information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Insurance Business and Reinsurance

We may face significant losses if our actual experience differs from our expectations regarding mortality or persistency.

We set prices for life insurance policies based upon expected claim payment patterns derived from assumptions we make about the mortality rates, or likelihood of death, of our policyholders in any given year. The long-term profitability of these products depends upon how our actual mortality rates compare to our pricing assumptions. For example, if mortality rates are higher than those assumed in our pricing assumptions, we could be required to make more death benefit payments under our life insurance policies or to make such payments sooner than we had projected, which may decrease the profitability of our term life insurance products and result in an increase in the cost of our subsequent reinsurance transactions.

The prices and expected future profitability of our life insurance products are also based, in part, upon assumptions related to persistency. Actual persistency that is lower than our persistency assumptions could have an adverse effect on profitability, especially in the early years of a policy, primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy. Actual persistency that is higher than our persistency assumptions could have an adverse effect on profitability in the later years of a block of policies because the anticipated claims experience is higher in these later years. If actual persistency is significantly different from that assumed in our pricing assumptions, our reserves for future policy benefits may prove to be inadequate. We are precluded from adjusting premiums on our in-force business during the initial term of the policies, and our ability to adjust premiums on in-force business after the initial policy term is limited to the maximum premium rates in the policy.

Our assumptions and estimates regarding mortality and persistency require us to make numerous judgments and, therefore, are inherently uncertain. We cannot determine with precision the actual persistency or ultimate amounts that we will pay for actual claim payments on a block of policies, the timing of those payments, or whether the assets supporting these contingent future payment obligations will increase to the levels we estimate before payment of claims. If we conclude, based on our current expectations for mortality, persistency and other assumptions, that our future policy benefit reserves, together with future premiums, are insufficient to cover actual or expected claims payments and the scheduled amortization of our deferred policy acquisition costs ("DAC"), we would be required to first accelerate our amortization of DAC and then increase our future policy benefit reserves in the period in which we make the determination, which could materially adversely affect our business, financial condition and results of operations.

The occurrence of a catastrophic event could materially adversely affect our business, financial condition and results of operations.

Our insurance operations are exposed to the risk of catastrophic events, which could cause a large number of premature deaths of our insureds. A catastrophic event could also cause significant volatility in global financial markets and disrupt the economy. Although we have ceded a significant majority of our mortality risk to reinsurers, a catastrophic event could cause a material adverse effect on our business, financial condition and results of operations. Claims resulting from a catastrophic event could cause substantial volatility in our financial results for any quarter or year and could also materially harm the financial condition of our reinsurers, which would increase the probability of default on reinsurance recoveries. Our ability to write new business could also be adversely affected.

In addition, most of the jurisdictions in which our insurance subsidiaries are licensed to transact business require life insurers to participate in guaranty associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed issuers. It is possible that a catastrophic event could require extraordinary assessments on our insurance companies, which could have a material adverse effect on 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.

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 the Office of the Superintendent of Financial Institutions (“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.

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.

Each of our U.S. insurance subsidiaries is subject to RBC standards (imposed under the laws of its respective jurisdiction of domicile). The RBC formula for U.S. life insurance companies generally establishes capital requirements relating to asset, insurance, interest rate and business risks. Our U.S. insurance subsidiaries are required to report their results of RBC calculations annually to the applicable state department of insurance and the NAIC. Our Canadian life insurance subsidiary is subject to the Life Insurance Capital Adequacy Test Guideline (“LICAT”), and is required to provide its capital ratio calculations to the Canadian regulators. The capitalization of our insurance subsidiaries is maintained at levels in excess of the effective minimum requirements of the NAIC in the United States and OSFI in Canada. In any particular year, statutory capital and surplus amounts and RBC and LICAT ratios may increase or decrease

depending on a variety of factors, including the amount of statutory income or losses generated by our insurance subsidiaries, the amount of additional capital our insurance subsidiaries must hold to support business growth, changes in their reserve requirements, the value of securities in their investment portfolios, the credit ratings of investments held in their portfolios, changes in interest rates, credit market volatility, changes in consumer behavior, as well as changes to the NAIC's RBC formula or the LICAT calculation of OSFI. Many of these factors are outside of our control.

Our financial strength and credit ratings are significantly influenced by the statutory surplus amounts and RBC and LICAT ratios of our insurance company subsidiaries. Ratings agencies may change their internal models, effectively increasing or decreasing the amount of statutory capital our insurance subsidiaries must hold to maintain their current ratings. Further, errors in programming, data entry, or our calculations could impact the accuracy of our estimates. Ratings agencies also may downgrade the ratings of securities held in our insurance subsidiaries' portfolios, which could result in a reduction of our insurance subsidiaries' statutory capital and surplus and RBC. There is no assurance that our insurance subsidiaries will not need additional capital or, if needed, that we will be able to provide it to maintain the targeted RBC and LICAT levels to support their business operations.

The failure of any of our insurance subsidiaries to meet its applicable RBC and LICAT requirements or minimum capital and surplus requirements could subject it to further examination or corrective action imposed by insurance regulators, including limitations on its ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, financial condition and results of operations. A decline in RBC or LICAT also limits the ability of our insurance subsidiaries to pay dividends or make distributions and could be a factor in causing ratings agencies to downgrade the financial strength ratings of all our insurance subsidiaries. Such downgrades would have an adverse effect on our ability to write new insurance policies and, therefore, could 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.

Each of our insurance subsidiaries, with the exception of Peach Re and Vidalia Re, has been assigned a financial strength rating by A.M. Best. Primerica Life currently also has an insurer financial strength rating from each of Standard & Poor's and Moody's.

The financial strength ratings of our insurance subsidiaries are subject to periodic review using, among other things, the ratings agencies' proprietary capital adequacy models, and are subject to revision or withdrawal at any time. Insurance financial strength ratings are directed toward the concerns of policyholders and are not intended for the protection of stockholders or as a recommendation to buy, hold or sell securities. Our financial strength ratings will affect our competitive position relative to other insurance companies. If the financial strength ratings of our insurance subsidiaries fall below certain levels, some of our policyholders may move their business to our competitors. In addition, the models used by ratings agencies to determine financial strength are different from the capital requirements set by insurance regulators.

Ratings organizations review the financial performance and financial conditions of insurance companies, and provide opinions regarding financial strength, operating performance and ability to meet obligations to policyholders. A significant downgrade in the financial strength ratings of any of our insurance subsidiaries, or the announced potential for a downgrade, could have a material adverse effect on our business, financial condition and results of operations by, among other things:

- reducing sales of insurance products;
- adversely affecting our relationships with sales representatives;
- materially increasing the amount of policy cancellations by our policyholders;
- requiring us to reduce prices to remain competitive; and
- adversely affecting our ability to obtain reinsurance at reasonable prices or at all.

If the rating agencies or regulators change their approach to financial strength ratings and statutory capital requirements, we may need to take action to maintain current ratings and capital adequacy ratios, which could have a material adverse effect on our business, financial condition and results of operations.

In addition to financial strength ratings of our insurance subsidiaries, the Parent Company currently has investment grade credit ratings from Standard & Poor's, Moody's, and A.M. Best. These ratings are indicators of a debt issuer's ability to meet the terms of debt obligations and are important factors in its ability to access liquidity in the debt markets. A rating downgrade by a rating agency can occur at any time if the rating agency perceives an adverse change in our financial condition, results of operations or ability to service debt. If such a downgrade occurs, it could have a material adverse effect on our financial condition and results of operations in many ways, including adversely limiting our access to capital in the unsecured debt market and potentially increasing the cost of such debt.

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.

We extensively use reinsurance in the United States to diversify our risk and to manage our loss exposure to mortality risk. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. We, as the insurer, are required to pay the full amount of death benefits even in circumstances where we are entitled to receive payments from the reinsurer. Due to factors such as insolvency, adverse underwriting results or inadequate investment returns, our reinsurers may not be able to pay the amounts they owe us on a timely basis or at all. Further, reinsurers might refuse or fail to pay losses that we cede to them or might delay payment. Since death benefit claims may be paid long after a policy is issued, we bear credit risk with respect to our reinsurers. The creditworthiness of our reinsurers may change before we can recover amounts to which we are entitled. Any such failure to pay by our reinsurers could have a material adverse effect on our business, financial condition and results of operations. On March 6, 2019 Scottish Re (U.S.), Inc. ("Scottish Re") was ordered into receivership for purposes of rehabilitation. While it is uncertain at this time how much of their claim obligations Scottish Re will ultimately be able to pay, we have recognized an allowance for all reinsurance recoverable balances from Scottish Re, which resulted in the recognition of an immaterial loss in our 2019 results of operations.

We also have in place coinsurance agreements that we originally entered into at the time of our IPO, pursuant to which we ceded between 80% and 90% of the risks and rewards of our term life insurance policies that were in force at year-end 2009. Under this arrangement, our existing reinsurance agreements remain in place. Each coinsurer entered into trust agreements with our respective insurance subsidiaries and a trustee pursuant to which the coinsurer placed assets (primarily treasury and fixed-income securities) in trust for such subsidiary's benefit to secure the coinsurer's obligations to such subsidiary. Each such coinsurance agreement requires each coinsurer to maintain assets in trust, which amount will not be less than the amount of the reserves for the insured liabilities. In Canada, the IPO reinsurer must hold pledged assets in an amount sufficient for us to take credit for reinsurance in a Canadian financial institution, not affiliated with the IPO reinsurer, with our Canadian insurance company having an enforceable security interest that has priority over any other security interest for the pledged assets. Furthermore, our insurance subsidiaries have the right to recapture the business upon the occurrence of an event of default under their respective coinsurance agreement subject to any applicable cure periods. While any such recapture would be at no cost to us, such recapture would result in a substantial increase in our insurance exposure and require us to be fully responsible for the management of the assets set aside to support statutory reserves. The type of assets we might obtain as a result of a recapture may not be as liquid as our current invested asset portfolio and could result in an unfavorable impact on our risk profile.

There is no assurance that the relevant coinsurer will pay the coinsurance obligations owed to us now or in the future or that it will pay these obligations on a timely basis. If any of the coinsurers becomes insolvent, the trust account to support the obligations of such coinsurer is insufficient to pay such coinsurer's obligations to us and we fail to enforce our right to recapture the business, it could have a material adverse effect on our business, financial condition and results of operations.

We have entered into transactions by which we finance redundant statutory reserves of certain issue years of our term life insurance business. Under these transactions, we pay a fee to financial counterparties for their commitment to support redundant reserves and provide corresponding statutory reinsurance credit, allowing us to more efficiently manage our capital. While we monitor the credit quality and financial strength of these counterparties, if their financial strength was significantly impaired to the extent that their support of our redundant reserves could no longer be relied upon, it could have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Our Investments and Savings Products Business

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.

We earn a significant portion of our earnings through our relationships with a small group of mutual fund and annuity companies. A decision by one or more of these companies to alter or discontinue their current arrangements or product offerings with us, or a change in law or regulation that compels us to alter or discontinue such arrangements, could materially adversely affect our business, financial condition and results of operations. If any of our investment and savings products fail to achieve satisfactory investment performance, our clients may seek higher yielding alternative investment products, and we could experience higher redemption rates. In addition, we earn a growing portion of our earnings through our asset-based advisory platform. A mix shift of new investments to our advisory platform could materially impact cash flows to our business, financial condition and results of operations.

In recent years there has been an increase in the popularity of alternative investments such as exchange traded funds (ETFs), which we do not currently offer on our brokerage platform, but which are available indirectly to our clients on our advisory platform. These investment options typically have low fee structures and provide some of the attributes of mutual funds, such as risk diversification. If these products continue to gain traction among our client base as viable alternatives to mutual fund investments, or if other product innovations not offered by us gain traction, our investment and savings products revenues could decline.

In addition to sales commissions and asset-based compensation, a portion of our earnings from investment and savings products comes from recordkeeping services that we provide to mutual fund companies and from fees earned for custodial services that we provide to clients with retirement plan accounts in the funds of these mutual fund companies. We also receive marketing and support fees from each of these mutual fund companies. A decision by one or more of these fund companies to alter or discontinue their current arrangements with us, or a change in law or regulation that compels us to alter or discontinue such arrangements, would materially adversely affect our business, financial condition and results of operations.

The Company's or the securities-licensed sales representatives' violations of, or non-compliance with, laws and regulations could expose us to material liabilities.

Our subsidiary broker-dealer and registered investment advisor, PFS Investments, and the sales representatives, are subject to federal and state regulation of its securities business. These regulations cover sales practices, trade suitability, supervision of registered representatives, recordkeeping, the conduct and qualification of officers and employees, net capital requirements, business operations, the rules and regulations of the MSRB and state blue sky regulation. Investment advisory representatives are generally held to a higher standard of conduct than registered representatives. Our subsidiary, PSS, is a registered transfer agent engaged in the recordkeeping business and is subject to SEC regulation. Violations of laws or regulations applicable to the activities of PFS Investments or PSS, or violations by a third party with which PFS Investments or PSS contracts, could subject us to regulatory actions and/or litigation and could result in the imposition of cease and desist orders, fines or censures, restitution to clients, suspension or revocation of SEC registration, suspension or expulsion from FINRA, reputational damage and legal expense, any of which could materially adversely affect our business, financial condition and results of operations.

Our Canadian broker-dealer subsidiary, PFS Investments Canada and the sales representatives are subject to the securities laws of the provinces and territories of Canada in which we sell our mutual fund products and to the rules of the MFDA, the self-regulatory organization governing mutual fund dealers. PFS Investments Canada is subject to periodic review by both the MFDA and the provincial and territorial securities commissions to assess its compliance with, among other things, applicable capital requirements and sales practices and procedures. These regulators have broad administrative powers, including the power to limit or restrict the conduct of our business for failure to comply with applicable laws or regulations. Possible sanctions that could be imposed include the suspension of individual sales representatives, limitations on the activities in which the dealer may engage, suspension or revocation of the dealer registration, the ability to withhold licenses or to impose restrictive terms and conditions on the licenses of sales representatives, censure or fines, any of which could materially adversely affect our business, financial condition and results of operations.

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. We anticipate making certain changes to our sales processes, policies, and procedures in order to comply with the SEC Rulemaking. While we 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 mitigate and 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 would be applied by state regulators and interpreted by the courts, but any such laws or regulations could disrupt our brokerage business in the relevant state. 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.

On February 20, 2020, the organization of provincial and territorial securities regulators (collectively referred to as the “Canadian Securities Administrators” or “CSA”) published final rule amendments, applicable in all provinces except Ontario, to prohibit upfront sales commissions by fund companies for the sale of mutual funds offered under a prospectus in Canada (“DSC Ban”). The final amendments have an effective date of June 1, 2022. The CSA indicated that the participating provinces’ prohibition of upfront sales commissions by fund companies will require firms to discontinue the use of the mutual fund deferred sales charge compensation model, which is the primary model for the mutual funds we distribute in Canada. These rules will result in changes in compensation arrangements with both the fund companies that offer the mutual fund products we distribute and sales representatives in the participating provinces. The deferred sales charge compensation model is permitted to be used until the effective date. While Ontario has disagreed with the prohibition of upfront sales commissions by fund companies and is not at this time participating in adoption of the DSC Ban, the Ontario Securities Commission has proposed several restrictions on the use of the deferred compensation model including a \$50,000 maximum account size and a limitation on the maximum term of the deferred sales charge schedule to three years compared to current industry practice where the maximum term can be up to seven years. These restrictions, if any, will also be effective June 1, 2022. We have not finished the process of determining the types of changes we will make in response to the DSC Ban and the restrictions in Ontario, therefore, we are unable to quantify the potential impact on our financial condition or results of operations.

In Canada, on October 3, 2019, the CSA published final rule amendments intended to better align the interest of securities dealers and representatives with the interests of their clients, improve outcomes for clients, and make clearer to clients the nature and terms of their relationship with registered firms and their representatives. Collectively these amendments are referred to as the Client Focused Reforms (“CFRs”). The CFRs, among other things, require registered firms to identify and mitigate conflicts of interest between registered firms and their representatives, on one hand, and clients, on the other, such that recommendations may be made in clients’ best interest. The CFRs are subject to ministerial approval and have staggered implementation dates. The implementation date to address conflicts and to improve disclosure is December 31, 2020 and the implementation date to enhance overall suitability rules, know your client rules, and know your product requirements is December 31, 2021. CFRs will require changes to our sales process and back-office systems and processes and may necessitate changes in compensation arrangements with the fund companies that offer the mutual fund products we distribute in Canada. Although not expected at this time, the impact of such changes could have a material adverse effect on our investment and savings products business in Canada.

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.

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.

We review the account applications that we receive for our investment and savings products for suitability and for compliance with other federal or state regulations governing standards of care. While we believe that the policies and procedures we implement to help sales representatives assist clients in making appropriate and suitable investment choices, and that will satisfy other federal and state standards of care, are reasonably designed to achieve compliance with applicable securities laws and regulations, it is possible that the SEC, FINRA, the DOL, the IRS, state securities and insurance regulators or MFDA may not agree. Further, we could be subject to regulatory actions or private litigation, which could materially adversely affect our business, financial condition and results of operations.

Sales force support tools may fail to appropriately identify financial needs or suitable investment products.

The support tools we make available to the sales force are designed to educate potential and existing clients, help identify their financial needs, generally introduce the potential benefits of our product offerings, and identify suitable investment products. The tools themselves or the assumptions and methods of analyses embedded in them could be challenged and subject us to regulatory action by the SEC, the DOL, FINRA or other regulators, or private litigation, which could materially adversely affect our business, financial condition and results of operations.

Non-compliance with applicable regulations could lead to revocation of our subsidiary's status as a non-bank custodian.

PFS Investments is a non-bank custodian of retirement accounts, as permitted under Treasury Regulation 1.408-2. A non-bank custodian is an entity that is not a bank and that is permitted by the IRS to act as a custodian for retirement plan account assets of our clients. The IRS retains authority to revoke or suspend that status if it finds that PFS Investments is unwilling or unable to administer retirement accounts in a manner consistent with the requirements of the applicable regulations. Revocation of PFS Investments' non-bank custodian status would affect its ability to earn revenue for providing such services and, consequently, could materially adversely affect our business, financial condition and results of operations.

As our securities sales increase, we become more sensitive to performance of the equity markets.

A significant portion of our investment sales and assets under management are comprised of North American equity-based products. The multi-year growth in equity valuations has increased proportionally the Company's revenue and product income derived from the sale of these products. A significant correction in the North American equity markets that decreases the Company's assets under management, or a protracted long-term downturn in equity market performance that has a negative effect on the Company's sales of securities products, could have an adverse effect on our business, financial condition and results of operations.

Other Risks Related to Our Business

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.

Our business is highly dependent upon the effective operation of our information technology systems and third-party technology systems, networks and clouds to record, process, transmit and store information, including sensitive customer and proprietary information. We rely on these systems throughout our business for a variety of functions including to conduct many of our business activities and transactions with customers, sales representatives, vendors and other third parties, to prepare our financial statements and to communicate with our Board of Directors. Our information technology systems and applications run a variety of third-party and proprietary software, including POL (our secure intranet website designed to be a support system for the sales force), the Primerica App, our insurance administration system, Virtual Base Shop (our secure intranet-based paperless field office management system), TurboApps (our point-of-sale tool that streamlines our application processes), our FNA tool, our licensing decision and support system, and our compensation system. Our business also relies on the use by employees, representatives and other third parties of electronic mobile devices, such as laptops, tablets and smartphones, which are particularly vulnerable to loss and theft.

Maintaining the integrity of these systems and networks is critical to the success of our business operations, including the retention of sales representatives and customers, and to the protection of our proprietary information and our customers' confidential and personal information. We could experience a failure of one or more of these systems or could fail to complete all necessary data reconciliation or other conversion controls when implementing new software systems. In addition, despite the implementation of security and back-up measures, our information technology systems may be vulnerable to physical or electronic intrusions, viruses or other attacks, programming errors and similar disruptions.

We are subject to international, federal and state regulations, and in some cases contractual obligations, that require us to establish and maintain policies and procedures designed to protect sensitive customer, employee, sales representative and third-party information. We have implemented and maintain security measures, including industry-standard commercial technology, designed to protect against breaches of security and other interference with our systems and networks resulting from attacks by third parties, including hackers, and from employee or representative error or malfeasance. We continually assess our ability to monitor, respond to, and recover from such threats. We also require third-party vendors, who in the provision of services to us are provided with or process information pertaining to our business or our customers, to meet certain information security standards. Despite the measures we have taken and may in the future take to address and mitigate cybersecurity and technology risks, we cannot assure that our systems and networks will not be subject to breaches or interference. Any such breaches or interference by third parties or by sales representatives or employees that may occur in the future including the failure of any one of these systems for any reason, could cause significant interruptions to our operations, which could have a material adverse effect on our business, financial condition and results of operations.

Anyone who is able to circumvent our security measures and penetrate our information technology systems could access, view, misappropriate, alter, or delete information in the systems, including personally-identifiable client information and proprietary business information. In addition, an increasing number of jurisdictions require that regulators and clients be notified if a security breach results in the disclosure of personally-identifiable client information, which could exacerbate the harm to our business, financial condition or results of operations. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems used in connection with our business.

Operating system failures, ineffective system implementation, loss of the Internet or the compromise of security with respect to internal, external or third-party operating systems or electronic devices could subject us to significant civil and criminal liability, harm our reputation, interrupt our business operations, deter people from purchasing our products, require us to incur significant technical, legal and other expenses, and adversely affect our internal control over financial reporting, business, financial condition, or results of operations.

The current legislative and regulatory climate with regard to cybersecurity may adversely affect our business, financial condition, and results of operations.

Various international, federal and state legislative and regulatory bodies are considering or have considered, proposed, or adopted new standards and rules regarding protection of personally-identifiable information. The NYDFS Cybersecurity Requirements for Financial Services Companies require covered financial services institutions to implement a cybersecurity program designed to protect information systems. The NAIC has adopted the Insurance Data Security Model Law (“Model Law”), which, among other things, would require insurers and insurance producers to develop and maintain a written information security program, conduct risk assessments, and assess the data security practices of third-party service providers. The Model Law, which has some similarities as well as differences from the NYDFS’s cybersecurity regulation, has been adopted by several states. In June 2018, California adopted the California Consumer Protection Act of 2018 (“CCPA”) designed to give consumers more control over their personal data. The CCPA, which imposes strict liability for security incidents under certain circumstances, will become effective in January 2020. All 50 U.S. states and Canada have breach notification requirements.

Such laws or regulations could require us to implement new technologies or revise and maintain policies and procedures designed to protect sensitive customer, employee, representative and third-party information. Being subject to, or out of compliance with, the aforementioned laws and regulations could result in material costs, fines, penalties or litigation, which could materially 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.

Our infrastructure supports a combination of local and remote recovery solutions for business resumption in the event of a disaster, including a security incident. In the event of either a campus-wide destruction or the inability to access our data center or main campus in Duluth, Georgia, our business recovery plan provides for a limited number of our employees to perform their work functions via a dedicated business backup/recovery site located around 20 miles from our main campus or by remote access from an employee's home. However, in the event of campus-wide destruction, our business recovery plan may be inadequate, and our employees and the sales representatives may be unable to carry out their work, which could have a material adverse effect on our business, financial condition and results of operations.

Licensing requirements will impact the size of the mortgage loan sales force.

To offer mortgage loan products, sales representatives must be individually licensed as mortgage loan originators by the states in which they do business and, in some states, they must also be individually licensed as mortgage brokers. These licensing requirements include enrollment in the Nationwide Multistate Licensing System, application to state regulators for individual licenses, a minimum of 20 hours of pre-licensing education, an annual minimum of eight hours of continuing education, and the successful completion of both national and state tests or a national test with uniform state content. Compliance with these licensing regimes (including background and credit checks) have proven to be a barrier for many sales representatives. In addition, the tests have historically been challenging for the sales representatives to pass. Primerica Mortgage, LLC must also be licensed at the company level as a Mortgage Broker (or equivalent) and, in almost all states, representatives’ offices must be licensed as branch offices. To offer mortgage loans in a state, individual representatives, offices and Primerica Mortgage, LLC must be licensed as required by state law. These licenses must be renewed on an annual basis. Failure of sales representatives to obtain the required licenses and comply with ongoing licensing requirements would adversely affect the size of the mortgage loan sales force, which could materially adversely affect our mortgage loan business.

Our loan business is subject to various federal and state laws, changes in which could affect the cost or our ability to distribute our products and could materially adversely affect our business, financial condition and results of operations.

Our U.S. mortgage loan business is subject to various federal laws, including the Truth In Lending Act and its implementing regulation, Regulation Z, the Equal Credit Opportunity Act and its implementing regulation, Regulation B, the Fair Housing Act and the Home Ownership Equity Protection Act. We are also subject to the Real Estate Settlement Procedures Act (RESPA) and its implementing regulation, Regulation X, which requires timely disclosures related to the nature and costs of real estate settlement amounts and limits those costs and compensation to amounts reasonably related to the services performed.

We are also subject to the Dodd-Frank Act and are regulated by the Bureau of Consumer Financial Protection, which has the authority to examine, supervise and enforce federal consumer financial laws, including those impacting Primerica Mortgage, LLC’s business. Additionally, the Dodd-Frank Act imposes restrictions on the manner and amount of mortgage originator compensation and establishes a federal ability to repay standard for all mortgage loans. Other restrictions contained in the Dodd-Frank Act could have the effect of limiting the availability of certain loan products in the market and adversely impact the range of products offered and the volume of loan business.

Additionally, we must comply with various state and local laws and policies concerning our lenders, the provision of consumer disclosures, net branching, predatory lending and high cost loans and recordkeeping. Differing interpretations of, changes in, or violations of, any of these laws or regulations could subject us to damages, fines or sanctions and could affect the cost or our ability to distribute our products, which could materially adversely affect 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.

A large percentage of our invested asset portfolio is invested in fixed-income securities. As a result, credit deterioration and interest rate fluctuations could materially affect the value of and earnings generated by our invested asset portfolio. Fixed-income securities decline in value if there is no active trading market for the securities or the market's impression of, or the ratings agencies' views on, the credit quality of an issuer worsens. During periods of declining market interest rates, we must invest the cash we receive as interest, return of principal on our investments and cash from operations in lower-yielding, high-grade instruments or in lower-credit instruments to maintain comparable returns. Issuers of fixed-income securities could also decide to prepay their obligations to borrow at lower market rates, which would increase our reinvestment risk. If interest rates generally increase, the fair value of our fixed rate income portfolio decreases. Additionally, if the fair value of any security in our invested asset portfolio decreases, we may realize losses if we deem the value of the security to be other-than-temporarily impaired. We also have an asset on deposit with a coinsurer backing a 10% coinsurance agreement entered into at the time of our IPO. The fair value of this asset is influenced by fluctuation in credit spreads and interest rates, and changes in fair value are recognized in income. To the extent that any fluctuations in fair value or interest rates are significant or we recognize impairments that are material, it could have a material adverse effect on our business, financial condition and results of operations.

In 2022, financial markets will transition away from the London Interbank Offered Rate ("LIBOR") as a reference interest rate for securities and contract terms. The discontinuation of LIBOR or a switch to an alternative reference rate could adversely impact the value and liquidity of certain investments that use LIBOR as a reference rate and could cause increased cost or uncertainties regarding changes required to be made to contracts that reference LIBOR. As of December 31, 2019, investments that are tied to LIBOR represent less than 5% of our invested asset portfolio. We also have limited number of other contracts that reference LIBOR, including our Credit Facility Agreement and captive reinsurance agreements, but we do not anticipate the transition to an alternative reference rate will have meaningful impact on such agreements.

Valuation of our investments and the determination of what type of impairment exists when the fair value of our available-for-sale invested assets is below amortized cost are both based on estimates that may prove to be incorrect.

Our portfolio of invested assets primarily consists of fixed-maturity securities that are classified as available-for-sale. When the fair value of any of our available-for-sale invested assets declines below amortized cost, an impairment exists and we recognize a loss in either our statement of income or in other comprehensive income based on the type of the impairment. The determination of the fair value of certain invested assets, particularly those that do not trade on a regular basis, requires an assessment of available data and the use of assumptions and estimates. Once it is determined that the fair value of an available-for-sale security is below its carrying value, we must determine what type of impairment exists, which is based on subjective factors and involves a variety of assumptions and estimates.

There are certain risks and uncertainties associated with determining the type of impairment that exists when the fair value of available-for-sale securities declines below amortized cost. These include significant changes in general economic conditions and business markets, trends in certain industry segments, interest rate fluctuations, rating agency actions, changes in significant accounting estimates and assumptions and legislative actions. In the case of mortgage- and asset-backed securities, there is added uncertainty as to the performance of the underlying collateral assets. To the extent that we are incorrect in our determination of the fair value of our investment securities or our determination of what type of impairment exists for available-for-sale securities, we may realize losses that never actually materialize or may fail to recognize losses within the appropriate reporting period.

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.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. U.S. GAAP is a continuously evolving set of financial accounting and reporting standards that govern the preparation of our financial statements. Changes to U.S. GAAP can be difficult to implement and can materially impact how we record and report our financial condition and results of operations. An upcoming change in U.S. GAAP that will impact how we record and report our financial condition and results of operations is 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 will change the accounting guidance we follow for long-duration insurance contracts. The most notable amendment included in ASU 2018-12 will require us 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 we 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 amendments in ASU 2018-12 are scheduled to be effective for the Company beginning in 2022 as of the earliest period presented.

in the consolidated financial statements. 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. This new accounting standard, in addition to other financial reporting standard changes being discussed by the FASB and the SEC, could adversely impact both our financial condition and results of operations as reported on a U.S. GAAP basis.

Additionally, the Company's insurance company subsidiaries prepare statutory financial statements in accordance with accounting principles designated by regulators in the jurisdictions in which they are domiciled. The financial statements of our U.S. insurance subsidiaries are prepared in accordance with SAPs prescribed or permitted by state insurance departments and the NAIC. SAPs, including actuarial methodologies for estimating reserves, are subject to continuous evaluation by the NAIC and state insurance departments. Similarly, our Canadian life insurance subsidiary is required to prepare statutory financial statements in accordance with IFRS, as prescribed by the OSFI in Canada. In 2017, the International Accounting Standards Board (the "IASB") issued an IFRS standard that will significantly overhaul our Canadian life insurance subsidiary's accounting for insurance contracts ("IFRS 17") for statutory reporting purposes. The IASB has engaged in the process of issuing targeted amendments to IFRS 17 in response to concerns and implementation challenges raised by stakeholders and the proposed effective date of 2022 could be impacted by such amendments. The statutory financial statements of our insurance company subsidiaries, which are used to determine dividend capacity and risk-based capital, could be adversely affected by these and other future changes implemented by jurisdictional insurance departments. Therefore, the ability of our insurance companies to comply with regulatory minimum capital requirements and ultimately pay dividends to the Parent Company could be adversely impacted.

The effects of economic down cycles could materially adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be materially adversely affected by economic downturns in the United States and Canada, as well as issues in the global economy that may have repercussions on our local markets. Economic downturns, which are often characterized by higher unemployment, lower household income, lower valuation of retirement savings accounts, lower corporate earnings, lower business investment and lower consumer spending, have adversely affected the demand for the term life insurance, investment and savings and other financial products that we sell. Future economic down cycles could adversely affect new sales and cause clients to liquidate mutual funds and other investments sold by sales representatives. This could cause a decrease in the asset value of client accounts, reduce our trailing commission revenues and result in a decline in the fair value of our invested asset portfolio. In addition, we may experience an elevated incidence of lapses or surrenders of insurance policies, and some of our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Further, volatility in equity markets or downturns could discourage purchases of the investment products that we distribute and could have a materially adverse effect on our business, including our ability to recruit and retain sales representatives.

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.

In the United States, we are subject to many regulations, including the Gramm-Leach-Bliley Act and its implementing regulations, including Regulation S-P, the Fair Credit Reporting Act, the Right to Financial Privacy Act, the Foreign Corrupt Practices Act, the Sarbanes-Oxley Act, the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Telephone Consumer Protection Act, the FTC Act, the Health Insurance Portability and Accountability Act (HIPAA), the Electronic Funds Transfer Act, and the Interlink Network Inc. Operating Regulations. We are also subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the Patriot Act, which requires us to develop and implement customer identification and risk-based anti-money laundering programs, report suspicious activity and maintain certain records. Further, we are required to follow certain economic and trade sanctions programs that are administered by the Office of Foreign Asset Control that prohibit or restrict transactions with suspected countries, their governments, and in certain circumstances, their nationals.

In Canada, we are subject to provincial and territorial regulations, including consumer protection legislation that pertains to unfair and misleading business practices, provincial and territorial credit reporting legislation that provides requirements in respect of obtaining credit bureau reports and providing notices of decline, the Personal Information Protection and Electronic Documents Act, the Competition Act, the Corruption of Foreign Public Officials Act, the Telecommunications Act and certain Canadian Radio-television and Telecommunications Commission Telecom Decisions in respect of unsolicited telecommunications. We are also subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its accompanying regulations, which require us to develop and implement anti-money laundering policies and procedures relating to customer indemnification, reporting and recordkeeping, develop and maintain ongoing training programs for employees, perform a risk assessment on our business and clients and institute and document a third-party independent review of our anti-money laundering program at least once every two years. We are also required to follow certain economic and trade sanctions and legislation that prohibit us from, among other things, engaging in transactions with, and providing services to, persons on lists created under various federal statutes and regulations and blocked persons and foreign countries and territories subject to Canadian sanctions administered by Foreign Affairs and International Trade Canada and the Department of Public Safety Canada.

Changes in, or violations of, any of these laws or regulations may require additional compliance procedures, or result in enforcement proceedings, sanctions or penalties, which could have a material adverse effect on our business, financial condition and results of operations.

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

We face a risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses. From time to time, we are subject to private litigation as a result of alleged sales representative misconduct or alleged failure of the Company to follow applicable insurance, securities or other laws or regulations. For example, we may become subject to lawsuits alleging, among other things, issues relating to sales or underwriting practices, product design and disclosure, delay of benefits, and product pricing. In addition, we are subject to litigation arising out of our general business activities. For example, we have a large sales force and we could face claims by current or former sales representatives arising out of their relationship with us as independent contractors or regarding compensation-related issues. If we become subject to any such litigation, the associated legal expense and any judgment or settlement of the claims could have a material adverse effect on our business, financial condition and results of operations.

We are undergoing multi-state treasurer unclaimed property audits by 30 jurisdictions currently focused on the life insurance claims paying practices of our subsidiaries, Primerica Life and NBLIC. Other jurisdictions may pursue similar audits and litigation. The potential outcome of such actions is difficult to predict but could subject us to adverse consequences, including, but not limited to, settlement payments, additional payments to beneficiaries, and additional escheatment of funds deemed abandoned under state laws. We cannot reasonably estimate the likelihood or the impact of additional costs or liabilities that could result from resolution of these matters, or the effect these matters may have on the conduct of our business, financial condition and results of operations.

We are also routinely subject to regulatory inquiries, such as information requests, subpoenas and books and record examinations, from state, provincial and federal regulators and other authorities and from time to time, regulatory investigations as a result of alleged sales representative misconduct or alleged failure of the Company to follow applicable laws or regulations. A substantial legal liability or a significant regulatory action against us could have a material adverse effect on our business, financial condition and results of operations.

Moreover, even if we ultimately prevail in any litigation, regulatory action or investigation, we could suffer significant reputational harm and we could incur significant legal expenses, either of which could have a material adverse effect on our business, financial condition and results of operations. In addition, increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal precedents and industry-wide regulations or practices that could materially adversely affect our business, financial condition and results of operations.

The current legislative and regulatory climate with regard to financial services may adversely affect our business, financial condition, and results of operations.

The volume of legislative and regulatory activity relating to financial services has increased substantially in recent years, and the level of enforcement actions and investigations by federal, state and provincial regulators may increase correspondingly. Legislative, regulatory and enforcement activity at the federal level may contribute to heightened activity at the state and provincial level. If we or the sales representatives become subject to new requirements or regulations, it could result in increased litigation, regulatory risks, changes to our business model, a decrease in the number of securities-licensed representatives or a reduction in the products we offer to our clients or the profits we earn, which could have a material adverse effect on our business, financial condition and results of operations.

Regulators could adopt laws or interpret existing laws in a way that would require retroactive changes to our business, accounting practices, or redundant reserve financing structures. Any such retroactive changes could have a material adverse effect on 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.

Operations of the Company are conducted by its subsidiaries. As such, Primerica, Inc. is a holding company that has no significant operations. Our primary asset is the capital stock of our subsidiaries and our primary liability is our Senior Notes. We rely primarily on dividends and other payments from our subsidiaries to meet our operating costs, other corporate expenses, Senior Note obligations, as well as to return capital to our stockholders. The ability of our subsidiaries to pay dividends to us depends on their earnings, covenants contained in existing and future financing or other agreements and on regulatory restrictions. The ability of our insurance subsidiaries to pay dividends will further depend on their statutory income and surplus. If the cash we receive from our subsidiaries pursuant to dividend payments and tax sharing arrangements is insufficient for us to fund our obligations or if a subsidiary is unable to pay dividends to us, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets. However, given the historic volatility in the capital markets, there is no assurance that we would be able to raise cash by these means.

The jurisdictions in which our insurance subsidiaries are domiciled impose certain restrictions on their ability to pay dividends to us. In the United States, these restrictions are based, in part, on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts are subject to approval by the insurance commissioner of the state of domicile. In Canada, dividends can be paid, subject to the paying insurance company continuing to meet the regulatory requirements for capital adequacy and liquidity and upon 15 days' minimum notice to OSFI. No assurance is given that more stringent restrictions will not be adopted from time to time by jurisdictions in which our insurance subsidiaries are domiciled, and such restrictions could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to us by our subsidiaries without prior approval by regulatory authorities. In addition, in the future, we may become subject to debt covenants or other agreements that limit our ability to return capital to our stockholders. The ability of our insurance subsidiaries to pay dividends to us is also limited by our need to maintain the financial strength ratings assigned to us by the ratings agencies.

If any of our subsidiaries were to become insolvent, liquidate or otherwise reorganize, we, as sole stockholder, will have no right to proceed against the assets of that subsidiary. Furthermore, with respect to our insurance subsidiaries, we, as sole stockholder, will have no right to cause the liquidation, bankruptcy or winding-up of the subsidiary under the applicable liquidation, bankruptcy or winding-up laws, although, in Canada, we could apply for permission to cause liquidation. The applicable insurance laws of the jurisdictions in which each of our insurance subsidiaries is domiciled would govern any proceedings relating to that subsidiary. The insurance authority of that jurisdiction would act as a liquidator or rehabilitator for the subsidiary. Both creditors of the subsidiary and policyholders (if an insurance subsidiary) would be entitled to payment in full from the subsidiary's assets before we, as the sole stockholder, would be entitled to receive any distribution from the subsidiary.

If the ability of our insurance or non-insurance subsidiaries to pay dividends or make other distributions or payments to us is materially restricted by regulatory requirements, bankruptcy or insolvency, or our need to maintain our financial strength ratings, or is limited due to operating results or other factors, it could materially adversely affect our ability to fund 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.

We face competition in all of our business lines. Our competitors include financial services companies, banks, investment management firms, broker-dealers, insurance companies, insurance brokers, direct sales companies, and technology companies. In many of our product offerings, we face competition from competitors that may have greater market share or breadth of distribution, offer a broader range of products, services or features, assume a greater level of risk, have lower profitability expectations, have lower fee and expense ratios, have higher financial strength ratings or offer more robust digital tools and self-service capabilities than we do. More recently, significant capital has been invested in direct-to-consumer offerings, including wealth management, retirement and life insurance products. In addition, regulatory changes and competitive factors are leading to innovations in product offerings and compensation structures. To the extent these entrants create a significant change in the competitive environment, our ability to maintain or increase our market share and profitability could be materially adversely affected.

The loss of key employees and sales force leaders could negatively affect our financial results and impair our ability to implement our business strategy.

Our success substantially depends on our ability to attract and retain key members of our senior management team. The efforts, personality and leadership of our senior management team have been, and will continue to be, critical to our success. The loss of service of our senior management team due to disability, death, retirement or some other cause could reduce our ability to successfully motivate the sales representatives, or implement our business plan which could have a material adverse effect on our business, financial condition and results of operations. Although our senior executive officers have entered into employment agreements with us, there is no assurance that they will complete the term of their employment agreements or that they or the Company will renew them upon expiration.

In addition, the loss of key RVPs for any reason could negatively affect our financial results, impair our ability to attract new sales representatives and hinder future growth.

We may be materially adversely affected by currency fluctuations in the United States dollar versus the Canadian dollar.

The Canadian dollar is the functional currency for our Canadian subsidiaries and our financial results, reported in U.S. dollars, are affected by changes in the currency exchange rate. The assets, liabilities, revenues, and expenses of our Canadian subsidiaries are generally all denominated in Canadian dollars. However, the Canadian dollar financial statements of our Canadian subsidiaries are translated into U.S. dollars in our consolidated financial statements. Therefore, significant exchange rate fluctuations between the U.S. dollar and the Canadian dollar could have a material adverse effect on our financial condition and results of operations. A weaker Canadian dollar relative to the U.S. dollar would result in lower levels of reported revenues, expenses, net income, assets, liabilities and accumulated other comprehensive income as translated in our U.S. dollar reporting currency financial statements. In addition, our net investment in our Canadian subsidiaries is significantly affected by fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar.

The market price of our common stock may fluctuate.

The stock market in general, and the market for companies in the financial services industry in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Also, broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. Our stock could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, that include the following:

- fluctuations in stock market prices and trading volumes of similar companies, and general market conditions and overall fluctuations in U.S. equity markets;
- low trading volume and short interest positions in our common stock;
- our ability to meet or exceed our own forecasts or expectations of analysts or investors;
- changes in our securities analysts' estimates of our future financial performance;
- variations in our quarterly operating results;
- changes, or the expectation of changes in federal and state law, policy and regulation, or changes in the ways that laws and regulations are interpreted and applied;
- the initiation, pendency or outcome of litigation, regulatory reviews and investigations, and any adverse publicity related thereto;
- actions by the New York Stock Exchange ("NYSE"), or uncertainty related to possible actions by the NYSE, related to the continued listing of our common stock;
- negative media reports with respect to us and/or our industry;
- the loss of key personnel;
- general economic or geopolitical conditions; and
- other risks and uncertainties described in these risk factors.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our executive offices and business operations are housed primarily at our home office facility located in Duluth, Georgia. Our home office facility consists of general office space where our primary business operations are maintained including our information technology infrastructure and our media production studios. We lease the building, which is approximately 345,000 square feet, under a lease expiring in June 2028.

We also maintain a regional head office location for our Canadian operations in Mississauga, Ontario. Our Canadian head office location consists of general office space under a lease expiring in October 2030.

We lease general office space for our NBLIC subsidiary in Long Island City, New York under a sublease expiring in March 2020. Subsequent to the sublease's expiry, NBLIC's offices will be relocated to a different facility in Long Island City, New York under a lease expiring in 2030.

Each of these leased properties is used by all of our operating segments. We believe that our existing facilities in the U.S. and Canada are adequate for our current requirements and for our operations for the foreseeable future.

ITEM 3. 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 16 (Commitments and Contingent Liabilities) to our 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 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM X. INFORMATION ABOUT OUR EXECUTIVE OFFICERS AND CERTAIN SIGNIFICANT EMPLOYEES

Our executive officers are elected by our Board of Directors.

The name, age at February 27, 2020, and position of each of our executive officers and certain significant employees are presented below. These officers comprise our senior management team.

Name	Age	Position
Glenn J. Williams	60	Chief Executive Officer
Peter W. Schneider	63	President
Alison S. Rand	52	Executive Vice President and Chief Financial Officer
Gregory C. Pitts	57	Executive Vice President and Chief Operating Officer
William A. Kelly	64	Chief Executive Officer, PFS Investments and Co-Head of Business Technology
John A. Adams	61	Chief Executive Officer, Primerica Life Insurance Company of Canada
Michael C. Adams	63	Executive Vice President and Chief Business Technology Officer
Jeffrey S. Fendler	63	Executive Vice President and Chief Compliance and Risk Officer
Kathryn E. Kieser	50	Executive Vice President and Chief Reputation Officer
Michael W. Miller	42	Executive Vice President, Head of Corporate Development and Strategic Planning and President of Primerica Mortgage, LLC
Robert H. Peterman, Jr.	54	Executive Vice President and Chief Marketing Officer
Brett A. Rogers	54	Executive Vice President and General Counsel
Julie A. Seman	50	Executive Vice President, Field Distribution, Primerica Life, Client Solutions and Strategic Markets

Set forth below is biographical information concerning our executive officers.

Glenn J. Williams has served as Chief Executive Officer since April 2015. He served as President from 2005 to April 2015, as Executive Vice President of Field and Product Marketing for international operations from 2000 to 2005, as President and Chief Executive Officer of Primerica Canada from 1996 to 2000, and in roles of increasing responsibility as part of Primerica's international expansion team in Canada from 1985 to 2000. He began his career with Primerica in 1981 as a member of the Company's sales force and joined the home office team in 1983. Mr. Williams earned his B.S. in education from Baptist University of America in 1981. He currently serves on the board of trustees for the Georgia Baptist Foundation.

Peter W. Schneider has served as President since April 2015. He served as Executive Vice President, General Counsel, and Chief Administrative Officer from 2000 to April 2015 and as Corporate Secretary from 2000 through January 2014. He worked at the law firm of Rogers & Hardin LLP as a partner from 1988 to 2000. Mr. Schneider earned both his B.S. in political science and industrial relations in 1978 and his J.D. in 1981 from the University of North Carolina at Chapel Hill. He serves on the boards of directors of the Securities Industry and Financial Markets Association (SIFMA) and the Camp John W. Hanes (YMCA).

Alison S. Rand has served as Executive Vice President and Chief Financial Officer since 2000 and in various capacities at the Company since 1995. Prior to 1995, Ms. Rand worked in the audit department of KPMG LLP. Ms. Rand earned her B.S. in accounting from the University of Florida in 1990 and is a certified public accountant. She is Chair of the board of directors of Cool Girls, Inc., Vice Chair of the Audit Committee of the University of Florida National Foundation board of directors and a member of the Executive Committee of the board of directors of Junior Achievement of Georgia. She also serves on the Terry College of Business Executive Education CFO Roundtable Advisory Board.

Gregory C. Pitts has served as Executive Vice President and Chief Operating Officer since December 2009, as Executive Vice President since 1995 with responsibilities within the Term Life Insurance and Investment and Savings Products segments, and the information technology division and in various capacities at the Company since 1985. Mr. Pitts earned his B.S.B.A. in general business from the University of Arkansas in 1985. He serves on the board of directors of the Boy Scouts of America Atlanta Area Council.

William A. Kelly has served as Chief Executive Officer of PFS Investments since May 2018, as President and Chief Executive Officer from 2005 to May 2018 and in various capacities at the Company since 1985. He has also served as the Co-Head of Business Technology since December 2017. Mr. Kelly graduated from the University of Georgia in 1979 with a B.B.A. in accounting.

Set forth below is biographical information concerning certain significant employees.

John A. Adams has served as the Chief Executive Officer of Primerica Life Insurance Company of Canada ("Primerica Life Canada") since 2003. He previously served Primerica Life Canada as Chief Financial Officer and before that as Vice President of Finance. Before joining Primerica, Mr. Adams served as the Director of Finance of a major Canadian university and Treasurer of an insurance group of companies. He began his career in 1980 with KPMG LLP. He graduated from Trinity College at the University of Toronto in 1980 with a Bachelor of Commerce, and is a Chartered Accountant and Chartered Professional Accountant. Mr. Adams has provided industry leadership as a board member of the Investment Funds Institute of Canada (the mutual fund industry association) since 2005, having served as its Board Chairman from 2015 to 2017. He has also served as a board member of the Federation of Mutual Fund Dealers.

Michael C. Adams has served as Co-Head of Business Technology since December 2017, as Chief Business Technology Officer since April 2010, as Executive Vice President responsible for business technology since 1998 and in various capacities at the Company since 1980. Mr. Adams earned his B.A. in business and economics from Hendrix College in 1978.

Jeffrey S. Fendler has served as Executive Vice President and Chief Compliance and Risk Officer of the Company since February 2014. He served as President of Primerica Life from 2005 through January 2014 and in various capacities at the Company since 1980. Mr. Fendler received a B.A. in economics from Tulane University.

Kathryn E. Kieser has served as Executive Vice President and Chief Reputation Officer of Primerica, Inc. and President and Chair of the Primerica Foundation since January 2019. Previously, she served as Executive Vice President of Investor Relations from April 2010 to December 2018. Ms. Kieser joined Primerica in October 1995 and has held many positions over her career including Vice President of Sales and Product Marketing, Senior Vice President of Auto and Homeowners Insurance, and Chief Marketing Officer for Primerica Life Insurance Company. Ms. Kieser earned her B.S. degree in Business Administration from Auburn University and a Master of Science degree from Georgia State University. She serves on the boards of directors for the Gwinnett Chamber of Commerce and the Community Foundation for Northeast Georgia.

Michael W. Miller has served as Executive Vice President and Head of Corporate Development and Strategic Planning since September 2015. He leads the Company's strategic undertakings, including strategic partnerships, organic growth initiatives, M&A and long-term business planning. He has also been President of Primerica Mortgage, LLC since January 2018. He was previously a senior investment banker at Lazard from 2006 to September 2015, where he specialized in providing strategic advice to a broad array of financial institutions and their regulators. While at Lazard, Mr. Miller advised on over \$85 billion of successful transactions and restructuring assignments. Mr. Miller also worked in the insurance industry in various capacities. He holds a B.S. from Brigham Young University in Business Administration and Finance and earned the Chartered Property & Casualty Underwriter designation.

Robert H. Peterman, Jr. has served as Executive Vice President and Chief Marketing Officer since June 2018. He previously served as President of Primerica Distribution from December 2013 to June 2018, where he was responsible for recruiting, licensing, licensing education, field compensation, field equity, and decision support. In 2005, he became Executive Vice President and was given responsibility for the Company's Grow the Sales Force initiative. He also served as Chief Executive Officer of Primerica's New York life insurance company from January 2017 to June 2018. Mr. Peterman joined the Company in October 1984 and has served in many varying roles throughout the business.

Brett "Ben" A. Rogers has served as our Executive Vice President and General Counsel since May 2019. Previously, he was a Partner at Rogers & Hardin LLP in Atlanta, where he represented Primerica as outside counsel for more than twenty years. At Rogers & Hardin, his practice focused on complex business matters, including securities litigation, arbitration, and general commercial litigation. Mr. Rogers received a B.A. from Dickinson College and his J.D. with honors from Florida State University.

Julie A. Seman has served since May 2018 as Executive Vice President and Chief Marketing Officer of Field Distribution, Primerica Life, Client Solutions, and Strategic Markets. From August 2014 she has been responsible for sales force growth and increased product distribution through the training and development of financial services representatives in the United States, Canada, Puerto Rico and Guam. In addition, Ms. Seman augments Primerica's strategic markets which include African American, Hispanic, Partnership and Women with a focus on personal financial education and entrepreneurship. Prior thereto, she was Senior Vice President of Client Solutions from April 2010 to August 2014 where she supervised all front-end products, including Auto & Home Marketing and Legal Protection and oversaw field communication tools. Ms. Seman joined the Company in September 1998 and has served in many roles with increasing responsibility. Ms. Seman received her Bachelors of Business Management from Southern Illinois University.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

The common stock of Primerica, Inc. ("Primerica", "we", "us" or the "Parent Company") is listed for trading on the New York Stock Exchange ("NYSE") under the symbol "PRI."

Holders

As of January 31, 2020, we had 137 holders of record of our common stock.

Dividends

In the first quarter of 2020, we declared a quarterly dividend to stockholders of \$0.40 per share. We currently expect to continue to pay comparable quarterly cash dividends to holders of our common stock. Our payment of cash dividends is at the discretion of our Board of Directors in accordance with applicable law after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for growth. Under Delaware law, we can only pay dividends either out of surplus or out of the current or the immediately preceding year's earnings. Therefore, no assurance is given that we will continue to pay any dividends to our common stockholders, or as to the amount of any such dividends.

Issuer Purchases of Equity Securities

Depending on market conditions, shares of our common stock may be repurchased from time to time at prevailing market prices through open market or privately negotiated transactions.

The Parent Company has no obligation to repurchase any shares. Subject to applicable corporate and securities laws, repurchases may be made at such times and in such amounts as management deems appropriate. Repurchases under a publicly announced program can be discontinued at any time if management believes additional repurchases are not warranted.

During the quarter ended December 31, 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 (3)
October 1 - 31, 2019	191,915	\$ 123.48	191,915	\$ 70,261,375
November 1 - 30, 2019	155,917	129.95	155,917	49,999,961
December 1 - 31, 2019	2,418	135.45	-	49,999,961
Total	350,250	\$ 126.44	347,832	\$ 49,999,961

(1) Consists of (a) repurchases and withholdings of 2,418 shares at an average price of \$135.45 arising from share-based compensation withholdings, and (b) open market share repurchases under the share repurchase program approved by our Board of Directors.

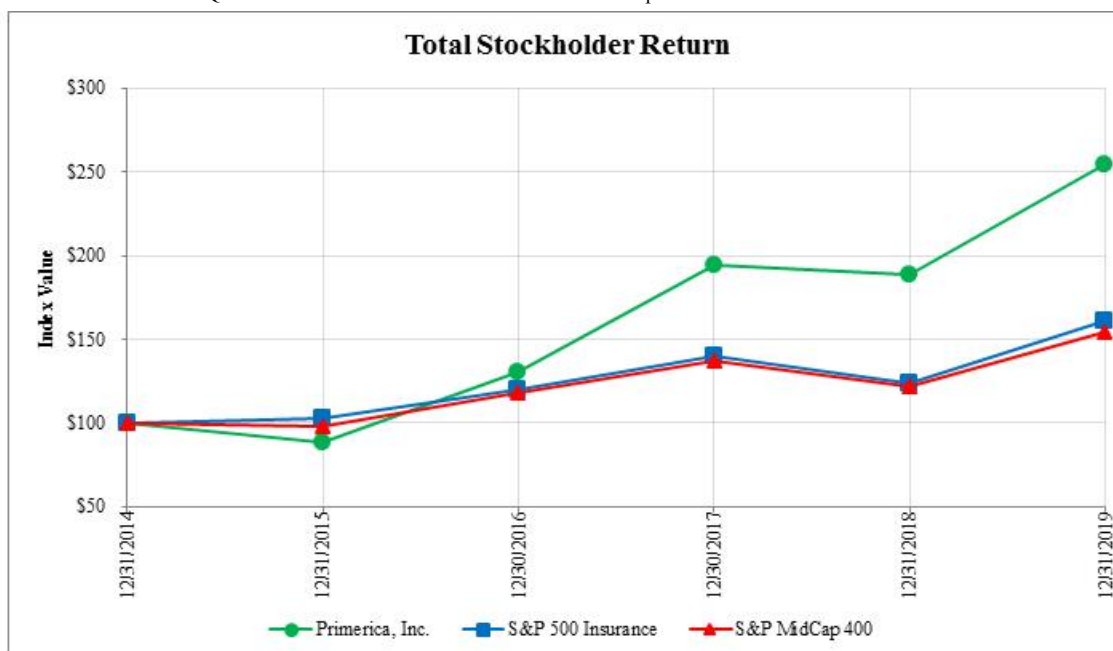
(2) On February 7, 2019, our Board of Directors authorized a share repurchase program, which was announced the same day, for up to \$275.0 million of our outstanding common stock (including \$65.0 million remaining from the prior repurchase program) for purchases through June 30, 2020.

(3) On February 10, 2020, our Board of Directors authorized a share repurchase program, which was announced on February 11, 2020, for up to \$300.0 million of our outstanding common stock (including \$50.0 million remaining from the prior repurchase program) for purchases through June 30, 2021. As a result, no further repurchases will occur under the prior repurchase program.

For more information on our share repurchases, see Note 12 (Stockholders' Equity) to our consolidated financial statements included elsewhere in this report.

Stock Performance Table (1)

The following graph compares the performance of our common stock to the Standard & Poor's ("S&P") MidCap 400 Index and the S&P 500 Insurance Index by assuming \$100 was invested in each investment option as of December 31, 2014 and the reinvestment of all dividends. The S&P MidCap 400 Index measures the performance of the United States middle market capitalization ("mid-cap") equities sector. The S&P 500 Insurance Index is a capitalization-weighted index of domestic equities of insurance companies traded on the NYSE and NASDAQ. Our common stock is included in the S&P MidCap 400 index.



Index	Period Ended					
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Primerica, Inc.	\$ 100.00	\$ 88.20	\$ 130.82	\$ 193.92	\$ 188.33	\$ 254.45
S&P 500 Insurance	100.00	102.33	120.32	139.80	124.13	160.60
S&P MidCap 400	100.00	97.82	118.11	137.29	122.08	154.06

(1) The stock performance table is not deemed "soliciting material" or subject to Section 18 of the Securities Exchange Act of 1934.

ITEM 6. SELECTED FINANCIAL DATA.

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

	Year ended December 31,				
	2019	2018	2017	2016	2015
<i>(In thousands, except per-share amounts)</i>					
Statements of income data					
Revenues:					
Direct premiums	\$ 2,753,866	\$ 2,667,104	\$ 2,562,109	\$ 2,444,268	\$ 2,345,444
Ceded premiums	(1,569,729)	(1,581,164)	(1,600,771)	(1,600,559)	(1,595,220)
Net premiums	1,184,137	1,085,940	961,338	843,709	750,224
Commissions and fees	713,804	677,607	591,317	541,686	537,146
Net investment income	94,073	81,430	79,017	79,025	76,509
Realized investment gains (losses), including other-than-temporary impairment losses	4,965	(2,121)	1,339	4,088	(1,738)
Other, net	55,525	56,987	56,091	50,576	42,058
Total revenues	2,052,504	1,899,843	1,689,102	1,519,084	1,404,199
Benefits and expenses:					
Benefits and claims	493,820	457,583	416,019	367,655	339,315
Amortization of deferred policy acquisition costs	254,552	239,730	209,399	180,582	157,727
Sales commissions	357,198	335,384	297,988	272,815	274,893
Insurance expenses	178,817	168,156	147,280	132,348	123,030
Insurance commissions	25,051	24,490	21,108	17,783	16,340
Interest expense	28,811	28,809	28,488	28,691	33,507
Other operating expenses	237,144	229,607	189,300	181,615	168,406
Total benefits and expenses	1,575,393	1,483,759	1,309,582	1,181,489	1,113,218
Income before income taxes	477,111	416,084	379,520	337,595	290,981
Income taxes	110,720	91,990	29,265	118,181	101,110
Net Income	366,391	324,094	350,255	219,414	189,871
Basic earnings per share:					
Continuing operations	\$ 8.65	\$ 7.35	\$ 7.63	\$ 4.59	\$ 3.70
Basic earnings per share	\$ 8.65	\$ 7.35	\$ 7.63	\$ 4.59	\$ 3.70
Diluted earnings per share:					
Continuing operations	\$ 8.62	\$ 7.33	\$ 7.61	\$ 4.59	\$ 3.70
Diluted earnings per share	\$ 8.62	\$ 7.33	\$ 7.61	\$ 4.59	\$ 3.70
Dividends declared per share	\$ 1.36	\$ 1.00	\$ 0.78	\$ 0.70	\$ 0.64
December 31,					
	2019	2018	2017	2016	2015
<i>(In thousands)</i>					
Balance sheet data					
Investments (excluding the held-to-maturity security)	\$ 2,473,840	\$ 2,160,596	\$ 2,007,993	\$ 1,875,631	\$ 1,813,283
Cash and cash equivalents	256,876	262,138	279,962	211,976	152,294
Reinsurance recoverables	4,169,823	4,141,569	4,205,173	4,193,562	4,110,628
Deferred policy acquisition costs, net	2,325,750	2,133,920	1,951,892	1,713,065	1,500,259
Total assets	13,688,531	12,595,048	12,460,703	11,438,943	10,610,783
Future policy benefits	6,446,569	6,168,157	5,954,524	5,673,890	5,431,711
Notes payable	374,037	373,661	373,288	372,919	372,552
Total liabilities	12,036,040	11,133,535	11,041,602	10,217,569	9,465,011
Stockholders' equity	1,652,491	1,461,513	1,419,101	1,221,374	1,145,772

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

This section generally discusses 2019 and 2018 items and comparisons between 2019 and 2018 financial results. Discussions of 2017 items and comparisons between 2018 and 2017 financial results can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the “2018 MD&A”).

This MD&A is divided into the following sections:

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

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. Recruiting changes 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.

New recruits declined in 2019 to 282,207 from 290,886 in 2018 and from 303,867 in 2017 as we experienced slower momentum in recruiting after a sustained period of growth prior to 2018. The slower momentum in recruiting led to a decline in the number of new life-licensed sales representatives to 44,739 in 2019 from 48,041 in 2018 and 48,535 in 2017. The rate at which recruits became licensed to sell life insurance increased 4% in the second half of 2019 over the prior year period and as a result the life-licensed sales force remained relatively flat with 130,522 sales representatives at December 31, 2019 compared to 130,736 at December 31, 2018.

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:

	Year ended December 31,		
	2019	2018	2017
Average number of life-licensed sales representatives	130,370	128,977	121,291
Number of new policies issued	287,809	301,589	312,799
Average monthly rate of new policies issued per life-licensed sales representative	0.18	0.19	0.21

The volume of new term life insurance policies issued generally moves in conjunction with the size of the life-licensed sales force, subject to fluctuations in productivity as defined above. Productivity of 0.18 new policies issued per life-licensed sales representative per month was slightly lower than the productivity rate in 2018, resulting in a decline in the number of new policies issued year-over-year. The rate of productivity in 2019 continues to be within our historical range of 0.18 to 0.22.

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

	Year ended December 31,					
	2019	% of beginning balance	2018	% of beginning balance	2017	% of beginning balance
	<i>(Dollars in millions)</i>					
Face amount in force, beginning of period	\$ 781,041		\$ 763,831		\$ 728,385	
Net change in face amount:						
Issued face amount	93,994	12 %	95,209	12 %	95,635	13 %
Terminations	(71,519)	(9) %	(70,291)	(9) %	(65,958)	(9) %
Foreign currency	4,746	1 %	(7,708)	(1) %	5,769	1 %
Net change in face amount	27,221	3 %	17,210	2 %	35,446	5 %
Face amount in force, end of period	<u>\$ 808,262</u>		<u>\$ 781,041</u>		<u>\$ 763,831</u>	

The face amount of term life insurance policies in force increased from 2018 to 2019 as the level of face amount issued continued to exceed the face amount of policy terminations. As a percentage of the beginning face amount in force, issued face amount as well as terminated face amount during 2019 remained consistent with 2018. The effect of a strengthening Canadian dollar in relation to the U.S. dollar favorably impacted the translated face amount in force in 2019. Our average issued face amount per policy in 2019 was consistent with 2018 at approximately \$248,500 and \$246,200, respectively.

Investment and Savings Product Sales, Asset Values and Accounts/Positions. Investment and savings products sales and average client asset values were as follows:

	Year ended December 31,			2019 vs. 2018 change		2018 vs. 2017 change	
	2019	2018	2017	\$	%	\$	%
	<i>(Dollars in millions)</i>						
Product sales:							
Retail mutual funds	\$ 4,056	\$ 3,964	\$ 3,802	\$ 92	2 %	\$ 162	4 %
Annuities and other	2,397	2,096	1,670	301	14 %	426	26 %
Total sales-based revenue generating product sales	6,453	6,060	5,472	393	6 %	588	11 %
Managed investments	739	753	428	(14)	(2) %	325	76 %
Segregated funds and other	341	227	292	114	50 %	(65)	(22) %
Total product sales	<u>\$ 7,533</u>	<u>\$ 7,040</u>	<u>\$ 6,192</u>	<u>\$ 493</u>	<u>7 %</u>	<u>\$ 848</u>	<u>14 %</u>
Average client asset values:							
Retail mutual funds	\$ 39,896	\$ 38,108	\$ 35,174	\$ 1,788	5 %	\$ 2,934	8 %
Annuities and other	19,176	18,315	17,002	861	5 %	1,313	8 %
Managed investments	3,563	3,009	2,195	554	18 %	814	37 %
Segregated funds	2,394	2,410	2,420	(16)	*	(10)	*
Total average client asset values	<u>\$ 65,029</u>	<u>\$ 61,842</u>	<u>\$ 56,791</u>	<u>\$ 3,187</u>	<u>5 %</u>	<u>\$ 5,051</u>	<u>9 %</u>

* Less than 1%.

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

	Year ended December 31,					
	2019	% of beginning balance	2018	% of beginning balance	2017	% of beginning balance
	<i>(Dollars in millions)</i>					
Asset values, beginning of period	\$ 57,704		\$ 61,167		\$ 52,340	
Net change in asset values:						
Inflows	7,533	13 %	7,040	12 %	6,192	12 %
Redemptions	(6,428)	(11) %	(5,944)	(10) %	(5,147)	(10) %
Net flows	1,105	2 %	1,096	2 %	1,045	2 %
Change in fair value, net	11,221	19 %	(3,712)	(6) %	7,158	14 %
Foreign currency, net	507	1 %	(847)	(1) %	624	1 %
Net change in asset values	12,833	22 %	(3,463)	(6) %	8,827	17 %
Asset values, end of period	<u>\$ 70,537</u>		<u>\$ 57,704</u>		<u>\$ 61,167</u>	

Average number of fee-generating positions was as follows:

	Year ended December 31,			2019 vs. 2018 change		2018 vs. 2017 change	
	2019	2018	2017	Positions	%	Positions	%
(Positions in thousands)							
Average number of fee-generating positions (1):							
Recordkeeping and custodial	2,005	2,081	2,226	(76)	(4)%	(145)	(7)%
Recordkeeping only	644	658	675	(14)	(2)%	(17)	(3)%
Total average number of fee-generating positions	2,649	2,739	2,901	(90)	(3)%	(162)	(6)%

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

Product sales. The increase in investment and savings product sales in 2019 from 2018 was driven by strong demand for our variable annuity and mutual fund products due to robust equity market performance in 2019.

Client asset values. Client asset values increased as of December 31, 2019 from December 31, 2018 primarily due to recovery from the market correction in the fourth quarter of 2018 and positive market performance in 2019. Average client asset values also increased in 2019 from 2018 largely due to continued market appreciation experienced throughout 2019.

Average number of fee-generating positions. The average number of fee-generating positions decreased in 2019 from 2018 primarily due to the completed transition of our clients' managed account investments from Freedom Portfolios, for which we earned transfer agent recordkeeping fees and, in some cases, 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 do earn these fees. With the transition of Freedom Portfolios to the Lifetime Investments Platform completed during 2019, we only earn transfer agent recordkeeping fees and custodial fees on retail mutual fund positions on our transfer agent recordkeeping platform.

Significant regulatory changes.

Standards of care. 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. We anticipate making certain changes to our sales processes, policies, and procedures in order to comply with the SEC Rulemaking. While we 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 mitigate and 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 would be applied by state regulators and interpreted by the courts, but any such laws or regulations could disrupt our brokerage business in the relevant state. 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.

Restrictions on compensation models in Canada. On February 20, 2020, the organization of provincial and territorial securities regulators (collectively referred to as the “Canadian Securities Administrators” or “CSA”) published final rule amendments, applicable in all provinces except Ontario, to prohibit upfront sales commissions by fund companies for the sale of mutual funds offered under a prospectus in Canada (“DSC Ban”). The final amendments have an effective date of June 1, 2022. The CSA indicated that the participating provinces’ prohibition of upfront sales commissions by fund companies will require firms to discontinue the use of the mutual fund deferred sales charge compensation model, which is the primary model for the mutual funds we distribute in Canada. These rules will result in changes in compensation arrangements with both the fund companies that offer the mutual fund products we distribute and sales representatives in the participating provinces. The deferred sales charge compensation model is permitted to be used until the effective date. While Ontario has disagreed with the prohibition of upfront sales commissions by fund companies and is not at this time participating in adoption of the DSC Ban, the Ontario Securities Commission has proposed several restrictions on the use of the deferred compensation model, including a \$50,000 maximum account size and a limitation on the maximum term of the deferred sales charge schedule to three years compared to current industry practice where the maximum term can be up to seven years. These restrictions, if any, will also be effective June 1, 2022. We have not finished the process of determining the types of changes we will make in response to the DSC Ban and the restrictions in Ontario, therefore, we are unable to quantify the potential impact on our financial condition or results of operations.

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.

Sales and policies in force. Sales of term policies and the size and characteristics of our in-force book of policies are vital to our results over the long term. Premium revenue is recognized as it is earned over the term of the policy, 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 generally correlates to the size of the independent sales force.

Pricing assumptions. Our pricing methodology is intended to provide us with appropriate profit margins for the risks we assume. We determine pricing classifications based on the coverage sought, such as the size and term of the policy, and certain policyholder attributes, such as age and health. In addition, we 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, and 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") with entities then affiliated with Citigroup, Inc. (collectively, the "IPO coinsurers") 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. 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 independent 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 independent sales force is a factor in driving sales volume in this segment, there are a number of other variables, such as economic and market conditions, which may have a significantly greater effect on sales volume in any given fiscal period.

Asset values in client accounts. We earn marketing and distribution fees (trail commissions or, with respect to U.S. mutual funds, 12b-1 fees) on mutual fund and annuity assets in the United States and Canada. In the United States, we also earn investment advisory and administrative fees on assets in managed investments. In Canada, we earn 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 National Benefit Life Insurance Company (“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 our common stock. See Note 10 (Debt), Note 12 (Stockholders’ Equity) and Note 16 (Commitments and Contingent Liabilities) to our 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.

The year-end exchange rates (USD per CAD) used by the Company to translate our Canadian dollar functional currency assets and liabilities into U.S. dollars increased by 5% in 2019 from 2018. The average exchange rates used by the Company in 2019 to translate our Canadian dollar functional currency revenues and expenses into U.S. dollars decreased 2% compared to 2018.

See “Results of Operations” and “Financial Condition” and “Quantitative and Qualitative Disclosures About Market Risk – Canadian Currency Risk” and Note 3 (Segment and Geographical Information) to our 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.

Income Taxes. The profitability of the Company and its subsidiaries is affected by income taxes assessed by federal, state, and U.S. territorial jurisdictions in the U.S. and federal and provincial jurisdictions in Canada. Changes in tax legislation, such as the Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”), impact the measurement of our deferred tax assets and liabilities and the amount of income tax expense we incur.

The Tax Reform Act reduced the U.S. federal statutory tax rate from 35% to 21% effective January 1, 2018 and included other tax reforms affecting business, such as allowable business deductions and international tax provisions. The decrease in the federal corporate tax rate reduced the Company’s overall effective tax rate in 2018 and thereafter even after factoring in certain increases from other provisions introduced by the Tax Reform Act.

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 elsewhere in this report. The most significant items on our 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.

Deferred Policy Acquisition Costs. We defer incremental direct costs of successful contract acquisitions that result directly from and are essential to the contract transaction(s) and that would not have been incurred had the contract transaction(s) not occurred. These costs include commissions and policy issue expenses. Deferrable term life insurance policy acquisition costs are amortized over the initial level premium-paying period of the related policies in proportion to premium income and include assumptions made by us

regarding persistency, expenses, interest rates and claims, which are updated on new business to reflect recent experience. These assumptions may not be modified, or unlocked on in-force term life insurance business, unless recoverability testing deems estimated future cash flows to be inadequate. DAC is subject to recoverability testing annually and when circumstances indicate that recoverability is uncertain.

In particular, the balance of DAC in our Term Life Insurance segment is susceptible to differences between estimated persistency assumptions and actual persistency experienced. If actual lapses are different from pricing assumptions for a particular period, the amount of DAC amortized for that period will be affected. For example, if actual annual lapses at each policy duration are 10% higher, the additional DAC balance as of December 31, 2019 that would be amortized is approximately \$23 million. To further illustrate, if we expect 1,000 policies in the first policy duration to lapse, this sensitivity demonstration assumes that an additional 10%, or 1,100 in total, first duration policies actually lapse. We believe that a 10% higher annual lapse rate is a reasonably possible variation. Higher lapses in the early durations would have a greater effect on DAC amortization since the DAC balances are higher at the earlier durations. Due to the inherent uncertainties in making assumptions about future events, materially different experience from expected results in persistency could result in a material increase or decrease of DAC amortization in a particular period. Differences between actual and expected persistency also impact the balance of future policy benefit reserves and reinsurance recoverables as discussed below.

For additional information on DAC, see Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) and Note 7 (Deferred Policy Acquisition Costs) to our consolidated financial statements included elsewhere in this report.

Future Policy Benefit Reserves and Reinsurance. Liabilities for future policy benefits on our term life insurance products are reserves established for death claims and waiver of premium benefits and have been computed using a net level method and include assumptions as to mortality, persistency, interest rates, disability rates, and other assumptions based on our historical experience, modified as necessary for new business to reflect anticipated trends and to include provisions for possible adverse deviation. Reserves related to reinsured policies are accounted for using assumptions consistent with those used to determine the future policy benefit reserves and are included in reinsurance recoverables in our consolidated balance sheets. Similar to the term life insurance DAC discussion above, we do not modify the assumptions used to establish future policy benefit reserves during the policy term unless recoverability testing deems them to be inadequate and there is no remaining DAC associated with the underlying policies. Our results depend significantly upon the extent to which our actual experience is consistent with the assumptions we used in determining our future policy benefit reserves. Our future policy benefit reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual claims or the timing of those payments.

The net impact of differences between actual and expected persistency on future policy benefit reserves and reinsurance recoverables will partially offset the earnings impact recognized from DAC amortization noted above. In our Term Life Insurance segment, if actual annual lapses at each policy duration are 10% higher, the additional future policy benefit reserves that would be released is approximately \$25 million, partially offset by the release of the corresponding recoverable from reinsurers asset of approximately \$11 million using balances as of December 31, 2019. Higher lapses in later policy durations would have a greater effect on the release of future policy benefit reserves since the future policy benefit reserves are higher at the later durations.

For additional information on future policy benefits and reinsurance, see Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) and Note 6 (Reinsurance) to our consolidated financial statements included elsewhere in this report.

Income Taxes. We account for income taxes using the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to (i) temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (ii) operating loss and tax credit carryforwards. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not applicable to the periods in which we expect the temporary difference will reverse. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. For example, as of December 31, 2017, we measured our deferred tax assets and liabilities for temporary differences subject to U.S. federal income tax using the 21% statutory rate that became effective on January 1, 2018 as a result of the Tax Reform Act enacted on December 22, 2017. We recognized the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date and, therefore, we have recognized the impact from the previous 35% statutory rate to the updated 21% statutory rate through income during the year ended December 31, 2017.

In light of the multiple tax jurisdictions in which we operate, our tax returns are subject to routine audit by the Internal Revenue Service and other taxation authorities. These audits at times may produce alternative views regarding particular tax positions taken in the year(s) of review. As a result, the Company records uncertain tax positions, which require recognition at the time when it is deemed more likely than not that the position in question will be upheld. Although management believes that the judgment and estimates involved are reasonable and that the necessary provisions have been recorded, changes in circumstances or unexpected events could adversely affect our financial position, results of operations, and cash flows.

For additional information on income taxes, see Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) and Note 11 (Income Taxes) to our consolidated financial statements included elsewhere in this report.

Invested Assets. We hold primarily fixed-maturity securities, including bonds and redeemable preferred stocks. We have classified these invested assets as available-for-sale, except for the securities of our U.S. broker-dealer subsidiary, which we have classified as

trading securities. We also hold a credit-enhanced note, which we classified as a held-to-maturity security that was issued in exchange for a surplus note (the “Surplus Note”) with an equal principal amount as part of a redundant reserve financing transaction. All of these securities are carried at fair value, except for the held-to-maturity security, which is carried at amortized cost. Unrealized gains and losses on available-for-sale securities, except for other-than-temporary impairments (“OTTI”) discussed below, are included as a separate component of other comprehensive income in our statements of comprehensive income.

We also hold equity securities, including common and non-redeemable preferred stock. Effective January 1, 2018, the Company adopted Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). As a result, these equity securities are measured at fair value and changes in unrealized gains and losses are recognized in net income. Prior to adoption, equity securities were designated as available-for-sale and reported at fair value (except for other-than-temporary impairment) with unrealized gains (losses) recorded in other comprehensive income (loss). Changes in fair value of trading securities are included in net income in the accompanying consolidated statements of income in the period in which the change occurred.

Fair value. Fair value is the price that would be received upon the sale of an asset in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We classify and disclose all invested assets carried at fair value in one of the three fair value measurement categories prescribed by U.S. GAAP.

As of each reporting period, we classify all invested assets in their entirety based on the lowest level of input that is significant to the fair value measurement. Significant levels of estimation and judgment are required to determine the fair value of certain of our investments. The factors influencing these estimations and judgments are subject to change in subsequent reporting periods.

OTTI. The determination of whether a decline in fair value of available-for-sale securities below amortized cost is other-than-temporary is subjective. Furthermore, this determination can involve a variety of assumptions and estimates, particularly for invested assets that are not actively traded in established markets. We evaluate a number of quantitative and qualitative factors when determining the impairment status of individual securities, including issuer-specific risks as well as relevant macroeconomic risks.

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

Beginning in 2020, the Company will adopt Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* (“ASC 326”). ASC 326 maintains the fundamental incurred probable loss approach for measuring losses in the statement of income and replaces the other-than-temporary impairment model with a subtly different credit loss model. For available-for-sale securities in an unrealized loss position that we intend to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis, we will still recognize the impairment in our statements of income by writing down the amortized cost basis to the fair value under ASC 326. For available-for-sale securities in an unrealized loss position that we do not intend to sell or it is not more-likely-than-not that we will be required to sell before the expected recovery of the amortized cost basis, ASC 326 requires that we recognize the portion of the impairment that is due to a credit loss in our statements of income through an allowance. Then, we will be allowed to reverse credit losses previously recognized in the allowance in situations where the estimate of credit losses on those securities has declined. The amendments in ASC 326 will also preclude us from considering the length of time an available-for-sale security has been in an unrealized loss position and removes the requirement to consider recoveries or declines in fair value after the balance sheet date when determining whether an impairment on a security is due to a credit loss. The Company does not expect the adoption of ASC 326 will result in any material changes to impairment losses recognized in our statements of income for available-for-sale securities.

Analyses that we perform to determine losses recognized in our statements of income for impaired available-for-sale securities involve the use of estimates, assumptions, and subjectivity. If these factors or future events change, we could experience material losses recognized in our statements of income for impaired available-for-sale securities in future periods, which could adversely affect our financial condition, results of operations and the size and quality of our invested assets portfolio.

For additional information on our invested assets, see Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies), Note 4 (Investments) and Note 5 (Fair Value of Financial Instruments) to our consolidated financial statements included elsewhere in this report.

Results of Operations

Revenues. Our revenues consist of the following:

- Net premiums. Reflects direct premiums payable by our policyholders on our in-force insurance policies, primarily term life insurance, net of reinsurance premiums that we pay to reinsurers.
- Commissions and fees. Consists primarily of dealer re-allowances earned on the sales of investment and savings products, trail commissions and management fees based on the asset values of client accounts, marketing and distribution fees from product originators, fees for non-bank custodial services rendered in our capacity as nominee on client retirement accounts funded by mutual funds on our servicing platform, transfer agent recordkeeping fees for mutual funds on our servicing platform, and fees associated with the sale of other distributed products.
- Net investment income. Represents income, net of investment-related expenses, generated by our invested asset portfolio, which consists primarily of interest income earned on fixed-maturity investments. Investment income recorded on our held-to-maturity invested asset and the offsetting interest expense recorded for our Surplus Note are included in net investment income.
- Realized investment gains (losses), including OTTI. Primarily reflects the difference between amortized cost and amounts realized on the sale of available-for-sale securities, OTTI charges, and changes in the fair value of equity securities.
- Other, net. Reflects revenues generated primarily from the fees charged for access to Primerica Online (“POL”), our primary sales force support tool, as well as revenues from the sale of other miscellaneous items.

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

- Benefits and claims. Reflects the benefits and claims payable on insurance policies, as well as changes in our reserves for future policy claims and reserves for other benefits payable, net of reinsurance.
- Amortization of DAC. Represents the amortization of capitalized costs directly associated with the sale of an insurance policy or segregated fund, including sales commissions, medical examination and other underwriting costs, and other eligible policy issuance costs.
- Sales commissions. Represents commissions to the sales representatives in connection with the sale of investment and savings products, and products other than insurance products.
- Insurance expenses. Reflects non-capitalized insurance expenses, including staff compensation, technology and communications, insurance sales force-related costs, printing, postage and distribution of insurance sales materials, outsourcing and professional fees, premium taxes, and other corporate and administrative fees and expenses related to our insurance operations. Insurance expenses also include both indirect policy issuance costs and costs associated with unsuccessful efforts to acquire new policies.
- Insurance commissions. Reflects sales commissions with respect to insurance products that are not eligible for deferral.
- Interest expense. Reflects interest on our notes payable, any interest and the commitment fee on our revolving credit facility, the financing charges related to the letter of credit issued under the credit facility agreement with Deutsche Bank (the “Peach Re Credit Facility Agreement”), fees paid for the credit enhancement feature on our held-to-maturity invested asset, and a finance charge incurred pursuant to one of our coinsurance agreements with an IPO coinsurer.
- Other operating expenses. Consists primarily of expenses that are unrelated to the distribution of insurance products, including staff compensation, technology and communications, various sales force-related costs, non-bank custodial and transfer agent recordkeeping administrative costs, outsourcing and professional fees, and other corporate and administrative fees and expenses.

Insurance expenses and other operating expenses directly attributable to the Term Life Insurance and the Investment and Savings Products segments are recorded directly to the applicable segment. We allocate certain other revenue and operating expenses that are not directly attributable to a specific operating segment using methods expected to reasonably measure the benefit received by each reporting segment. Such methods include time studies, recorded usage, revenue distribution, and sales force representative distribution. These allocated items include fees charged for access to POL and costs incurred for technology, sales force support, occupancy and other general and administrative costs. Costs that are not directly charged or allocated to our two primary operating segments are included in our Corporate and Other Distributed Products segment.

Primerica, Inc. and Subsidiaries Results. Our results of operations for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Year ended December 31,			2019 vs. 2018 change		2018 vs. 2017 change (1)	
	2019	2018	2017(1)	\$	%	\$	%
<i>(Dollars in thousands)</i>							
Revenues:							
Direct premiums	\$ 2,753,866	\$ 2,667,104	\$ 2,562,109	\$ 86,762	3 %	\$ 104,995	4 %
Ceded premiums	(1,569,729)	(1,581,164)	(1,600,771)	(11,435)	(1) %	(19,607)	(1) %
Net premiums	1,184,137	1,085,940	961,338	98,197	9 %	124,602	13 %
Commissions and fees	713,804	677,607	591,317	36,197	5 %	86,290	15 %
Investment income net of investment expenses	142,398	118,915	105,882	23,483	20 %	13,033	12 %
Interest expense on surplus note	(48,325)	(37,485)	(26,865)	10,840	29 %	10,620	40 %
Net investment income	94,073	81,430	79,017	12,643	16 %	2,413	3 %
Realized investment gains (losses), including other-than-temporary impairment losses	4,965	(2,121)	1,339	7,086	*	(3,460)	*
Other, net	55,525	56,987	56,091	(1,462)	(3) %	896	2 %
Total revenues	2,052,504	1,899,843	1,689,102	152,661	8 %	210,741	12 %
Benefits and expenses:							
Benefits and claims	493,820	457,583	416,019	36,237	8 %	41,564	10 %
Amortization of DAC	254,552	239,730	209,399	14,822	6 %	30,331	14 %
Sales commissions	357,198	335,384	297,988	21,814	7 %	37,396	13 %
Insurance expenses	178,817	168,156	147,280	10,661	6 %	20,876	14 %
Insurance commissions	25,051	24,490	21,108	561	2 %	3,382	16 %
Interest expense	28,811	28,809	28,488	2	*	321	1 %
Other operating expenses	237,144	229,607	189,300	7,537	3 %	40,307	21 %
Total benefits and expenses	1,575,393	1,483,759	1,309,582	91,634	6 %	174,177	13 %
Income before income taxes	477,111	416,084	379,520	61,027	15 %	36,564	10 %
Income taxes	110,720	91,990	29,265	18,730	20 %	62,725	214 %
Net income	\$ 366,391	\$ 324,094	\$ 350,255	\$ 42,297	13 %	\$ (26,161)	(7) %

(1) Refer to the 2018 MD&A for discussions of 2017 items and comparisons between 2018 and 2017 financial results.

* Less than 1% or not meaningful

Total revenues. Total revenues increased in 2019 from 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 transactions is reflected in the decline in ceded premiums. Commissions and fees from our Investment and Savings Products segment increased largely due to growth in client asset values as a result of market performance and higher investment and savings product sales.

Net investment income increased by \$12.6 million in 2019 largely due to the positive impact a higher total return on the deposit asset backing the 10% coinsurance agreement that is subject to deposit method accounting. The \$9.8 million higher return on this deposit asset was due to a favorable mark-to-market adjustment as fixed income prices rose during the current year, as well as higher book earnings on the deposit asset as the duration and book yield of the investments comprising the asset both increased in 2019. A larger invested asset portfolio also contributed approximately \$7.5 million to the higher net investment income when compared to the prior year, partially offset by \$4.7 million of lower net investment income due to lower 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 the Surplus Note, thereby eliminating any impact on net investment income. Amounts recognized for each line item will remain offsetting and will fluctuate from period to period along with the principal amounts of the held-to-maturity asset and the Surplus Note based on the balance of reserves being contractually supported under a redundant reserve financing transaction used by Vidalia Re, Inc. ("Vidalia Re"), a special purpose financial captive insurance company and wholly owned subsidiary of Primerica Life Insurance Company ("Primerica Life"). For more information on the Surplus Note, see Note 10 (Debt) and for additional information on the redundant reserve financing transaction used by Vidalia Re, see Note 4 (Investments) to our consolidated financial statements included elsewhere in this report.

Realized investment gains (losses), including other-than-temporary impairment losses, increased to a gain during 2019 compared to a loss in 2018 as a result of changes in the value of equity securities held in our investment portfolio which are marked to market through the income statement.

Total benefits and expenses. Total benefits and expenses increased in 2019 from 2018 primarily due to growth in premium-related costs, which include benefits and claims and amortization of DAC in our Term Life Insurance Segment. The increase in sales commissions was generally consistent with the increase in commissions and fees as described in the total revenues comparison above. Insurance expenses and other operating expenses were higher due to an increase of approximately \$10.4 million in technology-related expenses, \$3.5 million of increased expenses for annual employee merit increases, and \$4.2 million of other expenses incurred to support the growth of the business.

Income taxes. Our effective income tax rate for 2019 was 23.2% compared to 22.1% in 2018. The lower rate in the prior year was driven by \$2.7 million of lower income tax expenses resulting from adjustments to provisional amounts recognized due to the enactment of the Tax Reform Act in 2017.

For additional information, see the discussions of results of operations by segment below.

Term Life Insurance Segment. Our results for the Term Life Insurance segment for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Year ended December 31,			2019 vs. 2018 change		2018 vs. 2017 change ⁽¹⁾	
	2019	2018	2017 ⁽¹⁾	\$	%	\$	%
<i>(Dollars in thousands)</i>							
Revenues:							
Direct premiums	\$ 2,728,844	\$ 2,640,830	\$ 2,534,068	\$ 88,014	3 %	\$ 106,762	4 %
Ceded premiums	(1,562,383)	(1,573,751)	(1,593,011)	(11,368)	(1) %	(19,260)	(1) %
Net Premiums	1,166,461	1,067,079	941,057	99,382	9 %	126,022	13 %
Allocated net investment income	19,922	13,747	9,931	6,175	45 %	3,816	38 %
Other, net	40,848	42,374	41,236	(1,526)	(4) %	1,138	3 %
Total revenues	1,227,231	1,123,200	992,224	104,031	9 %	130,976	13 %
Benefits and expenses:							
Benefits and claims	475,330	441,775	398,212	33,555	8 %	43,563	11 %
Amortization of DAC	248,711	228,613	201,751	20,098	9 %	26,862	13 %
Insurance expenses	172,316	160,645	139,876	11,671	7 %	20,769	15 %
Insurance commissions	10,781	10,263	6,728	518	5 %	3,535	53 %
Total benefits and expenses	907,138	841,296	746,567	65,842	8 %	94,729	13 %
Income before income taxes	\$ 320,093	\$ 281,904	\$ 245,657	38,189	14 %	36,247	15 %

⁽¹⁾ Refer to the 2018 MD&A for discussions of 2017 items and comparisons between 2018 and 2017 financial results.

Net premiums. Direct premiums increased in 2019 from 2018 largely due to the sale of new policies in recent periods that have contributed to growth in the in-force book of business. The decline in ceded premiums includes \$59.0 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions. Partially offsetting the run-off of business subject to IPO transactions was \$47.6 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 decrease in ceded premiums caused net premiums to grow at a higher rate than direct premiums.

Allocated net investment income. Allocated net investment income increased in 2019 from 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 in 2019 from 2018 primarily due to growth in net premiums. Claims experience was in line with historical trends.

Amortization of DAC. The amortization of DAC increased in 2019 from 2018 largely due to growth in net premiums. Persistency trended favorably as we progressed through 2019 when compared to 2018.

Insurance expenses. Insurance expenses increased in 2019 from 2018 largely due to increases of \$7.1 million to support growth in the business and increased technology-related expenses of \$2.6 million. Also contributing to the year-over-year increase in insurance expenses was an increase of \$1.5 million in employee-related costs.

Investment and Savings Products Segment. Our results of operations for the Investment and Savings Products segment for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Year ended December 31,			2019 vs. 2018 change		2018 vs. 2017 change ⁽¹⁾	
	2019	2018	2017 ⁽¹⁾	\$	%	\$	%
<i>(Dollars in thousands)</i>							
Revenues:							
Commissions and fees:							
Sales-based revenues	\$ 282,887	\$ 259,991	\$ 233,005	\$ 22,896	9 %	\$ 26,986	12 %
Asset-based revenues	318,149	303,652	275,157	14,497	5 %	28,495	10 %
Account-based revenues	80,555	81,802	55,030	(1,247)	(2) %	26,772	49 %
Other, net	10,017	9,631	9,555	386	4 %	76	1 %
Total revenues	691,608	655,076	572,747	36,532	6 %	82,329	14 %
Expenses:							
Amortization of DAC	4,549	9,766	6,168	(5,217)	(53) %	3,598	58 %
Insurance commissions	12,735	12,567	12,505	168	1 %	62	*
Sales commissions:							
Sales-based	199,690	185,221	166,061	14,469	8 %	19,160	12 %
Asset-based	141,655	133,943	118,513	7,712	6 %	15,430	13 %
Other operating expenses	141,167	139,667	106,664	1,500	1 %	33,003	31 %
Total expenses	499,796	481,164	409,911	18,632	4 %	71,253	17 %
Income before income taxes	\$ 191,812	\$ 173,912	\$ 162,836	\$ 17,900	10 %	\$ 11,076	7 %

⁽¹⁾ Refer to the 2018 MD&A for discussions of 2017 items and comparisons between 2018 and 2017 financial results.

* Less than 1%

Commissions and fees. Commissions and fees increased in 2019 from 2018 driven by growth in Sales-based revenues as a result of higher demand for variable annuity products and mutual fund 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. The increase in commissions and fees was partially offset by a decrease in account-based revenues driven by the factors discussed in the “Business Trends and Conditions” section above.

Amortization of DAC. Amortization of DAC decreased in 2019 from 2018 largely due to favorable market performance of the funds underlying our Canadian segregated funds in the first and fourth quarters of 2019 compared to unfavorable market performance in the first and fourth quarters of 2018.

Sales commissions. The increase in sales-based and asset-based commissions in 2019 from 2018 was relatively consistent with the growth in sales-based and asset-based revenues, respectively.

Other operating expenses. Other operating expenses increased in 2019 from 2018 primarily due to \$4.4 million of increased spending on technology-related expenses and \$1.4 million of employee-related costs, partially offset by approximately \$5 million of lower expenses from the following items: reduced fees paid to a service provider for the Company’s transfer agent recordkeeping platform; negotiated fee reductions with a managed accounts service provider; and other operational efficiencies within the business.

Corporate and Other Distributed Products Segment. Our results of operations for the Corporate and Other Distributed Products segment for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Year ended December 31,			2019 vs. 2018 change		2018 vs. 2017 change ⁽¹⁾	
	2019	2018	2017 ⁽¹⁾	\$	%	\$	%
<i>(Dollars in thousands)</i>							
Revenues:							
Direct premiums	\$ 25,022	\$ 26,274	\$ 28,041	\$ (1,252)	(5)%	\$ (1,767)	(6)%
Ceded premiums	(7,346)	(7,413)	(7,760)	(67)	(1)%	(347)	(4)%
Net Premiums	17,676	18,861	20,281	(1,185)	(6)%	(1,420)	(7)%
Commissions and fees	32,213	32,162	28,125	51	*	4,037	14%
Allocated investment income net of investment expenses	122,476	105,168	95,951	17,308	16%	9,217	10%
Interest expense on surplus note	(48,325)	(37,485)	(26,865)	10,840	29%	10,620	40%
Allocated net investment income	74,151	67,683	69,086	6,468	10%	(1,403)	(2)%
Realized investment gains (losses), including other-than-temporary impairment losses	4,965	(2,121)	1,339	7,086	*	(3,460)	*
Other, net	4,660	4,982	5,300	(322)	(6)%	(318)	(6)%
Total revenues	133,665	121,567	124,131	12,098	10%	(2,564)	(2)%
Benefits and expenses:							
Benefits and claims	18,490	15,808	17,807	2,682	17%	(1,999)	(11)%
Amortization of DAC	1,292	1,351	1,480	(59)	(4)%	(129)	(9)%
Insurance expenses	6,501	7,511	7,404	(1,010)	(13)%	107	1%
Insurance commissions	1,535	1,660	1,875	(125)	(8)%	(215)	(11)%
Sales commissions	15,853	16,220	13,414	(367)	(2)%	2,806	21%
Interest expense	28,811	28,809	28,488	2	*	321	1%
Other operating expenses	95,977	89,940	82,636	6,037	7%	7,304	9%
Total benefits and expenses	168,459	161,299	153,104	7,160	4%	8,195	5%
Loss before income taxes	\$ (34,794)	\$ (39,732)	\$ (28,973)	\$ (4,938)	(12)%	\$ 10,759	37%

⁽¹⁾ Refer the 2018 MD&A for discussions of 2017 items and comparisons between 2018 and 2017 financial results.

* Less than 1% or not meaningful

Total revenues. Total revenues increased in 2019 from 2018 largely due to the higher net investment income and realized investment gains (losses), including other-than-temporary impairment losses as discussed in “Total revenues” under the consolidated “Primerica, Inc. and Subsidiaries Results” section. The increase in total revenues was partially offset by a reduction in net premiums as a result of the continued run-off of non-term life insurance lines of business at NBLIC. Commissions and fees remained consistent in 2019 versus 2018.

Total Benefits and Expenses. Total benefits and expenses increased in 2019 from 2018 primarily due to higher claims experienced on a run-off block of life insurance business and the recognition of \$2.3 million in losses for business ceded on a closed block of life insurance business that may not be collected from a reinsurer that was ordered into receivership. Also contributing to the increase is \$3.4 million of increased spending on technology-related expenses and \$1.0 million of increased spending on 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 December 31, 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 operations. Additionally, to ensure adequate liquidity for payment of claims, we take into account the maturity and duration of our invested asset portfolio and our general liability profile.

We also hold within our invested asset portfolio a credit enhanced note ("LLC Note") issued by a limited liability company owned by a third-party service provider which is classified as a held-to-maturity security. The LLC Note, which is scheduled to mature on December 31, 2030, was obtained in exchange for the Surplus Note of equal principal amount issued by Vidalia Re. For more information on the LLC Note, see Note 4 (Investments) to our 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:

	December 31, 2019		December 31, 2018	
	Fair value	Cost or amortized cost	Fair value	Cost or amortized cost
U.S. government and agencies	*	*	1%	1%
Foreign government	6%	6%	6%	6%
States and political subdivisions	5%	5%	2%	2%
Corporates	56%	55%	60%	60%
Mortgage- and asset-backed securities	21%	21%	17%	17%
Short-term investments	-	-	*	*
Equity securities	1%	1%	2%	2%
Trading securities	1%	2%	1%	1%
Cash and cash equivalents	10%	10%	11%	11%
Total	100%	100%	100%	100%

* Less than 1%.

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

	December 31, 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	3.54%	3.89%

Ratings for our investments in fixed-maturity securities are determined using Nationally Recognized Statistical Rating Organizations designations and/or equivalent ratings. 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:

	December 31, 2019		December 31, 2018	
	Amortized cost (1)	%	Amortized cost (1)	%
<i>(Dollars in thousands)</i>				
AAA	\$ 555,640	24 %	\$ 444,466	21 %
AA	271,936	12 %	217,541	10 %
A	543,351	23 %	469,044	23 %
BBB	885,497	38 %	898,694	43 %
Below investment grade	59,190	3 %	59,368	3 %
Not rated	2,389	*	3,319	*
Total	\$ 2,318,003	100 %	\$ 2,092,432	100 %

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

* Less than 1%.

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

	December 31, 2019				
Issuer	Fair value	Amortized cost (1)	Unrealized gain (loss)		Credit rating
	(Dollars in thousands)				
Government of Canada	\$ 23,938	\$ 23,717	\$ 221		AAA
Province of Quebec Canada	13,811	12,764	1,047		AA-
Enbridge Inc.	11,553	11,211	342		A+
Cigna Corp.	11,224	10,844	380		A-
Province of Ontario Canada	10,888	10,488	400		A+
Province of Alberta Canada	10,743	10,375	368		A+
Province of British Columbia Canada	10,693	10,494	199		AAA
Wells Fargo & Co.	10,320	9,997	323		A-
Bank of America Corp.	10,190	9,916	274		A-
City of Houston Texas	9,940	10,088	(148)		AA-
Total – ten largest holdings	\$ 123,300	\$ 119,894	\$ 3,406		
Total – fixed-maturity securities	\$ 2,400,229	\$ 2,318,003			
Percent of total fixed-maturity securities	5 %	5 %			

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

For additional information on our invested asset portfolio, see Note 4 (Investments) and Note 5 (Fair Value of Financial Instruments) to our consolidated financial statements included elsewhere in this report.

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

	December 31,		Change	
	2019	2018	\$	%
<i>(Dollars in thousands)</i>				
Assets:				
Reinsurance recoverables	\$ 4,169,823	\$ 4,141,569	\$ 28,254	1 %
Deferred policy acquisition costs, net	2,325,750	2,133,920	191,830	9 %
Liabilities:				
Future policy benefits	\$ 6,446,569	\$ 6,168,157	\$ 278,412	5 %

Reinsurance recoverables. Reinsurance recoverables reflects future policy benefit reserves and claim reserves ceded to reinsurers, including the IPO coinsurers. Reinsurance recoverables as of December 31, 2019 increased compared with December 31, 2018 primarily due to the timing of collections. The balance of reinsurance recoverables at December 31, 2019 included two months of accumulated ceded claims while the balance at December 31, 2018 included only one month of accumulated ceded claims as a result of when claims were contractually due from the IPO coinsurers relative to year-end.

Deferred policy acquisition costs, net. The increase in DAC was primarily a result of the cumulative impact of incremental commissions and expenses deferred as a result of new business in 2019 not subject to the IPO coinsurance agreements.

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

For additional information, see the notes to our consolidated financial statements included elsewhere in this report.

Liquidity and Capital Resources

Dividends and other payments to the Parent Company from its subsidiaries are our principal sources of cash. The amount of dividends paid by the subsidiaries is dependent on their capital needs to fund future growth and applicable regulatory restrictions. The primary uses of funds by the Parent Company include the payments of stockholder dividends, interest on notes payable, general operating expenses, and income taxes, as well as repurchases of shares of our common stock outstanding. During 2019, our life insurance underwriting companies declared and paid ordinary dividends of \$292.5 million to the Parent Company. See Note 15 (Statutory Accounting and Dividend Restrictions) to our consolidated financial statements included elsewhere in this report for more information on insurance subsidiary dividends and statutory restrictions. In addition, in 2019 our non-life insurance subsidiaries declared and paid dividends of \$105.6 million to the Parent Company. At December 31, 2019, the Parent Company had cash and invested assets of \$269.9 million.

The Parent Company's subsidiaries generate operating cash flows primarily from term life insurance premiums (net of premiums ceded to reinsurers), income from invested assets, commissions and fees collected from the distribution of investment and savings products 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 changes in cash and cash equivalents were as follows:

	Year ended December 31,		
	2019	2018	2017 (1)
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 485,513	\$ 478,067	\$ 391,544
Net cash provided by (used in) investing activities	(201,884)	(232,801)	(131,301)
Net cash provided by (used in) financing activities	(290,134)	(260,997)	(193,461)
Effect of foreign exchange rate changes on cash	1,243	(2,093)	1,204
Change in cash and cash equivalents	\$ (5,262)	\$ (17,824)	\$ 67,986

(1) Refer to the 2018 MD&A for discussions of 2017 items and comparisons between 2018 and 2017 financial results.

Operating activities. Cash provided by operating activities increased in 2019 from 2018 driven by higher 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 drive positive incremental cash flows from operating activities. Partially offsetting this increase was a reduction in cash generated from the timing effect of when cash payments to/from reinsurers were due for ceded premiums and ceded claims. The year-over-year increase in cash provided by operating activities was also partially offset by the purchase of more trading securities in 2019 as the Company was able to invest excess cash in trading securities rather than holding the balance in cash and cash equivalents.

Investing activities. Cash used in investing activities decreased in 2019 from 2018 driven by higher cash received due to the timing of maturities of fixed-maturity securities. Partially offsetting the decrease in cash used in investing activities was higher purchases of fixed assets to support technology-related initiatives.

Financing activities. Cash used in financing activities increased in 2019 compared to 2018 as expected due to a larger common stock share repurchase program in 2019. Also contributing to the increase in cash used in financing activities was higher dividends paid to stockholders as the Company increased its per share dividend in 2019.

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 December 31, 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 December 31, 2019, Primerica Life Insurance Company of Canada was in compliance with Canada's minimum capital requirements as determined by OSFI.

For more information regarding statutory capital requirements and dividend capacities of our insurance subsidiaries, see Note 15 (Statutory Accounting and Dividend Restrictions) to our consolidated financial statements included elsewhere in this report for more information.

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 as of January 1, 2018. The adoption of PBR facilitated extending the premium guarantees for Primerica Life for the entire initial term period for new sales. The new principle-based reserve regulation will significantly reduce the statutory policy benefit reserve requirements, but will only apply for 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 included elsewhere in this 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 at December 31, 2019. No events of default occurred on the Senior Notes during the year ended December 31, 2019.

Financial Ratings. As of December 31, 2019, the investment grade credit ratings for our Senior Notes were as follows:

Agency	Senior Notes rating
Moody's	Baa1, stable outlook
Standard & Poor's	A-, stable outlook
A.M. Best Company	a-, stable outlook

As of December 31, 2019, Primerica Life’s financial strength ratings were as follows:

Agency	Financial strength rating
Moody's	A1, stable outlook
Standard & Poor's	AA-, stable outlook
A.M. Best Company	A+, stable outlook

Securities Lending. We participate in securities lending transactions with brokers to increase investment income with minimal risk. See Note 4 (Investments) to our consolidated financial statements included elsewhere in this report for additional information.

Short-Term Borrowings. We had no short-term borrowings as of or during the year ended December 31, 2019.

Surplus Note. Vidalia Re issued a Surplus Note in exchange for the LLC Note as a part of the Vidalia Re Redundant Reserve Financing Transaction. The Surplus Note has a principal amount equal to the LLC Note and is scheduled to mature on December 31, 2030. For more information on the Surplus Note, see Note 10 (Debt) to our 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 December 31, 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 contains language that allows for the Company and the lenders to agree on a comparable or successor reference rate in the event LIBOR is no longer available, as is expected to happen in 2022. 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 December 31, 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 2019.

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

	December 31, 2019					
	Total Liability	Total Payments	Less than 1 year	1-3 years	3-5 years	More than 5 years
	<i>(In millions)</i>					
Future policy benefits	\$ 6,447	\$ 24,758	\$ 1,632	\$ 3,130	\$ 2,924	\$ 17,072
Policy claims and other benefits payable	340	340	340	-	-	-
Other policyholder funds	389	389	389	-	-	-
Long-term debt principal	375	375	-	375	-	-
Interest obligations	8	118	28	55	15	20
Commissions	34	34	33	1	-	-
Purchase obligations	17	51	38	13	-	-
Lease obligations	54	67	8	15	15	29
Income tax payable	20	20	20	-	-	-
Other liabilities	450	418	384	34	-	-
Total contractual obligations	<u>\$ 8,134</u>	<u>\$ 26,570</u>	<u>\$ 2,872</u>	<u>\$ 3,623</u>	<u>\$ 2,954</u>	<u>\$ 17,121</u>

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

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

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

Long-term debt principal relates to our Senior Notes.

Interest obligations (reported within other liabilities in our consolidated balance sheets) reflect expected interest on our Senior Notes, the commitment fee on our Revolving Credit Facility, the financing charges related to an issued letter of credit, fees paid for the credit enhancement feature on the LLC Note, and a finance charge incurred pursuant to one of our coinsurance agreements as of December 31, 2019. We did not include the principal or interest on the Surplus Note in the table above as the payments due for these items are contractually offset by the principal and interest on the LLC Note as long as we hold the LLC Note. The Company asserts its positive intent and ability to hold the LLC Note until maturity.

Commissions represent commissions that have been earned by the sales force but have not been paid as of December 31, 2019. We are only obligated to pay commissions as earned from sales of our products. The total liability amount is reported within other liabilities in our consolidated balance sheets.

Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. These obligations consist primarily of accounts payable and certain accrued liabilities, including committed funds related to meetings and conventions for the sales force, plus a variety of vendor commitments funding our ongoing business operations. The total liability amount is reported within other liabilities in our consolidated balance sheets.

Our lease obligations primarily represent payments for leases related to office, warehouse, printing, and distribution properties. For additional information on leases see Note 19 (Leases) to our consolidated financial statements included elsewhere in this report.

Income tax payable represents income taxes owed at year-end.

Other liabilities are obligations reported within the consolidated balance sheets and consist primarily of amounts due under reinsurance agreements and general accruals and payables. The total payments within the table differ from the amounts presented in our consolidated balance sheets due to the exclusion of amounts where a reasonable estimate of the period of settlement cannot be determined.

For additional information concerning our commitments and contingencies, see Note 16 (Commitments and Contingent Liabilities) to our consolidated financial statements included elsewhere in this report.

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

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

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

Interest Rate Risk. The fair value of the fixed-maturity securities (excluding the held-to-maturity security) in our invested asset portfolio as of December 31, 2019 and 2018 was \$2.4 billion and \$2.1 billion, respectively. One of the primary market risks for this portion of our invested asset portfolio is interest rate risk. One means of assessing the exposure of our fixed-maturity securities portfolios to interest rate changes is a duration-based analysis that measures the potential changes in market value resulting from a hypothetical change in interest rates of 100 basis points across all maturities. This model is sometimes referred to as a parallel shift in the yield curve. Under this model, with all other factors constant and assuming no offsetting change in the value of our liabilities, we estimated that such an increase in interest rates would cause the fair value of our fixed-maturity securities portfolios to decline by \$81.6 million, or 3%, based on our actual securities positions as of December 31, 2019. For comparative purposes, the same increase in rates would have caused the fair value of our fixed-maturity securities portfolios to decline by \$64.0 million, or 3%, based on our actual securities positions as of December 31, 2018.

Canadian Currency Risk. We also have exposure to foreign currency exchange risk to the extent we conduct business in Canada. A strong Canadian dollar relative to the U.S. dollar results in higher levels of reported revenues, expenses, net income, assets, liabilities, and accumulated comprehensive income (loss) in our U.S. dollar financial statements, and a weaker Canadian dollar would have the opposite effect. Generally, our Canadian dollar-denominated assets are held in support of our Canadian dollar-denominated liabilities. For the year ended December 31, 2019, 15% of our revenues from operations, excluding realized investment gains, and 18% of income before income taxes were generated by our Canadian operations. For the year ended December 31, 2018, 15% of our revenues from operations, excluding realized investment gains, and 19% of income before income taxes were generated by our Canadian operations.

One means of assessing exposure to changes in Canadian currency exchange rates is to model the effects on reported income using a sensitivity analysis. We analyzed our Canadian currency exposure for the year ended December 31, 2019. Net exposure was measured assuming a 10% decrease in the value of the Canadian dollar relative to the U.S. dollar. We estimated that such a decrease would decrease our income before income taxes for the year ended December 31, 2019 by \$8.7 million.

Our investment in the net assets of our Canadian operations is also subject to Canadian currency risk. If we were to assume a 10% decrease in Canadian currency exchange rates compared to the U.S. dollar, the translated value of our net investment in our Canadian subsidiaries in U.S. dollars would decrease by \$32.4 million based on net assets as of December 31, 2019. For comparative purposes, a similar decrease in Canadian currency exchange rates compared to the U.S. dollar would have caused the translated value of our net investment in our Canadian subsidiaries in U.S. dollars to decline by \$27.8 million based on net assets as of December 31, 2018. Historically, we have not hedged this exposure, although we may elect to do so in future periods. The impact of translating the balance of net assets of our Canadian operations is recorded in our consolidated balance sheets within the accumulated other comprehensive income component of stockholders' equity.

Credit Risk. We extensively use reinsurance in the United States to diversify our insurance and underwriting risk and to manage our loss exposure to mortality risk. Reinsurance does not relieve us of our direct liability to our policyholders. Due to factors such as insolvency, adverse underwriting results or inadequate investment returns, our reinsurers may not be able to pay the amounts they owe us on a timely basis or at all. Further, reinsurers might refuse or fail to pay losses that we cede to them or might delay payment. To limit our exposure with any one reinsurer, we monitor the concentration of credit risk we have with our reinsurance counterparties, as well as their financial condition. We manage this reinsurer credit risk through analysis and monitoring of the credit-worthiness of each of our reinsurance partners to minimize collection issues. Also, for reinsurance contracts with unauthorized reinsurers, we require collateral such as letters of credit. For information on our reinsurance exposure and reinsurers, see Note 6 (Reinsurance) to our consolidated financial statements included elsewhere in this report.

In connection with the Peach Re Redundant Reserve Financing Transaction, the Company assumes credit risk associated with Deutsche Bank's ability to make payment to us in fulfillment of its obligations under a letter of credit. Such a draw on the letter of credit would only be requested in the event that the assets held in support of the liabilities assumed by Peach Re were insufficient, which, based on actuarial analysis, is unlikely.

Concurrent with the execution of the Vidalia Re Redundant Reserve Financing Transaction between Vidalia Re and Primerica Life, 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 the Surplus Note to the LLC in exchange for the LLC Note of equal principal amount. The Company assumes credit risk associated with a credit enhancement feature provided by Hannover Re, which bears the obligation to absorb the LLC's losses in the event of a Surplus Note default in exchange for a fee.

For information on the Peach Re Redundant Reserve Financing Transaction, see Note 16 (Commitments and Contingent Liabilities) and for information on the Surplus Note Purchase Agreement, see Note 4 (Investments) and Note 10 (Debt) to our consolidated financial statements included elsewhere in this report.

We also bear credit risk on our investment portfolio related to the uncertainty associated with the continued ability of an obligor to make timely payments of principal and interest. In an effort to meet business needs and mitigate credit and other portfolio risks, we established investment guidelines that 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition" for details on our investment portfolio, including investment strategy, asset mix, and credit ratings.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Primerica, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Primerica, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedules I, II, III, and IV (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of mortality, persistency, and disability rate assumptions utilized to estimate the future policy benefits for term life insurance contracts

As described in Note 1, the Company estimates future policy benefits for term life insurance contracts using assumptions, such as mortality – the likelihood of death, persistency – how long an insurance contract stays active, and disability rate – the period of time a policyholder remains disabled. These assumptions are based on historical experience modified as necessary to reflect anticipated trends. These assumptions are locked in at contract inception. The liability for future policy benefits for term life insurance contracts was \$6,447 million as of December 31, 2019.

We identified the assessment of mortality, persistency, and disability rate assumptions (assumptions) utilized to estimate future policy benefits at contract inception as a critical audit matter. Specialized actuarial skills and knowledge and subjective judgment were required to assess the Company's assumptions. A high degree of auditor judgment and an increased extent of effort were required due to the judgmental nature of and level of disaggregation used in determining the assumptions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's development, review, and approval of the assumptions utilized for estimating the future policy benefits at the time of contract inception. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- Comparing the methodology and models the Company utilized to determine the liability for future policy benefits to generally accepted actuarial standards;
- Comparing the Company's assumptions to 2019 term life insurance contract pricing assumptions;
- Evaluating the Company's assumptions utilized for term life insurance contracts issued during the year by (1) comparing the assumptions to the Company's most recent actual term life insurance historical experience studies and (2) assessing modifications for anticipated trends and assessment for the provision for possible adverse deviation;
- Assessing the level of disaggregation and granularity of the Company's term life insurance historical experience studies for the assumptions;
- Performing an analysis of the trends in the Company's future policy benefits based on historical development trends to assess the Company's ability to develop assumptions; and
- Developing independent estimates, based on the Company's data and assumptions, of the future policy benefits for a selection of term life insurance contracts issued during the year and in prior years and comparing to the Company's estimated future policy benefits.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Atlanta, Georgia
February 27, 2020

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
	(In thousands)	
Assets:		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$2,274,770 in 2019 and \$2,078,822 in 2018)	\$ 2,356,996	\$ 2,069,635
Fixed-maturity security held-to-maturity, at amortized cost (fair value: \$1,299,102 in 2019 and \$945,331 in 2018)	1,184,370	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: \$32,671 in 2019 and \$34,997 in 2018)	40,684	37,679
Trading securities, at fair value (cost: \$43,257 in 2019 and \$13,597 in 2018)	43,233	13,610
Policy loans	32,927	31,501
Total investments	3,658,210	3,130,986
Cash and cash equivalents	256,876	262,138
Accrued investment income	17,361	17,057
Reinsurance recoverables	4,169,823	4,141,569
Deferred policy acquisition costs, net	2,325,750	2,133,920
Agent balances, due premiums and other receivables	227,100	215,139
Intangible assets, net	45,275	48,111
Income tax receivable	1,020	-
Deferred income taxes	69,472	59,336
Operating lease right-of-use assets	47,265	-
Other assets	384,634	391,291
Separate account assets	2,485,745	2,195,501
Total assets	\$ 13,688,531	\$ 12,595,048
Liabilities and Stockholders' Equity:		
Liabilities:		
Future policy benefits	6,446,569	6,168,157
Unearned and advance premiums	15,470	15,587
Policy claims and other benefits payable	339,954	313,862
Other policyholders' funds	388,663	370,644
Notes payable	374,037	373,661
Surplus note	1,183,728	969,685
Income tax payable	20,224	22,699
Deferred income taxes	188,997	164,405
Operating lease liabilities	53,487	-
Other liabilities	510,443	486,772
Payable under securities lending	28,723	52,562
Separate account liabilities	2,485,745	2,195,501
Commitments and contingent liabilities (see <i>Commitments and Contingent Liabilities note</i>)		
Total liabilities	12,036,040	11,133,535
Stockholders' equity:		
Common stock (\$0.01 par value; authorized 500,000 in 2019 and 2018; issued and outstanding 41,207 shares in 2019 and 42,694 shares in 2018)	412	427
Paid-in capital	-	-
Retained earnings	1,593,281	1,489,520
Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	(5,765)	(21,064)
Net unrealized investment gains (losses) on available-for-sale securities:		
Net unrealized investment gains (losses) not other-than-temporarily impaired	64,595	(7,253)
Net unrealized investment losses other-than-temporarily impaired	(32)	(117)
Total stockholders' equity	1,652,491	1,461,513
Total liabilities and stockholders' equity	\$ 13,688,531	\$ 12,595,048

See accompanying notes to consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Income

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands, except per-share amounts)</i>		
Revenues:			
Direct premiums	\$ 2,753,866	\$ 2,667,104	\$ 2,562,109
Ceded premiums	(1,569,729)	(1,581,164)	(1,600,771)
Net premiums	1,184,137	1,085,940	961,338
Commissions and fees	713,804	677,607	591,317
Investment income net of investment expenses	142,398	118,915	105,882
Interest expense on surplus note	(48,325)	(37,485)	(26,865)
Net investment income	94,073	81,430	79,017
Realized investment gains (losses), including other-than-temporary impairment losses	4,965	(2,121)	1,339
Other, net	55,525	56,987	56,091
Total revenues	2,052,504	1,899,843	1,689,102
Benefits and expenses:			
Benefits and claims	493,820	457,583	416,019
Amortization of deferred policy acquisition costs	254,552	239,730	209,399
Sales commissions	357,198	335,384	297,988
Insurance expenses	178,817	168,156	147,280
Insurance commissions	25,051	24,490	21,108
Interest expense	28,811	28,809	28,488
Other operating expenses	237,144	229,607	189,300
Total benefits and expenses	1,575,393	1,483,759	1,309,582
Income before income taxes	477,111	416,084	379,520
Income taxes	110,720	91,990	29,265
Net income	\$ 366,391	\$ 324,094	\$ 350,255
Earnings per share:			
Basic earnings per share	\$ 8.65	\$ 7.35	\$ 7.63
Diluted earnings per share	\$ 8.62	\$ 7.33	\$ 7.61
Weighted-average shares used in computing earnings per share:			
Basic	42,181	43,854	45,598
Diluted	42,314	43,985	45,689
Supplemental disclosures:			
Total impairment losses	\$ (1,333)	\$ (152)	\$ (1,700)
Impairment losses recognized in other comprehensive income before income taxes	-	-	147
Net impairment losses recognized in earnings	(1,333)	(152)	(1,553)
Other net realized investment gains (losses)	1,091	487	2,892
Net gains (losses) recognized on equity securities	5,207	(2,456)	-
Net realized investment gains (losses), including other-than-temporary impairment losses	\$ 4,965	\$ (2,121)	\$ 1,339

See accompanying notes to consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Net income	\$ 366,391	\$ 324,094	\$ 350,255
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	91,160	(59,661)	(3,950)
Reclassification adjustment for realized investment (gains) losses included in net income	253	(45)	(1,589)
Foreign currency translation adjustments:			
Change in unrealized foreign currency translation gains (losses)	15,299	(25,059)	17,383
Total other comprehensive income (loss) before income taxes	106,712	(84,765)	11,844
Income tax expense (benefit) related to items of other comprehensive income (loss)	19,480	(12,690)	(2,126)
Other comprehensive income (loss), net of income taxes	87,232	(72,075)	13,970
Total comprehensive income	<u>\$ 453,623</u>	<u>\$ 252,019</u>	<u>\$ 364,225</u>

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Common stock:			
Balance, beginning of period	\$ 427	\$ 443	\$ 457
Repurchases of common stock	(19)	(21)	(19)
Net issuance of common stock	4	5	5
Balance, end of period	412	427	443
Paid-in capital:			
Balance, beginning of period	-	-	52,468
Share-based compensation	27,208	26,707	26,095
Net issuance of common stock	(4)	(5)	(5)
Repurchases of common stock	(27,204)	(26,702)	(78,558)
Balance, end of period	-	-	-
Retained earnings:			
Balance, beginning of period	1,489,520	1,375,090	1,138,851
Cumulative effect from the adoption of new accounting standards, net	-	24,610	-
Net income	366,391	324,094	350,255
Dividends	(57,630)	(44,140)	(35,821)
Repurchases of common stock	(205,000)	(190,134)	(78,195)
Balance, end of period	1,593,281	1,489,520	1,375,090
Accumulated other comprehensive income (loss):			
Balance, beginning of period	(28,434)	43,568	29,598
Cumulative effect from the adoption of new accounting standards, net	-	73	-
Change in foreign currency translation adjustment, net of income tax expense (benefit)	15,299	(25,059)	17,188
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	71,848	(47,012)	(3,166)
Change in net unrealized investment gains (losses) other-than-temporarily impaired	85	(4)	(52)
Balance, end of period	58,798	(28,434)	43,568
Total stockholders' equity	\$ 1,652,491	\$ 1,461,513	\$ 1,419,101
Dividends declared per share	\$ 1.36	\$ 1.00	\$ 0.78

See accompanying notes to consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Cash flows from operating activities:			
Net income	\$ 366,391	\$ 324,094	\$ 350,255
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Change in future policy benefits and other policy liabilities	297,832	266,513	306,122
Deferral of policy acquisition costs	(424,106)	(432,390)	(422,749)
Amortization of deferred policy acquisition costs	254,552	239,730	209,399
Deferred tax provision	(841)	2,590	(53,788)
Change in income taxes	(5,187)	2,365	(2,159)
Realized investment (gains) losses, including other-than-temporary impairments	(4,965)	2,121	(1,339)
Accretion and amortization of investments	(720)	(1,894)	(1,596)
Depreciation and amortization	18,300	12,417	13,551
Change in reinsurance recoverables	(12,825)	37,261	9,124
Change in agent balances, due premiums and other receivables	(11,965)	14,383	(19,074)
Trading securities sold, matured, or called (acquired), net	(29,601)	(8,808)	1,137
Share-based compensation	17,533	17,251	15,267
Change in other operating assets and liabilities, net	21,115	2,434	(12,606)
Net cash provided by (used in) operating activities	485,513	478,067	391,544
Cash flows from investing activities:			
Available-for-sale investments sold, matured or called:			
Fixed-maturity securities — sold	42,202	51,726	77,444
Fixed-maturity securities — matured or called	403,969	362,413	223,088
Equity securities — sold	-	-	5,771
Short-term investments — matured or called	8,250	-	-
Equity securities — sold	3,136	2,093	-
Available-for-sale investments acquired:			
Fixed-maturity securities	(633,106)	(626,826)	(430,452)
Equity securities	-	-	(400)
Short-term investments	-	(8,169)	-
Equity securities — acquired	(898)	(521)	-
Purchases of property and equipment and other investing activities, net	(25,437)	(13,517)	(6,752)
Cash collateral received (returned) on loaned securities, net	(23,839)	(37,224)	16,140
Sales (purchases) of short-term investments using securities lending collateral, net	23,839	37,224	(16,140)
Net cash provided by (used in) investing activities	(201,884)	(232,801)	(131,301)
Cash flows from financing activities:			
Dividends paid	(57,630)	(44,140)	(35,821)
Common stock repurchased	(225,037)	(210,146)	(150,038)
Tax withholdings on share-based compensation	(7,186)	(6,711)	(6,734)
Payment of deferred financing costs	-	-	(868)
Finance leases	(281)	-	-
Net cash provided by (used in) financing activities	(290,134)	(260,997)	(193,461)
Effect of foreign exchange rate changes on cash	1,243	(2,093)	1,204
Change in cash and cash equivalents	(5,262)	(17,824)	67,986
Cash and cash equivalents, beginning of period	262,138	279,962	211,976
Cash and cash equivalents, end of period	<u>\$ 256,876</u>	<u>\$ 262,138</u>	<u>\$ 279,962</u>
Supplemental disclosures of cash flow information:			
Income taxes paid	\$ 115,051	\$ 88,348	\$ 83,304
Interest paid	28,053	27,899	27,816

See accompanying notes to consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES
Notes to 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; Primerica Financial Services (Canada) Ltd., a holding company for our Canadian operations, which includes Primerica Life Insurance Company of Canada (“Primerica Life Canada”) and PFS Investments Canada Ltd. (“PFS Investments Canada”); and PFS Investments Inc. (“PFS Investments”), an investment products company and broker-dealer. Primerica Life, domiciled in Tennessee, owns National Benefit Life Insurance Company (“NBLIC”), a New York insurance company. Peach Re, Inc. (“Peach Re”) and Vidalia Re, Inc. (“Vidalia Re”) are special purpose financial captive insurance companies and wholly owned subsidiaries of Primerica Life. Peach Re and Vidalia Re have each entered into separate coinsurance agreements with Primerica Life whereby Primerica Life has ceded certain level-premium term life insurance policies to Peach Re and Vidalia Re (respectively, the “Peach Re Coinsurance Agreement” and the “Vidalia Re Coinsurance Agreement”).

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

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

Foreign Currency Translation. Assets and liabilities of our Canadian subsidiaries are translated into U.S. dollars using year-end exchange rates, and the translation adjustments are reported in other comprehensive income (loss). Revenues and expenses of our Canadian subsidiaries are translated monthly at amounts that approximate weighted-average exchange rates.

Investments. Investments are reported on the following bases:

- Available-for-sale (“AFS”) fixed-maturity securities, including bonds and redeemable preferred stocks, are carried at fair value.
- AFS short-term investments, consist of highly-liquid investments such as commercial paper and certificates of deposit, with remaining maturities greater than ninety days at the date of purchase, but not in excess of one year. These securities are carried at fair value.
- Our held-to-maturity fixed-maturity security is carried at amortized cost.
- Equity securities, including common and nonredeemable preferred stocks, are carried at fair value. Changes in fair value of equity securities are included in realized investment gains (losses) in the period in which the change occurred.
- Trading securities, which primarily consist of bonds held by PFS Investments, are carried at fair value. Changes in fair value of trading securities are included in realized investment gains (losses) in the period in which the change occurred.
- Policy loans are carried at unpaid principal balances, which approximate fair value.

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

Unrealized gains and losses on AFS securities are included as a separate component of other comprehensive income (loss), except for other-than-temporary impairments (“OTTI”) discussed below, in the accompanying consolidated statements of comprehensive income.

Investments are reviewed on a quarterly basis for OTTI. Credit risk, interest rate risk, the amount of time the security has been in an unrealized loss position, actions taken by ratings agencies, and other factors are considered in determining whether an unrealized loss is other-than-temporary. OTTI in our accompanying consolidated statements of income reflect the impairment on AFS securities that we intend to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis. For AFS securities that we have no intent to sell and believe that it is not more-likely-than-not we will be required to sell prior to recovery, only the credit loss component of OTTI is recognized in our accompanying consolidated statements of income, while the remainder is recognized in other comprehensive income (loss) in the accompanying consolidated statements of comprehensive income. The credit loss component of OTTI recognized in net income is identified as the amount of principal cash flows not expected to be received over the remaining term of the security. Any subsequent changes (if not an other-than-temporary impairment) in the fair value of AFS securities are recognized in other comprehensive income (loss) in the accompanying consolidated statements of comprehensive income.

Interest income on fixed-maturity securities and short-term investments is recorded when earned by determining the effective yield, which gives consideration to amortization of premiums, accretion of discounts, and any previous OTTI. Dividend income on equity securities is recorded when declared. These amounts are included in net investment income in the accompanying consolidated statements of income.

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

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

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

All reinsurance contracts in effect for the three-year period ended December 31, 2019 transfer a reasonable possibility of substantial loss to the reinsurer or are accounted for under the deposit method of accounting.

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

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

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

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

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

DAC for term life insurance policies is amortized over the initial premium-paying period of the related policies in proportion to premium income. DAC for Canadian segregated funds is amortized over the life of the underlying policies at a constant rate based on the present value of the estimated gross profits expected to be realized over the life of the underlying policies. DAC is subject to recoverability testing annually and when impairment indicators exist.

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

The components of intangible assets were as follows:

	December 31,					
	2019			2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(In thousands)</i>					
Indefinite-lived intangible asset	\$ 45,275	n/a	\$ 45,275	\$ 45,275	n/a	\$ 45,275
Amortizing intangible asset	-	-	-	84,871	(82,035)	2,836
Total intangible assets	<u>\$ 45,275</u>	<u>\$ -</u>	<u>\$ 45,275</u>	<u>\$ 130,146</u>	<u>\$ (82,035)</u>	<u>\$ 48,111</u>

We have an indefinite-lived intangible asset related to the 1989 purchase of the right to contract with the sales force. This asset represents the core distribution model of our business, which is our primary competitive advantage to profitably distribute term life insurance and investment and savings products on a significant scale, and as such, is considered to have an indefinite life. This indefinite-lived intangible asset is supported by a significant portion of the discounted cash flows of our future business. We assessed this asset for impairment as of October 1, 2019 and determined that no impairment had occurred. There have been no subsequent events requiring further analysis.

We also had an amortizing intangible asset related to a 1995 sales agreement termination payment to Management Financial Services, Inc. This asset, which was fully amortized in 2019, was supported by a non-compete agreement with the founder of our business model that expired in 2019. We calculated the amortization of this contract buyout on a straight-line basis over 24 years, which represented the life of the non-compete agreement. Intangible asset amortization expense was \$2.8 million in 2019, \$3.4 million in 2018 and \$3.4 million in 2017.

Property and Equipment. Property and equipment, which are included in other assets, are stated at cost, less accumulated depreciation. Depreciation is recognized on a straight-line basis over the asset's estimated useful life, which is estimated as follows:

	Estimated Useful Life
Data processing equipment and software	3 to 7 years
Leasehold improvements	Lesser of 15 years or remaining life of lease
Furniture and other equipment	5 to 15 years

Depreciation expense is included in other operating expenses in the accompanying consolidated statements of income. Depreciation expense was \$15.7 million, \$9.0 million, and \$10.1 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Property and equipment balances were as follows:

	December 31,	
	2019	2018
	<i>(In thousands)</i>	
Data processing equipment and software	\$ 86,794	\$ 68,447
Leasehold improvements	19,079	16,531
Other, principally furniture and equipment	31,391	26,586
	137,264	111,564
Accumulated depreciation	(91,148)	(75,568)
Net property and equipment	<u>\$ 46,116</u>	<u>\$ 35,996</u>

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

The separate accounts are represented by individual variable insurance contracts. Purchasers of variable insurance contracts issued by Primerica Life Canada have a direct claim to the benefits of the contract that entitles the holder to units in one or more investment funds (the "Funds") maintained by Primerica Life Canada. The Funds invest in assets that are held for the benefit of the owners of the contracts. The benefits provided vary in amount depending on the fair value of the Funds' net assets. The Funds' assets are administered by Primerica Life Canada and are held separate and apart from the general assets of the Company. The liabilities reflect the variable insurance contract holders' interests in the Funds' net assets based upon actual investment performance of the respective Funds. Separate account operating results relating to contract holders' interests are excluded from our consolidated statements of income.

Primerica Life Canada's contract offerings guarantee the maturity value at the date of maturity (or upon death, whichever occurs first) to be equal to 75% of the sum of all contributions made, net of withdrawals, on a first-in, first-out basis. Otherwise, the maturity value or death benefit will be the accumulated value of units allocated to the contract at the specified valuation date.

Policyholder Liabilities. Future policy benefits are accrued over the current and renewal periods of the contracts. Liabilities for future policy benefits on traditional life insurance products are reserves established for death claims and waiver of premium benefits and have been computed using a net level method, using assumptions as to interest rates, mortality, persistency, disability rates and other assumptions based on our experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. The underlying mortality tables are the Society of Actuaries ("SOA") 65-70, SOA 75-80, SOA 85-90, and the 91 Bragg, modified to reflect various underwriting classifications and assumptions. Interest rate reserve assumptions at December 31, 2019 and 2018 ranged from 3.5% to 7.0%. For policies issued in 2010 and after, we have been using an increasing interest rate assumption to reflect the historically low interest rate environment. 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.

The future policy benefit reserves we establish are necessarily based on estimates, assumptions and our analysis of historical experience. We do not modify the assumptions used to establish future policy benefit reserves during the policy term unless a premium deficiency is identified. Our results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our future policy benefit reserves and pricing our products. Our future policy benefit reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual claims or the timing of those payments.

Unearned and Advance Premiums. Unearned and advance premiums primarily consist of premiums received from policyholders in advance of the premiums due date. Unearned and advance premiums are deferred upon collection and recognized as premiums revenue upon the premium due date.

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

Litigation. The Company is involved from time to time in legal disputes, regulatory inquiries and arbitration proceedings in the normal course of business. Contingent litigation-related losses are recognized when probable and can be reasonably estimated. Legal costs, such as attorneys' fees and other litigation-related expenses that are incurred in connection with resolving litigation are expensed as incurred. These disputes are subject to uncertainties, including indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation. Due to the difficulty of estimating costs of litigation, actual costs may be substantially higher or lower than any amounts reserved.

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

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

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

Commissions and Fees. We receive commissions and fees revenue from the sale of various non-life insurance products. Commissions revenue is generally received on the sale of mutual funds and annuities. We also receive trail commissions revenue from mutual fund and annuity products based on the net asset value of shares sold by us. We, in turn, pay sales commissions to the sales force. We also receive investment advisory and administrative fees based on the average daily net asset value of client assets held in managed investments programs and contracts related to separate account assets issued by Primerica Life Canada. We, in turn, pay asset-based commissions to the sales force. We earn recordkeeping fees for transfer agent recordkeeping services that we perform on behalf of several of our mutual fund providers and custodial fees for services performed as a non-bank custodian of our clients' retirement plan accounts. See Note 18 (Revenue from Contracts with Customers) for details related to our commission and fees revenues recognition policies.

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

Share-Based Transactions. For employee and director share-based compensation awards, we determine a grant date fair value based on the price of our publicly-traded common stock and recognize the related compensation expense, adjusted for actual forfeitures, in the consolidated statements of income on a straight-line basis over the requisite service period for the entire award. For non-employee share-based compensation, we recognize the impact during the period of performance, and the fair value of the award is measured as of the grant date, which occurs in the same quarter as the service period. To the extent non-employee share-based compensation is an incremental direct cost of successful acquisitions or renewals 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, we defer and amortize the fair value of the awards in the same manner as other deferred policy acquisition costs.

Earnings Per Share (“EPS”). The Company has outstanding equity awards that consist of restricted stock units (“RSUs”), performance-based stock units (“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 EPS as they maintain dividend rights.

See Note 13 (Earnings Per Share) for details related to the calculations of our basic and diluted EPS using the two-class method.

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 of 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 adoption of ASC 842 included the recognition of our operating lease obligations and corresponding right-of-use assets on our 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 consolidated financial statements in accordance with previous lease accounting guidance, Accounting Standards Codification Topic 840, *Leases* (“ASC 840”). Refer to Note 19 (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 and persistency, 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 consolidated financial statements beginning on the effective date. In November 2019, the FASB issued Accounting Standards Update No. 2019-09, *Financial Services—Insurance (Topic 944) — Effective Date*, which defers the effective date of ASU 2018-12 for the Company by one year, 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 currently working on processes that will allow us to obtain the requisite data, enhance our valuation system, and develop key assumptions that will be necessary to evaluate and implement this standard. As such, we are unable to determine the magnitude of the impact ASU 2018-12 will have on our consolidated financial statements at this time.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (“ASU 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. AFS 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 losses on AFS securities in the consolidated statement of income will remain under ASC 326, however, an entity will be allowed to reverse credit losses previously recognized in an allowance for AFS securities 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 AFS 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. We will adopt the amendments in ASC 326 as of the January 1, 2020 application date through a cumulative-effect adjustment to beginning retained earnings. The primary impact of adopting ASC 326 will be the recognition of an immaterial allowance for the lifetime expected credit losses related to our reinsurance recoverables. Furthermore, we do not expect the adoption of ASC 326 to result in any material changes to impairment losses recognized in our consolidated statements of income for AFS securities.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The guidance in ASU 2019-12 is effective for the Company beginning January 1, 2021. We do not expect the impact of ASU 2019-12 to have a material effect on our consolidated financial statements.

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

(2) Other Comprehensive Income

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Foreign currency translation adjustments:			
Change in unrealized foreign currency translation gains (losses) before income taxes	\$ 15,299	\$ (25,059)	\$ 17,383
Income tax expense (benefit) on unrealized foreign currency translation gains (losses)	-	-	195
Change in unrealized foreign currency translation gains (losses), net of income taxes	<u>\$ 15,299</u>	<u>\$ (25,059)</u>	<u>\$ 17,188</u>
Unrealized gain (losses) on available-for-sale securities:			
Change in unrealized holding gains (losses) arising during period before income taxes	\$ 91,160	\$ (59,661)	\$ (3,950)
Income tax expense (benefit) on unrealized holding gains (losses) arising during period	19,427	(12,681)	(1,765)
Change in unrealized holding gains (losses) on available-for-sale securities arising during period, net of income taxes	<u>71,733</u>	<u>(46,980)</u>	<u>(2,185)</u>
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities	253	(45)	(1,589)
Income tax (expense) benefit on (gains) losses reclassified from accumulated OCI to net income	53	(9)	(556)
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities, net of income taxes	<u>200</u>	<u>(36)</u>	<u>(1,033)</u>
Change in unrealized gains (losses) on available-for-sale securities, net of income taxes and reclassification adjustment	\$ 71,933	\$ (47,016)	\$ (3,218)

(3) Segment and Geographical Information

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

We also have a Corporate and Other Distributed Products segment, which consists primarily of revenues and expenses related to several discontinued lines of insurance other than our core term life insurance products and the distribution of various other financial products generally underwritten or offered by third-party providers. All of the Company’s net investment income, except for the portion allocated to the Term Life Insurance segment that represents the assumed interest accreted to its U.S. GAAP-measured future policy benefit reserve liability less DAC, is attributed to the Corporate and Other Distributed Products segment. In addition, interest expense incurred by the Company as well as realized gains and losses on our invested asset portfolio are entirely attributed to the Corporate and Other Distributed Products segment.

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Revenues:			
Term life insurance segment	\$ 1,227,231	\$ 1,123,200	\$ 992,224
Investment and savings products segment	691,608	655,076	572,747
Corporate and other distributed products segment	133,665	121,567	124,131
Total revenues	<u>\$ 2,052,504</u>	<u>\$ 1,899,843</u>	<u>\$ 1,689,102</u>
Net investment income:			
Term life insurance segment	\$ 19,922	\$ 13,747	\$ 9,931
Investment and savings products segment	-	-	-
Corporate and other distributed products segment	74,151	67,683	69,086
Total net investment income	<u>\$ 94,073</u>	<u>\$ 81,430</u>	<u>\$ 79,017</u>
Amortization of DAC:			
Term life insurance segment	\$ 248,711	\$ 228,613	\$ 201,751
Investment and savings products segment	4,549	9,766	6,168
Corporate and other distributed products segment	1,292	1,351	1,480
Total amortization of DAC	<u>\$ 254,552</u>	<u>\$ 239,730</u>	<u>\$ 209,399</u>
Non-cash share-based compensation expense:			
Term life insurance segment	\$ 3,605	\$ 4,135	\$ 2,662
Investment and savings products segment	3,440	2,695	2,208
Corporate and other distributed products segment	10,475	10,421	10,397
Total non-cash share-based compensation expense	<u>\$ 17,520</u>	<u>\$ 17,251</u>	<u>\$ 15,267</u>
Income (loss) before income taxes:			
Term life insurance segment	\$ 320,093	\$ 281,904	\$ 245,657
Investment and savings products segment	191,812	173,912	162,836
Corporate and other distributed products segment	(34,794)	(39,732)	(28,973)
Total income before income taxes	<u>\$ 477,111</u>	<u>\$ 416,084</u>	<u>\$ 379,520</u>

Insurance expenses and other operating expenses directly attributable to the Term Life Insurance and the Investment and Savings Products segments are recorded directly to the applicable segment. We allocate certain other revenue and operating expenses that are not directly attributable to a specific operating segment using methods expected to reasonably measure the benefit received by each reporting segment. Such methods include time studies, recorded usage, revenue distribution, and sales force representative distribution. These allocated items include fees charged for access to Primerica Online ("POL") and costs incurred for technology, sales force support, occupancy and other general and administrative costs. Costs that are not directly charged or allocated to our two primary operating segments are included in our Corporate and Other Distributed Products segment.

Total assets by segment were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<i>(In thousands)</i>		
Assets:			
Term life insurance segment	\$ 6,546,129	\$ 6,322,555	\$ 6,205,837
Investment and savings products segment (1)	2,598,493	2,298,238	2,684,717
Corporate and other distributed products segment	4,543,909	3,974,255	3,570,149
Total assets	<u>\$ 13,688,531</u>	<u>\$ 12,595,048</u>	<u>\$ 12,460,703</u>

(1) The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, the Investment and Savings Products segment assets were \$ 112.8 million, \$102.8 million, and \$112.0 million as of December 31, 2019, 2018, and 2017, respectively.

Assets specifically related to a segment are held in that segment. All invested assets held by the Company, including the deposit asset recognized in connection with our 10% coinsurance agreement (the "10% Coinsurance Agreement") and the held-to-maturity security received in connection with the Vidalia Re Coinsurance Agreement, are reported as assets of the Corporate and Other Distributed Products segment. DAC is recognized in a particular segment based on the product to which it relates. Separate account assets supporting the segregated funds product in Canada are held in the Investment and Savings Products segment. Any remaining unallocated assets are reported in the Corporate and Other Distributed Products segment.

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Revenues by country:			
United States	\$ 1,747,609	\$ 1,607,140	\$ 1,419,658
Canada	304,895	292,703	269,444
Total revenues	\$ 2,052,504	\$ 1,899,843	\$ 1,689,102
Income before income taxes by country:			
United States	\$ 390,431	\$ 337,914	\$ 299,764
Canada	86,680	78,170	79,756
Total income before income taxes	\$ 477,111	\$ 416,084	\$ 379,520
	December 31, 2019	December 31, 2018	December 31, 2017
	(In thousands)		
Long-lived assets by country:			
United States	\$ 41,200	\$ 30,999	\$ 27,443
Canada	4,916	4,997	656
Total long-lived assets	\$ 46,116	\$ 35,996	\$ 28,099

(4) Investments

AFS Securities. The period-end cost or amortized cost, gross unrealized gains and losses, and fair value of AFS fixed-maturity securities were as follows:

	December 31, 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	\$ 10,197	\$ 287	\$ -	\$ 10,484
Foreign government	154,945	6,362	(235)	161,072
States and political subdivisions	120,000	3,288	(695)	122,593
Corporates	1,436,877	63,892	(1,118)	1,499,651
Residential mortgage-backed securities	305,897	6,848	(222)	312,523
Commercial mortgage-backed securities	128,913	3,191	(99)	132,005
Other asset-backed securities	117,941	970	(243)	118,668
Total fixed-maturity securities	2,274,770	84,838	(2,612)	2,356,996
Short-term investments	-	-	-	-
Total fixed-maturity and short-term investments	\$ 2,274,770	\$ 84,838	\$ (2,612)	\$ 2,356,996
	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 AFS mortgage- and asset-backed securities represent beneficial interests in variable interest entities (“VIEs”). We are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact the entities’ economic performance. The maximum exposure to loss as a result of our involvement in these VIEs equals the carrying value of the securities.

The scheduled maturity distribution of the AFS fixed-maturity securities portfolio as of December 31, 2019 was as follows:

	Amortized cost	Fair value
	<i>(In thousands)</i>	
Due in one year or less	\$ 206,168	\$ 207,483
Due after one year through five years	929,957	964,738
Due after five years through 10 years	461,081	488,466
Due after 10 years	124,813	133,113
	<u>1,722,019</u>	<u>1,793,800</u>
Mortgage- and asset-backed securities	552,751	563,196
Total AFS fixed-maturity securities	<u>\$ 2,274,770</u>	<u>\$ 2,356,996</u>

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

Unrealized Gains and Losses on Investments. The net effect on stockholders’ equity of unrealized gains and losses on AFS securities was as follows:

	December 31, 2019	December 31, 2018
	<i>(In thousands)</i>	
Net unrealized investment gains on available-for-sale securities including OTTI:		
Available-for-sale securities	\$ 82,226	\$ (9,187)
OTTI	<u>40</u>	<u>147</u>
Net unrealized investment gains on available-for-sale securities excluding OTTI	82,266	(9,040)
Deferred income taxes	<u>(17,671)</u>	<u>1,787</u>
Net unrealized investment gains on available-for-sale securities excluding OTTI, net of tax	<u>\$ 64,595</u>	<u>\$ (7,253)</u>

Trading Securities. The costs and fair values of the fixed-maturity securities classified as trading securities were as follows:

	December 31, 2019		December 31, 2018	
	Cost	Fair value	Cost	Fair value
	<i>(In thousands)</i>			
Fixed-maturity securities	\$ 43,257	\$ 43,233	\$ 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 of 4.50%. The LLC Note is guaranteed by Hannover Re through a credit enhancement feature in exchange for a fee, which is reflected in interest expense on our 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 consolidated financial statements.

The LLC Note is classified as a held-to-maturity debt security in the Company’s invested asset portfolio as we have the positive intent and ability to hold the security until maturity. As of December 31, 2019, the LLC Note, which was rated A+ by Fitch Ratings, had an estimated unrealized holding gain of \$114.7 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 5 (Fair Value of Financial Instruments) for information on the fair value of our financial instruments and see Note 10 (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 December 31, 2019 and 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 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 consolidated balance sheets during the terms of the loans, and we do not report them as sales. Cash collateral received and reinvested was \$28.7 million and \$52.6 million as of December 31, 2019 and 2018, respectively.

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Fixed-maturity securities (available-for-sale)	\$ 81,828	\$ 79,356	\$ 76,877
Fixed-maturity security (held-to-maturity)	48,325	37,485	26,865
Equity securities	1,845	1,955	2,095
Policy loans and other invested assets	1,069	1,159	1,179
Cash and cash equivalents	4,758	3,433	1,357
Total return on deposit asset underlying 10% coinsurance agreement ⁽¹⁾	13,429	3,643	2,970
Gross investment income	151,254	127,031	111,343
Investment expenses	(8,856)	(8,116)	(5,461)
Investment income net of investment expenses	142,398	118,915	105,882
Interest expense on surplus note	(48,325)	(37,485)	(26,865)
Net investment income	\$ 94,073	\$ 81,430	\$ 79,017

(1) Includes \$5.4 million of net gains and \$1.7 million of net losses recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement for the year ended December 31, 2019 and December 31, 2018, respectively. The change in fair value of the deposit asset underlying the 10% coinsurance agreement for the year ended December 31, 2017 was not material.

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Net realized investment gains (losses):			
Gross gains from sales of available-for-sale securities	\$ 1,373	\$ 1,162	\$ 3,249
Gross losses from sales of available-for-sale securities	(293)	(965)	(107)
OTTI losses of available-for-sale securities	(1,333)	(152)	(1,553)
Net gains (losses) recognized in net income during the period on equity securities	5,207	(2,456)	-
Gains (losses) from bifurcated options	-	290	(250)
Gains (losses) on trading securities	11	-	-
Net realized investment gains (losses)	\$ 4,965	\$ (2,121)	\$ 1,339

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Proceeds from sales or other redemptions	\$ 454,421	\$ 414,138	\$ 306,303

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Net gains (losses) recognized on equity securities	\$ 5,207	\$ (2,456)	\$ -
Less: Net gains (losses) recognized on equity securities sold	(254)	(48)	-
Net gains (losses) recognized in net income on equity securities still held as of period-end	<u>\$ 5,461</u>	<u>\$ (2,408)</u>	<u>\$ -</u>

OTTI. 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 issue, and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, which may be maturity.

Our review for OTTI generally entails:

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

The amortized costs of AFS securities with a cost basis in excess of their fair values were \$34.8 million and \$1,239.6 million as of December 31, 2019 and 2018, respectively.

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

	December 31, 2019					
	Less than 12 months			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
	<i>(Dollars in thousands)</i>					
Fixed-maturity securities:						
U.S. government and agencies	\$ -	\$ -	-	\$ -	\$ -	-
Foreign government	11,824	(144)	14	8,578	(91)	7
States and political subdivisions	39,379	(690)	21	4,000	(5)	4
Corporates	52,474	(453)	40	21,739	(665)	19
Residential mortgage-backed securities	40,690	(207)	20	2,071	(15)	3
Commercial mortgage-backed securities	11,526	(28)	13	12,835	(71)	16
Other asset-backed securities	22,501	(190)	17	4,613	(53)	20
Total fixed-maturity securities	<u>\$ 178,394</u>	<u>\$ (1,712)</u>		<u>\$ 53,836</u>	<u>\$ (900)</u>	

	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
	<i>(Dollars in thousands)</i>					
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	<u>\$ 584,735</u>	<u>\$ (11,281)</u>		<u>\$ 624,675</u>	<u>\$ (18,903)</u>	

As of December 31, 2019, the unrealized losses on our AFS invested asset 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 AFS fixed-maturity securities in default were as follows:

	December 31, 2019		December 31, 2018	
	Amortized cost	Fair value	Amortized cost	Fair value
	(In thousands)			
Fixed-maturity securities in default	\$ -	\$ 240	\$ 3	\$ 227

OTTI recognized in earnings on AFS securities were as follows:

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
OTTI on fixed-maturity securities not in default	\$ 1,330	\$ 152	\$ 1,001
OTTI on fixed-maturity securities in default	3	-	267
OTTI on equity securities ⁽¹⁾	-	-	285
Total OTTI recognized in earnings	<u>\$ 1,333</u>	<u>\$ 152</u>	<u>\$ 1,553</u>

(1) Subsequent to the adoption of ASU Accounting Standards Update No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*, all changes in the fair value of equity securities are recognized in net income and thus OTTI no longer applies to equity securities.

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; or analyses of rating agency information for issuances with severe ratings downgrades that indicated a significant increase in the possibility of default. We also recognize OTTI related to invested assets held at the Parent Company that we intend to sell to fund share repurchases where we do not expect to recover its cost basis.

OTTI recognized in earnings for AFS securities were as follows:

	Year ended December 31,		
	2019	2018	2017
	(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	\$ 152	\$ 1,476
Less portion of OTTI recognized in accumulated other comprehensive income (loss)	-	-	147
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	152	1,329
OTTI recognized in earnings for securities which the Company intends to sell or more-likely-than-not will be required to sell before recovery	1,330	-	224
OTTI recognized in earnings	<u>\$ 1,333</u>	<u>\$ 152</u>	<u>\$ 1,553</u>

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

	Year ended December 31,	
	2019	2018
	<i>(In thousands)</i>	
Cumulative OTTI recognized in net income for securities still held, beginning of period	\$ 2,511	\$ 4,346
Additions for securities where no OTTI were recognized prior to the beginning of the period	1,126	-
Additions for securities where OTTI have been recognized prior to the beginning of the period	207	152
Reductions due to sales, maturities, calls, amortization or increases in cash flows expected to be collected over the remaining life of credit-impaired securities	(543)	(1,987)
Reductions for exchanges of securities previously impaired	-	-
Cumulative OTTI recognized in net income for securities still held, end of period	<u>\$ 3,301</u>	<u>\$ 2,511</u>

As of December 31, 2019, no OTTI 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 December 31, 2019 and 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.

(5) Fair Value of Financial Instruments

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

- Level 1. Quoted prices for identical instruments in active markets. Level 1 consists of financial instruments whose value is based on quoted market prices in active markets, such as 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:

December 31, 2019				
	Level 1	Level 2	Level 3	Total
(In thousands)				
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	\$ -	\$ 10,484	\$ -	\$ 10,484
Foreign government	-	161,072	-	161,072
States and political subdivisions	-	122,593	-	122,593
Corporates	5,865	1,493,786	-	1,499,651
Residential mortgage-backed securities	-	312,497	26	312,523
Commercial mortgage-backed securities	-	132,005	-	132,005
Other asset-backed securities	-	118,244	424	118,668
Total available-for-sale fixed-maturity securities	5,865	2,350,681	450	2,356,996
Short-term investments	-	-	-	-
Total available-for-sale securities	5,865	2,350,681	450	2,356,996
Equity securities	39,499	1,050	135	40,684
Trading securities	-	43,233	-	43,233
Separate accounts	-	2,485,745	-	2,485,745
Total fair value assets	\$ 45,364	\$ 4,880,709	\$ 585	\$ 4,926,658
Fair value liabilities:				
Separate accounts	\$ -	\$ 2,485,745	\$ -	\$ 2,485,745
Total fair value liabilities	\$ -	\$ 2,485,745	\$ -	\$ 2,485,745

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
Total available-for-sale fixed-maturity securities	2,869	2,066,031	735	2,069,635
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 for approximately 95% of our securities that are measured at fair value on a recurring basis. The remaining securities are primarily thinly traded securities, such as private placements, and are valued using models based on observable inputs on public corporate spreads having similar characteristics (e.g., sector, average life and quality rating), liquidity and yield based on quality rating, average life and U.S. Treasury yields. All observable data inputs are corroborated by independent third-party data. We also corroborate pricing information provided by our third-party pricing service by performing a review of selected securities. Our review activities include obtaining detailed information about the assumptions, inputs and methodologies used in pricing the security; documenting this information; and corroborating it by comparison to independently obtained prices and or independently developed pricing methodologies.

Furthermore, we perform internal reasonableness assessments on fair value determinations within our portfolio throughout the year and as of year-end, including pricing variance analyses and comparisons to alternative pricing sources and benchmark returns. If a fair value appears unusual relative to these assessments, we will re-examine the inputs and may challenge a fair value assessment made by the pricing service. If there is a known pricing error, we will request a reassessment by the pricing service. If the pricing service is unable to perform the reassessment on a timely basis, we will determine the appropriate price by requesting a reassessment from an

alternative pricing service or other qualified source as necessary. We do not adjust quotes or prices except in a rare circumstance to resolve a known error.

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

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

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

	Year ended December 31,	
	2019	2018
	<i>(In thousands)</i>	
Level 3 assets, beginning of period	\$ 921	\$ 567
Net unrealized gains (losses) included in other comprehensive income	(18)	(8)
Realized gains (losses) and accretion (amortization) recognized in earnings, including OTTI	(52)	38
Purchases	-	500
Settlements	(197)	(169)
Transfers into Level 3	424	-
Transfers out of Level 3	(493)	(7)
Level 3 assets, end of period	<u>\$ 585</u>	<u>\$ 921</u>

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 years ended December 31, 2019 and 2018.

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

	December 31, 2019		December 31, 2018	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
	<i>(In thousands)</i>			
Assets:				
Fixed-maturity securities (available-for-sale)	\$ 2,356,996	\$ 2,356,996	\$ 2,069,635	\$ 2,069,635
Fixed-maturity security (held-to-maturity) (3)	1,184,370	1,299,102	970,390	945,331
Short-term investments (available-for-sale)	-	-	8,171	8,171
Equity securities	40,684	40,684	37,679	37,679
Trading securities	43,233	43,233	13,610	13,610
Policy loans (3)	32,927	32,927	31,501	31,501
Deposit asset underlying 10% coinsurance agreement (3)	233,499	233,499	228,974	228,974
Separate accounts	2,485,745	2,485,745	2,195,501	2,195,501
Liabilities:				
Notes payable (1) (2)	374,037	395,522	373,661	384,909
Surplus note (1) (3)	1,183,728	1,296,972	969,685	945,331
Separate accounts	2,485,745	2,485,745	2,195,501	2,195,501

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

(2) Classified as level 2 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 AFS securities are principally a function of current spreads and interest rates that are corroborated by independent third-party data. Therefore, the fair values presented are indicative of amounts we could realize or settle at the respective balance sheet date. We do not necessarily intend to dispose of or liquidate such instruments prior to maturity. Trading securities and equity securities, including common and nonredeemable preferred stocks, are carried at fair value. Segregated funds in separate accounts are carried at the underlying value of the variable insurance contracts, which is fair value.

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

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

Our policy is to limit the amount of life insurance retained on the life of any one person to \$1 million. To limit our exposure with any one reinsurer, we monitor the concentration of credit risk we have with our reinsurance counterparties, as well as their financial condition. For the year ended December 31, 2019 we recognized credit losses of \$2.3 million for claims ceded on a closed block of business as a result of one of our reinsurance counterparties being ordered into receivership. No credit losses were experienced by the Company for the years ended December 31, 2018 and 2017.

Reinsurance recoverables represents ceded policy reserve balances and ceded claim liabilities. The amounts of ceded claim liabilities included in reinsurance recoverables that we paid and which are recoverable from those reinsurers were \$24.3 million and \$24.6 million as of December 31, 2019 and 2018, respectively. Benefits and claims ceded to reinsurers for 2019, 2018, and 2017 were \$1,311.3 million, \$1,279.0 million, and \$1,337.3 million, respectively.

In connection with our corporate reorganization that included an initial public offering ("IPO") of our common stock by Citigroup, Inc. ("Citigroup"), Primerica Life, Primerica Life Canada and NBLIC entered into significant coinsurance transactions (the "IPO coinsurance agreements") on March 30, 2010 with three insurance companies then affiliated with Citigroup (collectively, the "IPO coinsurers"). Under the IPO coinsurance agreements, we ceded between 80% and 90% of the risks and rewards of our term life insurance policies in force at year-end 2009. Because these agreements were part of a business reorganization among entities under common control, they did not generate any deferred gain or loss upon their execution. Concurrent with signing these agreements, we transferred the corresponding account balances in respect of the coinsured policies along with the assets to support the statutory liabilities assumed by the IPO coinsurers. Each of the account balances transferred were at book value with no gain or loss recorded in net income. Beginning in 2017, policies reaching the end of their initial term period are no longer ceded under the IPO coinsurance transactions, but the existing YRT reinsurance already in place prior to the IPO will continue.

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

In a fourth IPO coinsurance agreement, (the "10% Coinsurance Agreement"), we ceded to Prime Reinsurance Company ("Prime Re"), an affiliate of Citigroup, 10% of our U.S. (except New York) term life insurance business in force at year-end 2009 subject to an experience refund provision. As the 10% Coinsurance Agreement includes an experience refund provision, it does not satisfy U.S. GAAP risk transfer rules. As a result, we have accounted for this contract using deposit method accounting and have recognized a deposit asset in other assets on our consolidated balance sheets for assets backing the economic reserves. The deposit asset held in support of this agreement was \$233.5 million and \$229.0 million at December 31, 2019 and 2018, respectively. We make contributions to the deposit asset during the life of the agreement to fulfill our responsibility of funding the economic reserve. The

market return on the deposit asset is reflected in net investment income during the life of the agreement. Prime Re is responsible for ensuring that there are sufficient assets to meet all statutory requirements. The finance charge on the statutory reserves in excess of economic reserves funded by Prime Re in support of the 10% Coinsurance Agreement is 0.5% per annum and is reflected in interest expense in our consolidated statements of income.

The following table represents the Company's in-force life insurance as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	<i>(Dollars in thousands)</i>	
Direct life insurance in force	\$ 810,995,295	\$ 783,979,673
Amounts ceded to other companies	(702,727,956)	(682,708,797)
Net life insurance in force	<u>\$ 108,267,339</u>	<u>\$ 101,270,876</u>
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:

	December 31, 2019		December 31, 2018	
	Reinsurance recoverables	A.M. Best rating	Reinsurance recoverables	A.M. Best rating
	<i>(In thousands)</i>			
Pecan Re Inc. (1) (2)	\$ 2,696,924	NR	\$ 2,701,326	NR
SCOR Global Life Reinsurance Companies (3)	352,049	A+	348,109	A+
Munich Re of Malta (2) (5)	286,433	NR	276,154	NR
Swiss Re Life & Health America Inc. (4)	233,572	A+	234,643	A+
American Health and Life Insurance Company (2)	167,471	B++	170,628	B+
Munich American Reassurance Company	118,372	A+	114,604	A+
Korean Reinsurance Company	108,410	A	104,101	A
RGA Reinsurance Company	100,328	A+	90,989	A+
Hannover Life Reassurance Company	33,772	A+	31,729	A+
TOA Reinsurance Company	26,160	A	25,434	A
All other reinsurers	46,332	-	43,852	-
Reinsurance recoverables	<u>\$ 4,169,823</u>		<u>\$ 4,141,569</u>	

NR – not rated

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

(2) Entity is an IPO coinsurer. 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 receivable 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) Entity is rated AA- by S&P.

Certain reinsurers with which we do business receive group ratings. Individually, those reinsurers are SCOR Global Life Americas Reinsurance Company, SCOR Global Life U.S.A. Reinsurance Company, SCOR Global Life Re Insurance Company of Delaware, and SCOR Global Life of Canada.

The IPO coinsurance agreements include provisions to ensure that Primerica Life, Primerica Life Canada and NBLIC receive full regulatory credit for the reinsurance treaties. Under these agreements, the ceded business can be recaptured with no fee in the event the IPO reinsurers do not comply with the various safeguard provisions in their respective IPO coinsurance agreements. Pecan Re also has entered into a capital maintenance agreement requiring Swiss Re to provide additional funding, if needed, at any point during the term of the agreement up to the maximum as described in the capital maintenance agreement.

(7) Deferred Policy Acquisition Costs

We defer incremental direct costs of successful contract acquisitions that result directly from and are essential to the contract transaction(s) and that would not have been incurred had the contract transaction(s) not occurred. The amortization of DAC associated with term life insurance policies uses assumptions regarding persistency, expenses, interest rates and mortality consistent with the assumptions used to calculate future policy benefit reserves. These assumptions may not be modified, or unlocked, unless recoverability testing deems them to be inadequate. We update assumptions for new business to reflect the most recent experience. For DAC associated with Canadian segregated funds, the assumptions used in determining amortization expense are evaluated regularly and are updated if actual experience or other evidence suggests revisions to earlier estimates are appropriate.

DAC amortization for term life insurance policies is affected by differences between the original assumptions used for persistency, expenses, interest rates and claims and actual results and are recognized in the period in which the change occurs. For policies underlying the Canadian segregated funds, gross profits and the resulting DAC amortization will vary with actual fund returns, redemptions and expenses. Due to the inherent uncertainties in making assumptions about future events, a materially different experience from expected results could result in a material increase or decrease of DAC amortization in a particular period.

DAC is subject to recoverability testing annually and when impairment indicators exist. The recoverability of DAC is dependent on the future profitability of the related policies, which, in turn, is dependent principally upon mortality, persistency, investment returns, and the expense of administering the business, as well as upon certain economic variables, such as inflation.

The balances and activity in DAC were as follows:

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
DAC balance, beginning of period	\$ 2,133,920	\$ 1,951,892	\$ 1,713,065
Capitalization	433,769	441,874	433,575
Amortization	(254,552)	(239,730)	(209,399)
Foreign exchange translation and other	12,613	(20,116)	14,651
DAC balance, end of period	<u>\$ 2,325,750</u>	<u>\$ 2,133,920</u>	<u>\$ 1,951,892</u>

(8) Separate Accounts

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

Under these contract offerings, benefit payments to contract holders or their designated beneficiaries are only due upon death of the annuitant or upon reaching a specific maturity date. Benefit payments are based on the value of the contract holder's units in the portfolio at the payment date, but are guaranteed to be no less than 75% of the contract holder's contribution, adjusted for withdrawals. Account values are not guaranteed for withdrawn units if contract holders make withdrawals prior to the maturity dates. Maturity dates for contracts investing in the Asset Builder Funds and Cash Management Fund vary by contract and range from 10 years from the contract issuance date to December 31, 2070. Contracts investing in the SRIF mature when the policyholder reaches age 100, which is a minimum of 20 years after issue. The SRIF is designed to provide periodic retirement income payments and as such, regular withdrawals, subject to legislated minimums, are anticipated. The cumulative effects of the periodic withdrawals are expected to substantially reduce both account and minimum guaranteed values prior to maturity.

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

We periodically assess the exposure related to these contracts to determine whether any additional liability should be recorded. As of December 31, 2019 and 2018, an additional liability for these contracts was deemed to be unnecessary.

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

	Year ended December 31,	
	2019	2018
	<i>(In thousands)</i>	
Fixed-income securities	\$ 970,098	\$ 996,014
Equity securities	1,318,351	1,150,848
Cash and cash equivalents	199,723	50,041
Due to/from funds	(2,489)	(1,494)
Other	62	92
Total separate accounts assets	<u>\$ 2,485,745</u>	<u>\$ 2,195,501</u>

(9) Policy Claims and Other Benefits Payable

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Policy claims and other benefits payable, beginning of period	\$ 313,862	\$ 307,401	\$ 268,136
Less reinsured policy claims and other benefits payable	318,653	322,137	323,195
Net balance, beginning of period	(4,791)	(14,736)	(55,059)
Incurred related to current year	186,857	176,854	162,256
Incurred related to prior years ⁽¹⁾	(869)	(1,355)	2,230
Total incurred	185,988	175,499	164,486
Claims paid related to current year, net of reinsured policy claims received	(244,997)	(187,453)	(181,670)
Reinsured policy claims received related to prior years, net of claims paid	14,614	22,426	57,192
Total paid	(230,383)	(165,027)	(124,478)
Foreign currency translation	343	(527)	315
Net balance, end of period	(48,843)	(4,791)	(14,736)
Add reinsured policy claims and other benefits payable	388,797	318,653	322,137
Balance, end of period	\$ 339,954	\$ 313,862	\$ 307,401

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

See Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) for details regarding the accounting for policyholder liabilities.

(10) Debt

Notes Payable. Notes payable consisted of the following:

	December 31, 2019		December 31, 2018	
	<i>(In thousands)</i>			
4.75% Senior Notes, due July 15, 2022	\$	375,000	\$	375,000
Unamortized issuance discount on notes payable		(174)		(239)
Total notes payable	\$	374,826	\$	374,761

As of December 31, 2019, we had \$375.0 million in principal amount of publicly-traded, senior unsecured notes (the “Senior Notes”). The Senior Notes were issued in 2012 at a price of 99.843% of the principal amount with an annual interest rate of 4.75%, payable semi-annually in arrears on January 15 and July 15, and are scheduled to mature on July 15, 2022. As of December 31, 2019, we were in compliance with the covenants of the Senior Notes. No events of default occurred on the Senior Notes during the year ended December 31, 2019.

As unsecured senior obligations, the Senior Notes rank equally in right of payment with all existing and future unsubordinated indebtedness and senior to all existing and future subordinated indebtedness of the Parent Company. The Senior Notes are structurally subordinated in right of payment to all existing and future liabilities of our subsidiaries. In addition, the Senior Notes contain covenants that restrict our ability to, among other things, create or incur any indebtedness that is secured by a lien on the capital stock of certain of our subsidiaries, and merge, consolidate or sell all or substantially all of our properties and assets.

Surplus Note. As of December 31, 2019, the principal amount outstanding on the Surplus Note issued by Vidalia Re was \$2.2 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. See Note 4 (Investments) for more information on the LLC Note.

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 contains language that allows for the Company and the lenders to agree on a comparable or successor reference rate in the event LIBOR is not available, as is expected to happen in 2022. 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 December 31, 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 during the year ended December 31, 2019.

(11) Income Taxes

Income tax expense. Income tax expense (benefit) consists of the following:

	Current	Deferred	Total
	(In thousands)		
Year ended December 31, 2019			
Federal	\$ 76,289	\$ 6,628	\$ 82,917
Foreign	32,239	(7,469)	24,770
State and local	3,033	-	3,033
Total tax expense	<u>\$ 111,561</u>	<u>\$ (841)</u>	<u>\$ 110,720</u>
Year ended December 31, 2018			
Federal	\$ 50,691	\$ 17,399	\$ 68,090
Foreign	36,028	(14,809)	21,219
State and local	2,681	-	2,681
Total tax expense	<u>\$ 89,400</u>	<u>\$ 2,590</u>	<u>\$ 91,990</u>
Year ended December 31, 2017			
Federal	\$ 53,084	\$ (46,622)	\$ 6,462
Foreign	28,613	(7,166)	21,447
State and local	1,356	-	1,356
Total tax expense	<u>\$ 83,053</u>	<u>\$ (53,788)</u>	<u>\$ 29,265</u>

Effective tax rate reconciliation. Total income tax expense is different from the amount determined by multiplying income before income taxes by the U.S. statutory federal tax rate of 21% for the years ended December 31, 2019 and 2018 and 35% for the year ended December 31, 2017. The reconciliation for such difference follows:

	Year ended December 31,					
	2019		2018		2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(Dollars in thousands)					
Computed tax expense	\$ 100,193	21.0 %	\$ 87,378	21.0 %	\$ 132,832	35.0 %
Difference between foreign statutory rate and U.S. statutory rate	4,898	1.0 %	4,474	1.1 %	(6,668)	(1.8) %
Transition impact of the Tax Reform Act (1)	-	— %	(2,737)	(.7) %	(95,457)	(25.1) %
Recognition of foreign tax credits	-	— %	(6,069)	(1.5) %	(40,386)	(10.6) %
Change in valuation allowance on foreign tax credits	-	— %	6,069	1.5 %	40,386	10.6 %
Other	5,629	1.2 %	2,875	0.7 %	(1,442)	(0.4) %
Total tax expense / effective rate	<u>\$ 110,720</u>	<u>23.2 %</u>	<u>\$ 91,990</u>	<u>22.1 %</u>	<u>\$ 29,265</u>	<u>7.7 %</u>

(1) On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”) was enacted in the United States. The Tax Reform Act introduced a broad range of tax reforms affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Under U.S. GAAP, the effects of new legislation are recognized upon enactment, which, for federal legislation, is the date the president signs a bill into law. Accordingly, we recognized the tax effects of the Tax Reform Act as of December 31, 2017. The SEC staff issued Staff Accounting Bulletin No. 118, which allowed companies to recognize provisional amounts for the tax effects resulting from the enactment of the Tax Reform Act for which the accounting under Accounting Standards Codification Topic 740, *Income Taxes* (“ASC 740”) was incomplete as of December 31, 2017 but a reasonable estimate could be determined. Adjustments to these provisional amounts were to be completed within a measurement period not to exceed one year. Amounts recognized by the Company as of December 31, 2017 represented reasonable estimates based on obtaining, preparing, and analyzing the information necessary at that time to account for the tax effects of the Tax Reform Act under ASC 740. As of December 31, 2018, we finalized our analysis of the incomplete areas and made the necessary adjustments to the provisional amounts recognized as of December 31, 2017.

Deferred tax assets and liabilities. The main components of deferred income tax assets and liabilities were as follows:

	December 31,	
	2019	2018
	(In thousands)	
Deferred tax assets:		
Future policy benefit reserves and unpaid policy claims	\$ 245,247	\$ 218,461
Intangibles and tax goodwill	14,713	17,115
Future deductible liabilities	17,920	13,372
State income taxes	12,940	12,755
Foreign tax credits	46,455	46,455
Other	13,962	12,653
Total deferred tax assets before valuation allowance	351,237	320,811
Valuation allowance on foreign tax credits	(46,455)	(46,455)
Total deferred tax assets after valuation allowance	\$ 304,782	\$ 274,356
Deferred tax liabilities:		
Deferred policy acquisition costs	(314,969)	(293,729)
Investments	(17,630)	-
Transitional amount for future policy benefit reserves prescribed in the Tax Reform Act	(15,256)	(17,798)
Unremitted earnings on foreign subsidiaries	(5,772)	(4,669)
Reinsurance deposit asset	(49,035)	(48,085)
Other	(21,645)	(15,144)
Total deferred tax liabilities	(424,307)	(379,425)
Net deferred tax liabilities	\$ (119,525)	\$ (105,069)

The majority of total deferred tax assets are attributable to future policy benefit reserves and unpaid policy claims, which represents the difference between the financial statement carrying value and tax basis for liabilities related to future policy benefits. The tax basis for future policy benefit reserves and unpaid policy claims is actuarially determined in accordance with guidelines set forth in the respective jurisdictional tax codes in the U.S. and Canada. The majority of total deferred tax liabilities are attributable to DAC, which represents the difference between the policy acquisition costs capitalized for U.S. GAAP purposes and those capitalized for tax purposes, as well as the difference in the resulting amortization methods.

The Company has state net operating losses resulting in a deferred tax asset of approximately \$12.2 million, which are available for use through 2037. The Company has no other material net operating loss or credit carryforwards other than foreign tax credit carryforwards.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, carryback and carryforward periods, and tax planning strategies in making this assessment. As of December 31, 2019, management identified excess foreign tax credits of approximately \$46.5 million that could not be used to offset the mandatory deemed repatriation of foreign earnings tax stipulated by the Tax Reform Act and believes it will not be able to utilize these foreign tax credits in the future. Therefore, the Company established a deferred tax asset for these foreign tax credits with a corresponding full valuation allowance. These foreign tax credits are available for use through 2027. With the exception of these foreign tax credits, management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets. Therefore, there were no other deferred tax asset valuation allowances as of December 31, 2019 or 2018.

Controlled foreign corporations. The Company has direct ownership of a group of controlled foreign corporations in Canada. We have not made a permanent reinvestment assertion for any unremitted earnings in Canada; therefore, we have recorded a deferred tax liability to account for Canadian withholding taxes that will occur upon repatriation of such earnings and we continue to record deferred tax liabilities to account for Canadian withholding taxes as earnings are recognized.

The Company has no intentions to sell or substantially liquidate our Canadian operations and, therefore, has not provided for any additional outside basis difference for the amount of book basis in excess of tax basis in its Canadian subsidiaries. In addition, it is not practicable to determine the amount of the unrecognized deferred tax liability related to any additional outside basis difference in these entities.

Unrecognized tax benefits. The total amount of unrecognized benefits on uncertain tax positions that, if recognized, would affect our effective tax rate was approximately \$4.7 million and \$13.9 million as of December 31, 2019 and 2018, respectively. We recognize interest expense related to unrecognized tax benefits in tax expense net of federal income tax. The total amount of accrued interest and penalties in the consolidated balance sheets was \$2.3 million and \$1.9 million as of December 31, 2019 and 2018, respectively. Additionally, we recognized less than \$0.3 million of interest expense related to unrecognized tax benefits in the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017.

A reconciliation of the change in the unrecognized income tax benefit for the years ended December 31, 2019 and 2018 is as follows:

	December 31,	
	2019	2018
	(In thousands)	
Unrecognized tax benefits, beginning of period	\$ 15,173	\$ 14,385
Change in prior period unrecognized tax benefits	(583)	(101)
Change in current period unrecognized tax benefits	3,036	3,105
Reductions as a result of a lapse in statute of limitations	(1,821)	(2,216)
Unrecognized tax benefits, end of period	\$ 15,805	\$ 15,173

We have no penalties included in calculating our provision for income taxes. There is no significant change that is reasonably possible to occur within twelve months of the reporting date.

The major tax jurisdictions in which we operate are the United States and Canada. We are currently open to tax audit by the Internal Revenue Service for the year ended December 31, 2016 and thereafter for federal income tax purposes. We are currently open to audit in Canada for tax years ended December 31, 2015 and thereafter for federal and provincial income tax purposes.

(12) Stockholders' Equity

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Common stock, beginning of period	42,694	44,251	45,721
Shares issued for stock options exercised	4	33	38
Shares of common stock issued upon lapse of RSUs	438	528	504
Common stock retired	(1,929)	(2,118)	(2,012)
Common stock, end of period	41,207	42,694	44,251

The above reconciliation excludes RSUs and PSUs, which do not have voting rights. As sales restrictions on RSUs lapse and PSUs are earned, we issue common shares with voting rights. As of December 31, 2019, we had a total of 360,220 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 earned could be higher or lower based on actual versus targeted performance. See Note 14 (Share Based Transactions) for a 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 1,870,521 shares of our common stock in the open market for an aggregate purchase price of \$225.0 million through December 31, 2019. \$50.0 million remains available for repurchases of our outstanding common stock under the share repurchase program as of December 31, 2019. On February 10, 2020, our Board of Directors authorized a new share repurchase program for up to \$300.0 million of our outstanding common stock (including \$50.0 million from the prior repurchase program) for purchases through June 30, 2021.

(13) 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 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 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:

	Year ended December 31,		
	2019	2018	2017
	(In thousands, except per-share amounts)		
Basic EPS:			
Numerator:			
Net income	\$ 366,391	\$ 324,094	\$ 350,255
Income attributable to unvested participating securities	(1,654)	(1,893)	(2,526)
Net income used in calculating basic EPS	<u>\$ 364,737</u>	<u>\$ 322,201</u>	<u>\$ 347,729</u>
Denominator:			
Weighted-average vested shares	42,181	43,854	45,598
Basic EPS	<u>\$ 8.65</u>	<u>\$ 7.35</u>	<u>\$ 7.63</u>
Diluted EPS:			
Numerator:			
Net income	\$ 366,391	\$ 324,094	\$ 350,255
Income attributable to unvested participating securities	(1,650)	(1,888)	(2,521)
Net income used in calculating diluted EPS	<u>\$ 364,741</u>	<u>\$ 322,206</u>	<u>\$ 347,734</u>
Denominator:			
Weighted-average vested shares	42,181	43,854	45,598
Dilutive effect of incremental shares to be issued for contingently-issuable shares	133	131	91
Weighted-average shares used in calculating diluted EPS	<u>42,314</u>	<u>43,985</u>	<u>45,689</u>
Diluted EPS	<u>\$ 8.62</u>	<u>\$ 7.33</u>	<u>\$ 7.61</u>

(14) 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 also may be subject to specified performance criteria. Since 2010, the Company has issued equity awards to our management (officers and other key employees), non-employees who serve on our Board of Directors ("directors"), and sales force leaders under the OIP. As of December 31, 2019, we had 1.5 million shares available for future grants under this plan.

Employee and Director Share-Based Compensation. As of December 31, 2019, the Company had outstanding RSUs, PSUs, and stock options issued to our management (officers and other key employees), as well as RSUs issued to our directors, under the OIP.

RSUs.

- RSUs granted to management generally have time-based vesting requirements with equal and annual graded vesting over approximately three years subsequent to the grant date, but also generally 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.
- RSUs granted to directors have time-based vesting requirements with equal and quarterly graded vesting over four quarters subsequent to the grant date.
- In addition, certain directors elected to defer their cash and/or equity retainers into deferred RSUs, which vest immediately or, if applicable, on the dates the RSUs would have vested.

All of our outstanding employee and director RSU awards are eligible for dividend equivalents regardless of vesting status.

We recognized expense and tax benefit offsets as follows for employee and director RSU share-based compensation:

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Total equity awards expense recognized	\$ 10,557	\$ 10,684	\$ 11,364
Tax benefit associated with total employee and director share-based compensation	1,434	1,495	1,893

The following table summarizes employee and director RSU activity during the years ended December 31, 2019, 2018, and 2017.

	Shares	Weighted-average measurement-date fair value per share
	(Shares in thousands)	
Unvested employee and director RSUs, December 31, 2016	396	\$ 45.37
Granted	130	80.33
Forfeited	(1)	57.53
Vested	(213)	46.54
Unvested employee and director RSUs, December 31, 2017	312	59.10
Granted	106	100.00
Forfeited	- (1)	82.20
Vested	(186)	58.51
Unvested employee and director RSUs, December 31, 2018	232	78.22
Granted	93	123.04
Forfeited	- (1)	104.38
Vested	(145)	70.53
Unvested employee and director RSUs, December 31, 2019	180	107.59

(1) Less than 1,000 shares

As of December 31, 2019, total compensation cost not yet recognized in our consolidated financial statements related to employee and director RSU awards with time-based vesting conditions yet to be reached was \$4.2 million, and the weighted-average period over which cost will be recognized was 0.8 year.

PSUs

The Company issues PSUs to certain of its executive officers under the OIP as part of their annual equity compensation. To date, PSU awards have included a performance target of a specified average annual Return on Adjusted Equity ("ROAE") for the Company over a three-year performance period, as well as a threshold ROAE and an ROAE at which the maximum number of shares can be earned. Awards are earned two months after the performance period ends. Depending on the ROAE achieved within the specified range, recipients may receive shares of common stock equal to between 0% and 150% of the number of PSUs granted. In addition, PSUs accrue forfeitable dividend equivalents, which are also paid out based on the number of shares earned.

PSU awards provide for vesting upon the voluntary termination of employment by any employee who is "retirement eligible" as of his or her termination date. The number of shares that will be earned for a retirement-eligible employee is equal to the amount calculated using the Company's actual average annual three-year ROAE ending on the last day of the performance period, even if that employee retires prior to the completion of the performance period.

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Total employee PSU award expense	\$ 3,516	\$ 3,240	\$ 2,761
Tax benefit associated with total employee PSU award expense	-	191	187

The following table summarizes PSU activity during the years ended December 31, 2019, 2018, and 2017.

	Shares	Weighted-average measurement-date fair value per share
	(Shares in thousands)	
Unvested employee PSUs, December 31, 2016	18	\$ 41.88
Granted	36	80.45
Forfeited	-	-
Vested	-	-
Unvested employee PSUs, December 31, 2017 (1)	54	67.42
Granted	31	100.55
Forfeited	-	-
Vested	-	-
Unvested employee PSUs, December 31, 2018 (2)	85	79.34
Granted	25	122.62
Forfeited	-	-
Performance Adjustment	4	41.88
Vested	(23)	41.88
Unvested employee PSUs, December 31, 2019 (3)	92	98.79

- (1) The 2017 PSU awards outstanding are based on target. Based on the actual ROAE achieved within the three-year performance period ended December 31, 2019, recipients will receive 41,162 shares of common stock on the vesting date, March 1, 2020.
- (2) The 2018 PSU awards outstanding are based on target. Depending upon the ROAE achieved within the performance period, recipients may receive between 0 and 45,869 shares of common stock.
- (3) The 2019 PSU awards outstanding are based on target. Depending upon the ROAE achieved within the performance period, recipients may receive between 0 and 38,225 shares of common stock.

As of December 31, 2019 total unrecognized compensation related PSU awards was \$0.6 million, and the weighted-average period over which cost was 0.9 years.

Stock Options. From 2013 to 2016, the Company issued stock options to certain of its executive officers under the OIP as part of their annual equity compensation. Stock options were granted with an exercise price equal to the fair market value of our common stock on the grant date, and they expire 10 years from the date of grant. These options had time-based restrictions with equal and annual graded vesting over a three-year period and are all fully vested. Upon retirement, employees have the lesser of three years or the remaining option term to exercise any vested options. *We did not issue any stock options in 2019, 2018 or 2017.*

Compensation expense and related tax benefits recognized for stock option awards were as follows:

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Expense recognized for stock option awards	\$ 6	\$ 39	\$ 162
Tax benefit recognized for stock option awards	-	8	37

The following table summarizes activity related to stock options outstanding and exercisable during the years ended December 31, 2019, 2018, and 2017:

	Outstanding		Exercisable	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	<i>(Shares in thousands)</i>			
Outstanding at December 31, 2016	145	\$ 44.75	6	\$ 53.50
Granted	-	-	-	-
Exercised	(38)	43.63	-	-
Outstanding at December 31, 2017	107	45.15	32	47.26
Granted	-	-	-	-
Exercised	(33)	47.59	-	-
Outstanding at December 31, 2018	74	44.07	44	45.55
Granted	-	-	-	-
Exercised	(4)	41.20	-	-
Outstanding at December 31, 2019	70	44.23	70	44.23
Range of granted option exercise prices outstanding at December 31, 2019				
\$41.20 (average term remaining - 4.1 years)	4	\$ 41.20	4	\$ 41.20
\$53.50 (average term remaining - 5.2 years)	14	53.50	14	53.50
\$41.88 (average term remaining - 6.2 years)	52	41.88	52	41.88

The aggregate intrinsic value represents the difference between the exercise price of our stock options and the quoted closing price of our common stock as of December 31, 2019. A summary of the intrinsic values of our stock options is as follows:

	December 31, 2019
	<i>(In thousands)</i>
Aggregate intrinsic value of exercisable stock options	\$ 6,036
Aggregate intrinsic value of stock options expected to vest	-
Aggregate intrinsic value of stock options outstanding	\$ 6,036

The intrinsic value, tax benefit realized and value of shares withheld related to option exercise activity are summarized as follows:

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Intrinsic value of options exercised	\$ 369	\$ 1,953	\$ 1,453
Tax benefit realized from the options exercised	-	-	509
Value of issued shares withheld to satisfy option exercise price	161	1,562	1,673

As of December 31, 2019, there was no unrecognized compensation cost related to outstanding options.

Non-Employee Share-Based Compensation. Non-employee share-based transactions relate to the granting of RSUs to members of the sales force (“agent equity awards”). Agent equity awards are generally granted as a part of quarterly contests for successful life insurance policy acquisitions and for sales of investment and savings products for which the grant and the service period occur within the same quarterly reporting period.

The following table summarizes non-employee RSU activity during the years ended December 31, 2019, 2018, and 2017.

	Shares	Weighted-average measurement-date fair value per share
	<i>(Shares in thousands)</i>	
Unvested non-employee RSUs, December 31, 2016	42	\$ 61.55
Granted	156	75.69
Vested	(166)	68.96
Unvested non-employee RSUs, December 31, 2017	32	91.88
Granted	124	102.43
Vested	(122)	101.01
Unvested non-employee RSUs, December 31, 2018	34	97.71
Granted	105	124.51
Vested	(115)	115.01
Unvested non-employee RSUs, December 31, 2019	24	132.68

Agent equity awards are measured using the fair market value at the grant date and vest during the service period, which occur within the same quarterly reporting period. Equity awards granted to the sales force prior to 2018 contained sales restrictions that expired over three years. Because of such sales restrictions, the fair market value of the awards incorporated an illiquidity discount reflecting the risk associated with the post-vesting restrictions. To quantify this discount for each award, we used a series of put option models with one-, two- and three-year tenors to estimate a hypothetical cost of eliminating the downside risk associated with the sale restrictions. Starting in 2018, equity awards granted under quarterly contests no longer contain sales restrictions, thereby eliminating the need to incorporate an illiquidity discount. Awards granted before January 2018 maintain the post-vesting sales restrictions established at the time of grant.

The most significant assumptions in estimating the illiquidity discount for awards granted prior to 2018 in the put option models are the volatility assumptions. We derive volatility assumptions primarily from the historical volatility of our common stock using terms comparable to the sale restriction terms.

The following table presents the assumptions used in valuing quarterly RSU granted to agents prior to 2018:

	Year ended December 31,		
	2019	2018	2017
Expected volatility	n/a	n/a	18% to 34%
Quarterly dividends expected	n/a	n/a	\$0.19 to \$0.20
Risk-free interest rates	n/a	n/a	Less than 3%

To the extent that these awards 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, we defer and amortize the fair value of the awards in the same manner as other deferred policy acquisition costs. All agent equity awards that are not directly related to the acquisition of life insurance policies are recognized as expense in the quarter granted and earned.

Details on the granting and valuation of these awards were as follows:

	Year ended December 31,		
	2019	2018	2017
	<i>(Dollars in thousands, except per-share amounts)</i>		
Total quarterly non-employee RSUs granted	105,348	124,471	155,996
Measurement date per-share fair value of awards	\$118.11 to \$132.68	\$96.60 to \$120.55	\$67.82 to \$91.88
Illiquidity discounts	n/a	n/a	10 %
Quarterly incentive awards expense recognized currently	\$ 3,441	\$ 3,288	\$ 980
Quarterly incentive awards expense deferred	9,663	9,484	10,821
Tax benefit associated with incentive awards	2,465	2,437	2,259

As of December 31, 2019, all agent equity awards were fully vested with the exception of approximately 24 thousand shares that will vest on January 1, 2020.

(15) Statutory Accounting and Dividend Restrictions

U.S. Insurance Subsidiaries. Our two underwriting U.S. insurance subsidiaries are Primerica Life and NBLIC. Primerica Life wholly owns Peach Re and Vidalia Re, and ceded to each in separate coinsurance arrangements certain level-premium term life insurance policies.

Our U.S. insurance subsidiaries are required to report their results of operations and financial position to state authorities on the basis of statutory accounting practices prescribed or permitted by such authorities and the National Association of Insurance Commissioners (“NAIC”), which is a comprehensive basis of accounting other than U.S. GAAP. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company’s principal life insurance company, Primerica Life, prepares its statutory financial statements on the basis of accounting practices prescribed or permitted by the NAIC and the Tennessee Department of Commerce and Insurance (“Tennessee DOCI”) and includes the statutory financial statements of its wholly owned insurance subsidiaries, NBLIC, Peach Re, and Vidalia Re. NBLIC’s statutory financial statements are prepared on the basis of accounting practices prescribed or permitted by the NAIC or the New York State Department of Financial Services, while the statutory financial statements of Peach Re and Vidalia Re are prepared on the basis of accounting practices prescribed or permitted by the NAIC or the Vermont Department of Financial Regulation (“Vermont DOI”). Our U.S. insurance subsidiaries’ ability to pay dividends to their parent is subject to and limited by the various laws and regulations of their respective states. There are no regulatory restrictions on the ability of the Parent Company to pay dividends (other than limitations under the Delaware General Corporation Law that provide that dividends on common stock shall be declared by the Board of Directors out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding prior fiscal year).

Primerica Life’s statutory ordinary dividend capacity is based on the greater of: (1) the previous year’s statutory net gain from operations (excluding pro rata distributions of any class of the insurer’s own securities) or (2) 10% of the previous year-end statutory surplus (net of capital stock). Dividends that, together with the amount of other distributions or dividends made within the preceding 12 months, exceed this statutory limitation are referred to as extraordinary dividends and require advance notice to the Tennessee DOCI, and are subject to potential disapproval. Dividends paid from other than statutory unassigned surplus require approval of the commissioner of the Tennessee DOCI.

Primerica Life’s statutory capital and surplus as of December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
	<i>(In thousands)</i>	
Statutory capital and surplus	\$ 666,005	\$ 674,165

Primerica Life’s statutory net gain from operations was \$508.6 million, \$547.9 million, and \$398.8 million for 2019, 2018 and 2017, respectively. Primerica Life made no pro rata distributions of any class of its own securities during 2019. During 2019, Primerica Life paid ordinary dividends of \$270.0 million to the Parent Company. As of January 1, 2020, the amount of dividends Primerica Life could pay from statutory unassigned surplus without prior approval of the commissioner of the Tennessee DOCI was \$168.3 million, which is prescribed by the amount of statutory unassigned surplus on that date.

Primerica Life’s investment basis in NBLIC, Peach Re, and Vidalia Re reflect their statutory capital and surplus amounts recorded in accordance with statutory accounting practices prescribed or permitted by the NAIC and/or each subsidiary’s state of domicile; New York and Vermont. Peach Re was formed as a special-purpose financial captive insurance company and, with the explicit permission of the Vermont DOI, has included the value of a letter of credit serving as collateral for its policy reserves as an admitted asset in its statutory capital and surplus. This permitted accounting practice was critical to the organization and operational plans of Peach Re and explicitly included in the licensing order issued by the Vermont DOI. The impact of this permitted practice as of December 31, 2019 was \$247.6 million on Peach Re’s statutory capital and surplus. As of December 31, 2019, even if Peach Re had not been permitted to include the letter of credit as an admitted asset, Primerica Life would not have been below the minimum statutory capital and surplus level that triggers a regulatory action event. There are no other permitted accounting practices that are not encompassed in prescribed statutory accounting practices.

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

Primerica Life Canada’s capacity to pay ordinary dividends to its parent is limited by OSFI regulations to the extent that its capital exceeds internal capital targets. OSFI requires companies to set internal target levels of capital sufficient to provide for all the risks of the insurer, including risks specified in OSFI’s capital guidelines. As of December 31, 2019 and 2018, Primerica Life Canada’s statutory capital and surplus satisfied regulatory requirements and was \$454.6 million and \$377.6 million, respectively.

In Canada, dividends can be paid subject to the paying insurance company continuing to have adequate capital and forms of liquidity as defined by OSFI following the dividend payment and upon 15 days minimum notice to OSFI. Primerica Life Canada’s dividend capacity at January 1, 2020 is estimated to be \$107.3 million, which is calculated based on satisfying the Company’s internal capital targets.

(16) Commitments and Contingent Liabilities

Letter of Credit. Peach Re maintains a Credit Facility Agreement with Deutsche Bank (the “Credit Facility Agreement”) to support certain obligations for a portion of the reserves (commonly referred to as Regulation XXX reserves) related to level premium term life insurance policies ceded to Peach Re from Primerica Life under the Peach Re Coinsurance Agreement.

Under the Credit Facility Agreement, Deutsche Bank issued a letter of credit in the initial amount of \$50.0 million with a term expiring on December 31, 2025 (the “LOC”) for the benefit of Primerica Life, the direct parent of Peach Re. Subject to certain conditions, the amount of the LOC periodically increased up to a maximum amount of approximately \$507.0 million, which was reached in 2014. As of December 31, 2019, the amount outstanding under the LOC was \$47.6 million. This amount will continue to decline over the remaining term of the LOC to correspond with declines in the Regulation XXX reserve. Pursuant to the terms of the Credit Facility Agreement, in the event amounts are drawn under the LOC by Primerica Life, Peach Re will be obligated, subject to certain limited conditions, to reimburse Deutsche Bank for the amount of any draws and interest thereon. Peach Re has collateralized its obligations to Deutsche Bank by granting it a security interest in all of its assets with the exception of amounts held in a special account established to meet minimum asset thresholds required by state regulatory authorities. As of December 31, 2019, the Company was in compliance with all financial covenants under the Credit Facility Agreement.

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.

(17) Benefit Plans

We sponsor a defined contribution plan for the benefit of our employees. The expense associated with this plan was approximately \$0.9 million, \$0.4 million, and \$0.7 million in 2019, 2018, and 2017, respectively.

(18) 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 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.

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Term Life Insurance segment revenues:			
Other, net	\$ 40,848	\$ 42,374	\$ 41,236
Total segment revenues from contracts with customers	40,848	42,374	41,236
Revenues from sources other than contracts with customers	1,186,383	1,080,826	950,988
Total Term Life Insurance segment revenues	<u>\$ 1,227,231</u>	<u>\$ 1,123,200</u>	<u>\$ 992,224</u>
Investment and Savings Products segment revenues:			
Commissions and fees:			
Sales-based revenues	\$ 282,887	\$ 259,991	\$ 233,005
Asset-based revenues	260,451	245,295	216,527
Account-based revenues	80,555	81,802	55,030
Other, net	10,017	9,631	9,555
Total segment revenues from contracts with customers	633,910	596,719	514,117
Revenues from sources other than contracts with customers (segregated funds)	57,698	58,357	58,630
Total Investment and Savings Products segment revenues	<u>\$ 691,608</u>	<u>\$ 655,076</u>	<u>\$ 572,747</u>
Corporate and Other Distributed Products segment revenues:			
Commissions and fees (1)	\$ 32,213	\$ 32,162	\$ 28,125
Other, net	4,660	4,982	5,300
Total segment revenues from contracts with customers	36,873	37,144	33,425
Revenues from sources other than contracts with customers	96,792	84,423	90,706
Total Corporate and Other Distributed Products segment revenues	<u>\$ 133,665</u>	<u>\$ 121,567</u>	<u>\$ 124,131</u>

(1) Commissions and fees for the year ended December 31, 2019 include \$5.5 million, 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.

Investment and Savings Products Marketing and Distribution Services. We receive commissions and fees from mutual fund companies and annuity providers for the marketing and distribution by the licensed sales representatives of investment and savings products underwritten by such companies and providers. We recognize the sales-based marketing and distribution revenue received from such companies and providers at the point in time our performance obligation to them is satisfied, which is the trade date. The sales-based commissions from mutual fund companies and annuity providers are known and are due at the same time our performance obligation to such mutual fund companies and annuity providers is satisfied. We also receive ongoing asset-based commissions from mutual fund companies and annuity providers each reporting period based on client asset values. We do not recognize revenue for asset-based marketing and distribution commissions until the end of each subsequent reporting period when the amount becomes known and due from mutual fund companies or annuity providers as this revenue represents variable consideration that is fully constrained at the point in time our distinct performance obligation to mutual fund companies and annuity providers is satisfied. We consider variable consideration in the form of asset-based marketing and distribution commissions to be fully constrained as the amounts we will be entitled to collect are highly uncertain and susceptible to factors outside of our control. Such factors include the market values of assets under management and the length of time investors hold their accounts. Asset-based marketing and distribution commissions recognized during the current period are almost exclusively attributable to distinct performance obligations satisfied to mutual fund companies and annuity providers in previous periods.

Investment Advisory and Administrative Services. We provide investment advisory and administrative services over time to investors in the managed investments programs we offer. We recognize revenue as our performance obligation is satisfied over time for daily investment advisory and administrative services that are substantially the same and have the same pattern of delivery. Fees for these services, which are based on a percentage of client assets in managed investment programs, become known and are charged to investors during the same reporting period in which the daily investment advisory and administrative services are performed.

Account-based Services. We provide distinct transfer agent recordkeeping services for certain mutual funds we distribute and non-bank custodial services to investors purchasing investment products we distribute through qualified retirement accounts in the United States. Fees charged for these account-based services consist primarily of a stated fee for each investment position or each qualified retirement account. Generally, our performance obligation for each account-based service arrangement is satisfied over time and is

substantially the same with the same pattern of delivery. We recognize revenue to which we are entitled for each investment position or each qualified account over time based on the time-based pro-rata amount earned each reporting period.

Distribution of Other Third-party Financial Products. We distribute various other financial products on behalf of third parties to consumers. We receive upfront commissions and/or renewal commissions from product providers for sales of other financial product sales we have arranged. We recognize revenue at the point in time our performance obligation to product providers is satisfied, which is generally on the date the financial product is purchased by the consumer from the product provider. For certain financial products, most notably prepaid legal subscriptions and auto and homeowners' insurance referrals, we receive ongoing renewal commissions that coincide with recurring payments received by product providers from active subscribers or policyholders. Ongoing renewal commissions represent variable consideration that will not be resolved until after the reporting period in which our performance obligation has been satisfied. We estimate variable consideration in the transaction price for these financial products (with the exception of miscellaneous products for which we expect nominal ongoing commissions) as the expected amount of commissions to be received over the life of the subscription or referred policy and apply a constraint so that it is probable that a subsequent change in estimate will not result in a significant revenue reversal. Management judgment primarily is required to determine the average life of a subscription or referred policy, which we establish based on historical information. We recognize variable consideration in excess of the amount constrained in subsequent reporting periods when the uncertainty is resolved and the excess amounts are due from the product providers.

Revenue for Other Services. We recognize revenue from the sale of other miscellaneous products and services, including monthly subscription fees from the sales representatives for access to POL, upon the transfer of the promised product or service. For POL subscriptions, we satisfy our performance obligation by providing subscribers access to the promised services over time during each monthly subscription period. Revenue recognized from the sale of other miscellaneous products and services becomes known and charged at the same time we satisfy the corresponding performance obligation.

Contract Balances. For revenue associated with ongoing renewal commissions on other distributed financial products, 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:

	December 31, 2019	December 31, 2018
	<i>(In thousands)</i>	
Balance, beginning of period	\$ 50,119	\$ 48,533
Current period sales, net of collection of renewal commissions	1,582	1,586
Balance, at the end of period	\$ 51,701	\$ 50,119 ⁽¹⁾

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

No significant estimate adjustments were made to the contract asset and no impairment losses were recognized on the contract asset during the year ended December 31, 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.

(19) 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 to 10 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 consolidated balance sheets. As of December 31, 2019, finance lease right-of-use assets of \$0.7 million and finance lease liabilities of \$0.7 million were recorded within Other assets and Other liabilities, respectively, within our consolidated balance sheets. The Company determines its lease liabilities, which are measured at the present value of future lease payments, using the Company's incremental secured borrowing rate that is commensurate with the term of the underlying lease or the rate implicit in the lease if readily determinable.

The components of lease expense were as follows:

	Year ended December 31, 2019
	<i>(In thousands)</i>
Operating lease cost	
Operating lease cost	\$ 7,650
Variable lease cost (includes taxes, common area maintenance and insurance)	675
Finance lease cost	
Depreciation of finance lease assets	277
Interest on lease liabilities	46
Total lease cost	<u>\$ 8,648</u>

Other information related to leases was as follows:

Supplemental Cash Flows Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used in operating leases ⁽¹⁾	\$ 7,656
Operating cash flows used in finance leases ⁽¹⁾	46
Financing cash flows used in finance leases	281

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

	December 31, 2019
	<i>(In thousands)</i>
Weighted Average Remaining Lease Term	
Operating leases	9 years
Finance leases	3 years
Weighted Average Discount Rate	
Operating leases	4.6 %
Finance leases	6.8 %

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

	Operating Leases	Finance Leases
Year Ended December 31,	<i>(In thousands)</i>	
2020	\$ 7,403	\$ 331
2021	7,241	284
2022	7,234	116
2023	7,242	55
2024	7,218	26
Thereafter	28,622	-
Total minimum rental commitments for operating leases	64,960	812
Less imputed interest	11,473	76
Total lease liabilities	<u>\$ 53,487</u>	<u>\$ 736</u>

The following disclosures for the comparative periods are presented in accordance with ASC 840:

Total minimum rent expense for operating leases for the years ended December 31, 2018 and 2017 was \$0.0 million and \$7.5 million. We had no contingent rent expense during the years ended December 31, 2018 and 2017, respectively.

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

	December 31, 2018
	<i>(In thousands)</i>
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	<u>\$ 70,786</u>

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

(20) Unaudited Quarterly Financial Data

In management's opinion, the following quarterly consolidated financial information fairly presents the results of operations for such periods and is prepared on a basis consistent with our annual audited consolidated financial statements. Financial information for the quarters presented was prepared on a consolidated basis.

	Quarter ended March 31, 2019	Quarter ended June 30, 2019	Quarter ended September 30, 2019	Quarter ended December 31, 2019
<i>(In thousands, except per-share amounts)</i>				
Direct premiums	\$ 677,286	\$ 687,262	\$ 692,258	\$ 697,060
Ceded premiums	(389,795)	(400,588)	(388,982)	(390,364)
Net premiums	287,491	286,674	303,276	306,696
Commissions and fees	167,315	178,468	179,719	188,302
Net investment income	24,111	24,868	22,675	22,418
Realized investment gains (losses), including OTTI	2,847	1,067	285	766
Other, net	13,223	13,825	14,698	13,778
Total revenues	494,987	504,902	520,653	531,960
Total benefits and expenses	392,619	377,442	395,514	409,815
Income before income taxes	102,368	127,460	125,139	122,145
Income taxes	23,203	30,014	28,916	28,588
Net income	\$ 79,165	\$ 97,446	\$ 96,223	\$ 93,557
Earnings per share:				
Basic earnings per share	\$ 1.84	\$ 2.28	\$ 2.28	\$ 2.25
Diluted earnings per share	\$ 1.83	\$ 2.28	\$ 2.28	\$ 2.24

	Quarter ended March 31, 2018	Quarter ended June 30, 2018	Quarter ended September 30, 2018	Quarter ended December 31, 2018
<i>(In thousands, except per-share amounts)</i>				
Direct premiums	\$ 656,087	\$ 667,191	\$ 670,222	\$ 673,605
Ceded premiums	(394,249)	(403,449)	(391,175)	(392,290)
Net premiums	261,838	263,742	279,047	281,315
Commissions and fees	166,827	167,940	170,879	171,960
Net investment income	19,017	20,030	20,622	21,760
Realized investment gains (losses), including OTTI	(1,656)	1,313	(126)	(1,651)
Other, net	13,897	14,790	14,359	13,941
Total revenues	459,923	467,815	484,781	487,325
Total benefits and expenses	376,960	354,050	373,346	379,403
Income before income taxes	82,963	113,765	111,435	107,922
Income taxes	17,248	27,065	26,296	21,381
Net income	\$ 65,715	\$ 86,700	\$ 85,139	\$ 86,541
Earnings per share:				
Basic earnings per share	\$ 1.46	\$ 1.96	\$ 1.95	\$ 1.99
Diluted earnings per share	\$ 1.46	\$ 1.95	\$ 1.94	\$ 1.99

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in, or disagreements with, accountants on accounting and financial disclosure matters during the years ended December 31, 2019 and 2018.

ITEM 9A. 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 fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

Our independent auditor, KPMG LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of our internal control over financial reporting. This attestation report appears below.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Primerica, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Primerica, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedules I, II, III, and IV (collectively, the consolidated financial statements), and our report dated February 27, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Atlanta, Georgia
February 27, 2020

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

Pursuant to General Instruction G to Form 10-K and as described below, portions of Items 10 through 14 of this report are incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Stockholders (the "Proxy Statement"), which will be filed with the SEC within 120 days of December 31, 2019, pursuant to Regulation 14A under the Exchange Act. The Report of the Audit Committee of our Board of Directors and the Report of the Compensation Committee of our Board of Directors to be included in the Proxy Statement shall be deemed to be furnished in this report and shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, as a result of such furnishing.

Our website address is www.primerica.com. You may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports from the investors section of our website. These reports are available on our website as soon as reasonably practicable after we electronically file them with the SEC. These reports should also be available through the SEC's website at www.sec.gov.

We have adopted corporate governance guidelines. The guidelines and the charters of our board committees are available in the corporate governance subsection of the investor relations section of our website, www.primerica.com, and are also available in print upon written request to the Corporate Secretary, Primerica, Inc., 1 Primerica Parkway, Duluth, GA 30099.

Item 10. Directors, Executive Officers and Corporate Governance.

For a list of executive officers, see Part I, Item X. Information About Our Executive Officers and Certain Significant Employees included elsewhere in this report.

We have adopted a written Code of Conduct that applies to all directors, officers and employees, including a separate code that applies to only our principal executive officers and senior financial officers in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our Code of Conduct is available in the corporate governance subsection of the investor relations section of our website, www.primerica.com, and is available in print upon written request to the Corporate Secretary, Primerica, Inc., 1 Primerica Parkway, Duluth, GA 30099. In the event that we make changes in, or provide waivers from, the provisions of the Code of Conduct that the SEC requires us to disclose, we will disclose these events in the corporate governance section of our website.

Except for the information above and the information set forth in Part I, Item X. Information About Our Executive Officers and Certain Significant Employees, the information required by this item will be contained under the following headings in the Proxy Statement and is incorporated herein by reference:

- Matters to be Voted on — Proposal 1: Election of Directors;
- Governance — Director Independence;
- Governance — Environmental, Social, and Governance ("ESG") Matters – Our Corporate Culture;
- Board of Directors — Board Members;
- Board of Directors — Board Committees;
- Board of Directors — Other Director Matters;
- Stock Ownership — Delinquent Section 16(a) Reports;
- Executive Compensation — Employment Agreements;
- Audit Matters — Audit Committee Report; and
- Related Party Transactions.

Item 11. Executive Compensation.

The information required by this item will be contained under the following headings in the Proxy Statement and is incorporated herein by reference:

- Board of Directors — Board Committees — Compensation Committee;
- Board of Directors — Director Compensation; and
- Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**Securities Authorized for Issuance Under Equity Compensation Plans**

We have two compensation plans under which our equity securities are authorized for issuance. The Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan was approved by our stockholders in May 2017. The Primerica, Inc. Stock Purchase Plan for Agents and Employees was approved by our sole stockholder in March 2010. The following table sets forth certain information relating to these equity compensation plans at December 31, 2019.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by stockholders:			
Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan	365,457 (1)	\$ 44.23 (2)	1,456,414 (3)
Primerica, Inc. Stock Purchase Plan for Agents and Employees	-	-	1,847,874 (4)
Total	365,457	\$ 44.23	3,304,288
Equity compensation plans not approved by stockholders	n/a	n/a	n/a

(1) Consists of 203,427 and 69,922 shares to be issued in connection with unvested restricted stock units and outstanding stock options, respectively. Also includes 92,108 shares to be issued to certain executive officers in connection with outstanding performance stock units if the Company achieves the targeted level of performance specified in the award agreement over a three-year period. Based on the actual Return on Adjusted Equity achieved within the three-year performance period ended December 31, 2019, recipients of the 2017 performance-based stock units will receive 41,162 shares of common stock versus the targeted 36,046 shares on the vesting date, March 1, 2020. See Note 12 (Stockholders' Equity) and Note 14 (Share-Based Transactions) to our consolidated financial statements included elsewhere in this report for more information on the equity awards outstanding.

(2) Represents the weighted average exercise price of the 69,922 stock options outstanding.

(3) The number of shares of our common stock available for future issuance is 12,200,000 less the cumulative number of awards granted under the plan plus the cumulative number of awards canceled under the plan.

(4) Represents shares of our common stock, which have already been issued and are outstanding, available to be purchased by employees and agents under the plan. The number of outstanding shares available to be purchased is 2,500,000 less the cumulative number of outstanding shares purchased to date under the plan.

Other information required by this item will be contained under the following headings in the Proxy Statement and is incorporated herein by reference:

- Stock Ownership — Ownership of Our Common Stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be contained under the following headings in the Proxy Statement and is incorporated herein by reference:

- Introductory paragraph to Governance;
- Governance — Director Independence;
- Board of Directors — Board Committees; and
- Related Party Transactions.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be contained under the following headings in the Proxy Statement and is incorporated herein by reference:

- Matters to be Voted on — Proposal 4: Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm;
- Board of Directors — Board Committees — Audit Committee; and
- Audit Matters — Fees and Services of KPMG.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. FINANCIAL STATEMENTS

Included in Part II, Item 8, of this report:

Primerica, Inc.:

Report of Independent Registered Public Accounting Firm	60
Consolidated Balance Sheets as of December 31, 2019 and 2018	62
Consolidated Statements of Income for each of the years in the three-year period ended December 31, 2019	63
Consolidated Statements of Comprehensive Income for each of the years in the three-year period ended December 31, 2019	64
Consolidated Statements of Stockholders' Equity for each of the years in the three-year period ended December 31, 2019	65
Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2019	66
Notes to Consolidated Financial Statements	67
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2. FINANCIAL STATEMENT SCHEDULES

Included in Part IV of this report:

Schedule I — Consolidated Summary of Investments — Other than Investments in Related Parties as of December 31, 2019	108
Schedule II — Condensed Financial Information of Registrant as of December 31, 2019 and 2018, and for each of the years in the three-year period ended December 31, 2019	109
Schedule III — Supplementary Insurance Information as of December 31, 2019 and 2018, and for each of the years in the three-year period ended December 31, 2019	115
Schedule IV — Reinsurance for each of the years in the three-year period ended December 31, 2019	116

3. EXHIBIT INDEX —

An “Exhibit Index” has been filed as part of this report beginning on the following page and is incorporated herein by reference.

Schedules other than those listed above are omitted because they are not required, are not material, are not applicable, or the required information is shown in the financial statements or notes thereto.

(b) Exhibit Index.

The agreements included as exhibits to this report are included to provide 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;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to our investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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

Exhibit Number	Description	Reference
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	Incorporated by reference to Exhibit 3.1 to Primerica's Current Report on Form 8-K filed May 24, 2013 (Commission File No. 001-34680).
3.2	Second Amended and Restated Bylaws of the Registrant.	Filed with the Securities and Exchange Commission as part of this Annual Report.
4.1	Indenture, dated July 16, 2012, among the Registrant and Wells Fargo Bank, National Association, as trustee.	Incorporated by reference to Exhibit 4.1 to Primerica's Current Report on Form 8-K filed July 16, 2012 (Commission File No. 001-34680).
4.2	First Supplemental Indenture, dated July 16, 2012, among the Registrant and Wells Fargo Bank, National Association, as trustee.	Incorporated by reference to Exhibit 4.2 to Primerica's Current Report on Form 8-K filed July 16, 2012 (Commission File No. 001-34680).
4.3	Form of 4.750% Senior Notes due 2022.	Incorporated by reference to Exhibit 4.3 (included in Exhibit 4.2 filed herewith) to Primerica's Current Report on Form 8-K filed July 16, 2012 (Commission File No. 001-34680).
4.4	Description of Registrant's Securities.	Filed with the Securities and Exchange Commission as part of this Annual Report.
10.1	Credit Agreement, dated as of December 19, 2017.	Incorporated by reference to Exhibit 10.1 to Primerica's Current Report on Form 8-K filed December 20, 2017 (Commission File No. 001-34680).
10.2	Tax Separation Agreement dated as of March 30, 2010 by and between the Registrant and Citigroup Inc.	Incorporated by reference to Exhibit 10.3 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.3	Amended and Restated 80% Coinsurance Agreement dated March 31, 2016 by and between Primerica Life Insurance Company and Pecan Re Inc.	Incorporated by reference to Exhibit 10.2 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File No. 001-34680).
10.4	10% Coinsurance Agreement dated March 31, 2010 by and between Primerica Life Insurance Company and Prime Reinsurance Company, Inc.	Incorporated by reference to Exhibit 10.6 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.5	Amendment No. 1 dated as of October 5, 2015 to the 10% Coinsurance Agreement dated March 31, 2010 by and between Primerica Life Insurance Company and Prime Reinsurance Company, Inc.	Incorporated by reference to Exhibit 10.29 to Primerica's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (Commission File No. 001-34680).
10.6	Amendment No. 2 dated as of January 25, 2016 to the 10% Coinsurance Agreement dated March 31, 2010 by and between Primerica Life Insurance Company and Prime Reinsurance Company, Inc.	Incorporated by reference to Exhibit 10.1 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (Commission File No. 001-34680).
10.7	Amendment No. 3 dated as of March 31, 2016 to the 10% Coinsurance Agreement dated March 31, 2010 by and between Primerica Life Insurance Company and Prime Reinsurance Company, Inc.	Incorporated by reference to Exhibit 10.2 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (Commission File No. 001-34680).
10.8	Amended and Restated 80% Coinsurance Trust Agreement dated March 31, 2016 among Primerica Life Insurance Company, Pecan Re Inc. and The Bank of New York Mellon.	Incorporated by reference to Exhibit 10.7 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File No. 001-34680).
10.9	10% Coinsurance Economic Trust Agreement dated March 29, 2010 among Primerica Life Insurance Company, Prime Reinsurance Company, Inc. and The Bank of New York Mellon.	Incorporated by reference to Exhibit 10.8 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.10	Amendment No. 1 dated as of March 31, 2016 to the 10% Coinsurance Economic Trust Agreement dated March 29, 2010 among Prime Reinsurance Company, Inc. Primerica Life Insurance Company, and The Bank of New York Mellon.	Incorporated by reference to Exhibit 10.5 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (Commission File No. 001-34680).
10.11	10% Coinsurance Excess Trust Agreement dated March 29, 2010 among Primerica Life Insurance Company, Prime Reinsurance Company, Inc. and The Bank of New York Mellon.	Incorporated by reference to Exhibit 10.9 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.12	Amendment No. 1 dated as of March 31, 2016 to the 10% Coinsurance Excess Trust Agreement dated March 29, 2010 among Prime Reinsurance Company, Inc. Primerica Life Insurance Company, and The Bank of New York Mellon.	Incorporated by reference to Exhibit 10.6 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (Commission File No. 001-34680).
10.13	Amended and Restated Capital Maintenance Agreement dated as of March 31, 2016 by and between Citigroup Inc. and Prime Reinsurance Company, Inc.	Incorporated by reference to Exhibit 10.7 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (Commission File No. 001-34680).

10.14	90% Coinsurance Agreement dated March 31, 2010 by and between National Benefit Life Insurance Company and American Health and Life Insurance Company.	Incorporated by reference to Exhibit 10.11 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.15	Trust Agreement dated March 29, 2010 among National Benefit Life Insurance Company, American Health and Life Insurance Company and The Bank of New York Mellon.	Incorporated by reference to Exhibit 10.12 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.16	Coinsurance Agreement dated March 31, 2010 by and between Primerica Life Insurance Company of Canada and Financial Reassurance Company 2010, Ltd. (currently known as Munich Re Life Insurance Company of Vermont).	Incorporated by reference to Exhibit 10.13 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.17	Coinsurance Amending Agreement dated as of December 31, 2011 among Primerica Life Insurance Company of Canada and Financial Reassurance Company 2010, Ltd. (currently known as Munich Re Life Insurance Company of Vermont).	Incorporated by reference to Exhibit 10.19 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File No. 001-34680).
10.18	Coinsurance Amending Agreement dated as of October 20, 2016 among Primerica Life Insurance Company of Canada, Munich Re Life Insurance Company of Vermont (formerly known as Financial Reassurance Company 2010, Ltd.) and Munich-American Holding Corporation.	Incorporated by reference to Exhibit 10.20 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File No. 001-34680).
10.19	Coinsurance Agreement Novation Amendment dated as of December 15, 2016 among Primerica Life Insurance Company of Canada, Munich Re Life Insurance Company of Vermont and Munich Re of Malta P.L.C.	Filed with the Securities and Exchange Commission as part of this Annual Report.
10.20	Coinsurance Amending Agreement dated as of January 1, 2018 among Primerica Life Insurance Company of Canada and Munich Re of Malta P.L.C.	Filed with the Securities and Exchange Commission as part of this Annual Report.
10.21	Monitoring and Reporting Agreement dated as of March 31, 2016 by and among Primerica Life Insurance Company and Pecan Re Inc.	Incorporated by reference to Exhibit 10.21 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File No. 001-34680).
10.22*	Primerica, Inc. Stock Purchase Plan for Agents and Employees.	Incorporated by reference to Exhibit 10.45 to Primerica's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (Commission File No. 001-34680).
10.23*	Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan.	Incorporated by reference to Exhibit 10.26 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File No. 001-34680).
10.24*	Form of Revised Primerica, Inc. Performance Stock Unit Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2017 awards).	Incorporated by reference to Exhibit 10.23 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File No. 001-34680).
10.25*	Form of Primerica, Inc. Performance Stock Unit Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2018 awards).	Incorporated by reference to Exhibit 10.24 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File No. 001-34680).
10.26*	Form of Primerica, Inc. Performance Stock Unit Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2019 awards).	Filed with the Securities and Exchange Commission as part of this Annual Report.
10.27*	Form of U.S. Employee Restricted Stock Unit Restated Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2017 awards).	Incorporated by reference to Exhibit 10.31 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2017 (Commission File No. 001-34680).
10.28*	Form of U.S. Employee Restricted Stock Unit Restated Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2018 awards).	Incorporated by reference to Exhibit 10.27 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File No. 001-34680).
10.29*	Form of U.S. Employee Restricted Stock Unit Restated Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2019 awards).	Filed with the Securities and Exchange Commission as part of this Annual Report.
10.30*	Employee Restricted Stock Unit Award Agreement, dated as of March 18, 2019, between Registrant and Mr. William A. Kelly.	Filed with the Securities and Exchange Commission as part of this Annual Report.
10.31*	Form of Restated Nonqualified Stock Option Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2014 awards).	Incorporated by reference to Exhibit 10.2 to Primerica's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (Commission File No. 001-34680).
10.32*	Form of Restated Nonqualified Stock Option Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2015 awards).	Incorporated by reference to Exhibit 10.22 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2015 (Commission File No. 001-34680).
10.33*	Form of Restated Nonqualified Stock Option Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2016 awards).	Incorporated by reference to Exhibit 10.33 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File No. 001-34680).
10.34	Form of Director Restricted Stock Unit Award Agreement under the Primerica, Inc. 2010 Omnibus Incentive Plan (2019 awards).	Filed with the Securities and Exchange Commission as part of this Annual Report.

10.35*	Form of Indemnification Agreement for Directors and Officers.	Incorporated by reference to Exhibit 10.48 to Primerica's Registration Statement on Form S-1 (File No. 333-162918).
10.36*	Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Mr. Glenn J. Williams.	Incorporated by reference to Exhibit 99.4 to Primerica's Current Report on Form 8-K filed January 5, 2015 (Commission File No. 001-34680).
10.37*	Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Mr. Peter W. Schneider.	Incorporated by reference to Exhibit 99.5 to Primerica's Current Report on Form 8-K filed January 5, 2015 (Commission File No. 001-34680).
10.38*	Amendment dated as of November 17, 2015 to the Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Mr. Peter W. Schneider.	Incorporated by reference to Exhibit 10.30 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2015 (Commission File No. 001-34680).
10.39*	Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Ms. Alison S. Rand.	Incorporated by reference to Exhibit 99.6 to Primerica's Current Report on Form 8-K filed January 5, 2015 (Commission File No. 001-34680).
10.40*	Amendment dated as of November 17, 2015 to the Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Ms. Alison S. Rand.	Incorporated by reference to Exhibit 10.32 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2015 (Commission File No. 001-34680).
10.41*	Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Mr. Gregory C. Pitts.	Incorporated by reference to Exhibit 99.7 to Primerica's Current Report on Form 8-K filed January 5, 2015 (Commission File No. 001-34680).
10.42*	Amendment dated as of November 17, 2015 to the Amended and Restated Employment Agreement, dated as of January 2, 2015, between the Registrant and Mr. Gregory C. Pitts.	Incorporated by reference to Exhibit 10.34 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2015 (Commission File No. 001-34680).
10.43	Nonemployee Directors' Deferred Compensation Plan, effective as of January 1, 2011, adopted on November 10, 2010.	Incorporated by reference to Exhibit 10.31 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2010 (Commission File No. 001-34680).
21.1	Subsidiaries of the Registrant.	Incorporated by reference to Exhibit 21.1 to Primerica's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File No. 001-34680).
23.1	Consent of KPMG LLP.	Filed with the Securities and Exchange Commission as part of this Annual Report.
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 Annual 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 Annual 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 Annual 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).	

* Identifies a management contract or compensatory plan or arrangement.

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

	December 31, 2019		
Type of Investment	Cost	Fair value	Amount at which shown in the balance sheet
	(In thousands)		
Fixed maturities:			
Bonds ⁽¹⁾ :			
United States government and government agencies and authorities	\$ 273,502	\$ 280,682	\$ 280,682
States, municipalities and political subdivisions	120,000	122,593	122,593
Foreign governments	158,052	164,178	164,178
Public utilities	-	-	-
Convertibles and bonds with warrants attached	-	-	-
All other corporate bonds ⁽²⁾	2,945,372	3,126,013	3,011,281
Certificates of deposit	-	-	-
Redeemable preferred stocks	5,447	5,865	5,865
Total fixed maturities	3,502,373	3,699,331	3,584,599
Equity securities:			
Common stocks:			
Public utilities	6,469	11,344	11,344
Banks, trusts and insurance companies	18,924	20,359	20,359
Industrial, miscellaneous and all other	5,440	7,931	7,931
Nonredeemable preferred stocks	1,838	1,050	1,050
Total equity securities	32,671	40,684	40,684
Mortgage loans on real estate	-	-	-
Real estate	-	-	-
Policy loans	32,927	32,927	32,927
Other long-term investments	-	-	-
Short-term investments	-	-	-
Total investments	\$ 3,567,971	\$ 3,772,942	\$ 3,658,210

(1) Mortgage-and asset-backed securities are included in the investment types listed based on the entity-type that issued these securities.

(2) The amount shown on the consolidated balance sheet does not match the amortized cost or cost or fair value for "All other corporate bonds" due to our held-to-maturity security, which is carried at cost on the consolidated balance sheet and all other fixed maturities are carried at fair value.

See the report of independent registered public accounting firm.

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

	December 31,	
	2019	2018
	(In thousands)	
Assets		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$206,550 in 2019 and \$108,623 in 2018)	\$ 208,526	\$ 109,415
Short-term investments, available-for-sale, at fair value (cost: \$0 in 2019 and \$8,171 in 2018)	-	8,171
Equity securities, at fair value (historical cost: \$2,090 in 2019 and \$1,519 in 2018)	2,250	1,447
Total investments	210,776	119,033
Cash and cash equivalents	59,150	32,745
Due from affiliates*	1,267	2,492
Other receivables	1,383	1,086
Income tax receivable	1,026	3,490
Deferred income taxes	12,151	12,151
Investment in subsidiaries*	1,756,845	1,678,231
Other assets	608	729
Total assets	\$ 2,043,206	\$ 1,849,957
Liabilities and Stockholders' Equity		
Liabilities:		
Notes payable	374,037	373,661
Current income tax payable	-	-
Deferred income taxes	7,441	6,126
Interest payable	8,214	8,214
Other liabilities	1,023	443
Commitments and contingent liabilities (see Note F)		
Total liabilities	390,715	388,444
Stockholders' equity:		
Common stock (\$0.01 par value; authorized 500,000 in 2019 and 2018; issued and outstanding 41,207 shares in 2019 and 42,694 shares in 2018)	412	427
Paid-in capital	-	-
Retained earnings	1,593,281	1,489,520
Accumulated other comprehensive income, net of income tax	58,798	(28,434)
Total stockholders' equity	1,652,491	1,461,513
Total liabilities and stockholders' equity	\$ 2,043,206	\$ 1,849,957

* Eliminated in consolidation.

See the accompanying notes to condensed financial statements.

See the report of independent registered public accounting firm.

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Revenues:			
Dividends from subsidiaries*	\$ 398,129	\$ 302,932	\$ 256,913
Net investment income	4,973	2,306	1,484
Realized investment gains (losses), including other-than-temporary impairment losses	256	(128)	179
Total revenues	403,358	305,110	258,576
Expenses:			
Interest expense	18,669	18,695	18,210
Other operating expenses	9,898	7,478	8,441
Total expenses	28,567	26,173	26,651
Income before income taxes	374,791	278,937	231,925
Income taxes	(2,940)	(5,578)	(3,756)
Income before equity in undistributed earnings of subsidiaries	377,731	284,515	235,681
Equity in undistributed earnings of subsidiaries*	(11,340)	39,579	114,574
Net income	<u>\$ 366,391</u>	<u>\$ 324,094</u>	<u>\$ 350,255</u>

* Eliminated in consolidation.

See the accompanying notes to condensed financial statements.

See the report of independent registered public accounting firm.

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

	Year ended December 31,		
	2019	2018	2017
	<i>(In thousands)</i>		
Net income	\$ 366,391	\$ 324,094	\$ 350,255
Other comprehensive income (loss) before income taxes:			
Unrealized investment gains (losses):			
Equity in unrealized holding gains (losses) on investment securities held by subsidiaries	70,998	(46,382)	(3,333)
Change in unrealized holding gains/(losses) on investment securities	1,440	(931)	356
Reclassification adjustment for realized investment (gains) losses included in net income	(256)	128	(179)
Foreign currency translation adjustments:			
Equity in unrealized foreign currency translation gains of subsidiaries	15,299	(25,059)	17,383
Total other comprehensive income (loss) before income taxes	87,481	(72,244)	14,227
Income tax expense (benefit) related to items of other comprehensive income (loss)	249	(169)	257
Other comprehensive income (loss), net of income taxes	87,232	(72,075)	13,970
Total comprehensive income	<u>\$ 453,623</u>	<u>\$ 252,019</u>	<u>\$ 364,225</u>

See the accompanying notes to condensed financial statements.

See the report of independent registered public accounting firm.

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

	Year ended December 31,		
	2019	2018	2017
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 366,391	\$ 324,094	\$ 350,255
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Equity in undistributed earnings of subsidiaries* (1)	(95,014)	(44,095)	(145,113)
Deferred tax provision	1,067	(1,983)	2,454
Change in income taxes	2,464	(6,151)	(1,235)
Realized investment (gains) losses, including other-than-temporary impairments	(256)	128	(179)
Accretion and amortization of investments	257	103	149
Share-based compensation	1,487	1,365	1,254
Change in due to/from affiliates*	1,225	780	(4,380)
Trading securities sold, matured, or called (acquired), net	-	-	(1,377)
Change in other operating assets and liabilities, net	2,001	(120)	(1,514)
Net cash provided by (used in) operating activities	279,622	274,121	200,314
Cash flows from investing activities:			
Available-for-sale investments sold, matured or called:			
Fixed maturity securities — sold	6,481	1,603	12,204
Fixed-maturity securities — matured or called	179,950	104,836	56,678
Equity securities — sold	-	-	36
Short-term investments — matured or called	8,250	-	-
Equity securities — sold	76	150	-
Available-for-sale investments acquired:			
Fixed-maturity securities ⁽¹⁾	(157,510)	(144,760)	(23,497)
Equity securities	-	-	(40)
Short-term investments	-	(8,169)	-
Equity securities acquired	(611)	(265)	-
Net cash provided by (used in) investing activities	36,636	(46,605)	45,381
Cash flows from financing activities:			
Dividends paid	(57,630)	(44,140)	(35,821)
Common stock repurchased	(225,037)	(210,146)	(150,038)
Tax withholdings on share-based compensation	(7,186)	(6,711)	(6,734)
Payment of deferred financing costs	-	-	(868)
Net cash provided by (used) in financing activities	(289,853)	(260,997)	(193,461)
Change in cash and cash equivalents	26,405	(33,481)	52,234
Cash and cash equivalents, beginning of period	32,745	66,226	13,992
Cash and cash equivalents, end of period	\$ 59,150	\$ 32,745	\$ 66,226
Supplemental disclosures of cash flow information:			
Interest paid	\$ 18,117	\$ 18,146	\$ 17,813

* Eliminated in consolidation.

(1) Does not include \$ 127.2 million, \$27.6 million, and \$35.5 million of fixed-maturity securities transferred from subsidiaries in the form of noncash dividends for the years ended December 31, 2019, 2018 and 2017, respectively.

See the accompanying notes to condensed financial statements.

See the report of independent registered public accounting firm.

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

(A) Description of Business

Primerica, Inc. (“we”, “us” or the “Company”) is a holding company with our primary asset being the capital stock of our wholly owned operating subsidiaries, and our primary liability being \$375.0 million in principal amount of senior unsecured notes issued in a public offering in 2012 (the “Senior Notes”). Our subsidiaries assist clients in meeting their needs for term life insurance, which our insurance subsidiaries underwrite, and mutual funds, annuities, managed investments and other financial products, which our subsidiaries distribute primarily on behalf of third parties. Our primary subsidiaries include the following entities: Primerica Financial Services, LLC, a general agency and marketing company; Primerica Life Insurance Company (“Primerica Life”), our principal life insurance company; PFS Investments Inc., an investment products company and broker-dealer; and Primerica Financial Services (Canada) Ltd., a holding company for our Canadian operations, which includes Primerica Life Insurance Company of Canada and PFS Investments Canada Ltd. Primerica Life, domiciled in Tennessee, owns National Benefit Life Insurance Company, a New York insurance company. In addition, we established Peach Re, Inc. (“Peach Re”) and Vidalia Re, Inc. (“Vidalia Re”) as special purpose financial captive insurance companies domiciled in Vermont and wholly owned subsidiaries of Primerica Life.

(B) Basis of Presentation

These condensed financial statements reflect the results of operations, financial position and cash flows for the Company. 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. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect financial statement balances, revenues and expenses and cash flows, as well as the disclosure of contingent assets and liabilities. Management considers available facts and knowledge of existing circumstances when establishing the estimates included in our financial statements.

The most significant item that involves a greater degree of accounting estimates subject to change in the future is the determination of our investments in subsidiaries. Estimates for this 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.

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

(C) Note Payable

In July 2012, we issued the Senior Notes in a public offering at a price of 99.843% of the principal amount with an annual interest rate of 4.75%, payable semi-annually in arrears on January 15 and July 15. The Senior Notes mature on July 15, 2022.

As unsecured senior obligations, the Senior Notes rank equally in right of payment with all existing and future unsubordinated indebtedness and senior to all existing and future subordinated indebtedness of the Company. The Senior Notes are structurally subordinated in right of payment to all existing and future liabilities of our subsidiaries. In addition, the Senior Notes contain covenants that restrict our ability to, among other things, create or incur any indebtedness that is secured by a lien on the capital stock of certain of our subsidiaries, and merge, consolidate or sell all or substantially all of our properties and assets.

We were in compliance with the covenants of the Senior Notes as of December 31, 2019. No events of default occurred on the Senior Notes during the year ended December 31, 2019.

(D) 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 contains language that allows for the Company and the lenders to agree on a comparable or successor reference rate in the event LIBOR is no longer available, as is expected to happen in 2022. 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 December 31, 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 during the year ended December 31, 2019.

(E) Dividends

For the years ended December 31, 2019, 2018, and 2017, the Company received dividends from our non-life insurance subsidiaries of \$05.6 million, \$80.1 million, and \$96.0 million, respectively. For the years ended December 31, 2019, 2018, and 2017, the Company received dividends from our life insurance subsidiaries of \$292.5 million, \$222.8 million, and \$160.9 million, respectively.

(F) Commitments and Contingent Liabilities

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. In conjunction with these coinsurance agreements, we have capital maintenance agreements with both Peach Re and Vidalia Re. Each capital maintenance agreement may require us at times to make capital contributions to Peach Re and Vidalia Re to ensure that their regulatory accounts, as defined in the coinsurance agreements with Primerica Life, will not be less than \$20.0 million for each financial captive insurance company. For Peach Re, the regulatory account will only be used to satisfy obligations under its coinsurance agreement after all other available assets have been used, including a letter of credit issued by Deutsche Bank for the benefit of Primerica Life. For Vidalia Re, the regulatory account will only be used to satisfy obligations under its coinsurance agreement after all other available assets have been used, including its held-to-maturity security ultimately guaranteed by Hannover Life Reassurance Company of America.

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 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.

**Schedule III
Supplementary Insurance Information
PRIMERICA, INC.**

	Deferred policy acquisition costs	Future policy benefits	Unearned and advance premiums	Policy claims and other benefits payable	Separate account liabilities	
(In thousands)						
December 31, 2019						
Term Life Insurance	\$ 2,239,515	\$ 6,244,193	\$ 14,933	\$ 330,660	\$ -	
Investment and Savings Products	62,196	-	-	-	2,485,683	
Corporate and Other Distributed Products	24,039	202,376	537	9,294	62	
Total	<u>\$ 2,325,750</u>	<u>\$ 6,446,569</u>	<u>\$ 15,470</u>	<u>\$ 339,954</u>	<u>\$ 2,485,745</u>	
December 31, 2018						
Term Life Insurance	\$ 2,052,176	\$ 5,963,707	\$ 15,016	\$ 303,866	\$ -	
Investment and Savings Products	56,548	-	-	-	2,195,409	
Corporate and Other Distributed Products	25,196	204,450	571	9,996	92	
Total	<u>\$ 2,133,920</u>	<u>\$ 6,168,157</u>	<u>\$ 15,587</u>	<u>\$ 313,862</u>	<u>\$ 2,195,501</u>	
	Premium revenue	Net investment income	Benefits and claims	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written
(In thousands)						
Year ended December 31, 2019						
Term Life Insurance	\$ 1,166,461	\$ 19,922	\$ 475,330	\$ 248,710	\$ 183,097	\$ -
Investment and Savings Products	-	-	-	4,549	495,248	-
Corporate and Other Distributed Products	17,676	74,151	18,490	1,293	148,676	741
Total	<u>\$ 1,184,137</u>	<u>\$ 94,073</u>	<u>\$ 493,820</u>	<u>\$ 254,552</u>	<u>\$ 827,021</u>	<u>\$ 741</u>
Year ended December 31, 2018						
Term Life Insurance	\$ 1,067,079	\$ 13,747	\$ 441,775	\$ 228,613	\$ 170,908	\$ -
Investment and Savings Products	-	-	-	9,766	471,398	-
Corporate and Other Distributed Products	18,861	67,683	15,808	1,351	144,140	792
Total	<u>\$ 1,085,940</u>	<u>\$ 81,430</u>	<u>\$ 457,583</u>	<u>\$ 239,730</u>	<u>\$ 786,446</u>	<u>\$ 792</u>
Year ended December 31, 2017						
Term Life Insurance	\$ 941,057	\$ 9,931	\$ 398,212	\$ 201,751	\$ 146,604	\$ -
Investment and Savings Products	-	-	-	6,168	403,743	-
Corporate and Other Distributed Products	20,281	69,086	17,807	1,480	133,817	821
Total	<u>\$ 961,338</u>	<u>\$ 79,017</u>	<u>\$ 416,019</u>	<u>\$ 209,399</u>	<u>\$ 684,164</u>	<u>\$ 821</u>

See the report of independent registered public accounting firm.

**Schedule IV
Reinsurance
PRIMERICA, INC.**

Year ended December 31, 2019					
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
<i>(Dollars in thousands)</i>					
Life insurance in force	\$ 810,995,295	\$ 702,727,956	\$ -	\$ 108,267,339	—%
Premiums:					
Life insurance	\$ 2,752,774	\$ 1,569,403	\$ -	\$ 1,183,371	—%
Accident and health insurance	1,092	326	-	766	—%
Total premiums	\$ 2,753,866	\$ 1,569,729	\$ -	\$ 1,184,137	—%
Year ended December 31, 2018					
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
<i>(Dollars in thousands)</i>					
Life insurance in force	\$ 783,979,673	\$ 682,708,797	\$ -	\$ 101,270,876	—%
Premiums:					
Life insurance	\$ 2,665,947	\$ 1,580,815	\$ -	\$ 1,085,132	—%
Accident and health insurance	1,157	349	-	808	—%
Total premiums	\$ 2,667,104	\$ 1,581,164	\$ -	\$ 1,085,940	—%
Year ended December 31, 2017					
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
<i>(Dollars in thousands)</i>					
Life insurance in force	\$ 767,001,938	\$ 668,446,638	\$ -	\$ 98,555,300	—%
Premiums:					
Life insurance	\$ 2,560,885	\$ 1,600,399	\$ -	\$ 960,486	—%
Accident and health insurance	1,224	372	-	852	—%
Total premiums	\$ 2,562,109	\$ 1,600,771	\$ -	\$ 961,338	—%

See the report of independent registered public accounting firm.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ **Alison S. Rand** February 27, 2020
Alison S. Rand
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ **D. Richard Williams** Chairman of the Board February 27, 2020
D. Richard Williams

/s/ **Glenn J. Williams** Chief Executive Officer (Principal Executive Officer) and Director February 27, 2020
Glenn J. Williams

/s/ **Alison S. Rand** Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) February 27, 2020
Alison S. Rand

/s/ **John A. Addison, Jr.** Director February 27, 2020
John A. Addison, Jr.

/s/ **Joel M. Babbitt** Director February 27, 2020
Joel M. Babbitt

/s/ **P. George Benson** Director February 27, 2020
P. George Benson

/s/ **C. Saxby Chambliss** Director February 27, 2020
C. Saxby Chambliss

/s/ **Gary L. Crittenden** Director February 27, 2020
Gary L. Crittenden

/s/ **Cynthia N. Day** Director February 27, 2020
Cynthia N. Day

/s/ **Sanjeev Dheer** Director February 27, 2020
Sanjeev Dheer

/s/ **Beatriz R. Perez** Director February 27, 2020
Beatriz R. Perez

/s/ **Barbara A. Yastine** Director February 27, 2020
Barbara A. Yastine

SECOND AMENDED AND RESTATED
BY-LAWS

OF

PRIMERICA, INC.

A Delaware corporation

Effective ~~November 15, 2017~~ February 26, 2020

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AMENDED AND RESTATED BY-LAWS

OF

PRIMERICA, INC.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office.

The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices.

The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings.

Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that a meeting of the stockholders shall not be held at any place, but may instead be held solely by means of remote communication in the manner authorized by the General Corporation Law of the State of Delaware (the "GCL").

Section 2. Annual Meetings.

The annual meeting of stockholders (each, an "Annual Meeting") for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Any other proper business may be transacted at the Annual Meeting.

Section 3. Special Meetings.

Except as otherwise required by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (the "Certificate of Incorporation"), special meetings of stockholders (each, a "Special Meeting") may be called by any of (i) the

Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) any officer of the Corporation at the request in writing of (a) the Board of Directors or (b) a committee of the Board of Directors that has been duly designated by the Board of Directors and whose powers and authority include the power to call such meetings. Except as otherwise provided in this Section 3 of this Article II, the ability of the stockholders to call a Special Meeting is hereby specifically denied. A request to call a Special Meeting shall state the purpose or purposes of the proposed meeting. At a Special Meeting, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Notice.

A written notice of any meeting of stockholders shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and, in the case of a Special Meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, written notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to notice of and to vote at such meeting.

Section 5. Nature of Business at Meetings of Stockholders.

Only such business (other than nominations for election to the Board of Directors, which must comply with Section 6 of this Article II and, if applicable, Section 7 of this Article II) may be transacted at an Annual Meeting or Special Meeting as is (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting or Special Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the Annual Meeting or Special Meeting by any stockholder of the Corporation (i) who was a stockholder of record on the date of the giving of the notice provided for in this Section 5 of this Article II and on the date of such Annual Meeting or Special Meeting, (ii) is entitled to vote at such Annual Meeting or Special Meeting and (iii) who complies with the notice procedures set forth in this Section 5 of this Article II.

Notwithstanding the foregoing, at a Special Meeting, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting or Special Meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation.

To be timely, a stockholder's notice of business (other than nominations of persons for election to the Board of Directors, which must be made in compliance with and is governed by Section 6 of this Article II and, if applicable, Section 7 of this Article II) to the Corporate Secretary must be delivered to or mailed and received by the Corporate Secretary at the principal executive offices of the Corporation in the case of (a) an Annual Meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting; provided, however, that in the event that the Annual Meeting is called

for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) a Special Meeting, not less than ninety (90) days prior to the date on which the Special Meeting is proposed to be held. In no event shall the adjournment or postponement of an Annual Meeting or Special Meeting, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Corporate Secretary must set forth the following information: (a) as to each matter such stockholder proposes to bring before the Annual Meeting or Special Meeting, a brief description of the business desired to be brought before the Annual Meeting or Special Meeting (including the specific text of any resolutions or actions proposed for consideration and if such business includes a proposal to amend the Certificate of Incorporation or these By-Laws, the specific language of the proposed amendment) and the reasons for conducting such business at the Annual Meeting or Special Meeting, and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, as they appear on the Corporation's books (and, if different from the Corporation's books, the name and residence address of such person), (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name and address of each nominee holder of shares of all stock of the Corporation owned beneficially, but not of record, by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements or understandings (whether written or oral and including financial transactions and direct or indirect compensation) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person, (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the Annual Meeting or Special Meeting to bring such business before the meeting; and (v) any other information relating to such person or any affiliates or associates of such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies or consents (even if a solicitation is not involved) by such person with respect to the proposed business to be brought by such person before the Annual Meeting pursuant to Section 14 of the

Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated thereunder.

A stockholder providing notice of business proposed to be brought before an Annual Meeting or Special Meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 5 of this Article II shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting or Special Meeting and such update and supplement shall be delivered to or be mailed and received by the Corporate Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of the Annual Meeting or Special Meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the Annual Meeting or Special Meeting or any adjournment or postponement thereof.

No business shall be conducted at the Annual Meeting or Special Meeting, except business brought before the Annual Meeting or Special Meeting in accordance with the procedures set forth in this Section 5 of this Article II; provided, however, that, once business has been properly brought before the Annual Meeting or Special Meeting in accordance with such procedures, nothing in this Section 5 of this Article II shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an Annual Meeting or Special Meeting determines that business was not properly brought before the meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Nothing contained in this Section 5 of this Article II shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law). In addition to any requirements set forth herein, stockholders must comply with the requirements of the Exchange Act and the rules and regulations promulgated thereunder.

Section 6. Nomination of Directors.

Except as provided in the Certificate of Incorporation, only persons who are nominated in accordance with the procedures set forth in this Section 6 of this Article II and, if applicable, Section 7 of this Article II shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting: (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof); (b) by any stockholder of the Corporation (i) who was a stockholder of record on the date of the giving of the notice provided for in this Section 6 of this Article II and on the date of such Annual Meeting, (ii) is entitled to vote at such Annual Meeting, and (iii) who complies with the notice procedures set forth in this Section 6 of this Article II; or (c) in the case of stockholder nominations of persons for election to the Board of Directors to be included in the Corporation's proxy statement for such Annual Meeting, by any Eligible Holder (as defined in Section 7(c) of this Article II) who satisfies the requirements set forth in Section 7 of this Article II. For nominations of persons for election to the Board of Directors to be properly brought before an Annual Meeting by a stockholder pursuant to clause (c) of this paragraph, the stockholder must have given timely notice thereof in

writing to the Corporate Secretary in accordance with Section 7 of this Article II and all other requirements of Section 7 of this Article II must be satisfied.

Nominations of persons for election to the Board of Directors may be made at any Special Meeting called for the purpose of electing directors: (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof); or (b) by any stockholder of the Corporation (i) who was a stockholder of record on the date of the giving of the notice provided for in this Section 6 of this Article II and on the date of such Special Meeting, (ii) is entitled to vote at such Special Meeting and (iii) who complies with the notice procedures set forth in this Section 6 of this Article II.

In addition to any other applicable requirements, for a nomination to be made by a stockholder pursuant to this Section 6 of this Article II, such stockholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation as required by this Section 6 of this Article II.

To be timely, a stockholder's notice to the Corporate Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation in the case of (a) an Annual Meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) a Special Meeting called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special Meeting was mailed or public disclosure of the date of the Special Meeting and of the nominees proposed by the Board of Directors to be elected at such Special Meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an Annual Meeting or a Special Meeting called for the purpose of electing directors, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Corporate Secretary must set forth the following information: (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially, but not of record, by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or

associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies or consents for a contested election of directors (even if an election contest or proxy solicitation is not involved) pursuant to Section 14 of the Exchange Act (or any successor provision of law), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (i) the name and record address of such person, as they appear on the Corporation's books (and, if different from the Corporation's books, the name and residence address of such person); (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name and address of each nominee holder of shares of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements or understandings (whether written or oral and including financial transactions and direct or indirect compensation) between such person, or any affiliates or associates of such person, and any proposed nominee or any other person or persons (including their names) pursuant to which the nomination(s) are being made by such person, and any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the Annual Meeting or Special Meeting to nominate the persons named in its notice; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for a contested election of directors (even if an election contest or proxy contest is not involved) pursuant to Section 14 of the Exchange Act (or any successor provision of law), and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

A stockholder providing notice of any nomination proposed to be made at an Annual Meeting or Special Meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 6 of this Article II shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting or Special Meeting, and such update and

supplement shall be delivered to or be mailed and received by the Corporate Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of such Annual Meeting or Special Meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date of such Annual Meeting or Special Meeting, or any adjournment or postponement thereof.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 6 of this Article II and, if applicable, Section 7 of this Article II. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Notwithstanding any provision of this Section 6 of this Article II to the contrary, if the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the anniversary date of the immediately preceding Annual Meeting, a stockholder's notice to the Corporate Secretary required by this Section 6 of this Article II shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed and received at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

Section 7. Proxy Access.

(a) *Inclusion of Nominees in Proxy Statement.* Subject to the provisions of this Section 7 of this Article II, if expressly requested in the relevant Proxy Access Notice (as defined in Section 7(d) of this Article II), the Corporation shall include in its proxy statement for any Annual Meeting (but not any Special Meeting):

(i) the names of any person or persons nominated for election (each, a "Nominee"), which shall also be included on the Corporation's form of proxy and ballot, by any Eligible Holder or group of up to twenty (20) Eligible Holders that has (individually and collectively, in the case of a group) satisfied, as determined by the Board of Directors, all applicable conditions and complied with all applicable procedures set forth in this Section 7 of this Article II (such Eligible Holder or group of Eligible Holders being a "Nominating Stockholder");

(ii) disclosure about each Nominee and the Nominating Stockholder as required under the rules of the Securities and Exchange Commission ("SEC") or other applicable law to be included in the proxy statement;

(iii) any statement included by the Nominating Stockholder in the Proxy Access Notice for inclusion in the proxy statement in support of each Nominee's election to the Board of Directors (subject, without limitation, to Section 7(e)(ii) of this Article II), if such statement does not exceed 500 words and fully complies with Section 14 of the Exchange Act and the rules and regulations thereunder, including Rule 14a-9 under the Exchange Act (or any successor rule) (the "Supporting Statement"); and

(iv) any other information that the Corporation or the Board of Directors determines, in its discretion, to include in the proxy statement relating to the nomination of each Nominee, including any statement in opposition to the nomination, any of the information provided pursuant to this Section 7 of this Article II and any solicitation materials or related information with respect to a Nominee.

(b) Maximum Number of Nominees.

(i) The Corporation shall not be required to include in the proxy statement for an Annual Meeting more Nominees than that number of directors constituting the greater of: (A) two (2) or (B) twenty percent (20%) of the total number of directors of the Corporation on the last day on which a Proxy Access Notice may be submitted pursuant to this Section 7 of this Article II (rounded down to the nearest whole number) (the "Maximum Number"). The Maximum Number for a particular Annual Meeting shall be reduced by: (1) the number of Nominees who are subsequently withdrawn or who the Board of Directors itself decides to nominate for election at such Annual Meeting (including any person who is or will be nominated by the Board of Directors pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee); and (2) the number of incumbent directors who had been Nominees under this Section 7 of this Article II with respect to any of the preceding two (2) Annual Meetings and whose reelection at the upcoming Annual Meeting is being recommended by the Board of Directors (including any person who was nominated by the Board of Directors pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee). In the event that one or more vacancies for any reason occurs on the Board of Directors after the deadline for submitting a Proxy Access Notice as set forth in Section 7(d) of this Article II but before the date of the Annual Meeting, and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the Maximum Number shall be calculated based on the number of directors in office as so reduced.

(ii) If the number of Nominees pursuant to this Section 7 of this Article II for any Annual Meeting exceeds the Maximum Number then, promptly upon notice from the Corporation, each Nominating Stockholder will select one Nominee for inclusion in the proxy statement until the Maximum Number is reached, going in order of the size (largest to smallest) of the ownership position as disclosed in each Nominating Stockholder's Proxy Access Notice, with the process repeated if the Maximum Number is not reached after each Nominating Stockholder has selected one Nominee. If, after the deadline for submitting a Proxy Access Notice as set forth in Section 7(d) of this Article II, a Nominating Stockholder or a Nominee ceases to satisfy the eligibility requirements set forth in this Section 7 of this Article II, a Nominating Stockholder withdraws its nomination or a Nominee becomes unwilling to serve on the Board of Directors, whether before or after the mailing or other distribution of the definitive proxy statement, then the nomination shall be disregarded, and the Corporation: (A) shall not be required to include in its proxy statement or on any ballot or form of proxy the disregarded Nominee or any successor or replacement Nominee proposed by the Nominating Stockholder or by any other Nominating Stockholder and (B) may otherwise communicate to its stockholders, including by amending or supplementing its proxy statement or ballot or form of proxy, that a Nominee will not be included as a nominee in the proxy statement or on any ballot or form of proxy and will not be voted on at the Annual Meeting.

(c) *Eligibility of Nominating Stockholder.*

(i) An “Eligible Holder” is a person who has either (A) been a record holder of the shares of common stock of the Corporation used to satisfy the eligibility requirements in this Section 7(c) of this Article II continuously for the three-year period specified in Section 7(c)(ii) of this Article II or (B) provides to the Corporate Secretary, within the time period referred to in Section 7(d), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that satisfies the requirements as established by the SEC for a stockholder proposal under Rule 14a-8 under the Exchange Act (or any successor rule).

(ii) An Eligible Holder or group of up to twenty (20) Eligible Holders may submit a nomination in accordance with this Section 7 of this Article II only if the person or group (in the aggregate) has continuously owned at least the Minimum Number (as defined in Section 7(c)(iii) of this Article II) of shares of the common stock of the Corporation throughout the three-year period preceding and including the date of submission of the Proxy Access Notice, and continues to own at least the Minimum Number through the date of the Annual Meeting. Two or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by a single employer or (C) a “group of investment companies,” as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall be treated as one (1) Eligible Holder if such Eligible Holder shall provide together with the Proxy Access Notice documentation reasonably satisfactory to the Corporation that demonstrates that the funds meet the criteria set forth in clauses (A), (B) or (C) of this Section 7(c)(ii) of this Article II. For the avoidance of doubt, in the event of a nomination by a group of Eligible Holders, any and all requirements and obligations for an individual Eligible Holder that are set forth in this Section 7 of this Article II, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any stockholder cease to satisfy the eligibility requirements in this Section 7 of this Article II or withdraw from a group of Eligible Holders at any time prior to the Annual Meeting, the group of Eligible Stockholders shall only be deemed to own the shares held by the remaining members of the group.

(iii) The “Minimum Number” of shares of common stock of the Corporation means three percent (3%) of the number of outstanding shares of common stock of the Corporation as of the most recent date for which such amount is given in any filing by the Corporation with the SEC prior to the submission of the Proxy Access Notice.

(iv) For purposes of this Section 7 of this Article II, an Eligible Holder “owns” only those outstanding shares of the Corporation as to which the Eligible Holder possesses both:

(A) the full voting and investment rights pertaining to the shares; and

(B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares;

provided that the number of shares calculated in accordance with clauses (A) and (B) above shall not include any shares: (1) purchased or sold by such Eligible Holder or any of its affiliates in any transaction that has not been settled or closed, (2) sold short by such Eligible Holder, (3) borrowed

by such Eligible Holder or any of its affiliates for any purpose or purchased by such Eligible Holder or any of its affiliates pursuant to an agreement to resell or subject to any other obligation to resell to another person, or (4) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (x) reducing in any manner, to any extent or at any time in the future, such Eligible Holder's or any of its affiliates' full right to vote or direct the voting of any such shares, and/or (y) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Eligible Holder or any of its affiliates.

An Eligible Holder "owns" shares held in the name of a nominee or other intermediary so long as the Eligible Holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Holder's ownership of shares shall be deemed to continue during any period in which the Eligible Holder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Holder. An Eligible Holder's ownership of shares shall be deemed to continue during any period in which the Eligible Holder has loaned such shares provided that the Eligible Holder has the power to recall such loaned shares on five (5) business days' notice, promptly recalls such loaned shares upon being notified by the Corporation that any of its Nominees will be included in the Corporation's proxy materials and continues to own such shares through the date of the Annual Meeting. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding shares are "owned" for these purposes shall be determined by the Board of Directors.

(v) No Eligible Holder shall be permitted to be in more than one group constituting a Nominating Stockholder, and if any Eligible Holder appears as a member of more than one group, it shall be deemed to be a member of the group that has the largest ownership position as reflected in the Proxy Access Notice.

(d) *Proxy Access Notice.* To nominate a Nominee, the Nominating Stockholder must, no earlier than one hundred fifty (150) calendar days and no later than one hundred twenty (120) calendar days before the anniversary of the date that the Corporation mailed its proxy statement for the prior year's Annual Meeting, submit to the Corporate Secretary at the principal executive office of the Corporation all of the following information and documents (collectively, the "Proxy Access Notice"); provided, however, that if (and only if) the Annual Meeting is not scheduled to be held within a period that commences thirty (30) days before such anniversary date and ends thirty (30) days after such anniversary date (an Annual Meeting date outside such period being referred to in these By-Laws as an "Other Meeting Date"), the Proxy Access Notice shall be given in the manner provided herein by the later of the close of business on the date that is one hundred eighty (180) days prior to such Other Meeting Date or the tenth (10th) day following the date such Other Meeting Date is first publicly announced or disclosed:

(i) A Schedule 14N (or any successor form) relating to each Nominee, completed and filed with the SEC by the Nominating Stockholder, as applicable, in accordance with SEC rules;

(ii) A written notice of the nomination of each Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including each group member):

(A) the information, representations and agreements required by Section 6 of this Article II with respect to the nomination of directors pursuant to Section 6 of this Article II;

(B) the details of any relationship that existed within the past three (3) years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(C) a representation and warranty that the Nominating Stockholder acquired the securities of the Corporation in the ordinary course of business and did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation;

(D) a representation and warranty that each Nominee's candidacy or, if elected, membership on the Board of Directors would not violate the Certificate of Incorporation, these By-Laws or any applicable state or federal law or the rules of any stock exchange on which the shares of common stock of the Corporation are traded;

(E) a representation and warranty that each Nominee:

(1) (x) does not have any direct or indirect relationship with the Corporation that would cause the Nominee to be considered not independent pursuant to the Corporation's Corporate Governance Principles and (y) otherwise qualifies as independent under the rules of the primary stock exchange on which the shares of common stock of the Corporation are traded;

(2) meets the audit committee and compensation committee independence requirements under the rules of the primary stock exchange on which the shares of common stock of the Corporation are traded;

(3) is a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule); and

(4) ~~is an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code~~
~~successor provision); and~~

(4) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933, as amended, or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of such Nominee; and

(F) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 7(c) of this Article II and has provided evidence of ownership to the extent required by Section 7(c)(i) of this Article II;

(G) a representation and warranty that the Nominating Stockholder intends to continue to satisfy the eligibility requirements described in Section 7(c) of this Article II through the date of the Annual Meeting;

(H) details of any position of a Nominee as an officer or director of any competitor (that is, any entity that produces products or provides services that compete with or are alternatives to the products produced or services provided by the Corporation or its affiliates) of the Corporation, within the three (3) years preceding the submission of the Proxy Access Notice;

(I) the details of any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with service or action as a director of the Corporation and details of any agreement, arrangement or understanding with any person or entity as to how such Nominee would vote or act on any issue or question as a director (a "Voting Commitment");

(J) a representation and warranty that the Nominating Stockholder will not engage in a "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act (without reference to the exception in Section 14a-1(l)(2)(iv) under the Exchange Act) (or any successor rules) with respect to the Annual Meeting, other than with respect to a Nominee or any nominee of the Board of Directors;

(K) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation's proxy card in soliciting stockholders in connection with the election of a Nominee at the Annual Meeting;

(L) if desired, a Supporting Statement; and

(M) in the case of a nomination by a group, the designation by all group members of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination; and

(iii) An executed agreement pursuant to which the Nominating Stockholder (including each group member signing on behalf of itself) agrees:

(A) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(B) to file any written solicitation or other communication with the stockholders of the Corporation relating to one or more of the Corporation's directors or director nominees or any Nominee with the SEC, regardless of whether any such filing is required under rule or regulation or whether any exemption from filing is available for such materials under any rule or regulation;

(C) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder or any of its Nominees with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including the Proxy Access Notice;

(D) to indemnify and hold harmless (jointly with all other group members, in the case of a group member) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses or other costs (including attorneys' fees) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of or relating to a failure or alleged failure of the Nominating Stockholder or any of its Nominees to comply with, or any breach or alleged breach of, its or their obligations, agreements or representations under this Section 7 of this Article II; and

(E) in the event that any information included in the Proxy Access Notice, or any other communication by the Nominating Stockholder (including with respect to any group member), with the Corporation, its stockholders or any other person in connection with the nomination or election ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), or that the Nominating Stockholder (including any group member) has failed to continue to satisfy the eligibility requirements described in Section 7(c) of this Article II, to promptly (and in any event within 48 hours of discovering such misstatement, omission or failure) notify the Corporation and any other recipient of such communication of (1) the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission or (2) such failure; and

(iv) An executed agreement by each Nominee:

(A) to provide to the Corporation such other information and certifications, including completion of the Corporation's director questionnaire, as it may reasonably request;

(B) at the reasonable request of the Corporate Governance Committee of the Board of Directors, to meet with the Corporate Governance Committee to discuss matters relating to the nomination of such Nominee to the Board of Directors, including the information provided by such Nominee to the Corporation in connection with his or her nomination and such Nominee's eligibility to serve as a member of the Board of Directors;

(C) that such Nominee has read and agrees, if elected, to serve as a member of the Board of Directors, to adhere to the Corporation's Code of Conduct, Insider Trading Policy, Corporate Governance Principles and any other rule, regulation, policy or standard of conduct applicable to directors; and

(D) that such Nominee is not and will not become a party to (1) any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with his or her nomination, service or action as a director of the Corporation that has not been disclosed to the Corporation, (2) any Voting Commitment that has not been disclosed to the Corporation, or (3) any Voting Commitment that could limit or interfere with such Nominee's ability to comply, if elected as a director of the Corporation, with its fiduciary duties under applicable law.

The information and documents required by this Section 7(d) of this Article II to be provided by the Nominating Stockholder shall be: (i) provided with respect to and executed by each group member, in the case of information applicable to group members; and (ii) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor items) in the case of a Nominating Stockholder or group member that is an entity. The Proxy Access Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 7(d) of this Article II (other than such information and documents contemplated to be provided after the date the Proxy Access Notice is provided) have been delivered to or, if sent by mail, received by the Corporate Secretary.

(e) *Exceptions.*

(i) Notwithstanding anything to the contrary contained in this Section 7 of this Article II, the Corporation may omit from its proxy statement any Nominee and any information concerning such Nominee (including a Nominating Stockholder's Supporting Statement) and no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Proxy Access Notice would be timely, cure in any way any defect preventing the nomination of such Nominee, if:

(A) the Corporation receives a notice pursuant to clause (b) of the first paragraph of Section 6 of this Article II that a stockholder intends to nominate a candidate for director at the Annual Meeting, whether or not such notice is subsequently withdrawn or made the subject of a settlement with the Corporation;

(B) the Nominating Stockholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the Annual Meeting to present the nomination submitted pursuant to this Section 7 of this Article II, the Nominating Stockholder withdraws its nomination or the Chairman of the Annual Meeting declares that such nomination was not made in accordance with the procedures prescribed by this Section 7 of this Article II and shall therefore be disregarded;

(C) the Board of Directors determines that such Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the Certificate of Incorporation, these By-Laws or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of the primary stock exchange on which the common stock of the Corporation is traded;

(D) such Nominee was nominated for election to the Board of Directors pursuant to this Section 7 of this Article II at one of the Corporation's two (2) preceding Annual Meetings and (1) its nomination was withdrawn, (2) such Nominee became ineligible to serve as a Nominee or as a director, or (3) such Nominee received a vote of less than twenty-five percent (25%) of the shares of common stock of the Corporation entitled to vote for such Nominee;

(E) such Nominee has been, within the past three (3) years, an officer or director of a competitor, as defined for purposes of Section 8 of the Clayton Antitrust Act of 1914, as amended; or

(F) (1) the Nominating Stockholder fails to continue to satisfy the eligibility requirements described in Section 7(c) of this Article II, (2) any of the representations and warranties made in the Proxy Access Notice ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), (3) such Nominee becomes unwilling or unable to serve on the Board of Directors, or (4) the Nominating Stockholder or such Nominee materially violates or breaches any of the obligations, agreements, representations or warranties of the Nominating Stockholder or such Nominee under this Section 7 of this Article II.

(ii) Notwithstanding anything to the contrary contained in this Section 7 of Article II, the Corporation may omit from its proxy statement, or may supplement or correct, any information, including all or any portion of the Supporting Statement or any other statement in support of a Nominee included in the Proxy Access Notice, if the Board of Directors determines that:

(A) such information is not true in all material respects or omits a material statement necessary to make the statements made not misleading;

(B) such information directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to, any person; or

(C) the inclusion of such information in the proxy statement would otherwise violate the SEC proxy rules or any other applicable law, rule or regulation.

The Corporation may solicit against, and include in the proxy statement its own statement relating to, any Nominee.

Section 8. Adjournments.

Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of Section 4 of this Article II shall be given to each stockholder of record entitled to notice of and to vote at the meeting.

Section 9. Quorum.

Unless otherwise required by law, the Certificate of Incorporation, these By-Laws or any rule of any stock exchange on which the Corporation's shares are listed and traded, the holders of a majority of the Corporation's capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the chairman of such meeting shall have power to adjourn the meeting from time to time, in the manner provided in Section 8 of this Article II, until a quorum shall be present or represented.

Section 10. Voting.

Unless otherwise required by law, the Certificate of Incorporation, these By-Laws, or any rules of any stock exchange on which the Corporation's shares are listed and traded, any question brought before any meeting of the stockholders, other than the election of directors, shall be decided by the affirmative vote of the holders of a majority of the total number of shares of the Corporation's capital stock represented at the meeting and entitled to vote on such question, voting as a single class. Unless otherwise provided in the Certificate of Incorporation and subject to Section 14(a) of this Article II, each stockholder represented at a meeting of the stockholders shall be entitled to cast one (1) vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy as provided in Section 11 of this Article II. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of the stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 11. Proxies.

Each stockholder entitled to vote at a meeting of the stockholders or, as provided herein, to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder as proxy, but no such proxy shall be voted upon after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute a valid means by which a stockholder may grant such authority:

(i) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information on which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 12. Consent of Stockholders in Lieu of Meeting

Unless otherwise provided in the Certificate of Incorporation, any action required or permitted to be taken at any Annual Meeting or Special Meeting of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required by this Section 12 of this Article II to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this Section 12 of this Article II, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No

consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation as provided above in this Section 12 of this Article II.

Section 13. List of Stockholders Entitled to Vote.

The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect stockholders entitled to vote as of the tenth (10th) day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 14. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders shall be at the close of business on the day next preceding the day

on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section 14 of this Article II at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

Section 15. Stock Ledger.

The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 13 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

Section 16. Conduct of Meetings.

The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such

other persons as the chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

Section 17. Inspectors of Election.

In advance of any meeting of the stockholders, the Board of Directors, by resolution, the Chairman of the Board of Directors, the Chief Executive Officer or the President shall appoint one or more inspectors to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by applicable law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by applicable law.

ARTICLE III

DIRECTORS

Section 1. Election of Directors.

Each director shall be elected at each annual meeting of stockholders for a term expiring at the next annual meeting of stockholders. Except as provided in the Certificate of Incorporation and in Section 2 of this Article III, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present; provided, however, that the directors shall be elected by the vote of a plurality of votes cast in connection with the election of directors at any meeting of stockholders with respect to which (i) the Secretary of the Corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with the requirements for stockholder nominees for director set forth in Article II, Section 6 of these By-Laws or set forth in Article II, Section 8 of these By-Laws, and (ii) such nomination has not been withdrawn by such stockholder on or prior to the tenth day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders. For purposes of this Section, a majority of the votes cast means that the number of shares voted "for" a nominee's election must exceed the votes cast "against" such nominee's election.

If a nominee for director is not elected and the nominee is an incumbent director, the director shall promptly tender his or her resignation to the Board of Directors, subject to acceptance by the Board of Directors. The Corporate Governance Committee of the Board of Directors will make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors will act on the tendered resignation, taking into account the Corporate Governance Committee's recommendation, and publicly disclose (by press release, a filing with the SEC, or other broadly

disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Corporate Governance Committee in making its recommendation and the Board of Directors in making its decision may each consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Corporate Governance Committee or the decision of the Board of Directors with respect to his or her resignation or in any deliberations related thereto.

If a director's resignation is accepted by the Board of Directors pursuant to this By-Law, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill the resulting vacancy pursuant to the provisions of Article III, Section 2 of these By-Laws or may decrease the size of the Board of Directors pursuant to the provisions of Article Fifth, Section B of the Certificate of Incorporation. If a director's resignation is not accepted by the Board of Directors pursuant to this By-Law, such director will continue to serve until such director's successor shall have been duly elected and qualified or his or her earlier resignation or removal.

Section 2. Vacancies.

Subject to the provisions of the Certificate of Incorporation and subject to the rights, if any, of the holders of shares of preferred stock then outstanding, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

Section 3. Duties and Powers.

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 4. Chairman of the Board of Directors.

The Chairman of the Board of Directors shall be appointed by the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these By-Laws or by the Board of Directors.

Section 5. Lead Independent Director.

The Lead Independent Director shall be appointed by the Board of Directors. The Lead Independent Director shall consult with the Chairman of the Board of Directors regarding the agenda for meetings of the Board of Directors, schedule and prepare agendas for meetings of independent directors, preside over meetings of independent directors and executive sessions of meetings of the Board of Directors in which management directors are excluded. The Lead Independent Director shall act as principal liaison between independent directors and the Chairman of the Board of Directors on sensitive issues and raise issues with management on behalf of the independent directors when appropriate. The Lead Independent Director shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these By-Laws or by the Board of Directors.

Section 6. Meetings.

The Board of Directors and any committee thereof may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors or any committee thereof may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors or such committee, respectively. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the Chief Executive Officer, or by a majority of the directors then serving on the Board of Directors. Special meetings of any committee of the Board of Directors may be called by the chairman of such committee, if there be one, the Chief Executive Officer, or any director serving on such committee. Notice thereof stating the place, date and time of the meeting shall be given to each director (or, in the case of a committee, to each member of such committee) by whom it is not waived either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, telegram or electronic means on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 7. Organization.

At each meeting of the Board of Directors or any committee thereof, the Chairman of the Board of Directors or the chairman of such committee, as the case may be, or, in his or her absence or if there be none, a director chosen by a majority of the directors present, shall act as chairman. Except as provided below, the Corporate Secretary of the Corporation shall act as secretary at each meeting of the Board of Directors and of each committee thereof. In case the Corporate Secretary shall be absent from any meeting of the Board of Directors or of any committee thereof, an Assistant Corporate Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Corporate Secretary and all the Assistant Corporate Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting. Notwithstanding the foregoing, the members of each committee of the Board of Directors may appoint any person to act as secretary of any meeting of such committee and the Corporate Secretary or any Assistant Corporate Secretary of the Corporation may, but need not if such committee so elects, serve in such capacity.

Section 8. Resignations and Removals of Directors.

Any director of the Corporation may resign from the Board of Directors or any committee thereof at any time, by giving notice in writing or by electronic transmission to the Chairman of

the Board of Directors, if there be one, the Chief Executive Officer, the President or the Corporate Secretary of the Corporation and, in the case of a committee, to the chairman of such committee, if there be one. Such resignation shall take effect at the time therein specified or, if no time is specified, immediately; and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. Except as provided in the Certificate of Incorporation and as otherwise required by applicable law and subject to the rights, if any, of the holders of shares of preferred stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, with or without cause, at a duly called meeting of stockholders at which a quorum is present and only by the affirmative vote of at least a majority of the votes entitled to be cast thereon by holders of the then outstanding capital stock of the Corporation. Any director serving on a committee of the Board of Directors may be removed from such committee at any time by the Board of Directors.

Section 9. Quorum.

Except as otherwise required by law, or the Certificate of Incorporation or the rules and regulations of any securities exchange or quotation system on which the Corporation's securities are listed or quoted for trading, at all meetings of the Board of Directors or any committee thereof, a majority of the entire Board of Directors or a majority of the directors constituting such committee, as the case may be, shall constitute a quorum for the transaction of business and the act of a majority of the directors or committee members present at any meeting at which there is a quorum shall be the act of the Board of Directors or such committee, as applicable. If a quorum shall not be present at any meeting of the Board of Directors or any committee thereof, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 10. Actions of the Board by Written Consent.

Unless otherwise provided in the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 11. Meetings by Means of Conference Telephone.

Unless otherwise provided in the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear

each other, and participation in a meeting pursuant to this Section 11 of this Article III shall constitute presence in person at such meeting.

Section 12. Committees.

The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each member of a committee must meet the requirements for membership, if any, imposed by applicable law and the rules and regulations of any securities exchange or quotation system on which the securities of the Corporation are listed or quoted for trading. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. Subject to the rules and regulations of any securities exchange or quotation system on which the securities of the Corporation are listed or quoted for trading, in the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another qualified member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required. Notwithstanding anything to the contrary contained in this Article III, the resolution of the Board of Directors establishing any committee of the Board of Directors and/or the charter of any such committee may establish requirements or procedures relating to the governance and/or operation of such committee that are different from, or in addition to, those set forth in these By-Laws and, to the extent that there is any inconsistency between these By-Laws and any such resolution or charter, the terms of such resolution or charter shall be controlling.

Section 13. Compensation.

The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary for service as director, payable in cash or securities. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for service as committee members.

ARTICLE IV

OFFICERS

Section 1. General.

Subject to the provisions of the Certificate of Incorporation, the officers of the Corporation shall be chosen by the Board of Directors and shall be the Chief Executive Officer, the President,

a Corporate Secretary and a Treasurer. The Board of Directors shall designate one independent director to serve as lead independent director (the "Lead Independent Director"). The Board of Directors, in its discretion, also may choose a Chairman of the Board of Directors (who must be a director), and, subject to the provisions of the Certificate of Incorporation, one or more Vice Presidents, Assistant Corporate Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election.

The Board of Directors, at its first meeting held after each Annual Meeting (or action by written consent of stockholders in lieu of the Annual Meeting if permitted by the Certificate of Incorporation), shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and each officer of the Corporation shall hold office until such officer's successor is elected and qualified, or until such officer's earlier death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation.

Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer, the President or any Vice President or any other officer authorized to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chief Executive Officer.

The Chief Executive Officer shall, subject to the control of the Board of Directors and the Chairman of the Board of Directors, if there be one, have general supervision of the business and affairs of the Corporation and of its several officers and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer shall have the power to execute, by and on behalf of the Corporation, all deeds, bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the Chief Executive Officer shall preside at all meetings

of the stockholders and, provided that the Chief Executive Officer is also a director, at all meetings of the Board of Directors. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as may from time to time be assigned to such officer by these By-Laws or by the Board of Directors.

Section 5. President.

The President shall, subject to the control of the Board of Directors, the Chairman of the Board of Directors, if there be one, and the Chief Executive Officer, have general supervision of the business and affairs of the Corporation. The President shall have the power to execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the Chief Executive Officer. In general, the President shall perform all duties incident to the office of President and such other duties as may from time to time be assigned to the President by these By-Laws and the Board of Directors, the Chairman of the Board of Directors, if there be one, or the Chief Executive Officer. In the absence or disability of the Chairman of the Board of Directors and the Chief Executive Officer, the President shall preside at all meetings of the stockholders and, provided the President is also a director, at all meetings of the Board of Directors. In the event of the inability or refusal of the Chief Executive Officer to act, the Board of Directors may designate the President to perform the duties of the Chief Executive Officer, and, when so acting, the President shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer.

Section 6. Vice Presidents.

At the request of the Chief Executive Officer or the President or in the President's absence or in the event of the President's inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice President, or the Vice Presidents if there are more than one (in the order designated by the Board of Directors), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President from time to time may prescribe. If there be no Chairman of the Board of Directors, no Chief Executive Officer and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 7. Corporate Secretary.

The Corporate Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Corporate Secretary shall also perform like duties for committees of the Board of Directors when required. The Corporate Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board of

Directors, the Chief Executive Officer or the President, under whose supervision the Corporate Secretary shall be. If the Corporate Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Corporate Secretary, then either the Board of Directors, the Chief Executive Officer or the President may choose another officer to cause such notice to be given. The Corporate Secretary shall have custody of the seal of the Corporation and the Corporate Secretary or any Assistant Corporate Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Corporate Secretary or by the signature of any such Assistant Corporate Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest to the affixing by such officer's signature. The Corporate Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer.

The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer, the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of the Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 9. Assistant Corporate Secretaries.

Assistant Corporate Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Corporate Secretary, and in the absence of the Corporate Secretary or in the event of the Corporate Secretary's inability or refusal to act, shall perform the duties of the Corporate Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Corporate Secretary.

Section 10. Assistant Treasurers.

Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions

upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under the Assistant Treasurer's control belonging to the Corporation.

Section 11. Other Officers.

Subject to the provisions of the Certificate of Incorporation, such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 12. Duties of Officers.

In addition to the duties specifically enumerated in these By-Laws, all officers and assistant officers of the Corporation shall perform such other duties as may be assigned to them from time to time by the Board of Directors or by their superior officers. The Board of Directors may change the powers or duties of any officer or assistant officer or delegate the same to any other officer, assistant officer or person.

ARTICLE V

STOCK

Section 1. Shares of Stock.

The shares of capital stock of the Corporation shall be represented by certificates, unless and until the Board of Directors adopts a resolution permitting shares to be uncertificated. Notwithstanding the adoption of any such resolution providing for uncertificated shares, every holder of capital stock of the Corporation theretofore represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate for shares of capital stock of the Corporation signed by, or in the name of the Corporation by, (a) the Chairman of the Board of Directors, the President or any Vice President, and (b) the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Corporate Secretary, certifying the number of shares owned by such stockholder in the Corporation.

Section 2. Lost Certificates.

The Board of Directors may direct a new certificate or uncertificated shares be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issuance of a new certificate or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's

legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate or uncertificated shares.

Section 3. Transfers.

Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Corporate Secretary or Assistant Corporate Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 4. Signatures.

Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5. Dividend Record Date.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be

bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 7. Transfer and Registry Agents.

The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

ARTICLE VI

NOTICES

Section 1. Notices.

Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under applicable law, the Certificate of Incorporation or these By-Laws shall be effective if given by a form of electronic transmission if consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed to be revoked if (i) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices by the Corporation in accordance with such consent and (ii) such inability becomes known to the Corporate Secretary or Assistant Corporate Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by electronic transmission, as described above, shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. Notice to directors or committee members may be given personally or by telegram, telex, cable or by means of electronic transmission.

Section 2. Waivers of Notice.

Whenever any notice is required by applicable law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to notice, or a waiver by electronic transmission by the person or persons entitled to notice, whether before or after the time stated therein, shall be

deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual Meeting or Special Meeting or any regular or special meeting of the directors or members of a committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends.

Subject to the requirements of the GCL and the provisions of the Certificate of Incorporation, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting of the Board of Directors (or any action by written consent in lieu thereof in accordance with Section 8 of Article III hereof), and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements.

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year.

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal.

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 5. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-Laws, facsimile signatures of any office or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

ARTICLE VIII

INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation.

Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation.

Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification.

Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined.

For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The provisions of this Section 4 of this Article VIII shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court.

Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Section 1 or Section 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 of this Article VIII shall be given

to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance.

Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 1 and Section 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the GCL, or otherwise.

Section 8. Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions.

For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall

stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. The term "another enterprise" as used in this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification.

Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents.

The Corporation may, to the extent authorized from time to time by the Board of Directors and subject to the Certificate of Incorporation and any agreement between the Corporation and any officer or director of the Corporation, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. Amendments.

These By-Laws may be amended, altered or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors; provided, however, that notice of such amendment, alteration or repeal, or adoption of new By-Laws, be contained in the notice of such meeting of the stockholders or Board of Directors, as the case may be. Any such

amendment, alteration, repeal or adoption must be approved by sixty-six and two third percent (66 2/3%) of the entire Board of Directors then in office or the affirmative vote of at least eighty percent (80%) of the votes entitled to be cast thereon by the holders of the then outstanding capital stock of the Corporation.

Section 2. Entire Board of Directors.

As used in this Article IX and in these By-Laws generally, the term “entire Board of Directors” means the total number of directors which the Corporation would have if there were no vacancies.

* * *

Originally adopted as of: March 31, 2010

Last Amended as of: November 15, 2017

**DESCRIPTION OF REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following description sets forth certain material terms and provisions of the securities of Primerica, Inc. (the “company,” “we,” “us” and “our”) that are registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This description also summarizes relevant provisions of Delaware General Corporation Law (the “DGCL”). The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of the DGCL and our certificate of incorporation and our by-laws, copies of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.4 is a part. We encourage you to read our certificate of incorporation, our by-laws and the applicable provisions of the DGCL for additional information.

Authorized Shares of Capital Stock

Our authorized capital stock consists of 500,000,000 shares of common stock, par value \$0.01 per share, comprised of a series of voting common stock and a series of non-voting common stock, and 10,000,000 shares of preferred stock, par value \$0.01 per share. As of January 31, 2020, we had 41,108,029 shares of voting common stock outstanding and no shares of non-voting common stock or preferred stock outstanding. The outstanding shares of our common stock are fully paid and non-assessable.

Common Stock

Voting Rights. Holders of our voting common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. Holders of our non-voting common stock are not entitled to vote on any matter, except as required by law or to amend, alter or repeal the provisions of our certificate of incorporation providing for the preferences, limitations and rights of the non-voting common stock. Holders of our common stock do not have cumulative voting rights.

Dividend Rights. Holders of our voting common stock and non-voting common stock rank equally with respect to payment of dividends, as may be declared by our board of directors out of funds legally available for the payment of those dividends.

Rights Upon Liquidation. Upon the liquidation, dissolution or winding up of our company, the holders of our voting common stock and non-voting common stock will rank equally and will be entitled to receive their ratable share of our net assets available after payment of all debts and other liabilities, subject to the prior rights of any outstanding preferred stock.

Other Rights and Procedures. Holders of our voting common stock and non-voting common stock have no preemptive, subscription or redemption rights.

Listing. Our common stock has been approved for listing on the NYSE under the symbol “PRI”.

Transfer Agent and Registrar. The Transfer Agent and Registrar for our voting common stock and non-voting common stock is Computershare Inc.

Preferred Stock

Our board of directors has the authority, without any further vote or action by the stockholders, to issue preferred stock in one or more series and to fix the preferences, limitations and rights of the shares of each series, including:

- dividend rates;
- conversion rights;
- voting rights;
- terms of redemption and liquidation preferences; and
- the number of shares constituting each series.

Board of Directors

Our board of directors is not classified. Our certificate of incorporation provides that our board of directors shall consist of not less than three or more than fifteen members, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the entire board of directors which we would have if there were no vacancies at the time such resolution is adopted. This range cannot be altered without stockholder approval.

Anti-Takeover Effect of Provisions of Our Certificate of Incorporation and By-laws and of Delaware Law

The rights of our stockholders and related matters are governed by the DGCL, our certificate of incorporation and by-laws, certain provisions of which may discourage or make more difficult a takeover attempt that a stockholder might consider in his or her best interest by means of a tender offer or proxy contest or removal of our incumbent officers or directors. These provisions may also adversely affect prevailing market prices for our common stock. However, we believe that these provisions will discourage coercive takeover practices and inadequate takeover bids and will encourage persons seeking to acquire control of our company to first negotiate with our board of directors. We further believe that the benefits provided by our ability to negotiate with the proponent of an unsolicited proposal outweigh the disadvantage of discouraging those proposals and that negotiation of an unsolicited proposal could result in an improvement of its terms.

Certificate of Incorporation and By-law Provisions

Stockholder Action by Written Consent; Special Meetings. Our certificate of incorporation permits stockholders to take action by the written consent of holders of all of our shares in lieu of an annual or special meeting. Otherwise, stockholders will only be able to take action at an annual or special meeting called in accordance with our by-laws.

Our by-laws provide that special meetings of stockholders may only be called by:

- the chairman of the board;
- the chief executive officer; or

- by request in writing of our board of directors or of a committee of our board of directors that has been duly designated by our board of directors and whose powers and authority include the power to call such meetings.

Advance Notice Requirements for Stockholder Nominations and Other Proposals. Our by-laws provide advance notice requirements, including requirements regarding the form and content of a stockholder's notice, for stockholders seeking to nominate persons for election to our board of directors at a meeting of stockholders or seeking to bring other business before such a meeting. A stockholder seeking to do either of the foregoing must satisfy the requirements specified in our by-laws.

Proxy Access. Under our by-laws, a stockholder (or group of no more than 20 stockholders) who has owned at least 3% of our common stock for at least three years may nominate persons for election to our board of directors and have the nominees included in our proxy materials for an annual meeting. The maximum number of stockholder nominees that will be included in our proxy materials for an annual meeting is the greater of two or 20% of directors to be elected. A stockholder seeking to utilize the proxy access provisions in our by-laws must satisfy the requirements specified in our by-laws.

Undesignated Preferred Stock. The authority possessed by our board of directors to issue preferred stock with voting or other rights or preferences could be potentially used to discourage attempts by third parties to obtain control of us through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. The provision in our certificate of incorporation authorizing such preferred stock may have the effect of deferring hostile takeovers or delaying changes of control of our management.

Amendment of the By-laws. Our certificate of incorporation provides that our by-laws may be amended, altered, repealed or adopted by: (i) the affirmative vote of at least 66 2/3% of our entire board of directors; or (ii) by the affirmative vote of at least 80% of the votes entitled to be cast thereon by the holders of our then outstanding capital stock. Our certificate of incorporation provides that, notwithstanding any other provision thereof (and in addition to any other vote that may be required by law), the affirmative vote of at least 80% of the votes entitled to be cast thereon by the holders of our then outstanding capital stock is required to amend, alter, repeal or adopt any provision of our certificate of incorporation inconsistent with the purpose and intent of the provisions described in this paragraph.

Delaware Law

As a Delaware corporation, we are subject to the restrictions under Section 203 of the DGCL regarding corporate takeovers. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time such transaction commenced, excluding, for purposes of determining the number of shares outstanding, (1) shares owned by persons who are directors and also officers of the corporation and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not wholly owned by the interested stockholder.

In this context, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status owned, 15% or more of a corporation's outstanding voting stock.

A Delaware corporation may "opt out" of Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by holders of at least a majority of the corporation's outstanding voting shares. We have not elected to "opt out" of Section 203. However, we may elect to "opt out" of Section 203 by an amendment to our certificate of incorporation or by-laws.

Insurance Regulations Concerning Change of Control

Many state insurance regulatory laws intended primarily for the protection of policyholders contain provisions that require advance approval by state agencies of any change in control of an insurance company or insurance holding company that is domiciled or, in some cases, having such substantial business that it is deemed to be commercially domiciled in that state. Moreover, under Canadian federal insurance law, the consent of the Minister of Finance is required in order for anyone to acquire direct or indirect control, including control in fact, of an insurance company, or to acquire, directly or through any controlled entity or entities, a significant interest (i.e., more than 10%) of any class of its shares.

Limitation of Liability of Directors

Our certificate of incorporation provides that none of our directors shall be liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except to the extent otherwise required by the DGCL. The effect of this provision is to eliminate our rights, and our stockholders' rights, to recover monetary damages against a director for breach of a fiduciary duty of care as a director. This provision does not limit or eliminate our right, or the right of any stockholder, to seek non-monetary relief, such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our certificate of incorporation provides that if the DGCL is amended to authorize the further elimination or limitation of the liability of a director, then the liability of the directors shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. These provisions will not alter the liability of directors under federal or state securities laws. Our certificate of incorporation also includes provisions for the indemnification of our directors and officers to the fullest extent permitted by Section 145 of the DGCL. Further, we have entered into indemnification agreements with our directors and executive officers which require us, among other things, to indemnify them against certain liabilities which may arise by reason of their status or service as a director or officer and to advance to them expenses, subject to reimbursement to us if it is determined that they are not entitled to indemnification. We also have obtained director and officer liability insurance.

Choice of Forum

Our certificate of incorporation provides that, unless the company (through approval of the board of directors) consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any actual or purported derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer to us or our stockholders; (iii) any action asserting a claim arising pursuant to any provision of the DGCL; or (iv) any action asserting a claim governed by the internal affairs doctrine.

NOVATION AMENDMENT

THIS NOVATION AMENDMENT (the "Novation Amendment") is made as of December 15, 2016, by and among PRIMERICA LIFE INSURANCE COMPANY OF CANADA ("Primerica"), MUNICH RE LIFE INSURANCE COMPANY OF VERMONT ("Munich Re Vermont"), and MUNICH RE OF MALTA P.L.C. ("Munich Re Malta").

WHEREAS, Munich American Holding Company ("MAHC") acquired all of the issued and outstanding shares of Financial Reassurance Company 2010, Ltd. from Citigroup Insurance Holding Corporation on September 23, 2016 and changed the name the company to Munich Re Life Insurance Company of Vermont; and

WHEREAS, Primerica and Munich Re Vermont previously entered into the Coinsurance Agreement, as amended, effective March 31, 2010 (hereinafter "Coinsurance Agreement") attached hereto in Appendix A, whereby Primerica cedes and Munich Re Vermont reinsures certain life insurance business pursuant to the terms of the Coinsurance Agreement; and

WHEREAS, Munich Re Malta is an affiliate of MAHC and Munich Re Vermont; and

WHEREAS, Primerica, Munich Re Vermont and Munich Re Malta have agreed to effectuate the novation of the Coinsurance Agreement by substituting Munich Re Vermont with Munich Re Malta as the counterparty to Primerica under the Coinsurance Agreement as set forth below, such that all of Munich Re Vermont's rights, liabilities and obligations under the Coinsurance Agreement shall be solely, directly and exclusively transferred and novated to Munich Re Malta and Munich Re Vermont will be fully and unconditionally released from all liabilities or obligations under the Coinsurance Agreement, except as provided herein; and

WHEREAS, contemporaneously with the transactions contemplated in this Novation Amendment, Munich Re Vermont is assigning, transferring and conveying to Munich Re Malta all of Munich Re Vermont's rights, title, interest, duties, liabilities and obligations under that certain Reinsurance Security Agreement, dated December 31, 2011, among Primerica, Munich Re Vermont and RBC Investor Services Trust; and

WHEREAS, immediately following the novation of the Coinsurance Agreement from Munich Re Vermont to Munich Re Malta pursuant to this Novation Amendment, Primerica and Munich Re Malta desire to amend the Coinsurance Agreement to make such other amendments as are set forth in this Novation Amendment; and

WHEREAS, (i) Primerica, Munich Re Vermont and Munich Re Malta wish to consent and agree to such novation and (ii) Primerica and Munich Re Malta wish to consent and agree to such amendment to the Coinsurance Agreement; and

WHEREAS, all capitalized terms not otherwise defined here shall have the meanings ascribed to them in the Coinsurance Agreement.

NOW THEREFORE IN CONSIDERATION OF the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

- I) Munich Re Vermont hereby transfers and assigns to Munich Re Malta, and Munich Re Malta hereby assumes all past, present and future interests, rights, title, duties, obligations, responsibilities, claims, demands, actions, causes of actions, judgments, liabilities, proceedings and costs, including reasonable attorney's fees and other costs of defense and damages of Munich Re Vermont (whether known or unknown and whether existing now or arising hereafter with respect to periods on, before or after the date hereof) under the Coinsurance Agreement; provided, that Munich Re Malta's agreement to perform such duties, obligations and liabilities shall be subject to any and all defenses, setoffs or counterclaims to which Munich Re Vermont would be entitled with respect to the Coinsurance Agreement, and no such defenses, setoffs or counterclaims are waived by this Novation Amendment or the consummation of the transactions contemplated hereby. Munich Re Malta agrees that Primerica shall be entitled vis-a-vis Munich Re Malta to any and all defenses, setoffs or counterclaims to which Primerica would, prior to the entering into of this Novation Amendment, have been entitled vis-a-vis Munich Re Vermont with respect to the Coinsurance Agreement, and no such defenses, setoffs or counterclaims are waived by this Novation Amendment or the consummation of the transactions contemplated hereby.
 - 2) The parties hereby acknowledge and agree that the transfer and assignment of the Coinsurance Agreement from Munich Re Vermont to Munich Re Malta hereunder constitutes a novation of the Coinsurance Agreement, with the effect that Munich Re Malta shall replace Munich Re Vermont under the Coinsurance Agreement in all respects and shall be bound by all of the terms and conditions of the Coinsurance Agreement as if Munich Re Malta were the original party thereunder.
 - 3) Primerica hereby consents and agrees to the novation of the Coinsurance Agreement. Primerica fully and unconditionally releases and forever discharges Munich Re Vermont from all of its past, present and future duties, obligations and liabilities, and all claims, demands and causes of action arising under or in respect of the Coinsurance Agreement (whether known or unknown and whether existing now or arising hereafter with respect to periods on, before or after the date hereof), provided that, notwithstanding any other provisions of this Novation Amendment, Munich Re Vermont is not released from, and shall continue to be bound by, its obligations under Section 21.10 of the Coinsurance Agreement.
 - 4) Primerica agrees that the transfer, assignment and novation of the Coinsurance Agreement shall have the force and effect of creating a direct agreement between Primerica and Munich Re Malta. From and after the date hereof, Primerica shall not look to Munich Re Vermont and instead shall look only to Munich Re Malta with respect to any rights it may have under the Coinsurance Agreement (whether such rights arise or relate to periods prior to or after the date hereof). Primerica acknowledges and agrees that any failure on the part of Munich Re Malta to perform under the Coinsurance Agreement shall not result in any liability to Munich Re Vermont. Primerica further agrees that, from and after the date hereof, it shall perform any and all of its obligations
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and duties under the Coinsurance Agreement for the benefit of Munich Re Malta and pay any amounts owing under the Coinsurance Agreement to Munich Re Malta (in each case whether such obligations, duties and payments were or are attributable to or accrue or accrued prior to or after the date hereof).

5) The Coinsurance Agreement is hereby amended by deleting the name of Munich Re Vermont wherever it appears and substituting therefore the name of Munich Re Malta.

6) Amendments to Definitions. The following definitions in the Coinsurance Agreement are amended as follows:

(a) Business Day. Section 1.1(t) of the Coinsurance Agreement is hereby amended and restated to read as follows:

"Business Day" means any day other than a day on which banks in the Province of Ontario or Malta are permitted or required to be closed.

(b) Custodian. Section 1.1(j.1) of the Coinsurance Agreement is hereby amended by deleting the reference to "RBC Investors Services Limited" and replacing it with a reference to the "RBC Investor Services Trust".

(c) MCCSR Guideline. Section 1.1 (gg) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(gg) **"MCCSR Guideline"** means Guideline A - entitled "Minimum Continuing Capital and Surplus Requirements" dated November 2015.

(d) Required Balance. Section 1.1(jjj) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

"Required Balance" means, (i) for any date prior to January 1, 2020, the greater of (a) and (b), and (ii) for any date on or after January 1, 2020, 110% of the greater of (a) and (b) where,

(a) is the Reinsurer's Quota Share of the Subject Reserves with respect to the Reinsured Policies, and

(b) is the amount of assets necessary at any particular point in time under the MCCSR Guideline in order for the Ceding Company to take full Financial Statement Credit for the unlicensed reinsurance in the same manner as if licensed reinsurance was being provided that enables the Ceding Company to maintain its OSFI target capital ratio as well as to be able to meet all Dynamic Capital Adequacy Testing adverse scenarios that may be required by OSFI with respect to the Reinsurer's Quota Share of the Subject Reserves.

(e) Vermont Regulator. Section 1.1(vvv) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(vvv) **"Malta Regulator"** means the Malta Financial Services Authority which is responsible for the licensure and ongoing supervision of the Reinsurer.

- (±) New defined terms. Section 1.1 of the Coinsurance Agreement is hereby amended by adding the following new defined terms:

"Novation Amendment" means the Novation Amendment, dated as of December 15, 2016, entered into by and among the Reinsurer, Munich Re Life Insurance Company of Vermont, and the Reinsurer.

- 7) Recapture Events. Section 11.1(b) and (c) of the Coinsurance Agreement are hereby amended by deleting each reference to "Vermont Regulator" and replacing it with a reference to "Malta Regulator".
- 8) Jurisdiction for Dispute Resolution. Section 14.1 of the Coinsurance Agreement is hereby amended by deleting the reference to "the State of Vermont" and replacing it with a reference to "Malta."
- 9) Adjustment of Collaterals and Withdrawals. Section 15.J(c) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(c) If the Reinsurance Security Account Balance exceeds the Required Balance as defined in Section 1.1(jjj)(ii) (meaning, for greater certainty, 110% of the greater of paragraphs (a) and (b) in Section 1.1(jjj)(ii)), as of the end of the immediately preceding calendar quarter, then the Reinsurer shall have the right to seek approval from the Ceding Company (which shall not be unreasonably or arbitrarily withheld, conditioned or delayed) to withdraw excess Collateral, provided that the amount of such withdrawal of excess Collateral would not reduce the Securities Account Balance to less than Required Balance as defined in Section 1.1(jjj)(ii), as of the end of the immediately preceding month, and if so approved, such excess shall be withdrawn in accordance with the Reinsurance Security Agreement.
- 10) Jurisdiction of Organization. Section 17.J(a) of the Coinsurance Agreement is hereby amended by deleting the phrase "special purpose financial captive insurance company duly organized, validly existing and in good standing under the laws of the State of Vermont" and replacing it with the following phrase: "reinsurance company duly organized, validly existing and in good standing under the laws of Malta."
- 11) Address for Notice to Munich Re Malta. Section 21.5 of the Coinsurance Agreement is hereby amended by deleting the address for notice for the Reinsurer and replacing it with the following:

Chief Underwriting Officer Munich Re
of Malta p.l.c.
Level 4, Whitehall Mansions, Ta Xbiex XBX I026, Malta

With copies to (which shall not constitute notice to the Reinsurer for the purposes of Section 21.5):

Chief Financial Officer Chief Risk
Officer Munich Re Centre
390 Bay Street, 26th floor Toronto,
Ontario M5H 2Y2

- 12) In all other respects, the terms of the Coinsurance Agreement shall remain unaltered and shall remain in full force and effect, it being understood that Primerica and Munich Re Malta may subsequently amend the Coinsurance Agreement.
 - 13) Primerica and Munich Re Malta hereby ratify and confirm the Coinsurance Agreement as an agreement solely among them.
 - 14) Each party hereto agrees to take all such actions and execute and deliver all such documents, certificates, instruments and conveyances as may be necessary or desirable to carry out and give full effect to this Novation Amendment.
 - 15) This Novation Amendment shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Unless otherwise provided herein, neither party may assign any of its rights, remedies, interests, powers or privileges, or delegate any of its duties or obligations, hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. Nothing in this Novation Amendment is intended to give any person, other than the parties hereto and their respective successors and assigns, any legal or equitable right, remedy or claim under or in respect of this Novation Amendment or any provision contained herein.
 - 16) If any provision of this Novation Amendment is held to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. In the event of the invalidity or unenforceability of any term or provision of this Novation Amendment, the parties hereto shall use their commercially reasonable efforts to reform such terms or provisions to carry out the commercial intent of the parties hereto as reflected herein, while curing the circumstance giving rise to the invalidity or unenforceability of such term or provision.
 - 17) This Novation Amendment shall be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
 - 18) This Novation Amendment may be signed in counterparts, and each counterpart shall constitute an original document, and such counterparts, taken together, shall constitute one and the same instrument.
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[Signature page follows.]

IN WITNESS WHEREOF the parties have executed this Novation Amendment as of the dates below.

PRIMERICA LIFE INSURANCE COMPANY OF CANADA

By: /s/ John Adams

Title: CEO

CFO

December 16, 2016

By: /s/ Heather Koski

T i t l e : Senior Vice President, Finance and

Date: December 16, 2016

Date:

MUNICH RE LIFE INSURANCE COMPANY OF VERMONT

By: /s/ Bernard Naumann

Freeman

Secretary

December 15, 2016

By: /s/ Peter Miehle

Title: President

Date: December 16, 2016

MUNICH RE OF MALTA P.L.C.

By: /s/ Birger Schimpf

B y : /s/ Paige

Title:

Date:

Title: Chief Executive Officer Title: Chief Underwriting Officer Date: December 15, 2016 Date: December 15, 2016

Appendix A

Coinsurance Agreement

COINSURANCE AMENDING AGREEMENT

THIS COINSURANCE AMENDMENT (the "Coinsurance Amendment") is made effective as of **January 1, 2018**, between PRIMERICA LIFE INSURANCE COMPANY OF CANADA ("Primerica") a life insurance company incorporated under the *Insurance Companies Act* (Canada) (the "Ceding Company"), and MUNICH RE OF MALTA P.L.C. ("Munich Re Malta ") are insurance company incorporated in Malta (the " Reinsurer").

WHEREAS, Primerica and Munich Re Malta agreed to the Novation Amendment of the COINSURANCE AGREEMENT on **December 15, 2016**, and

WHEREAS, Primerica and Munich Re Malta wish to consent and agree to such amendment to the Coinsurance Agreement; and

WHEREAS, all capitalized terms not otherwise defined here shall have the meanings ascribed to them in the Coinsurance Agreement.

NOW THEREFORE IN CONSIDERATION OF the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

Amendments to Definitions. The following definitions in the Coinsurance Agreement are amended as follows:

(1.) Financial Statement Credit

Section 1.1 (z) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(z) "**Financial Statement Credit**" means credit for reinsurance permitted by OSFI on the Ceding Company's financial statements and LJCAT calculations filed with OSFI with respect to the Reinsured Policies.

(2.) MCCSR

Section 1.1 (ff) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(ff) "**LICAT**" means Life Insurance Capital Adequacy Test determined in accordance with the LICAT Guideline.

(3.) MCCSR Guideline

Section I. I (gg) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(gg) "**LICAT Guideline**" means the Life Insurance Capital Adequacy Test guidelines as issued by OSFI dated November 2017.

(4.) Required Balance

Section 1.1 (jjj) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

"Required Balance" means the greater of (a) and (b) where,

- a) is the Reinsurer's Quota Share of the Subject Reserves with respect to the Reinsured Policies, and
- b) is the sum of (i), (ii) and (iii) where,
 - i.) is an amount equal to 100% of the aggregate liability ceded (if greater than zero), (LICAT Guideline section 10.3.1 - Nov 2017), and
 - ii.) is an amount equal to 70% of the offsetting policy-by-policy liabilities ceded (LICAT Guideline section 10.3.2 - Nov 2017), and
 - iii.) is an amount equal to 140 % of Base Solvency Buffer ceded *less* PFADs for insurance risks reinsured under the Agreement (i.e. $140\% \times (SBO - SBI - R) - PFAD$ as defined in the LICAT Guideline section 6.8.1 - Nov 2017).

(5.) Required Regulatory Capital

Section 1.1 (kkk) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(kkk) **"Required Regulatory Capital "** means the amount of capital necessary to be maintained by the Ceding Company under the LICAT Guideline with respect to the Subject Reserves.

(6.) Subject Reserves

Section 1.1 (lll) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(lll) **"Subject Reserves"** means, as of any date, all reserves set forth on Schedule A as of such date corresponding to liabilities of a type or kind identified as Covered Liabilities, related to the Reinsured Policies, such amount as determined by the Ceding Company in accordance with the methodologies used by the Ceding Company to calculate such amounts for purposes of its financial statements prepared in accordance with CGAAP, or such other accounting standards as may be applicable during the term of this agreement, and generally consistent with past practices as of all dates without giving effect to this Agreement or as may otherwise be required to be maintained pursuant to the *insurance Companies Act* (Canada) and its applicable regulations as well as any instructions, advisories or guidelines issued by OSFI, including the LICAT Guideline.

(7.) Recapture

Section 11.1 (d) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(d) If the Reinsurer fails to take steps reasonably satisfactory to the Ceding Company to assure the Ceding Company of Financial Statement Credit for the Reinsured Policies within forty-five (45) calendar days of Reinsurer's receipt of written notice from the Ceding Company that the Ceding Company has been advised by any Governmental Authority that the Governmental Authority will deny or has denied Financial Statement Credit on any financial statement filed by the Ceding Company with such Governmental Authority ;

Section 11.3 of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

Section 11.3 Recapture Fee. The Ceding Company shall pay a recapture fee (the "**Recapture Fee**") to the Reinsurer upon (i) the occurrence of any recapture of the Reinsured Policies pursuant to Section 11.1(d) if such recapture was triggered by the inability of the Ceding Company to obtain Financial Statement Credit for the Reinsured Policies due to actions taken by the Ceding Company or its Affiliates; provided, however, that if the Reinsurer is in material breach of any representation, warranty or covenant under this Agreement at the time a recapture is triggered under Section 11.1 (d), no Recapture Fee will be due and payable by the Ceding Company or (ii) termination of this Agreement under Section 20.3(a).

The Recapture Fee shall be equal to an amount to be determined by an actuarial appraisal prepared by a nationally recognized independent actuarial firm in accordance with methodologies agreed upon by the Ceding Company and Reinsurer to determine the value of the Reinsured Policies at such time in a manner consistent with the valuation of the Reinsured Policies as set forth in the Milliman Report and consistent with the determination of the Initial Ceding Commission based on such valuation.

(8.) Adjustment of Collaterals and Withdrawals

Section 15.3 (c) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

(c) If the Reinsurance Security Account Balance exceeds 110 % of the Required Balance, as defined in Section 1.1 (ijj), as of the end of the immediately preceding calendar quarter, then the Reinsurer shall have the right to seek approval from the Ceding Company (which shall not be unreasonably or arbitrarily withheld, conditioned or delayed) to withdraw excess Collateral, provided that the amount of such withdrawal of excess Collateral would not reduce the Securities Account Balance to less than 110% of the Required Balance as defined in Section 1.1 (ijj), as of the end of the immediately preceding month, and if so approved, such excess shall be withdrawn in accordance with the Reinsurance Security Agreement.

(9.) Licenses

Section 19.1 (b) of the Coinsurance Agreement is hereby deleted in its entirety and replaced with the following:

Section 19.1(b) At all times during the term of this Agreement, the Reinsurer shall hold and maintain all licenses and authorizations required under Applicable Law, deposit in trust all such Trust Assets or otherwise to take all action that may be necessary so that at all times the Ceding Company shall receive Financial Statement Credit.

(10.) In all other respects, the terms of the Coinsurance Agreement shall remain unaltered and shall remain in full force and effect, it being understood that Primerica and Munich Re Malta may subsequently amend the Coinsurance Agreement.

(11.) Primerica and Munich Re Malta hereby ratify and confirm the Coinsurance Agreement as an agreement solely among them.

(12.) Each party hereto agrees to take all such actions and execute and deliver all such documents, certificates, instruments and conveyances as may be necessary or desirable to carry out and give full effect to this Amendment.

(13.) This Amendment shall be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(14.) This Amendment may be signed in counterparts, and each counterpart shall constitute an original document, and such counterparts, taken together, shall constitute one and the same instrument. Counterparts may be executed either in original or electronic form and the parties hereto adopt any signatures received in a portable document format (PDF) as original signatures of the parties.

[Signature page follows.]

IN WITNESS WHERE OF the parties have executed this Coinsurance Amendment as of the dates below.

PRIMERICA LIFE INSURANCE COMPANY OF CANADA

By: /s/ John Adams

Title: CEO

Date: May 29, 2018

By: /s/ Heather Koski

Title: Senior Vice President, Finance and Chief Financial Officer

Date: May 31, 2018

MUNICH RE OF MALTA P.L.C

By: /s/ Birger A. Schimpf

Title: Chief Underwriting Officer

Date: May 22, 2018

By: /s/ Jacobus Malherbe

Title: Senior Actuary

Date: May 22, 2018

**PRIMERICA, INC.
PERFORMANCE STOCK UNIT
AWARD AGREEMENT**

Primerica, Inc. ("Primerica") hereby grants to *[NAME]* (the "Participant") performance-based Stock Units pursuant to the Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan (the "Plan"), subject to the conditions and restrictions detailed below (the "Performance Stock Units"). Terms applicable to the Performance Stock Units are contained in the Plan and in this Performance Stock Unit Award Agreement (the "Agreement"). Capitalized terms not defined herein shall have the meaning assigned to such terms in the Plan.

1. Grant of Performance Stock Units.

Grant Date:	February 26, 2019
Target Number of Performance Stock Units:	<i>[# UNITS]</i>
Performance Goals:	Set forth in <u>Exhibit A</u>
Performance Period:	Three-year period beginning January 1, 2019 and ending on December 31, 2021
Vesting Date:	March 1, 2022
Payment Date:	March 1, 2022

2. Performance Stock Units. The target number of Performance Stock Units subject to this Agreement is set forth in Section 1 (the "Target Award"). Primerica will maintain an account (the "Performance Stock Unit Account") on its books in the name of the Participant which shall reflect such number of Performance Stock Units awarded to the Participant. Depending on Primerica's level of achievement of the performance goals set forth in Exhibit A to this Agreement (the "Performance Goals") for the performance period specified in Section 1 (the "Performance Period"), the Participant may earn a number of Performance Stock Units between 0% to 150% of the Target Award. Each Performance Stock Unit, to the extent earned and/or vested under the terms of this Agreement, represents an unfunded, unsecured promise by Primerica to deliver to the Participant one share of Primerica's common stock, par value \$.01 per share ("Common Stock"), and to pay to the Participant in cash an amount equal to the amount of the dividends paid by Primerica on one share of Common Stock from the Grant Date through the payment date set forth in Section 1 (the "Payment Date"), or through the Participant's earlier employment termination date in certain circumstances as set forth in Section 5 below, subject to the terms and conditions contained in this Agreement and the Plan.

Performance Stock Unit Award Agreement
Approved as of February 26, 2019

3. Earning, Vesting and Delivery of Performance Stock Units. After the end of the Performance Period, the degree of Primerica's achievement of the Performance Goals for the Performance Period shall be calculated and certified by the Compensation Committee of the Board of Directors and used to determine the number of Performance Stock Units earned. The earned Performance Stock Units shall become vested on the vesting date set forth in Section 1 (the "Vesting Date"), subject to earlier vesting in certain circumstances as set forth in Section 5 below. The Performance Stock Units so earned and vested shall be settled by delivery within 60 days following the Payment Date of one share of Common Stock for each such earned Performance Stock Unit and payment of the related dividend equivalent amount described in Section 4. Delivery of shares of Common Stock, and cash payment of related dividend equivalent amounts, by Primerica as described in this Section 3 shall discharge it of all of its duties and obligations under this Agreement and the Plan with respect to the Performance Stock Units.

4. Dividend Equivalents. Upon the payment of a cash dividend on the Common Stock by Primerica during the period from the Grant Date of the Participant's Performance Stock Units through the Payment Date, or through the Participant's earlier employment termination date in certain circumstances as set forth in Section 5 below, Primerica shall credit the Performance Stock Unit Account of the Participant with an amount equal in value to the dividends that the Participant would have received had the Participant been the actual owner of the number of shares of Common Stock represented by the Performance Stock Units in the Participant's Performance Stock Unit Account on that date. After the end of the Performance Period, the amount in such Performance Stock Unit Account attributable to such dividend equivalents shall be adjusted, based on the degree of Primerica's achievement of the Performance Goals for the Performance Period, in the same percentage used to determine the number of earned Performance Stock Units. Such amount shall become vested on the Vesting Date and shall be paid to the Participant in cash on the Payment Date, subject to earlier vesting and/or payment in certain circumstances as set forth in Section 5 below.

5. Termination of Employment. In connection with a termination of the Participant's employment before the Vesting Date, the Participant's Performance Stock Units shall be treated as follows:

(a) Voluntary Resignation; Termination by Primerica for Cause. If the Participant voluntarily terminates employment with Primerica (other than upon a Retirement as described in Section 5(c)) or if Primerica terminates the Participant's employment for Cause, vesting of the Performance Stock Units, and any related dividend equivalent amounts described in Section 4, will cease on the date the Participant's employment is so terminated, the Performance Stock Units, and related dividend equivalent amounts, will be cancelled and the Participant shall have no further rights of any kind with respect to any Performance Stock Units under this Agreement.

Performance Stock Unit Award Agreement
Approved as of February 26, 2019

(b) Certain Other Terminations. If either (i) the Participant's employment is terminated by Primerica for any reason other than (A) for Cause (as described in Section 5(a)), (B) in connection with a Change of Control (as described in Section 5(d)), or (C) in connection with the Participant's disability (as described in Section 5(e)), or (ii) the Participant terminates employment with Primerica with Good Reason (as defined below) other than in connection with a Change of Control (as described in Section 5(d)), the Participant's Performance Stock Units, and related dividend equivalent amounts described in Section 4, will be deemed to have vested on such employment termination date, contingent on satisfaction by Primerica of the Performance Goals. After the end of the Performance Period, the number of the Participant's Performance Stock Units earned will be determined based on satisfaction of the Performance Goals over the Performance Period. Such amount of earned Performance Stock Units, and related dividend equivalent amounts, will be settled by delivery of one share of Common Stock for each such earned Performance Stock Unit, and payment in cash of any earned dividend equivalent amounts, within 60 days following the Payment Date. For purposes of this Agreement, the Participant may terminate employment with Good Reason if (1) an event or circumstance set forth in clauses (w), (x), (y) or (z) of this subsection (b) shall have occurred and the Participant provides Primerica with written notice thereof within 90 days after the occurrence or existence of such event or circumstance, which notice shall specifically identify the event or circumstance that the Participant believes constitutes Good Reason, (2) Primerica fails to correct the circumstance or event so identified within 30 days after the receipt of such notice (the "Cure Period"), and (3) the Participant resigns within 30 days after the Cure Period. For purposes of this Agreement, "Good Reason" means, in the absence of the Participant's written consent, the occurrence of any of the following:

(w) a material diminution by Primerica in the Participant's annual base salary or a material diminution in the Participant's target annual bonus opportunity as a percentage of the Participant's annual base salary, unless replaced by one or more other bonus or incentive opportunities with a comparable aggregate bonus and incentive opportunity;

(x) a material diminution in the Participant's authority, duties or responsibilities, provided that a change in the Participant's reporting relationship (in the absence of any other change which may constitute a material diminution in the Participant's authority, duties or responsibilities) shall not constitute "Good Reason";

(y) Primerica requiring the Participant's principal business location to be at any office or location more than 50 miles from the Participant's principal business location as of immediately prior to such relocation (other than to an office or location closer to the Participant's home residence); or

(z) any material breach of this Agreement by Primerica.

Performance Stock Unit Award Agreement
Approved as of February 26, 2019

(c) **Retirement.** If the Participant voluntarily terminates employment with Primerica after having attained at least the age of 55 and with the sum of the Participant's age (in whole years) plus the Participant's Years of Service (as defined below) equaling 75 or more on the date of such termination (a "Retirement"), the Participant's Performance Stock Units, and related dividend equivalent amounts described in Section 4, will be deemed to have vested on such Retirement date, contingent on satisfaction by Primerica of the Performance Goals. After the end of the Performance Period, the number of the Participant's Performance Stock Units earned will be determined based on satisfaction of the Performance Goals over the Performance Period. Such amount of earned Performance Stock Units, and related dividend equivalent amounts, will be settled by delivery of one share of Common Stock for each such earned Performance Stock Unit, and payment in cash of any earned dividend equivalent amounts, within 60 days following the Payment Date. For purposes of this Agreement, the term "Years of Service" shall mean the total number of years the Participant's period of service to Primerica and any Subsidiary as of the date the Participant terminates employment.

(d) **Change of Control.** If, in the event of a Change of Control, either (i) the Participant's employment is terminated by Primerica (or a successor entity) other than for Cause, or (ii) the Participant terminates employment with Primerica (or a successor entity) with Good Reason, at any time during the period that begins on the date 6 months before the date of such Change of Control and ends on the date 24 months after the date of such Change of Control, the number of the Performance Stock Units in the Participant's Target Award (as the same may be adjusted in connection with the Change of Control transaction per the terms of the Plan), and the related dividend equivalent amounts described in Section 4, will be deemed to have vested on such employment termination date. Such vested Performance Stock Units, and related dividend equivalent amounts, will be settled within 60 days following the date the Participant's employment is so terminated or, for a Participant whose employment terminates during the 6-month period preceding the Change of Control, within 60 days following the date of the Change of Control, by delivery of one share of Common Stock for each such vested Performance Stock Unit (as the same may be adjusted in connection with the Change of Control transaction per the terms of the Plan) and payment of the related dividend equivalent amount described in Section 4.

(e) **Disability.** If the Participant's employment is terminated by Primerica following completion of the Participant's approved disability leave pursuant to the applicable Primerica disability policy, the number of the Performance Stock Units in the Participant's Target Award, and the related dividend equivalent amounts described in Section 4, will be deemed to have vested on such employment termination date. Such vested Performance Stock Units, and related dividend equivalent amounts, will be settled within 60 days following the date the Participant's employment is so terminated by delivery of one share of Common Stock for each such vested Performance Stock Unit and payment of the related dividend equivalent amount described in Section 4.

(f) **Death.** If the Participant's employment is terminated upon the Participant's death, the number of the Performance Stock Units in the Participant's Target Award, and related dividend equivalent amounts described in Section 4, will be deemed to have vested on the date of the Participant's death. Such vested Performance Stock Units, and related dividend equivalent amounts, will be settled within 60 days following the date of the Participant's death by delivery of one share of Common Stock for each such vested Performance Stock Unit and payment of the dividend equivalent amount described in Section 4, to the personal representative of the Participant's estate or recipient thereunder pursuant to the terms of the Participant's will or the applicable laws of descent and distribution. Notwithstanding the provisions of Sections 5(b) and 5(c), if following a termination described in Section 5(b) or a Retirement described in Section 5(c), a Participant dies prior to the end of the Performance Period, settlement of such Participant's Performance Stock Units will be made under the terms described in this Section 5(f).

(g) **Settlement.** Delivery of shares of Common Stock, and cash payment of related dividend equivalent amounts, by Primerica as described in this Section 5 shall discharge it of all of its duties and obligations under this Agreement and the Plan with respect to the Performance Stock Units.

(h) **Release Agreement.** Notwithstanding the foregoing, payment with respect to the Participant's Performance Stock Units following termination of employment as described in subsections (b), (c), (d) or (e) above shall be subject to and conditioned upon the Participant having executed a waiver of claims and general release of Primerica, in a form reasonably acceptable to Primerica, and for which any revocation rights have expired. If a Participant fails or refuses to execute such a waiver of claims and general release, or timely revokes a previously executed waiver of claims and general release, before the Payment Date, such amounts will not vest as described in subsections (b), (c), (d) or (e) above, as the case may be, and the Performance Stock Units will be cancelled, and the Participant shall have no further rights with respect to such Performance Stock Units.

6. **Stockholder Rights.** The grant of Performance Stock Units does not entitle the Participant to any rights of a stockholder of Common Stock, including dividends or voting rights, until such time as the Performance Stock Units are settled in Common Stock.

7. **Nontransferable.** As provided by the terms of the Plan, no rights granted under this Agreement, nor any shares of Common Stock issuable pursuant to this Agreement, shall be transferable or assignable by the Participant (or by any other person), other than by will or by the laws of descent and distribution, and they may not be pledged or hypothecated in any way, prior to the issuance and delivery of the shares of Common Stock pursuant to this Agreement. Any attempted transfer, assignment, pledge or other disposition contrary to the provisions of the Plan and this Agreement shall be null and void and without legal effect.

8. **Consent to Electronic Delivery.** In lieu of receiving documents in paper format, by receipt of the Performance Stock Units, the Participant consents, to the fullest extent permitted by law, to electronic delivery of any documents that Primerica may be required to deliver (including, but not limited to, stock certificates, prospectuses, prospectus supplements, grant or award notifications and agreements and all other forms or communications) in connection with the Performance Stock Units. Electronic delivery of a document to the Participant may be via a Primerica e-mail system or by reference to a location on an Internet site to which the Participant has access.

Performance Stock Unit Award Agreement
Approved as of February 26, 2019

9. Tax Withholding. The Participant shall be responsible for any applicable taxes and penalties, and any interest that accrues thereon, incurred in connection with the Performance Stock Units, including the payment of any dividends with respect thereto. Primerica or a Subsidiary employing the Participant has the authority and the right to deduct or withhold, or require the Participant to remit to the employer, an amount sufficient to satisfy withholding requirements with respect to applicable federal, state, local, foreign or other governmental taxes or charges (including, without limitation, income, payroll and excise taxes) and to take such other action as may be necessary to satisfy any such withholding obligations.

10. Compliance with EESA. To the extent that the Participant and the Performance Stock Units are subject to Section 111 of the Emergency Economic Stabilization Act of 2008, as amended, and any regulations, guidance or interpretations that may from time to time be promulgated thereunder (“EESA”), then any payment of any kind provided for by, or accrued with respect to, the Performance Stock Units must comply with EESA, and the Agreement and the Plan will be interpreted or reformed to so comply. If requested by Primerica, the Participant will grant to the U.S. Treasury Department (or other body of the U.S. government) and to Primerica a waiver in a form acceptable to the U.S. Treasury Department (or other body) and Primerica releasing the U.S. Treasury Department (or other body) and Primerica from any claims that the Participant may otherwise have as a result of the issuance of any regulations, guidance or interpretations that adversely modify the terms of the Performance Stock Units that would not otherwise comply with the executive compensation and corporate governance requirements of EESA or any securities purchase agreement or other agreement entered into between Primerica or its affiliates and the U.S. Treasury Department (or other body) pursuant to EESA.

11. Entire Agreement. The Agreement and the Plan constitute the entire understanding between Primerica and the Participant regarding the Performance Stock Units and supersede all previous written, oral, or implied understandings between the parties hereto about the subject matter hereof.

12. No Right to Employment. Nothing contained herein, in the Plan, or in any prospectus shall confer upon the Participant any rights to continued employment or employment in any particular position, at any specific rate of compensation, or for any particular period of time.

13. Arbitration. Any disputes related to the Performance Stock Units shall be resolved by arbitration in accordance with Primerica’s arbitration policies. In the absence of an effective arbitration policy, the Participant acknowledges and agrees that any dispute related to the Performance Stock Units shall be submitted to arbitration in accordance with the Commercial Rules of the American Arbitration Association, if so elected by Primerica in its sole discretion.

14. Conflict. In the event of a conflict between the Agreement and the Plan, the Plan shall control.

15. Governing Law. The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

Performance Stock Unit Award Agreement
Approved as of February 26, 2019

16. Internal Revenue Code Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended, and regulations and other official guidance issued thereunder (“Code Section 409A”), to the extent subject thereto and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and be administered to be in compliance with Code Section 409A. Consistent with such intent, references to the Participant’s termination of employment or words of similar import as used in this Agreement shall mean the Participant’s “separation from service” as such term is used in Code Section 409A. In the case of a Participant who is a “specified employee” (as such term is used in Code Section 409A), amounts payable upon the Participant’s separation from service shall be, to the extent required under Code Section 409A, made on the date that is six (6) months following the date of the Participant’s employment termination (or, if earlier, the date of the Participant’s death). Each installment or other payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. To the extent that payments and benefits under this Agreement are nonqualified deferred compensation subject to Code Section 409A and are contingent upon the Participant’s taking any employment-related action, including without limitation execution (and nonrevocation) of another agreement, such as a release agreement, and the period within which such action(s) may be taken by the Participant would begin in one calendar year and expire in the following calendar year, then such amounts or benefits shall be paid in such following calendar year.

17. Successors and Assigns. This Agreement shall be binding on all successors and assigns of the Participant, including, without limitation, the estate of the Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant’s creditors. This Agreement shall be binding on Primerica and its successors and assigns.

18. Reimbursement or Cancellation of Certain Awards. The Performance Stock Units will be subject to repayment by the Participant to Primerica (i) to the extent set forth in the Plan and (ii) to the extent the Participant is, or in the future becomes, subject to (a) any other Primerica or affiliate “clawback” or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws. Further, in the event that the Committee determines that the Performance Stock Units would not have been granted, vested or paid absent fraud or misconduct of the Participant, the Committee, in its discretion, shall take such action as it deems necessary or appropriate to address the fraud or misconduct. Such actions may include, without limitation and to the extent permitted by applicable law, in appropriate cases, causing the partial or full cancellation of any Performance Stock Units granted to the Participant or requiring partial or full repayment of the value of the Common Stock acquired on settlement of the Performance Stock Units, in each case as the Committee determines to be in the best interests of Primerica.

EXHIBIT A

Performance Goals and Payout Matrix

	Threshold	Target	Maximum
Payout Factor	(50%)	(100%)	(150%)
Performance Range	80% of Target	100% of Target	120% of Target
Average Operating ROAE from 2019-2021	18.8%	23.5%	28.2%

Performance Stock Unit Award Agreement
Approved as of February 26, 2019

**PRIMERICA, INC.
EMPLOYEE RESTRICTED STOCK UNIT
AWARD AGREEMENT**

Primerica, Inc. ("Primerica") hereby grants to [NAME] (the "Participant") Stock Units (the "Restricted Stock Units") pursuant to the Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan (the "Plan"), subject to the conditions and restrictions detailed in the Plan and in this Employee Restricted Stock Unit Award Agreement (the "Award Agreement"). Terms applicable to the Restricted Stock Units are contained in the Plan and in this Award Agreement (the "Agreement"). Capitalized terms not defined herein shall have the meaning assigned to such terms in the Plan.

1. Grant of Restricted Stock Units.

Grant Date:	February 26, 2019
Number of Restricted Stock Units:	[# UNITS]
Vesting Dates (one-third of the Restricted Stock Units vest on each Vesting Date):	March 1, 2020 March 1, 2021 March 1, 2022
Payment Dates:	Each Vesting Date

2. Vesting and Delivery. Each Restricted Stock Unit represents an unfunded, unsecured promise by Primerica to deliver one share of Primerica's common stock, par value \$.01 per share ("Common Stock"), subject to the terms and conditions contained in this Agreement and the Plan. The Restricted Stock Units shall, except as provided in Section 3 below, become vested on the Vesting Dates set forth in Section 1, and the Restricted Stock Units so vesting shall be settled by delivery of shares of Common Stock as of the Payment Date with respect to each such Vesting Date. Such delivery of shares of Common Stock by Primerica shall discharge it of all of its duties and obligations under this Agreement and the Plan with respect to such vested Restricted Stock Units.

3. Termination of Employment. Notwithstanding anything to the contrary herein, upon a termination of the Participant's employment, the Restricted Stock Units shall be treated as follows:

(a) Voluntary Resignation; Termination by Primerica for Cause. If the Participant voluntarily terminates employment with Primerica (other than upon a Retirement as described in Section 3(c)) or if Primerica terminates the Participant's employment for Cause, vesting of the Restricted Stock Units will cease on the date the Participant's employment is so terminated, the unvested portion of the Restricted Stock Units (if any) will be canceled and the Participant shall have no further rights of any kind with respect to any unvested Restricted Stock Units.

(b) Termination by Primerica Other than for Cause. If the Participant's employment is terminated by Primerica for any reason other than Cause (including without limitation following completion of the Participant's approved disability leave pursuant to the Primerica disability policy (the "Disability Policy"), the unvested portion of the Restricted Stock Units (if any) will vest as of the termination date.

Employee Restricted Stock Unit Award Agreement
Approved as of February 26, 2019

(c) **Retirement.** If the Participant voluntarily terminates employment with Primerica after having attained at least the age of 55 and with the sum of the Participant's age (in whole years) plus the Participant's Years of Service (as defined below) equaling 75 or more on the date of such termination (a "Retirement"), the unvested portion of the Restricted Stock Units (if any) will vest as of the date of the Participant's Retirement. For purposes of this Agreement, the term "Years of Service" shall mean the total number of years the Participant's period of service to Primerica and any Subsidiary as of the date the Participant terminates employment.

(d) **Death.** If the Participant's employment is terminated upon the Participant's death, the unvested portion of the Restricted Stock Units (if any) will vest as of the termination date.

(e) **Payment Date.** In the event of the Participant's termination of employment as described in subsection (b), (c) or (d) of this Section 3, any previously unpaid Restricted Stock Units shall be settled by delivery to the Participant of shares of Common Stock on the sixtieth (60th) day following the Participant's termination of employment; provided that, to the extent necessary to comply with Code Section 409A (as defined in Section 14 below), in the case of a Participant who is a "specified employee" (as such term is used in Code Section 409A), such payment shall be made on the date that is six (6) months following the date of the Participant's employment termination (or, if earlier, the date of the Participant's death). Delivery of shares of Common Stock by Primerica shall discharge it of all of its duties and obligations under this Agreement and the Plan with respect to the Participant's Restricted Stock Units.

(f) **Release Agreement.** Notwithstanding the foregoing, payment of the Participant's previously unvested Restricted Stock Units upon termination of employment as described in subsection (b) or (c) above shall be subject to and conditioned upon the Participant having executed a waiver of claims and general release of Primerica, in a form reasonably acceptable to Primerica, and for which any revocation rights have expired, before the end of the sixty (60) day period described in subsection (e). If a Participant fails or refuses to execute such a waiver of claims and general release, or timely revokes a previously executed waiver of claims and general release, before the end of such sixty (60) day period, such amounts will not vest as described in subsection (b) or (c) above, and the unvested portion of the Restricted Stock Units will be cancelled, and the Participant shall have no further rights with respect to any unvested Restricted Stock Units.

4. Stockholder Rights. The grant of Restricted Stock Units does not entitle the Participant to any rights of a stockholder of Common Stock, including dividends or voting rights, until such time as the Restricted Stock Units are settled in Common Stock. However, prior to the delivery of the shares of Common Stock, for so long as the Participant remains actively employed by the Company or a Subsidiary, the Participant shall have the right to receive dividend equivalent payments in an amount equal to all dividends or other distributions payable with respect to the equivalent number of shares of Common Stock, which shall be payable at such time as the dividends and other distributions are payable to Primerica shareholders.

5. Nontransferable. As provided by the terms of the Plan, no rights granted under this Agreement, nor any shares of Common Stock issuable pursuant to this Agreement, shall be transferable or assignable by the Participant (or by any other person), other than by will or by the laws of descent and distribution, and they may not be pledged or hypothecated in any way, prior to the issuance and delivery of the shares of Common Stock pursuant to this Agreement. Any attempted transfer, assignment, pledge or other disposition contrary to the provisions of the Plan and this Agreement shall be null and void and without legal effect.

6. Consent to Electronic Delivery. In lieu of receiving documents in paper format, by receipt of the Restricted Stock Units, the Participant consents, to the fullest extent permitted by law, to electronic delivery of any documents that Primerica may be required to deliver (including, but not limited to, stock certificates, prospectuses, prospectus supplements, grant or award notifications and agreements and all other forms or communications) in connection with the Restricted Stock Units. Electronic delivery of a document to the Participant may be via a Primerica e-mail system or by reference to a location on an Internet site to which the Participant has access.

7. Tax Withholding. The Participant shall be responsible for any applicable taxes and penalties, and any interest that accrues thereon, incurred in connection with the Restricted Stock Units, including the payment of any dividends with respect thereto. Primerica or a Subsidiary employing the Participant has the authority and the right to deduct or withhold, or require the Participant to remit to the employer, an amount sufficient to satisfy withholding requirements with respect to applicable federal, state, local, foreign or other governmental taxes or charges (including, without limitation, income, payroll and excise taxes) and to take such other action as may be necessary to satisfy any such withholding obligations.

8. Compliance with EESA. To the extent that the Participant and the Restricted Stock Units are subject to Section 111 of the Emergency Economic Stabilization Act of 2008, as amended, and any regulations, guidance or interpretations that may from time to time be promulgated thereunder (“EESA”), then any payment of any kind provided for by, or accrued with respect to, the Restricted Stock Units must comply with EESA, and the Agreement and the Plan will be interpreted or reformed to so comply. If requested by Primerica, the Participant will grant to the U.S. Treasury Department (or other body of the U.S. government) and to Primerica a waiver in a form acceptable to the U.S. Treasury Department (or other body) and Primerica releasing the U.S. Treasury Department (or other body) and Primerica from any claims that the Participant may otherwise have as a result of the issuance of any regulations, guidance or interpretations that adversely modify the terms of the Restricted Stock Units that would not otherwise comply with the executive compensation and corporate governance requirements of EESA or any securities purchase agreement or other agreement entered into between Primerica or its affiliates and the U.S. Treasury Department (or other body) pursuant to EESA.

9. Entire Agreement. The Agreement and the Plan constitute the entire understanding between Primerica and the Participant regarding the Restricted Stock Units and supersede all previous written, oral, or implied understandings between the parties hereto about the subject matter hereof.

10. No Right to Employment. Nothing contained herein, in the Plan, or in any prospectus shall confer upon the Participant any rights to continued employment or employment in any particular position, at any specific rate of compensation, or for any particular period of time.

11. Arbitration. Any disputes related to the Restricted Stock Units shall be resolved by arbitration in accordance with Primerica's arbitration policies. In the absence of an effective arbitration policy, the Participant acknowledges and agrees that any dispute related to the Restricted Stock Units shall be submitted to arbitration in accordance with the Commercial Rules of the American Arbitration Association, if so elected by Primerica in its sole discretion.

12. Conflict. In the event of a conflict between the Agreement and the Plan, the Plan shall control.

13. Governing Law. The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

14. Internal Revenue Code Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended, and regulations and other official guidance issued thereunder ("Code Section 409A"), to the extent subject thereto and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and be administered to be in compliance with Code Section 409A. References to the Participant's termination of employment or words of similar import as used in this Agreement shall mean the Participant's "separation from service" as such term is used in Code Section 409A. Each installment or other payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. To the extent that payments and benefits under this Agreement are nonqualified deferred compensation subject to Code Section 409A and are contingent upon the Participant's taking any employment-related action, including without limitation execution (and nonrevocation) of another agreement, such as a release agreement, and the period within which such action(s) may be taken by the Participant would begin in one calendar year and expire in the following calendar year, then such amounts or benefits shall be paid in such following calendar year.

15. Successors and Assigns. This Agreement shall be binding on all successors and assigns of the Participant, including, without limitation, the estate of the Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors. This Agreement shall be binding on Primerica and its successors and assigns.

16. Reimbursement or Cancellation of Certain Awards. The Restricted Stock Units will be subject to repayment by the Participant to Primerica (i) to the extent set forth in the Plan and (ii) to the extent the Participant is, or in the future becomes, subject to (a) any other Primerica or affiliate "clawback" or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws. Further, in the event that the Committee determines that the Restricted Stock Units would not have been granted, vested or paid absent fraud or misconduct of the Participant, the Committee, in its discretion, shall take such action as it deems necessary or appropriate to address the fraud or misconduct. Such actions may include, without limitation and to the extent permitted by applicable law, in appropriate cases, causing the partial or full cancellation of any Restricted Stock Units granted to the Participant or requiring partial or full repayment of the value of the Common Stock acquired on settlement of the Restricted Stock Units, in each case as the Committee determines to be in the best interests of Primerica.

**PRIMERICA, INC.
EMPLOYEE RESTRICTED STOCK UNIT
AWARD AGREEMENT**

Primerica, Inc. ("Primerica") hereby grants to WILLIAM A. KELLY (the "Participant") Stock Units (the "Restricted Stock Units") pursuant to the Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan (the "Plan"), subject to the conditions and restrictions detailed in the Plan and in this Employee Restricted Stock Unit Award Agreement (the "Award Agreement"). Terms applicable to the Restricted Stock Units are contained in the Plan and in this Award Agreement (the "Agreement"). Capitalized terms not defined herein shall have the meaning assigned to such terms in the Plan.

1. Grant of Restricted Stock Units.

Grant Date:	March 18, 2019
Number of Restricted Stock Units (RSUs):	3,989
Vesting Dates	March 1, 2020 – 1,950 RSUs March 1, 2021 – 1,950 RSUs March 18, 2022 – 89 RSUs
Payment Dates:	Each Vesting Date

2. Vesting and Delivery. Each Restricted Stock Unit represents an unfunded, unsecured promise by Primerica to deliver one share of Primerica's common stock, par value \$.01 per share ("Common Stock"), subject to the terms and conditions contained in this Agreement and the Plan. The Restricted Stock Units shall, except as provided in Section 3 below, become vested on the Vesting Dates set forth in Section 1, and the Restricted Stock Units so vesting shall be settled by delivery of shares of Common Stock as of the Payment Date with respect to each such Vesting Date. Such delivery of shares of Common Stock by Primerica shall discharge it of all of its duties and obligations under this Agreement and the Plan with respect to such vested Restricted Stock Units.

3. Termination of Employment. Notwithstanding anything to the contrary herein, upon a termination of the Participant's employment, the Restricted Stock Units shall be treated as follows:

(a) **Voluntary Resignation or Retirement Before March 1, 2021; Termination by Primerica for Cause.** If the Participant voluntarily terminates employment with Primerica (other than upon a Retirement as defined in Section 3(d), but , including upon a retirement prior to March 1, 2021), or if Primerica terminates the Participant's employment for Cause, vesting of the Restricted Stock Units will cease on the date the Participant's employment is so terminated, the unvested portion of the Restricted Stock Units (if any) will be canceled and the Participant shall have no further rights of any kind with respect to any unvested Restricted Stock Units.

Kelly Restricted Stock Unit Award Agreement
Approved as of March 18, 2019

(b) **Termination by Primerica Other than for Cause.** If the Participant's employment is terminated by Primerica for any reason other than Cause (including without limitation following completion of the Participant's approved disability leave pursuant to the Primerica disability policy (the "Disability Policy"), the unvested portion of the Restricted Stock Units (if any) will vest as of the termination date.

(c) **Death.** If the Participant's employment is terminated upon the Participant's death, the unvested portion of the Restricted Stock Units (if any) will vest as of the termination date.

(d) **Retirement on or After March 1, 2021.** If the Participant voluntarily terminates employment with Primerica on or after March 1, 2021 after having attained at least the age of 55, and with the sum of the Participant's age (in whole years) plus the Participant's Years of Service (as defined below) equaling seventy-five (75) or more on the date of such termination (a "Retirement"), the unvested portion of the Restricted Stock Units (if any) will vest as of the date of the Participant's Retirement and shall be settled as soon as practicable after (but in no event more than ten (10) business days after) the termination of the sixty (60) day period described in subsection (e) below. For purposes of this Agreement, "Years of Service" shall mean the total number of years the Participant's period of service to Primerica and any Subsidiary as of the date the Participant terminates employment.

(e) **Payment Date.** In the event of the Participant's termination of employment as described in subsection (b), (c) or (d) of this Section 3, any previously unpaid Restricted Stock Units shall be settled by delivery to the Participant of shares of Common Stock on the sixtieth (60th) day following the Participant's termination of employment; provided that, to the extent necessary to comply with Code Section 409A (as defined in Section 14 below), in the case of a Participant who is a "specified employee" (as such term is used in Code Section 409A), such payment shall be made on the date that is six (6) months following the date of the Participant's employment termination (or, if earlier, the date of the Participant's death). Delivery of shares of Common Stock by Primerica shall discharge it of all of its duties and obligations under this Agreement and the Plan with respect to the Participant's Restricted Stock Units.

(f) **Release Agreement.** Notwithstanding the foregoing, payment of the Participant's previously unvested Restricted Stock Units upon termination of employment as described in subsection (b) or (d) above shall be subject to and conditioned upon the Participant having executed a waiver of claims and general release of Primerica, in a form reasonably acceptable to Primerica, and for which any revocation rights have expired, before the end of the sixty (60) day period described in subsection (e). If a Participant fails or refuses to execute such a waiver of claims and general release, or timely revokes a previously executed waiver of claims and general release, before the end of such sixty (60) day period, such amounts will not vest as described in subsection (b) or (d) above, and the unvested portion of the Restricted Stock Units will be cancelled, and the Participant shall have no further rights with respect to any unvested Restricted Stock Units.

4. Stockholder Rights. The grant of Restricted Stock Units does not entitle the Participant to any rights of a stockholder of Common Stock, including dividends or voting rights, until such time as the Restricted Stock Units are settled in Common Stock. However, prior to the delivery of the shares of Common Stock, for so long as the Participant remains actively employed by the Company or a Subsidiary, the Participant shall have the right to receive dividend equivalent payments in an amount equal to all dividends or other distributions payable with respect to the equivalent number of shares of Common Stock, which shall be payable at such time as the dividends and other distributions are payable to Primerica shareholders.

5. Nontransferable. As provided by the terms of the Plan, no rights granted under this Agreement, nor any shares of Common Stock issuable pursuant to this Agreement, shall be transferable or assignable by the Participant (or by any other person), other than by will or by the laws of descent and distribution, and they may not be pledged or hypothecated in any way, prior to the issuance and delivery of the shares of Common Stock pursuant to this Agreement. Any attempted transfer, assignment, pledge or other disposition contrary to the provisions of the Plan and this Agreement shall be null and void and without legal effect.

6. Consent to Electronic Delivery. In lieu of receiving documents in paper format, by receipt of the Restricted Stock Units, the Participant consents, to the fullest extent permitted by law, to electronic delivery of any documents that Primerica may be required to deliver (including, but not limited to, stock certificates, prospectuses, prospectus supplements, grant or award notifications and agreements and all other forms or communications) in connection with the Restricted Stock Units. Electronic delivery of a document to the Participant may be via a Primerica e-mail system or by reference to a location on an Internet site to which the Participant has access.

7. Tax Withholding. The Participant shall be responsible for any applicable taxes and penalties, and any interest that accrues thereon, incurred in connection with the Restricted Stock Units, including the payment of any dividends with respect thereto. Primerica or a Subsidiary employing the Participant has the authority and the right to deduct or withhold, or require the Participant to remit to the employer, an amount sufficient to satisfy withholding requirements with respect to applicable federal, state, local, foreign or other governmental taxes or charges (including, without limitation, income, payroll and excise taxes) and to take such other action as may be necessary to satisfy any such withholding obligations.

8. Compliance with EESA. To the extent that the Participant and the Restricted Stock Units are subject to Section 111 of the Emergency Economic Stabilization Act of 2008, as amended, and any regulations, guidance or interpretations that may from time to time be promulgated thereunder (“EESA”), then any payment of any kind provided for by, or accrued with respect to, the Restricted Stock Units must comply with EESA, and the Agreement and the Plan will be interpreted or reformed to so comply. If requested by Primerica, the Participant will grant to the U.S. Treasury Department (or other body of the U.S. government) and to Primerica a waiver in a form acceptable to the U.S. Treasury Department (or other body) and Primerica releasing the U.S. Treasury Department (or other body) and Primerica from any claims that the Participant may otherwise have as a result of the issuance of any regulations, guidance or interpretations that adversely modify the terms of the Restricted Stock Units that would not otherwise comply with the executive compensation and corporate governance requirements of EESA or any securities purchase agreement or other agreement entered into between Primerica or its affiliates and the U.S. Treasury Department (or other body) pursuant to EESA.

9. Entire Agreement. The Agreement and the Plan constitute the entire understanding between Primerica and the Participant regarding the Restricted Stock Units and supersede all previous written, oral, or implied understandings between the parties hereto about the subject matter hereof.

10. No Right to Employment. Nothing contained herein, in the Plan, or in any prospectus shall confer upon the Participant any rights to continued employment or employment in any particular position, at any specific rate of compensation, or for any particular period of time.

11. Arbitration. Any disputes related to the Restricted Stock Units shall be resolved by arbitration in accordance with Primerica's arbitration policies. In the absence of an effective arbitration policy, the Participant acknowledges and agrees that any dispute related to the Restricted Stock Units shall be submitted to arbitration in accordance with the Commercial Rules of the American Arbitration Association, if so elected by Primerica in its sole discretion.

12. Conflict. In the event of a conflict between the Agreement and the Plan, the Plan shall control.

13. Governing Law. The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

14. Internal Revenue Code Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended, and regulations and other official guidance issued thereunder ("Code Section 409A"), to the extent subject thereto and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and be administered to be in compliance with Code Section 409A. References to the Participant's termination of employment or words of similar import as used in this Agreement shall mean the Participant's "separation from service" as such term is used in Code Section 409A. Each installment or other payment under this Agreement shall be treated as a separate payment for purposes of Code Section 409A. To the extent that payments and benefits under this Agreement are nonqualified deferred compensation subject to Code Section 409A and are contingent upon the Participant's taking any employment-related action, including without limitation execution (and nonrevocation) of another agreement, such as a release agreement, and the period within which such action(s) may be taken by the Participant would begin in one calendar year and expire in the following calendar year, then such amounts or benefits shall be paid in such following calendar year.

15. Successors and Assigns. This Agreement shall be binding on all successors and assigns of the Participant, including, without limitation, the estate of the Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors. This Agreement shall be binding on Primerica and its successors and assigns.

16. Reimbursement or Cancellation of Certain Awards. The Restricted Stock Units will be subject to repayment by the Participant to Primerica (i) to the extent set forth in the Plan and (ii) to the extent the Participant is, or in the future becomes, subject to (a) any other Primerica or affiliate "clawback" or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws. Further, in the event that the Committee determines that the Restricted Stock Units would not have been granted, vested or paid absent fraud or misconduct of the Participant, the Committee, in its discretion, shall take such action as it deems necessary or appropriate to address the fraud or misconduct. Such actions may include, without limitation and to the extent permitted by applicable law, in appropriate cases, causing the partial or full cancellation of any Restricted Stock Units granted to the Participant or requiring partial or full repayment of the value of the Common Stock acquired on settlement of the Restricted Stock Units, in each case as the Committee determines to be in the best interests of Primerica.

PRIMERICA, INC.
RESTRICTED STOCK UNIT AWARD AGREEMENT

Primerica, Inc. ("Primerica") hereby grants to [NAME] (the "Participant") Stock Units pursuant to the Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan (the "Plan"), subject to the conditions and restrictions detailed below (the "Restricted Stock Units"). Terms applicable to the Restricted Stock Units are contained in the Plan and in this Restricted Stock Unit Award Agreement (the "Agreement"). Capitalized terms not defined herein shall have the meaning assigned to such terms in the Plan.

1. Grant of Restricted Stock Units.

Grant Date:	May 16, 2019
Number of Restricted Stock Units:	1,069
Vesting Dates:	25% on each of August 16, 2019, November 16, 2019, February 16, 2020 and May 13, 2020
Delivery Date:	On each vesting date

2. Vesting and Delivery. Each Restricted Stock Unit represents an unfunded, unsecured promise by Primerica to deliver one share of Primerica's common stock, par value \$.01 per share ("Common Stock"), subject to the terms and conditions contained in this Agreement and the Plan. The Restricted Stock Units shall, except as set forth in Sections 3(a) and (b) below, become vested on the Vesting Dates set forth in Section 1 and be settled by delivery of shares of Common Stock on the Delivery Date set forth in Section 1. Primerica's delivery of the number of shares of Common Stock equal to the number of the Participant's vested Restricted Stock Units shall discharge all of its duties and obligations under this Agreement.

3. Termination of Service. Notwithstanding anything to the contrary herein, upon a termination of the Participant's service as a member of the Board of Directors of Primerica (the "Board"), the Restricted Stock Units shall be treated as follows:

(a) Termination Other Than For Death or Disability. If the Participant's service on the Board terminates for any reason other than because of the Participant's death or Disability, then (i) if the Participant has served as a member of the Board of Directors for less than five years as of the termination date, vesting of the Restricted Stock Units will cease on the date the Participant's service is so terminated, the unvested portion of the Restricted Stock Units (if any) will be canceled and the Participant shall have no further rights of any kind with respect to any unvested Restricted Stock Units and (ii) if the Participant has served as member of the Board of Directors for five or more years as of the termination date, the unvested portion of the Restricted Stock Units (if any) will vest as of the termination date.

(b) Death or Disability. If the Participant's service on the Board is terminated upon the Participant's death or Disability, the unvested portion of the Restricted Stock Units (if any) will vest as of the termination date. For purposes of the Agreement, "Disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

Outside Director RSU Award Agreement
Approved as of 02/25/19

4. **Stockholder Rights.** The grant of Restricted Stock Units does not entitle the Participant to any rights of a stockholder of Common Stock, including dividends or voting rights, until such time as the Restricted Stock Units are settled in Common Stock. However, prior to the delivery of the shares of Common Stock, the Participant shall have the right to receive dividend equivalent payments in an amount equal to all dividends or other distributions payable with respect to the equivalent number of shares of Common Stock (which shall be payable at such time as the dividends and other distributions are payable to Primerica shareholders).

5. **Nontransferable.** As provided by the terms of the Plan, no rights granted under this Agreement, nor any shares of Common Stock issuable pursuant to this Agreement, shall be transferable or assignable by the Participant (or by any other person), other than by will or by the laws of descent and distribution, and they may not be pledged or hypothecated in any way, prior to the issuance and delivery of the shares of Common Stock pursuant to this Agreement. Any attempted transfer, assignment, pledge or other disposition contrary to the provisions of the Plan and this Agreement shall be null and void and without legal effect.

6. **Consent to Electronic Delivery.** In lieu of receiving documents in paper format, by receipt of the Restricted Stock Units, the Participant consents, to the fullest extent permitted by law, to electronic delivery of any documents that Primerica may be required to deliver (including, but not limited to, stock certificates, prospectuses, prospectus supplements, grant or award notifications and agreements and all other forms or communications) in connection with the Restricted Stock Units. Electronic delivery of a document to the Participant may be via a Primerica e-mail system or by reference to a location on an Internet site to which the Participant has access.

7. **Tax Withholding.** No withholding or deduction for any taxes shall be made by Primerica in respect of the Restricted Stock Units. The Participant shall be solely responsible for the payment of any federal, state, local or other taxes, including but not limited to, estimated taxes and self-employment taxes, as well as any interest or penalties that may be assessed, imposed or incurred, as a result of the compensation paid under the Agreement.

8. **Compliance with EESA.** To the extent that the Participant and the Restricted Stock Units are subject to Section 111 of the Emergency Economic Stabilization Act of 2008, as amended, and any regulations, guidance or interpretations that may from time to time be promulgated thereunder ("EESA"), then any payment of any kind provided for by, or accrued with respect to, the Restricted Stock Units must comply with EESA, and the Agreement and the Plan will be interpreted or reformed to so comply. If requested by Primerica, the Participant will grant to the U.S. Treasury Department (or other body of the U.S. government) and to Primerica a waiver in a form acceptable to the U.S. Treasury Department (or other body) and Primerica releasing the U.S. Treasury Department (or other body) and Primerica from any claims that the Participant may otherwise have as a result of the issuance of any regulations, guidance or interpretations that adversely modify the terms of the Restricted Stock Units that would not otherwise comply with the executive compensation and corporate governance requirements of EESA or any securities purchase agreement or other agreement entered into between Primerica or its affiliates and the U.S. Treasury Department (or other body) pursuant to EESA.

9. **Entire Agreement.** The Agreement and the Plan constitute the entire understanding between Primerica and the Participant regarding the Restricted Stock Units and supersede all previous written, oral, or implied understandings between the parties hereto about the subject matter hereof.

10. No Right to Continued Service. Nothing contained herein, in the Plan, or in any prospectus shall confer upon the Participant any rights to continued service on the Board, at any specific rate of compensation, or for any particular period of time.

11. Arbitration. Any disputes related to the Restricted Stock Units shall be resolved by arbitration in accordance with Primerica's arbitration policies. In the absence of an effective arbitration policy, the Participant acknowledges and agrees that any dispute related to the Restricted Stock Units shall be submitted to arbitration in accordance with the Commercial Rules of the American Arbitration Association, if so elected by Primerica in its sole discretion.

12. Conflict. In the event of a conflict between the Agreement and the Plan, the Plan shall control.

13. Governing Law. The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

14. Internal Revenue Code Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations and other official guidance issued thereunder ("Section 409A"), to the extent subject thereto and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and be administered to be in compliance with Section 409A. References to the Participant's termination of service as a member of the Board or words of similar import as used in this Agreement shall mean the Participant's "separation from service" as such term is used in Section 409A.

15. Successors and Assigns. This Agreement shall be binding on all successors and assigns of the Participant, including, without limitation, the estate of the Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors. This Agreement shall be binding on Primerica and its successors and assigns.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Primerica, Inc.:

We consent to the incorporation by reference in the registration statements No. 333-165834, 333-176508, and 333-220011 on Form S-8 and No. 333-230004 on Form S-3 of Primerica, Inc. of our reports dated February 27, 2020, with respect to the consolidated balance sheets of Primerica, Inc. and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedules I, II, III, and IV, and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appears in the December 31, 2019 annual report on Form 10-K of Primerica, Inc.

/s/ KPMG LLP

Atlanta, Georgia
February 27, 2020

Certification of Chief Executive Officer

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

1. I have reviewed this annual report on Form 10-K 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: February 27, 2020

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

Certification of Chief Financial Officer

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

1. I have reviewed this annual report on Form 10-K 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: February 27, 2020

/s/ Alison S. Rand

Alison S. Rand
Executive Vice President and
Chief Financial Officer

**Certification of CEOs 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 annual report on Form 10-K of Primerica, Inc. (the "Company") for the period ended December 31, 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:	February 27, 2020

/s/ Alison S. Rand

Name:	Alison S. Rand
Title:	Executive Vice President and Chief Financial Officer
Date:	February 27, 2020